

Dawn Bowden MS
Minister for Arts and Sport
Welsh Government
5th Floor
Tŷ Hywel
Cardiff Bay
CF99 1NA

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Dear Dawn

Thank you for your letter of 3 March when you made your position clear as regards to the affordability of future pension costs and pay settlements.

Whilst the Library is grateful for the additional £1M revenue Grant in Aid that has been consolidated within the baseline, the revenue GIA baseline in 2021/22 is still only 7% higher than it was in 2011/12. Over the same period the Library has followed the Welsh Government's pay guidance and lowest paid staff in the Library have seen their pay rates increase of 64%, but as a result the number of staff has fallen by over 20% in order to balance the budget. Had the Library's revenue GIA been increased in line with CPI inflation of 2.5% over this decade, this would now be over £13M.

Consequently, facing a substantial shortfall in funding, in order to be in a position that would allow the Library to manage the future costs of pension benefits and emulate the pay settlements Welsh Government is likely to reach with its own Trade Unions, the Library is required to consider ways of reducing its operational costs. This challenging process will begin by considering carefully the future of the pension scheme, and it is likely that the Library will also need to consider reducing the number of staff it employs. It is disappointing that the Library is once again finds itself in this position.

The Library provides a defined benefit pension scheme to its staff. The financial position of the Scheme is assessed by a statutory actuarial valuation triennially. In 2020, following an assessment of a likely increase in costs which would be unsustainable, the Library resolved to close the Scheme. However, the consultation process for closure was put on hold at the request of Welsh Government until 1 April 2022: it was one of the conditions attached to the additional funding provided by Ministers in February 2021.

The Library's Finance and Resources Committee will be recommending to the Board of Trustees on 27 May that the status quo is not an option and that different pension arrangements will need to be put in place in order to manage the Library's financial risks. These options, in order of preference are:

- Staff join the PCSPS for both future and accrued service, and the Library's Scheme is wound up
- Staff join the PCSPS for future service, and the Library's Scheme is retained for accrued benefits
- The Library's Scheme is maintained, but benefits are cut back substantially in order that the ongoing cost is reduced to an affordable level in line with current contribution rates of 27.4%. The changes most likely to be adopted would be to reduce the accrual rate to 100ths, increase the retirement age to State Pension Age and change to a CARE system.
- The Library's Scheme is closed and staff are moved to a defined contribution (DC) arrangement

The Library recognises that the option most likely to be acceptable to staff and the Trade Unions is a transfer to the PCSPS. Reducing the benefits in the Scheme or moving to a DC arrangement would be contrary to Welsh Government policy to harmonise pay and pensions across public bodies, however this would need to be considered as an option if transfer to the PCSPS did not proceed for whatever reason.

We fully realise that to allow us to join the PCSPS is not within your gift, however we are eager to pursue the options for joining the PCSPS with Welsh Government officials and will look to them to advise us appropriately and request their support for the Library's application to the Cabinet Office and Treasury. Given that the Library will face increased costs for the pension scheme initially estimated in the order of £500K from 1 April 2023, there is a degree of urgency to progress matters as soon as possible. The Library will be considering the options other than the PCSPS in the event that these prove fruitless, or do not appear to be following a timetable that will avoid the Library incurring additional employer pension costs.

The Library notes that the likely cost of moving to any of the options is likely to incur substantial legal and actuarial fees. It also notes the risks of potentially substantial cessation debt liabilities that would be triggered under s75 of the Pensions Act were the Library's scheme to be closed to future accrual and were the trustees of the Pension Scheme not minded to accept the assurances of the Crown Guarantee.

The Library has consulted with the National Museum to determine whether a joint approach to joining the PCSPS could be coordinated, and officers have agreed to consider recommending this approach to their Board of Trustees.

Yours sincerely



Ashok Ahir, President
The National Library of Wales
ashok.ahir@llgc.org.uk