



**Rt Hon Damian Hinds MP**  
Secretary of State

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Dear colleague,

The Teachers' Pension Scheme (TPS) is, quite rightly, one of the best pension schemes in the country. It is 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.

To illustrate how this scheme compares to others available: a teacher who joins the pension scheme at 23 and follows a typical career path to their retirement age could expect to accrue a pensions product worth around £600,000 – that's £30,000 a year in total pension.

We have now published the Government response to the recent consultation on funding for the changes to the TPS employer contribution rate. This confirms we will be funding all state-funded schools, FE and sixth form colleges and Adult Community Learning providers to cover their increased costs from September 2019, when the rates for employer contributions are due to increase to 23.6%. The scheme is funded by employees through tiered contributions, the government through tax relief on the member contributions and by employers. For a member earning an annual salary of £30,000, their employer will be contributing £7,000 per year towards their retirement. By way of comparison, the Work Place Pension rules require a private sector employer to pay a minimum contribution of 3% towards an employee's pension – £900 a year for an equivalent salary.

As well as flexibility over when to take their pension, the TPS also provides members with ill-health protection and dependents' benefits.

We have also published the allocation methodology and rates for distributing this funding to schools. Since the TPS data do not give us information about individual schools' contributions to the scheme, to match the funding as closely as we can to costs, we are allocating this funding using a per pupil formula.

We are accompanying this grant with a Supplementary Fund, to ensure there is additional support in place for schools facing unusually high pension costs. Where a school faces a shortfall between their grant allocation and their actual

increase in pension costs, of more than 0.05% of their overall budget, they will be able to apply to the Supplementary Fund. This will ensure no school is left in financial difficulty by this change. For an average primary school, with a budget of £1.1m a year, that limits the possible pressure to no more than £550. The methodology and rates now published will allow schools to calculate the additional funding they will receive. This information is available here: [www.gov.uk/government/publications/teachers-pension-employer-contribution-grant-tpecg](http://www.gov.uk/government/publications/teachers-pension-employer-contribution-grant-tpecg)

We will announce details of how schools can apply to the Supplementary Fund in the Autumn, when we will also publish school-level allocations and make grant payments. If you or schools in your constituency would like further information in the meantime, please direct them to the department's website: [www.education.gov.uk/help/contactus](http://www.education.gov.uk/help/contactus)

Because Further Education colleges are funded differently from schools, we are using a different methodology. We will look at the actual employer contributions they made last year, which we have from the TPS data since most FE colleges are independent institutions. We will use this information to estimate the extra costs they will face next year as a result of the change in the employer rate, and then use that to determine payments. The costs for Adult Community Learning providers that are part of local authorities will need to be claimed by their local authority. Further information can be found here <https://www.gov.uk/government/publications/teachers-pension-scheme-employer-contribution-grant-further-education-providers>.

The TPS is an attractive and competitive pension which makes sure our hardworking teachers are fairly rewarded for their outstanding work, and I am glad that this government have been able to safeguard this important contribution to teachers' overall remuneration, while protecting schools and colleges from significant new cost pressures.



**Damian Hinds**  
**Secretary of State for Education**