

The Teachers' Pension Scheme (TPS)

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DfE

LGA Conference

London

17 October 2017



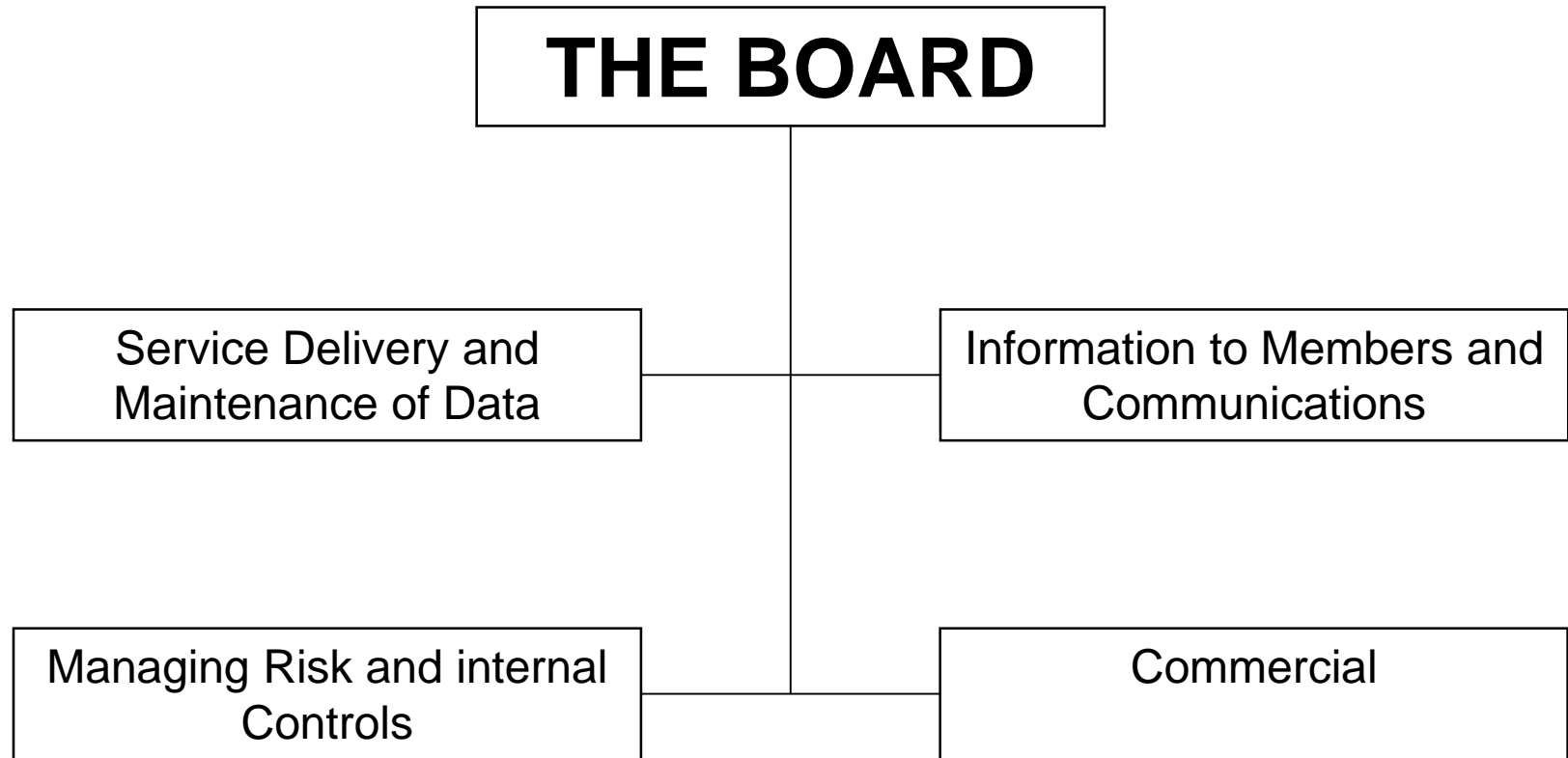
Department
for Education

Agenda

- Scheme Governance
- Valuation
- Member Contributions
- Amending regulations
- Court cases
- Procurement



