

Introduction

This is to update on the situation following the press reports regarding funding of teacher pay in England from reductions in employer's contributions to the Local Government Pension Scheme (LGPS). This updates our assessment from the circular issued on 18 September.

The facts are as follows.

1. The LGPS is a funded scheme. This means that it holds investments. The investment fund is used to provide pension benefits.
2. The Teachers' Pensions Scheme (TPS) is an unfunded scheme (sometimes called 'pay as you go'). This means that pension benefits are paid for by current employer and employee contributions. Most public sector pension scheme are unfunded – the LGPS being the main exception.
3. There are 77 LGPSs in England; each has their own investment portfolio, which earn financial returns at differing levels.
4. The 77 LGPSs are revalued every three years. The most recent revaluation process ended in December 2025.
5. As a result of the valuation process, the new employer contributions rate have led to reductions, which vary across the 77 schemes by between 0.3% and 15.6%.
6. Within each scheme, there is also a variable rate paid by different schools.
7. These factors make it extremely difficult for the Government to claw back funding in relation to the LGPS revaluation. The approach adopted in schools appears to be replicated in other parts of local government.
8. The Government has previously not increased funding when the employer's contributions have increased in the LGPSs in the past.
9. We have pulled out of issuing a joint response to the STRB with ASCL, NAHT, NEU and Community as we couldn't agree on what happened on 16 September. The wording in their advice is: *"The announcement of 16 September provided clarity on funding the pay award confirming that £500 million will not be clawed back by the Government from reduced contribution rates to the Local Government Pension Scheme. The £500 million covers the shortfall in funding for the pay award nationally, but individual schools will be impacted differently and we want to ensure that no school is adversely affected."* NASUWT wording is: *"We acknowledge the announcement of 16 September and the clarity on funding the pay award; however, we also know that this does not mean that additional funding is going into school budgets, and the picture is complicated at individual school level."*

What does this mean for employers?

The reality is that employers have known about the changes to the LGPS for many months and have factored this into their budget-setting process in advance of April 2026, three months before the teachers' pay award was announced. Any savings at the individual employer level have already been allocated. The teachers' pay award is not fully funded.

LGPS valuation reports 2025 – employer contribution rates from 1 June 2026

We have researched the level of the employer contribution for each of the 77 LGPS funds. This can be accessed by National Executive Members and staff when they are logged into the website at this link: <https://www.nasuwat.org.uk/be-involved/activist-resources/national-executive-resources.html>

Employer contributions are split into a primary rate and secondary rate.

Primary rate

The primary rate is what is required to meet the future benefits earned by active members (current employees). The primary rate is usually expressed as a percentage of pay.

Secondary rate

This is then adjusted by the secondary rate to arrive at the overall rate the employer is required to pay. The secondary rate may be in respect of costs associated with the funding of active and inactive members' benefits earned up to the valuation date, although there can be other factors which affect this rate. The secondary rate may be expressed as a lump sum payment or as a percentage of payroll.

The text came from this link: <https://www.gov.uk/government/publications/local-government-pension-scheme-academy-trusts/local-government-pension-scheme-lgps>

This guidance shows that:

Where a multi-academy trust is in place, it is legally the scheme employer for staff in all of its academies. However, it is common practice for LGPS funds to treat each academy in a trust as a separate employer because each academy has its own staffing profile. Employer contribution rates can therefore differ between academies within the same trust and within the same fund.

Factors affecting the employer contribution rate

When setting employer contribution rates at a triennial valuation, pension funds consider the following factors:

- predictions of future inflation, pay increases, longevity, and events such as rate of ill-health retirement;
- the profile of the employer's active and inactive membership;
- the employer's current funding position, which can be affected by:
 - historic investment returns;
 - membership experience such as level of pay awards, redundancy exercises, pension to lump sum conversion and ill-health retirements;
 - the funding position on conversion to an academy;
 - the amount of contributions that have been paid;
 - expected return on investments going forward;
 - prudence margins in the funding strategy (LGPS funds need to have better than a 50/50 chance that there will be enough money in the long-term to pay members' benefits);
 - significant insourcing or outsourcing, to include reduction or growth (expansion of academy trusts); and
 - the accuracy of member records.

