Cost Management, Benefit Design and Administration Committee

DATE:	7th November 2017
VENUE:	Cockell Room, 7th Floor, 18 Smith Square, London SW1P 3HZ
TIME:	11.00AM – 1.00PM

AGENDA

Item		Page(s)	Timings
1	Welcome, introductions and apologies	**-**	11:00
2	Matters arising	**Paper A**	11:05
3	Scheme Advisory Board Cost Management Process – GAD update		11:15
4	50/50 survey - Update	**Paper B**	11.45
5	Ill health retirement group - Update		1245
6	Late retirement factors - Update	**Paper C**	12..00
7	2016/17 SF3 statistical return	**Paper D**	12:15
8	Single stage IDRP	**Paper E**	12:30
9	Academies/3rd tier employer projects - Update	**-**	12:40
10	AOB		12.50
11	Date of next meeting		12.55

Cost Management, Benefit Design and Administration Committee

Item 2 Paper A

ACTIONS AND AGREEMENTS
MEETING HELD ON 18th MAY 2017 – 1.00pm
AT LAYDEN HOUSE, 76-86 TURNMILL STREET, LONDON

PRESENT

Fiona Farmer	Chair
Kevin Gerard	Technical Group
Sean Collins	Treasurers
Geoff Dobson	CIPFA
Geoff Reader	Practitioners
Emma Mayall	Practitioners (sub)
Alan South	Practitioners (sub)
Glyn Jenkins	Members (UNISON)
George Georgiou	Members (GMB)
Graeme Muir	Actuaries: Barnett-Waddingham
John Livesey	Actuaries: Mercer
Scott Campbell	Actuaries: Aon Hewitt
John Wright	Actuaries: Hymans Robertson
Jeff Houston	LGA - Board Secretariat
Robert Holloway	LGA - Board Secretariat
Liam Robson	LGA - Board Secretariat
Ian Boonin	GAD
John Bayliss	GAD
Darren Hill	DCLG

APOLOGIES

Bryan Freake	Members (Unite)

1. Welcome, introductions and apologies

The Chair welcomed all in attendance to the meeting. Geoff Dobson informed the committee that this would his last meeting on his retirement. The Chair thanked him for his contribution to the work of the committee and wished him well in his retirement.

2. Matters arising

The Committee noted that the minutes for the previous meeting. Matters not included on the agenda included contribution yields, all other items were on the agenda.

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3. **Scheme Advisory Board Cost Management Process – GAD update**

The Committee received a presentation from GAD on their initial findings on membership data. In summary, there were some difficulties due to the reporting cycle covering 2014, which would not be a normal triennial cycle, but in conclusion, the data used was of sufficient quality for membership analysis.

GAD also provided an update on the actuarial assumptions needed for the Board's cost management arrangement. There were some elements that may exert pressure on the cost cap including pensioner mortality, withdrawals and promotional pay.

The general message was that there were no significant/material deviations from the assumptions adopted in 2013, and that work would continue to refine and finalise the analysis.

AGREED – that work on the analysis will be finalised in time for SAB to take advice and discuss and agree the assumptions to be adopted at the next SAB meeting in June.

4. **50/50 survey - update**

The Committee was provided with a summary paper of the responses received to date. A total of 5,582 responses had been received, and the survey was to remain live until the end of July 2017.

Initial indications show that around 60% of members of the Scheme responding were not aware of the 50/50 option. The percentage of respondents in the 50/50 section appears higher than the estimate for the whole scheme, which would indicate a higher level of engagement among 50/50 membership.

5. **Ill health retirement group**

The Committee noted the paper and progress that had been made since the last meeting. The three subjects of the paper covered; removal of the three-tier system (to be replaced with two "levels" – more in line with other public sector schemes); centralisation of an Independent Registered Medical Practitioner (IRMP); and early payment of deferred benefits on ill-health grounds.

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AGREED – **that the group should undertake further work and return to the committee with a firm proposal on removal of the third tier as part of a general move to simplify the scheme's ill-health retirement provisions.**

AGREED – **that the group should undertake further work on the IRMP arrangements, and return to the committee with an assessment of options for change with recommendations.**

AGREED – **that the group should prepare a paper on payment of deferred benefits on ill-health grounds and return to the committee with a firm proposal.**

6. Late Retirement factors

The committee noted the draft paper setting out options for improving the way in which additional pension earned after a member's normal retirement age is calculated which has been informally agreed with DCLG.

AGREED – **that formal discussions with DCLG and GAD should commence with the aim of options for change being made for the committee and SAB to consider before formal recommendations are made to DCLG Ministers. .**

7. Impact of Purdah

The committee noted that the impact of Purdah had meant that some work on exit payments, late retirement factors, new Fair Deal, Brewster cases and other issues will be delayed until after the general election.

8. AOB

i) 2016 Valuation – initial findings

The committee noted the initial valuation findings and also the intention of the secretariat to publish all LGPS fund valuation reports with a summary note.

In addition, other issues discussed included the Pensions Ombudsman's opinion on benefits on ill health, the action plan in place to improve valuation data extracts, resourcing of pension teams and possible action to be taken by the Pensions Regulator.

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9. Date of next meeting

<u>AGREED</u> - that the next meeting of the Committee should be held in early autumn. Potential dates and times to be circulated via email after the meeting.

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COST MANAGEMENT, BENEFIT DESIGN AND ADMINISTRATION COMMITTEE
7th November 2017

Item 3 Paper F : SAB Cost Control Mechanism

There are a number of decisions that the Board will need to make on financial and demographic assumptions to enable GAD to complete work on assessing the employer cost cap for the purposes of the Board's cost management arrangement. To assist in this process and to enable the Investment, Governance and Engagement committee to make recommendations to the Board, the committee's Chair and Secretary met with GAD on the 27th October. The following issues were discussed.

SCAPE rate

The initial employer cost cap of 14.6% was based on the SCAPE rate of 3%. However, a change in March 2016 to 2.8% resulted in the scheme's employer cost cap being revised to 15.3%. This will disturb the scheme's employer/employee 2:1 ratio as prescribed in the scheme's regulations. However, adopting the lower SCAPE rate at this stage does not necessarily imply where any changes in cost may be borne.

The question for the committee is whether the recommendation should be for the Board to retain the former SCAPE rate of 3.0% or follow the change to 2.8% and any future changes in the rate. To assess the extent to which the change to 2.8% was reflected at the 2016 valuation, GAD undertook to provide the committee with the relevant data. GAD have indicated that the local discount rates, net of CPI, fell by an average of just under 0.2% on average between 2013 and 2016. This is broadly in keeping with the change in SCAPE rate.

Post retirement mortality improvements

HM Treasury's Directions are based on current ONS projections, the most recent published on 26th October. According to ONS, actual life expectancy has increased less than expected since mid-2014. The long term assumption that annual rates of improvement will converge to 1.2% for most ages in the 25th year of projections remains unchanged.

However, scheme costs are based on the CMI process adopted by local fund actuaries. Assumptions on the long term improvements in mortality adopted by the four actuarial firms at the 2016 valuation are set out below :-

Aon Hewitt – CMI 2014 model (1.5% pa improvement)
Barnett Waddingham – CMI 2015 model (1.5% pa improvement)

Hymans Robertson – CMI 2013 model (1.25% pa improvement)
Mercers – CMI 2015 model (1.75% pa improvement (males); 1.5% pa improvement (females).

Although the long term improvement rate for ONS (1.2%) is lower than the rates adopted above, that does not imply that the ONS projections will result in lower life expectancies than the CMI projections referred to above, because the short and medium term rates of improvement are also important. GAD is analysing the impact of the latest ONS projections.

Note that the SAB target cost of 19.5% and the initial employer cost cap under the HMT process were both based on ONS mortality projections.

Commutation

SAB has been minded in the past to assume that members commute 65% of the maximum allowable amount of their pension in to lump sum (equivalent to 23.2% of pension commuted).

HMT Directions specify the assumption that scheme members will surrender 15% of their pension for a lump sum. This contrast with the data shown below provided by GAD :-

CAT	Gender	Number of members	Initial pension amount	Proportion commuted
Ill Health	F	824	2,468,395	26.1%
Ill Health	M	409	1,724,065	25.6%
Normal Health	F	12,422	13,724,410	22.7%
Normal Health	M	8,404	14,370,133	24.4%
Total / Average		**22,059**	**32,287,003**	**23.9%**

1) The data sample is relatively small so may not be representative in itself (approx. 20,000 in the sample, vs 170,000 total retirements in the period.
2) It is potentially an atypical group (post-2008 joiners retiring now might not be the same as all post-2008 joiners, in particular they're going to have smaller LGPS pensions at retirement than the general post-2008 group).

The question for the committee is whether the 15% set by Treasury's Directions is out of step with the assumptions adopted by local fund actuaries set out below and on which basis contribution rates were determined.

Mercers

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take a 3/80ths cash sum (the standard for pre April 2008 service). Members have the option to commute part of their pension at retirement in return for a lump sum at a rate of £12 cash for each £1 per annum of pension given up.

Hymans Robertson

50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% for service from 1 April 2008).

Barnett Waddingham

Members will commute pension at retirement to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension.

Aon Hewitt

Each member is assumed to surrender pension on payment, such that the total cash received is 80% of the permitted maximum.

<u>50/50 option</u>

There are a number of questions relating to the 50/50 option that are covered in a separate agenda paper (Item 4 Paper B). It is important to note that the scheme's initial costing of 19.5% was based on an assumption imposed by Treasury that 10% of members earning less than £21k would opt into the 50/50 arrangement with a resultant saving of about 0.5% of paybill. However, experience has shown that the actual take up rate has been less than 1% which results on a material cost pressure on the Board's cost management arrangement.