Scheme Governance



Service Delivery and Maintenance of Data

- **providing assurance to the Board regarding the arrangements for managing the scheme administration, including oversight of the programme of activities and projects**
 - Monthly data Collection: The Board recognises the real benefits of this project and has provided challenge to Teachers' Pensions to help ensure deadlines and quality measures are met, which involved scrutinising quarterly update reports and giving feedback to ensure the project remains on track.



Information to Members and Communications

- **providing assurance to the Board that an effective engagement plan is developed, and mechanisms are in place to ensure the timely delivery of key messages to members and employers.**
 - My Pension on-line: During the year, the number of MPO accounts rose to over 600,000 and the Board is challenging TP on ways this can be built upon, in particular, by increasing the number of active members with such an account.



Managing Risk and internal Controls

- **focusing on the control and accountability framework, also providing assurance to the Accounting Officer to support the signature of the Teachers' Pension Scheme (TPS) Annual Report and Accounts along with consideration of the general financial scheme administration.**
 - Control Mechanisms: The Board has also challenged Teachers' Pensions to improve control mechanisms where appropriate. For example, when it was identified that certain members had not been paid appropriate increases to their lump sums, the Board has not only monitored progress to redress that but also the review of mechanisms aimed at ensuring all processes run as appropriate.



Commercial

- **providing assurance that the Department identifies and specifies what service is required, offers value for money and ensures the “right” service is procured.**



Valuation

- **Scheme Specific Assumptions** **July 2017**
- **HMT Directions (Draft)** **July 2017**
- **Initial calculations** **October 2017**
- **Final HMT Directions** **Late 2017/early 2018**
- **Spring Statement 2018 – results published**



Valuation – how it works

- **Valuation takes place every 4 years**
- **It reviews data and movement from previous years**
- **Assumptions are made based on data**
- **HMT provide directions on certain areas**
- **HMT directions and scheme assumptions are used to calculate the long term cost of providing benefits**



Scheme Valuation assumptions

- **Include:**
 - Pensioner mortality
 - Age retirement from service
 - Ill-health retirement from service
 - Voluntary withdrawal from service
 - Death before retirement
 - Promotional pay progression
 - Commutation of pension for cash at retirement
 - Family statistics



