

LOCAL GOVERNMENT PENSION SCHEME (LGPS)

BRIEFING NOTES FOR SCHOOLS CONVERTING TO ACADEMIES,

FREE SCHOOLS AND UNIVERSITY TECHNICAL COLLEGES

Background

Section 1 of the Academies Act 2010 contains provisions that allow the Secretary of State for Education to enter into an academy arrangement with any person to establish and maintain and to carry on, or provide for the carrying on of, an academy. The Act enables existing maintained schools to convert to academy status and for academy arrangements to be entered into with an academy trust that is replacing a maintained school. The Act also allows for the creation of new schools including Free Schools and University Technical Colleges (UTCs). These new schools are also academies set up under academy arrangements under Section 1 of the Academies Act 2010.

Local Government Pension Scheme

A proprietor of an academy, commonly referred to as an academy trust, who has entered into academy arrangements, is a Scheme employer in the Local Government Pension Scheme (LGPS) as listed in paragraph 20 of Part 1 of Schedule 2 to the LGPS Regulations 2013. This means that the non-teaching staff employed by academy trusts are automatically eligible for membership of the LGPS and existing Scheme members in a maintained school retain eligibility when a maintained school becomes an academy. The change in legal status, when a former maintained school becomes an academy, means that the academy trust becomes a Scheme employer in its own right. Academy trusts for new provision, such as Free Schools and UTCs will also be Scheme employers.

The process of conversion

Prior to the school converting to academy status, or a free school or university technical college coming into existence, it will be necessary to obtain from the Pension Fund actuary an assessment of the school's pension liabilities in respect of its own scheme members and potential scheme members.

It is important that this information is obtained as soon as a school considers its options to convert to academy status or to set up as a new school. The Pension Fund will supply the school with a data capture spreadsheet for completion. The details required in respect of each scheme member (and each employee who is eligible to contribute to the LGPS but who has chosen not to), are as follows:

- Full Name
- NI Number
- Sex
- Date of Birth
- Full Time Annual rate of Pensionable Pay
- Contracted Weekly Hours
- Contracted Weeks Per Year
- Employee Pension Contribution Rate
- Whether Contributing to the LGPS or Not

The details supplied will be checked against the pension administration system and any discrepancies will be raised with the school. Once the data is deemed to be accurate it will be submitted to the Actuary who will provide a report setting out the amount of deficit (or surplus) attributable to the 'transferring' scheme members and the expected employer contribution rate required of the 'new' academy. The Actuary will initially charge the Pension Fund for the provision of this report in line with their current fixed fee schedule but the Fund will recharge the cost back to the school upon receipt of the Actuary's quarterly schedule of fees.

Employer Contributions

Once set up as a new employer within the Pension Fund, the academy, free school or university technical college will be treated in complete isolation of its related Unitary Authority for pension purposes. It will, however, become part of an academies pool for actuarial purposes and so will pay the same employer contribution rate as all other academies, free schools and university technical colleges who are deemed to be Scheme employers in the Berkshire Pension Fund.

Employer contribution rates are reviewed every three years as part of the actuarial valuation of the Pension Fund and so an academy is likely to have a different employer contribution rate to the maintained schools which have remained as part of the Local Education Authority (LEA).

The correct rate of both employee and employer contributions will need to be deducted from each scheme members' pay bearing in mind that Scheme regulations currently provide for 9 employee contribution rates across 9 salary bands.

The pension contributions must be paid to the Pension Fund each month and by the 19th day of the following month in respect of which the contributions have been deducted. A breakdown between the employee and employer contributions must be provided when each payment is made.

The academy, free school or university technical college will also be required to provide an annual return for reconciliation purposes setting out the total amount of employee and employer contributions in respect of each scheme member (and each pensionable post held by an employee) for the period 1 April to 31 March each year.

Pension Administration – Employer Responsibilities

An academy, free school or university technical college is responsible, as a Scheme employer, to ensure that certain information is supplied to the pension administration team in respect of the Scheme members they employ. Much of the data required is produced by HR and/or payroll and so where an academy, free school or university technical college appoints an external provider for payroll and HR services, there are many issues that need to be considered which are ultimately the responsibility of the Scheme employer:

- Provision of day to day paperwork for pension administration purposes including:
 - Details of new employees joining the scheme
 - Notification of contract variations
 - Details of leavers and retirements including pensionable pay calculations
 - Monthly returns of contribution data

- Employer decisions including:
 - Policy making in respect of employer discretions available within the LGPS
 - Awards of benefits including ill health retirements and the use of an Independent Registered Medical Practitioner (IRMP)
 - Dealing with disputes under the Internal Resolution Disputes Procedures (IDRP)

(Further details will be provided by way of a service level agreement between the Scheme employer and the Royal County of Berkshire Pension Fund)

It is important to accept that it is an academy, free school or university technical college that becomes a Scheme employer of the Pension Fund and not the appointed payroll/HR provider. An academy, free school or university technical college must be very clear when appointing third party as to where the responsibility lies.

Accounts

An academy, free school or university technical college will be required to include details of its pension liabilities as part of their annual accounts. The Actuary will provide a report annually based on the accounting standard required by the academy, free school or university technical college and as required by their auditors.

Early retirement costs

In accordance with LGPS regulations, if a scheme member aged 55 or over is retired early by their employer or is made redundant by their employer, the scheme member becomes entitled to the immediate release of their accrued pension benefits. In many cases this means that benefits are paid out of the Pension Fund in advance of the member's normal retirement date and therefore for a longer period than anticipated. The employer is required to make a payment to the Pension Fund (known as a strain or capital cost) in order to compensate the Pension Fund for having to pay benefits for longer than expected. It is worth noting that an employer should always request estimates for employees being retired early.

This briefing note refers to members of the Local Government Pension Scheme and therefore only covers non-teaching staff at schools. The Teachers Pension Scheme is administered separately and is not the responsibility of The Royal County of Berkshire Pension Fund

Disclaimer

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