Department for Education

Teachers' Pension Scheme (England and Wales)

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES

Annual Report and Accounts 2023-24

For the period 1 April 2023 to 31 March 2024

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Department
for Education

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Contents

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES

Accountability Report

Report of the Managers

Background to the Scheme

Statutory basis for the Scheme

This report covers the financial year 2023-24.

The Teachers' Pension Scheme (England and Wales) (TPS or Scheme) is a statutory, unfunded, multi-employer, defined benefit occupational pension scheme split into three distinct sections:

- the Normal Pension Age (NPA) 60 section caters for those who entered the Scheme before 1 January 2007 and have a normal pension age of 60
- the NPA 65 section caters for those who entered the Scheme for the first time on or after 1 January 2007 but before 1 April 2015, or who transitioned from the NPA 60 section following the 2007 scheme reform and have a normal pension age of 65
- the 2015 section caters for those who entered the Scheme for the first time on or after 1 April 2015 and those who transitioned from the NPA 60 and NPA 65 sections following the latest reforms.

The first two sections provide benefits based on final salary and length of service. The 2015 section provides benefits based on career average earnings and has a normal pension age equal to state pension age.

The Scheme is governed by statutory regulations (currently statutory instruments), these being: The Teachers' Pensions Regulations 2010 (as amended) and The Teachers' Pension Scheme Regulations 2014 (as amended).

Eligibility to join the Scheme

Membership of the Scheme is voluntary and is open to members of the teaching profession in England and Wales who are a teacher or lecturer between the ages of 16 and 75 in pensionable service employed by:

- a local authority or an academy trust
- a further education or higher education establishment accepted by the Scheme
- an independent school accepted by the Scheme
- an accepted function provider (a company awarded a contract to perform functions on behalf of a local authority)
- another approved Scheme employer

Further information is available on the Teachers' Pension Scheme website. [1]

Main features of the Scheme, including benefits and how they are funded

Contributions to the Scheme are set at rates determined by the Secretary of State for Education, taking advice from the Scheme's Actuary. Employers and members contribute on a "pay as you go" basis with contributions received used to offset payments to current pensioners with the balance of funding provided by Parliament. The Scheme's administrative expenses are borne by Scheme employers, payable as a percentage of pensionable earnings. This charge is reviewed alongside scheme valuations, to ensure that income raised remains proportionate to costs.

1 https://www.teacherspensions.co.uk/

Pensions are increased in accordance with the Pensions (Increase) Act 1971 and the Social Security Pensions Act 1975, with annual increases being determined by the prevailing Pensions (Increase) Order. Retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament.

This Annual Report and Accounts (ARA) shows the movements in Scheme funds and the financial position of the Scheme at the year-end as follows:

- the Statement of Comprehensive Net Expenditure (SoCNE) shows, amongst other things, the change in the net liability analysed between the pension cost, enhancements and transfers in, interest on Scheme liabilities and actuarial adjustments
- the Statement of Financial Position (SoFP) shows the unfunded net liabilities of the Scheme

Further information about the actuarial position of the Scheme is set out in the Report of the Actuary on page 20.

Management of the Scheme and organisations responsible for administering the Scheme

The Scheme is managed by the Department for Education (Department) and administered under contract by Capita Business Services Ltd (Capita). The current contract expires in September 2025, having been extended in April 2020. Annex B on page 80 provides details of the organisations responsible for managing, administering, and providing advice to the Scheme.

A procurement process to appoint a scheme administrator from October 2025 has secured the services of Tata Consultancy Services (TCS). An agreement has been signed for TCS to deliver TPS services until September 2035.

Corporate governance of the Scheme, including management team

The governance arrangements of the Scheme can be found in the Governance Statement starting on page 27.

Arrangements governing determination of contribution rates and benefits

A full actuarial valuation is undertaken every four years to assess the Scheme's liabilities in respect of future benefits due and to determine an appropriate contribution rate payable by employers.

The 2016 actuarial valuation of the TPS, implemented from September 2019, was carried out using scheme data 'as at' 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 (the Directions). The valuation determines the rate of employer contribution payable and the employer cost control result (both of which are set out in the TPS regulations). The Directions also require results relating to scheme liabilities, notional assets and contribution rates to be reported. The result of this exercise determined an employer contribution rate of 23.6%, which applied to the financial year 2023-24.

The Department for Education has now published the outcome of the most recent valuation of the Scheme, based upon 2020 data, confirming the TPS employer contribution rate needs to increase to 28.6% of member salaries from April 2024.

Further information on scheme valuations and the reports that support them can be found on the Teachers' Pension Scheme website.[2]

2 https://www.teacherspensions.co.uk/employers/employer-hub.aspx

Key developments in year

Changes in contributions

Employee contributions

Employee contribution rates for each tier remained static in 2023-24, although the salary bands increased by 10.1% in line with the change in the Consumer Price Index (CPI).

The following table shows the rates applied for each salary band.

2023-24		2022-23	
Salary band	Contribution rate	Salary band	Contribution rate
£1 – £32,135	7.4%	£1 – £29,187	7.4%
£32,136 – £43,259	8.6%	£29,188 – £39,290	8.6%
£43,260 – £51,292	9.6%	£39,291 – £46,586	9.6%
£51,293 – £67,979	10.2%	£46,587 – £61,742	10.2%
£67,980 – £92,697	11.3%	£61,743 – £84,193	11.3%
£92,698 or more	11.7%	£84,194 or more	11.7%

Employer contributions

Following the Scheme valuation as at 31 March 2016, employer contributions were set at 23.6% and this rate applies to the financial year 2023-24.

From 1 April 2024, the employer contribution rate will increase to 28.6% as a result of the most recent scheme valuation.

Employers will continue to pay a charge equivalent to 0.08% of pensionable salary costs to cover administration expenses.

Changes in benefits

Pension payments

Pension payments were reviewed, in accordance with the Scheme regulations and Pensions Increase legislation and were increased by 10.1% from 10 April 2023 (2022: 3.1% increase).

Changes to the Premature Retirement Compensation (PRC) scheme

During the year, PRC payments were reviewed and were increased by 10.1% with effect from 10 April 2023 (2022: 3.1% increase), in keeping with pension payments above.

Membership statistics

Membership information is provided by employers to Capita. Due to the scale and complexity of collating the data, this is reported a year in retrospect, therefore the figures for active and deferred members relate to the year ended 31 March 2023. More detail is provided in Annex A on page 76.

Financial review of the year

Introduction

2023-24 has been a stable year for the Scheme. In previous years public sector schemes have seen significant legal challenges which have impacted the Scheme. There were no successful legal challenges impacting the Scheme this financial year.

Significant events

The Transitional protection project to rectify the McCloud-Sargeant discrimination remains in flight.

In line with the requirements of the *Public Service Pensions and Judicial Offices Act 2022,* the Department laid regulations which came into force on 1 April 2022, closing the legacy scheme to any further accrual which prevented any further discrimination (the prospective remedy).

The retrospective remedy offering members in scope a deferred choice of benefits, legacy or reformed, in respect of pensionable service during the remedy period (1 April 2015 to 31 March 2022) is ongoing. Remediable Service Statements (RSS) are due to be issued to approximately 590,000 affected members by 31 March 2025, outlining the different benefits available to them under the remedy. Circa 130,000 of those are Immediate Choice members who have already crystalised their benefits and therefore will make their choice on receipt of their RSS. As these members will typically have mainly final salary service, they are not expected to be significant changes to pensions in payment. The remaining members will make their choice at retirement, potentially over the next 30 to 35 years.

In December 2021 several trade unions filed for a joint judicial review against the Government regarding the inclusion of the McCloud-Sargeant remedy costs within the cost control mechanism for the 2016 public service pension scheme valuations. Following a hearing, a High Court judgement was laid down in March 2023 rejecting the case made by the unions. The Court of Appeal subsequently reconsidered the case and dismissed it on all grounds in its judgement of 17 April 2024. The original appeal has been dismissed and leave to appeal to the Supreme Court has been sought by the Fire Brigades Union.

Remedial work following the Goodwin legal case was completed in 2023. Future survivor pensions being put into payment, payable to the opposite-sex spouse or civil partner of a female member, are aligned with survivor benefits payable to the same-sex spouse or civil partner of a female member.

Outturn by budget type

The TPS budgets sit within a category of spending known as Resource Annually Managed Expenditure (AME) and are revised annually through the Main and Supplementary Estimates process. The Scheme budgets sit within AME as net expenditure and cash payments and are inherently volatile and largely outside the control of the Scheme, being affected by factors such as membership numbers, salary levels, mortality rates, age profile of members, and annual pension increases.

The AME sought under the Scheme's Estimate is the amount by which the Scheme's liabilities are estimated to increase during the year, less the contributions paid by employers and employees towards those liabilities.

The net cash requirement represents the estimated cash required for the year to cover payments of pensions, after taking into account the estimated contributions and transfer values paid to the Scheme by employees and employers.

For more detailed explanations see His Majesty's Treasury's (HMT) Consolidated Budgeting Guidance.[3]

3 https://assets.publishing.service.gov.uk/media/640b61918fa8f556107caaa2/CBG_2023-24_final.pdf

2023-24 financial outturn

In 2023-24 the Scheme's AME limit was £10,982 million (2022-23: £22,170 million) against which the Scheme spent a total of £10,841 million (2022-23: £22,064 million). The table below shows the Scheme's performance against its 2023-24 control totals as agreed by Parliament in the 2023-24 Supplementary Estimates.[4]

This is a summary of the more detailed analysis of outturn to Estimate presented in the audited Statement of Outturn against Parliamentary Supply (SOPS), and associated notes starting on page 38. The SOPS is the primary element of Parliamentary accountability which compares actual performance (outturn) with expected activities (Estimate) authorised through the Parliamentary vote totals (controls totals) process.

			2023-24			2022-23
Type of spend	**Estimate**	**Outturn**	**Variance**	**Estimate**	**Outturn**	**Variance**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
AME	10,982	10,841	141	**22,170**	**22,064**	**106**
Net Cash Requirement	2,094	2,048	46	**1,985**	**1,728**	**257**

4 https://assets.publishing.service.gov.uk/media/65df0b24cf7eb1e5f4f57f67/E03059123_CG_Supp_Estimates_2023-24_Web_Accessible.pdf

Variance analysis

Resource AME

The outturn in 2023-24 which was £141 million lower than forecast (2022-23: £106 million lower), which constitutes 1% of the Estimate. The variance is explained in the following ways:

- Scheme interest was £141 million lower than the forecast cost of £12,647 million. This is a 1% variance which is within a tolerable range.
- Contributions received were £25 million lower than originally forecast leading to an increase in the resource AME required. Whilst there were increases to the total amount of contributions received year on year as a result of the 6.5% pay award, these increases did not fully match the figure forecast in the Supplementary Estimate. There are numerous factors feeding into the estimated contributions figure and the variance of 0.2% of the estimated figures is within a tolerable range.
- The contributions received variance translated into a variance of £33 million on current service cost, which was lower than forecast. Current service cost is linked to contributions as both are related to pensionable pay with the current service cost being 27.3% of pensionable pay.

Reconciliation of Estimate to Outturn (RAME)

Net cash

Net cash was £46 million lower than forecast (2022-23: £257 million lower), representing 2.2% of the Estimate. The significant variances were:

- Pension benefit payments being £53 million lower than forecast. The main variance relates to lump sum payments, as the number of retirees was lower than anticipated. Benefit payments are within 1.0% of the Supplementary Estimate
- Contributions received being £25 million lower than forecast as explained above.
- Working capital was £20 million higher than forecast due to higher than anticipated Death Benefits payable recognised in-year. This is a particularly difficult element to forecast.

Reconciliation to financial statements

The SOPS shows outturn of £10,841 million, whereas the SoCNE shows (£22,311) million. The reasons for the variance are due to the following sitting outside the scope of the Estimate, and therefore not included in SOPS:

- the actuarial gain of £33,151 million. This gain is the revaluation of the prior year's pension liability and is calculated by the Scheme Actuary and is affected by a number of different factors including changes to financial assumptions, membership movements and mortality rates.
- Consolidated Fund Extra Receipts are refunded directly to HMT. For the TPS, these receipts are primarily fines, interest for late contributions levied on employers and bank interest.

A reconciliation of outturn to operating expenditure is provided in note S2.

Decrease in pension liability

The net pension liability, calculated by the Scheme Actuary, is £278.8 billion as at 31 March 2024 (2023: £303.2 billion). This represents the present value of the Scheme liability taking into account future forecast movements in pay, inflation and demographic assumptions. The significant reduction in the net pension liability was driven by the increase in the discount rate to 5.10% (2023: 4.15%). This rate is set independently of the Scheme by HMT taking into account varying external factors. The full Report of the Scheme Actuary can be found on page 20.

