

MERCER



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Avon Pension Fund Fair Deal – Implications for the Fund

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Outsourcing contract – current pensions options

ADMITTED BODY ROUTE

- Stay within Fund
- Automatic continuation of pension rights
- Replicates benefits exactly



CONTRACTOR'S BROADLY COMPARABLE SCHEME

- Alternative to ABS for future service
 - Bulk transfer for past service
 - Benefits not exact
-
- Contactor's choice
 - Impact of Fair Deal Consultation and removal of Two Tier Code?



Fair Deal Consultation

- Fair Deal applies to LAs in England under Best Value Authorities Staff Transfers (Pensions) Direction 2007
- HM Treasury consultation on the Fair Deal policy: treatment of Pensions on compulsory transfers of staff from the public sector
- Recommendation made in the Hutton report for “desirability” of only public sector employees being allowed access to public sector schemes
- Consultation ran from 3 March – 15 June 2011
- Mercer and Fund response supportive of Fair Deal but with modification / simplification

Possible Outcomes?

- Scrapped → no obligations (other than required under TUPE or NEST)
- Retained → as now but very likely will be amended



Implications of scrapping Fair Deal

- Current pressure on membership from restructure and opt-outs
- Scrapping Fair Deal → potential for an increased fall in numbers
- Further change in cashflow and Fund maturity profile
- Pressure on funding strategy, liquidity requirements and long term investment strategy



