

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 Bedfordshire Pension 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 fund administrators will supply the school with a data capture spreadsheet (entitled Template for Data) for completion. The details required in respect of each scheme member are as follows:

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

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 £2750 + VAT for producing their report. The Actuary will initially charge this amount to the pension fund which will recharge it to the school.

Payment of Employer Contributions on a monthly basis

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 possible 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 the pay of each scheme member, 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 7th working day of the following month in respect of which the contributions have been deducted. The Employing Authority will complete the form entitled 'Payment of Local Government Pension Contributions' giving full and accurate information, which must be submitted for each monthly payment, along with a supporting payroll report showing employee and employer contributions deducted per each contributing member, by the 7th working day as stated above. This form will be sent after the academy has converted to academy status and the employer rate has been agreed with the pension fund administrator.

A breakdown between the employee and employer contributions must be provided when each payment is made.

Paperwork for starters and leavers to the scheme

As a separate employer within the fund, the Academy is responsible for informing the pension fund administrator of any changes to the members of the scheme, for example, a new contributor or someone who leaves the scheme or someone who changes their contractual hours.

It is important to realise that it is the Academy that becomes a scheme employer of the pension fund and as such is responsible for ensuring accurate and timely information is passed to the pensions administration function. An Academy will need to be very clear when appointing any external provider of payroll or HR services as to who is responsible for the completion of the paperwork for starters and leavers etc.

If the pension fund administrators do not hold accurate information for members of the scheme at the Academy the incorrect liability for the Academy could result.

You will be emailed electronic versions of the different forms which need to be completed (for starters/ leavers etc) after the academy has converted to academy status.

End of Year information

The Academy will also be required to provide an annual return for reconciliation purposes setting out the total amount of employee contributions, employer contributions and pensionable pay in respect of each scheme member (and each pensionable post held by an employee) for the period 1 April to 31 March each year. A specification will be sent in February of each year detailing the pension fund administrator's data requirements. The relevant data must be provided by 30 April after the end of the relevant tax year.

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 Bedfordshire Pension Fund.

Disclaimer

The information contained in this briefing note has been prepared by Bedfordshire Pension Fund. It should not be treated as a complete and authoritative statement of the law. Readers may wish to take their own legal advice on the interpretation of any particular piece of legislation. No responsibility whatsoever will be assumed by the Pension Fund for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in this briefing note.

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