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LGF Reform and Pensions Team
Ministry of Housing, Communities and Local Government
2nd Floor, Fry Building
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31st July 2019

Dear Sir/Madam,

Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk

Thank you for the above consultation document. I write in response to the consultation on behalf of the Sixth Form Colleges' Association (SFCA).

The Sixth Form Colleges Association (SFCA) is the established voice of dedicated 16 to 18 education and the hub of a national network of sixth form providers. We represent 104 dedicated sixth form providers, including all sixth form colleges and 16–19 academies, and a growing number of 16–19 schools, 16–19 free schools and FE colleges. Our member institutions employ support staff who are members of the LGPS and this response takes account of comments and views we have received from SFCA member institutions.

Question 1 – As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?

We believe that it makes sense to align the valuation cycle where possible if this would lead to greater stability in overall employer contribution rates (including those extra payments levied relating to the recovery of deficits), a reduction in the shorter term volatility of the overall surplus/deficit due to the scheme and any reduction in short term unplanned changes in cash demands on colleges in general. It may be the case that four years is seen as being too long for some of our member colleges.

Question 2 - Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?

Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?

Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

In response questions 2, 3 and 4 we want to be clear that, drawing on our experience of representation on the teacher (TPS) scheme advisory board and being involved in discussions on the impact of recent increase to TPS employer contributions and the fallout from the Supreme Court judgement in the McCloud case, we are concerned about the current uncertainties that exist across public sector schemes and the need to closely monitor all public sector schemes. We would not want a longer valuation period to negatively impact in anyway on ongoing monitoring of the LGPS.

In response to question 4 in particular, we have concerns that since 2016, college balance sheets have seen volatility in the value of the deficit. In 2016 most colleges suffered a large increase in their deficit pushing some into deficit balance positions. Since then the deficit position has reduced each year to almost the previous status. These adjustments have been mostly due to external conditions, i.e. discount rates and market valuations, rather than influences under the control of the college. We believe a longer period of stability is required.

Question 5 - Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?

Question 6 - Do you agree with the safeguards proposed?

SFCA agree to the proposal in question 5 and the proposed safeguards (question 6) and we would welcome clarity on the detail of any statutory guidance and how this may work in practice.

Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

SFCA support this proposed change.

Question 8 – Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?

SFCA can agree to this proposal on the basis that the guidance is completely transparent and we welcome the commitment to consistency of treatment.

Question 9 – Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?

We do not believe that any additional guidance is required at this stage.

Question 10 – Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required?

Sixth form colleges are Tier 3. In order to ensure sustainability in the sector there is currently a great deal of restructuring activity. LGPS exit payments often restrict the range of options available and introduce costly complications at a time when college funding so low and curriculum disciplines and student services are already at risk. Spreading payments would contribute to supporting colleges to maintain and even improve delivery of education to students.

Question 11 – Do you agree with the introduction of deferred employer status into LGPS?

We would to like to explore this in greater detail to ensure protection is in place for all scheme members.

Question 12 – Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?

We could agree to the approach as set out but with the following comment regarding the employer acquiring new members, or being in a merger situation, being a relevant event for termination. A college (college A) may exit the scheme under a deferred employer debt arrangement. It may then receive another college (college B), who is still active in the LGPS scheme, as a merger partner with college A being the surviving legal entity. TUPE arrangements would require college A to offer LGPS to the college B's employees transferring into college A, meaning college A is acquiring LGPS members and this would trigger a relevant event. All of college A's existing liability would now fall due. A mechanism should be available to enable college A's existing deferred employer debt to remain under deferred terms.

Question 13 - Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?

SFCA can agree the approach as outlined.

Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?

We would like to explore this in more detail but would welcome flexibility on this issue.

Question 15 – Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?

We believe statutory guidance would be welcome but that scheme guidance may also be useful.

Question 16 – Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer's exposure to risk in calculating the value of an exit credit?

SFCA can agree the proposal to amend LGPS regulations.

Question 17 – Are there other factors that should be taken into account in considering a solution?

We do not have any other issues to raise on this question at present.

Question 18 – Do you agree with our proposed approach?

This proposal covers further education corporations, sixth form college corporations and higher education corporations changing from scheduled to designation bodies under the LGPS regulations. Therefore in future sixth form colleges will not have to offer LGPS to new support staff employees but can choose to do so if they wish. SFCA generally welcome additional flexibilities around costs of managing the teacher and support staff workforce and a number of sixth form colleges may welcome this proposal. However, the SFCA represents sixth form colleges and 16 – 19 academies and this proposal would only apply to our member sixth form colleges and only to support staff in those institutions.

We would want to explore this proposal in more detail to better understand the impact on the existing scheme members, remaining employers, potential move from a two tier workforce (teachers and support staff) to a three tier workforce (support staff in LGPS and support staff not in LGPS) and impact on the ability for support staff to move between colleges and academies. There are also potential industrial relations consequences for this proposal and SFCA highly values its relationships with the professional associations and would not want to fully support this proposal without hearing the views of the recognised support staff unions and after considering a detailed impact report. We are also concerned that similar changes could be made to the TPS which could impact on contributions for remaining academy employers.

Question 19 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

We trust the Ministry has taken due regard of the Equality Act 2010 and the Public Sector Equality Duty. We would expect the Ministry to fully consider the impact of proposed changes under question 18 on the college support staff workforce which is predominantly female.

I hope the above is helpful. If you have any queries or would like to discuss any of this in more detail please do not hesitate to contact me.

Yours sincerely

Graham Baird
Director of HR Services