



Press Cutting

Client LPFA
Date 6 September 2011
Source IPE (online)

UK pension schemes should be 'incentivised' for sharing admin – LPFA

21 hours ago



UK – UK local government pension schemes (LGPS) should be offered financial incentives for working closer together and implementing shared administration models, the London Pensions Fund Authority (LPFA) has argued.

The authority – which administers the schemes of a number of London boroughs as well as overseeing its own £4.1bn (€4.7bn) pension fund – also urged the creation of new pension funds for low-income earners with benefits on wages that fall below the £7,500 per annum income threshold dictated by auto-enrolment legislation. In a Green Paper entitled '[A new LGPS by 2015: Reality or Aspiration](#)' released today, the LPFA put forward nearly 30 proposals to stimulate the debate around local government scheme reform.

It also suggested that a 1/70th accrual rate be used when switching funds from final salary to career-average revalued earnings (CARE), as proposed by Lord Hutton's report into public sector retirement, as well as the introduction of governance and administration principles.

Under the proposed principles, schemes would be forced to report decisions on a 'comply or explain basis', thereby allowing for accountability in administration standards.

Mike Taylor, chief executive of the LPFA, argued that the time was right to begin outlining scheme reforms set for implementation in four years.

"There is a lot to get done if we are to ensure a fair, affordable and, most important, fully understood LGPS is in place by 2015.

"The Green Paper is not intended as a single blueprint for success, rather it attempts to stimulate debate concerning the key ingredients of a new LGPS and the practicalities necessary for its successful implementation."



One suggestion included closer cooperation between schemes, with the LPFA noting Lord Hutton's decision to not support forced mergers.

Instead, funds should be "incentivised" to take part in shared services, mutualisation and other cost-saving initiatives, the report said.

"For example, funds could receive monies to assist with the formation of mutual companies jointly owned by employees, the funds themselves and possibly a private or third sector partner," it argued, pointing to the use of such an approach by MyCSP, which administers all civil service benefits in the UK.

The LPFA said administration standards could be upheld through a new set of principles, working on a 'comply or explain' basis alongside the scheme's existing governance compliance statements.

"In particular, the standards would ensure funds consider carefully their responsibilities under the regulations when entering into any outsourcing or joint working arrangement," it said. A further suggestion by the Green Paper included a "targeted rebranding" of the LGPS system to increase the attraction for both low-income and younger employees.

It said this rebranding should "minimise the pensions element", while "enhancing the benefits of employer contributions and tax relief", as well as urging a pension fund that allows low-income earners to gain benefits without contributing on salary that falls below the auto-enrolment threshold.

"In this scenario, no employee contributions are paid on earnings up to the auto-enrolment limit (£7,495), but a 1/200th accrual rate is used for pay up to that level," the paper said.

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