



Ministry of Housing,  
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Jeff Houston  
Board Secretary  
Scheme Advisory Board  
18 Smith Square  
London  
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7 February 2019

Dear Jeff

### **Local Government Pension Scheme (England and Wales) – Government cost control mechanism**

Thank you for your enquiry about the written ministerial statement the Chief Secretary to the Treasury made in the House of Commons regarding public service pensions on 30<sup>th</sup> January 2019.

The Chief Secretary's statement announced that the Government was pausing one element of the valuations of public service pension schemes, namely the cost control mechanism. This decision followed a Court of Appeal judgment in December 2018 regarding the transitional protections the Government provided to some members when public service pension schemes were reformed in 2014 and 2015. Whilst the Government is seeking permission to appeal the Court of Appeal judgment, the finding leads to significant uncertainty about the legality of the transitional protections.

Given this context and the uncertainty it creates about the cost of public service pension arrangements, a decision was taken to pause the Government's cost control mechanism. I can confirm that the pausing of cost control applies to all public service pension schemes, including the LGPS in England and Wales.

The statement also confirms that employer contributions in the unfunded public service pension schemes will be going up from April 2019 as planned. Of course, the LGPS is a funded scheme and employer contributions for the period from April 2020 will be assessed through the 2019 valuation process.

The LGPS in England and Wales is alone amongst public service pension schemes in having a second cost control mechanism, which is run by the Scheme Advisory Board. Clearly, the uncertainty generated by the ongoing court proceedings will apply equally in relation to the SAB's calculations on the costs of the scheme and it would be helpful if the SAB Chair could inform the Minister of its plans in relation to the recommendations it submitted to the Government in late 2018.

Yours sincerely

A handwritten signature in black ink that reads "Teresa Clay". The signature is written in a cursive style with a large initial 'T' and a long horizontal stroke at the end of the word 'Clay'.

Teresa Clay  
**Head of Local Government Pensions**