

Analysis of the Independent Schools that have given notice to exit the Teachers' Pension Scheme (TPS)

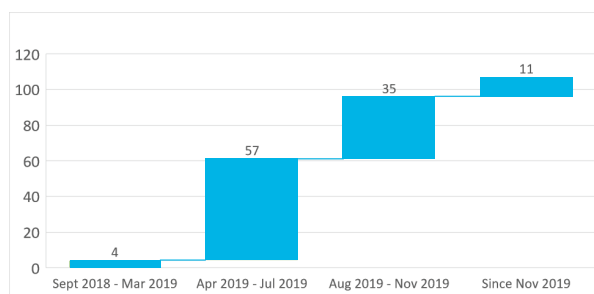
May 2020

We've set out below our analysis of the 107 independent schools that have given notice to exit TPS, and provide an update on how COVID-19 is likely to impact business cases to exit TPS.

Analysis of the schools that have given notice to exit TPS

A series of Freedom of Information requests show that over 100 schools have now given notice to exit TPS – that's nearly 10% of all independent schools in TPS. We have analysed these schools to help you understand which types of schools have exited.

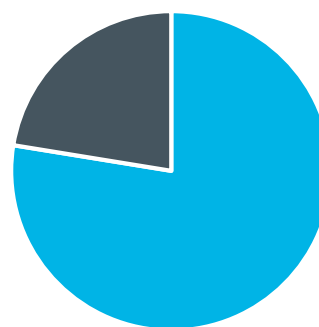
1 Timing of the notice to exit



Total number of schools

57% of schools gave notice prior to the employer contribution rate increase becoming effective on 1 September 2019. The number of exits has then steadily dropped off, although we expect it to start rising again over the summer of 2020 and also into the next academic year.

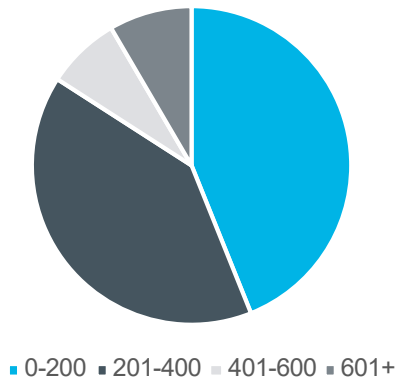
2 Location of schools



■ London and South ■ Rest of UK

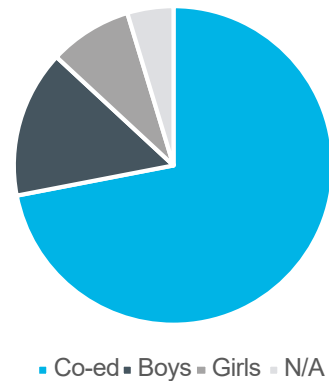
78% of exits have been in London and the South.

3 Size of school – pupil numbers



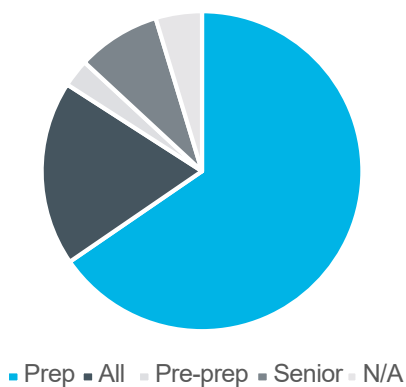
44% of exits are schools with less than 200 pupils, and another 40% have between 200 and 400 pupils.

5 Type of school – co-ed vs single sex



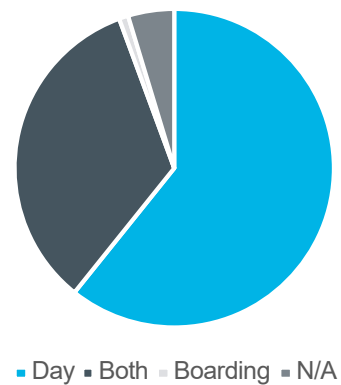
72% of exits have been co-ed schools.

4 Type of school – prep schools vs senior schools



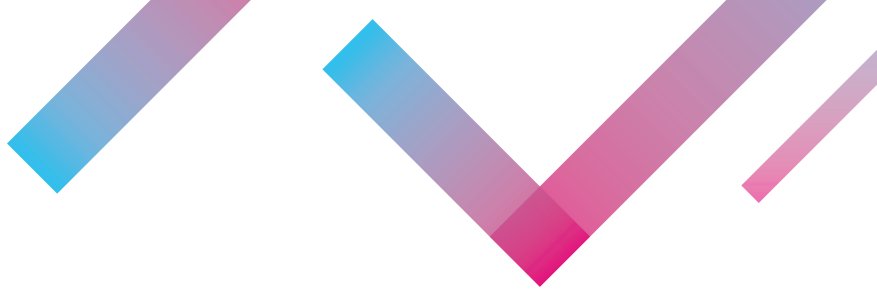
68% of exits have been prep or pre-prep schools.

6 Type of school – day vs boarding



61% of exits have been day schools.

In summary, it's been mainly smaller prep schools in the south of England that have provided notice to exit TPS to date.



Case study

Supporting a successful exit from TPS

Below are the key milestones and outcomes from one of the successful TPS exits that we implemented in 2019.

7-month activity window	Date (2019)
Initial advice given to the school	February
Decision made to run a consultation and offer a 2x matching DC scheme with a maximum employer contribution of 16%. Decided to open with an employment consultation to ensure process was complete by the end of the academic year.	April
Feedback on consultation. Agreed to improve the offer and pay a further 2% for one year.	April
Final decision to proceed. Teachers asked to consent to the changes	July
99% teachers consented. Remaining 2 teachers left meaning notice periods didn't have to be run.	August
Left TPS and teachers enrolled in a DC scheme - support during withdrawal process with TPS.	August 31st

How will TPS exit business cases evolve with the COVID-19 crisis?

We expect there will be a further wave of TPS exits in the 2020/21 academic year, as a result of needing to take action to deal with further financial pressures arising from the COVID-19 crisis. The key areas we now expect to feature in business cases include:

1 Manage falling income

In the shorter term, with schools closed and only able to offer an online education, many are offering fee discounts of 10-30% for the summer term. Others are offering rebates for meals, transport and extra-curricular activities. Some are already offering fee freezes for the next academic year with increased bursaries and hardship funds for families hit by the economic downturn. In the longer term, income is likely to drop as a result of falls in pupil numbers as domestic parents switch to state schools and travel restrictions prevent overseas pupils from taking up their places.

2 Manage rising expenditure

COVID-19 has led to increased expenditure for schools. Students not being on site doesn't significantly reduce costs. Instead, costs have

increased to allow schools to adapt to virtual classrooms and backfill staff shortages from illness.

3 Manage risk of further TPS cost increases

Likely changes to TPS benefits arising from the McCloud judgement and the current economic environment make it difficult to see how the next valuation of TPS could result in anything other than further contribution increases from September 2023 (unless benefits are reduced).

4 Manage the risk of TPS exit penalties being introduced

Rumours continue to circulate about the possibility of exit penalties being imposed on independent schools seeking to leave the TPS in the future.

Next steps

If you'd like to discuss your TPS options, please get in touch with one of our experts. We have been successfully running virtual consultations in the last few months, so can help you run the consultation process even in the current environment.



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