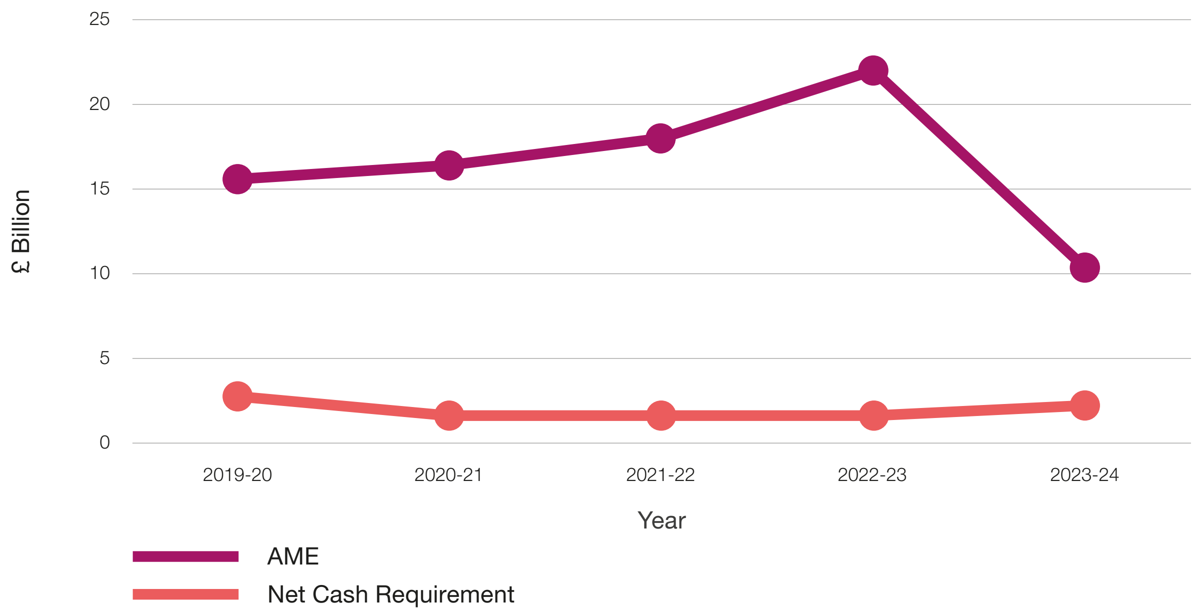
Trends in Outturn

The table and graph below represent a five-year summary of the movements in the Scheme's outturn analysed by budget type.

	2019-20	2020-21	2021-22	2022-23	2023-24
Type of spend	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**
	£m	**£m**	**£m**	**£m**	**£m**
AME	15,591	16,385	17,935	22,064	10,841
Net Cash Requirement	**2,755**	**1,692**	**1,684**	**1,728**	**2,048**

Data in this table shows current expenditure to the right. Whilst this is not in keeping with standard presentation it aligns to the graph below.

TPS Outturn 2019-2024



Movements in outturn

Year-on-year outturn variance

The Scheme expenditure decreased by £11,223 million from £22,064 million in 2022-23 to £10,841 million in 2023-24. The decrease is primarily due to:

- current service costs were £14,880 million lower. This is due to a change in the rate used for accruing current service costs from 82.3% in 2022-23 to 27.3% in 2023-24, following advice from Government Actuary's Department (GAD).
- interest on Scheme liabilities increased by £4,161 million due to a change in the interest rate set by HMT from 1.55% in 2022-23 to 4.15% in 2023-24.
- employer contributions were £409 million higher because of an increase to the size of the underlying pay bill. This is due to general salary increases within pay bands.

AME

AME has fluctuated over the last few years as a result of various provisions pertaining to legal cases affecting the Scheme and the fluctuation in the current service cost rate advised by GAD.

The current service cost rate is updated each year to reflect changes in the rate for accruing pension costs. The change in the current service cost rate for the 2023-24 financial year is principally a result of the swing in the nominal discount rate which is based on yields on high quality corporate bonds. Further detail on the factors affecting the rate can be found in Note 15.1 on page 66. The current service costs are linked to the contributions received as both are calculated based on the pensionable pay bill. The movement in both can be seen in the table below.

	2023-24	2022-23	2021-22	2020-21	2019-20
Current service cost rate	27.3%	82.3%	77.0%	65.8%	49.9%
	£m	**£m**	**£m**	**£m**	**£m**
Current service cost	8,094	22,973	20,759	17,176	12,772
Contributions received	**9,799**	**9,231**	**8,934**	**8,639**	**7,660**

Net cash

In 2023-24 there was a £320 million increase in the net cash requirement as a result of payments paid to pensioners increasing by a greater amount than the cash receipts from contributions. Pension payments increased in April 2023 by the CPI measure at September 2022 (10.1%) whilst general pay increases for serving teachers took effect from September 2023 and averaged 6.5%.

Future plans

The Main Estimate for 2024-25 forecasts a decrease in the AME requirement and a decrease in the net cash requirement from the 2023-24 position as follows:

Type of spend	2024-25 Main Estimate	2023-24 Outturn
	£m	£m
AME requirement	9,258	10,841
Net cash requirement	**1,070**	**2,048**

Whilst no significant reforms are planned for the Scheme in 2023-24, the AME requirement will be impacted by changes to interest rates, the employer contribution rate and the current service cost rate set by the Scheme Actuary.

AME Requirement

The main factor increasing the resource request is:

- Interest on Scheme liabilities increased by £1,594.6 million due to an increase in the interest rate set by HMT to 5.10% (2023-24: 4.15%). The increase is offset somewhat by a reduction in the actuarial projection of the Scheme liability, against which interest is charged; the opening liability has decreased to £278.8 billion (2023-24: £303.2 billion)

The main factor decreasing the resource request is:

- Current service costs are £1,370.0 million lower, primarily due to a change in the underlying rate used to calculate the current service cost, prescribed by the Scheme Actuary. Current service cost will decrease in 2024-25 to 22.0% of pensionable pay (2023-24: 27.3%). The change is driven by the shift in discount rates set by HMT from 1.70% to 2.45%
- Employee and Employer contributions increasing by £1,950.7 million largely due to the increase to the Employer contribution rate to 28.6% from 1 April 2024 (2023-24: 23.6%). The increase in the rate was confirmed by the Government Actuary's Department (GAD) in the Actuarial Valuation as at 31 March 2020 which was published in October 2023.

Net Cash Requirement

The decrease in the net cash requirement forecast in the 2024-25 Main Estimate is due mainly to the following significant changes:

Main factors increasing the requirement

- Pension payments will increase by £895 million due to annual Pensions Increase. This is linked to the Consumer Price Index (CPI) measure of inflation at the previous September which was 6.7% in September 2023 (2023-24: 10.1%)
- The above increase to pension payments leads to an assumed increase in payables which will increase the cash requirement by £28.3 million.

Main factors decreasing the requirement

- Contributions received will increase by £1,950.7 million as described above.

Scheme valuation

The primary purpose of a formal actuarial valuation is to set the employer contribution rate, which usually takes place every four years for TPS.

The actuarial valuation of the TPS was implemented from April 2024 and was carried out using scheme data as at 31 March 2020 and in accordance with the Directions. The valuation determines the rate of employer contributions payable and the employer cost control position (both of which are set out in the TPS regulations). The Directions also require results relating to scheme liabilities, notional assets and contribution rates to be reported.

As a result of this valuation the TPS employer contribution rate increased from 23.6% to 28.6% from April 2024.

The funding valuation report [5] was published by the Department on 26 October 2023 and the key results were:

- employer contribution rates were set at 28.6% of pensionable pay, in line with current regulations, plus an additional 0.08% of pensionable pay for the cost of scheme administration.
- the funding valuation (noted above) uses a different set of assumptions than those used to inform the valuation used in this ARA, which uses International Accounting Standard IAS 19 Employee Benefits (IAS 19) as its basis. Therefore, the Scheme financial position is reported as two different values between the valuation and the ARA.
- for the purpose of financial reporting, actuarial assessments are undertaken in the intervening years between formal valuations.

The next scheme valuation will be based on the scheme membership data as at 31 March 2024 and will be delivered in accordance with HMT's latest Directions but is not expected to report until 2027.

Further details on the results of the consultations on the cost control mechanism [6] and methodology for determining the discount rate [7] to be used were published in 2021.

5 https://www.teacherspensions.co.uk/news/employers/2023/10/valuation-result.aspx
6 https://www.gov.uk/government/consultations/public-service-pensions-cost-control-mechanism-consultation
7 https://www.gov.uk/government/consultations/public-service-pensions-consultation-on-the-discount-rate-methodology

Events after the reporting period

In December 2021 several trade unions filed for a joint judicial review against the Government regarding the inclusion of the McCloud-Sargeant remedy costs within the cost control mechanism for the 2016 public service pension scheme valuations. Following a hearing, a High Court judgement was laid down in March 2023 rejecting the case made by the unions. The Court of Appeal subsequently reconsidered the case and dismissed it on all grounds in its judgement of 17 April 2024. The original appeal has been dismissed and leave to appeal to the Supreme Court has been sought by the Fire Brigades Union.

Information for members

Please see Annex B on page 80 for information for members.

Susan Acland-Hood
Accounting Officer
17 July 2024

Report of the Actuary

Introduction

This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Department for Education (DfE). It provides a summary of GAD's assessment of the scheme liability in respect of the Teachers' Pension Scheme (TPS) as at 31 March 2024, and the movement in the scheme liability over the year 2023-24, prepared in accordance with the requirements of Chapter 12 of the 2023-24 version of the Financial Reporting Manual.[8]

The TPS is a defined benefit scheme providing pension and lump sum benefits on retirement, death and resignation. The scheme is wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation.

The assessment has been carried out by calculating the liability as at 31 March 2023 based on the data provided as at 31 March 2023 and rolling forward that liability to 31 March 2024.

Membership data

Tables A to C summarise the principal membership data as at 31 March 2023 used to prepare this statement.

Table A – Active members

	Number Thousands	Total Pensionable Pay* (p.a.)
		£ millions
Males	205	6,528
Females	518	15,613
Total	**723**	**22,141**

* Pensionable pay is the full-time equivalent figure.

Table B – Deferred members

	Number Thousands	Total Pensionable Pay* (p.a.)
		£ millions
Males	224	628
Females	491	1,385
Total	**715**	**2,013**

* Pension amounts include the pension increase granted in April 2023.

8 https://assets.publishing.service.gov.uk/media/657b03c8095987000d95e120/MASTER_FINAL_2023-24_FReM___1_.pdf

Table C – Pensions in payment

	Number thousands	Total Pensionable Pay* (p.a.)
		£ millions
Males	231	4,177
Females	445	5,917
Spouses & dependants	81	559
Total	**757**	**10,653**

* Pension amounts include the pension increase granted in April 2023.

Methodology

The present value of the liabilities as at 31 March 2024 has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the demographic and financial assumptions applying as at 31 March 2024. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2024 was determined using the PUCM and the demographic and financial assumptions applicable at the start of the year, that is, those adopted as at 31 March 2023 in the 2022-23 accounts.

This statement takes into account the benefits normally provided under the scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It does not include the cost of injury benefits (in excess of ill-health benefits). It does not include premature retirement and redundancy benefits in respect of current active members, although the assessment of liabilities includes pensions already in payment in respect of such cases.

Financial assumptions

The principal financial assumptions adopted to prepare this statement are shown in Table D.

Table D – Principal financial assumptions

	31 March 2024	31 March 2023
	p.a.	p.a.
Nominal discount rate	5.10%	4.15%
Rate of increase in CPI inflation (informing increases to pensions in payment, deferred pensions and CARE revaluation of CPI +1.6%)	2.55%	2.40%
Rate of general pay increases	3.55%	3.65%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
- CPI inflation	2.45%	1.70%
- Long-term pay increases	1.45%	0.50%
Expected return on assets	n/a	n/a

The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2023) 10, dated 4 December 2023, and remain unchanged for these accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.

The long-term salary assumption is set by DfE, having taken actuarial advice, and is intended to be an average over the future careers of scheme members, with a recognition that increases in any particular year may be lower or higher than the assumption. The assumption allows for a reduction in our view of the long-term salary increases as well as lower short-term forecasts from the Office for Budget Responsibility (relative to CPI inflation).

The assessment of the liabilities allows for the known pension increases up to and including April 2024.

Additionally, for the accounts as at 31 March 2024, allowance has been made for known inflation experience up to March 2024 to inform, in part, the pension increase that is expected to apply in April 2025. This is different to the approach taken for the accounts as at 31 March 2023, where instead only known inflation up to September 2022 (which informed the next known pension increase taking effect in April 2023) was taken into account when rolling forward the past service liabilities.