The questions for the committee, as set in Paper B, are as follows :-

"That the committee considers the findings of the survey summarised above, considers next steps and agrees action points for consideration by SAB on the 16th November 2017 in two areas: communication and costing.

Firstly, to consider a recommendation to the SAB of a focussed communication exercise to increase awareness of the 50/50 scheme, in particular to those considering opting out of the scheme.

To consider a recommendation regarding the treatment of 50/50 for the purpose of the Scheme's cost management process:

Option 1 – stick with HMT's assumption
Option 2 – follow the 2016 assumption of local fund actuaries
Option 3 – adopt a SAB assumption between 1 & 2"

In addition, the committee will need to consider whether to revise the target initial cost of 19.5% of allow the cost, that is, the savings that have not accrued due to the lower than assumed take up rate, to be recognised through the Board's cost control mechanism.

Club transfers

In November 2016, the then Chair of the committee wrote to DCLG Ministers requesting that the scheme should leave the club transfer scheme given that it was not part of the initial scheme design on which the initial 19.5% cost was based and was imposed by HM Treasury to achieve consistency across the major public service pensions schemes. This imposition led to an increase in scheme costs of about 0.3% of paybill (now 0.2% based on the latest available data). In his reply, Marcus Jones rejected the committee's proposal and indicated that further consideration should await the impact of the Board's cost control mechanism.

The question for the committee is whether the costs associated with belonging to the transfer club should not feature as part of the Board's assumptions or alternatively, that they are recognised but leaving open the possibility of the Board repeating its request for the scheme to leave the transfer club.

Revaluation

The November 2016 letter to DCLG Ministers also included a request to revert back to the original way in which scheme regulations governed the revaluation of annual pension accounts in the new CARE scheme. As with the transfer club, the more costly arrangement amounting to 0.4% of paybill, was imposed by HM Treasury and therefore outside of the initial target cost of 19.5%.

As above, the question for the committee is whether the cost pressure of 0.4% should form part of the Board's cost control mechanism.

Timing

Regulation 116 of the Local Government Pension Scheme Regulations 2013 was drafted on the basis that any scheme changes agreed following a recommendation made by the Board would be introduced in time for local fund actuaries to reflect the cost savings (or benefits) at the next subsequent triennial valuation. For the current cost control exercise, the expectation is that any necessary changes would be on the statute book by 1st April 2019.

Regulation 116(9) requires any report from the Board, including recommendations, to be submitted to DCLG Ministers within 23 months from the date the scheme cost assessment is obtained. On the current timescale and assuming that the Board decides all outstanding questions when it meets on the 16th November, it is doubtful whether the scheme cost assessment would be available before March 2018. On that basis it is unlikely that there would be sufficient time for DCLG to consider the Board's report, for a normal 12 week statutory consultation to be undertaken and for the regulations to be in place in time for 2019 valuation.

The committee should therefore be mindful that as an alternative to amending regulations being in place by 1st April 2019, steps could be taken to ensure that there is sufficient clarity in the public domain, for example, a statutory consultation or Ministerial Statement, to give local fund actuaries the assurance they need that the agreed changes will become statute at some point in the future.

Bob Holloway
Pensions Secretary
Scheme Advisory Board
6th November 2017

COST MANAGEMENT, BENEFIT DESIGN AND ADMINISTRATION COMMITTEE – 7th November 2017

Item 4 Paper B : 50/50 Survey

50/50 Survey – Summary, conclusions and recommendations

As part of the internal cost management process, the Scheme Advisory Board tasked the LGPC Secretariat to produce an online survey to ascertain the reason for the low take up of the scheme's 50/50 section. Administering authorities in England and Wales were asked to make their members aware of the survey and encourage them to complete it, where applicable.

The survey was live on the homepage of www.lgpsmember.org between 6th April and 29th July 2017 during which 8,716 responses were submitted. The results of the survey are shown at **Annex 1.**

Summary

a) **50/50 section members**

1. 242 respondents (2.8%) had opted from the main scheme into the 50/50 section of the scheme. This is slightly higher than the anecdotal evidence prior to the survey suggested but significantly less than the assumption of 10% (of those members earning less than £21k) imposed by HM Treasury on the cost of the new scheme introduced in April 2014. Because the savings to the scheme from the 50/50 section appear to be significantly less than was assumed, we can expect to see a cost pressure in the cost management process of around 0.5% of paybill **[check figure with GAD]**.

2. Of the 242 respondents who had opted into the 50/50 section, almost 50% (121) said that they had done so because they could not afford full membership at the moment but that they do plan to move to the full scheme when they can. A further 81 respondents (33%) said that they were content to remain in the 50/50 section as it represents good value. About 10% of those members who had opted into the 50/50 section said that they had done so because they had reached the ceilings on contributions or annual or lifetime tax allowances.

b) **Full scheme optants-out**

3. 222 respondents (2.5%) had opted out of the scheme. 67% of these respondents (150) said that they were unaware of the 50/50 section of the scheme. It should be noted that it is possible some of these individuals opted out of the scheme prior to the introduction of 50/50.

4. Almost 1,500 (17.2%) of those surveyed said that they weren't sure whether they were in the scheme or not. Although not directly relevant to the 50/50 section, this statistic does indicate an issue with communication between administering authorities and their workforce on pension issues.

5. Of the 75 respondents who opted out of the scheme knowing about the 50/50 section, 28 (37%) considered that it was still too expensive despite the reduced contributions. A further 22 respondents (29%) said that they had other pension arrangements while 15 (20%) said that they did not want a pension.

c) Full scheme members

6. Out of the 6,769 respondents who are full members of the scheme, 3,428 (50%) said that had not heard about the 50/50 section whereas 2,745 (40%) said that they had heard of the 50/50 section but preferred the level of benefits offered by the full scheme. A very small minority of 34 members (0.5%) claimed that the process of moving to the 50/50 section is too difficult and complicated.

Conclusions

a) Low take up rate

7. The survey confirmed the anecdotal evidence that the number of scheme members choosing to opt into the 50/50 section is far less than that assumed when the new scheme was designed and on which the cost of future service of 19.5% was partially based. This low take up rate is further evidenced by the choice made by some fund actuaries at the 2016 valuation to assume a zero level of optants into the 50/50 section.

b) Poor communication

8. The survey also confirmed the concern that the 50/50 option has not been well publicised both in terms of current scheme members and those who had opted out altogether from the main scheme. Conversely, claims about the opting in to the 50/50 section process being made too difficult or complicated was not borne out by the survey where only 34 out of the 3,428 scheme members who were aware of the 50/50 section considered the process to be too difficult or complicated.

9. On a more general level, the fact that about 17% of respondents weren't sure whether they were in the scheme indicates that the communications problem goes beyond publicity surrounding the 50/50 section where it is known that certain administering authorities have taken a clear decision not to promote it on the grounds that it is in scheme members' best interest to remain in the full scheme.

c) Motive

10. Leaving aside the 50% of full scheme members who said that they were unaware of the 50/50 section, the overwhelming majority said that the full scheme offered

good value, the clear inference being that the 50/50 section is not seen as a worthwhile option.

11. Of the small number of members who had opted into the 50/50 section, a sizeable number have done so on grounds of affordability but conversely, a fair number of those members who have opted out of the scheme altogether cited even the 50/50 section being too expensive.

12. There is clear evidence from the survey that affordability is the main motivating factor for opting into the 50/50 section but given the low pay nature of the workforce, it is surprising that only 2.8% of respondents felt it necessary to reduce their spend on pension contributions. This could be for a number of reasons including :-

- The full scheme is considered to represent good value for money;
- Poor communication, or
- Most members have become accustomed to paying the full rate of contribution.

d) General

13. With such a low take up rate, the future viability of the 50/50 section ought to be open to question. However, the survey results indicate that a significant proportion of scheme members, and those who have already opted out of the main scheme, were unaware of the 50/50 section. It is therefore reasonable to assume that the take up rate could improve with better and more effective publicity and communication.

14. It may therefore be premature to recommend withdrawal of the 50/50 section from the scheme on the basis of the survey's findings alone.

Recommendations – **That the committee considers the findings of the survey summarised above, considers next steps and agrees action points for consideration by SAB on the 16th November 2017 in two areas: communication and costing.**

Firstly, to consider a recommendation to the SAB of a focussed communication exercise to increase awareness of the 50/50 scheme, in particular to those considering opting out of the scheme.

To consider a recommendation regarding the treatment of 50/50 for the purpose of the Scheme's cost management process:
Option 1 – stick with HMT's assumption
Option 2 – follow the 2016 assumption of local fund actuaries
Option 3 – adopt a SAB assumption between 1 & 2"

Annex 1

The answers to certain questions in the survey directed respondents to complete a certain section of the survey. These are shown below in bold text below. IN all other cases, respondents received an end of survey message.

Q1. Are you currently a member of the LGPS?

8716 responses

Yes, I am a full member of the LGPS (i.e. not in the 50/50 section) **(Go to Q4)**	6756	77.5%
Yes, but I have opted for the 50/50 section of the LGPS rather than full membership **(Go to Q5)**	242	2.8%
No, I have opted out of the scheme **(Go to Q2)**	222	2.5%
I'm not sure	1496	17.2%

Q2. When you opted out of the LGPS were you aware of the option of joining the 50/50 section?

224 responses

No, I didn't know about the 50/50 section	150	67%
Yes, I knew about the 50/50 section **(Go to Q3)**	74	33%

Q3. When you opted out of the LGPS why did you not consider joining the 50/50 section instead?

75 responses

I don't understand how the 50/50 section works	9	12%
The process of moving to the 50/50 section is too difficult/complicated	1	1.3%
Even with the reduced contributions it is still too expensive	28	37.3%
I have other pension arrangements	22	29.3%
I don't want a pension	15	20%

Q4. Have you considered opting for the 50/50 section of the LGPS?

