

News story: Teachers' Pension Scheme protected to ensure it remains among most lucrative

Schools and colleges in England will receive an extra £940 million to ensure teachers' pensions remain among the most generous in the country.

Education Secretary Damian Hinds today (Wednesday 10 April) confirmed that the Department for Education will fully-fund increased pension contributions that state-funded schools and colleges will have to make in 2019/20, following a public consultation on funding changes set out in a review of public sector pension schemes that takes place every four years.

The Teachers' Pension Scheme is one of only eight guaranteed by the Government; provides additional benefits linked to salary; is inflation-proof to offer teachers a secure retirement; and offers the typical teacher around £7,000 in employer contributions every year.

This makes the scheme one of the most generous schemes on offer – in comparison, Work Place Pension rules require private sector employers to pay a minimum 3% contribution to an employee's pension, which is around £900 a year for someone earning the same salary as a typical teacher.

Employees, employers and the government all contribute to the scheme – and the Education Secretary Damian Hinds has today underlined his belief that it is important that the Teachers' Pension Scheme continues to offer excellent benefits to attract talented teachers.

Education Secretary Damian Hinds said:

The Teachers' Pension Scheme is, quite rightly, one of the most generous pension schemes in the country. It's one of only eight guaranteed by the Government because we believe it is important that we continue to offer excellent benefits to attract talented teachers. We are providing an extra £940million to cover increased costs for 2019/20 so state-funded schools and colleges can focus their resources on providing the best education.

To illustrate how this scheme compares to others available: a teacher who joins the pension scheme at 23 and follows a typical career path could expect to accrue a pensions product worth around £600,000 – that's £30,000 a year – and the average classroom teacher will benefit from at least £7,000 a year in pension contributions from their employer on top of their salary.

The consultation response also assessed the funding changes for independent schools and higher education institutions that participate in the scheme.

State-funded schools and FE colleges were prioritised to be funded.

Today's announcement commits to fully-funding the increases for state-funded schools and colleges in 2019/20 – the end of the current Spending Review period. Beyond that, with the exception of the NHS, all Government funding will be decided as part of the next Spending Review.

The £940 million will be provided to FE colleges based on their individual TPS costs, and to schools on a per-pupil basis with an accompanying Supplementary Fund, as outlined in the accompanying pensions grant documents also published today. This confirms that any school facing a shortfall from the formula grant of more than 0.05% of its overall budget can claim extra money to ensure schools are properly protected.