

# The Scheme Valuation

November 2023



## What is it?

As an unfunded public service pension scheme, the Teachers' Pension Scheme is reviewed every four years by the Government Actuary's Department (GAD). This is known as the Scheme Valuation.

The purpose of the Scheme Valuation is to assess the total cost of the Scheme and its ability to provide benefits to its members. As part of this, it's assessed whether the cost control mechanism needs to be triggered.

The Department for Education also checks whether the required contribution yield is being delivered by the member contribution tier model and, where necessary, adjustments are made to contribution tiers to ensure this is met going forward.

At the end of the Scheme Valuation, the appropriate employer/employee contribution rates are determined.

## How does it work?

Data is collected about the Scheme which allows GAD to answer the following:

- Is there enough money to cover the cost of the benefits built up to date?
- Is the contribution rate sufficient to cover benefits likely to build up in future?

Once scheme data is collected, it's analysed, appropriate assumptions are made, and any necessary changes identified and applied as part of the result of the Valuation.

## Current Scheme Valuation

The outcome of the most recent Valuation confirms a need to increase the employer contribution rate by 5 percentage points from 1 April 2024 to ensure that the Scheme continues to meet present and future obligations.

The Department for Education will provide additional funding to cover the increase in the employer contribution rate for directly funded scheme employers for the financial year 2024/25. This includes mainstream 5-16 schools; high needs settings; post 16 and further education settings; and eligible early years providers. The subsequent costs for directly funded Scheme employers for future years will be looked at as part of subsequent spending review rounds.

HE providers are autonomous bodies, and the government doesn't fund the costs of changes to the Scheme for them in the same way as for schools and colleges. Nevertheless, they will continue to work with the HE sector to explore how it can best support those providers affected, including planning effectively for implementation of these changes.

The Department for Education appreciates that the result means Independent Schools that participate in the Scheme will be faced with additional costs that aren't funded. It's hoped that the information shared previously, on the likely result, will have helped them in planning for the change.