



ADMISSION BODY ARRANGEMENTS IN THE LOCAL GOVERNMENT PENSION SCHEME QUESTIONNAIRE

INTRODUCTION

1. This questionnaire accompanies the consultation document for admission arrangements in the local government pension scheme.
2. Only responses received using this questionnaire will be considered as part of the consultation exercise.

PERSONAL DETAILS

Name: Public Sector Solutions Unit

Position:

Organisation: Sacker & Partners LLP

EXPLORING THE APPROACHES IN DETAIL

Approach one: Provide revised guidance re-emphasising the original intentions

[Paragraphs 31-36 of the consultation document]

Question 1 do you think revised and updated guidance re-emphasising the original intentions of ABS would assist in a better understanding of the current arrangements?

Yes

No

Unsure

Please provide any comments in the box below

There is not enough clarity over the operation of the current system. It would help to refine and restate the aims of the ABS system. In addition, the current guidance could benefit from being more user friendly and from a consolidation which would put all the relevant information in one document.

Question 2 Are there any specific issues that the guidance should focus upon in addition to those contained at paragraph 36 of the accompanying consultation document?

Yes

No

Unsure

Please provide any comments in the box below

We assume that this question should in fact refer to paragraph 31. The key additional information required is the availability of surplus at the end of the period of the ABS.

Question 3 how formal should revised guidance be? Should it be statutory or simply authoritative but informal?

Statutory

Authoritative

Unsure

Please provide any comments in the box below

There are advantages to both methods. A statutory approach provides clarity but at the expense of flexibility, whilst the informal (but authoritative) guidance approach may be difficult for an AB to rely on and Government to enforce. On balance, we would prefer a middle ground – where the obligation to offer key options/principles are contained in legislation but guidance is contained in a code (a similar approach, in other pensions contexts, such as the scheme funding regime).

In particular, it would help if flexibility were permitted as this may allow for special terms for specific outsourcing arrangements – for example, a client recently took only two people from the public sector but was required to take ABS, it would have been more appropriate in this case for the client’s existing DB scheme to be able to provide special terms for these two people without the complication of applying for a passport (as a BC scheme).

Approach two: Make minor regulatory modifications to make the existing framework work better

[Paragraphs 37-39 of the consultation document]

Question 4 do you think this approach would help to address the concerns raised by stakeholders about ABS provisions?

Yes

No

Unsure

Please provide any comments in the box below

We believe fundamental changes are required. However, if there is no appetite for fundamental reform, additional actuarial monitoring (i.e. yearly actuarial valuations) would add significant benefits for stakeholders. For example, in the scheme funding regime which applies to occupational pension schemes, actuaries are required to update actuarial calculations annually.

Question 5 is there a need for regulatory provision specifically to deal with any surplus at the end of a contract?

Yes

No

Unsure

Please provide any comments in the box below

Yes, this is issue which is perceived as most unfair by the stakeholders. It is difficult to understand why an ABS should be required to pay in a lump sum to cover a deficit but is not entitled to benefit from any surplus generated. This is the position under the private sector (for example, in a BC scheme).

Question 6 should annual actuarial monitoring of contracts to check staff and other variations be required in future?

Yes

No

Unsure

Please provide examples and details in the box below

Please see answer to Q4.

Question 7 should an annual review of indemnity cover be required?

Yes

No

Unsure

Please provide examples and details in the box below

We assume that the reference to indemnity cover is to the bond required to be provided by an AB. This is an issue for the scheme, rather than stakeholders – it is incumbent on the scheme to assess risk at the time of admission and if it wishes to update this information to request additional information and/or a review of the bond. To do otherwise would place to heavy an administrative burden on stakeholders.

Question 8 should a prepared risk assessment be published locally?

Yes

No

Unsure

Please provide examples and details in the box below

Yes, otherwise it is impossible for a company to prepare a bid for a contract.

Question 9 should local authorities be required to provide a statement as part of the bidding process about actuarial aspects of ABS?

Yes

No

Unsure

Please provide examples and details in the box below

Yes. Additional information would help those involved in the bidding process to understand this risk and therefore price bids more accurately.

Question 10 are there other clarifications/amendments that should be considered for the ABS regulations?

Yes



No

Unsure

Please provide examples and details in the box below

It would be helpful if additional flexibility was built into the system. For example for smaller ventures/contracts.

Approach three: Consider the possibility of introducing some broader regulatory changes which enhance the options available, while at the same time, avoiding any conflict with the key policy basis of ABS.

[Paragraphs 40-55 of the consultation document]

Pass-through arrangements

Question 11 should pass-through arrangements be seriously considered?

Yes

No

Unsure

Please provide any comments in the box below

Pass through arrangements can help provide certainty for contractors and could help to put all contractors on a level playing field.

