

# Sixty second summary

## Education white paper and the impact on LGPS funds and employers

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The Government’s education [white paper](#) sets out a vision for the future of schools in England with proposals affecting LGPS funds, and the local authority schools and academies that employ thousands of non-teaching staff. Julie Baillie explores what this may mean for the parties involved.

### The future of academies as LGPS employers

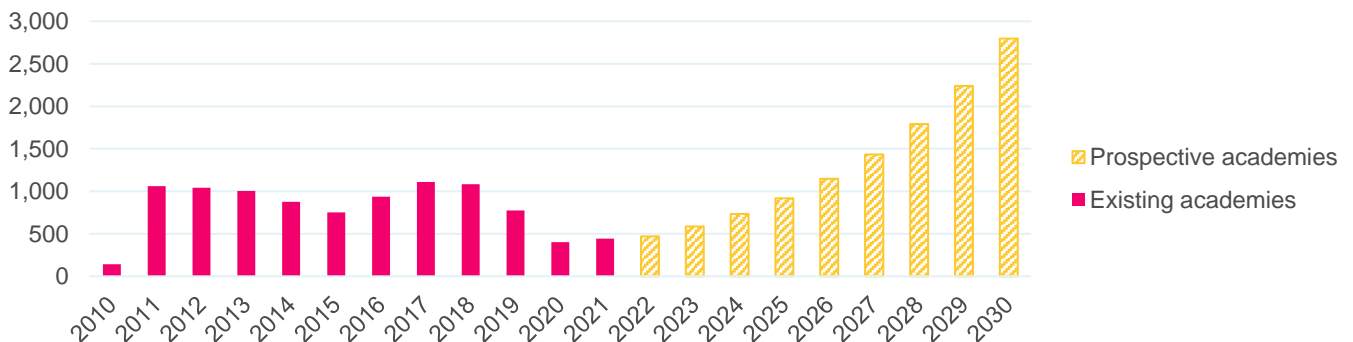
From a pensions perspective there are three headline issues for LGPS funds and employers if these plans do go ahead:

- All remaining 12,000<sup>1</sup> local authority schools, with around 280k<sup>2</sup> support staff, are expected to have become academies, or be in the process of doing so, by 2030;
- Academies will be expected to be part of a multi-academy trust (MAT) with at least 10 schools (or more than 7,500 pupils) rather than be set up as standalone single-academy trusts
- Local authorities will be able to establish their own MATs where too few strong trusts exist

### Impact on administering authorities

The creation of academies has already led to thousands of new employers joining the LGPS. The proposed timetable needs an average of c.1,500 schools to convert every year, a huge increase from 850 annually over the last decade. We might expect conversions to return to 2019 levels this year, then accelerate over the next 8 years or so until all eligible schools have converted.

Possible trajectory of academy conversions in England



<sup>1</sup> [Get Information about Schools - GOV.UK](#) for open, local authority schools that could adopt academy status in future

<sup>2</sup> [Opportunity for all - Strong schools with great teachers for your child](#) 500k support staff and teaching assistants in all schools in England, pro-rated across remaining local authority schools

Regardless of the actual timing, the sheer number of conversions will be an administrative burden for LGPS funds, both for the initial conversion and in their continuing LGPS participation.

The larger number of academies may also see academies wanting greater representation in the administration of funds (e.g. a non-voting member on Pensions Committee) or communications bespoke to their needs (e.g. employer forums focussed on academy issues only, training on letting contracts and the pension implications).

## Impact on academies

The Government will expect academies to participate in MATs of at least 10 schools, with a limit on the proportion of academies in one MAT in any local area. This may see MATs merging together or disbanding, resulting in changes in contribution rates (if MATs pay a pooled rate) and additional bulk transfers (if the MAT has previously sought to consolidate into a single fund).

The sheer number of academies in funds may also require funding strategy changes. For example, pooling all academies together or at MAT level for contribution rate purposes.

## Impact on councils

Local authority schools are typically included in a council's funding position. When a school converts to an academy, it tends to improve the ceding council's past service funding level due to the fully funded deferred and pensioner asset allocation approach favoured by most funds. However, transferring active members and their associated payroll to academies will move councils towards a cashflow-negative position earlier than anticipated, with an accelerated reduction in payroll and increased maturity of their remaining LGPS liabilities. Both of these elements reduce the flexibility available to meet future funding challenges. Funding and/or investment strategies may need to be altered as a result.

The idea of council-run MATs may not have any material impact in LGPS terms since the council will still "lose" the school's active membership and payroll (unless the MAT is pooled with the council), regardless of which MAT it goes to. Any council-run MATs will have their funding arrangements very carefully considered – if they are a MAT of last resort or at risk of having their academies poached by traditional MATs then they may not be expected to participate as LGPS employers in quite the same way as other MATs.

The impact of the proposals in the white paper may be significant to LGPS funds. We would suggest that this is a factor to consider when thinking about funding strategy for councils and academies at the 2022 valuations. As usual, we will keep you up to date with developments in relation to the white paper.