

## HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Pension Fund Panel
<b>Date:</b>	15 December 2010
<b>Title:</b>	Hutton Independent Public Service Pensions Commission – response to second call for evidence
<b>Reference:</b>	2426
<b>Report From:</b>	County Treasurer

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## 1. Background

- 1.1. The purpose of this paper is to finalise the response to the Independent Public Service Pensions Commission's second call for evidence.
- 1.2. At the meeting on 19 November 2010, the Panel considered a first draft of a response to the Commission's second call for evidence for its final report. This is due to be published by the Commission in time for the Chancellor's Budget in March 2011. The deadline for responses to this second call is 17 December 2011.

## 2. Changes to the first draft of the response

- 2.1. The draft response attached as Appendix 1 includes comments made by Panel members at the meeting on 19 November.
- 2.2. It has also been circulated to all the Pension Fund's employers for information and to encourage them to make their own responses to the Commission.
- 2.3. The draft has also been shared with the Chief Executive and the Director of Human Resources and any comments from them will be shared with the Panel at the meeting.
- 2.4. The amendments to the response since the Panel's meeting are highlighted in Appendix 1.

### **3. Department for Communities and Local Government's views on key points to consider making to the Commission**

- 3.1. On 30 November 2010, the Department for Communities and Local Government circulated a list of key points that local government pension scheme funds could consider including in their responses to the Commission. This is attached as Appendix 2.
- 3.2. The County Council's proposed response covers these points, to extent that they coincide with the Panel's views.

### **4. Recommendation**

- 4.1. That the draft response to the Independent Public Service Pensions Commission attached as Appendix 1 to the report be agreed and submitted to the Commission by the deadline of 17 December 2010.

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

<b>This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because a response should be made to the Independent Public Service Pensions Commission's call for evidence.</b>
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**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u> None	<u>Reference</u>	<u>Date</u>
<b>Direct links to specific legislation or Government Directives</b>		
<u>Title</u> None	<u>Date</u>	

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

## **IMPACT ASSESSMENTS:**

### **1. Equalities Impact Assessment:**

- 1.1. Equality objectives are not considered to be adversely affected by the proposals in this report.

### **2. Impact on Crime and Disorder:**

- 2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

### **3. Climate Change:**

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

No specific impact.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific impact.

## Hutton Review – Independent Commission on Public Service Pensions

### Second call for evidence

The text of the Commission's second call for evidence is shown below in the boxes, followed by the Commission's questions on each issue.

The County Council's responses follow each question.

#### Scheme Design

There are many different types of pension schemes that exist in the UK and throughout the world. Traditional models include:

- Final salary schemes, which generate a pension based on salary towards the end of employment;
- Career average schemes, where the amount of pension received is usually based on salary across a period of employment;
- Defined contribution (DC) schemes, where the amount of pension usually relies on the level of contributions paid into a fund, the investment performance of the fund and the annuity rate which converts the fund into an income in later life.

There are also a range of hybrid schemes, which usually combine elements of final salary or career average schemes (defined benefit or 'DB' schemes) with elements of defined contribution (DC) provision. Some possibilities include:

- 'Capped schemes' - a DB scheme up to an income level, with a DC scheme for any income over that level;
- 'Combination schemes' - a scheme where a member simultaneously earns benefits that are part DB and part DC on the same income;
- 'Nursery schemes' – where a member starts in a DC scheme and then earns DB benefits after a number of years in employment.

There are also examples of different types of scheme design that operate in different countries. These include:

- Collective DC schemes – which are similar to DC schemes but where an attempt is made to manage investment risk across generations in an effort to improve returns on average across generations;
- Notional DC schemes – which are unfunded DC schemes and protect members from some of the investment risk associated with typical DC schemes.

**Q1) What is an appropriate scheme design for public service pensions?  
Why?**

**Response to Q1:**

‘Scheme design’ should flow from decisions to be taken on the principles adopted for public service pensions. From the County Council’s perspective, the Local Government Pension Scheme should:

- be considered as part of the overall reward package for employees
- provide, as a minimum, adequate levels of resources in retirement for employees
- be affordable for employees, employers and taxpayers
- provide greater certainty for employers over the levels of contributions they will be required to make in the future
- be fair and equitable between categories of employees, generations of employees, and generations of taxpayers
- be transparent and as simple as possible to administer.

