



**Local Government Pension Scheme Amendment Regulations
(England and Wales)**

**RESPONSE FROM ICAS TO THE DEPARTMENT FOR
COMMUNITIES AND LOCAL GOVERNMENT**

30 January 2015

CA House 21 Haymarket Yards Edinburgh EH12 5BH
enquiries@icas.org.uk +44 (0)131 347 0100 icas.org.uk

Direct: +44 (0)131 347 0238 Email: cscott@icas.org.uk

Introduction

The ICAS Pensions Committee welcomes the opportunity to comment on the DCLG's consultation on Local Government Pension Scheme amendment regulations relating to England and Wales

Our CA qualification is internationally recognised and respected. We are a professional body for over 20,000 members who work in the UK and in more than 100 countries around the world. Our members represent different sizes of accountancy practice, financial services, industry, the investment community and the public and charity sectors.

Our Charter requires ICAS committees to act primarily in the public interest and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

Key points

We welcome the request for suggestions on how to better protect local taxpayers where there is a risk that they will have to foot the bill for employers who leave the scheme. We believe that steps could be taken without the need for legislation which would better protect taxpayers by enabling admitted bodies in the charitable sector to exit LGPS in a sustainable manner.

The approach LGPS currently takes toward calculating cessation liabilities means that charity sector employers admitted to the scheme continue to accrue further liabilities as the cost of leaving the scheme is unaffordable. Charity employers are therefore locked in to a pension scheme which they cannot afford to stay in and cannot afford to leave.

We believe that the interests of local taxpayers would be better served by changes in custom and practice around the calculation of cessation debt. LGPS is not subject to the employer exit debt regime of section 75 of the Pensions Act 1995. However, there is a tendency for this approach to be adopted. The section 75 calculation is based on benefits being secured with an insurance company on wind up of the scheme. This insurance route is not a likely scenario for LGPS and is overly prudent in the circumstances.

In addition, LGPS tends to enforce short payment terms to settle an exit debt which is another barrier to exit. Cessation debt will be triggered when an employer no longer has any active members in the scheme. At that point, it is highly likely that the exit debt will be unaffordable to the charity with payment terms being another factor which will increase an organisation's financial distress.

Charities are major providers of public services and for those charities with local authority contracts, changes in custom and practice around cessation debt will benefit taxpayers by reducing the cost of any service supplied by charities on a full cost basis.

While we believe that change is urgent, we would welcome a consultation in the near future which seeks views from stakeholders and experts specifically on this issue. We believe it's unlikely that sufficient impetus for change can be achieved as a by-product of this consultation. Charity employers which are admitted bodies of LGPS in Scotland face similar issues and we believe it would be in the public interest for the DCLG to work with the Scottish Government on finding a solution.

Although on this occasion, we have not commented directly on the amendment regulations and have therefore not responded to the specific questions raised, we note that the consultation document does not clearly identify the consultation questions in a consistent manner. From a respondent's perspective, we would welcome, in future, questions which are numbered and clearly identified as consultation questions. This would also assist the DCLG with analysing the consultation responses and communicating consultation outcomes to stakeholders.

Any enquiries should be addressed to Christine Scott, Assistant Director, Charities and Pensions, at cscott@icas.org.uk.