



Hertfordshire Pension Fund

Unlocking stability

Protecting your bottom line

The Local Government Pension Scheme (LGPS) benefits usually grow over time, funded by regular monthly contributions. But sometimes, employers face unexpected costs for things like ill-health retirement and death in service benefits. This can result in additional, unexpected payments being required from employers.

While most LGPS funds set aside some money for these events, it's never guaranteed. If more claims happen than expected, employers can be hit with a large, unforeseen cost, leading to a lot of financial uncertainty.

Why self-insurance makes sense

These unexpected costs, while rare, can cause major swings in contribution rates, especially for small and medium-sized employers. The additional cost required by employers can vary significantly if they do occur, even when spread over a period of time. This could lead to financial uncertainty for you, as employers. To tackle this, the Fund has agreed to implement a self-insurance approach that protects you from those unexpected costs.

Here's how it works: Instead of an external insurance company, the Fund pools the risk for all employers. This covers both death in service and ill-health retirement benefits.

How you benefit

We believe this approach provides stable experience for you. The benefits of self-insurance are:

More stable contribution rates
By pooling these specific risks, your contribution rates will be more consistent over time.

No extra costs
The self-insurance reserve is funded using a portion of the contributions you already pay. Your overall contribution rate won't increase because of this new approach.

Simple process
You won't have to deal with a lengthy claims process; the administration is more straightforward.

Streamlined reviews
Any adjustments or reallocations of payments are handled during the regular actuarial valuation, making everything more efficient.

While we can't completely eliminate the risk of unexpected costs, this self-insurance approach gives us a way to actively manage them. The known cost of self-insurance is a lot better than the unknown cost of an unexpected event. It's a proactive step to create a more stable and secure environment for everyone involved.