In whatever future proposals are agreed for the Local Government Pension Scheme, the entitlements already earned by existing pensioners and by contributors for past service should not be affected. The County Council’s supports the Commission and the Prime Minister in the commitments they have given to that principle.

Existing pensioners will already be affected by the Government’s decision to use the CPI instead of RPI for uprating benefits. There should be no further changes to worsen the position of existing pensioners.

The County Council accepts the commitment made by the Chancellor in his Spending Review announcement on 20 October 2010 to “some form of defined benefit pension” for public service workers.

That would appear to rule out changing the Local Government Pension Scheme to a defined contribution basis for the main part of the scheme.

The County Council accepts the arguments in favour of a career average scheme for the Local Government Pension Scheme, in place of the existing final salary scheme. This would improve the perceived fairness between contributors with lower and higher earnings. It would be necessary to reconsider whether the existing tiered employee contribution rates are appropriate if a career average scheme is introduced.

The Commission’s view that the existing final salary scheme favours ‘high flyers’ seems questionable, although that might be a question of the terminology used by the Commission. A final salary scheme will benefit employees whose pay rises significantly in the years immediately prior to their retirement. Not all ‘high flyers’ will be in that position, if ‘high flyers’ is shorthand for employees on higher salaries, as many of them may be

appointed on spot salaries and will not necessarily receive significant increases in their pay prior to retirement.

Capped schemes may help to respond to current media concern about large 'pension pots' for higher paid staff in public services. But pension provision is an important part of the reward package for all staff, including senior staff. If the pension provision is capped, it is likely that over time senior staff will require higher salaries to enable them to make their own provision for pensions at levels they consider to be adequate.

Savings in costs from introducing a capped scheme, if any, are likely to be short-term only. Such costs are better controlled by managing the numbers of senior staff employed in the public sector and their overall reward package.

Reducing the cost to the employee through lower employee contributions may not be a significant factor for lower paid staff in deciding whether they opt in or opt out of the Local Government Pension Scheme. Providing a low cost scheme, with lower benefits, or a 'nursery' scheme for the lower paid may not be cost effective in terms of administration costs for employers.

The alternative of enabling staff to choose the Government's National Employment Savings Trust (NEST) scheme might be more effective.

Equally, a basic scheme could be offered with a further option for employees to pay more in contributions to receive higher levels of benefit, but without any additional employer contributions. That would respond to criticisms in the media that public service pension schemes provide very large 'gold plated' pension pots for some senior staff.

Whatever solution is chosen, it should be as clear and easy as possible for employees and pensioners to understand, and as simple as possible to administer.

The County Council supports the Commission's view in its interim report that the Local Government Pension Scheme should continue to be a 'funded' scheme.

As an employer in the Local Government Pension Scheme, the County Council wants to see more certainty over the level of employers' contributions in the future. Although fund actuaries are required to take into account the smoothness over time of employers' contribution rates, there have been too many increases in rates in recent years as funds coped with increased longevity and lower than expected investment returns.

The 'cap and share' arrangements that were introduced as part of the 'new look' Local Government Pension Scheme in April 2008 have not yet been

implemented in practice. Those arrangements, or something similar, will have an important role to play in transferring some of the risks of the Scheme, currently born solely by employers, onto employees. The practical consequences of implementing a 'cap and share' scheme are considered further in the response to Q2.

### **Risk-sharing**

As well as the overall scheme design, there are certain parameters such as normal pension age, indexation factors and contribution rates that can be used to manage risks in different types of pension schemes.

There are different risks involved with saving for retirement that are faced by members of pension schemes or by employers who provide the pension scheme. For example, there is a chance that pension scheme members will live longer than expected when the scheme was established which will result in either increased costs for the employer or reduced benefits for scheme members. Other risks associated with some forms of pension saving include risks that investment returns deviate from what has been expected or that earnings grow at a different rate from that assumed.

Generally speaking, in pure defined contribution schemes the scheme members bear most risks and in final salary schemes employers bear most risks (and ultimately in the case of public service schemes, taxpayers). I am seeking views on how risks should be managed between scheme members and public service employers. Specifically:

**Q2) Which risks associated with pension saving should the scheme members bear, which by the employer and which should be shared? Why?**

#### **Response to Q2:**

If the Local Government Pension Scheme continues as a defined benefit scheme, either in final salary or career average format, the 'cap and share' arrangements currently being developed by the Government will play an important part in sharing risks.

