

London Pensions Fund Authority (LPFA) response to:

Public Service Pensions: GMP indexation consultation: Proposal to extend full indexation

Introduction

This response is provided by London Pensions Fund Authority (LPFA). LPFA's response to this consultation is provided in our role as an Administering Authority for the Local Government Pension Scheme. We respond to questions 3 and 10 below.

Question 3: Should the government consider making full GMP indexation the permanent solution for all members due to reach SPa after 5 April 2021? If so, why do you think this is the most appropriate solution?

Answer: Yes, LPFA is supportive of the proposal to extend full indexation indefinitely, on the grounds that this appears to be the most efficient approach from an administration perspective. In our view, the longer-term simplicity afforded by conversion is outweighed by the immediate administration burden to implement the change.

Question 10: Are there wider issues relating to the GMP that are not mentioned here and which should be considered when the government decides its policy?

Answer: Before 2016, the Additional Pension was provided through the DWP and funded by general taxation and National Insurance contributions. Adopting either the indexation or conversion approach shifts the burden of funding the GMP increases onto individual LGPS funds, essentially requiring the Additional Pension to be paid from Fund assets. Ultimately this cost will fall on the employers that pay into the LPFA Fund, including local government, educational institutions, and charities.

Without additional funds from central Government, the costs of the exercise (both the administrative costs and increased benefits payable to affected members) will in most cases necessarily be passed on to local taxpayers. We request that consideration is given to providing funding to partially or fully offset the likely cost of providing the Additional Pension direct from the LPFA Fund.

7 December 2020