6769 responses

No, I haven't heard about the 50/50 section	3428	50.6%

Yes, but I don't understand how the 50/50 section works	562	8.3%
Yes, but the process of moving to the 50/50 section is too difficult/complicated	34	0.5%
Yes, but I prefer the benefits that full membership provides	2745	40.6%

Q5. Why did you opt for the 50/50 section?

243 responses

Because I cannot afford full membership at the moment but I plan to move to the full section when I can	121	49.8%
Because I cannot afford full membership and the benefits provided by the 50/50 section are still good value	81	33.3%
Because I have already built up sufficient pension benefits but I want to keep the ill health and life cover, as well as taking advantage of tax relief and employer contributions	9	3.7%
Because being in the 50/50 section enables me to reduce the chance of exceeding the annual or lifetime allowance.	15	6.2%
Other reason(s)	17	7%

COST MANAGEMENT, BENEFIT DESIGN AND ADMINISTRATION COMMITTEE
7th November 2017

Item 6 Paper C : Late retirement factors

Background

In April 2016, DCLG published a suite of new actuarial factors. It was proposed to include a new set of factors to calculate the additional pension paid for late retirements but this was put to one side because the detrimental impact would adversely affect those who had already agreed to retire based on the earlier, more beneficial factors.

The late retirement factors were eventually published in October 2016 with a coming into effect date of January 2017 on the basis that the 3 month delay would exclude any member who had already agreed to their retirement. However, one fund in particular claimed that they never received details of the new factors in October and that certain members might not have sought retirement had they known that less beneficial factors had been in force.

Correspondence was sent to Marcus Jones, the Minister for Local Government, who subsequently wrote to the Chair of the scheme advisory board on the 27th March 2017. A copy of his letter is at **Annex** 1.

The Secretariat discussed various options for change as requested by the Minister with DCLG officials and the Government Actuary's Department. Based on these discussions, a draft letter for Councillor Phillips to send to Marcus Jones is attached at **Annex 2** for the committee's consideration.

Recommendation – that the committee considers whether the attached draft response to the Minister is an appropriate response to be sent to the Board for its approval on the 16th November 2017 or whether the Secretariat should explore other options for re-consideration by the committee.

Annex 1

Department for Communities and Local Government

Marcus Jones MP
Minister for Local Government

Department for Communities and Local Government
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Cllr Roger Phillips
Chair, Local Government Pension Scheme
Advisory Board
Layden House
76-86 Turnmill Street
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2 7 MAR 2017

Dear Roger,

I am aware that the implementation of new late retirement factors last year has attracted some criticism. While the new factors were undoubtedly fair, in the sense of being actuarially neutral, some members made representations to me that implementation could have been better. However, even with the three month implementation period I granted, some members still felt that they had less time than they would like to make important decisions about their future.

I am sympathetic to some of the arguments from scheme members that they should have greater security about the entitlements they have built up and to always have a genuine choice about whether to stay on past retirement age.

There are different ways to achieve those aims and any changes to the scheme need to be workable, affordable, fair to members and employers, and offer consistency with our approach to pension entitlements in the wider public sector.

I understand that this matter has also been discussed at the most recent meeting of the Scheme Advisory Board. I would like to invite you to further consider whether it would be appropriate to revise the implementation of late retirement factors, and if so what recommendations you would propose to best give effect to that. I am also content for that consideration to include assumptions about future salary growth.

I understand that the 2016 valuation will be the main focus of the Board in the coming months, but I would welcome recommendations by the end of September 2017, if possible.

Yours Sincerely.

Marcus

MARCUS JONES MP

Annex 2

**“LOCAL GOVERNMENT PENSION SCHEME
LATE RETIREMENT FACTORS**

Your letter of 27 March 2017 invited the Scheme Advisory Board to come forward with recommendations to revise the implementation of late retirement factors following the criticism that publication of new factors in October last year attracted.

The Board agrees that scheme members must have greater security and certainty about the entitlements they have built up and this letter sets out a number of options for change that we believe can achieve these key objectives. In summary, the Board recommends to you that :-

- DCLG should publish new actuarial guidance to provide that on retirement, the late retirement factors in force at any time throughout the period of membership after normal retirement age should be applied rather than the current position where the factors in force at the time of retirement are applied to all membership after normal retirement age;
- the Government Actuary’s Department should be invited to review these factors on a more regular basis rather than the existing practice of waiting until a material change has occurred;
- a period of say, 1 month, should be allowed between publication and any new factors coming into effect, and
- communication with administering authorities should be improved to ensure that key information is received by all intended recipients.

These are explained in more detail below.

Publish new actuarial guidance

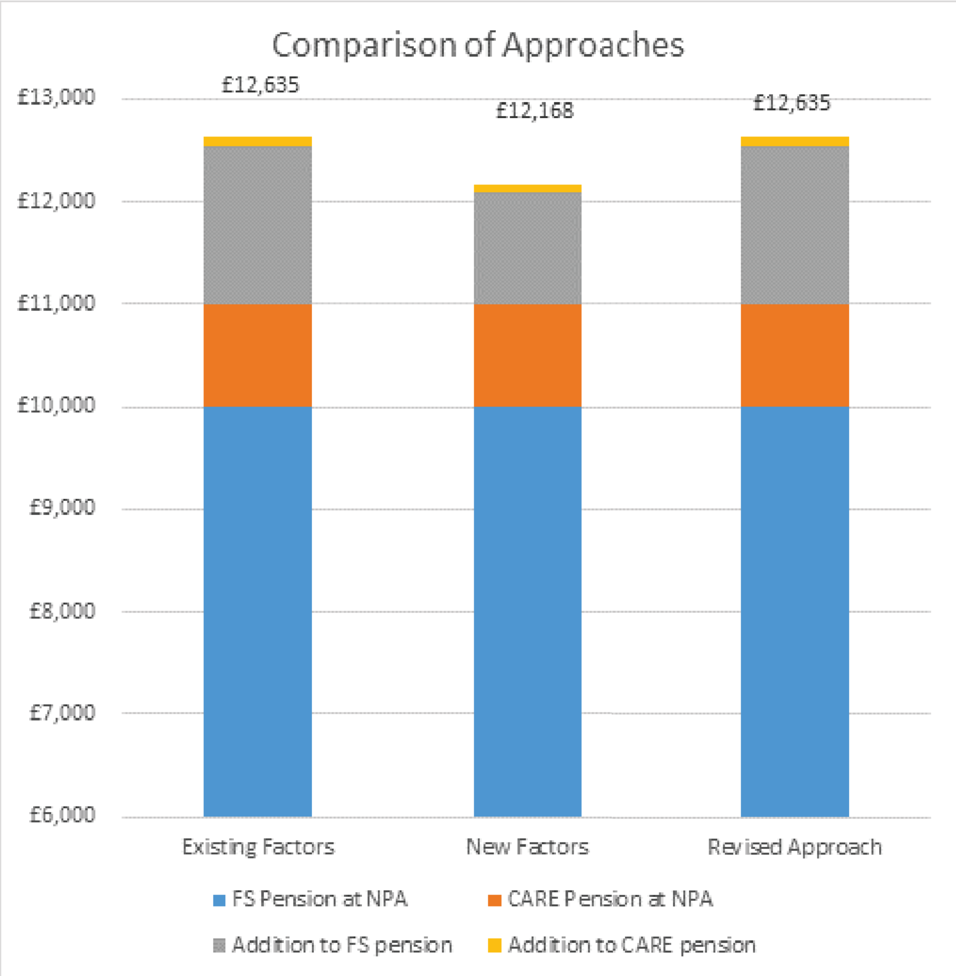
At present, a member who works for a further 4 years after their normal retirement age of 65 and who retires at the age of 69 is entitled to receive additional pension based on the late retirement factors in force on the date of retirement. If less beneficial factors had been introduced at age 68, the impact would apply to the entire four year period after normal retirement age. The Board believes that this “cliff edge” approach may be unfair and represents a significant risk to both parties in managing the retirement of late retirees.

To achieve more certainty and fairness, the Board recommends that the Department’s actuarial guidance on late retirement factors should be amended to instruct administering authorities to apply the late retirement factors that were current throughout the period of membership after normal retirement age. In this way, any favourable or adverse impact would only relate to the period worked after normal pension age following the introduction of any new factors, with all the enhancement to pension for the period worked after normal pension age but before the change in the factors fully protected. The impact of this change is shown in the example below :-

