

LOCAL GOVERNMENT PENSION SCHEME (LGPS)

BRIEFING NOTES FOR SCHOOLS CONVERTING TO ACADEMIES



Background

The LGPS (Miscellaneous) Regulations 2010 made an amendment to the LGPS (Administration) Regulations 2008 to allow an Academy, set up under the Academies Act 2010, to become a scheme employer.

As such, any school that chooses to convert to Academy status will become a separate employer within the Royal County of Berkshire Fund and will be treated in isolation of the Local Education Authority for pension purposes.

The process of conversion

Prior to the school converting to Academy status 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; and
- The rate at which the Academy will be required to pay employer contributions as an independent employer of the pension fund.

It is important that this information is obtained as soon as a school considers its options to convert to Academy status. The pension scheme administrators 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 charge the school £1,575 + VAT for producing their report. The Actuary will initially charge this amount to the pension fund which will recharge it onto the school.

Employer Contributions

Once set up as a new employer within the pension fund, the Academy will be treated in complete isolation of its related Unitary Authority for pension purposes. It will have its own employer contribution rate which will be reviewed every three years as part of the actuarial valuation of the pension fund based on its own liability profile. It is likely, therefore, that an Academy will have a higher employer contribution rate than if the school had 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 contributions are deducted before tax and that the LGPS is a contracted-out pension scheme (so contracted-out National Insurance Contributions apply).

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 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

If an Academy continues to use the payroll and HR services of their respective Unitary Authority there will be little difference to the administrative processes already in place.

However, as it is likely that an Academy will appoint an external provider for payroll and HR services, there are many issues that need to be considered and are the responsibility of the scheme employer:

- Provision of day to day paperwork for pension administration purposes including:
 - Details of new employees joining the scheme
 - Contract variations e.g. hours changes, breaks in service
 - Details of leavers and retirements including final pay calculations
- 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 Academy and the Royal County of Berkshire Pension Fund)

It is important to realise that it is an Academy that becomes a scheme employer of the pension fund and not the appointed payroll/HR provider. An Academy will need to be very clear when appointing any external provider of these services as to where the responsibilities lie.

Other Areas for Consideration

Accounts

An Academy may be required to include details of its pension liabilities as part of their annual accounts. This may be in the format of an FRS17 report but the Academy would need to contact their auditors for further clarification.

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 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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