Possibly higher
long term cost

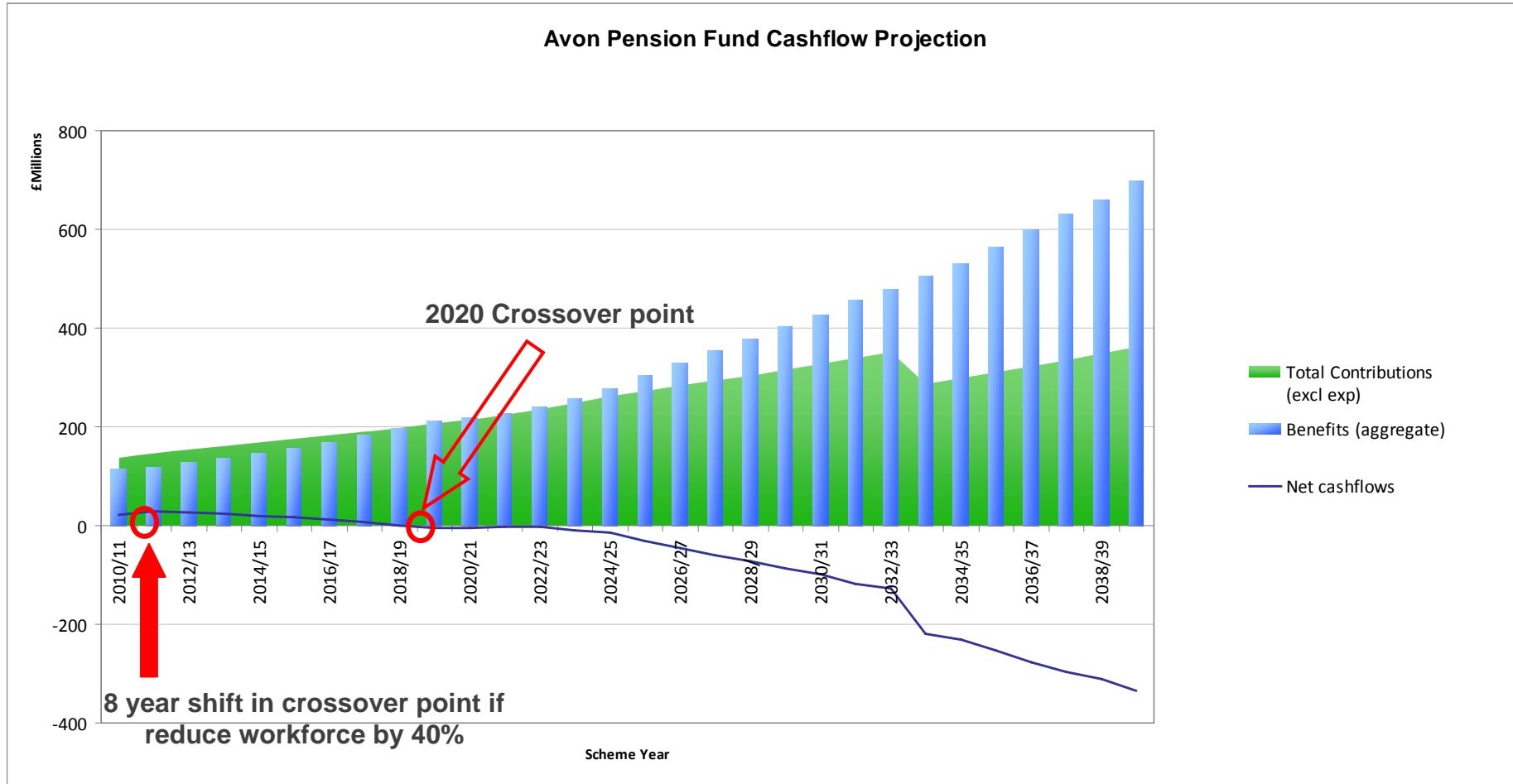


Treasury management
issues and constraints
on investment strategy



Impact of reducing membership

Cashflow Projection for Fund



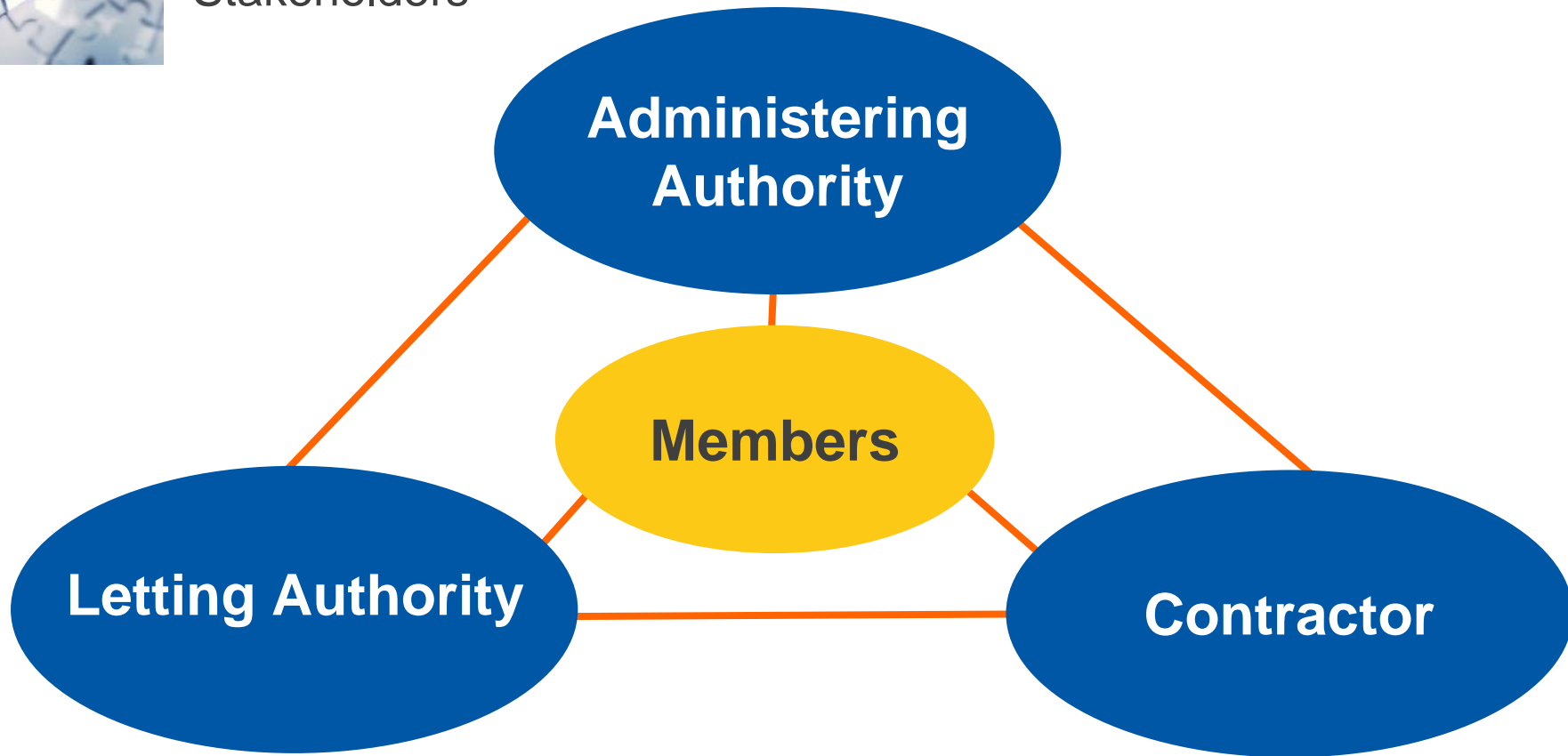




Appendix



Admitted Body Route Stakeholders



- Admission Agreement ➔ Administering Authority, Letting Authority and Contractor
- Commercial Agreement ➔ Letting Authority and Contractor



Views on ABS Provisions

- **Widely held view that ABS is a valuable mechanism for pension provision for transferring staff – part of our response on Fair Deal**
- **Concerns from contractors over a number of areas**
 - **Backdoor compulsion to offer ABS**
 - **Lack of control over pension risk**
 - **Lack of transparency or consistency of application**
- **Can lead to uncompetitive bids or even no bid at all (especially from smaller bidders)**
- **Test of beliefs will emerge from the Fair Deal Consultation**

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