Special independent schools briefing, October 2023
BREAKING NEWS: 2020 TPS valuation results

In this briefing we answer the key questions independent schools may have about the recently released results of the 31 March 2020 (and no, that's not a typo) TPS valuation.

What are the headlines?

The Department for Education has confirmed an increase in the TPS employer contribution rate – up from 23.68% to **28.68%** – which will take effect from **April 2024**.

This is in line with the announcement made by HM Treasury earlier this year – as discussed in our [Q2 briefing] – and so should not come as a surprise to regular readers.

The confirmed increase in the employer rate to 28.68% of salaries means that TPS costs for schools will be 74% higher than in 2018/19.

Why has the rate increased?

The main reason for the increase is the reduction in the **SCAPE discount rate**, which we covered in more detail in our **Q1 briefing**.

In short, the SCAPE discount rate has fallen, as it remains linked to long-term projections of economic growth (which have fallen in recent years). A lower discount rate results in higher contribution rates.

There are other factors at play, including recent mortality experience and the McCloud judgement. We'll provide a more detailed analysis of each of those in a subsequent briefing.

What now for independent schools?

An increase of 5% of salaries clearly represents a significant additional cost. This comes at a challenging time for independent schools, with high inflation affecting other costs and deep political uncertainty ahead.

We did, at least, receive advance warning of the increase to the employer rate earlier this year. Many independent schools will already have made decisions in principle, and some are actively consulting with staff on changes. The confirmed results are unlikely to alter any decisions that have already been made.

For those schools that have yet to make a final decision on pension strategy – or have yet to start consulting with staff where change is felt necessary – the options remain broadly the same. Our **Q1 briefing** looked in detail at some these options and timescales for change.

Is it too late to do something before the increase comes into effect?

Technically, no. But implementing a change ahead of April 2024 would be difficult, and rushing through any pension change project is likely to cause disharmony.

Our view remains that making any changes to pension provision for teaching staff is ideally a three-term process from start to finish:

- **Term 1**: Pension training for governors, followed by time to develop and agree a pension strategy, with a business case for change (if needed)
- **Term 2:** Meaningful and robust consultation with affected staff
- **Term 3**: Implementation of new pension scheme and contractual changes (if needed).

First Actuarial's support for schools

We help independent schools understand all their pension options so governing bodies can make informed decisions and robust plans.

We can provide all the support your school needs through a pension review project. Find out more about **our services for independent schools**.

To discuss any of the areas explored in this briefing, **contact our team of independent school specialists**.