Demographic assumptions

Table E summarises the mortality assumptions adopted to prepare this statement, which were derived from the specific experience of the scheme membership. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the 'S3 tables' with the percentage adjustments to those tables derived with reference to scheme experience.

Table E – Post-retirement mortality assumptions

Baseline mortality	Standard table	Adjustment
Males		
Retirements in normal health	S3NMA	93%
Current ill-health pensioners	S3IMA	86%
Future ill-health pensioners	S3IMA	86%
Dependants	S3DMA	87%
Females		
Retirements in normal health	S3NFA	93%
Current ill-health pensioners	S3IFA	102%
Future ill-health pensioners	S3IFA	102%
Dependants	S3DFA	90%

These assumptions in Table E above, and the other demographic assumptions such as commutation and family statistics, are in line with those adopted for the 31 March 2020 funding valuation of the scheme. Note that the accounts as at 31 March 2023 were also based on the assumptions adopted for the 2020 valuation.

Mortality improvements are assumed to be in line with the 2020-based projections for the United Kingdom published by the ONS in December 2022. This is a consistent assumption to that used for the 2022-23 accounts.

The scheme's actuarial factors were updated in 2023-24, [9] allowing for the updated SCAPE discount rate and assumption changes as part of the 2020 actuarial valuation. These updated factors have been allowed for in calculating the accounting position as at 31 March 2024.

9 https://www.gov.uk/government/news/updated-actuarial-factors

Our advice on the selection of assumptions can be found in our assumptions and methodology report dated 16 April 2024.

Liabilities

Table F summarises the assessed value as at 31 March 2024 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described above. The corresponding figures for the previous year are shown for comparison. The liabilities at 31 March 2023 and 2024 both include an allowance for the higher cost of benefits accruing under McCloud.

Table F – Statement of Financial Position

	31 March 2024	31 March 2023
	£ billion	£ billion
Total market value of assets	nil	nil
Value of liabilities	278.8	303.2
Surplus/(Deficit)	(278.8)	(303.2)
of which recoverable by employers	n/a	n/a

Accruing costs

The cost of benefits accrued in the year ended 31 March 2024 (the current service cost) is assessed as 27.3% of pensionable pay.

For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the accounts. Members contributed between 7.4% and 11.7% of pensionable pay, depending on the level of their pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. Table G shows the employer and employee contributions during the year 2023-24 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2023-24 accounts.

Table G – Contribution rate

	2023-24	2022-23
	Percentage of pay	Percentage of pay
Employer contributions*	23.6%	23.6%
Employee contributions (average)	9.4%	9.5%
Total contributions	**33.0%**	**33.1%**
Current service cost (expressed as a % of pay)	**27.3%**	**82.3%**

* In addition, employers contributed 0.08% pay in respect of expenses.

The key difference between the assumptions used for funding valuations and accounts is the discount rate, although price inflation and salary increases are also determined differently. The discount rate for accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.

The pensionable payroll for the financial year 2023-24 was £29.6 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2023-24 (at 27.3% of pay) is assessed to be £8.1 billion.

Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. A past service cost of £18.4 million has been determined in respect of the additional liabilities. I am not aware of any other events that have led to a significant past service cost over 2023-24.

I am not aware of any events that have led to a significant settlement or curtailment gain or loss over 2023-24.

Sensitivity analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty, I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2024 of changes to the most significant actuarial assumptions.

The most significant financial assumptions are the discount rate, general earnings increases and inflationary increases (currently based on CPI). A key demographic assumption is pensioner mortality.

Table H shows the indicative effects on the total liability as at 31 March 2024 of changes to these assumptions (rounded to the nearest 0.5%).

Table H – Sensitivity to significant assumptions

Change in assumption	Approximate effect on total liability		
Financial Assumptions	**Sensitivity**	**Percentage**	**£ billion**
Discount rate*	+0.5% p.a.	(7.0%)	(20)
(Long-term) earnings increase*	+0.5% p.a.	+1.0%	3
Inflationary (CPI) increases*	+0.5% p.a.	+7.0%	20
Demographic assumptions			
Additional 1 year increase in life expectancy at retirement*	+ 1 year	+3.0%	8

* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

The discount rate sensitivity shown implies a scheme duration of c.16 years.

Covid-19 and Climate Change

Impact of Covid-19 and climate change are areas where there remains significant uncertainty, which could affect both future economic and demographic experience. In line with previous years, the assumptions used in the preparation of the 2023-24 Resource Accounts allow for the current impacts of Covid-19 and climate change to the extent that they are reflected in the market data used to set or derive assumptions.

The current population mortality projections make a short-term allowance for the impact of the Covid-19 pandemic. When deriving the ONS 2020-based mortality improvement projections, a panel of mortality experts gave their views on the impact of the Covid-19 pandemic on mortality rates in the short-term. Based on this, short-term adjustments were made to the 2019 to 2024 period to allow for estimated deaths in 2021 and an averaging of the experts' views on estimated improvements by age group over this period. The result is that the projected mortality rates for 2022 are broadly in line with those assumed for 2019 and, after 2022, improvements will be in line with those projected assuming Covid-19 had not occurred. A death rate from Covid-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future accounting periods. I expect that the long-term impact of the Covid-19 pandemic on life expectancy will continue to evolve as experience and evidence emerges into the future.

Neil Crombie FIA
Actuary
Government Actuary's Department
6 June 2024

Statement of Accounting Officer's responsibilities

Under Section 5 of the Government Resources and Accounts Act 2000, His Majesty's Treasury (HMT) has directed the Scheme to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. The financial statement also satisfies the requirements of the Teachers' Pensions Regulations 2010 (as amended) and The Teachers' Pension Scheme Regulations 2014 (as amended).

The combined accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Scheme at the year end and of the net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the year then ended.

In preparing the accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by HMT, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the FReM have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis
- confirm that the ARA as a whole is fair, balanced and understandable and take personal responsibility for the ARA and the judgements required for determining that it is fair, balanced and understandable

HMT has appointed the Permanent Secretary of the Department for Education as Accounting Officer for the Teachers' Pension Scheme (England and Wales). The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and safeguarding the scheme assets, are set out in Managing Public Money published by HMT.

As Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the TPS auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware. I take personal responsibility for the ARA and the judgements required for determining that it is fair, balanced and understandable. I can confirm that the ARA as a whole is fair, balanced and understandable.

Governance statement

Scope of responsibility

As Accounting Officer of the Scheme, I am required to provide assurances about the stewardship of the TPS. These assurances are provided in this Governance Statement, in line with HMT guidance. I also have responsibility for maintaining a sound system of internal control and risk management that supports the achievement of the Scheme's policies, aims and objectives, whilst safeguarding public funds and Scheme assets for which I am personally responsible. This includes the management of budgets and assets associated with the TPS.

The administration of the TPS is currently contracted out to Capita. The contract is managed by the Department and operated in accordance with the Department's internal control framework. As Accounting Officer, I have responsibility for ensuring that the administrator is managing the risks effectively, and for reviewing the effectiveness of the administrator's systems of internal control.

Governance structure

Overview

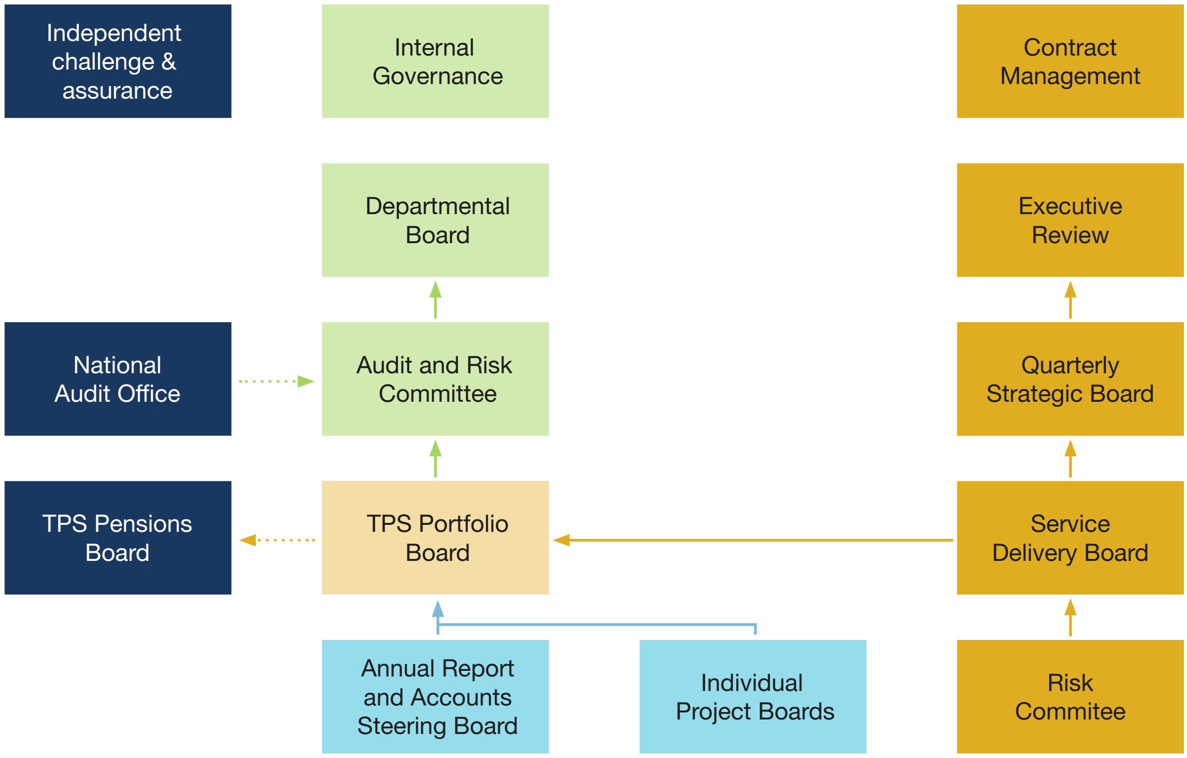
The Scheme is governed at three levels: management of day-to-day service delivery; oversight and monitoring; and assurance.

The overall governance approach is based on delegating management of risks and issues to those best placed to deal with them, with oversight and monitoring arrangements in place to help with the setting of strategic direction and the identification and management of any wider risks and issues, including those that are escalated through the governance structure.

Details of the governance structure, the boards and their membership, together with attendance details, can be found below. In summary, the TPS Portfolio Board (TPS PrB), shown in yellow, oversees all aspects of managing service delivery taking input from a number of other boards. The boards that manage day-to-day delivery by the scheme administrator are shown in the orange boxes in the diagram below. There are further boards, shown in light blue that are responsible for delivery of specific projects.

The TPS PrB is ultimately accountable to, and reports to, the Departmental Board via the Department's internal governance structure. These are shown in the green boxes. External assurance is principally provided by the TPS Pension Board for Administration and the National Audit Office (NAO) for Accounts. These are shown in royal blue boxes.

The diagram below illustrates the key governance arrangements in place.



Governance at Departmental level

The Departmental Board (DB)

The DB provides the collective strategic and operational leadership for the Department, by bringing together Ministers, Civil Service leaders and non-executive board members from outside Government and is chaired by the Secretary of State. The DB's remit encompasses the TPS, providing assurance on the way in which the Scheme is operating via reporting through the Departmental Audit and Risk Committee (ARC), taking updates from the Departmental team that manages the service and the NAO. The DB also considers TPS-related matters escalated to it. No TPS-related issues were escalated to the DB in 2023-24.

Further details on the DB and the sub-committees that support it can be found in the Department's Governance Statement published in the Department's Annual Report and Accounts. [10]

10 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1171616/Department_for_Education_Consolidated_annual_report_and_accounts_2023.pdf

Audit and Risk Committee (ARC)

The ARC is a sub-committee of DB. It supports the Board and the TPS's Accounting Officer by providing independent scrutiny, support and challenge of the TPS arrangements for governance, risk management and internal controls and assurances. ARC advises the Permanent Secretary on the adequacy and effectiveness of these arrangements, including providing scrutiny of this ARA, and reviewing the work of the Scheme's internal and external auditors.

TPS Portfolio Board (TPS PrB)

The TPS PrB is a Departmental board. It meets monthly and is chaired by the Senior Civil Servant in the Department responsible for the TPS. It encompasses senior managers from the Department's Teachers' Pension team and takes input from senior managers within the Capita team responsible for managing the Scheme administrator's input into the programme.

The TPS PrB is responsible for managing all aspects of delivery of the service, under delegated authority from the Secretary of State (as Scheme manager). This includes managing contract delivery to ensure effective administration, overseeing the progress of individual projects set up to deliver specific products/activities, overseeing and managing the effectiveness of the TPS control environment and the production of this ARA.

