

# South Yorkshire Pension Fund

## Policy on Academy Funding



Effective date of policy	01 April 2026
Date approved	
Next review	March 2029

# 1 Introduction

The purpose of this policy is to set out the administering authority's funding principles relating to academies and Multi-Academy Trusts (MATs).

## 1.1 Aims and Objectives

The administering authority's objectives related to this policy are as follows:

- to state the approach for the treatment and valuation of academy liabilities and asset shares on conversion from a local maintained school, if establishing as a new academy or when joining or leaving a MAT
- to state the approach for setting contribution rates for MATs
- to outline the responsibilities of academies seeking to consolidate
- to outline the responsibilities of academies when outsourcing

## 1.2 Background

As described in Section 5.2 of the Funding Strategy Statement (FSS), new academies join the fund on conversion from a local authority school or on creation (eg newly established academies, Free Schools, etc). It is expected that new academies will join an existing MAT and so, upon joining the fund, academies will join an existing MAT pool for funding purposes. Where a new academy does not join an existing MAT pool, asset allocation and contribution rates will be determined by the Fund Actuary based on policy set out in the FSS.

Funding policy relating to academies and MATs is largely at the fund's discretion, however guidance on how the fund will apply this discretion is set out within this policy.

## 1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contains general guidance on Scheme employers' participation within the fund which may be relevant but is not specific to academies.

There is currently a [written ministerial guarantee of academy LGPS liabilities](#), which was [reviewed](#) in 2022.

Academy guidance from the Department for Education and the Ministry for Housing, Communities and Local Government may also be relevant.

# 2 Statement of Principles

This Statement of Principles covers the fund's approach to funding academies and MATs. Each case will be treated on its own merits but in general:

- the fund will seek to apply a consistent approach to funding academies that achieves fairness to the ceding councils, MATs and individual academies.
- the fund's current approach is to treat all academies within a MAT as a single employer (operating as a funding pool where all pension risks are shared).
- academies must consult with the fund prior to carrying out any outsourcing activity.
- the fund will generally not consider receiving additional academies into the fund as part of a consolidation exercise, unless this has been mutually agreed with the relevant administering authorities.

# 3 Policies

## 3.1 Admission to the fund

As set out in section 5.2 of the FSS:

### Asset allocation on conversion

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%. The council's estimated funding level will be based on market conditions on the day before conversion.

For new academies joining a MAT, assets calculated using the approach outlined in the previous paragraph will be transferred from the ceding council to the MAT.

### Contribution rate

New academy contribution rates are based on the current funding strategy (set out in section 2 of the FSS) and the transferring membership.

If an academy is joining an existing MAT within the fund then it will pay the MAT contribution rate (which may or may not be updated as a result - see below).

If the new academy is not part of a MAT, or if the MAT does not already participate in the South Yorkshire Pension Fund, the new academies' contribution rate will be determined based on the current funding strategy (set out in section 2 of the FSS) and the transferring membership.

### 3.2 Multi-academy trusts

#### Asset tracking

The fund's policy is to pool assets (and liabilities) of all the academies within a MAT. Once an academy joins a MAT the individual asset share of that academy is merged into the MAT. All funding risks within the MAT pool are shared with other academies within the MAT pool. As such, only the MAT pool asset and liability share is tracked.

#### Contribution rate

The default approach is that the MAT is treated as a 'full funding risks' pool meaning that all academies within the MAT pay the same contribution rate to the fund and all membership experience is shared across the MAT (i.e. full cross-subsidy exists).

Any transferring academy will pay the certified contribution rate of the MAT it is joining. At the discretion of the fund, the MAT's contribution rate may be revised by the fund actuary to allow for impact of the transferring academy joining.

### 3.3 Academy transfers

#### Academy leaves a MAT and joins another MAT

If an academy(ies) leave(s) a MAT and joins another MAT, all active members will transfer from the existing MAT to the new MAT. The value of transferring assets will be determined based on the estimated funding level of the MAT's (from which the academy(ies) is transferring) active members, having first allocated the MAT's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the transferring asset value, capped at a maximum of 100%. The MAT's estimated funding level will be based on market conditions on the day before conversion.

