



Department
for Education

Funding increases to teachers' pensions employer contributions

Government consultation

Launch date: 15 January 2019

Respond by: 12 February 2019

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1. Introduction

This is a consultation on the Department for Education's proposal to support certain education institutions with the increase to employer contributions to the Teachers' Pension Scheme (TPS) in 2019-20.

Who this is for

This consultation focuses on the TPS, which provides a pension for teachers in the following sectors: State-funded schools, Further Education (FE), Higher Education (HE), and Independent Schools. The department therefore invites responses from the following groups or individuals:

- TPS Employers
- Teachers – both those in affected sectors and those outside.
- Other staff working in these sectors
- Sector bodies

Issue date

The consultation was issued on 15 January 2019.

Enquiries

If your enquiry is related to the policy content of the consultation, you can contact the team on:

TPSEmployerContributions.consultation@education.gov.uk

If your enquiry is related to the DfE e-consultation website or the consultation process in general, you can contact the DfE Ministerial and Public Communications Division by email: Consultations.Coordinator@education.gov.uk or by telephone: 0370 000 2288 or via the [DfE Contact us page](#).

Additional copies

Additional copies are available electronically and can be downloaded from [GOV.UK DfE consultations](#).

The response

The results of the consultation and the Department's response will be [published on GOV.UK](#) in spring 2019.

2. Background and Context

- 2.1 The TPS, along with all other unfunded public sector pension schemes, is required to complete a valuation every four years. The valuation has two main purposes: to assess the scheme's assets and liabilities and therefore the cost of providing pensions in the long-term; and to recalculate the employer 'cost cap' to determine whether it remains within the settlement reached in 2015.
- 2.2 In valuing the scheme, the Department must make several assumptions based on past scheme experience and take account of economic and other factors, provided by HM Treasury.
- 2.3 A significant factor affecting employer costs, and therefore the contribution rate needed, is the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate, this is the rate used to determine the cost today of providing pensions into the future. This reflects the important principle that the full costs of pensions are recognised at the point they are earned and are provided for accordingly. At Budget 2018, HM Treasury confirmed there would be a further change (reduction) to the rate, to CPI + 2.4%, from April 2019. The change follows the Office for Budget Responsibility's latest forecast on long-term Gross Domestic Product, which estimated a lower than anticipated rate of growth and thus, under the mechanism agreed for determining the SCAPE rate, the need to adjust the rate in order to ensure costs continue to be provided for appropriately.
- 2.4 The estimated employer contribution rate required for the period from 1 April 2019 to 31 March 2023 is 22.8%. This is based on adjusting the scheme design by changing the rate by which pensions accrue. The Department has agreed, with HM Treasury, that the employer contribution rate for the current valuation will be implemented from 1 September 2019 rather than 1 April 2019. Whilst this gives employers more time to plan for the contribution change, there is an offset in that it will create a small deficit in the first year. In order to recover this deficit an amendment to the contribution rate, to take account of the fact that it will not be paid for the full valuation period, will be made resulting in an employer contribution rate of **23.6%** from 1 September 2019 to 31 March 2023.
- 2.5 These are draft valuations. If final employer contributions are higher or lower, the Department will adjust the funding allocated accordingly to ensure that institutions who we have proposed to fund are fully compensated.

Effect on the institutions

2.7 These changes will bring about increased costs for affected institutions. This Consultation Document concerns itself with four education ‘sectors’ – State-funded schools, Independent schools, FE, and HE. For more details on the institutions that fall in these categories, please see 4.6 and 4.12.

2.8 Overall the Department estimates the overall increased costs to be £1.1bn in 2019-20 across these four sectors, split as follows, rounded to the nearest £10m:

Education Sector	Cost in 2019-20 from 1 Sept 2019 Implementation (£m)
State-funded schools	830
Independent schools	110
FE	80
HE	80

2.9 These costs include the funds from delaying the implementation from 1 April to 1 September 2019, at a payback rate that would see the amount fully returned in March 2023 (although the exact speed of payback has not yet been determined).