In terms of the 'sharing' part of cap and share, the County Council supports the proposals that employers should bear the risks from investments, pension increases, actuarial methodologies and financial assumptions. Employees should bear the risks from future changes in longevity, pay increases and changes in benefit structures.

Setting the cap at an appropriate and realistic level will be an important part of the process. It is also necessary to decide what should happen if the cap is breached or if the risks borne by employees result in significant additional costs to be met by employee contributions. There may be a limit

to how far employee contributions can rise and it may be necessary to agree in advance the process for reducing benefits, such as by worsening accrual rates.

- Q3) What mechanisms could be used to help control costs in public service schemes? For example, is there merit in flexible normal pension ages linked to changes in longevity? What indexation factor should be used in a career average type scheme to ensure a reasonable balance of risk between scheme members and taxpayers?**

**Response to Q3:**

Cap and share will be one means of controlling costs for employers.

The normal retirement age for the Local Government Pension Scheme (currently 65) should rise in line with proposed changes to the State Pension Age (for example, the current proposal to increase the State Pension Age to 66 by April 2020).

The indexation factor in a career average scheme, which is applied to employee's earnings during their careers, should reflect the rise in earnings, rather than inflation such as CPI or RPI. But there is likely to be a trade-off between the indexation factor and the accrual rate. A lower indexation rate, such as CPI, may be counterbalanced by a better accrual rate.

- Q4) Where and how have risks associated with pensions been effectively shared in private sector companies?**

**Response to Q4:**

No specific comments. However, the County Council supports the view expressed in the Commission's interim report that the public sector should not join the private sector in what Lord Hutton called a 'race to the bottom' in pension provision.

It is important that pension provision in the private sector is improved as there is a risk that the cost to the taxpayer will rise in 10 to 15 years when many former private sector workers are unable to fund their own care in retirement and will expect the public sector (ie, the taxpayer) to pay their costs.

- Q5) Which international examples of good practice in the area of risk sharing should the Commission consider when compiling the final report? Why?**

**Response to Q5:**

No comments.

**Q6) What should the split between member and employer contributions look like?**

**Response to Q6:**

This depends on the cost of the pension scheme, and assumptions about benefits, such as accrual rates and the level of pension provided, and the acceptable level of employee contribution rates.

The County Council has previously expressed support for an increase in employee contributions rates (from an average now of 6.5% of pay to, say 7%). The current ratio for the Hampshire Pension Fund between employers and employees is 2.2:1 (14.5% : 6.5%, at the last completed actuarial valuation in 2007). Ideally, the County Council would like to see that ratio fall but it would only be possible by reducing the level of benefits offered by the Local Government Pension Scheme.

This ratio excludes the existing past service deficit, which will continue to be payable by employers in the Hampshire Pension Fund whatever changes are made to the Local Government Pension Scheme for the future.

The robust position of the Local Government Pension Scheme should not be forgotten, both in terms of its 'funded' status and through local authorities' strong covenant and constitutional permanence.

The County Council supports retaining a funding target of 100% for the Local Government Pension Scheme, within the context of the Scheme employers' covenant strength and constitutional permanence.

The Commission can play its part in informing the media and the public about the robust strength of the Local Government Pension Scheme and the significance of information published following actuarial valuations or in accordance with the accounting requirement FRS17, so that deficits are not incorrectly characterised as "black holes".

**Q7) Should there be different treatment of different professions (for example, lower normal pension ages for some public service employees)?**

**Response to Q7:**

It would make sense to establish as much commonality as possible between the different pension schemes in the public sector. It would be difficult, however, to impose a single pension scheme across the public sector from the current starting point.

Different normal pension ages may be appropriate for different professions, such as the armed forces, police and fire services.

In seeking commonality, however, the 'funded' status of the Local Government Pension Scheme should be borne in mind. Solutions that may be necessary to resolve problems with the 'pay-as-you-go' public service pension schemes should only be applied to the funded Local Government Pension Scheme if they are relevant and appropriate.

**Q8) Should there be different treatment for those at different income levels?**

**Response to Q8:**

In terms of a pension scheme that is capped up to an income level or a 'nursery' scheme for the lower paid, this issue has been dealt with in the response to Q1.

**Q9) What is the appropriate normal pension age for the different public service schemes? Should this vary across schemes and, if so, why?**

**Response to Q9:**

The normal retirement age for the Local Government Pension Scheme (currently 65) should rise in line with proposed changes to the State Pension Age (for example, the current proposal to increase the State Pension Age to 66 by April 2020).

