Dear Frank,

Thank you for your letter of 21 February to Guy Opperman MP about the Local Government Pension Scheme (LGPS). I am replying as this matter falls within my ministerial responsibilities.

The ability for members to combine their LGPS pension entitlements with their most recent LGPS employer is an important benefit. For those LGPS members who were active in the scheme before it was reformed in April 2014, it means they retain their ‘final salary link’, a key benefit that ensures their pre-April 2014 pension is calculated using their final salary when they leave the LGPS. In addition, it reflects the reasonable expectation of members that all their benefits accrued in the LGPS, a single pension scheme, are held in one place.

Transfer values between LGPS employers are calculated using Government Actuary’s Department factors that are intended to provide an actuarially neutral assessment of the value of those benefits. It should also be noted that, whilst charities who participate in the LGPS are obliged to take on past liabilities for new employees with previous LGPS membership (unless the member requests otherwise), other LGPS employers, like local authorities, are also obliged to take on past liabilities of ex-charity employees. We anticipate that the effect of inward and outward flows should balance out.

Nevertheless, I do recognise the funding issues faced by some admitted bodies when their last active member leaves the scheme. This is a subject the LGPS advisory board are considering in depth as part of their project on ‘tier 3’ employers in the LGPS (http://lgpsboard.org/index.php/structure-reform/tier-3-employers) and I look forward to receiving their formal recommendations in due course. In the meantime, my officials are actively considering options that would help to address some of the issues faced by exiting admitted bodies, whilst continuing to ensure that LGPS funds are adequately resourced to pay pensions as they fall due in the year to come.

Thank you for writing in on this important matter.

RISHI SUNAK MP