The TPS PrB receives and considers reports from the Service Delivery Board (SDB) on contract related issues and from individual project boards within the TPS programme, including the ARA Steering Group on finance and accounts related issues. It also considers input from the full range of expert partners and assurance bodies involved in securing the successful delivery of the TPS, for example, GAD, Capita Group Internal Audit (CGIA), the Government Internal Audit Agency (GIAA), the TPS Pension Board, and the NAO.

The TPS PrB provides direction to the groups and boards involved in management of day-to-day delivery of the Scheme, and reports into and takes direction from the DB and its sub-committees as appropriate, including ARC.

TPS Pension Board (TPSPB)

TPSPB was established in accordance with the *Public Services Pensions Act 2013* and is responsible for assisting the Scheme manager in ensuring compliance with the TPS regulations, other legislation relating to the governance and administration of the Scheme and any requirements imposed by The Pensions Regulator. The TPSPB provides additional assurance to Scheme members and their employers; the Accounting Officer, the Secretary of State; and taxpayers that the TPS is being administered efficiently, effectively and in accordance with the Scheme regulations.

The Board comprises an independent Chair, an independent pensions specialist, five member and five employer representatives, and one senior Department official.

The TPSPB typically meets four times a year.

The TPSPB provides assurance through scrutiny of quarterly reporting setting out key operational, risk management and financial information, as well as reports it has commissioned on key aspects of the Scheme. The Board also provides direct challenge to both the administrator and the Department on those reports and any aspect of administration and delivery – this feedback is ultimately considered by and acted upon, as appropriate, by the TPS PrB.

The TPSPB is supported by four sub-committees which report to it and provide additional analysis and challenge on the key aspects of the TPS which have been identified as priorities for members and employers:

- Managing risk and internal controls
- Service delivery and maintenance of data
- Information for members and communications
- TPS commercial projects

The TPSPB has focused on specific elements of administration whilst challenging and pressing Capita and the Department on matters where it considers improvements should be made. Further details of the Board's activity is detailed in their Annual Review statement, which can be found on the TPS website in the annual review section. [11]

The board will continue to focus its efforts to ensure that members' and employers' needs and expectations are met.

The TPSPB's assurance role is fully integrated within the wider scheme governance structure.

Member	Meetings attended (out of possible)
Independent members	
Neville Mackay (Chair)	4/4
Susan Anyan (Pension Specialist)	4/4
Department members	
Peter Springhall	3/4
Employer representatives	
Susan Fielden	4/4
John Pratten	4/4
Yvonne Moult	4/4
Lisa Sproats	3/4
Simon Lowe	3/4
Member representatives	
Heather McKenzie	4/4
Maria Chondrogianni	4/4
Peter Strike	4/4
John McGill	4/4
Kate Atkinson	2/4

The tenure of the independent Chair, Neville Mackay, ended in March 2024. Following external recruitment and a subsequent transition period, Alan Taylor took over the position from April 2024.

Further information about the role of the Board and its membership can be found on the Teachers' Pension Scheme website. [12]

11 https://www.teacherspensions.co.uk/public/governance/pension-board/annual-review.aspx
12 https://www.teacherspensions.co.uk/public/governance/pension-board.aspx

Governance at Scheme level

Strategy Board (SB)

SB meets quarterly, chaired by the Department's Head of Supplier Management for TPS, with the purpose of determining the strategic direction of the administration services, and reviewing delivery progress. It provides a forum for discussions between senior managers from the Department's Pensions Team and Capita on contract delivery, focusing on:

- Departmental/Government pension priorities
- achievement of contractual outcomes
- innovations and improvements that deliver improved customer service and/or service efficiencies
- achievement of agreed strategic objectives for the TPS
- discussion of any escalations from SDB

Service Delivery Board (SDB)

The management and monitoring of contract deliverables and emerging risks is delivered by the SDB which meets monthly and is chaired by the Department's TPS Senior Contract Manager. The SDB comprises staff and managers from the Department's Teachers' Pensions team and Capita and is responsible for:

- managing and monitoring delivery on a day-to-day basis
- monitoring core pension administration delivery and providing strategic direction and/or a resolution forum for any service-related issues
- reviewing contractual performance measures via defined service level agreements, key performance indicators and outcome measures and key client management issues, addressing delivery risks and issues
- discussing any escalation from Department or Capita Finance, Operations, Engagement, Governance and Audit meetings
- promoting collaboration in developing best practice operational discipline; this includes joint initiatives to promote more effective change

Therefore, the Department challenges contract performance issues via SDB and SB and seeks resolution of those issues. SDB reports into and takes direction from the TPS PrB, including on matters it needs to escalate for resolution where that has not been possible via SDB or SB.

TPS Risk Committee

This committee consists of Department and Capita staff and supports the contract management governance boards (particularly SDB), ensuring a robust infrastructure is in place to provide a clear, consistent, and sustainable approach to risk management. The committee also provides oversight and advice to the relevant governance and stakeholder boards on current risk exposures and future risk strategy.

Meetings are held monthly and are chaired by the TPS Head of Governance and Risk for the purpose of reviewing current strategic and service delivery risks, identifying emerging risks in period, and assigning ownership and management of mitigating actions.

In addition to the above, there are scheme executive reviews led by the Department's Deputy Director for Teachers' Pension Scheme Division, who has six-monthly meetings with the executive committee member for Capita. These reviews provide a vehicle for escalations and resolving issues.

Where appropriate, issues are reported to the TPS PrB and escalated to the DB via its ARC sub-committee.

Risk management and controls

The Department's approach seeks to devolve accountability to those best placed to effectively manage risk at the right level. This system has been in place for the year under review and up to the date of approval of the ARA.

While the Accounting Officer is the risk owner for the TPS, individual managers are responsible for managing risks associated with Scheme management and accounting, given their knowledge of the issues and being best placed to mitigate any potential impacts. The Director General of Schools Group is responsible for the delivery of Scheme policy objectives, governance and administration of the Scheme. Responsibility for the Scheme's financial reporting and accounting lies with the Department's Director of Operational Finance, through the Department's Financial Reporting Division, who reports through the quarterly meetings of ARC.

Risk management is built into the TPS business planning and reporting processes, evident in the governance and audit mechanisms that monitor compliance with risks associated with policy, administration and financial requirements. There is clear accountability and ownership of risk to ensure that it is managed at the appropriate level. Risks relating to the TPS are discussed by exception at the Department's ARC and, if necessary, escalated to the DB. No TPS-related issues were escalated in 2023-24.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk, whilst still enabling the achievement of the relevant policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of those policies, aims and objectives
- evaluate the likelihood of those risks being realised and the impact should they be realised
- manage the risks efficiently, effectively and economically

The specific controls used to provide assurance over the management of risks and issues associated with the TPS are described below.

Risk registers

Risk registers are maintained which cover all aspects of strategic and service delivery, including: contract, policy, finance, compliance, governance, IT systems and processes and administration. Each business area and major project has ownership and accountability for managing their own risks, and therefore each business aspect is required to take account of the impact on the other. The structure of the registers is continually reviewed to ensure compliance with risk management best practice. The risk committee, incorporating membership from both the Department and the Scheme administrator, is responsible for the management and oversight of delivery risks recorded in the registers. Strategic/programme level risks are captured separately and are considered each month by the TPS PrB.

Contractual audit requirement

Capita's contract requires it to produce and implement an audit strategy which complies with Public Sector Internal Audit Standards and provides requisite assurance over TPS governance, risk management and controls. The requirement is delivered by CGIA, who provide audit reports to the TPS contract management team and wider assurance via monthly contract management risk committee meetings.

Annual audit plan

A risk-based annual audit plan is delivered by CGIA and is agreed with the Department in consultation with GIAA and the TPSPB. The Department continually reviews plan delivery, as well as approving the scope of individual audit activity, and reviewing and challenging audit findings.

Key risks

Cyber incident

Capita was subjected to a cyber-attack in March 2023 which resulted in the personal records of individuals associated with various administration services run by Capita being compromised, including a number under contracts with the Department for Education. At that time, Capita confirmed that, following their initial analysis, one member of the TPS had been affected.

In March 2024, Capita informed the Department that, following further forensic analysis by external cyber security experts, a further 1,709 personal records belonging to TPS members have been identified within the exfiltrated data. To be clear, this is not an additional cyber incident and Capita acted quickly to communicate with the members whose personal data was involved, providing access to a credit reference organisation to help provide support and assurance.

Independent assurance

External audit

The Comptroller & Auditor General is appointed by statute to audit the ARA and his certificate and report start on page 45.

The NAO, as the Scheme's external auditors, provided no other services during the year.

Government Internal Audit

As part of preparations for transitioning to the new scheme administrator, TCS, in October 2025 and in the interests of due diligence, the Department commissioned the GIAA and GAD to undertake an audit of scheme data quality to:

- ensure that TCS can receive, understand and use the data effectively; and
- pave the way for the new delivery model which would ensure that scheme members and employers enjoy service which is immediate, responsive and continues to support their needs and expectations.

In response to that exercise, the Department is setting in place project management arrangements to ensure the necessary actions are taken to address any issues identified.

Capita Group Internal Audit

In administering the TPS on behalf of the Department, Capita is required to establish and maintain appropriate systems of internal control and to provide assurance of their effectiveness. The remit of the CGIA function is to review and report on the adequacy of internal processes, systems and associated controls. This includes risk management, control and governance systems and processes, applying methodology in line with the Institute of Internal Auditors (IIA) International Professional Practice Framework (IPPF) and adhering to all mandatory elements of the Public Sector Internal Audit Standards (PSIAS).

CGIA is required to assess the governance arrangements in place between Capita and the Department on an annual basis, to ensure they provide an effective governance framework and adequate processes to proactively manage TPS related risks.

Their Annual Statement of Assurance for the year ending 31 March 2024 confirmed the governance, risk management and internal control arrangements tested during the reporting period had been effective, with no 'High' or 'Critical' issues identified during its work.

CGIA confirmed that they have not identified any errors or fraud which may cause material financial or reputational damage to the TPS or the Department.

During 2023-24 three CGIA reviews were undertaken:

- Member Data Quality
- Contribution Arrears Management
- Overpayment and recovery

Where weaknesses were identified, CGIA has confirmed that Capita management took appropriate measures to agree and remediate the identified weaknesses in the control environment. Each audit action is subsequently tracked by CGIA through to closure, with CGIA independently verifying that the actions have been adequately completed.

An effective governance framework is in place to report and escalate outstanding and overdue audit actions to the contract governance forums and the business Risk and Compliance Committee on a monthly basis. This process has been effective during the period, and there are no overdue audit actions.

Risks and audit finding resolutions are monitored and discussed at the SDB meetings, with further oversight undertaken at the quarterly SB meeting and ultimately at the TPS PrB. Strategic and operational delivery risk registers and audit updates are incorporated into contract reports and reports for consideration at the TPSPB Managing Risk and Internal Controls sub-committee. Additionally, Capita ensures that the TPS is given prominence within its business-wide Risk Management and Audit Committee, which meets monthly.

In line with their charter and best practice, CGIA are subject to independent reviews of their practices and procedures.

Data breaches

In the reporting period there were 29 minor data breaches identified, two of which met the threshold that required reporting to the Information Commissioner's Office (ICO). None of these breaches resulted in financial loss to the Scheme. However, as a consequence of third-party identity theft, two instances resulted in financial loss to those members.

None of the breaches were considered of such significance as to prompt further action by the ICO.

Following a cyber incident in March 2023, Capita has continued to liaise with the Department on the status of their response and the associated recovery activity taken within the TPS administration. The Department can confirm that we have met and continue to meet our obligations as the Data Controller. This assurance has been confirmed with TPR. Capita continues to conduct forensic analysis into the incident and are providing updates to the Department.

The Information Commissioners Office (ICO) was notified of the potential breach to data at the outset of the incident. Cabinet Office are also working with National Cyber Security Centre (NCSC) and Capita to understand the scope of the incident and potential impact across all government contracts.

Financial management

The Scheme is subject to public expenditure controls. It adheres to the rules and policies laid down by HMT in *Managing Public Money, Consolidated Budgeting Guidance,* the FReM and other accounting instructions, where applicable.

Financial management reports are prepared by the Department's finance team by exception to show the movement between actual outturn and forecast movement, which are submitted for scrutiny to the ARA Steering Group and HMT. Although there is no inherent risk to Scheme operation or solvency, effective monitoring of ongoing net costs against the Estimates ensures transparency and allows appropriate challenge by those charged with Scheme funding and management.

Capita is required to develop and maintain effective controls to prevent, detect and deter fraud and its internal systems are subject to regular audit reviews.

Scheme debt is reviewed as part of the monthly finance meetings between the Department and Capita to identify emerging trends, risks and issues, and improve existing processes for debt identification to reduce the overall debt position. Casework is managed through a secure Capita system, with the Department receiving monthly reports on the status of all debt cases, and profile and trend analysis data outlining the wider debt position.

