Independent schools briefing, July 2026
BREAKING NEWS: Lower TPS employer rate confirmed

Some measure of financial relief is on its way for independent schools participating in the Teachers' Pension Scheme (TPS).

The latest TPS valuation results, published on 1 July 2026, confirm that **the new TPS employer rate from April 2027 will fall to 17.68% of pay**.

We signposted the likelihood of this outcome in our Q1 2026 briefing and, once the SCAPE discount rate was published in May, we all but confirmed it in our Q2 2026 briefing.

While this is good news for many schools, some may need to reconsider strategic decisions taken on the basis of higher long-term TPS costs.

With this new certainty, what can schools do now?

Why has the TPS employer rate fallen?

The main reason for the fall in the TPS employer rate is the increase in the SCAPE discount rate.

It's useful to think of the SCAPE discount rate as an assumption about future investment returns. A higher investment return means less money has to be put aside today to pay for future costs. By extension, a higher SCAPE discount rate means that pension costs are lower – all else being equal.

All else being equal is a popular expression in the pensions world. In this case, the SCAPE discount rate is one of many assumptions (such as life expectancy) which drive pension costs.

As with previous valuations, the SCAPE discount rate change is the main factor behind the change to the TPS employer rate. However, this time round, the change will benefit independent schools still providing the TPS.

How long will these lower costs last?

What we do know is that the new TPS employer rate of 17.68% of pay will apply for four years from April 2027 to March 2031.

What we don't know is what the position will be when the 2028 valuation process starts. For the last 15 years, the SCAPE rate has been derived from long-term forecasts of GDP growth. But what will be the outlook for the UK economy, politics and public finances in a few years' time? Will the SCAPE approach be reviewed again as it was in 2011 and 2021? We simply don't know.

The TPS employer rate is driven mainly by assumptions rather than experience, creating volatility outside the control of independent schools. Although schools have no control over each valuation outcome, however, they are able to design pension strategies to mitigate risk.

What should schools be doing?

Due to the sheer complexity of pensions, it's sensible to take specialist advice.

Governing bodies should be informed, financial plans updated, pension strategies reviewed and staff communications refreshed.

Some pension strategies will remain fit for purpose, while others may need to be revisited. How will a hybrid approach with multiple pay scales work with lower TPS costs? Does a significant difference between TPS and DC employer contribution rates create challenges for the school? These are just two of the key questions for schools to consider.

Get in touch with our experts

At First Actuarial, we work closely with independent schools to develop, communicate and implement pension strategies that reflect each school's financial position, workforce needs and long-term objectives.

We have supported schools throughout a period of significant TPS change, and understand the practical challenges facing bursars, governors and leaders.

To discuss the impact of this latest news on your school, get in touch with **Dale Walmsley** or any of **our specialist team for independent schools**.

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