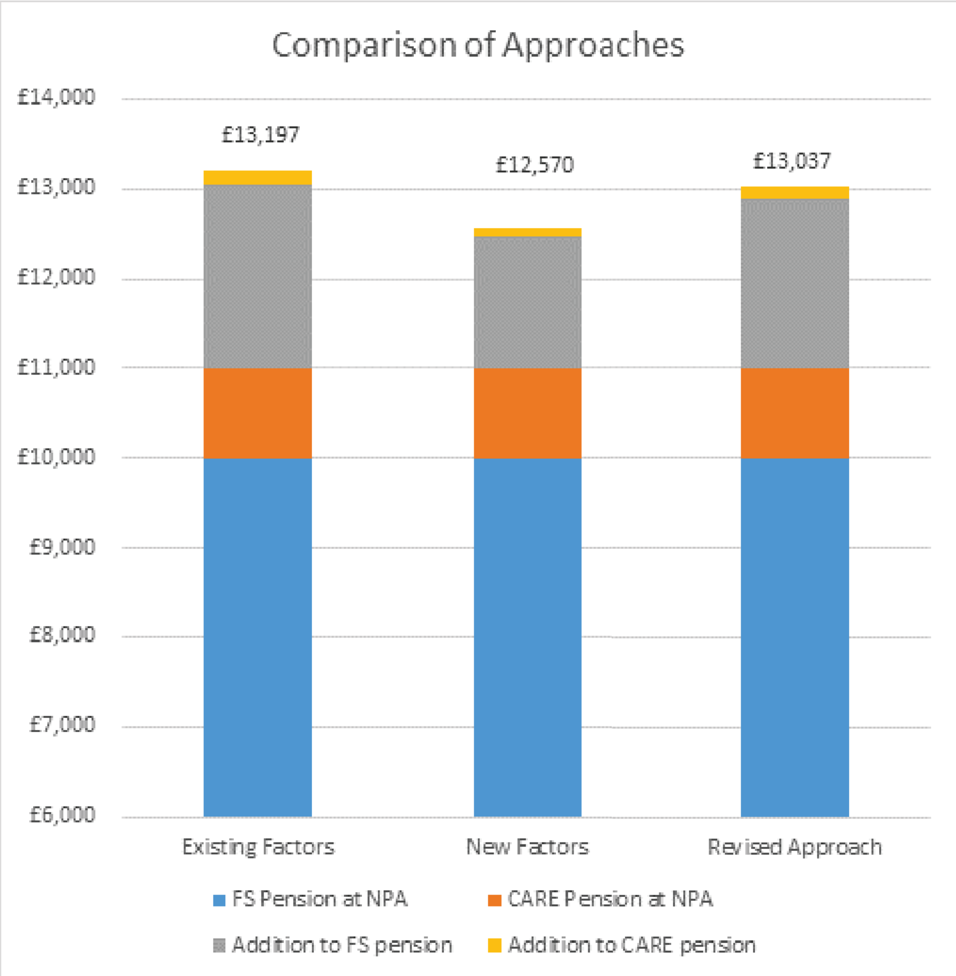
Member's Actual Retirement Age	69
Members State Pension Age (CARE)	66
Member's NPA (Final Salary)	65

Base Data		Amount	Normal Pension Age	Years Late
Final Salary Pension	=	£10,000.00	65	4
CARE Pension	=	£1,000.00	66	3
Final Salary (Pre 2008) Lump Sum	=	£20,000.00	65	4

If the member retires on the effective date of the factors change (4 January 2017), the revised approach leads to exactly the same pension, as shown in the following chart.



For a member retiring a year later (with the same pension details), the revised approach produces a pension slightly lower than if the old factors had applied, but higher than that generated by the new factors.



We do not envisage that any changes to the scheme's regulations would be needed to introduce this change, although the Department may wish to take legal advice as appropriate. It should also be noted that making this change would bring the LGPS in England and Wales into line with the approach taken by other unfunded public service pension schemes for late retirement from their reformed CARE schemes.

The Board also recommends that subject to any consultation, any agreed actuarial guidance should be published at the earliest possible opportunity to remove the cliff edge provision from the scheme.

Regular review of factors

The regular review of late retirement and other factors used by scheme administrators is essential to ensure that scheme members are not subject to drastic, detrimental changes when new factors are introduced. . The Board therefore recommends that you invite GAD to review their processes and come forward with proposals to ensure that all factors are subject to regular review.

Commencement date for new factors

The proposed removal of the cliff edge provision would eliminate the risk of scheme members being unable to plan their retirement with any reasonable degree of uncertainty. All additional pension accumulated up to the date when any new factors are introduced would be fully protected and unaffected by the change. New factors could therefore come into effect on the day they are published but the Board takes the view that a limited period of, say 1 month, between publication and their effective date, would be a better way forward.

The Board also takes the view that any agreed change should be communicated by administering authorities to all scheme members to ensure that the membership is fully aware of how any agreed change will work in practice.

Improved communication
You will be aware that one administering authority in particular was unaware that the new late retirement factors had been published and that dispensation was given to them to extend the commencement date. On examination, it is clear that both our email circulation lists are less than robust and that for a variety of reasons, they are not as up to date as they need to be.

To overcome this, the Board is willing to consult with administering authorities on ways of improving communication on key issues. One option we would like to explore would be for authorities to move away from personal email contacts towards generic, shared email accounts which are less likely to change over time.

If you are content, we will work with your pensions' team and other stakeholders to prepare a discussion paper for consultation."

Department for Communities and Local Government

Local Government Pension Scheme Funds: England and Wales 2016-17

Local Government Finance
Statistical Release

25 October 2017

- Total Local Government Pension Scheme expenditure in England and Wales in 2016-17 was £11.8 billion. Removing the effect of the merger of the Richmond upon Thames and Wandsworth Pension Funds from 1 October 2016 there was a like-for-like increase of £0.4 billion or 3.6% on 2015-16.

  For England expenditure in 2016-17 was £11.1 billion. There was a like-for-like increase of £0.4 billion or 4.2% on 2015-16.

  For Wales expenditure in 2016-17 was £0.7 billion. There was a decrease of £37 million or 4.9% on 2015-16.

- Total Local Government Pension Scheme income in England and Wales in 2016-17 was £14.7 billion. Removing the effect of the merger of the Richmond upon Thames and Wandsworth Pension Funds from 1 October 2016 there was a like-for-like increase of £0.7 billion or 5.5% on 2015-16.

  For England income in 2016-17 was £13.9 billion. There was a like-for-like increase of £0.8 billion or 6.1% on 2015-16.

  For Wales income in 2016-17 was £0.8 billion. There was a decrease of £28 million or 3.3% on 2015-16.

- Employers' contributions to the Local Government Pension Scheme in 2016-17 in England and Wales amounted to £7.4 billion and employees' contributions to the scheme were £2.1 billion.

- The market value of the Local Government Pension Scheme funds in England and Wales at the end of March 2017 was £259 billion, an increase of £45 billion or 21%.

- The Local Government Pension Scheme in England and Wales encompassed 5.6 million people at the end of March 2017. Of this number, 2.0 million are employees who are still contributing to the scheme, 1.6 million are pensioners and 2.0 million are former employees who are entitled to a pension at some time in the future.

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Date of next publication:
October 2018

Introduction

This release has been compiled by the Department for Communities and Local Government and provides information on Local Government Pension Scheme funds in England and Wales that was gathered on the SF3 (Pensions) 2016-17 forms that were submitted by all 89 Administering Authorities. This is the first release to show data for England and Wales combined. In previous years there has been a release for England and a separate one for Wales. Tables 1 – 6 of this release will also be available for England and Wales separately to aid continuity in these series and can be found at https://www.gov.uk/government/collections/local-government-pension-scheme.

The SF3 (Pensions) form collects information on Local Government Pension Scheme funds' income, expenditure, membership, retirements and other activities. It also shows other associated information for the financial year 2016-17 and changes over previous years.

NB In this release,

- the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 are referred to as the 2007 regulations;
- the Local Government Pension Scheme (Administration) Regulations 2008 are referred to as the 2008 regulations; and
- the Local Government Pension Scheme is referred to as the LGPS.

When looking at the figures in this release it should be remembered that throughout the year there are always staff transferring their pensions into, and out of, the LGPS because they either commence work for an employer who is a member of the LGPS and bring their accrued pension with them, or they move to another employer and take their pension pot with them. In addition, there will be occasions where staff transfer between LGPS schemes and so there will also be transfers between funds within the LGPS.

Special factors affecting 2014-15

During 2014-15, responsibility for the pensions of approximately 46,000 probation service members of the LGPS were transferred from 34 different pension administering bodies in England and Wales to one, the Greater Manchester Pension Fund. This included both current employees, former employees who will receive a pension in the future and pensioners. This resulted in large increases in the Transfer Values shown in both **Table 1** and **Table 2** below.

Special factors affecting 2016-17

During 2016-17, the Pension Funds for Richmond upon Thames and Wandsworth merged. The merger took effect from 1 October 2016, as per SI 2016 No. 1241. This resulted in large increases in the Transfer Values shown in both **Table 1** and **Table 2** below.

These factors make direct comparisons with both previous and subsequent years misleading. So for this year like-for-like comparisons have been made by adjusting the 2016-17 figures for Expenditure and Income to remove the effect of the merger.

1. Expenditure: 2012-13 to 2016-17

Table 1 and **Chart A** provide figures of the expenditure of the Local Government Pension Scheme (LGPS) in England and Wales from 2012-13 to 2016-17.

- Total LGPS expenditure in 2016-17 was £11.8 billion. Removing the effect of the merger of the Richmond upon Thames and Wandsworth Pension Funds from 1 October 2016, there was a like-for-like increase of £0.4 billion or 3.6%.

- The expenditure on benefits in 2016-17 was £9.5 billion, an increase of £0.3 billion or 3.2% on 2015-16. Of this, expenditure on pensions and annuities was £7.7 billion, an increase of £0.2 billion (3.4%) and expenditure on lump sums paid on retirement was £1.5 billion, an increase of £17 million (1.1%) on 2015-16.

- Disposal of Liabilities was £1.2billion in 2016-17. Removing the effect of the merger of the Richmond upon Thames and Wandsworth Pension Funds from 1 October 2016, there was a like-for-like increase of £11 million on 2015-16.

