

Scheme Advisory Board

27 January 2025

For the attention of:
Chief Financial Officers
Pension Committee Chairs
At Local Government Pension Scheme Administering Authorities

Dear colleague,

Local Government Pension Scheme (LGPS) administering authority budget

I am writing as Chair of The Local Government Pension Scheme Advisory Board ([SAB](#)), a body set up under Section 7 of the Public Service Pensions Act 2013 for the purpose of providing advice to administering authorities in relation to the effective and efficient administration of the Scheme.

I know that now is the time when local authorities are considering the budgets available for service delivery for the coming year and I wanted to draw your attention to a recommendation that was made in our [Good Governance review](#). This stated that “each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year”.

The Government has also signalled its view of the importance of strong governance by endorsing the Good Governance recommendations and making the necessary proposals to implement most of the recommendations in the [Fit for the Future](#) consultation. The LGPS remains an area of significant focus, as evidenced in the Chancellor’s most recent Mansion House speech on pooled investments, both within government and the media.

Regulation 4(5) of the LGPS Investment Regulations 2016 says that the costs for the administration and governance of the LGPS should be met from the pension fund maintained by the administering authority, and not from that authority’s general fund.

The acknowledged pressures on council service delivery more generally should not influence the approach taken with regard to setting the budget for pensions administration and governance. The Board is aware that cost constraints on the administering authority are sometimes applied to the pension fund, even when the fund has a legally separate source of funding. It is vital that appropriate resources are in place to ensure service delivery by the pension fund.

The Board would also encourage you to take a longer-term approach and determine your pension fund delivery requirements (both resources and budget) for the next few years; with all necessary parties agreeing a plan to ensure the fund can meet the current and future operational challenges effectively.

As a highly specialist area, administering authorities also need to be mindful of the need to retain key pensions staff and knowledge when setting salary scales and staffing levels for the pension fund. Ensuring pension funds can offer attractive

Scheme Advisory Board

career paths is essential in retaining key staff and an area which the Pensions Team within the Local Government Association (LGA) are contributing to by developing and delivering pension qualifications for the sector.

It is also important that Service Level Agreements and budgets for those council services which support the delivery of the pensions function are in place and sufficient to meet the administering authority's statutory duties. These duties continue to become more comprehensive, and complicated, as governance standards are raised through initiatives like the Pensions Regulator's new General Code of Practice, preparation for the implementation of statutory pensions dashboards, the need to implement the McCloud remedy and the upcoming 2025 actuarial valuation. This is also why the Government is supporting the Board's recommendation that there be a single named officer (the senior LGPS officer) who has overall delegated responsibility for the management, strategy and administration of the fund.

Failure to sufficiently resource the pension fund can lead to a number of potentially negative outcomes including:

- Censure by the Pensions Regulator (TPR) for non-compliance with the requirements of the Public Service Pensions Act 2013 and other primary legislation
- Findings against the authority by the Pensions Ombudsman
- Failure to fulfil financial responsibilities in accordance with the Accounts and Audit (England) Regulations 2015 (as amended)
- Failure of internal control systems for financial and investment activities (Accounts and Audit (England) regulations 2015 and CIPFA/LASAAC code of practice)
- Overpayment or underpayment of pension amounts
- Incomplete data leading to valuation assumptions which could result in increased employer contributions
- Incorrect tax liabilities for the authority, participating employers, and scheme members
- Lack of investment in the administration service providing poor or inadequate service to scheme members and employers.

Yours sincerely



Cllr Roger Phillips
Chair, Local Government Pension Scheme Advisory Board