The academy will pay the new MAT pool rate.

#### Merging of MATs

If two MATs merge during the period between formal valuations, all assets and liabilities will be combined to form a new MAT pool.

The new merged MAT will pay the higher of the two certified individual MAT rates until the rates are reassessed at the next formal valuation (NB where one or both MATs are paying a monetary secondary contribution rate these will be converted to a % of pay for the purposes of determining the new merged contribution rate).

Alternatively, as set out in the fund's contribution review policy and per Regulation 64 A (1)(b) (iii) the MAT may request that a contribution review is carried out. The MAT would be liable for the costs of this review.

#### Standalone Academy joins a MAT

If an existing standalone academy joins a MAT, all active deferred and pensioner liabilities, along with the full asset share for the existing standalone academy, will transfer to the MAT.

The academy will pay the existing MAT pool rate.

### 3.4 Cessations of academies and multi-academy trusts

A cessation event will occur if a current standalone academy or MAT ceases to exist as an entity or an employer in the fund.

The cessation treatment will depend on the circumstances:

- In the event of a MAT closure (or the closure of a standalone academy), where individual academies may be subsequently transferred to another MAT (or several MATs), a formal cessation valuation would be carried out. Assets transferred to any new MAT(s) would be set based on the value of the transferring active liabilities, but these may be adjusted to ensure that the legacy MAT deferred and pensioner liabilities are fully funded on the low-risk cessation basis.
- If an academy or MAT merges with another academy or MAT within the fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity. A formal cessation valuation would then be carried out in respect of the former entities (on the basis of their being nil assets and liabilities remaining).

If a single academy operating within a MAT ceases to exist as a school, the legacy assets and liabilities of the academy will remain the responsibility of the MAT. This is not a cessation event (as defined in Regulation 64 of the LGPS Regulations), and a cessation valuation will not be required.

In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

### 3.5 Academy consolidations

If an academy or MAT is seeking to merge with another MAT outside of the fund they would need to seek approval from the secretary of state to consolidate their liabilities (and assets) into one LGPS fund. It is the fund's preference that academies do not seek to consolidate.

The fund will provide the necessary administrative assistance to academies seeking to consolidate into another LGPS fund, however the academy (or MAT) will be fully liable for all actuarial, professional and administrative costs.

### 3.6 Outsourcing

An academy (or MAT) may outsource or transfer a part of its services and workforce via an admission agreement to another organisation (usually a contractor). The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership.

The contractor will pay towards the LGPS benefits accrued by the transferring members for the duration of the contract, but ultimately the obligation to pay for these benefits will revert to the academy (or MAT) at the end of the contract.

It is critical for any academy (or MAT) considering any outsourcing to contact the fund initially to fully understand the administrative and funding implications. The academy should also read and fully understand the fund's admissions policy.

In some cases, it is necessary to seek approval from Department for Education before completing an outsourcing (including seeking confirmation that the guarantee provided to academies will remain in place for the transferring members).

The academy (or MAT) will provide the Fund with a copy of the contract (between the ceding Academy and the new contractor) in order to satisfy the regulatory requirement that the Admission Agreement covers one contract.

The Admission Agreement will need to have provision for adding future employees should any academies join the MAT subsequent to the commencement date.

It is the fund's policy that new contractors will be admitted to the fund on a pass-through basis. The fund's policy on pass-through is [here](#).

### 3.7 Accounting

Given underlying assets and liabilities for academies within a MAT are not tracked individually, only combined FRS102 disclosures (eg for all academies within a MAT) can be prepared.

## 4 Related Policies

The fund's approach to admitting new academies into the fund is set out in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the fund?"

The following Fund policies are also relevant:

- Contribution review policy
- Cessation policy
- Bulk transfer policy
- Pass-through policy

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The Admission Agreement will need to have provision for adding future employees should any academies join the MAT subsequent to the commencement date.

### 4.1 Accounting

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The fund's approach to admitting new academies into the fund is set out in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the fund?"

The following Fund policies are also relevant:

- Contribution review policy
- Cessation policy
- Bulk transfer policy