

BRIEFING PAPER

NI TEACHERS' PENSION SCHEME

EMPLOYER CONTRIBUTION RATE

DATE OF ISSUE: 01 FEBRUARY 2024

Background

1. The NI Teachers' Pension Scheme (NITPS) actuary, the Government Actuary's Department (GAD), is under a statutory duty to carry out actuarial valuations of public service pension schemes every 4 years, conducted in accordance with the Public Service Pensions Act (NI) 2014, Directions issued by Department of Finance (DoF) and scheme regulations.
2. Actuarial valuations place a value on the cost of paying future benefits to members of the scheme, consequently informing the employer and employee contribution rates to ensure liabilities will be met.
3. In addition, the valuation cost control mechanism is designed to ensure a fair balance of risk regarding the cost of providing scheme benefits between members and the taxpayer. The employer cost cap is there to protect against changes in scheme costs. The employer cost cap (the 'target cost') is a measure of the cost of the scheme expressed as a fixed proportion of pensionable pay. If breached by more than 3% in either direction, it will trigger a change to either members' benefits or contributions to bring it back to the target level.
4. Also, valuations of unfunded public service pension schemes, including NITPS, use the SCAPE (Superannuation Contributions Adjusted for Past Experience) discount rate determined by Government. The SCAPE process aims to ensure that the value of pension benefits to members are recognised at the point at which they are built up so that employers pay a charge, in the form of contributions, that is appropriate to reflect this value.
5. A new SCAPE discount rate of 1.7% above CPI was announced by the Government to be used in the 2020 valuations. This represents a reduction from the previous rate of 2.4% above CPI and will act as an upward pressure on valuations of scheme costs.

Results

6. The 2020 valuation of the NITPS has concluded. The three component reports produced by GAD, which make up the formal reporting of the valuation, are available at:

<https://www.education-ni.gov.uk/articles/northern-ireland-teachers-pension-scheme-actuarial-valuation-2020>

7. The NITPS 2020 valuation results are:

- Employer contributions

The employer contribution rate will increase by 4%, from the previous rate of 25.1% to 29.1%, with effect from 01 April 2024. The entirety of the employer contribution rate increase is directly attributed to the Government's change to the SCAPE discount rate.

- Employee contributions

The scheme is currently realising a member contribution yield of 9.4%, against the target yield of 9.6% as set out in the scheme rules. Any deficit against the 9.6% target over the implementation period will be carried forward to the next valuation.

- Member benefits

The result of 10.2% of pensionable pay is within the 3% "corridor" for the cost cap, the cost cap floor being 10.2%, therefore no changes are required to member benefits to rectify a breach.

Funding

8. On 30 March 2023 the Chief Secretary to the Treasury, in a Written Ministerial Statement confirming the new SCAPE rate, committed to providing funding for increases in employer contribution rates for employers whose employment costs are centrally funded through departmental expenditure.
9. For devolved administrations, including Northern Ireland, the Barnett formula will apply in the usual way. Under that process it is for the devolved administrations to decide how to allocate funding in devolved areas. Further information will be provided to employers by the Department of Education in due course, when the funding arrangements and mechanism are confirmed by the Department of Finance.

Employer Contribution rate change

10. Regulation 192 of the Teachers' Pension Scheme Regulation (NI) 2014 and Regulation G5 of the Teachers' Superannuation Regulations (NI) 1998 give the Department the legislative basis to notify employers by circular of a change in the Employer Contribution Rate based on a completed valuation report.
11. The Department has issued **Circular 2024/02** which is available at:

<http://www.education-ni.gov.uk/articles/pension-circulars>

The circular advises employers of the revised Employer Contributions Rate of 29.1% with effect from 1 April 2024.