



WEST MIDLANDS PENSION FUND

LGPS ISSUES

JANUARY 2010

A RESPONSE BY THE WEST MIDLANDS PENSION FUND
TO THE BBC NEWS STORY - 15 JANUARY 2010

COUNCIL PENSIONS DEFICIT "SET TO DOUBLE TO £60BN"

The Local Government Pension Scheme (LGPS) is one of the very few public sector pension schemes with funds set aside to meet liabilities. The LGPS is a national scheme covering 1.7m members. It is managed by designated local councils on a geographical basis. It does not cover NHS, teachers or uniformed police or fire service employees.

In 2008-09, nationally, payments out of the scheme totalled £6.5bn across all funds and payments in from employees, employers and investment returns totalled £10.8bn*. This shows a strong cashflow that reflects a pattern that has been the historical position and one that will be repeated for many years into the future. There are no problems in meeting the current commitments with current funding levels well into the future (next 15 to 20 years).

Views on the very long-term, 50 plus years, are dependent upon a range of assumptions. It is possible to project strong cashflows remaining positive over the very long-term if current employer contribution rates are maintained (not increased), investment returns over the long term reflect historical long term patterns, future pension retirement age rises in line with state retirement age increases and members pick up the substantial part of any future increases in costs from people living longer.

Actuaries have a complex methodology for calculating pension fund net liabilities, discounting them to present day prices. The calculations are very sensitive to certain assumptions and figures calculated on one day can change substantially within a few days. This makes it difficult for the projected outcomes to be easily understood and translated into what actions are required. Projecting long-term cashflows is more easily understood and allows any recovery actions to be considered in a relevant timeframe.

For previous responses to the issues facing the LGPS, please see:
<http://www.wmpfonline.com/pdfs/LGPSissues.pdf>

* Source: *Statistical Release* 15 October 2009, Department of Communities and Local Government (CLG)