The Department's finance team prepares the ARA in accordance with the guidance and accounting policies set out by the Cabinet Office and HMT.

Pension policy

Pension policy changes which impact the Scheme are determined by the Department following appropriate consultation. This includes engaging with the Scheme Advisory Board, which facilitates discussion between the Department, teacher unions, employer representatives and Teachers' Pensions on policy development and policy implementation for the TPS.

The Department proactively participates in the cross-Government occupational pension network, which is chaired by HMT, and provides a vehicle for identifying and discussing impacts and solutions at public sector pension scheme level.

Capita proactively monitors and progresses general changes to overarching pension policy to ensure Scheme administration complies with regulatory positions. Monitoring the delivery of policy changes and managing risks is provided through the above-mentioned governance structure. The Department and Capita also attend various forums with other public sector pension schemes to discuss good practice.

People management

The administrator is required to ensure that it employs appropriately skilled and qualified practitioners, preferably with a sound pension background, to specialist posts within its organisation. There is a robust recruitment and screening programme in place, which uses internal and external recruitment consultants to match candidates against the necessary professional qualifications, skills and experience required to fulfil the role criteria. Appointments to key posts are subject to Departmental approval. All employees are subject to a probationary period, which can vary in length according to grade.

The administrator has a strategic objective in relation to staffing. Staff must be flexible, skilled and responsive. An appraisal system is in operation to ensure that staff performance is maintained against individual and organisational objectives. Staff are required to undertake internal learning and development training to maintain and further develop their skills and professional qualifications. The learning and development team within Capita maintain a record of all individuals' skills and professional qualifications.

Information management

A key strategic objective for the Scheme administrator is to understand stakeholder needs and in response, to invest in the necessary capabilities required to increase Scheme visibility for members.

This includes delivery of a data strategy aimed at covering the following core objectives:

- completeness of data
- accuracy and reliability of data
- protection and security of data
- timeliness of data

Progress against the data strategy is monitored by the joint Department/Capita SDB and the Department's TPS PrB, with further assurance provided via the TPS Pension Board who receive regular reports on progress. Data quality is also covered by a specific performance within the contract for scheme administration, relating directly to The Pension Regulator's measures of data quality – this sets a very high bar for the quality of scheme data and Capita's performance continues to exceed that.

Data Security

Scheme data security is overseen by the TPS Security and Data Privacy Working Group, involving Capita's Head of Information Security and the DfE's Information Security Officer. This group feeds into the Department's TPS PrB and the SDB.

The group provides a shared management strategic forum to review progress on security related aspects of the Data Strategy.

The group has responsibility for:

- directing, managing and controlling security matters in support of key stakeholders
- engagement with the appropriate accreditor to ensure relevant security standards are identified and are in operation
- reviewing the effectiveness of security operation of systems, including policies, processes and procedures
- identifying and managing opportunities to improve data privacy

It also provides a shared management forum to review issues relating to security and data privacy in delivering the Data Strategy.

The group is involved in overseeing developments and the ongoing TPS response to the 2023 cyber incident experienced by Capita. The focus is expected to be on ensuring that any applicable lessons learnt are implemented for the TPS.

Overall assessment

As Accounting Officer, as far as I am aware the governance and internal controls arrangements are working effectively and there is no information about them which the Scheme's auditor is unaware of. I have taken all the steps that I ought to have taken to make myself aware of any relevant governance and internal controls related information and to establish that the Scheme's auditor is aware of that information.

Susan Acland-Hood
Accounting Officer
17 July 2024

Statement of Outturn against Parliamentary Supply: audited

Overview

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Scheme to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SOPS to the financial statements (note 2); a reconciliation of outturn to net cash requirement (note 3); and an analysis of income payable to the Consolidated Fund (note 4).

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Performance Report, provides a summarised discussion of outturn against estimate and functions as an introduction to the SOPS disclosures.

Summary tables – mirrors part 1 of the Estimates

Summary table, 2023-24, all figures presented in £000's

Type of Spend	SoPS note	Outturn			Estimate			Outturn vs Estimate, saving/ (excess)		Prior Year Outturn
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	Total 2022-23
Departmental Expenditure Limit										
Resource		-	-	-	-	-	-	-	-	-
Capital		-	-	-	-	-	-	-	-	-
Total		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Annually Managed Expenditure										
Resource	S1.1	10,841,092	-	10,841,092	10,982,187	-	10,982,187	141,095	141,095	22,064,486
Capital		-	-	-	-	-	-	-	-	-
Total		**10,841,092**	**-**	**10,841,092**	**10,982,187**	**-**	**10,982,187**	**141,095**	**141,095**	**22,064,486**
Total Budget										
Resource	S1.1	10,841,092	-	10,841,092	10,982,187	-	10,982,187	141,095	141,095	22,064,486
Capital		-	-	-	-	-	-	-	-	-
Total Budget Expenditure		**10,841,092**	**-**	**10,841,092**	**10,982,187**	**-**	**10,982,187**	**141,095**	**141,095**	**22,064,486**
Non-budget Expenditure		-	-	-	-	-	-	-	-	-
Total Budget and Non-budget		**10,841,092**	**-**	**10,841,092**	**10,982,187**	**-**	**10,982,187**	**141,095**	**141,095**	**22,064,486**

Figures in the areas outlined in thick line are the voted control limits voted by Parliament. Refer to the *Supply Estimates Guidance Manual,* available on GOV.UK, for detail on the control limits voted by Parliament.

Net cash requirement 2023-24, all figures presented in £000's

Item	SoPS Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total 2022-23
Net cash requirement	S3	**2,047,586**	**2,093,896**	**46,310**	**1,727,572**

Administration costs 2023-24, all figures presented in £000's

Type of spend	SoPS Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total 2022-23
Administration costs		**-**	**-**	-	-

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanation of variances between Estimate and outturn are given in the commentary on significant variances between Estimate and outturn in the financial review of the year on page 11.

The notes on page 41 to page 43 form part of these statements.

Notes to the Statement of Outturn against Parliamentary Supply, 2023-24 (£000's): audited

S1. Outturn detail, by Estimate line

S1.1 Analysis of resource outturn by Estimate line

	Resource outturn							Estimate				
	Administration			Programme								
Type of spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total inc. virements	Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total, 2022-23
Spending in Departmental Expenditure Limit (DEL)												
Voted expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Non-voted expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Total spending in DEL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Spending in Annually Managed Expenditure (AME)												
Voted expenditure												
Teachers' Pension Scheme	-	-	-	20,674,035	(9,832,943)	10,841,092	10,841,092	10,982,187	-	10,982,187	141,095	22,064,486
Non-voted expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total spending in AME	**-**	**-**	**-**	**20,674,035**	**(9,832,943)**	**10,841,092**	**10,841,092**	**10,982,187**	**-**	**10,982,187**	**141,095**	**22,064,486**
Total Resource	**-**	**-**	**-**	**20,674,035**	**(9,832,943)**	**10,841,092**	**10,841,092**	**10,982,187**	**-**	**10,982,187**	**141,095**	**22,064,486**

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HMT). Further information on virements are provided in the Supply Estimates Guidance Manual [13], available on GOV.UK.

The outturn vs estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

13 https://www.gov.uk/government/publications/supply-estimates-guidance-manual

S1.2 Explanation of variances

The underspend of £141 million on AME is due to the interest on scheme liabilities (£141 million) being lower than forecast. Contribution income was £25 million lower than expected but this was offset by current service costs being £33 million higher. The remaining variance of £8 million relates to insignificant amounts.

The underspend of £46 million on the net cash requirement was due to lower than forecast pension benefits.

Further explanation of the variances of outturn to Estimate are provided in the financial review of the year starting on page 11.

S2. Reconciliation of outturn to net operating expenditure

Item	Reference	Outturn total	Prior Year Outturn Total, 2022-23
Total Resource outturn	S1.1	**10,841,092**	**22,064,486**
Less: income payable to the Consolidated Fund	S4	(784)	(817)
Net operating expenditure in SoCNE	**SoCNE**	**10,840,308**	**22,063,669**

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SOPS to the financial statements.

S3. Reconciliation of net resource outturn to net cash requirement

Item	Reference	Outturn total	Estimate	Outturn vs Estimate, saving/ (excess)
Total Resource outturn	**S1.1**	**10,841,092**	**10,982,187**	**141,095**
Total Capital outturn		**-**	**-**	**-**
Adjustments to remove non-cash items				
New provisions and adjustment to previous provisions		(20,636,259)	(20,804,124)	(167,865)
Adjustments to reflect movements in working balances				
Increase/(decrease) in receivables		48,078	42,638	(5,440)
(Increase)/decrease in payables		(95,170)	(69,502)	25,668
Use of provision		11,889,845	11,942,697	52,852
Total		**(8,793,506)**	**(8,888,291)**	**(94,785)**
Net cash requirement		**2,047,586**	**2,093,896**	**46,310**

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

S4. Analysis of income payable to the Consolidated Fund

In addition to income retained by the Scheme, the following income is payable to the Consolidated Fund (cash receipts being shown in italics).

	Outturn total		Prior Year, 2022-23	
Item	**Accruals**	**Cash basis**	**Accruals**	**Cash basis**
Income outside the Ambit of the Estimate	784	*784*	817	*817*
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total amount payable to the Consolidated Fund	**784**	***784***	**817**	***817***

The income predominantly relates to interest charged to employers on overdue contribution payments.

Parliamentary Accountability Disclosures: audited

Overview

This report includes details of the Scheme's losses, and special payments.

Losses and special payments

Losses statement

	2023-24	2022-23
Total number of losses	1,728	2,476
	£000	£000
Total value of losses	137	301

There were no individual losses in excess of £300,000 in 2023-24.

Special payments

There were no special payments made in the year (2022-23: nil).

Remote contingent liability

In the unlikely event of a default by the approved Additional Voluntary Contribution (AVC) provider the Secretary of State for Education will guarantee AVC payments. Prudential is unable to confirm the total liability for all future years and is therefore considered an unquantifiable remote contingent liability. For information, the liability for the first year is £55 million (2022-23: £44 million). This does not apply to members who make payments to other institutions offering free standing AVCs.

Susan Acland-Hood
Accounting Officer
17 July 2024

The Certificate of the Comptroller & Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Teachers' Pension Scheme (England and Wales) ("the Scheme") for the year ended 31 March 2024 under the Government Resources and Accounts Act 2000.

The Scheme's financial statements comprise the combined:

- Statement of Financial Position as at 31 March 2024;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Scheme's financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Scheme's affairs as at 31 March 2024 and its combined net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2024 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law, Practice Note 15 (revised) The Audit of Occupational Pension Schemes in the United Kingdom and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022).* My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019.* I am independent of the Scheme in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Scheme's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Scheme is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- the information given in the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Scheme and its environment obtained in the course of the audit, I have not identified material misstatements in the Accountability Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by the Scheme or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Scheme from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements, which give a true and fair view in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Scheme will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Scheme's accounting policies.
- inquired of management, the Scheme's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Scheme's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Scheme's controls relating to compliance with the Government Resources and Accounts Act 2000, Managing Public Money, the Teachers' Pensions Regulations 2010 (as amended), the Teachers' Pension Scheme Regulations 2014 (as amended), the Public Service Pensions Act 2013 and the regulations set down by The Pensions Regulator.
- inquired of management, the Scheme's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud.
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Scheme for fraud and identified the greatest potential for fraud in the following areas: Posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Scheme's framework of authority and other legal and regulatory frameworks in which the Scheme operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Scheme. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2023, Managing Public Money, the Teachers' Pensions Regulations 2010 (as amended), the Teachers' Pension Scheme Regulations 2014 (as amended), the Public Service Pensions Act 2013 and the regulations set down by The Pensions Regulator.

I considered the control environment in place at the Scheme, the administrator and the actuary in respect of membership data, the pension liability, contributions due and benefits payable.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports; and
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website. [14] This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
19 July 2024

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

14 www.frc.org.uk/auditorsresponsibilities

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[redacted]

Financial Statements

Combined Statement of Comprehensive Net Expenditure

For the year to 31 March 2024

		2023-24	2022-23
	Note	£m	£m
Principal Arrangements – Teachers' Pension Scheme			
Income			
Contributions receivable	2	(9,799)	(9,231)
Transfers in	3	(10)	(12)
Other pension income	4	(26)	(24)
		(9,835)	**(9,267)**
Expenditure			
Service cost	5	8,112	22,992
Enhancements	6	3	(13)
Transfers in	7	10	12
Pension financing cost	8	12,505	8,344
Administration expenses	9	37	30
		20,667	**31,365**
Net expenditure		**10,832**	**22,098**
Agency Arrangements – Premature Retirement Compensation			
Benefits payable	10	8	(34)
Net expenditure		**8**	**(34)**
Combined net expenditure		**10,840**	**22,064**
Other comprehensive net expenditure			
Pension re-measurements			
Actuarial (gain)	15.7	(33,151)	(249,473)
Comprehensive net (income) for the year		**(22,311)**	**(227,409)**

The notes on page 56 to page 73 form part of these accounts.

