

Pensions advice for independent schools:

# Helping you control your rising pension costs




**Employer contributions for the Teachers' Pension Scheme (TPS) are increasing from 16% to 24% of salaries from September 2019.**


This, coupled with other cost pressures in the sector and the high level of employee contributions required in TPS, means that many independent schools are looking to exit the TPS and move their teachers into a Defined Contribution (DC) scheme.


Making this change will help you reduce and better manage your rising pension costs, as well as opening up the opportunity to provide your staff with a modern, flexible reward package which will increase the value you get from your pension and benefits spend.

Although there is not a statutory pensions consultation requirement to exit TPS, there may be some contractual hurdles with making this change - for example TPS eligibility being hardcoded in employment contracts. Given this, you will likely need to consult with your teachers and potentially obtain their agreement to the change.

All of these issues mean you'll require actuarial and consulting support throughout the process to answer questions like:

-  What's an appropriate DC employer and employee contribution rate structure for your teaching staff (and potentially your non-teaching staff too)?
-  What's the right DC vehicle, e.g. the ISBA vehicle with Aviva, another DC vehicle you may already have in place for your non-teaching staff, or another arrangement?
-  What non-pension benefits do you want to offer teachers that they will lose when you leave TPS, e.g. life cover and ill-health early retirement cover?

 Which wider reward features do you want to introduce as part of the change to maximise staff engagement, e.g. salary sacrifice, or flexibility for staff to choose the benefits they want to direct your benefit spend to?

 What's the best way to consult with staff? In our experience having a pensions consultant at your staff presentations is a great way to ensure you can answer all the questions your staff might have there and then, without needing to take questions away to answer later.

We, Hymans Robertson, are one of the longest established independent firms of consultants and actuaries in the UK. We have unrivalled experience working with sponsors of defined benefit (DB) pension schemes to build resilient strategies to create better, more certain futures for employers and their staff.

We provide pensions services and advice to over 60 charities, including a wide range of organisations in the independent schools sector and the wider education sector. In the past five years we have implemented over 40 DB to DC change projects for clients, and we are already working with other independent schools to move staff out of TPS. This means we are extremely familiar with the issues you'll face and how to overcome them efficiently and cost effectively.

By partnering with us, you'll get:



**Comprehensive pension change and sector expertise** – we have implemented DB to DC change for over 40 employers in the last five years including independent schools, and we are already working with independent schools to help them move staff out of TPS, meaning we have advice and consultation material ready to be used.



**A proportionate approach** – we understand that you need short, to-the-point advice and recommendations to ensure your governors understand the issues and can make decisions easily. We focus on the issues that are important to you, rather than getting bogged down in the actuarial technicalities.



**An independent view** – ISBA has done a lot of work to help schools with this change, like putting the Aviva DC scheme in place, and it makes sense for you to utilise these resources. However, your governance policy may require you to obtain an independent view on the right solution. By not being affiliated with ISBA or the Aviva scheme, we can give you that true independence of view.

If you would like to know more about how we can help you, please get in touch with one of our experts:



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