As indicated in the response to Q7, there may be a case for different terms for the pension schemes for the armed forces, police and fire services.

**Adequacy**

A key outcome for public service pensions is that they offer an adequate level of income in retirement, particularly where people have devoted the majority of their working life to public service.

There are different views about what an adequate level of income is in retirement and how this should be measured. Lord Turner's Pension Commission produced some benchmark replacement rates but other approaches could include using poverty thresholds at lower income levels. Other commentators suggest looking at household resources rather than individual income, which could give a broader picture of potential standards of living in retirement.

**Q10) How should the Commission think about measuring adequate levels of resources in retirement?**

**Response to Q10:**

The average pension in payment from the Local Government Pension Scheme is only just over £4,000 per annum, according to the Commission's interim report. This is partly because of the impact of part-time working and because most employees are not members of the Local Government Pension Scheme for their entire working lives.

But it is important not to seek to provide occupational pensions that are just aimed at poverty thresholds.

Originally, the Local Government Pension Scheme provided a pension equivalent to two-thirds of the employee's pay if they had contributed to the Scheme for their entire working life. That proportion of two-thirds was set when longevity after retirement was much shorter than now. It may be necessary to reconsider whether the two-thirds target is realistic if the costs of pension provision are to be contained.

Costs can only be reduced by employees working longer and retiring later (ie, raising the normal retirement age) or contributing more (through higher employee contribution rates) or receive lower benefits (through reducing the two-thirds target by worsening accrual rates).

If employees' maximum working life is 48 years (from 18 to 66, say), the accrual rate for the Local Government Pension Scheme would need to reduce from the current level of 1/60ths to 1/72ths, if the target of providing a pension of two-thirds of earnings is retained. This would be a considerable worsening of the Scheme from the employee's perspective. But it would help to reduce the cost of the Scheme for employers.

Reducing the two-thirds target to 60% of earnings would **worsen** the accrual rate to 1/80ths, which would be a significant worsening from the current accrual rate of 1/60ths.

For an employee in a career average scheme who earned the minimum full-time level of £12,500 per annum throughout their career, a 60% target and an accrual rate of 1/80ths would give an occupational pension of £7,500 per annum if they worked the full 48 years. Most, of course, would not **work that long**.

There may also be scope for short-term savings from reducing the rate at which pensions can be commuted into lump sums from the current level of 12 times. **But that commutation rate is already not particularly generous. There may be a case for linking it to a market rate for converting lump sums to pensions.**

**Q11) What should be considered an adequate level of resources in retirement?**

**Response to Q11:**

See the response to Q10.

**Q12) Should a full state pension and a full public service pension ensure people have adequate resources in retirement? Or should room be left for individuals to make their own arrangements?**

**Response to Q12:**

It would seem reasonable that, at the lowest level of earnings, the public service pension and State Pension should provide “adequate resources” in retirement. It seems unlikely that employees earning at that level would have the resources to “make their own arrangements”.

The question of whether employees at higher levels of earnings should be required to make their own provision above a certain income level has been dealt with in the response to Q1.

**Q13) How should this change where people work part careers in public service?**

**Response to Q13:**

It is important that public service pension schemes should not hinder the flexible movement of staff between the public and private sector. The County Council welcomes the Chancellor’s announcement in the Spending Review that he plans to launch a consultation on the Fair Deal arrangements, to report by summer 2011. The Fair Deal seeks to protect the pension provision of public sector workers that have their employment compulsorily transferred out of the public sector by requiring that their pension provision post-transfer is “broadly comparable”.

**Employee understanding and choice**

A principle against which options for long-term structural reform will be judged is that schemes should be widely understood. But this principle may require trade offs to be made with other principles outlined in the interim report such as fairness and sustainability. I would therefore welcome views on:

**Q14) How much do workers value and understand pensions? Is there any evidence this differs between groups (for example, by age, by income)?**

**Response to Q14:**

It is perhaps inevitable that employees become more aware of pension matters as they grow older and that knowledge increases with age. In most cases, younger employees are also lower paid and unwisely tend not see the benefit of providing for their pensions. All employers should have a duty to them in the design of their pension schemes and by encouraging employees not to opt out.

