

CONSULTATION ON POOLING ARRANGEMENTS FOR ACADEMIES

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

Recommendation: **that the Committee notes the action of the Chairman in agreeing a response to the consultation document issued by the Department for Communities and Local Government on pooling arrangements for Academies within the Local Government Pension Scheme.**

1. Introduction

- 1.1. The Academies Act 2010 set out the government's policy of improving education provision by encouraging the establishment of Academies that are independent of local authority control. Where schools become academies they become a separate employer within the Pension Fund, and are set an individual employer contribution rate to secure sufficient funds to pay pensions to their non-teaching staff.
- 1.2. A variety of approaches to setting contribution rates have been taken by different administering authorities. In some cases contribution rates have been set based on a 7 year recovery period to reflect the academy's period of guaranteed funding, and where this approach was adopted contribution rates increased significantly. This has not been the approach adopted by the Devon Fund actuary.
- 1.3. The Department of Communities and Local Government have undertaken a consultation on pooling arrangements for academies. This was issued in October with a response deadline of 15th November. A submission was drawn up by officers in consultation with the Chairman, in order to meet the deadline.

2. Pooling Arrangements

- 2.1. A pool is a mechanism for two or more employers to share actuarial assumptions and risks. Smaller employers can be exposed to very high increases in pension costs. Pooling arrangements that involve similar sized employers serve to spread this risk across a broader pool and reduce the potential volatility of contribution rates for all those involved. A range of options was put forward in the consultation as to how pooling arrangements for academies should be undertaken.
- 2.2. A key factor in determining the approach is that the Department for Education has provided a guarantee to scheme administering authorities that, in the event of the closure of an Academy Trust, any outstanding scheme liabilities that cannot be met by the remaining assets of the Academy will be met by the Department.
- 2.3. The response submitted is attached at Appendix 1, and reflects the proposed approach of the Devon Fund's actuary. The response outlines the Devon Fund's support for the proposal to pool academies with each other, but not with the ceding local authority. Consistency of assumptions should ensure a fair treatment of academies whilst following

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the logic of not treating them as if they were still local authority maintained schools.
Creating an academy pool will ensure stability of contribution rates going forward.

3. Conclusion

- 3.1. Members are asked to note the response to the consultation document issued by the Department for Communities and Local Government on pooling arrangements for Academies within the Local Government Pension Scheme.

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Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

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