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Teachers' Pension Employer Contributions Are Falling: A Welcome Boost for Independent Schools?

Following my earlier blog posted on 30th June, the government has now given further details about the rates of employer TPS contributions following the recant actuarial valuation.

On 8th July 2026 the government announced that, from April 2027, employer contribution rates for the Teachers' Pension Scheme (TPS) will decrease from **28.6% to 17.6%.** 'This change will not reduce the value of the defined benefit teachers' pension for current or retired teachers. The TPS is a defined benefit scheme, which means that the pensions teachers receive depend on their salary as well as the number of years they have been working for.'

This is a huge reduction in pension employer contributions, and maintained school's funding will be reduced to account for these savings according to the national funding formula. You can read the government guidance in reductions in school funding here:

https://www.gov.uk/government/publications/teachers-pension-employer-contributions-funding-adjustment/teachers-pension-employer-contributions-funding-adjustment-methodology

But what about Independent schools?

For many independent schools, this could provide some much-needed financial breathing space.

Independent schools have faced a huge amount of rising costs in recent years, including:

- the increase in TPS employer contributions from **23.6% to 28.6%** in April 2024, and from **16.48%** before that.
- the introduction of **VAT on school fees** from January 2025;
- higher employer National Insurance costs;
- rising staff salaries, minimum wage, and general inflation.

Many schools concluded that remaining in the TPS was becoming unaffordable and some withdrew from the scheme altogether, replacing it with defined contribution pensions. Others introduced hybrid arrangements, allowing existing staff to remain in the TPS while offering new teachers an alternative pension scheme. These decisions were often controversial and, in some cases, led to industrial action and concerns over staff recruitment and retention.

How much money could schools save?

Employer pension contributions falling by **11 percentage points** of pensionable salary is significant.

Imagine an independent school that remained in the TPS with:

- 100 teachers
- Average pensionable salary of **£50,000**

Its annual pensionable payroll would be approximately **£5 million**.

An 11% reduction in employer contributions would save roughly:

£5,000,000 × 11% = £550,000 per year.

Even allowing for variations in pensionable pay and staff participation, many medium-sized independent schools could save **hundreds of thousands of pounds every year**.

For larger schools employing 200–300 teachers, annual savings could easily exceed **£1 million**.

Does this mean schools will rejoin the TPS?

This is very unlikely, they will argue that costs could rise again in future, and after completing lengthy consultations with staff, they won't want to have to do this again in future, with all the complications and impacts on staff morale. Reversing those decisions may also involve another round of consultation, increased administration and potentially higher long-term financial risk.

Schools also know that employer contribution rates can change again after future valuations. While today's reduction is welcome, there is no guarantee contributions will remain below 20% forever.

For that reason, many schools are likely to see this as confirmation that leaving the TPS has given them greater control over future pension costs, rather than a reason to rejoin.

However, schools that stayed in the TPS will be breathing a sigh of relief at the huge cost saving from April 2027.

Could teachers in independent schools benefit from the reduction?

Potentially, yes. Some independent schools asked teachers to contribute towards the additional employer pension cost through salary sacrifice or reduced pay scales.

If those arrangements were introduced because employer contributions increased to 28.6%, there is a strong argument that teachers should benefit when those costs fall back to 17.6%.

Exactly how much depends on each school's contractual arrangements, but many teachers could see a noticeable increase in take-home pay from April 2027 if schools pass on some or all of the savings. I would argue that schools should pass on all of these savings, after years of some teachers losing out due to the increase in contributions, it is time this was reversed.

Could teachers in independent schools lose out due to these changes?

Some schools negotiated that they would pay the previous rate of 23.6%, with options to stay in the TPS or move to a Defined Contribution (DC) pension at this rate. Any difference was then made up from reduced salary scales for staying in the TPS. In this case, teachers who moved to the DC scheme, getting a 23.6% contribution, will need to look at their contracts and see whether they would keep this rate of contribution, or whether this would be reduced in line with the new employer contribution for the TPS. This may make up part of an overall package, and with independent schools largely not considering that there could be a reduction in contributions in future, they may not have planned for this possibility.

Some schools also left the TPS altogether and instead pay the previous rate of 23.6%, or some other amount, I have heard of 20% from one colleague, to an alternative DC pension. Whether schools would try to reduce this amount to align with the new lower rate of 17.6% is a question you would need to ask, and check your contracts. I would think that schools should not retrospectively change their pension contributions to align with the TPS, once they have already left. You would need to seek independent advice if your school tried this, unless written into your contracts.

A positive development

This reduction will not remove the financial pressures facing independent schools. VAT, National Insurance and wider operating costs remain much higher than they were just a few years ago. And for schools that already left the TPS this will have little impact.

Nevertheless, for schools that have remained in the Teachers' Pension Scheme, the reduction represents one of the largest cost savings they have seen in recent years.

For teachers, it is also a reminder of the value of the TPS. Despite employer contributions falling by more than a third, the pension itself remains unchanged. It is still one of the most generous workplace pension schemes available in the UK.

Contacting your employer

To clarify how this will affect teachers in independent schools, you need to contact your employer. There is a rough email outline below that you could use as a starting point.

Dear [HR Manager/Headteacher],

I hope you're well.

I recently read that the employer contribution rate to the Teachers' Pension Scheme is due to reduce from **28.6% to 17.6%** from **1 April 2027** following the latest valuation.

As our school currently asks teachers to contribute towards the additional TPS employer pension costs through [salary sacrifice/reduced pay arrangements], I was wondering whether the school has considered how this change will affect staff.

Could you let me know whether the reduction in employer contributions is expected to result in any changes to salary sacrifice arrangements, pay scales or pension-related deductions from April 2027?

I appreciate that details may still be under consideration, but I would be grateful for any information you are able to share about this important aspect of staff remuneration.

Thank you for your time.

Kind regards,

[Your Name]

See my other blog: 'Teachers' Pension Employer Contributions Are Falling: What Does It Mean for State Schools?' to read about the impacts for state schools of this change.

This article is for information only and is not personal financial or tax advice

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