It is easy to say that pension schemes should be “transparent and simple” but much harder to achieve in practice. The introduction of choice and additional options may be a desirable aim but it can add to the complexity of the pension schemes, both for the employee and for scheme administrators.

There is a web of complexity already in place, from the original Local Government Pension Scheme and the ‘new look’ scheme introduced as recently as April 2008. It is important that whatever is introduced now is simple and straightforward for employees to understand and for employers to administer.

**Q15) Which forms of scheme design will encourage employees to save for their retirement? Is there any evidence from pension scheme reforms influencing opt out rates in the private sector?**

**Response to Q15:**

There is likely to be a conflict between reducing opt out rates and reducing the cost to employers.

As suggested in response to Q1, offering the Government’s National Employment Savings Trust (NEST) scheme might be an effective way of offering pension provision to employees who would otherwise opt out of the Local Government Pension Scheme – and of giving them a straightforward choice.

**Q16) What best practice exists in the private sector around communication of benefits with scheme members?**

**Response to Q16:**

The Hampshire Pension Fund, along with many other Local Government Pension Scheme funds and employers, places a strong emphasis on communication with scheme members, both contributors and pensioners using the full range of different media now available. This is set out in

detail in a Communication Policy Statement which the Pension Fund is required to publish and revise each year.

The County Council is always keen to learn from the best practice by other pension funds.

**Q17) Should any new scheme design offer members a degree of choice in the level of contributions paid and benefits received? For example, should members be able to receive a higher pension if they want to take the pension later? Why?**

**Response to Q17:**

Flexibility is an important criteria in pension provision, particularly in the light of criticisms that the current Local Government Pension Scheme does not meet the needs of many of today's workforce who work part-time or have breaks in service.

On the other hand, the impact on scheme administration costs and the transferability between sectors of the economy should be borne in mind if flexibility leads to a more complex scheme. More choice and flexibility may also be difficult for employees to understand.

The option of a scheme that offers higher paid employees an option of paying more in contributions for additional benefits is considered in response to Q1.

Benefits should be payable when the employee reaches the normal retirement age. They could be deferred if the employee chooses to continue working, but not otherwise.

#### **Pensions and plurality of provision of public services**

It is important that public service pensions support productivity and ensuring plurality of provision of public services is an important part of this. Different public service pension structures and eligibility for public service schemes may impact differently on the ability of providers outside of the public sector to supply public services. Therefore I would be interested in views on:

**Q18) Whether and how public service pensions could be structured to support a more level playing field between the public and private sectors when tendering for contracts?**

**Response to Q18:**

The Chancellor's planned consultation on the Fair Deal policy is referred to in response to Q13. The County Council supports the need for a review. The accrued pension rights of staff transferred to or from the public sector

should be protected, but a more flexible approach to future pension rights in needed, possibly on a phased basis.

**Q19) Which non-public service employees should be eligible for membership of public service schemes?**

**Response to Q19:**

It would be difficult and potentially costly to change the existing arrangements for 'community admission bodies' (typically community bodies admitted to Local Government Pension Scheme funds by administering authorities) and 'transferee admitted bodies' (for employees of contractors for jobs transferred from local authorities to the private sector).

Beyond those categories of staff, no additional categories of non-public sector employees should be eligible for membership of the Local Government Pension Scheme.

**Administration costs**

There appears to be a wide variation in the administration costs across different public service schemes, and costs seem to be higher than those in the private sector in some cases. The final report will consider whether there is scope for rationalisation and cost reduction.

**Q20) What evidence is there on administration costs (excluding fund management costs) of private sector pension schemes? How do these compare with those in the public service schemes?**

**Q21) How do private sector schemes ensure that there is good quality and efficient scheme administration? Which measures can be applied to public service schemes?**

**Q22) Is there scope for rationalising the number of local government pension funds? If so, how could this be achieved?**

**Response to Q20 to Q22:**

It has been suggested that the 79 separate Local Government Pension Scheme funds in England could be amalgamated into a single fund that is invested and administered nationally.

The County Council does not support that option. It would not be consistent with the Government's localism theme.

There may be some scope for rationalising the existing funds, however, perhaps on some form of regional basis, for example in London. But the

County Council believes that this should not be imposed by central Government.

Instead, arrangements should be put in place to allow local authorities to make local decisions on whether to amalgamate or provide jointly their pension funds on a case-by-case basis in their local areas, taking into account the scope for savings and improved efficiencies. This is the approach that many local authorities are applying to a wide range of their services and back-office arrangements as they deal with the issues raised by the Government's spending reductions.

