

**EXPLANATORY MEMORANDUM TO**  
**THE TEACHERS' PENSION SCHEME (AMENDMENT) REGULATIONS 2014**

**2014 No. 2652**

**1.** This explanatory memorandum has been prepared by The Department for Education and is laid before Parliament by Command of Her Majesty.

**2. Purpose of the instrument**

2.1 This instrument amends the Teachers' Pension Scheme Regulations 2014 ("the 2014 Regulations") to ensure effective operation between the 2014 Regulations and the Teachers' Pensions Regulations 2010 ("the 2010 Regulations"). The amendments include changes to the employer and member contribution rates, inclusion of a requirement for the Secretary of State to complete a scheme valuation in accordance with HM Treasury directions and miscellaneous amendments to ensure effective operation with the 2010 Regulations.

**3. Matters of special interest to the Joint Committee on Statutory Instruments**

3.1 None.

**4. Legislative Context**

4.1 The 2014 Regulations are being amended to complete the legislative provisions needed to ensure the Teachers' Pension Scheme ("TPS") continues to operate effectively from 1 April 2015, in particular to enable the existing final salary arrangements and the reform arrangements to work together appropriately.

**5. Territorial Extent and Application**

5.1 This instrument applies to England and Wales.

**6. European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

**7. Policy background**

7.1 The Teachers' Pension Scheme Regulations 2014 introduce a reformed TPS which will provide, from 1 April 2015 onwards, for the provision of pensions for teachers and qualifying members in England and Wales.

- 7.2 The substantive elements of these amending regulations are:
- to provide for a scheme valuation to take place in accordance with directions issued by Her Majesty's Treasury under the Public Service Pensions Act 2013 (regulations 28 and 52);
  - to provide for an increase in the level of contributions employers must pay. (regulation 17) The increase is a direct result of scheme valuation and changes the employer contribution rate from 14.1% to 16.4%. The increase will take effect from 1 September 2015;
  - the introduction of an administration charge, payable by scheme employers, to cover the costs of running the TPS (regulation 18);
  - to provide new member contribution rates from 1 April 2015 and change the basis on which contributions are determined from full-time equivalent salary to actual salary (regulation 16).

7.3 Regulations 5, 7, 9, 11, 14, 19, 20, 22, 23, 25, 26, 31, 36, 40, 45, 46, 47 and 51 provide clarification to the 2014 Regulations ensuring that members and employers are able to understand and implement scheme requirements appropriately. These clarifications include:

- Regulation 5 confirms that the scheme manager may delegate his functions;
- Regulation 9 clarifies the calculation to be undertaken in determining the pensionable earnings of a member who has at least one irregular employment. This provision is needed to ensure a member's entitlement is not reduced as a result of irregular work;
- Regulation 14 future proofs the definition of "trivial commutation lump sum death benefit" by referencing the Finance Act 2004 thus ensuring any future changes to this definition are immediately effective in these regulations;
- Regulation 22 ensures that a transfer from a non public sector scheme cannot be made after the member has attained normal pension age;
- Regulation 40 inserts new regulation 39A which provides that if a person retired on ill-health grounds in the existing scheme before 6<sup>th</sup> January 2007 then returns to the reformed scheme before retiring again, the previous ill-health pension is taken into account when determining the final amount of pension the member is entitled to. The purpose of new regulation 39B is to prevent a member receiving excessive levels of ill-health enhancements where a previous enhancement was paid from the existing scheme and the member again becomes entitled to enhancement in the reformed scheme;
- Regulations 43 and 45 clarify the method of calculating survivor pension benefits where the member was a transitional member before death.

7.4 Regulations 3, 4, 6, 8, 10, 12, 13, 15, 21, 24, 27, 29, 30, 32, 33, 34, 35, 37, 38, 39, 41, 42, 44, 48, 49 and 50 make minor corrections to the existing regulations

## **8. Consultation outcome**

8.1 The Department ran a consultation from 28 April 2014 to 18 July 2014 which included the amendments mentioned above to the 2014 Regulations and further amendments to the 2010 Regulations. In total 18 responses were received. These included responses from teacher unions, colleges, local authorities, and employer representatives.

8.2 A significant number of respondents used this opportunity to question the need for reform of the Teachers' Pension Scheme in general. Where respondents expressed views in respect of the consultation questions, the majority of responses were broadly supportive of the proposals.

8.3 A number of respondents offered suggestions in relation to the proposed structure for member contribution rates. The suggestions varied from a preference for a single tier structure to a preference to retaining an eight tier structure. There was also a view that there is no actuarial basis for tiered contributions in a career average pension scheme. The Department has considered these remarks in full and indeed considered them in developing the structure. The proposed structure takes account of the views expressed by unions and the Department considers it best meets the current membership where a number of members will remain in the final salary scheme. The Department has further committed to revisit this issue once the number of final salary scheme members begins to reduce.

8.4 Respondents were generally agreeable with the proposals for transfers into and out of the scheme albeit those respondents expressed a need for guidance on the precise mechanism for transfers. Some respondents also voiced concern over the potential cost of public sector transfers to the TPS.

8.5 The Teacher Unions also took this opportunity to express their strong concern over the current membership arrangements, explaining that, in their view, certain groups of teachers are not catered for.

8.6 The full consultation response can be access at <https://www.gov.uk/government/collections/teachers-pension-scheme>

## **9. Guidance**

9.1 A bespoke website dedicated to information and supporting resources has been available since April 2014. Resources on the site include factsheets, videos, calculators, modellers and a dedicated toolkit. The website is supported by on-going digital communications to both members and employers and through direct engagement with employers through the provision of training resources. Members and employers are informed of the resources available to them through a series of email campaigns and through working with key partners to ensure all those affected have an understanding of

those changes in the build-up to April 2015. The website can be accessed at <https://www.teacherspensions.co.uk/reform/employers/reform-employer-hub.aspx>

**10. Impact**

10.1 The impact on business, charities or voluntary bodies is nil.

10.2 The impact on the public sector is nil.

10.3 An Impact Assessment has not been prepared for this instrument.

**11. Regulating small business**

11.1 The legislation does not apply to small business.

**12. Monitoring & review**

12.1 The changes made by this instrument, coupled with amendments tabled for the 2010 Regulations, will ensure a smooth transition from the current Teachers' Pension Scheme, to the reformed Teachers' Pension Scheme.

**13. Contact**

Jeffrey Rogerson at the Department for Education Tel: 01325 735682 or email: [jeffrey.rogerson@education.gsi.gov.uk](mailto:jeffrey.rogerson@education.gsi.gov.uk) can answer any queries regarding the instrument.