WRITTEN MINISTERIAL STATEMENT

DEPARTMENT OF EDUCATIONS

Reform of the Teachers' Pension Scheme (England and Wales)

Secretary of State for Education (Rt Hon Michael Gove MP)

On 2 November the Chief Secretary to the Treasury made a Statement to the House setting out an improved offer on public service pensions to public sector workers (Cm 8214). This offer provided a more generous cost ceiling for scheme-specific discussions to work within, and protected all those within ten years of their pension age from any further change. This generous offer was conditional on the Government and trades unions reaching agreement by the end of the year, including in the Teachers' Pension Scheme, bringing to a conclusion talks that have lasted since February 2011.

Since 2 November I have been engaged in detailed and intensive talks with the teacher and lecturer trades unions and employer representatives. I can now report to the House on the heads of agreement on the scheme design for the Teachers' Pension Scheme to be introduced in 2015, on which talks have concluded. The government have made clear this sets out their final position on the main elements of scheme design, which unions have agreed to take to their Executives as the outcome of negotiations on the main elements of scheme design. This includes a commitment to seek Executives' agreement to the suspension of any industrial action on pension reform while the final details are being resolved. Further detailed work will take place in the New Year and Executives will consult members as appropriate.

The agreement includes changes to the Government's reference scheme to reflect the priorities of the teaching profession in relation to early retirement and other issues, consistent with the need to remain within the Government's overall cost ceiling.

The agreement reached allows for further discussions on variations to the balance between the accrual rate and the CARE revaluation factor within the limits of the Government's cost ceiling.

The core parameters of the new scheme are set out below:

a. A pension scheme design based on career average;
b. A provisional accrual rate of 1/57th of pensionable earnings each year, and the resolution of outstanding issues not covered by this agreement.
c. Revaluation of active members' benefits in line with CPI + 1.6% .
d. Normal Pension Age equal to State Pension Age, which applies both to active members and deferred members (new scheme service only);
e. Pensions in payment to increase in line with Prices Index (currently CPI);
f. Benefits earned in deferment to increase in line with CPI;
g. Average member contributions of 9.6%, with some protection for the lowest paid;
h. Optional lump sum commutation at a rate of 12:1, in accordance with HMRC limits and regulations;
i. Spouses/Partner pension in accordance with current provisions;
j. Lump-sum on death in service of 3 times FTE salary;
k. Ill-health benefits the same as those in the current open scheme;

l. Actuarially fair early/late retirement factors on a cost-neutral basis except for those with a NPA above age 65, who will have early retirement factors of 3% per year for a maximum of 3 years in respect of the period from age 65 to their NPA; and
m. An employer cost cap to provide backstop protection to the taxpayer against unforeseen costs and risks.

The Government Actuary's Department has confirmed that this scheme design does not exceed the cost ceiling set by the Government on 2 November. Copies of the heads of agreement and GAD verification have been deposited in the Libraries of both Houses.