

Sixty second summary

What's the objective? Academies in the LGPS: a SAB consultation



Douglas Green
Partner and LGPS Actuary

This is the latest development in the ongoing topic of academy schools in the English Local Government Pension Scheme. The LGPS Scheme Advisory Board (SAB) has issued a [consultation](#) which ends on 29 September. Hymans Robertson has been following developments and providing input to this important area, and this note contains some thoughts which you might find helpful if you are submitting a response to the consultation.

Background

SAB had previously commissioned an independent report on the topic which we reviewed via a [Sixty Second Summary](#). From that, it tentatively proposed with Ministerial approval that any changes should be kept within the LGPS, either via guidance (general or statutory) or via amendments to the scheme's regulatory framework. More radical measures outside the LGPS were not ruled out if any changes prove ineffective. This consultation is the next step, outlining draft objectives for the exercise.

Seeking Consensus

In essence, SAB is seeking backing from the LGPS that it is broadly on the right lines so far. This is very welcome, as too often the debate has seemed rather fractured, with different parties seeking mutually exclusive goals (eg funds aiming for solvency, academies aiming for low contributions).

Target Demographic

It is worth noting that this consultation has only gone to funds and Committees, not academies or Councils. The implication is that the consensus is being sought from the LGPS community, and that academies' and others' views have been fully built-in to the previous report.

Draft Objectives

The consultation is limited to just two questions, one of which is a Yes/No as to whether respondents agree to the draft objectives:

- Protect the benefits of members through continued access to the LGPS
- Ring fence tax payers and other employers from the academies' liabilities
- Improve administrative efficiency and effectiveness
- Increase accuracy and reliability of data

It is also stated that any options should not significantly affect either the cash flows at fund level (which would happen if all academies' assets and liabilities were moved entirely out of the fund), or the new asset pools that are currently being set up across England (which would happen if the assets and liabilities of all academies across all LGPS funds were moved to one fund or to some other pension scheme).

Is there anything we might change?

No. The above objectives seem perfectly sensible, and in line with what we have always said, namely that the funding of pension obligations requires fairness towards all employers, including all academies' staff. The administration and data objectives are therefore key to making this happen as effectively as possible.

Is there anything we might add?

Following from the target demographic point above, one objective which could be considered missing is around the treatment of academies' contributions. There are various issues around consistency with LEA schools, consistency across funds, etc. However, the counter to this is that there are no such provisions for any employers in the LGPS: councils' shared services, national charities, college groups and contractors all potentially face exactly the same issues as Academy Trusts. As long as any eventual guidance or changes are sensibly drafted and sensibly put into practice, then there should be no need for an objective along these lines.

Another objective, which we touched on in our previous note, could be along the lines of "Improve knowledge of the LGPS amongst academies". The independent report highlighted how this lack of knowledge can lead to a whole host of issues which take up time and resource at both funds and academies.

Overall Comments

There have been several years of discussions on this important topic, but now it seems that some form of central guidance and consistency in approach is forthcoming. This is hugely important, as part of the problem to date has been the lack of resolution of conflicting requirements from different parties. This consultation allows consensus to be gradually built, and any arguments or counter-arguments have time to be aired.

As we have said before, for instance in [our previous note on this topic](#), it is impossible to square this circle, but that doesn't mean that a fair and balanced solution can't be found. SAB's approach looks to be a steady hand on the tiller.

Finally, many of the issues to date appear to have arisen due to lack of resource, both at funds and academies. Whilst any direct solution to resource issues is beyond the remit of this particular consultation, we would urge that any resulting actions help to alleviate workload for all parties, or at least do not add to workloads.