



Schools Considering Academy Status

This factsheet highlights some of the pension issues you need to be aware of when considering becoming an Academy.

Local Government Pension Scheme Requirements

Upon achieving Academy status the school will automatically become a separate Scheme Employer within the Local Government Pension Scheme (LGPS), as listed under paragraph 20 of Part 1 of Schedule 2, of the Local Government Pension Scheme Regulations 2013.

All eligible non-teaching staff (including new joiners) will have a legal right to be members of the above Scheme.

On the date of conversion scheme members who transfer over to the Academy will be treated as having continuous membership in the Scheme, and all existing eligible staff who are not members of the Scheme must be automatically brought into the Scheme. They do have the right to opt out, if they wish.

The Academy will have no discretion to provide alternative pension arrangements for employees who are eligible to be members of the LGPS.

Employer Contribution Rate/ Past Service Liability

The contribution rate for converting Academies within the Lancashire Pension Fund will initially be set at the Future Service Rate of the previous council. This rate will apply until the 31 March 2020, when it will be reviewed (as part of the valuation of the Pension Fund) to take into account the individual membership profile of the Academy.

The pension deficit attributed to the employees who transfer over on conversion date will be the responsibility of the Academy. This effectively means the Academy will inherit the past service pension liabilities for these employees. Your Pension Service (YPS) will provide a calculation of the pension deficit amount to the Academy. This calculation is based on advice provided by the Fund Actuary. The deficit (like the future service contribution rate) will be re-assessed at each triennial valuation.

The future service rates effective until the next valuation of the Fund in 2019 are dependent upon the ceding local education authority and are currently set as follows within the Lancashire fund:

If previous employer is Lancashire County Council = **15.1%**

If previous employer is Blackburn with Darwen Borough Council = **12.4% (for 2017/18) 13.4% (for 2018/19) & 14.8% (for 2019/20)**

If previous employer is Blackpool Borough Council = **14.8%**

(Further information on the initial rates for Academies in the Cumbria fund can be obtained from Julie Dole - Technical Finance Officer - Pensions Administration at Cumbria County Council on 01228 226279 or Julie.dole@cumbria.gov.uk)

The Academy will also be responsible for payment to the Administering Authority of both employer and employee pension contributions, which must be paid over on a monthly basis. In addition the Academy will also be required to make a cash payment to the Fund each year in respect of the deficit amount. This can be paid by lump sum each year or by equal monthly instalments.

If the Academy should cease to operate as an employer within the Fund an assessment would be carried out to determine whether any sums are due in respect of outstanding liabilities. Payment of any outstanding liabilities will be the responsibility of the Academy.

Free Schools, Studio Schools and University Technology Colleges

Most of the information contained in this factsheet applies equally to Free Schools, Studio Schools and University Technology Colleges from the date the school is established. Except that:

- 1) There will be no past service deficit liabilities; and
- 2) Any eligible non-teaching staff in post at the date the school is established must be brought into the Scheme, from the date the school is established. They can opt out of the Scheme after this date if they wish.

Other Pension Costs

Whilst budgeting for the employer contribution rate and deficit amount may be relatively straightforward, there are other pension costs which may not be as obvious but can have financial consequences:

Increasing a member's pension- where academies use their discretion to award additional pension to a member of the Scheme. The cost of this is borne by the Academy and is generally paid to the Fund as an immediate payment.

Early Retirement Strain Cost- in the event of early retirements where the employee is 55 or over, such as redundancy, flexible retirement, retirement on the grounds of efficiency, there is likely to be a cost which will fall on the Academy. If this applies, it must be paid to the Fund as an immediate payment.

Waiving Actuarial Reductions for members retiring voluntarily from age 55 - where an Academy uses their discretion to waive actuarial reductions to benefits, payable to a member of the Scheme. The cost of this is borne by the Academy and is generally paid to the Fund as an immediate payment.

Ill-Health Retirement Cost – Ill Health retirement can also have a significant financial impact on an employer as benefits are paid early with potentially, dependent on the severity of ill health, large enhancements of service. Again the cost of this early retirement is borne by the Academy. This cost is either, identified at the triennial valuation of the Fund and recharged back to the Academy via the contribution rate or, like the early retirement strain cost above, required to be paid as a one-off payment.

Triennial Valuation – The LGPS is a Funded scheme and as such the Scheme Actuary undertakes a valuation of the Fund every 3 years at which time the contribution rate will be re-valued to take account of past and on-going liabilities of the Academy, the overall investment returns to the Fund as a whole and membership profiles of the Academy. The next valuation will be carried out in 2019.

Further Requirements

The Academy must:

- Provide a list of all employees transferring on conversion date (for newly established schools the list should include all employees in post at the date the school is established) who are eligible to be members of the Scheme. The list should contain the name, National Insurance number, Pay Reference number, current full-time equivalent salary, actual pay, hours worked and weeks paid.
- Provide contact details for Payroll, HR and policy issues.
- Formulate and publish the Academy's employer discretions under the LGPS and related discretionary compensatory legislation.
- Adhere to the day-to-day administrative requirements required under the terms of the LGPS.

Your Pension Service is available to provide support through the process of becoming a Scheme Employer, including the provision of employer training, production of administration and technical guides /helpdesk facilities for any queries /information needed with pension administration matters.

Lancashire Pension Fund

Should you require any further information on the initial requirements of moving to Academy status please contact our Employer Risk Team: Linda Thompson on 01772 534829 or linda.thompson@localpensionspartnership.org.uk or Andy Brown on 01772 503422 or andy.brown@localpensionspartnership.org.uk

Cumbria Pension Fund

Should you require any further information on the initial requirements of moving to Academy status please contact Julie Dole the Technical Finance Officer - Pensions Administration at Cumbria County Council on 01228 226279 or Julie.dole@cumbria.gov.uk

Please read this factsheet in conjunction with the Welcome Pack for Academies as this provides more information on the areas briefly mentioned in this document.

Accountancy Issues

The Fund will provide information in respect of Financial Reporting Standard (FRS17) or International Accounting Standards (IAS19) (if the latter applies) for each Academy at each accounting date (generally, 31 August).

You Pension Service

Pensions Helpdesk: 0300 123 6717

E-mail: askpensions@localpensionspartnership.org.uk

Or visit our website: www.yourpensionservice.org.uk