Question 11a if so, should it be simply an available mechanism, recommended as an available option, the default option, or are there substantial business and other reasons for it to be made mandatory where the admitted body route is followed?

Available option

Default

Mandatory

Please provide any additional comments in the box below

Question 12 what would be an appropriate apportionment of costs inherent in providing continued access to the LGPS? [For example, please state which risks should be the responsibility of contractors and/or the local authority]

Please provide details in the boxes below

Local authority

We do not feel it is appropriate for us to answer this question as it goes to the heart of the policy on this issue.

Contractor

Question 13 what are the implications of sharing these costs for all interests?

Please provide any additional comments in the box below

See the answer to Q12 above.

Question 14 should the precise apportionment of costs be subject to a degree of local flexibility? Should these be considered independently?

Yes

No

Unsure

Please provide any additional comments in the box below

Whilst flexibility is a good thing in general, our concern is that providing for flexibility could lead to more problems. Independent verification of costs may increase prices.

Question 15 should contractors also be liable for costs arising from changes in actuarial assumptions that are not specific to the scheme, such as mortality, which would fall on contractors whatever pension scheme they provided?

Yes

No

Unsure

Please provide any additional comments in the box below

We understand that generally mortality will be specific to a scheme. But Abs have no degree of control over these decisions (where they might in an occupational pension scheme).

Question 16 should the contractor be given the benefit (i.e. a reduction in contribution rate or a refund on exit) if the changes have a downward rather than an upward effect on costs?

Yes

No

Unsure

Please provide any additional comments in the box below

Yes. Contractors are currently sharing in all of the risks but none of the potential benefits. This is perceived as being unfair.

Question 17 although contractors would not inherit past service liabilities, how should the effects of their decisions on past service liabilities would need to be taken into account?

Please provide any additional comments in the box below

We do not feel it is appropriate for us to answer this question as it is goes to the heart of the policy on this issue.

Question 18 if the outgoing contractor has no liability under a terminal valuation and the incoming contractor does not inherit past service liabilities how could accrued deficits be dealt with when a contract passes from one contractor to another?

Please provide any additional comments in the box below

No comment.

Mandatory Admission Agreements when ABS is the contractor's preferred method of providing pension provision for transferring local authority employees.

Question 19 are there reasons to re-consider the current position that it is for the contractor to decide whether to offer an open or a closed admission agreement, provided he complies with the general guidance on outsourcing, fair deal and two tier workforce?

Yes

No

Unsure

Please provide details in the box below

The contractor should be allowed flexibility in the arrangements offered.

Question 20 should the provision of open admission agreements be a mandatory?

Yes

No

Unsure

Please provide details in the box below

This would not allow flexibility.

Cap and Collar

Question 21 do cap and collar arrangements have merit? Are they suitable for regulatory treatment within the LGPS framework?

Yes

No

In part

Unsure

Please provide any comments in the box below

Cap and collar agreements can help to give the contractor certainty and would be another option in addition to pass-through.

Question 22 what is your preferred status for cap and collar arrangements?

Available option

Mandatory

Do not agree with Cap and Collar

Please provide any further comments in the box below

Again, like pass-through, they should be an option available to the parties.

FURTHER CONSIDERATIONS

Question 23 should different considerations apply to second and subsequent generation contracts from those which apply to first generation contracts?

Yes

No

Unsure

Please provide details in the box below

It is unfair to offer second or subsequent generation contracts on different terms to first generation contracts. It is important for contracts to be priced on the basis of a level playing field.

Question 24 are there other issues or approaches in addition to those set out in the consultation document which might usefully be considered?

Yes

No

Unsure

Please provide details in the box below

SUMMARY OF OPTIONS

Question 25 would any of the three approaches proposed in the consultation document effectively address concerns raised about ABS provisions set out at paragraphs 21-23 of the consultation document?

Yes

No

Question 26 which option do consider most appropriate?

Approach one

Approach two

Approach three

Part of approach three

Mixture of these approaches

Another approach

All three Approaches

Please insert any comments in the box below

Explanation of answer – we support the offer of pass-through and cap and collar arrangements, but believe that open admission agreements should be an available option but should not be mandatory.

General comment - a number of measures could be taken to provide certainty of the costs of tendering for a contract. This can help prevent the loading of bid prices for contracts (to make allowance for the risk of payments required to meet past service deficits). We see the skewing of bid prices as the greatest barrier in providing value for money for the taxpayer.

Question 27 how should any of the proposed changes be implemented?

Through guidance

Through contract arrangements

Through regulation

Please insert any comments in the box below

A mixture of these approaches may work best. See answer to Q3.

Thank you for responding to this consultation exercise. Please send this form to Darren Kristiansen at Communities and Local Government at Darren.kristiansen@communities.gsi.gov.uk