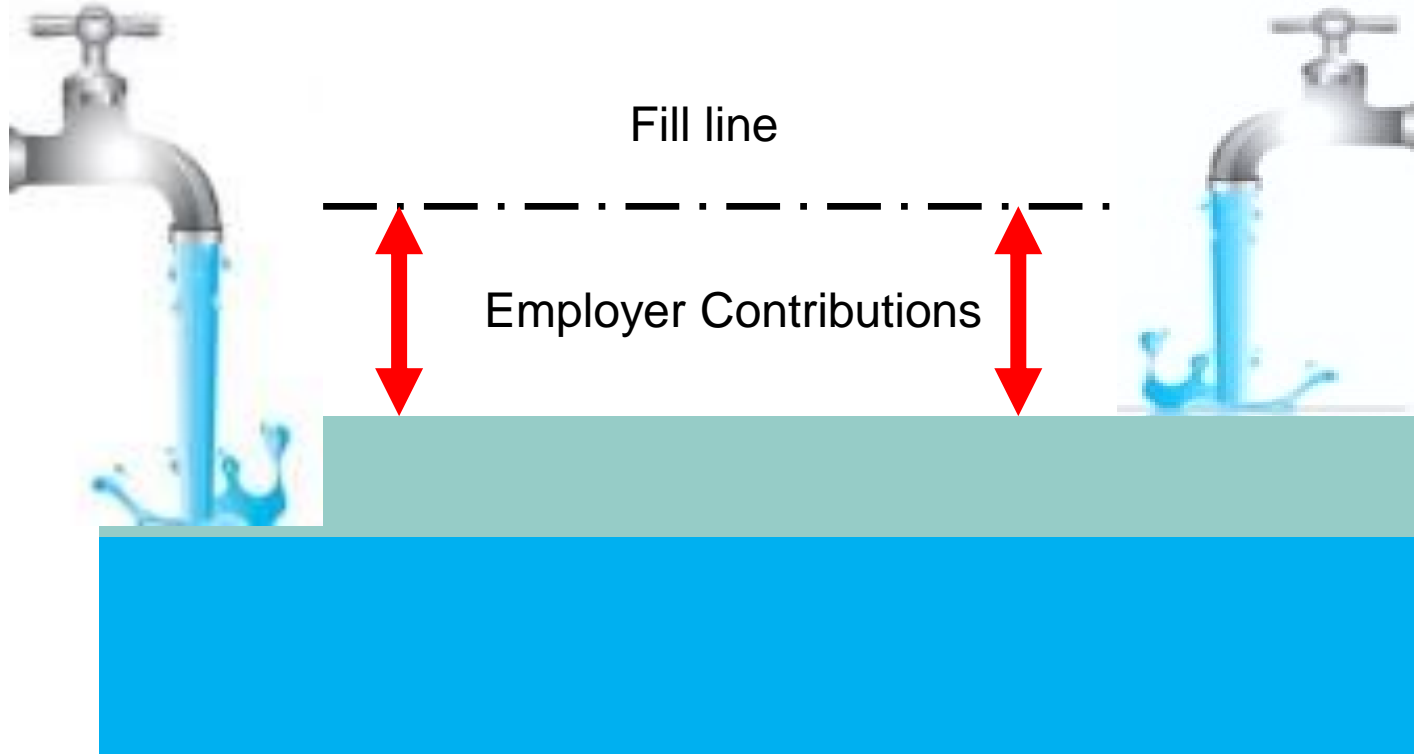
Central Valuation Assumptions

- **SCAPE**
- **Earnings growth**
- **Future price changes i.e. pensions increases**
- **Post retirement life expectancy**
- **State pension age**
- **Commutation on new schemes**



Member contributions

SCAPE



The Cost Cap

- **Introduced to protect employers against the costs associated with member costs e.g. rising longevity**
- **Calculated on the cost of providing benefits to active Career Average members**
- **Set as part of scheme reforms**
- **2pp buffer to allow some movement without breach**



Member Contributions Review

- Tiered member contributions introduced in 2012
- Currently six tiers ranging from 7.4% to 11.7%
- Commitment to review in parallel with valuation project
- Continued commitment to protect the lowest paid



Member contribution review timeline

- **Data analysis** **Current**
- **Present options to TPSAB** **November 2017**
- **Review and hone options** **Winter 2017/18**
- **Preferred structure** **Spring Statement 2018**
- **Public consultation** **Spring/Summer 2018**
- **Implementation** **April 2019**



Amending regulations

- **Consultation complete**
- **Main features:**
 - ill-health pension
 - Serious ill-health commutation
 - Phased retirement
 - out of service early retirement
 - actuarial adjustment
- **Come into force 30 November 2017**



Court cases

- **Brewster**
- **Walker**
- **McCloud/FRU**



Contract Procurement

- **DfE is planning for the re-let of the current contract**
- **Prior Information Note issued/to be issued October 2017 to market**
- **DfE has commenced the activity to collect service requirements**
- **Stakeholders have been identified**
- **Process of DfE undertaking engagement to talk/listen**
- **A specific challenge**
- **Significant numbers of employers but no representative body for academies**
- **So a question...**
- **“How do we effectively engage with academies to capture their needs?”**



QUESTIONS

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Sources Of Information/Contact

- **The Teachers' Pensions Website:**
<https://www.teacherspensions.co.uk/>
- **DfE Website:**
<https://www.gov.uk/government/organisations/department-for-education>