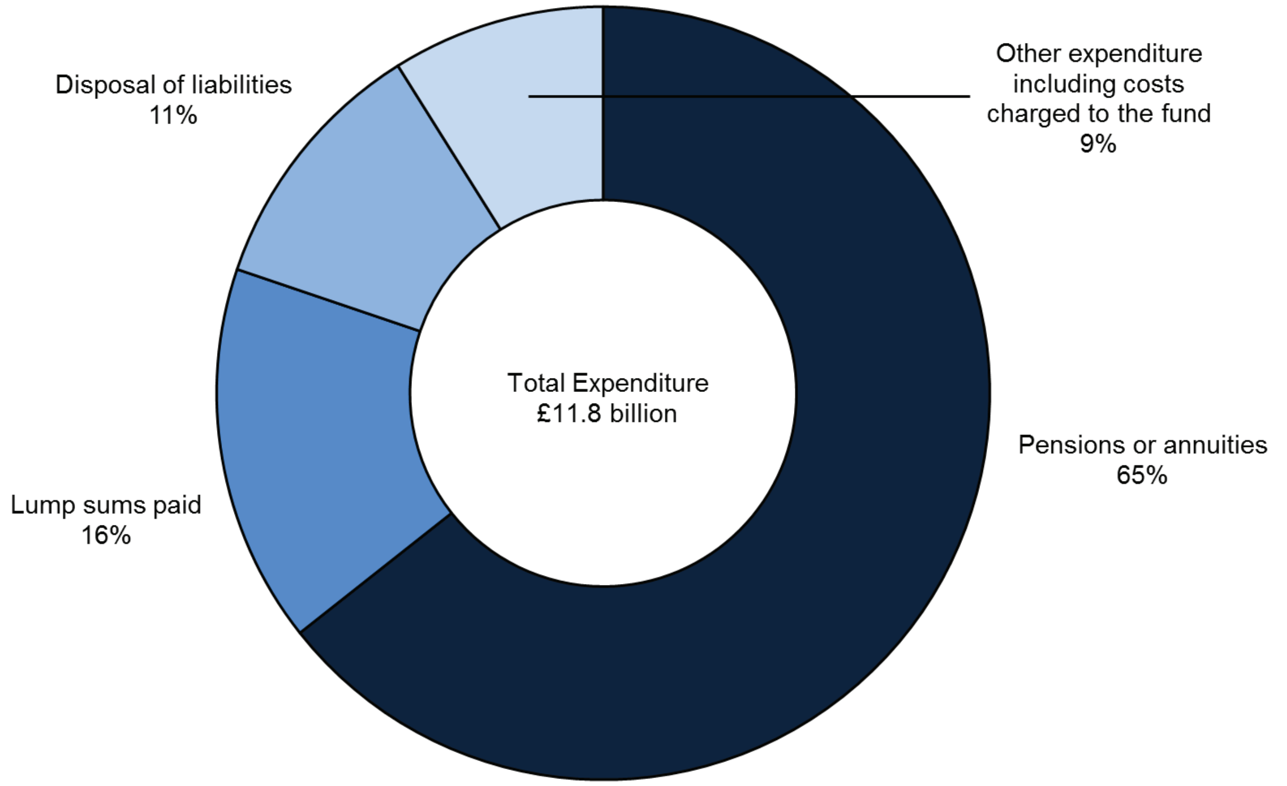
- Costs charged to the funds increased by £73 million, or 7.6%, in 2016-17 to £1 billion.

Table 1: Local Government Pension Scheme expenditure 2012-13 to 2016-17, England and Wales

	2012-13	2013-14		2014-15		2015-16 [(c)]		£ million 2016-17
Total expenditure on benefits	8,006	8,388		8,856		9,241		9,533
of which :								
Pensions or annuities	*6,394*	*6,740*		*7,133*		*7,426*		*7,675*
Lump sums paid on retirement	*1,315*	*1,329*		*1,394*		*1,494*		*1,511*
Lump sums paid on death	*175*	*180*		*186*		*204*		*216*
Optional lump sum	*118*	*138*		*142*		*114*		*128*
Other benefits	*4*	*1*		*1*		*3*		*3*
Disposal of Liabilities	523	501	‖	3,139	‖	562	‖	1,248
of which :								
Transfer values [(a)(d)]	*523*	*501*	‖	*3,137*	‖	*557*	‖	*1,243*
Pensions Act premiums	*0*	*0*		*2*		*5*		*4*
Refunds of contributions	*0*	*0*		*0*		*0*		*0*
Costs charged to the funds	*536*	*627*	‖	*878*		*962*		*1,035*
of which : [(c)]								
Fund Management costs [(b)]	*409*	*494*	‖	*748*		-	-	-
Administration costs	*127*	*133*	‖	*130*		-	-	-
Investment management expenses	-	-		-		*801*		*866*
Administrative expenses	-	-		-		*111*		*116*
Governance and oversight costs	-	-		-		*50*		*53*
Other expenditure	*17*	*16*		*23*		*20*		*31*
Total expenditure	**9,082**	**9,531**	‖	**12,896**	‖	**10,785**	‖	**11,846**

(a) Transfer values for 2014-15 includes an exceptional transfer of £2.6 billion from a number of LGPS funds to the Greater Manchester Pension Fund in respect of MoJ/Probation Service staff w ho w ere transferred to that fund during 2014-15.
(b) The w ay Fund Management costs are reported w ere changed during 2014-15 follow ing revised guidance from CIPFA
(c) Recording of Management expenses in SF3 2015-16 w as changed in line w ith CIPFA guidance
(d) Transfer values for 2016-17 includes £675 million transfer from Richmond upon Thames for the merger of Richmond upon Thames and Wandsw orth Pension Funds from 1 October 2016

Chart A: **Local Government Pension Scheme expenditure in 2016-17 England and Wales**



In 2016-17 the Richmond upon Thames and Wandsworth Pension funds merged from 1 October 2016. This meant that the Disposal of Liabilities percentage share of Expenditure was approximately double that in 2015-16.

2. Income: 2012-13 to 2016-17

Table 2 and **Chart B** provide figures of the income to the LGPS in England and Wales and the market value of the scheme from 2012-13 to 2016-17.

- The total income of the LGPS in 2016-17 was £14.7 billion. Removing the effect of the transfer of the merger of the Richmond upon Thames and Wandsworth funds from 1 October 2016, the like-for-like increase was £0.7 billion or 5.5%.

- Employers' contributions to the LGPS in 2016-17 amounted to £7.4 billion, an increase of £0.3 billion or 4.8% on 2015-16; employees' contributions to the scheme increased in the same period by £9 million or 0.4% to £2.1 billion.

- The market value of LGPS funds at end of March 2016 was £259 billion, an increase of £45 billion or 21%

Table 2: **Local Government Pension Scheme income and market value of funds 2012-13 to 2016-17, England and Wales**

	2012-13	2013-14	2014-15	2015-16	£ million 2016-17
Contributions (including those from admitted authorities)					
Employees	1,916	1,962	2,071	2,096	2,105
Employers[(a)]	6,181	6,485	7,318	7,076	7,418
Investment income (gross)	3,142	3,337 ||	3,506 ||	3,588	3,942
of which:					
Dividends receivable	2,108	2,256	2,262	2,337	2,540
Interest receivable	351	367	350	321	290
Income from property	403	431	463	503	542
Other investment income[(b)]	280	283 ||	431 ||	427	569
Transfer value[(c)(d)]	547	602 ||	3,058 ||	472 ||	1,168
Other income	86	88	74	59	64
Total income	**11,873**	**12,474** ||	**16,027** ||	**13,291** ||	**14,697**
					£ million
Market value of funds at end of year	176,792	188,642	214,028	213,935	258,779

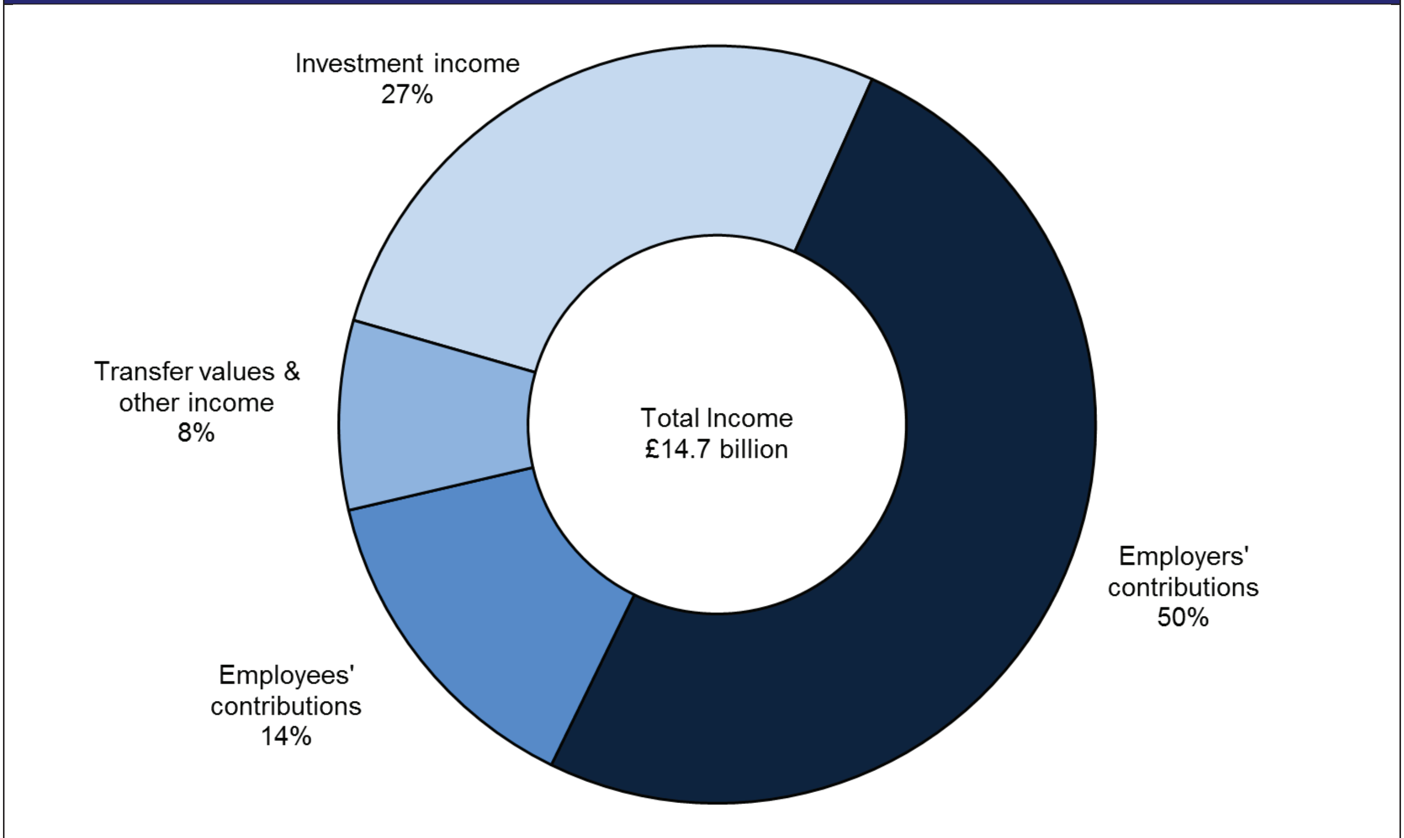
(a) Includes employers' secondary contributions

b) Other investment income includes a one-off exceptional item of £120m due to the transfer to the Greater Manchester Pension Fund of MoJ/Probation Service staff from other LGPS schemes during 2014-15.