3. About this consultation

- 3.1 The Department has chosen to run a public consultation to ensure that all affected sectors have an opportunity to share views on the impact these changes will bring.
- 3.2 This Consultation Document seeks views on the proposal to provide funding to support i) schools (see 4.6 for breakdown) and ii) FE colleges and other public-funded training organisations (see 4.12 for breakdown), to cover the increase in employer contributions, and to better understand the impact on the HE sector and Independent schools, for whom it is proposed that funding support will not be provided.
- 3.3 The Consultation Document therefore sets out:
- The decisions leading up to the publication of the draft HM Treasury directions in September 2018.
 - The Department’s proposed approach to support some institutions in meeting these increased employer contributions in FY 2019-20¹.
 - The recourse for all affected parties to give their views on the approach.
- 3.4 This Consultation Document seeks to understand:
- Views on those sectors that DfE proposes to support. This will contribute to our evidence base for our current funding proposition.
 - The impact on sectors that DfE proposes not to support. This will enable us to gain a fuller understanding of the impact of these changes and inform any mitigations we may therefore wish to put in place.
- 3.5 This consultation is:
- a) Concerned with the effect of the increased costs resulting from changes to the TPS on each sector, rather than wider funding to individual sectors.
 - b) Concerned with costs in 2019-20 – as the final year of the current Spending Review. For most institutions that are funded on a financial year basis, this means through to March 2020. For academies and colleges that are funded on an academic year basis, this means

¹ See para 3.5b for more information

through to August 2020. The funding of this commitment and any other funding beyond 2019-20 is a question for Spending Review 2019.

- c) About institutions in England only. Funding for institutions in Devolved Administrations is a matter for those governments.
- d) Only concerned with funding the increased employer contribution costs of the Teachers' Pension Scheme. The Ministry of Housing, Communities and Local Government are running a separate consultation on Fair Deal and strengthening pension protection in respect of non-teaching staff under the Local Government Pension Scheme (LGPS)².

3.6 This consultation is not about the allocation mechanisms for the funding reaching affected institutions. For this, the Department will work with the schools sector (excluding independent schools) and FE sector representatives, including: the School and Academy Funding Group (SAFG); the Service Working Group for Education and Children's Service (SWGECS); The Association of Colleges (AOC); the Sixth Form Colleges Association (SFCA); Collab; HOLEX; and Natspec, to discuss the most appropriate allocation methodology for funding. There will also be opportunities for discussion with representative bodies on a one-to-one basis. As it is not currently the Department's position to fund HE providers and Independent schools, no discussions on allocation mechanisms will take place at this time.

3.7 This consultation will last four weeks from 15th January 2019 to 12 February 2019.

² <https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection>

4. Funding Rationale

- 4.1 The Department proposes funding i) schools (see 4.6 for breakdown) and ii) FE colleges and other public-funded training organisations (see 4.12 for breakdown) for these increased costs.
- 4.2 The Department believes it is fair, practical and reasonable that institutions are funded on a whole sector basis, to ensure that all institutions are given an equal opportunity to adjust to the costs and to ensure equity across the country and the system.
- 4.3 One of the Department's priorities is that every pound is optimally allocated. This has led to some difficult decisions, namely not proposing to fund i) Universities and other organisations providing Higher Education obliged to offer TPS and ii) Independent schools, for these increased costs. We value these sectors and are committed to seeing them thrive, but our evidence suggests that i) schools (see 4.6 for breakdown) and ii) FE colleges and other public-funded training organisations (see 4.12 for breakdown), are in high levels of need for additional support for these costs and are most directly funded by Government grant(s). This is therefore our starting position but we would like to use this consultation to test the impact on other providers.
- 4.4 The Department does not propose to provide funding to any other organisations not already listed who participate in the scheme on a voluntary basis but are conducting a consultation to understand the impact upon all sectors to inform the Department in making a final decision.

Providing funding to schools

- 4.5 As a Government, we have committed to protecting state-funded schools. In 2017, the Department invested a further £1.3bn over and above plans set out at the last Spending Review and is committed to protecting school funding in real terms per pupil through to 2019-20. The Department recognises the significance of this pension pressure and intends to protect schools from it by fully funding the increase in employer contribution rate in 2019-20. Centrally employed teachers are not directly employed by schools. However, we recognise the work they do to support pupils in schools. Given this, and the significance of the pension pressure, we intend to provide funding for centrally employed teachers.
- 4.6 The department proposes providing funding towards the following institutions to cover the £830m increase to employer contributions in FY 2019-20:

- Mainstream and special maintained schools
- Mainstream and special academies (including Alternative Provision, 16-19 academies and free schools)³
- Maintained nursery schools
- Non-maintained special schools
- Independent Special Schools, to the extent they educate children with Education, Health and Care Plans.
- Local Authority Centrally Employed Teachers
- Music Education Hubs

Question 1.

