

Local Government Pension Scheme

# Scheme Advisory Board

Jim McMahon MP  
Minister of State  
Ministry of Housing, Communities and Local Government  
Fry Building  
2 Marsham Street  
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Please reply to [joanne.donnelly@local.gov.uk](mailto:joanne.donnelly@local.gov.uk)

Dear Jim,

**Local Government Pension Scheme: Scheme Advisory Board  
Cost Management Process (2020 Scheme Valuation)**

I am writing to you in my capacity as Chair of the Local Government Pension Scheme (LGPS) Advisory Board in England and Wales.

Under Regulation 116 of the LGPS Regulations 2013, the Board has a duty to undertake a scheme cost assessment (SCA) every four years to assess the overall cost of the scheme and the proportions of that cost being met by Scheme employers and members. In distinction from the [recently concluded HM Treasury-directed cost control mechanism](#), the actuarial assumptions on which this assessment is made are set by the Board.

The Government Actuary's Department (GAD) has completed its work on the SCA, using the assumptions agreed by the Board at its meeting in December 2023. At its most recent meeting, in July 2024, the Board received confirmation of the result of 20.5% which has now been confirmed by GAD. GAD's final report is enclosed with this letter.

The report finds that there is a 1% deviation upwards from the scheme's target cost as set out in the LGPS Regulations 2013, which is in the range where the Board may make recommendations which would bring the scheme cost closer to the target cost, but is not obliged to. This letter is to inform you that the Board will not be making any recommendations for benefit changes as a result of the 2020 cost management process. This outcome is consistent with the cost control mechanism process that is managed by HM Treasury and was concluded earlier this year.

I would also like to take this opportunity to raise an issue related to the funding of the scheme. As you will be aware, it has been a long-standing commitment, of successive governments, to keep council tax bills to a minimum by requiring all Departments to fund any new reporting duties, targets and other bureaucratic burdens placed on local authorities – known as the “New Burdens Doctrine”. As part of this, all new policies and initiatives should be costed and the associated extra funding provided by the Government. In recent cases involving the LGPS, eg McCloud remedy and new reporting requirements in the SF3 return, MHCLG officials have taken the position that as the money to fund these extra requirements comes

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from the pension fund in the first instance, Central Government is under no obligation to follow the New Burdens Doctrine.

This seems to flow from a misconception that the pension fund is itself a separate source of funding. Instead, the fund is made up of contributions from scheme employers, around 80% of which (by membership) are local councils, as well as employee contributions – and investment income generated from those contributions. The employers' pension scheme contributions do come from that employer's General Fund. Furthermore, many other employers in the scheme are "admitted bodies" which provide services under contract to local government – so their contributions are also funded through service payments or grants from local government (and again from the General Fund). I would therefore like to ask you to ensure that MHCLG fully abides by the New Burdens Doctrine and does not seek to exempt LGPS-related policies from consideration under it.

Yours sincerely



Cllr Roger Phillips  
Chair of the Board

cc Darren Jones MP, Chief Secretary to the Treasury