(c) Transfer values for 2014-15 includes an exceptional transfer of £2.6 billion to the Greater Manchester Pension Fund from other LGPS funds in respect of MoJ/Probation Service staff w ho w ere transferred to that fund during 2014-15.

(d) Transfer values for 2016-17 includes £675 million transfer to Wandsw orth for the merger of Richmond upon Thames and Wandsw orth Pension Funds from 1 October 2016

Chart B: **Local Government Pension Scheme income in 2016-17, England and Wales**



In 2016-17 the Richmond upon Thames and Wandsworth Pension funds merged from 1 October 2016. This meant that the Transfer values percentage share of Income was approximately double that in 2015-16.

3. Income and Expenditure

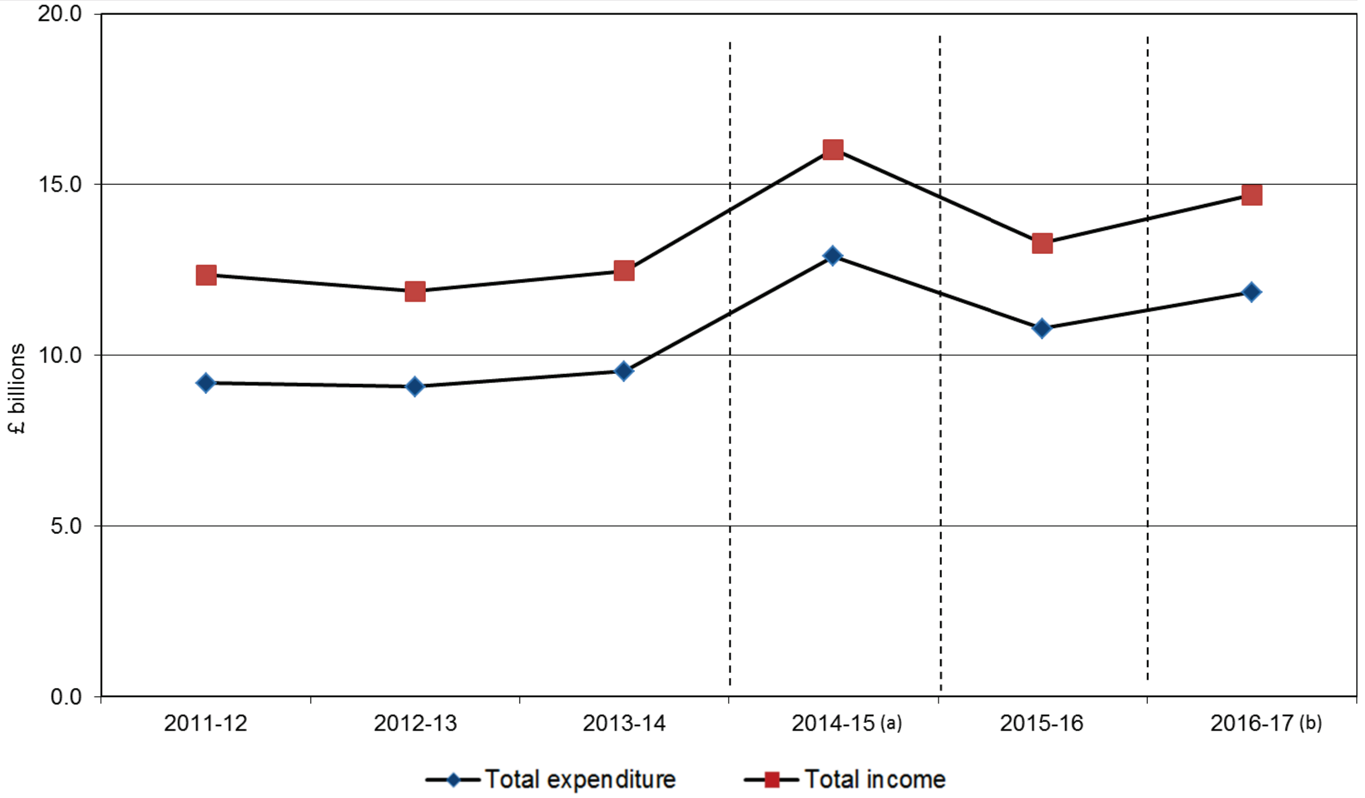
Table 3 and **Chart C** provides a comparison of total LGPS expenditure and income in England and Wales from 2012-13 to 2016-17

- In 2016-17, total expenditure was 81% of LGPS income, the same as in 2015-16.

Table 3: **Local Government Pension Scheme total expenditures and income 2012-13 to 2016-17, England and Wales**

	2012-13	2013-14		2014-15		2015-16		2016-17 (£ million)
Total expenditure (from Table 1)	9,082	9,531	‖	12,896	‖	10,785	‖	11,846
Total income (from Table 2)	11,873	12,474	‖	16,027	‖	13,291	‖	14,697
Expenditure as a % of income	76%	76%		80%		81%		81%

Chart C: **Local Government Pension Scheme total expenditure and income 2011-12 to 2016-17, England and Wales**



(a) In 2014-15, £2.6 billion of transfers were made from 34 different pension administering bodies in England and Wales to the Greater Manchester Pension Fund in relation to Probation Service staff. This makes direct comparisons to 2014-15 misleading.

(b) In 2016-17 The Richmond upon Thames and Wandsworth Pension funds merged from 1 October 2016. The transfer value was £675 million. This makes direct comparisons to 2016-17 misleading.

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4. Membership and employers

Membership

Tables 4 and **Chart D** provide figures of the membership of the LGPS in England and Wales

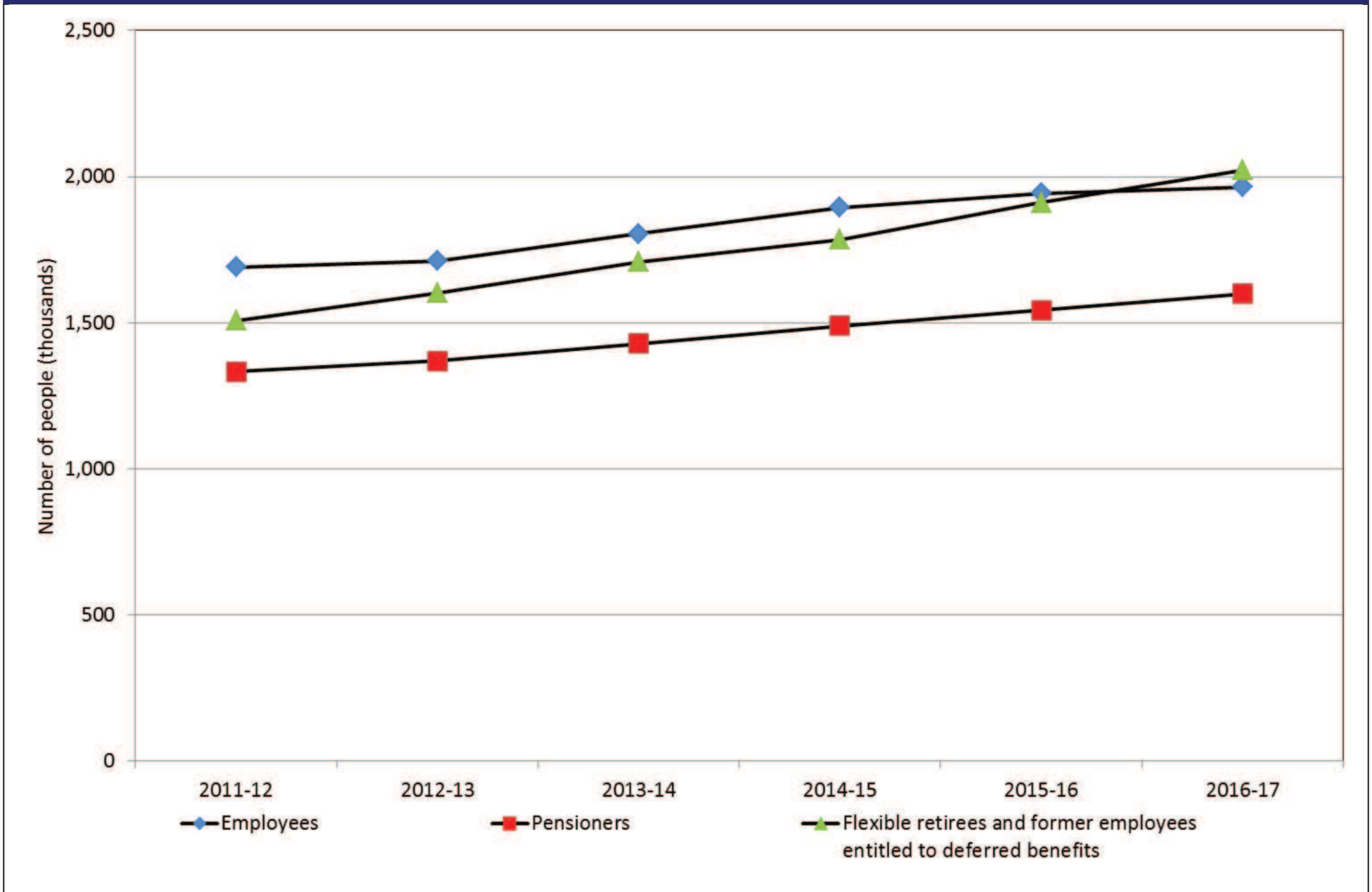
- At the end of March 2017 the total membership of the LGPS was 5.6 million, an increase of 189,000 or 3.5% on March 2016.

