

Agenda Item

### **Options paper on Strathclyde Pension Fund**

At present, all of our support staff are given the option to join the Strathclyde Pension Fund. A small number of teaching staff are also enrolled on it, but this is a historic thing, and SPF indicated a number of years ago that teaching staff were not eligible to join.

SPF is a defined benefit final salary scheme. For the three years up to March 2018, the employer's contribution rate has been 19.3%. This currently costs us around £16k per month or £195k per annum. We have recently been notified that from April 2018 for the next three years the employer's contribution rate will be increasing to 21.6%. This means an additional cost to us of £25-£30k per annum. For 2016/17 financial year it means an additional cost of £8-10k for the period from Apr to July.

#### **Option 1 – Withdraw from the SPF**

To buy ourselves out of the pension scheme would cost, per the current actuarial valuation, £2m. I understand that should we choose to go down this route, we could negotiate payment terms where this could be paid off over a number of years. We could afford to pay this off over 10-12 years with the savings that we would make on reducing contributions to SPF. We would instead offer the NEST pension to all eligible staff. From April 2018, the employer's contribution rate for this is 2%, rising to 3% from April 2019. It is anyone's guess what future governments will raise this to or whether this will be static, but clearly it is significantly lower and always likely to be than 21.6%. There would be no savings to us for around 10-12 years with this option, so it is a long term impact option.

The other advantage of us leaving the SPF entirely is that at present if we make anyone redundant who is a member of SPF and over the age of 50, there is a significant cost to the organisation. This is for 'Strain on the Fund', arising from them being able to access their pension earlier through redundancy/early retirement. Eg someone in their mid 50s on a salary of about £30k would cost us £25k in strain funds. It can make redundancy as an option for cost savings almost unaffordable.

We would also have to take legal advice from our employment lawyers on what contractual issues this might cause us for those staff already in the scheme, but I suspect the real issue would be with ongoing employee relations.

#### **Option 2 – Close the SPF to new members of staff**

We could stop offering membership of SPF to new staff, and to staff who have been employed for some time but not taken up the option so far. Again, they would be auto-enrolled on NEST as required. What may be an issue with this is the possibility of SPF spotting when the pension contributions from Argyll College started to reduce through fewer and fewer members, and they would seek to recoup this through higher contribution rates for Argyll in future years.

However, since we have a fairly static staff this may take some time to filter through. This would also leave us the option of still being able to offer SPF to candidates we wished to attract to new posts.

**Option 3 – Do nothing**

We can leave things as they are, and continue to offer SPF to all support staff.

**Options Appraisal**

As a member of the SPF, it would not be appropriate for me to make a recommendation on these options.

On a purely financial basis and looking at the long term sustainability of the College, buying ourselves out of it completely would be the right option.

On the basis of not further annoying support staff already feeling undervalued because of the enormous pay rises to teaching staff through NRPA, the second option would appear to be a viable one. Staff should be reminded that whilst their gross pay appears comparatively lower in comparison to new teaching staff rates, they are costing this additional 20% to the company and they have a final salary scheme pension.

The last option will become less and less affordable for the College, and is really not a viable one on a long term basis.

**Ailsa E Close**

**6 Feb 2018**