Combined Statement of Financial Position

As at 31 March 2024

	Note	2024 £m	2023 £m
Principal Arrangements – Teachers' Pension Scheme			
Current assets			
Receivables	12	790	742
Cash and cash equivalents	13	47	92
Total current assets		**837**	**834**
Current liabilities			
Payables (within 12 months)	14.1	(694)	(644)
Total current liabilities		**(694)**	**(644)**
Net current assets, excluding pension liability		**143**	**190**
Non-current liabilities			
Pension liability	15	(278,800)	(303,200)
Net liabilities, including pension liabilities		**(278,657)**	**(303,010)**
Agency Arrangements – Premature Retirement Compensation			
Provision for liabilities and charges	16	(151)	(155)
Net liabilities		**(151)**	**(155)**
Combined schemes – total net liabilities		**(278,808)**	**(303,165)**
Taxpayers' equity			
General Fund		(278,808)	(303,165)
Total taxpayers' equity		**(278,808)**	**(303,165)**

Susan Acland-Hood
Accounting Officer
17 July 2024

The notes on page 56 to page 73 form part of these accounts.

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Combined Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2024

		General Fund	
		2023-24	**2022-23**
	Note	**£m**	**£m**
Balance as at 1 April		**(303,165)**	**(532,302)**
Net Parliamentary Funding			
– drawn down		2,002	1,767
– deemed		91	52
Supply payable adjustments		(46)	(91)
CFERs payable to the consolidated fund		(1)	-
Comprehensive net expenditure for the year		(10,840)	(22,064)
Actuarial gain	15.7	33,151	249,473
Net Change in taxpayer's equity		**24,357**	**229,137**
Balance at 31 March		**(278,808)**	**(303,165)**

The notes on page 56 to page 73 form part of these accounts.

Combined Statement of Cash Flows

For the year ended 31 March 2024

	Note	2023-24 £m	2022-23 £m
Cash flows from operating activities			
Net expenditure		(10,840)	(22,064)
Adjustments for non-cash transactions	8 & 16	12,504	8,342
(Increase)/decrease in receivables – principal arrangements	12	(48)	(7)
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure			
Increase/(decrease) in payables – pensions	14.1	50	58
Increase/(decrease) in payables – agency arrangement	14.2	-	(1)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	14.1	45	(40)
Increase/(decrease) in pension provision	5 & 16	8,121	22,959
Increase/(decrease) in pension provision – enhancements and transfers in	6 & 7	13	(1)
Use of provisions – pension liability	15.5	(11,861)	(10,943)
Use of provisions – early retirement	16	(12)	(11)
Use of provisions – refunds and transfers	15.6	(18)	(19)
Net cash outflow from operating activities		**(2,046)**	**(1,727)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		2,002	1,767
Net Parliamentary financing		**2,002**	**1,767**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(44)**	**40**
Payments of amounts due to the Consolidated Fund	14.1	(1)	-
Net increase/(decrease) in cash and cash equivalents in the period		**(45)**	**40**
Cash and cash equivalents at beginning of period	13	92	52
Cash and cash equivalents at end of period	13	**47**	**92**

The notes on page 56 to page 73 form part of these accounts.

Notes to the Accounts

1. Accounting policies

The financial statements of the Teachers' Pension Scheme have been prepared in accordance with the relevant provisions of the 2023-24 FReM issued by HMT. The accounting policies contained in the FReM apply IFRS as adapted or interpreted for the public sector. IAS 19 Employee Benefits and IAS 26 Accounting and Reporting by Retirement Benefit Plans are of particular relevance to these statements.

In addition to the primary statements prepared under International Financial Reporting Standards, the FReM also requires the Scheme to prepare an additional statement – a Statement of Outturn against Parliamentary Supply. This statement, and its supporting notes, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

The accounting policies contained in the FReM follow IFRS to the extent that they are meaningful and appropriate to the public sector context and to an unfunded pension scheme. Therefore, the accounts include contributions receivable as income. The position showing its liabilities and expenditure represents the employer position showing increase in liabilities suffered in year and 'net service cost', rather than pensions payable as in pension scheme accounts.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Scheme for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the Scheme's accounts.

1.1 Basis of preparation

1.1.1 Principal arrangements

The Teachers' Pension Scheme is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the Department on behalf of members of the teaching profession in England and Wales who satisfy the membership criteria.

Contributions to the Scheme by employers and employees are set at rates determined by the Scheme's Actuary and approved by the Secretary of State. The contributions partially fund payments made by the Scheme; the balance of funding being provided by Parliament through the annual Supply Estimates process. The administrative expenses associated with the operation of the Scheme are borne by the Department and reported in these financial statements.

The financial statements of the Scheme show the financial position of the Teachers' Pension Scheme at the year end and the income and expenditure during the year. The Statement of Financial Position shows the unfunded net liabilities of the Scheme; the Statement of Comprehensive Net Expenditure shows, amongst other things, factors contributing to the change in the net liability analysed between the pension cost, enhancements and transfers in, and the interest on the Scheme liability. Further information about the actuarial position of the Scheme is dealt with in the Report of the Actuary, and the Scheme financial statements should be read in conjunction with that Report.

Management has considered the financial reporting implications for each scheme and the premature retirement compensation schemes. The Scheme produces a single combined ARA to cover all schemes: the NPA 60 section, the NPA 65 section and the 2015 section. Consequently, the primary statements are combined in that they present balances across all schemes. Further details of the schemes can be found in the background to the Scheme on page 8.

1.1.2 Compensation arrangements

The Scheme acts as an agent for employers in the payment of compensation benefits arising under the Scheme. Compensation payments are generally recovered from the employer in advance, on a quarterly basis. The financial flows associated with these transactions are not recognised in these accounts other than to recognise a payable in respect of monies recovered from employers but not yet paid to members. However, the Scheme does recognise the liabilities arising from the central funding of compensation payments where the employer has transferred its liability to the Scheme through payment of an actuarially assessed amount. This amounts to £151 million (2022-23: £155 million) (see note 16).

1.2 Going Concern

The SoFP as at 31 March 2024 shows a combined pension and compensation liability of £278.8 billion (2022-23: £303.2 billion). Other movements in the liability reflect the inclusion of liabilities falling due in the long-term, which are to be financed mainly by drawings from the Consolidated Fund. Such drawings will be grants of Supply approved annually by Parliament to meet the Scheme’s pension benefits, which come into payment each year. Under the *Government Resources and Accounts Act 2000,* no money may be drawn from the Consolidated Fund other than as required for the service of the specified year or retained in excess of that need. In common with other public service pension schemes, the future financing of the Scheme’s liabilities is to be met by future grants of Supply to be approved annually by Parliament. Such approval for amounts required for 2024-25 is due to be provided following the 2024 General Election. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of these accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These assessments are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an on-going basis. These estimates have the most significant impact on the current service cost and Scheme liability. Further details of these assumptions can be found in notes 15.1 and 15.2.

1.4 Adoption of FReM amendments

There have been no significant amendments to FReM for 2023-24.

1.5 Early adoption

The Scheme has not early adopted any accounting standards in 2023-24.

1.6 IFRSs in issue but not yet effective

In order to comply with the requirements of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors,* the Scheme must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Scheme has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment.

There is one standard in issue but not effective:

- *IFRS 17 Insurance Contracts,* effective for annual periods beginning on or after 1 January 2023. The mandatory FReM application is expected to be 1 April 2025.

The TPS has carried out a review of the above IFRS, to assess its impact on its accounting policies and treatment and have deemed that it is not relevant or applicable to the accounts.

1.7 Income

1.7.1 Pension contributions

Pension contributions are outside the scope of *IFRS 15 Revenue from Contracts with Customers.* Pension contributions are accounted for as follows:

- employers' normal pension contributions are accounted for on an accruals basis in the period to which the associated salaries relate.
- employers' special pension and compensation contributions are accounted for in accordance with the agreement under which they are paid.
- employees' pension contributions which exclude amounts paid in respect of the purchase of added years are accounted for on an accruals basis in the period to which the associated salaries relate.
- employees' contributions paid in respect of the purchase of added years are accounted for on an accruals basis. The associated increase in the Scheme liability is recognised as expenditure.
- income received from employers in respect of administration expenses is accounted for on an accruals basis in the period to which the associated salaries relate.

1.7.2 Transfers in and out

Transfers in are normally accounted for as income and expenditure (representing the associated increase in the scheme liability) on a cash basis.

Transfers out reduce the liability and are shown on a cash basis.

1.7.3 Income received in respect of enhancements

Amounts received in respect of bringing forward the payment of accrued superannuation lump sums, and in respect of the cost of pension enhancement capitalised either at the time of an early departure or at normal retirement age, are accounted for as income and expenditure (representing the associated increase in the scheme liability) on a cash basis.

1.7.4 Other income

Other income, including overpayments recovered other than by deduction from future benefits and miscellaneous income, are accounted for on an accruals basis. To the extent that this income also represents an increase in the scheme liability, it is also reflected in expenditure.

1.8 Administration fee and expenses

The costs of administering the Scheme are ultimately met by employers via a fee of 0.08% of pensionable salary. This fee is shown as income in the SoCNE and accounted for on an accruals basis, in the same period as the pay bill to which it relates under IFRS 15.

The expenses are paid for by the Department and recharged to the Scheme on a quarterly basis. These charges are shown as expenditure in the SoCNE and are accounted for on an accruals basis.

1.9 Current service cost

The current service cost is the increase in the present value of the Scheme liabilities arising from current members' service in the current period and is recognised in the SoCNE. It is calculated by factoring up the actual contribution rate charged of 23.6% (2022-23: 23.6%) to the projected unit credit rate of 27.3% (2022-23: 82.3%) adopted by the actuary.

1.10 Past service cost

Past service costs are increases/decreases in the present value of the Scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, change to, or improvement to, retirement benefits. Past service costs are recognised in the SoCNE in the year in which the increase in benefits vests. Past service costs accrue based on additional contributions received from members. In 2023-24 this charge amounted to £18 million.

1.11 Interest on Scheme liabilities

The interest cost is the increase during the year in the present value of the Scheme liabilities because the benefits are one period closer to settlement. The cost is recognised in the SoCNE. The interest cost is based on a discount rate of 1.70% (2022-23: (1.30%)); nominal rate of 4.15% (2022-23: 1.55%) including inflation.

1.12 Scheme liability

Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at 1.70% real, 4.15% gross. The actuary reviews the most recent actuarial valuation at the date of the SoFP and updates it to reflect current conditions.

1.13 Pension benefits payable

Pension benefits payable in the year are accounted for as a decrease in the Scheme liability on an accruals basis.

1.14 Pension payments to those retiring at their normal retirement age

Where a retiring member of the Scheme has no choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the Scheme liability on an accruals basis based on the date of retirement.

Alternatively, where a retiring member does have a choice between the value of the lump sum and the annual pension received, the transaction is accounted for as a decrease in the Scheme liability on an accruals basis based on the latter of the date of retirement or the date the option to retire is exercised.

1.15 Pension payments to, and on account of, leavers before their normal retirement age

Where a member of the Scheme is entitled only to a refund of contributions, the transaction is accounted for as a decrease in the Scheme liability on a cash basis.

Where a member of the Scheme may have the option of receiving a refund of contributions or, with additional service, a deferred pension, the transaction is accounted for as a decrease in the Scheme liability on a cash basis if a refund is eventually taken. If the member acquires additional service to qualify for a deferred pension the transaction is accounted for on an accruals basis.

1.16 Lump sums payable on death in service

Lump sum payments payable on death in service are accounted for on an accruals basis, based on notification of deaths.

1.17 Actuarial gains and losses

Actuarial gains and losses arising from a new valuation and from updating the latest actuarial valuation to reflect conditions at the reporting period end date are recognised in the other comprehensive net expenditure for the year.

1.18 Premature retirement compensation

Ongoing compensation payments for staff leaving before their normal retirement age are met by employers. Employers are able to opt for the Scheme to pay pensioners throughout the year and reimburse the Scheme on a quarterly basis, in advance. These transactions generate receivables recognised on SoFP.

Some employers choose to extinguish their liability by providing the Scheme administrators with an actuarially calculated lump sum to meet the liabilities which have yet to be discharged, and for which the Scheme accepts responsibility. The Scheme then acts as a principal. The cost of the future liability in setting up and revising the provision is recorded as expenditure in the SoCNE, with offsetting income reflecting the reimbursements due from employers.