- Of this increase, employees in the LGPS increased by 21,000 or 1.1%, the number of pensioners increased by 56,000 or 3.6% and the number of flexible retirees or former employees entitled to deferred benefits increased by 111,000 or 5.8%.

Table 4: **Number of Local Government Pension Scheme members at the end of each year 2012-13 to 2016-17, England and Wales**

					Thousand
	2012-13	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Employees	1,712	1,805	1,894	1,943	1,964
Pensioners	1,370	1,429	1,489	1,543	1,599
Former employees entitled to deferred benefits	1,592	1,699	1,775	1,900	2,011
Former members to whom Regulation 18 of the 2007 Benefit Regulations (flexible retirees) applies	10	11	10	11	12
Total membership of LGPS	**4,684**	**4,943**	**5,168**	**5,396**	**5,585**

Chart D: **Membership of the Local Government Pension Scheme 2011-12 to 2016-17, England and Wales**



Employers

In 2016-17[1], data were collected for the third time on the type of employer involved in the LGPS. Employers were categorised into one of four groups:

- Local authorities and connected bodies – e.g. a county council, district council
- Centrally funded public sector bodies – e.g. an academy, further education corporation, sixth form college or higher education corporation
- Other public sector bodies – e.g. a National Park Authority
- Private sector, voluntary sector and other bodies – e.g. a passenger transport executive, an urban development corporation, (and private/voluntary sector organisations).

Table 5 shows the number of employers (which includes admitted bodies) in England and Wales in each of the four groups. It also shows the number of employees, pensioners etc. that are part of the LGPS, by the type of employer.

- 78% of all the members of the LGPS are covered by local authorities and other connected bodies, even though local authorities and connected bodies represent only 21% of employers.

- Private sector, voluntary sector and other bodies account for approximately a third of all employers but are responsible for only 5% of LGPS members.

Table 5: **Number of Local Government Pension Scheme members at the end of 2016-17 by type of employer, England and Wales**

	Local authorities and connected bodies	Centrally funded public sector bodies	Other public sector bodies	Private sector, voluntary sector and other bodies	Total
Total number of employers	3,422	5,658	1,490	5,389	**15,959**
					Thousand
Employees	1,391	394	76	103	**1,964**
Pensioners	1,341	109	49	101	**1,599**
Former employees entitled to deferred benefits	1,603	242	66	99	**2,011**
Former members to whom Regulation 18 of the 2007 Benefit Regulations (flexible retirees) applies	10	1	0	1	**12**
Total covered by Local Government Pension Scheme	**4,344**	**746**	**191**	**303**	**5,585**

[1] The data reported in Table 5 are as reported by pension authorities. They have been collected for the third time in 2016-17 and therefore they should be interpreted with caution.

5. Retirements from the Local Government Pension Scheme

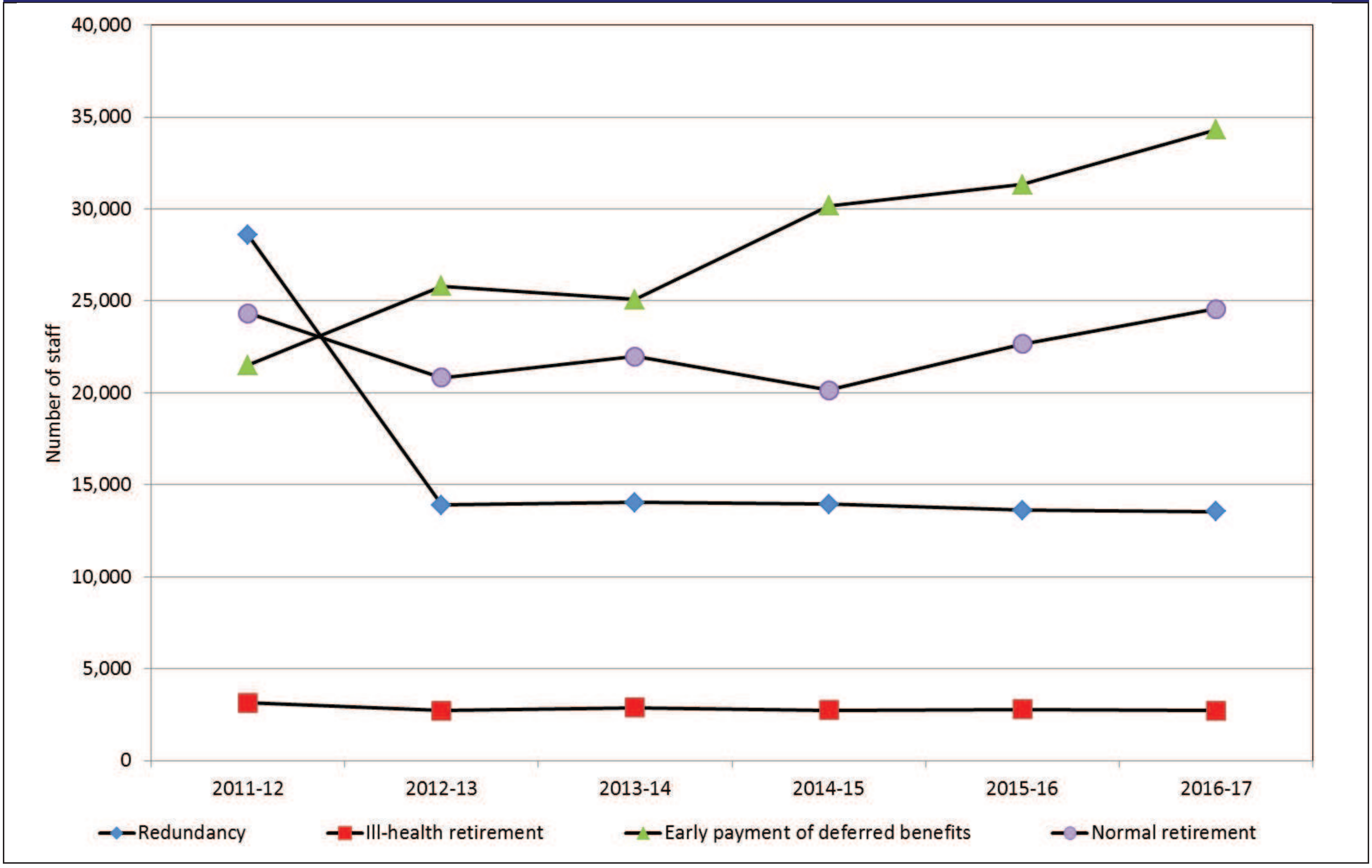
Table 6 and **Chart E** provide figures of the type of retirement from the LGPS in England and Wales from 2012-13 to 2016-17.

- There were 75,118 retirements from the LGPS in 2016-17, an increase of 4,709 or 6.7% compared with 2015-16.
- The number of employees having their deferred benefits paid early rose by 9.5% on 2015-16 and account for nearly half of the number of employees retiring.
- The number of people leaving the LGPS in 2016-17 due to redundancy reduced by 0.6% from 2015-16 to 13,544.
- The number of people leaving the LGPS in 2016-17 due to normal retirement increased by 8.4% from 2015-16 to 24,556

Table 6: **Type of retirements from the Local Government Pension Scheme 2012-13 to 2016-17, England and Wales**

	2012-13	2013-14	2014-15	2015-16	2016-17
Redundancy	13,905	14,046	13,943	13,627	13,544
Tier 1,2 & 3 ill health retirement awards under LGPS	2,722	2,887	2,737	2,791	2,715
Early payment of deferred benefits	25,804	25,085	30,183	31,336	34,303
Normal retirements	20,830	21,977	20,145	22,655	24,556
Total retirements	**63,261**	**63,995**	**67,008**	**70,409**	**75,118**

Chart E: **Type of retirement from the Local Government Pension Scheme 2011-12 to 2016-17, England and Wales**



6. Definitions

A list of terms relating to local government finance is given in the glossary at Annex G (page 214) of *Local Government Financial Statistics England No24 2014*. This can be found at www.gov.uk/government/collections/local-government-finance-statistics-england .The most relevant terms for this release are explained below.

Administering authority

A body responsible for administering a Local Government Pension Scheme fund on behalf of its members who may be drawn from a number of local authorities and other public service employers

Admitted bodies

When an employer participating in the LGPS enters into an outsourcing contract with a private contractor, the contractor must either provide transferring public sector staff with future pension arrangements which are "broadly comparable" to the LGPS or allow transferring staff to continue as active members of the LGPS.

If the contractor wants to allow transferring staff to continue as active members of the LGPS, it must apply to become an "admitted body" i.e. a participating employer in the LGPS. It does this by entering into a legally binding contract (an "admission agreement") with the administering authority and, if different, the local authority which is awarding the contract. The admission agreement sets out the terms on which the private contractor may participate in the LGPS and which employees may become members of the LGPS.

Contributions

The level of contributions paid by scheme members is determined by the band of pensionable pay specified in Scheme regulations. The rate paid by individual participating employers is determined by local fund actuaries at each Scheme valuation and set for the subsequent triennium period. Where appropriate, these rates may be phased in over the three year period. Scheme regulations do allow for these rates to be revised between triennial valuations in prescribed circumstances.