The pay awards will still have to be funded from three sources as set out in the table below:

Illustration of how staff pay increases will be funded in 5-16 schools in 2026-27		
Teachers’ pay awards 3.5% teacher pay award in 2026-27	Support staff pay increases 3.3% local government support staff pay offer	
Remaining 1.7% teacher pay increase	Remaining 1.5% increase in support staff pay	Adding funding for schools announced alongside the 2026 teacher pay announcement
0.8% teacher pay increase	0.8% support staff pay increase	Funding in schools’ existing budgets, provided at 2025 Spending Review, as per our affordability assessment (Schools’ Cost Technical Note 26)
First c. 1% of teacher pay	First c. 1% of support staff pay	Maximising value in schools’ budgets to cover the first 1% of pay costs in 2026-27

* Chart is for illustrative purposes only

1. The additional funding to schools from the Department for Education (DfE) comes from existing department budgets. This is a real-term cut to education spending. We will not be informed which budgets are being cut at the DfE until the Chancellor’s forthcoming budget on 28 October.
2. The 0.8% from schools’ existing budgets is based on the DfE’s estimate of what, on average, schools have left in their budgets based on what they allocated in the Spending Review for 2025/26. We know many schools simply do not have this money left in their budgets; many have had to set an ‘in-year’ deficit budget for 2025/26.
3. The first 1% of funding for the 3.5% pay award for 2026/27 is money schools will have to find from additional savings.
4. In March 2026, the DfE produced its annual Schools’ Cost Technical Note (SCTN). The SCTN clearly sets out the methodology for how the DfE arrived at their affordability assessment for schools, on average. It determined that schools would be able to afford 0.8% of the pay award from existing budgets from September 2026. Importantly, the SCTN references the following costs having been included in this affordability assessment:

"We include the following costs:

- 1) the teachers' pay award from September 2025, which affects the first five months of 2026-27;*
- 2) teachers' pay drift;*
- 3) National Living Wage (NLW) increase;*
- 4) **employer contribution rate changes for the local government pension scheme (LGPS); and***
- 5) non-staff related price inflation."*

There is no note in the SCTN to suggest any further information would be published and linked to the valuations of the LGPS.

On 29 September, the General Secretary wrote to the Secretary of State setting out the concerns of NASUWT at the confusion created regarding funding.

5. On 1 July 2026, the then Secretary of State for Education, Bridgett Phillipson, made a written statement to Parliament, where she accepted the School Teachers' Review Body's (STRB) recommendation on pay in full.
6. On the 2 July 2026, on the DfE Education Hub blog, ***Teacher pay: everything you need to know about the latest multi-year pay award***, the Department set out how the 3.5% pay award was to be funded and produced the summary table as shown above on page 3, which references the SCTN in relation to the affordability assessment for schools.
7. NASUWT is seeking urgent clarification on the current funding position, following the letter relating to the LGPS issued on 16 September from the Secretary of State. We seek a restatement and publication of the table referenced above. There can be no doubt that employers have already factored any reduction to their employer pension contribution costs linked to the LGPS valuation process into their budget planning process for 2026 and beyond. This was well before the production of the SCTN, the announcement of the teachers' pay award and the announcement on 16 September about the employers' pension contribution to the LGPS.

Impact on campaigning

1. The revaluation of the LGPS and the reduction in employer costs may improve the funding position in some schools in the coming year. The revaluation does not address the longer term funding issues or the many other concerns we have identified in our Conference decision and in the Fix Our Future campaign.
2. Given the confirmation that LGPS employer contributions are not subject to clawback, we will demand the same for the 11% TPS employer contributions, estimated to save £3.3bn to avoid cuts, to fully fund pay awards and to prepare for forthcoming changes to SEND.

Useful press articles

Please find below links to press articles directly addressing this issue:

[Pension contribution cuts to save councils millions | Local Government Chronicle \(LGC\)](#)

[Pay rise funding claims 'misleading', say school finance chiefs](#)