

# **LGPS England and Wales**

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HMT Cost Control Mechanism (CCM) and SAB Cost Management Process (CMP) valuations at 31 March 2024 - update

Matt Gurden | 24 November 2025

# Purpose of the valuations

#### SAB CMP

**HMT CCM** 

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Why carry out a valuation?

**Primary purpose** 

of valuations

**Legal requirement** – LGPS regulations

Assessment of the cost of paying benefits - assumptions determined by the LGPS EW SAB

To provide greater control over employer contribution rates.

By assessing:

Total cost of the scheme, including employer and employee split, against a target cost of 19.5% of pensionable pay

Key results

**Overall cost** 

 SAB can make recommendations whether member benefits and/or contributions will be adjusted, on a may / should / must basis **Legal requirement** - Public Service Pensions Act 2013

**Assessment of the cost of paying benefits -** using HMT directed and scheme-set assumptions

To control future spending on public service pensions.

By assessing:

Employer cost of the scheme against an employer cost cap of 14.6% of pensionable pay

**Core cost cap cost** 

 Determines whether member benefits and/or contributions will be adjusted

**Economic cost cap cost** 

 Determines whether economic costs are consistent with outcomes of the core cost cap cost

### SAB CMP

"...must obtain a Scheme cost assessment from the Scheme actuary detailing the overall cost of the Scheme"

"...the overall cost of the Scheme means the total cost as calculated by the Scheme actuary ... according to such methodology and assumptions as are determined by the Board"

### **HMT CCM**

### SAB is

...board with responsibility for providing advice to the responsible authority, at the authority's request, on the desirability of changes to the scheme'

### [Scheme specific assumptions]

'...be determined following discussions with such persons (or representatives of persons) as the responsible authority considers appropriate' PSPA 2013

DIRECTIONS

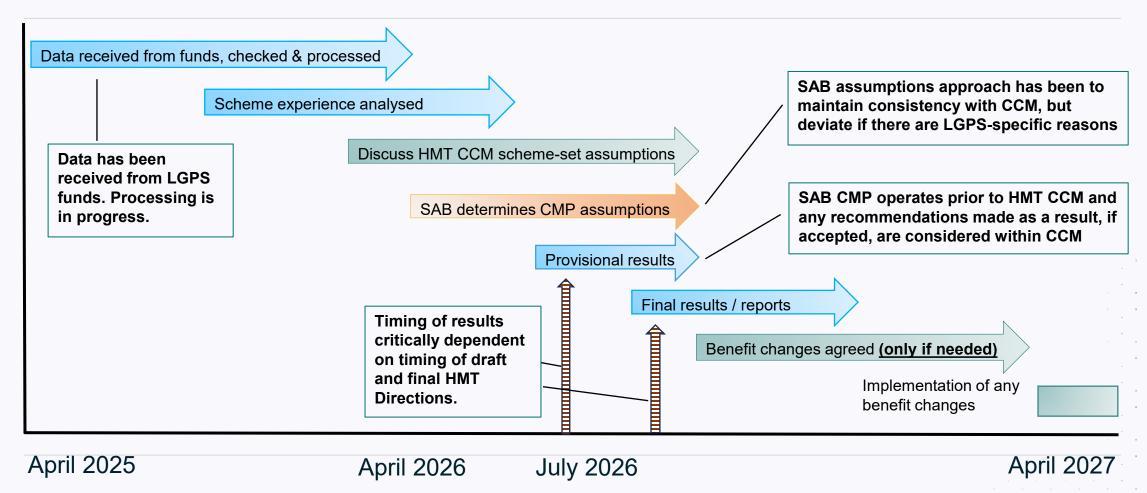
-GPS Regulations

## Indicative timetable

\*\* Estimated timescales only \*\*

Analysis / results discussed with SAB

MHCLG to consult with SAB



## 2020 valuations reminder

### SAB CMP

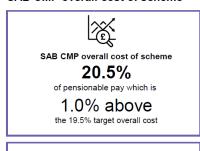
Valuation Results Highlights

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### **Highlights**

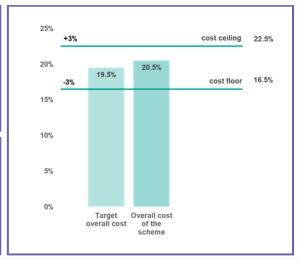
SAB CMP overall cost of scheme

Valuation Results Highlights



The overall cost of the scheme lies within a 3% corridor

As a result, there is no requirement for the Scheme Advisory Board (SAB) to make recommendations to the Secretary of State as to steps to take to bring overall cost back to overall target cost, although they may do so. The SAB have agreed to make no recommendations accordingly.



### **Highlights**

**Core and Economic Cost Cap Costs** 

11.4% of pensionable pay which is

of pensionable pay which is

21.9%

**HMT CCM** 

3.2% below

7.3% above

the 14.6% employer cost cap

The core cost cap cost of the scheme lies outside the 3%

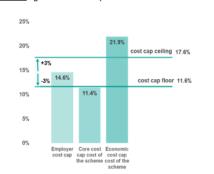
However, when the wider economic situation is taken into account through the economic cost cap cost of the scheme, the cost cap corridor is not similarly\* breached.

As a result there is no requirement for the Secretary of State for Levelling Up, Housing and Communities to consult on changes to the scheme.

The background to the cost control mechanism is set out in Appendix A.

#### Position within cost cap corridor

The chart below illustrates the position of the core cost cap cost of the scheme and the economic cost cap cost of the scheme against the cost cap corridor.



The results of this cost cap valuation are not used to set the employer contribution rate. Employer contributions are payable in accordance with the rates and adjustments certificates issued as part of the actuarial valuations carried out by each of the scheme's administering authorities.

Sources: https://lgpsboard.org/images/CM/SCA%202024%20final%20report.pdf and https://assets.publishing.service.gov.uk/media/660fe1989f92ac001a516d45/LGPS England and Wales 2020 Valuation Valuation Report.pdf

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<sup>\*</sup> In the same direction as the core cost cap cost breach.



The Government Actuary's Department is proud to be accredited under the Institute and Faculty of Actuaries' <u>Quality Assurance Scheme</u>. Our website describes <u>the standards we apply</u>. \* ^ **VAVA** 

\* \* **\* \* \* \*** 

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