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Valuation of the Scheme

Her Majesty's Treasury (HMT) published draft Directions for the Teachers' Pension Scheme yesterday (6 Sept '18). This allows the Department for Education (DfE) to finalise the pension scheme valuation, which takes place every four years.

Initial indications are that the protections in the new cost cap mechanism mean public sector workers will get improved pension benefits for employment over the period April 2019 to March 2023. This test, known as the cost control mechanism, was introduced to offer taxpayers and employees protection from unexpected changes in pension costs.

In addition, early indications are that the amount employers pay towards the schemes will need to increase. This is because of proposed changes to the discount rate, which is used to assess the current cost of future payments from the schemes. At this time, we're unable to provide information on what the employer contribution rate will be, but the Department will be providing additional funding to maintained schools and academies in 2019-20 in view of the unforeseen costs. The Department is also looking at how it can support FE colleges with the additional costs involved where necessary and will further consider the funding position for HE establishments as the valuation progresses.

The Department will now complete the valuation and, following discussions with the TPS Advisory Board, will provide details of the employer contribution rate and any options for amending member benefits. We will of course continue to provide further updates as soon as information becomes available.

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