Cost Caps to the 4

We are aware of some speculative comment doing the rounds regarding the possibility of the 2019 English & Welsh valuations being put back due to aligning cost cap exercises. This speculation would appear to be premature, however.

There have been various rumours in recent months regarding two separate but connected issues:

a) What is the result of the cost cap exercise which the Government Actuary's Department (GAD) were running on the English & Welsh 2016 valuation data? (i.e. whether the current benefit structure will continue to apply or needs material change).

b) Are LGPS valuations moving to be every four years instead of three, to align the cost cap processes for GAD across all public service schemes? And if so, when and how does that kick in?

We are starting to see some light at the end of the tunnel, but we're still firmly in the tunnel for the moment:

a) You may have seen the Treasury announcement last week about the cost cap exercises for the various public sector schemes, including the LGPS. This suggests that costs have fallen below the statutory 2% of pay corridor and hence (all other things being equal) benefits will need to be increased.

b) The Treasury's letter to the TUC mentions the LGPS valuation cycle, and the technical appendix goes into more detail in the third section.

There is much to digest here, and we have already had preliminary discussions with LGA about how this might actually work in practice. It is therefore too early to say confidently that a certain course of action is bound to take place, but what we can say is:

a) The LGPS has a dual cost cap process which differs from the unfunded schemes. Therefore, the headlines you may have seen regarding NHS, teachers and uniformed services will not necessarily apply to the LGPS.

b) The Treasury's aim is to have a single timetable for cost cap purposes across all public service schemes, so the LGPS cost cap process could be moved to be every 4 years to bring it into line with the unfunded schemes. However this is a separate exercise from the funding valuations which each fund conducts with its own actuary, and there is no strong reason why they could not take place in different cycles.

In any event, we understand that it is considered too late by various national stakeholders to put back the 2019 valuations by one year, with the consequent administrative issues that would cause (not least for setting the contribution rates to be levied for the year 2020/21).

We will be in touch shortly with more detailed thoughts on these areas, and if you have any queries in the meantime please contact your usual Hymans Robertson consultant.