2. Contributions receivable

		2023-24	2022-23
	Note	**£m**	**£m**
Employers		6,997	6,587
Employees:			
Normal		2,799	2,657
Purchase of added years	6	3	(13)
		9,799	**9,231**

£11,776 million contributions are expected to be payable to the scheme in 2024-25 The expected increase is due to the increase in employer's contribution rate to 28.6% (2023-24: 23.6%).

3. Transfers in

		2023-24	2022-23
	Note	**£m**	**£m**
Individual transfers in from other schemes		10	12
	15.4	**10**	**12**

Amounts in respect of inward transfers increase the pension liability to the same extent. This increase is reflected in the SoCNE as expenditure as part of the movements in the provision during the year.

4. Other pension income

	2023-24	2022-23
	£m	**£m**
Other income	1	-
Premature retirement compensation	1	1
Administration fee	24	23
	26	**24**

5. Service cost

		2023-24	2022-23
	Note	**£m**	**£m**
Current service cost	15.4	8,094	22,973
Past service cost	15.4	18	19
		8,112	**22,992**

The decrease in current service cost in 2023-24 is a result of the reduction in the current service cost rate set by GAD to 27.3% (2022-23: 82.3%).

6. Enhancements

		2023-24	2022-23
	Note	**£m**	**£m**
Employees:			
Purchase of added years		3	(13)
	15.4	**3**	**(13)**

Prior year represents amounts repayable in respect of enhancements purchased by members under the Scheme prior to the Goodwin Remedy. These have been refunded as these members should have been entitled to these benefits under the Scheme without having to purchase an enhancement.

7. Transfers in – additional liability

		2023-24	2022-23
	Note	**£m**	**£m**
Individual transfers in from other schemes		10	12
	15.4	**10**	**12**

Amounts receivable in respect of inward transfers increase the pension liability to the same extent. This increase is reflected in the Combined Statement of Comprehensive Net Expenditure as expenditure as part of the movements in the provision during the year.

8. Pension financing cost

	Note	2023-24 £m	2022-23 £m
Net interest on defined benefit liability		12,505	8,344
	15.4	**12,505**	**8,344**

The increase in the interest cost recognised is a result of the increase in the nominal discount rate, set by HMT, to 4.15% (2022-23: 1.55%). Despite the opening liability reducing to £303.2bn (2022-23: £532.3bn), the interest charge has increased due to the increase in discount rate.

9. Administration expenses

	2023-24 £m	2022-23 £m
Administration expenses	37	30
	37	**30**

10. Compensation benefits payable

The following amounts represent annual compensation payments and compensation lump sums payable to former employees, but which are not recoverable from employers. These sums are brought to account in the SoCNE.

Movement in the year relates to the reversal of previous provision made following a change in the discount factor rates issued by HMT.

	2023-24 £m	2022-23 £m
On retirement		
Premature retirement compensation	9	(33)
Other	1	1
Unwinding of discount	(2)	(2)
	8	**(34)**

11. Additional voluntary contributions

11.1 Arrangements for additional voluntary contributions (AVCs)

The Scheme allows for members to make AVCs to an approved provider, Prudential, to increase their pension entitlements or to increase life assurance cover. The Teachers' AVC (TAVC) provision is separate to the Scheme and represents private defined contribution provision for those members who chose this approach. His Majesty's Revenue and Customs (HMRC) also regards the two schemes, TPS and TAVC, as being separate.

Employees may arrange to have agreed sums deducted from their salaries, for onward payment to Prudential, with employers being responsible only for ensuring the payment is made, and not for the management of investments or provision of benefits which is the responsibility of Prudential. Members participating in this arrangement receive an annual statement from Prudential, confirming the amounts held in their account and the movements in the year.

Although the Secretary of State has guaranteed pension payments in the unlikely event of a default by Prudential, the transactions and related assets and liabilities connected with the TAVC scheme are private arrangements between Prudential and those members contributing to the scheme.

This being the case, the TAVC data does not form part of the ARA since it is not a cost or obligation of the Scheme; it is included here for completeness only.

11.2 Prudential

The aggregate amounts of AVC investments are as follows.

	2023-24	2022-23*
	£m	**£m**
Balance at 1 April	1,272	1,316
Investments of contributions received in year	140	126
Sales of investments to provide pension benefits	(170)	(170)
Changes in market value of investments	-	-
Balance at 31 March	**1,242**	**1,272**
Contributions received to provide life cover	-	-
Benefits paid on death	5	5

*The 2022-23 figures are taken from the AVC provisional Accounts.

12. Receivables

	2024	2023
	£m	**£m**
Amounts falling due within one year:		
Pension contributions due from employers	545	507
Employees' normal contributions	219	205
Other receivables	26	29
Recoverable compensation from employers (principal)	-	1
Total amounts falling due within one year	**790**	**742**

There have been employer related investments during the year by virtue of the fact that certain participating employers have paid contributions later than the statutory time limit, and therefore under applicable regulations these are employer related investments for the period they remain unpaid past due.

13. Cash and cash equivalents

	2024	2023
	£m	**£m**
Balance at 1 April	92	52
Net change in cash balances	(45)	40
Balance at 31 March	**47**	**92**
The following balances at 31 March were held at:		
Government Banking Service	45	91
Commercial banks and cash in hand	2	1
Balance at 31 March	**47**	**92**

14. Payables

14.1 Payables – Principal arrangements

	2024	2023
	£m	£m
Amounts falling due within one year		
Pensions	507	425
HMRC and voluntary contributions	126	107
Other payables	14	19
Amounts issued from the Consolidated Fund for Supply but not spent at year end	46	92
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
Received	1	1
	694	**644**

14.2 Payables – Agency arrangements

	2024	2023
	£m	£m
Amounts falling due within one year		
Balance at 1 April	-	1
Receipts from employers	30	27
Payments to employees	(30)	(28)
	-	**-**

15. Provision for pension liabilities

15.1 Assumptions underpinning the pension liability

The TPS is an unfunded defined benefit scheme. GAD carried out an assessment of the Scheme liabilities as at 31 March 2024. The Report of the Actuary, starting on page 20, sets out the scope, methodology and results of the work the actuary has carried out.

The Scheme managers together with the actuary and the auditor have signed a memorandum of understanding that identifies, as far as practicable, the range of information that the Scheme managers should make available to the actuary in order to meet the expected requirements of the Scheme auditor. This information includes but is not limited to details of:

- Scheme membership, including age and gender profiles, active membership, deferred pensioners and pensioners.
- benefit structure, including details of any discretionary benefits and any proposals to amend the Scheme.
- income and expenditure, including details of expected bulk transfers into or out of the Scheme.
- following consultation with the Actuary, the key assumptions that should be used to value the scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The key assumptions used by the Actuary were:

	2024	2023	2022	2021	2020
	%	%	%	%	%
Rate of increase in salaries	3.55	3.65	4.15	3.72	3.72
Rate of increase in pensions in payment and deferred pensions	2.55	2.40	2.90	2.22	2.22
Inflation assumption	2.55	2.40	2.90	2.22	2.22
Nominal discount rate	5.10	4.15	1.55	1.25	1.25
Discount rate net of price inflation	2.45	1.70	(1.30)	(0.95)	(0.95)

	2024	2023	2022	2021	2020
	Years	Years	Years	Years	Years
Life expectancy for those retiring at 31 March aged 60					
Males	27.9	27.8	27.9	27.8	27.7
Females	30.1	30.0	29.9	29.8	29.7
Retirements in 20 years' time					
Males	29.6	29.5	29.5	29.4	29.3
Females	31.6	31.5	31.4	31.4	31.3
Life expectancy for those retiring at 31 March aged 65					
Males	23.0	22.9	23.0	22.9	22.8
Females	25.1	25.0	24.9	24.8	24.8
Retirements in 20 years' time					
Males	24.6	24.5	24.5	24.5	24.4
Females	26.6	26.5	26.4	26.3	26.2

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity or the return on corporate bonds. The Actuary uses both professional expertise and data from HMT in arriving at a view of the most appropriate rates to use in the annual valuation of the scheme liabilities. However, the Scheme managers acknowledge that the valuation reported in these accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19, the nominal discount rate is based on yields on high quality corporate bonds. The rates are set out in the above table. Any decrease in the discount rate net of price inflation leads to a significant increase in the reported liability.

In accordance with IAS 19 the Scheme managers are required to undertake a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analyses, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analyses, are included in the analysis of the pension liability below.

15.2 Analysis of the pension liability

	2024	2023	2022	2021	2020
	£bn	£bn	£bn	£bn	£bn
Value of liability in respect of					
Pensions in payment	155.5	144.0	287.9	259.6	238.0
Deferred members	31.3	32.0	60.7	48.2	38.3
Active members	92.0	127.2	183.7	173.2	155.8
Total liabilities*	**278.8**	**303.2**	**532.3**	**481.0**	**432.2**

*Figures in this report have in general been rounded for presentational purposes, so the totals may not add up

Scheme liabilities accrue over an employee's periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner or child qualifies for benefits. In valuing the scheme liability, the actuary must estimate the impact of several inherently uncertain variables into the future. The variables include not only the key financial assumptions noted in the table above, but also assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable.

The value of the liability on the SoFP may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rate of inflation or increase in salaries, the value of the pension liability will increase or decrease. The managers of the Scheme accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in notes 15.4 and 15.7. The note also discloses "experience" gains and losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

15.3 Sensitivity analysis

Table showing the indicative effects on the total liability as at 31 March 2024 of changes to assumptions (rounded to the nearest 0.5%).

Change in Assumption		**Approximate effect on total liability**	
Financial Assumptions	**Sensitivity**	**Percentage**	**£ billion**
Discount rate*	+ 0.5% p.a.	(7.0%)	(20)
Earnings increases*	+ 0.5% p.a.	+1.0%	3
Pension increases*	+ 0.5% p.a.	+7.0%	20
Demographic assumption			
Additional one year increase to life expectancy at retirement*	+ 1 year	+3.0%	8

*opposite changes in the assumptions will produce approximately equal and opposite changes in the liability

15.4 Analysis of movements in scheme liability

		2023-24	**2022-23**
	Note	**£m**	**£m**
Scheme liability at 1 April		**303,200**	**532,300**
Current service cost	5	8,094	22,973
Past service cost	5	18	19
Pension financing cost	8	12,505	8,344
Enhancements	6	3	(13)
Pension transfers in	7	10	12
Benefits payable	15.5	(11,861)	(10,943)
Pension payments to and on account of leavers	15.6	(18)	(19)
Actuarial (gain)	15.7	(33,151)	(249,473)
Scheme liability at 31 March		**278,800**	**303,200**

During the year ended 31 March 2024, members contributed an average of 9.4% of pensionable pay (2022-23 average: 9.5%). Employers contributed 23.6% of pensionable pay (2022-23: 23.6%). The valuation of the TPS based on data as at 31 March 2020 has been published and as a result the employer contribution rate increased to 28.6% of pensionable pay from 1 April 2024.

15.5 Analysis of benefits paid

	2023-24	2022-23
	£m	£m
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	10,773	9,933
Commutations and lump sum benefits on retirement	1,088	1,010
Total benefits paid	**11,861**	**10,943**

15.6 Analysis of payments to, and on account of, leavers

	2023-24	2022-23
	£m	£m
Refunds to members leaving service	5	4
Individual transfers to other schemes	13	15
Total payments to and on account of leavers	**18**	**19**

15.7 Analysis of actuarial (gain)

	2023-24	2022-23
	£m	£m
Experience loss arising on the Scheme liabilities	10,249	31,627
Changes in demographic assumptions	300	-
Changes in financial assumptions	(43,700)	(281,100)
Total actuarial (gain)	**(33,151)**	**(249,473)**

The primary driver for the actuarial gain is the increase in nominal discount rate from 4.15% p.a. to 5.10% p.a. which decreases the liability. This drives the gain in financial assumptions which is also affected by the increase in the assumed rate of pension increases from 2.40% p.a. to 2.55% p.a. and the decrease in the assumed rate of pay increases from 3.65% p.a. to 3.55% p.a. The former serves to increase the value of the liabilities, leading to an actuarial loss whilst the latter decreases the value of the liabilities leading to an actuarial gain.

The experience loss is largely a result of the April 2024 Pension Increase (PI) being higher than expected at 6.70% when the original assumption was 2.40%. Adding to this loss is the experience of pay increases through 2023-24 averaging 6.50% when the assumption was 3.65%.

There has also been an actuarial loss on the demographic assumptions due to an update to the Scheme's actuarial factors made as part of the 2020 valuation. The Scheme's liabilities have increased primarily due to updated early retirement factors being more generous to members than the previous factors used.

