

Valuation of the Teachers' Pension Scheme

Information is circulating within the education system from schools, local authorities and academy trusts about the valuation of the England and Wales Teachers' Pension Scheme (TPS).

The England and Wales TPS has been provisionally valued by the Government Actuary's Department (GAD) to assess its notional value as at 31 March 2016.

The valuation is provisional as it was carried out under draft Directions published by HM Treasury for the valuation process.

The draft Directions are subject to consultation which closed at the end of September and could, theoretically, change.

The most important of the Directions used by the Treasury in the valuation is the SCAPE Discount Rate assumption. This determines how much unfunded public service schemes grow in value. The Treasury has reduced the Discount Rate to CPI + 2.4%.

The reduction in the Discount Rate has increased the shortfall in the TPS and, under the current cost-sharing process, the cost of this will be picked up by the employers, who will see their contributions to pensions increase by 7.2% from 1 September 2019 to 31 March 2023.

It is fair that employers pick up this cost because the shortfall in the TPS has not occurred because of the increased cost of employee benefits. In fact, the cost of employee pension benefits has fallen below those intended by the Government in the last four years because teachers are not living as long as the Government previously predicted and the actual earnings of teachers have failed to keep pace with inflation.

Pressed by the NASUWT, the Department for Education (DfE) has agreed to fund the costs of increased employer pension contribution for schools and academy trusts from 1 September 2019 to 31 March 2023. The DfE will consult on the methodology for doing so later this year.

The NASUWT has made it clear to the Treasury that there must be full funding of the impact of the Discount Rate cut and that cuts in education spending arising from this change in Treasury policy are unacceptable.

Key points to remember:

- The change in the Discount Rate has no impact on school, local authority and academy trust budgets until 1 September 2019. **The 2018/19 teachers' pay award, including the teachers' pay grant, is unaffected by the valuation of the TPS.**

Continued overleaf

- The NASUWT has made clear to the DfE that all state-funded educational settings, including sixth-form colleges, should receive funding for the employer pension contribution increase from 1 September 2019 onwards.
- The NASUWT is working with the TUC to establish a common union lobbying position on the funding which education in the UK must receive as a result of the next Comprehensive Spending Review. The TUC accepts that this must take account of the TPS employer pensions contribution increase and the DfE's policy on funding this.

If NASUWT Representatives are concerned about their employer's response to the valuation of the TPS, please contact CPC@mail.nasuwt.org.uk.

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