Do you agree with the proposal to fund schools (as defined in 4.6) for these increased costs?

Providing funding to FE colleges and other public-funded training organisations

- 4.7 The FE sector, and colleges specifically, play a critical role in the continuing education and training of young people beyond the age of 16, supporting adults to retrain throughout their working lives, and reaching students from disadvantaged backgrounds who have not achieved good educational outcomes through compulsory education.
- 4.8 To meet the challenges set out in the Industrial Strategy⁴ the Department is establishing a technical education system intended to be on a par with the best in the world. Having high quality FE teachers will be critical to the successful delivery of our priorities in that strategy: Apprenticeships, post 16 Maths and English and in due course T levels.
- 4.9 We also anticipate more jobs will be subject to automation, requiring adults to re-skill to remain in the labour market and economically active. The FE sector will have a critical role delivering basic skills through to Level 6. Yet the UK

³ See para 3.5b for more information

⁴ <https://www.gov.uk/government/topical-events/the-uks-industrial-strategy>

continues to rank poorly in the OECD skills comparison: The UK is in the bottom quartile for L4&5 technical skills, 3rd quartile for L2&3 intermediate skills and basic numeracy and the 2nd quartile for basic literacy and level 6 skills.

- 4.10 Alongside this ambitious reform agenda, the Department know colleges are in a financially challenging environment. Although by 2019-20 the funding available for apprenticeships in England will have risen to over £2.5bn and the Adult Education Budget protected in cash terms since the last Spending Review.
- 4.11 We want a financially sustainable sector, which is why we have already invested in restructuring of colleges. The government recognises that not funding the increased employer contributions would increase financial pressures that could undermine investment already made and influence, for example, colleges' ability to recruit and retain the teachers they need.
- 4.12 The following institutions are required to participate in the TPS, which the Department proposes providing £80m to cover the costs of increased employer contributions in FY 2019-20⁵:
- General Further Education Colleges
 - Sixth Form Colleges
 - Designated Institutions (including the new designated institutions that form part of HE provider group structures).
 - Specialist Post-16 Institutions
 - Adult & Community Learning Providers

Question 2.

Do you agree with the proposal to fund FE colleges and other public-funded training organisations for these increased costs?

⁵ See para 3.5b for more information

Impact on Universities and other organisations providing Higher Education obliged to offer TPS

- 4.13 The Department also recognises there will be additional costs that will significantly affect Universities and other organisations providing Higher Education obliged to offer TPS. We therefore want to understand fully the impact across the HE sector for us to decide if mitigations are necessary. We invite responses from all affected institutions to understand the impact of these changes.

Impact on Independent Schools

- 4.14 The Department recognises that these costs will also place a pressure on the Independent schools sector and therefore invites responses to understand the effects these changes will impose.

Question 3.

Please provide any additional evidence relating to the impact on all sectors, which you think the Department should consider considering these proposals.

Equalities Impact

- 4.15 The Department's initial assessment is that the proposed approach does not impact on any protected characteristics aside from largely targeting funding to providers with those in education under the age of 18.

Question 4.

To what extent will this proposal have an impact on people with one or more protected characteristics?

5 How to Respond

To help us analyse the responses please use the online system wherever possible. Visit www.education.gov.uk/consultations to submit your response.

Other ways to respond

If for exceptional reasons, you are unable to use the online system, for example because you use specialist accessibility software that is not compatible with the system, you may download a word document version of the form and email it or post it.

By email

TPSEmployerContributions.CONULTATIONS@education.gov.uk

By post

Kimble Silverman
Department for Education
Sanctuary Buildings,
Great Smith Street,
London
SW1P 3BT

Deadline

The consultation closes on 12 February 2019

The responses to the consultation will be analysed by us or an independent organisation under contract to Department for Education.

Information provided in response to consultations, including personal information, may be subject to publication or disclosure under the Freedom of Information Act 2000, or the Environmental Information Regulations 2004.

If a request for disclosure of the information you have provided is received, your explanation about why you consider it to be confidential will be considered, but no assurance can be given that confidentiality can be maintained. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.

The department will process your personal data (name and address and any other identifying material) in accordance with the Data Protection Act 2018, and your personal information will only be used for the purposes of this consultation. Your information will not be shared with third parties unless the law allows it.

The department's [personal information charter](#) contains the standards you can expect from us when we ask for and hold your personal information.



Department
for Education

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