

Independent schools briefing, Quarter 1 2020

Managing the impact of Covid-19

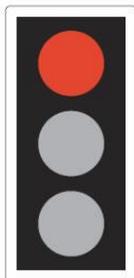
The fallout of COVID-19 has been seismic. Schools have had to monitor and respond rapidly to the evolving situation.

Management time has been dominated by COVID-19. Non-essential meetings have been cancelled or postponed and many pensions projects have been paused. However, the issues facing independent schools are not going away and may become more urgent as schools experience significant pressure on fee income.

When is the right time to address your pension concerns? To help you decide what is best for your school, we've put together a traffic light framework, with recommendations on what to do when the time is right.

Which traffic light best describes your situation?

Red traffic light.



"We have yet to decide what action to take."

Many schools are at the starting line, having decided to take a measured approach and avoid any knee-jerk reactions.

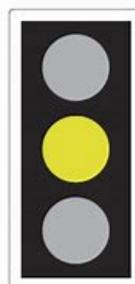
Some schools are consulting with teachers on an informal basis, without making any firm decisions. They are informing them of the challenges the school faces in the TPS, and asking them for their views. Your teachers' views are important but the technical assessment of the issue lies with your school.

If your school is at the Red traffic light, we recommend that you:

- Get the right support in place. Appoint an actuarial consultant and a legal adviser with specific experience in public sector pensions. Your consultant should have the capacity to provide support now, using technology such as video conferencing, and face-to-face advice once that becomes appropriate.
- Start crunching the numbers and consider whether there is a business case for change. Once your adviser has employee data, they can begin to analyse the impact on costs, risks and benefits of the different options.
- Consider providing pensions training for your governors and finance committee at an early stage. It is easier for governors to consider the strategic decisions once they have a good grasp of the current pension environment for independent schools. From 1 April 2020 to 30 June 2020 we are offering free webinar training sessions for finance committees. Get in touch with one of our team to arrange a date.

In summary, there is much preparatory work that can be done, and most of it can be done by your advisers. This leaves school leaders free to focus on managing the school during the Covid-19 outbreak.

Amber traffic light.



"We've made a decision, but we don't know how to inform staff."

At some schools, governors have made a decision. However consultation with staff has not started.

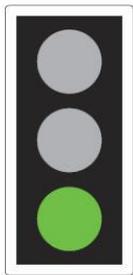
At the time of writing, it's not possible or reasonable to start an employee consultation. However, it's important to get advice from a consultant or lawyer and start planning for the consultation.

There is more than one way that schools can consult on a specific proposal. Some schools have decided upon 'collective consultation', in which a strict minimum time period applies, and recognised unions need to be involved.

Other schools have opted for a longer voluntary approach, e.g. a 60 day consultation period that reflects pension consultations in the private sector. Where teachers agree to contract changes at the end of this period, collective consultation – and all its formalities – can be avoided altogether. This voluntary approach is not right for every school, and whichever approach you take, be prepared to have an open and honest discussion with staff (and unions) about the business case for change.

If you're unaware of the various consultation options open to you, we strongly recommend you take advice, agree an approach that works best for your school, and map out a timeline.

Green traffic light.



"We have a consultation underway. Do we need to change our plans?"

During the pandemic it's important to consider whether it's legal and moral to consult with teachers if they're not at school?

At the very least, we suggest schools consider extending the consultation period.

We recommend you take advice to understand if you *can* continue with your consultation as planned, and more importantly, whether you *should* continue.

Perceptions are important. The TPS cost increases have left schools in a difficult position. Schools want to provide good pension benefits to teachers, but at a cost and risk level that is sustainable for the school. A consultation that doesn't allow for the current exceptional circumstances could inflame what is already a delicate situation.

We recommend you get clarity on this situation as a priority and communicate any change of plan clearly.

How First Actuarial can help

First Actuarial is a nationwide firm of pensions actuaries and consultants, helping independent schools with all their pensions issues.

We can help schools with project management, strategy modelling, DC provider selection, DC contribution design, consultation support and many other services. And of particular use during these unusual times, we can provide online content such as webinars and pre-recorded videos.

If you would like to discuss any of the areas explored in this briefing, please contact your usual First Actuarial consultant or any of the lead consultants in our schools team below:

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