

Shadow Advisory Board

The cost control process in the LGPS - A briefing note for administering authorities

1. Introduction

This briefing note has been prepared for Local Government Pension Scheme (LGPS) administering authorities in order to outline the role that pension funds will need to play in the cost control processes that will be effective from 2016 onwards.

In addition, the Shadow Scheme Advisory Board (SSAB) anticipate that the cost control process will be a matter of increasing interest for Scheme members and employers in the coming years. Employers may wish to understand the relationship between the contribution rates they pay and the figures calculated through either of the processes. Members may wish to understand how the results of the cost control processes could impact on their benefits/ contribution rates.

Two versions of a briefing note for members and employers have therefore also been prepared and these are available in sections 3 and 4 of this paper:

- Section 3 - A shorter briefing note providing broad information with respect of the cost control processes, and
- Section 4 - An extended briefing note providing some further detail with respect of the each of the main aspects of the cost control processes.

2. The role of administering authorities in the cost control process

The cost control processes will be subject to tight timescales and GAD will require the submission of accurate and consistently reported information in order to calculate figures that best reflect the experience of the Scheme. A timetable and flow chart outlining the plans for the processes is available [here](#).

Comment [CH1]: Link to be added when finalised

Process

The cost control process will be undertaken in tandem with the local triennial valuations and will first be effective - in the sense that changes to the Scheme may be required if the cost of the Scheme has moved sufficiently from its target - at the 2016 valuations. This means that the first ECC and FSC figures will be based on the same data produced and submitted to your fund actuary as at 31st March 2016 for your local funding valuation.

Timescales

By October 2016 (and for future cost control processes, the October of each valuation year), each fund's actuary will be required to submit to GAD valuation data which has been cleaned and which has undergone reasonableness checks. Your

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Shadow Advisory Board

fund actuary will account for the time they need to prepare and submit this data in your valuation timetable, and you will need to ensure you are able to meet your actuary's timescales in, a) submitting your fund's data and b) answering any data queries that may arise.

Data required

The shift to a career average scheme will require that certain additional information is held and extractable in order for actuarial valuations to be undertaken. For the cost control processes, GAD require the below information to be provided by each administering authority:

- **Pre- and post- 14 data** - For actives, deferred and pensioner members, pension amounts split between:
 - amounts relating to pre-2014 accrual, and
 - amounts relating to post-2014 accrual.
- **50/50 section and full section data** - For actives, deferred and pensioner members, post-2014 pension amounts split between:
 - those relating to 50/50 section membership, and
 - those relating to full section membership.
- **Cashflows** - For employee contributions, benefits paid and transfers paid, split between:
 - pre-2014 membership,
 - post-2014 50/50 section membership, and
 - post-2014 full section membership.
- **Membership movements** - For those leaving and joining the pension fund:
 - 'Benefits at date of exit' for those members leaving or retiring from active service after April 2014, and
 - 'Benefits at date of re-joining' for those members aggregating pre-2014 benefits.
- **Commutation** - For those who have commuted any of their pension to lump sum since April 2008:
 - How much in annual pension they commuted to lump sum, and
 - The maximum amount they could have commuted to lump sum.

In addition, the basic stock data for all members with a pension liability as at the valuation date - and as already required by fund actuaries in undertaking fund valuations - will be required.

It is crucial that this information is provided in the requested format in order to ensure that the figures calculated via the cost control processes are accurate. The provision

Shadow Advisory Board

of accurate data also contributes to the finalisation of cost control figures in a timely fashion.

Please note - If you do not believe that you will be able to provide this information as split in the above fashion, please liaise with your pensions software provider to establish if a future release is anticipated that will allow for this information to be provided within the required timescales.

3. Briefing note for members and employers

TO BE INSERTED UPON FINALISATION

4. Extended briefing note for members and employers

TO BE INSERTED UPON FINALISATION

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