Simon Hoare MP
Department for Levelling Up, Housing and Communities
2 Marsham Street
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Dear Mr Hoare

I am writing on behalf of the Universities and Colleges Employers Association (UCEA) which represents 171 Higher Education Institutions (HEIs) across the UK, including 60 that are scheduled employers under the Local Government Pension Scheme (LGPS) regulations. These HEIs are required to offer the LGPS to their non-academic, professional services staff. They are mainly the 'post-92' modern HEIs and they collectively employ approximately 110,000 staff, educate 1.1 million students and are major employers and key contributors to economic growth within their local area.

On behalf of these scheduled employers we responded to the consultation on employer risk in the LGPS that closed on 31 July 2019. Our response strongly supported the Government's proposal to remove the mandatory requirement for HEIs in England to offer new employees access to the LGPS. This would allow each HEI to choose whether they wanted to change the way they participate in the LGPS, for example, by offering some staff access to an alternative scheme. To date the Government has yet to respond on this part of the to the 2019 consultation, although responses have been published on other elements. We would ask that the response to the consultation is published as soon as possible.

In our response, UCEA made clear the case for additional flexibility for HE employers under our answer to question 18 (copy attached). This would enable these HEIs to manage both the cost and risk associated with the LGPS as a defined benefit (DB) pension scheme. It would also allow HEIs to consider an alternative pension scheme which may better meet the needs of those staff who currently opt out of the LGPS and remain without any pension, life cover or ill health benefits.

Given the increasingly challenging financial environment facing the HE sector, we have been asked by our post-92 HEI members to reiterate the case for this change and to ask that the additional flexibility proposed by the Government be implemented. We are asking this alongside a request to DfE for the same flexibility to be granted to the post-92 HEIs in relation to the need to offer the Teachers' Pension Scheme (TPS) to their academic staff, which is also mandatory.

We agree with the position consistently stated by government that HEIs are independent, autonomous bodies and that they are responsible for setting their own pay and reward package. This is supported by the fact that HEIs are not listed as part of the public sector by the ONS. The continuing requirement for the post-92 HEIs to offer the LGPS and TPS remains as a legacy from the time that these HEIs were overseen by their local authorities. Although the specifics of the schemes may differ, the principle remains that post-92 HEIs

need greater control over the pension schemes they provide to their staff, now more than ever. HEIs remain a minority voice in both the TPS and LGPS. Based on information provided by the LGPS (E&W) Scheme Advisory Board, only 12% of the total liabilities as at 31 March 2022 were in respect of Tier 3 employers, which includes HE, FE, charities and housing associations.

Additional flexibility in terms of the LGPS would provide a vital tool to allow HEIs to meet government expectations as recently set out by the then Minister for Skills, Apprenticeships and Higher Education, Robert Halfon, to “continue to adapt to uncertainties and financial risks to protect their longer-term sustainability”.

The financial environment continues to grow ever more challenging for the HE sector. In particular, many HEIs have been affected by the recent fall in international student recruitment. For some HEIs this is being described as an existential crisis with institutions implementing course closures, severance exercises and even considering mergers between institutions in order to reduce costs. For the post-92 HEIs in particular this has a significant impact on their region as they are large local employers and have a demonstrable economic and social impact.

In relation to the potential move away from LGPS, we understand that this is not a simple change for HEIs to implement. However, we believe it can be managed appropriately by our employers. HEIs have always offered a range of schemes to different staff and the pre-92 HEIs, that already have greater freedom in relation to the pension they offer their professional services staff, have implemented a range of pension reforms including moving away from DB to DC. Therefore, the sector has significant experience in managing such projects and is highly cognisant of not only the industrial relations consequences of pensions reform, but also the impact on individual members of staff and the need to take equalities issues into consideration.

What HEIs need now is practical assistance to be able to manage their own finances to ensure their organisations remain sustainable, to protect jobs and the services they provide to students. Although the most recent LGPS valuation has shown an improvement in overall funding, this has not translated to a reduction in employer contributions for many HEIs. However, it should better enable a conversation between funds and employers about how to manage the potential impact of changes in local HE participation.

We would welcome the chance to discuss this important issue with you further.

Yours sincerely

Raj Jethwa

Raj Jethwa
Chief Executive, UCEA