Flexible retirement

This applies to a member who had attained the age of 55 and who, with his employer's consent, had reduced their hours of work (or the grade in which they were employed) and was permitted by that employer to receive all or part of their benefits under Regulation 18 of the 2007 Regulations.

Former employees entitled to deferred benefits

Members who leave the scheme having completed the minimum period of service but who are not entitled to the immediate payment of a pension benefit, are awarded a deferred benefit which, under normal circumstances, becomes payable when the person reaches their normal retirement age. Early payment of these benefits is allowed from age 55, and this is when employees ask their former Scheme employer's consent for their deferred pension to be brought into payment, albeit actuarially reduced.

Ill-Health retirement

Under the 2007 and 2008 regulations, which came into effect on 1 April 2008, there are now three levels of ill-health retirement pension payable. These levels depend on the extent to which the incapacitating condition which gave rise to the termination of employment in local government prevents the scheme member from obtaining gainful employment in the general workforce.

There are three levels of ill-health retirement pension payable. These levels depend on the extent to which the incapacitating condition that gave rise to the termination of employment in local government prevents the scheme member from obtaining gainful employment in the general workforce.

Local Government Pension Scheme (LGPS)
The pension funds in the Local Government Pension Scheme operate under regulations made under the Superannuation Act 1972. Schedules to the regulations list the scheme employers, see section 4 of the release to see the make-up of the employers covered by the LGPS. In England there are 81 pension funds in the Local Government Pension Scheme, each administered by an administering authority.

The assets of the pension funds are for meeting the future pension liabilities of the funds, and are part of the financial corporations sector in the National Accounts, not part of the local government sector. Pensions paid out under the scheme are therefore part of the expenditure of the pension funds, not of the local authorities that administer them. Employers' and employees' contributions, part of the income of the funds, are recorded as expenditure by local authorities in their revenue accounts, either directly or indirectly under employees' expenses.

On 1 April 2008, the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008 came into effect. This Scheme includes some new and different provisions which may affect comparison with previous data sets.

Lump sum on retirement
Prior to 1 April 2006-07, scheme members on retirement became entitled to both an annual pension based on 1/80th of pensionable pay for each year of membership and a lump sum of three times that amount. Under the current regulations, entitlement is to a pension only based on a higher accrual rate of 1/60th but with the option to commute pension into lump sum.

Lump sum payable on death
This is payable at the discretion of the administering authority to either nominated individuals or dependants of a scheme member who dies in service. Prior to 1 April 2008 this was 2 times final pay. When the 2007 and 2008 regulations came into effect on 1 April 2008, this increased to 3 times final pay.

Pension arrangements for fire fighters, police and teachers
Separate arrangements apply for the pensions of the police, fire fighters and teachers. The police and fire fighters' pensions are provided through unfunded schemes administered locally, and the cost of police and fire fighters' pensions are therefore included in local authority expenditure. Teachers' pensions are provided through a notionally funded scheme administered by the Department for Education (DfE). There is no fund of assets, and teachers' pensions are paid by

the DfE. Employers' and employees' contributions are paid by local authorities to the DfE and are recorded as expenditure in their revenue accounts.

It should be noted that non-operational staff in the police, fire and rescue service support staff, and non-teaching staff in the education sector are covered by the Local Government Pension Scheme.

Refunds of contributions
Contributions refunded when a person leaves a pension scheme before completing a minimum period of service. Under earlier schemes, a refund of contributions could be paid to those leaving the scheme with less than 2 years' service. Under the 2008 scheme, a refund of contributions can only be made to a person who has been a member of the scheme for less than 3 months.

Transfer Values
A cash value assigned to a person's pension pot that is transferred with them when they move from one pension fund to another.

Technical notes

Symbols and conventions

…	= not available
0	= zero or negligible
-	= not relevant
||	= discontinuity

Rounding Where figures have been rounded, there may be a slight discrepancy between the total and the sum of constituent parts.

Data collection

The Department for Communities and Local Government (DCLG) SF3 (Pension) form data collection obtains data on the administration and fund management of the Local Government Pension Scheme. The SF3 (Pension) form was issued in July 2017 to LGPS administering authorities in England and Wales and forms were submitted by all 89 authorities during July to October.

Richmond upon Thames and Wandsworth Pension Funds merged from 1 October 2016. So there are now 88 Administering Authorities. Richmond completed their SF3 form to reflect their fund up to the time of the merger. Wandsworth completed their SF3 form to reflect their own fund up to the time of the merger and the merged fund thereafter. So data for the merged fund at the end of March 2017 was provided on the Wandsworth form.

Data quality

This Statistical Release contains Official Statistics and as such has been produced to the high professional standards set out in the National Statistics Code of Practice. Official Statistics products undergo regular quality assurance reviews to ensure that they meet customer needs.

The forms should be completed in accordance with the guidance provided, however this guidance is open to interpretation by local authorities when they complete the forms.

Figures are subjected to rigorous pre-defined validation tests both within the form itself, so while the form is being completed by the authority and also by the Department for Communities and Local Government as the data are received and stored.

Finally, the release document, once prepared, is also subject to intensive peer review before being cleared as fit for the purposes of publication.

Revisions policy

This policy has been developed in accordance with the UK Statistics Authority Code of Practice for Official statistics and the Department for Communities and Local Government Revisions Policy (found at https://www.gov.uk/government/publications/statistical-notice-dclg-revisions-policy). There are two types of revisions that the policy covers:

Non-Scheduled Revisions

Where a substantial error has occurred as a result of the compilation, imputation or dissemination process, the statistical release, live tables and other accompanying releases will be updated with a correction notice as soon as is practical.

Scheduled Revisions

At time of publication there are no scheduled revisions for this series.

Uses of the data

The data in this statistical release are essential for a number of different purposes. A central and immediate purpose is to provide Ministers with information about the LGPS. The data are also used by local authorities, their associations and regional bodies. In addition, the data provides a benchmark on the administration and fund management of the LGPS. The data are also used in compiling the National Accounts and to show the role of pension funds in the economy.

User engagement

Users are encouraged to provide comments and feedback on how these statistics are used and how well they meet user needs. Comments on any issues relating to this statistical release are welcomed and should be sent to: sf3.statistics@communities.gsi.gov.uk

The Department's engagement strategy to meet the needs of statistics users is published here: https://www.gov.uk/government/publications/engagement-strategy-to-meet-the-needs-of-statistics-users

Devolved administration statistics

Data for 2015-16 and comparisons with previous years for England and Wales separately can be found at:

www.gov.uk/government/collections/local-government-pension-scheme

The Scottish Government also collect local government pension fund data. Their information can be found at the following website:

http://www.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/PubScottishLGFStats

Firefighters' statistics

The Home Office also collect and publish data on the Firefighters' pension scheme. This information can be found at the following website:

www.gov.uk/government/collections/firefighters-pension-scheme-statistics

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Information on Official Statistics is available via the UK Statistics Authority website:
https://www.gov.uk/government/statistics/announcements

Information about statistics at DCLG is available via the Department's website:
www.gov.uk/government/organisations/department-for-communities-and-local-government/about/statistics

This document/publication is also available on our website at www.gov.uk/dclg

If you have any enquiries regarding this document/publication, email contactus@communities.gov.uk or write to us at:

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COST MANAGEMENT, BENEFIT DESIGN AND ADMINISTRATION COMMITTEE
7th November 2017

Item 8 Paper D

Move to a single stage Internal Disputes Resolution Procedure

Introduction

1.0. Prior to the Pensions Act 1995, appeals against decisions made by scheme employers and administering authorities were determined by the Secretary of State. The Pensions Act 1995 required the trustees and managers of occupational pension schemes to introduce a two stage internal dispute resolution procedure and this was later amended by the Pensions Act 2004 to allow schemes to adopt a single stage arrangement with trustees or managers responsible for determining complaints. Despite the change made by the Pensions Act 2004, the LGPS in England and Wales continues to operate a two stage arrangement.

Background

1.1 At a meeting on the 28th July 2015, the former Administration and Communications sub-committee agreed that the Secretariat should contact all administering authorities and scheme employers to canvass their views on a number of issues relating to the Internal Disputes Resolutions Procedure (IDRP), including whether steps should be taken to move to a single stage arrangement.

1.2 The findings of that survey are included at pages 2 to 8 of the paper at http://lgpsboard.org/images/PDF/ACOct15/Item_3_Ill_Health_and_IDRP_Survey_Paper

1.3. No further action was taken by the former Administration and Communications sub-committee. The Cost Management, Benefit Design and Administration committee is therefore invited to re-open the paper and consider the merits or otherwise of moving to a single stage procedure.

Consideration

2.0. In 2015, the same survey was sent to administering authorities and scheme employers. 27 out the 89 administering authorities responded as did 259 scheme employers.

2.1. On the question of whether the procedure should move to a single stage, a small majority of administering authorities, perhaps unsurprisingly, considered that this would not be preferable. On the other hand, scheme employers were almost evenly divided on the same question.

2.3. Arguments supporting the retention of the two stage procedure included :-

- It gives employers the change to review their process;
- The second stage gives an independent underpin;
- In a single stage arrangement, administering authorities could not deal with employers' discretions, and
- Independence may be removed.

2.4. Arguments supporting the move to a single stage included :-

- It would save time and money;
- False hopes are given by a two stage process
- Most appeals are resolved at the first stage, and
- Two stages creates hardship due to timescales

2.5. Both the majority of administering authorities and scheme employers agreed that administering authorities should be responsible for any single stage arrangement.

2.6. A move to a single stage arrangement would place the LGPS in the same position as the majority of public service pension schemes.

Conclusion

3.0. Although the result of the 2015 survey was less than conclusive, there was sufficient support for a single style arrangement to warrant further examination by the committee.

RECOMMENDATION – that the committee agrees to re-open the paper and tasks the Secretariat to report back with options for change.