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Our Ref: PS/PM

Your Ref:

Direct Line: 0151 242 1390

Please ask for: Peter Mawdsley

Date: 20 January 2009

Dear Divya,

SUSTAINING THE LOCAL GOVERNMENT PENSION SCHEME IN ENGLAND AND WALES

I refer to your letter dated 27 November 2008 which invited responses to the consultation exercise on the draft LGPS (Amendment) Regulations 2009.

I am grateful for the opportunity to make the following comments on the consultation letter and draft statutory instrument on behalf of the Authority in its role as Administering Authority for the Merseyside Pension Fund.

The Fund welcomes the recognition of employer concerns over affordability and proposals to introduce a cost sharing arrangement to deal equitably with future increases in certain agreed pension costs between employers and employees.

We are however concerned about the practicality of the proposed timetable for the submission of relevant data to the DCLG as we have significant difficulty obtaining required year end contribution and pay information promptly from a number of the 150 or so separate employers and would expect this is a widespread nationwide issue.

We believe that the proposed 31 July 2010 deadline for submission to the DCLG is unrealistic and would not allow sufficient time for Funds to check and cleanse data before submitting it, which could impact on the quality of the results from the Dummy Model Fund. We would support the comments of the Fund actuary that the proposed deadline may prejudice both the quality and completeness of the data provided for the Model Fund exercise. We would also query whether the deadline is unnecessary if the first impact of cost sharing is not to take effect until the 2013 valuation, based on differences between the 2010 and 2013 valuation results.

We would support alternative suggestions to either:

Put back the submissions deadlines by at least three months to 31 October 2010, although this would be likely to delay the following processes including the issue by the GAD of the Model Fund valuation by 31 December 2010, or

To instead use contributions and pay data from the preceding valuation year (31 March 2009) with any appropriate estimated adjustments to account for known changes such as later pay awards made or changes in market conditions etc and to start cost sharing based on the Model Fund from the 2010 valuation. Existing software enables Funds to run a movements analysis or a valuation extract program at any year end.

If this approach were adopted and comparison was made between the results of the 2007 actuarial valuation and 31 March 2009 data for the Model Fund it would allow an earlier implementation of cost sharing to feed into the 2010 valuation results.

The Fund does however recognise that the actuarial assumptions to be used in the process will be critical in determining the results for the Model Fund and the success of any cost sharing arrangement and that at the present time the details of these still remain to be agreed between the various stakeholders.

Please do not hesitate to contact me if you require any further information or assistance.

Yours sincerely

Deputy Head of Pension Fund