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Addressees as in Annex

Dear Colleague

Local Government Pension Scheme (Amendment) Regulations 2009 [SI 2009/1025]

I am writing to advise that these Regulations, which introduce the statutory requirement necessary for the next stages of cost sharing arrangements, have now been laid and will have an effective date of 1 April 2009.

2. The 1 April effective date is linked to the fact that regulation 2 of this SI now deletes regulation 40 of the LGPS (Benefits, Contribution and Membership) Regulations. This deleted provision required cost share to be managed on the basis of guidance issued by the Secretary of State, which would set out how future costs of the LGPS were to be managed. As was spelled out during the consultation exercise on this Statutory Instrument, reliance on guidance alone would not guarantee full sets of data to enable a robust and justifiable modelling exercise of a national LGPS fund. Therefore subsequent to the deletion of this provision regulation 3 goes on to set out the new arrangements.

3. A new regulation 36A of the Administration Regulations has now been introduced. This replicates on a national basis the processes in regulation 36 which require each fund to have an actuarial valuation carried out. The same data as is used in the actuarial valuation is to be supplied to enable the Secretary of State to have a national model fund valuation exercise carried out. The regulation places an obligation on administering authorities to supply this data by 31 August 2010 (and every three years thereafter), and in doing so this also places an obligation on all employers to provide the administering authority timeously with the information required to comply with this provision and this would ensure that employers are complying fully with regulations in Part 6 and 7 of the Administration Regulations.

4. This timetable is demanding, but it has been reassuring to note, in responses to the letter of 11 February from Terry Crossley, just what steps are already being taken to make sure the regular exchanges of information are leading to the provision of more accurate and up to date information at fund level. This is essential not just for cost sharing purposes but to satisfy members, taxpayers, auditors and other interests, that the fund is being managed on an efficient and cost effective basis, and many funds are now introducing monthly validity cross checks of data.

5. The new regulation 36A also places an obligation on GAD to provide the Secretary of State with an initial report of any national valuation exercise. Whilst this might subsequently be subject to fine tuning it will be important to set this initial analysis in the context of potential triggers which may form part of Secretary of State guidance as what further action, if any, might be required in terms of benefit structure or contribution rates.

6. It is also an essential requirement, introduced by virtue of regulation 36A (4) and(5) that experience data used in establishing the benchmark as at 31 March 2007 and covering the period 1 April 2007 to 31 March 2009 is provided. This data relates to movements over time in and out of the scheme and between categories of membership in the scheme, and is relevant in setting of the demographic assumptions required for each actuarial valuation. We have been working with GAD and members of the Policy Review Group in refining the data specification and this will be formally sent in the next few days. In order to meet the timetabling of determining assumptions and publishing them as a draft version of regulatory guidance this initial data request requires information to be supplied to GAD by 30 June 2009. And in subsequent years this information is to be supplied by the 30 June following each year end.

7. Finally a further new provision is introduced – regulation 38A – which provides funds and their actuary with the scope to issue a revision to the rates and adjustment certificate which has been issued following the valuation at 31 March 2010. If, following the completion of the national modelling exercise, either guidance or an amendment to the LGPS Benefit Regulations has been completed, this will provide for that change to be taken into account by the administering authority and employing authorities which contribute to the individual funds.

8. An integral part of the process of the national model fund is that the actuarial assessment will be completed on the basis of a set of agreed assumptions. The dry run modelling exercise was carried out on such an agreed set of assumptions, and the first report was issued in December as part of the consultation exercise leading to this Statutory Instrument. The Policy Review Group is now considering the appropriateness of the assumptions used so far, and sensitivity analyses, based on the data mentioned at 6 above, will continue this year, with the aim by this autumn of finalising assumptions to be used next year.

9. Any queries about this Statutory Instrument, the Explanatory Memorandum which accompanies it or this letter and the proposed timetabling should be addressed in the first instance to Divya Patel (email divya.patel@communities.gsi.gov.uk or telephone 020 7944 2539). We are also in the process of moving papers discussed at the PRG and notes of the meeting to the CLG website, and if copies of these are required, then again contact Divya Patel who will arrange for earlier papers to be forwarded.

Yours sincerely

Brian Town
WPP

Annex – List of Addressees

The Chief Executive of:

- County Councils (England)
- District Councils (England)
- Metropolitan Borough Councils (England)
- Unitary Councils (England)
- County and County Borough Councils in Wales
- London Borough Councils
- South Yorkshire Pension Authority
- Tameside Metropolitan Borough Council
- Wirral Metropolitan Borough Council
- Bradford Metropolitan City Council
- South Tyneside Metropolitan Borough Council
- Wolverhampton Metropolitan Borough Council
- London Pension Fund Authority
- Environment Agency

Town Clerk, City of London Corporation

Clerk, South Yorkshire PTA

Clerk, West Midlands PTA

Fire and Rescue Authorities in England and Wales

Police Authorities in England and Wales

Audit Commission

National Probation Service for England and Wales

Local Government Association (LGA)

Employers' Organisation

LGPC

ALACE

PPMA

SOLACE

CIPFA

ALAMA

Association of Colleges

Association of Consulting Actuaries

Association of District Treasurers

Society of County Treasurers

Society of Welsh Treasurers

Society of Metropolitan Treasurers

Society of London Treasurers

Association of Educational Psychologists

NALC

Society of Local Council Clerks

Trades Union Congress UCATT

UNISON GMB

NAEIAC NAPO

UNITE

Equal Opportunities Commission