

Proposed increases to Local Government Pension Scheme employee contribution rates and changes to scheme accrual rates, effective from 1 April 2012 in England and Wales.

Response of the Association of School and College Leaders

Introduction

- 1 The Association of School and College Leaders (ASCL) represents over 16,000 members of the leadership teams of maintained and independent schools and colleges throughout the UK. This places the association in a unique position to see this initiative from the viewpoint of the leaders of both secondary schools and colleges. There is a significant and growing number of ASCL members in senior administrative roles in schools and colleges who are members of the Local Government Pension Scheme (LGPS).
- 2 It is understood that this consultation is about the implementation of changes to contributions and the accrual rate, which we address below, rather than about the need to make such changes. However, ASCL is not convinced that the case for making these changes has been made and remains opposed to the political decision to reduce the remuneration of public sector workers by making otherwise unnecessary changes to their pension schemes. ASCL is willing, as ever, to engage in constructive discussion about how best to implement government policies, but with regard to this policy in particular needs to make the point that such engagement is not to be construed as support for it.
- 3 ASCL welcomes the Local Government Group's consideration of changes in contribution rates, accrual rates and pensionable age as interlinked factors, rather than looking at changes in each element separately. Moving forward ASCL would encourage consideration of some flexibility for individual members with the ability to balance these three elements.
- 4 However, there is concern over the disproportionate increases for the better paid and the across the board reduction in the accrual rate. It is understood that this consultation is restricted to the savings required by 2014-15 but the impact of such proposals will also depend upon their overall life span. The protection offered to those near retirement and the accrual rates and contributions of the post-2015 scheme will be significant factors. If the proposed measures are designed to make savings over a short period they must not necessarily be allowed to become the default position for a new scheme yet to be negotiated.

- 5 ASCL would support protection for the lowest paid members of the scheme but we have significant concerns over the burden placed upon higher earners. Colleges and the increasing number of self-governing schools (free schools, academies, trust schools and foundation schools) have non-teaching senior staff with major responsibilities in areas such as finance and human resources. These posts must remain attractive and have competitive remuneration packages, including pensions, to maintain their appeal to potential recruits and to retain the very best staff. The LGPS already has tiered contributions and the higher paid already pay proportionally more.

Questions

Question 1: Do the proposals meet the policy and objectives to deliver the necessary level of savings in the LGPS?

- 6 The proposals clearly meet the objectives of delivering the required savings. The question remains as to whether the savings are necessary and proportionate in the context of this particular scheme. ASCL is extremely disappointed that these savings are being sought at the expense of members of the scheme and that increased contributions will not be contributing to the scheme.

Question 2: Are there any consequences or aspects of the proposals that have not been fully addressed?

- 7 Recruitment and retention has been referred to above. This matter is worthy of serious consideration. Our communities depend upon public services and expect them to be of a high standard. High calibre staff are needed to deliver high quality services and recruitment of such people is vital.
- 8 Recruitment is not just an issue in terms of attracting high quality individuals into the public sector, but also in encouraging those within these services to aspire to senior positions. Promotion becomes less attractive when an increased salary can lead to higher pension contributions as well as possibly a higher income tax band (for example moving from proposed band 5 to 6).

Question 3: Is there a tariff or alternative measures which consultees think would help to further minimise any opt outs from the scheme?

The normal assumption is that opt outs will be predominantly by the less well paid and the protection for these scheme members is welcome. It is highly likely that opt outs from better paid members will increase if their contributions appear to rise disproportionately during a period of pay restraint. Some flexibility in the scheme allowing members to alter contributions through their career, related to different levels of benefit or different retirement ages, would give responsibility and a degree of control to individuals. This could benefit the considerable number of people who enter these posts in schools and colleges

from outside the public sector, who have less time to accrue a pension in the LGPS and who otherwise will be less likely to join the scheme.

Question 4: Are there equality issues that could result in any individual groups being disproportionately affected by the proposals.

- 9 It is fully understood that part time workers will be categorised by their full time equivalent. Whilst this is entirely appropriate structurally it raises the question of part time workers having to find the higher contributions from what may be in cash terms a relatively low income. Many of these workers are women and there may be an equality aspect to this. Again, flexibility in the contributions/accrual rate/pensionable age equation could mitigate any disadvantages.

Question 5: Within the consultation period, consultee's views are invited on the prospects of introducing into the LGPS a link with state pension age as recommended to the Government in Lord Hutton's report.

- 10 Making a direct link between the state retirement age (SRA) and the normal pensionable age (NPA) of the scheme would appear to provide the scheme with a safeguard against potential increased longevity of those receiving pensions. There would need to be protection for scheme members. The SRA could be altered for other reasons than longevity and this would force a rise in the NPA even if the scheme was able to afford its then current liabilities. Any proposed rise in the NPA should be in light of a reasoned argument and actuarial revaluation of the LGPS.
- 11 There is genuine concern amongst those currently in service who will now have a later NPA. Some consideration of the provision for early retirement arrangements, without full actuarially reductions to their pension for this group would be a valuable part of negotiations over a new scheme.
- 12 I hope that this is of value to your consultation, ASCL is willing to be further consulted and to assist in any way that it can.

Martin Ward
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Association of School and College Leaders
6 January 2012