

Pension scheme instructions for free school trusts

As employers free school trusts are responsible for all employer *and* employee pension contributions and for related administrative matters. This includes any salaries of staff employed by the free school prior to opening. The information below provides you with an overview on the two pension schemes that Trusts are required to offer by law.

What pension schemes must you offer?

Legislation places a statutory duty on academies and free schools to offer the Teachers' Pension Scheme (TPS) to all teaching staff (including headteachers) and the Local Government Pension Scheme (LGPS) to non-teaching staff. These requirements are repeated in the model Funding Agreement.¹

Individuals may take the decision to opt out of either scheme themselves and if they wish to do this they need to write to the school. To note for LGPS all non-teaching staff are automatically enrolled as members unless they actively opt out

Converting independent schools which currently offer alternative private schemes are able to keep pensions arrangements for staff, as long as they also offer TPS and LGPS to all existing and new staff.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme² which is administered centrally by Capita Teachers' Pensions (TP) on behalf of the Department for Education.

Free school trusts are responsible for various administrative matters in relation to the scheme. In addition to deducting and remitting contributions, you are obliged to submit service and salary information for each teacher to TP. This can be done electronically using the Secure Transfer Utility (STU).

TP provide information in the Academies Pack on the employers section of the TP website. www.teacherspensions.co.uk/employers

Rates

The current employer rate is 14.1%³ for all teaching staff and is the same for all employers. The member contribution is now tiered with more increases expected. The employee contribution rates can be accessed: www.teacherspensions.co.uk

Free schools will need to inform TPS of their establishment number to

¹ [Teachers' Pensions Regulations 2010 – Schedule 2 part 1:2](#)
[Local Government Pension Scheme \(Administration\) Regulations 2008 – Schedule 2 Part 2:1](#)
[Free Schools Model Funding Agreement:](#)

² An unfunded pension scheme is a scheme where money is not placed aside or invested to finance the pension. Instead, the scheme pays pensions out of current income. In this instance, TPS contributions are paid into the treasury to be used to fund public services. The treasury then guarantees payment of TPS pensions to retired members.

³ As at 1/01/2007

complete pension registration. Your Lead Contact will provide the relevant documentation for completion to instigate registration on Edubase (the independent schools register)

Local Government Pension Scheme (LGPS)

LGPS is a funded scheme⁴. The scheme is managed on a local level by 99 administering authorities who are responsible for all employers in their locality. The pensions authority is sometimes the LA but this is not always the case. Free schools can find out who their administering authority is through the link below;
<http://www.lgps.org.uk/lge/core/page.do?pagelid=99259>

Rates

Employer contribution rates vary and are set by each administering authority. You can find out who your local government pension scheme manager is
<http://www.lgps.org.uk/lge/core/page.do?pagelid=99259>

Registration

All non-teaching staff are automatically enrolled as members of LGPS unless they actively opt out. You should contact your local administering authority as soon as possible (you do not have to have a funding agreement in place before approaching the administering authority). After contact has been made, the local administering authority will provide further guidance and support.

Where do pension contributions feature in a free school's financial modelling?

Employer contributions should be factored in as part of staffing on-costs. DfE will not provide additional funding for pensions contributions after staffing costs have been agreed.

⁴ A funded pension scheme is a scheme where enough funds are currently available to pay out all future retirement benefit claims. Employer and employees' contributions are vested in separate trustees (in this case local administering bodies) who ensure the scheme remains in credit. Income is generated through contributions and investment of assets.