The Government can help with this process by making any necessary changes to the legislation governing the administration and investment of Local Government Pension Scheme funds.

#### **Transition issues**

Ensuring there is a smooth transition from the current pension scheme structures to whatever new arrangements are put in place will be crucial if scheme members and taxpayers are to have confidence that the new arrangements are fair, suitable and sustainable in the long-term.

#### **Q23) How can the Commission ensure an effective transition to the new arrangements?**

##### **Response to Q23:**

Local authorities have recent experience of introducing the 'new look' Local Government Pension Scheme from April 2008. A key lesson learned then, and one that should be emphasised now as further changes are being considered, is to allow sufficient time for all the necessary changes to be implemented, including for the Government to make all the legislative changes required, correctly and on time.

#### **Q24) What can the Commission learn about moving to a new scheme from best practice in the private sector and internationally?**

##### **Response to Q24:**

Experience gained from the recent changes to pension schemes in the public sector in the UK, including the Local Government Pension Scheme, may provide adequate lessons.

**Q25) How have accrued rights been protected or transferred during changes in schemes in the private sector?**

**Response to Q25:**

The Government has already given a commitment that accrued rights will be protected in whatever changes are introduced. That was also the case when the 'new look' Local Government Pension Scheme was implemented in April 2008. That should provide sound guidance for any future changes.

In addition, I would also be interested in any further views respondents may have on any other issues relating to public service pensions that are not outline above, including those raised in my interim report.

**Response:**

No further comments.

### Department for Communities and Local Government

#### Key points to consider making to Lord Hutton's Independent Public Service Pensions Commission

Recommendations emerging from Phase 2 of the Independent Commission's review should:

- be strategic and high principled
- provide a strategic policy framework within which the LGPS and other public service schemes can conduct their own reforms with full recognition given to their occupational, financial, governance and administrative contexts
- recognise the context, post Spending Review, within which any pension reforms need to take place
- allow a reasonable timeframe for reform. Any complexity will only add to costs and a longer implementation phase
- do not impose a detailed 'one size fits all' solution on individual schemes
- recognise in full the individual distinctiveness of each scheme, including its pay and occupational/gender characteristics
- make simplicity a major objective of the Phase 2 recommendations and avoid over-complexity and risk confusion of members and higher costs to employers and providers. A CARE solution would suit the LGPS best
- recognise that other countries' systems are bespoke to their wider state pension and governments' priorities towards public pensions
- recognise the already strong localist credentials of the LGPS and the opportunities this provides for a stronger total reward solution to be applied within future reform programmes with greater local discretion and choice for all interests
- recognise that as well as being funded, and funded locally, the LGPS is governed, administered and invested at individual pension fund authority level by elected members representing the council taxpayers and others who stand behind the LGPS
- appreciate the experience, expertise and structures of the individual LGPS pension fund authorities as an integral part of local government and that they operate separately and distinctively from the PAYG, schemes and within their own distinctive and financial regulatory frameworks

- be aware that LPGS administering authorities are quickly responding to the challenge of efficiency, procurement and partnership working. DCLG will, in the New Year, be leading on this with specialists in the sector and with leading stakeholder groups. Combining/reducing LGPS pension fund authorities appears to be anti-localist
- recognise explicitly the LGPS regulatory framework, through its statutory triennial valuations with employer adjustments being in place within one year of completion; the existence of fund authority Funding Strategy Statements to manage transparently and locally its deficit recovery programmes while protecting council taxpayers. Fund Statements of Investment Principles, are published locally
- recognise the income stream provided by the LGPS pension fund investment process which offsets directly employers' costs and helps to guarantee annual positive cash balances in the Scheme
- acknowledge that the LGPS is fully transparent and far more so than any other public service pension scheme. For example, the preparation and publication locally of:-
  - Funding Strategy Statements;
  - Statements of Investment Principles;
  - Myners' Compliance Statements
  - Pension Fund Annual Reports, including:-
    - annual audited accounts
    - summary of actuarial valuation reports
    - investment performance
    - governance framework; and
  - Communication Policy Statements
- all of the above are agreed by elected members and being locally available provide real democratic accountability within the Scheme as currently constructed. Together these steps achieve a robust, stable and viable pension framework for members, employees and council taxpayers.