15.8 History of experience (gains)/losses

	2023-24	2022-23	2021-22	2020-21	2019-20
Experience losses/(gains) arising on the scheme liabilities					
Amount (£m)	10,249	31,627	(5,943)	(8,220)	(3,571)
Percentage of the present value of the scheme liabilities	(3.68%)	(10.43%)	1.12%	1.71%	0.83%
Total amount recognised in Statement of Changes in Taxpayers' Equity					
Amount (£m)	(33,151)	(249,473)	34,957	34,180	59,629
Percentage of the present value of the scheme liabilities	11.89%	82.28%	(6.57%)	(7.11%)	(13.80%)

Experience gains and losses have fluctuated over the past five financial years and are largely driven by differences in the actual experience of PI for pensioners and pensionable pay for current members. For example, where the PI is higher than expected, the Scheme pays out more in pensions than expected which leads to an experience loss. Where pensionable pay is higher than expected, the Scheme receives more in contributions from members than expected leading to an experience gain.

The total amount recognised in the SOCTE is normally driven by the changes in financial assumptions. Changes in discount rates can lead to significant swings in the size of the liability and the total actuarial gain or loss. Notably in 2022-23, the nominal discount rate increased from 1.55% p.a. to 4.15% p.a. which led to a total actuarial gain of £249,473m.

16. Provision for compensation payments

	2023-24	2022-23
	£m	£m
Balance at 1 April	155	202
Additional/(release of) provisions	28	5
Use of provision in year	(12)	(11)
Unwinding of discount	(2)	(2)
Step change in discount rate	(18)	(39)
Balance at 31 March	**151**	**155**

17. Financial instruments

As the cash requirements of the Scheme are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector scheme of a similar size. There are no material financial instruments in relation to the Scheme.

18. Contingent liabilities

There are no contingent liabilities within the scheme, however as noted on page 44, there is an unquantifiable remote contingent liability.

19. Related party transactions

The Department is regarded as a related party with which the Scheme has various material transactions during the year.

In addition, the Scheme has had material transactions with other Government departments, and other central Government bodies whose employees are members.

There are no further related party interests.

20. Events after the reporting period

20.1 Post balance sheet event

In December 2021 several trade unions filed for a joint judicial review against the Government regarding the inclusion of the McCloud-Sargeant remedy costs within the cost control mechanism for the 2016 public service pension scheme valuations. Following a hearing, a High Court judgment was laid down in March 2023 rejecting the case made by the unions. The Court of Appeal subsequently reconsidered the case and dismissed it on all grounds in its judgment of 17 April 2024. The original appeal has been dismissed and leave to appeal to the Supreme Court has been sought by the Fire Brigades Union.

20.2 Authorisation

These accounts were authorised for issue by the Accounting Officer on the date they were certified by the Comptroller and Auditor General. There have not been any other significant post year-end events that have required disclosure in the accounts.

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Annexes: unaudited

Annex A – Scheme statistics

Employers

An employer in England or Wales that meets the requirements of the Scheme qualifies as a TPS employer – further details on qualification requirements can be found in the Teachers' Pensions Regulations 2010 [15] (as amended) and the Teachers' Pension Scheme Regulations 2014 [16] (as amended). There were 12,648 (2022-23: 12,357) contributing employers participating in 2023-24 split into the following categories.

	2023-24	2022-23	2021-22	2020-21	2019-20
	Number	Number	Number	Number	Number
Local authorities	174	173	173	172	173
Further education institutions	266	261	281	274	285
Higher education institutions	63	63	63	63	65
Independent establishments	880	946	1,027	1,248	1,319
Academies*	10,344	10,002	9,851	9,252	8,583
Others	921	912	814	876	796
	12,648	**12,357**	**12,209**	**11,885**	**11,221**

* Academies include Free Schools.

Membership statistics

Membership information is provided by employers via returns to the Scheme's administrator. Due to the way that employers submit data and it is collated and reviewed, this is reported a year in retrospect, therefore the figures for active and deferred members relate to the financial year ended 31 March 2023.

The following tables provide details of the Scheme membership. Due to the complexity of members moving between active, deferred and pensioner, one movement may be aggregated in multiple lines across the three categories. Therefore, it may not be possible to identify equivalent movements between each category.

15 http://www.legislation.gov.uk/uksi/2010/990/contents/made
16 http://www.legislation.gov.uk/uksi/2014/512/contents/made

Active members[1]

		2022-23	2021-22	2020-21	2019-20
	Number of members in prior year's ARA	713,033	710,438	713,109	702,773
	Adjustment to prior year ARA[2]	(16,324)	5,149	4,970	6,240
	Actual number at 1 April	**696,709**	**715,587**	**718,079**	**709,013**
Add:	New entrants in the year	55,070	53,145	41,673	51,867
	Further employment	4,015	3,699	3,246	4,421
	Total joiners	**59,085**	**56,844**	**44,919**	**56,288**
Less:	**Initial awards**				
	Age and ill-health retirements	2,233	5,348	5,350	6,171
	Early retirements (actuarially reduced)	715	1,090	4,028	4,193
	Premature retirements	16	43	49	145
	Mixed	5,741	2,041	12	-
	Total initial awards	**8,705**	**8,522**	**9,439**	**10,509**
	Further awards[3]				
	Age and ill-health retirements	82	152	528	462
	Early retirements (actuarially reduced)	251	260	156	58
	Premature retirements	-	34	41	1
	Total further awards	**333**	**446**	**725**	**521**
	Other leavers				
	Opted-out	7,587	5,408	5,236	6,971
	Deaths	339	297	359	341
	Net withdrawals from active to deferred status	55,070	43,451	35,892	31,696
	Other exits (transfers out, refunds of contributions)	1,565	1,274	909	2,154
	Total other leavers	**64,561**	**50,430**	**42,396**	**41,162**
	Total leavers	**73,599**	**59,398**	**52,560**	**52,192**
	Actual number at 31 March	**682,195**	**713,033**	**710,438**	**713,109**

Notes:

1. An active member is defined as an individual who is in reckonable service and where the employer has not provided a withdrawal indicator.
2. An adjustment has been made to the active membership of the Scheme as at 31 March 2022, as contained in the 2021-22 accounts. This adjustment reflects changes to the membership data since the 2021-22 reconciliation was compiled.
3. If a member returns to teaching and accrues additional reckonable service after they have already taken a retirement award from the Scheme, they are able to take a further award when they decide to retire following the completion of this additional service. These members do not have a corresponding entry in the pensioner member reconciliation as they are already pensioners before the application for a further award.

The above tables categorise a member as active if the last recorded service date provided by their employer is 31 March and the employer has not informed the TPS that they have left service by that date.

Deferred members [1]

		2022-23	2021-22	2020-21	2019-20
	Number of members in prior year's ARA	707,340	673,882	655,785	638,458
	Adjustment to prior year ARA [2]	(2,813)	(3,167)	(8,864)	(5,502)
	Actual number at 1 April	**704,527**	**670,715**	**646,921**	**632,956**
Add:	Net withdrawals from active to deferred status	55,070	43,451	35,892	31,696
	Opted-out from active service	7,587	5,408	5,236	6,971
	Total joiners	**62,657**	**48,859**	**41,128**	**38,667**
Less:	Awards out of service – initial awards	8,506	9,632	11,239	13,063
	Awards out of service – further awards [3]	818	545	996	1,257
	Transfers out	405	488	390	586
	Deaths	1,510	1,470	1,358	782
	Return of contributions	49	36	87	88
	Other exits (not identified)	78	63	97	62
	Total leavers	**11,366**	**12,234**	**14,167**	**15,838**
	Actual number at 31 March	**755,818**	**707,340**	**673,882**	**655,785**

Notes:

1. A deferred member is defined as a member who has previously been in reckonable service, or who was in reckonable service but their employer has provided a withdrawal indicator. These members have yet to claim retirement benefits.
2. An adjustment has been made to the deferred membership of the Scheme as at 31 March 2022, as contained in the 2021-22 accounts. This adjustment reflects changes to the membership data since the 2021-22 reconciliation was compiled.
3. If a member returns to teaching and accrues additional reckonable service after they have already taken a retirement award from the Scheme, they are able to take a further award when they decide to retire following the completion of this additional service. These members do not have a corresponding entry in the pensioner member reconciliation as they are already pensioners before the application for a further award.

The above tables categorise a member as active if the last recorded service date provided by their employer is 31 March and the employer has not informed the TPS that they have left service by that date.

Pensions in payment

		2023-24	2022-23	2021-22	2020-21
	Total pensioners in payment as 1 April				
	Members	675,849	673,201	669,029	666,503
	Dependants	80,716	78,315	75,884	73,471
	Actual number at 1 April	**756,565**	**751,516**	**744,913**	**739,974**
Add:	Members retiring in the year				
	Age/premature pensions [1]	10,104	10,657	15,125	12,626
	Ill-health pensions	565	527	679	600
	Early retirement (actuarially reduced) pensions	2,686	7,892	5,363	5,102
	Phased pensions [2]	499	620	551	520
	Mixed pensions	7,712	2,268	28	2,570
	Other (unidentified)	-	143	91	-
	Total members retiring in the year	**21,566**	**22,107**	**21,837**	**21,418**
	New dependents	8,510	8,594	8,042	8,480
	Other new dependents (unidentified) [3]	-	-	30	-
	Total dependants retiring in year	**8,510**	**8,594**	**8,072**	**8,480**
	Total members retiring in year and dependants	**30,076**	**30,701**	**29,909**	**29,898**
Less:	Cessations in year – members				
	Age/premature pensions	12,948	15,326	14,053	14,680
	Ill-health pensions	2,317	3,044	2,644	2,735
	Early retirement (actuarially reduced) pensions	1,097	1,085	966	914
	Phased pensions	7	4	2	8
	Other (unidentified) [4]	156	-	-	555
	Total member cessations in year	**16,525**	**19,459**	**17,665**	**18,892**
	Cessations in year – dependants	5,742	6,193	5,641	5,770
	Other (unidentified) cessations – dependants	-	-	-	297
	Total dependant cessations in year	**5,742**	**6,193**	**5,641**	**6,067**
	Total cessations in year	**22,267**	**25,652**	**23,306**	**24,959**
	Total pensions in payment at 31 March	**764,374**	**756,565**	**751,516**	**744,913**
	Pension in payment at 31 March				
	Members	680,890	675,849	673,201	669,029
	Dependants	83,484	80,716	78,315	75,884
	Total	**764,374**	**756,565**	**751,516**	**744,913**

Notes:

1. These members have corresponding retirements in the active and deferred member reconciliations.
2. Phased retirement awards do not have a corresponding exit from the non-pensioner movements as they are only drawing part of their retirement benefits. Therefore, they remain a non-pensioner member as well as becoming a pensioner member.
3. These members are primarily members whose retirement award had been suspended by the Scheme's administrator in a prior reporting year due to uncertainty around continued entitlement, but where the pension has been put back into payment in the reporting year (for example, where issues such as a bank payment rejection or a failure to return the necessary certification for payment to continue have then been rectified).
4. Other cessations include cases where we have suspended payment of pension as a result of uncertainty around continued entitlement to the pension.

Annex B – Scheme contacts

The managers, administrators and other advisors of the Scheme are listed below:

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Auditor

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Any enquiries about either the Scheme or the Premature Retirement Compensation Scheme in England and Wales should be addressed to Capita Business Services Ltd at the address above.

Annex C – Glossary of key terms

Abbreviation or term	Description
AME	Annually Managed Expenditure
ARA	The Teachers' Pension Scheme (England and Wales) Annual Report and Accounts
ARC	Audit and Risk Committee
AVCs	Additional Voluntary Contributions
Capita	Capita Business Services Ltd
CPI	Consumer Price Index
CGIA	Capita Group Internal Audit
DB	Department for Education Departmental Board
The Department, or DfE	Department for Education
The Directions	The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014
FReM	Government Financial Reporting Manual
GAD	Government Actuary's Department
GIAA	Government Internal Audit Agency
HMRC	His Majesty's Revenue and Customs
HMT	His Majesty's Treasury
IAS	International Accounting Standards
ICO	Information Commissioner's Office
IPPF	International Professional Practice Framework
MCR	Monthly Contribution Reconciliation
NAO	National Audit Office
NPA	Normal Pension Age
ONS	Office for National Statistics
p.a.	Per Annum
PES	Public Expenditure System
PRC	Premature Retirement Compensation
PSIAS	Public Sector Internal Audit Standards
PUCM	Projected Unit Credit Method
SB	Teachers' Pension Scheme Strategy Board
SDB	Teachers' Pension Scheme Service Delivery Board
IFRS	International Financial Reporting Standards
SoCNE	Statement of Comprehensive Net Expenditure
SoFP	Statement of Financial Position
SOPS	Statement of Outturn of Parliamentary Supply
TCS	Tata Consultancy Services Ltd.
The Scheme, or TPS	Teachers' Pension Scheme (England and Wales)
TPSPB	Teachers' Pension Scheme Pension Board
TPS PrB	Teachers' Pension Scheme Portfolio Board
2022-23 & 2023-24	Financial years, ending on 31 March

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