

Dear Colleague,

LGPS Resource Requirements

During this period of prolonged austerity there is continuous pressure to drive down costs and local government pension schemes have not been able to avoid this pressure. The CIPFA Pension Panel has become increasingly concerned that in some instances this may now be impacting on the effective administration of the scheme. The Panel acknowledges that a number of Funds and Pools have worked hard to protect schemes during this difficult period.

I am therefore taking the opportunity to write on behalf of the CIPFA Pensions Panel to remind all Section 151 Officers of their responsibilities regarding the resourcing requirement for Local Government Pension Scheme (LGPS) Funds. The pension liability is the biggest single risk on the balance sheet of most local authorities, and the responsibility for this risk lies with individual employers in respect of both the historic and current costs.

You will no doubt be aware of the current asset pooling initiatives which are placing significant demands on existing pension staff and the Panel is concerned that this is having a negative impact on the level of resources available to deliver the statutory functions of pension funds. The LGPS is already facing a number of challenges including managing an ever increasing number of employing bodies in the scheme and also the ongoing implementation of the 2014 CARE Scheme. Following the 2016 Triennial Valuation the four actuarial firms identified major concerns with the quality of data being submitted by funds and this has been followed up recently by The Pensions Regulator who has noted the issues around data quality and will be focusing upon this area in the coming year.

We are all aware of the challenges around resources during this period of austerity and pension funds as with all other services should be as efficient as possible. However, the current pressures and increased complexity facing the LGPS require an increase in resources to ensure that the huge challenge of establishing asset pools as well as the increasing administrative requirements do not create an unmanageable risk.

In 2014 CIPFA issued a supplement to its Role of the CFO Publication covering the Role of the CFO in the Local Government Pension Scheme setting out the requirements and standards expected of the CFO. CIPFA also collaborated with AON Hewitt to produce [**Guidance on Investment Pooling Governance Principles for Administering Authorities**](#). The fiduciary responsibility for a pension fund will not change following asset pooling and all stakeholders should ensure that in addition to the work going on to establish asset pools it is equally important that the funds put in place sound governance arrangements to manage the relationship with these pools.

The level of scrutiny on LGPS Funds has never been higher both from internal sources such as Local Pension Boards but particularly from external sources such as The Pensions Regulator, Pensions Ombudsmen and the national press. It is therefore essential that funds have the necessary capacity to meet these challenges otherwise there is a significant risk of censure and the subsequent reputational damage at local and national level. CIPFA would expect funds to be taking the necessary advice and comparing its costs and service delivery (through benchmarking and other analysis) to ensure they are in line with the rest of the LGPS and achieving the standards expected by their members.

CIPFA's Pension Panel aims to support all those involved in delivery of the LGPS and has

produced a range of Guidance to assist practitioners and will continue to do so. The Panel is always keen to hear the views of its members with regard to pensions and works closely with Treasurer Societies as required.

Kind Regards,



Mike Ellsmore
Chair CIPFA Pensions Panel

