

# London Borough of Harrow Pension Fund

Academies

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## Background

- Introduced by coalition government
- In Academies Act 2010
- No longer under Local Authority control
- Manage own finances



## How should Academies be treated in LGPS?

- Department of Education briefing note
- Recommends own employer contribution rate
- Responsibility for share of LGPS deficit



## Should Academies be Pooled?

- LGPS Regulations silent with no central guidance from CLG

YES	NO
Volatility of contributions contained	How secure is future funding of Academies?
	Would pay stabilised contributions
	Would they pay early retirement strain costs?
	school no longer under Council control
	FRS17/IAS19 issues

Ultimately Administering Authority decision



## How should initial deficit be calculated?

- Actives only?
- Include deferreds and pensioners?



## Deficit based on actives only

	Council	Academy
Active liabilities	200	20
Deferred liabilities	100	0
Pensioner liabilities	100	0
<b>Total</b>	<b>400</b>	<b>20</b>
Assets	300	15
Deficit	(100)	(5)
Funding level	75%	75%



## Safeguard deferreds and pensioners?

	Council	Academy
Active liabilities	200	20
Deferred liabilities	100	0
Pensioner liabilities	100	0
<b>Total</b>	<b>400</b>	<b>20</b>
Assets	300	10
Deficit	(100)	(10)
Funding level	75%	50%



## What deficit spread period?

- Funding guaranteed for 7 years
- Council and Colleges – 20 years
- Shorter the deficit spread period
  - Higher the initial contribution rate





## Deficit spread – 20 years

	Council	Academy
Future Service Rate	16%	15%
Past Service Adjustment	7%	6%
Total Contribution Rate	23%	21%
Actual Contribution Rate Paid (if pooled)	19%	19%
Actual Contribution Rate (not pooled)	19%	21%

Above figures based on deficits shown earlier assuming deferreds and pensioners safeguarded



## Deficit spread – 7 years

	Council	Academy
Future Service Rate	16%	15%
Past Service Adjustment	7%	15%
Total Contribution Rate	23%	30%
Actual Contribution Rate Paid (if pooled)	19%	19%
Actual Contribution Rate (not pooled)	19%	30%

Above figures based on deficits shown earlier assuming deferreds and pensioners safeguarded



## What decisions need to be made?

- Academies to be included in Council pool?
- How is initial deficit to be calculated?
- What deficit spread period to be used?

