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Pension Managers – by email

Dear Colleague

**Local Government Pension Scheme (LGPS) –  
Cost Share: Modelling the Model**

As part of the discussions at the Policy Review Group in July on the initial results of the consultation on arrangements for stabilising future costs by means of cost sharing, it was agreed to investigate the scope for an early modelling exercise of a potential national model fund.

Discussion between actuaries have been taking place since, and in order for this process to come to fruition we have reached the stage where approval as to the release of data will be sought.

CLG fully supports the principle of such an exercise, and I am now writing asking for you to agree to release data held by your actuary from the 2007 valuation exercise.

By way of referencing what has taken place so far you may be interested in the recent communication between GAD and fund actuaries endeavouring to take this issue forward (see annex)

Yours sincerely

**Brian Town**

## Modelling Annex

Dear all

Following various discussions with individual actuaries, it now seems sensible to copy each of you into further correspondence on this matter (but please let me know if I have chosen an inappropriate contact in any case).

For the vast majority of Funds, we understand that the Heywood system will have produced a 31 March 2007 RAW data extract in a standard format, and that this will have included both RAW in-force data at that date and experience data for the preceding three years.

One of the items that we wish to have available is the 2004/07 experience data, but I should re-iterate that the purpose of this is NOT assumption-setting for the initial Dummy Model Fund (for which we have proposed a different approach), but rather so that PRG can be made aware in the run-up to 2010 of the likely shape and coverage of the data that will ultimately be available to inform the assumption-setting process for the actual Model Fund (rather than face a very steep learning curve when the 2007/10 experience data eventually become available).

We understand that the RAW in-force and experience data are contained in a combined form in a single file for each Fund – if it is convenient to avoid the need to separate them, we would be content to undertake this task in GAD. Thus we are content to accept the whole of the RAW data-files that the Heywood system produced (or their analogues for non-Heywood funds), although we do not propose to actually utilise the 31/3/2007 in-force element of these RAW data.

However, for the purposes of calculating the past and future service liabilities within the Dummy Model Fund, we wish to use the CLEANSED in-force data at 31/3/2007 rather than the RAW data, so that these will need supplying separately.

Clearly, different consultants are likely to have “cleansed” the raw in-force data in slightly different ways, and there is also likely to be some variation in the format of the “cleansed” in-force data. Bearing in mind the desire shared by all parties to minimise the amount of work (and associated costs) in providing the data, that is why we have been reluctant to provide a “one-size-fits-all” rigid and prescriptive data specification. A draft data specification (in relation to “cleansed” in-force data at 31/3/07) was included with my email to Tim of 29/7, and our reactions to the queries raised on this draft were set out in my email to him of 26/8. Hopefully, this will now be sufficient for each consultant to take a sensible and pragmatic approach towards meeting our requirements. In many instances, we will be able to proceed in the absence of full, accurate or even any data in respect of items which are judged to have an immaterial or only minor impact on valuation results. However, if there should remain any doubts about major data items (eg the cleansed service or salary fields for active members), please do not hesitate to let us know. Whilst we envisage that we may need to seek some further clarification on definitions/cleansing methods etc after examining the data, we would wish to keep this to a minimum.

If you wish to proceed by supplying typical sample extracts separately for actives, pensioners and deferreds, to be followed by a brief discussion before supplying full data-sets, we would be content with that approach.

Finally, we should re-iterate that we do NOT intend to re-create Fund-specific results, either on the actuarial basis that each Fund adopted for the 2007 valuations or on any other actuarial basis. However, the cleansed in-force data that we require are precisely those which we would require if we were seeking to re-create the 2007 results – in other words we are seeking to achieve consistency with those results, albeit on an aggregate E&W nationwide basis and on a uniform set of assumptions which will not equate with that adopted for any particular Fund at the 2007 valuation round.

Please let me (or Ian Boonin – x2973) know urgently if you have any queries or difficulties on how to proceed.

Regards

Peter

Peter Noonan  
Actuary  
Public Sector Pensions