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The National Education Union (NEU) is the largest teachers' union in the United Kingdom and represents over 400,000 serving teachers, the vast majority of whom are members of the Teachers' Pension Scheme. The NEU is pleased to respond to this consultation.

Q1 – Do you agree with the proposal to fund schools (as defined in 4.6) for these increased costs?

The NEU agrees with the proposal to fund schools for these increased costs. The NEU also believes that additional funds should be supplied to the Wales Government to fund increased employer pension contributions for the same period.

It should be remembered that the requirement to fund schools for the higher employer pension contributions is a problem of the Government's own making. It has partly been caused by a deliberate decision by HM Treasury to cut the 'discount rate' – the assumed rate of return on Teachers' Pension Scheme assets and liabilities. The other main reason is the operation of the cost sharing mechanism introduced by the then Coalition Government to cover the 2015 career average arrangements. Following the WMS of 30 January 2019 from the Chief Secretary to the Treasury, the NEU notes that implementation of benefit improvements has been suspended, but the employer contribution level is still set to rise to 23.6 per cent from September 2019.

The NEU opposes the unilateral Treasury decision to cut the discount rate from CPI + 2.8 per cent to CPI + 2.4 per cent in the 2018 Budget. The discount rate had already been cut once in this valuation cycle, from CPI + 3 per cent to CPI + 2.8 per cent in 2016. In the 2011 Budget (2.13), the Government proposed to review the level of the discount rate once every five years and the methodology every ten years. Based on this, the decision to consider a cut in the discount rate in 2016 was justifiable under the Government's own methodology, but a decision to make a further cut two years later is not. The NEU's view is that HM Treasury should review its decision as a matter of urgency.

The other reason for costs being higher is the operation of the cost sharing mechanism in the Public Service Pensions Act 2013 which is designed to estimate the costs associated with the career average section of the TPS introduced in April 2015. The cost cap legislation states that if the costs of a scheme rise or fall more than 2 percentage points versus the central peg, action would be taken to return costs to the peg. As the cost cap cost has fallen by more than two per cent, the cost cap mechanism has been triggered. Costs have fallen because teachers are not living as long as expected, public sector pay restraint has also led to a reduction in the value of pensions accrued, and more teachers are leaving the profession earlier than expected.

The NEU notes that under section 3.5 of the consultation document, academies are to be given funding to August 2020 rather than March 2020 for Local Authority schools and other employers. The NEU insists that academies are given no more favourable treatment than other employers. It would simply be unfair for the Government to pay higher pension costs for academies over a longer period than other employers.

The NEU also notes that August 2020 takes us into the period covered by the Comprehensive Spending Review. This consultation covers (mainly) the period September 2019 – March 2020. The increase in contributions for the Teachers' Pension Scheme covers the period September 2019 – March 2023. It is vital that the Comprehensive Spending Review funds the increase in pension contributions in full for the whole period to March 2023 for both England and Wales.

In terms of practicalities, the NEU would, other things being equal, prefer the increase in funding to be paid on an 'actuals' basis rather than a 'formula' basis. Due to the tiered nature of TPS contributions, schools with higher proportions of teachers on the upper pay range or the leadership ranges face higher costs than those schools with a higher proportion employed on the main pay range.

The NEU understands that there may be problems in using an actuals approach to due to the available data being out of date if a grant is to be administered in Autumn 2019. If this is the case, then serious consideration should be given to using something more accurate than the Teachers' Pay Grant methodology to take the result closer to an 'actuals' outcome. There may be a need to adjust the formula for the size of school Sixth Forms or Early Years settings where there may be smaller class sizes than average and therefore more teachers. The NEU also believes that serious consideration should be given to a Hardship Fund administered by local authorities to which schools particularly badly affected by a formula approach could apply.

Q2 – Do you agree with the proposal to fund FE colleges and other public-funded training organisations for these increased costs.

The NEU agrees with the proposal to fund FE Colleges and other public-funded training organisations for these increased costs.

We also support the decision to provide funding to sixth form colleges which, we wish to emphasise, are a legally distinct category of institution from general FE colleges, operating their own separate national pay structure mirroring that for school teachers which encompasses also 16-19 academies. That pay structure would be further undermined by any failure to provide funding for pension contributions, having already being undermined by the proposal not to pay the Teachers Pay Grant to all such colleges.

The NEU's opposition to HM Treasury's unilateral decision to change the discount rate for the Teachers' Pension Scheme for Q1 applies equally for Q2. The NEU believes HM Treasury should revisit this decision immediately. It should be remembered that there is a circularity in funding for the various maintained sectors. HM Treasury sends money to employers which is then used to pay pension contributions. Much of it is a zero-sum game and an accounting exercise.

Failing to support these extra costs would drive FE colleges into making further reductions in pay (already down by around 25 per cent in real terms over the last 10 years) and jobs. As the FE sector has a pre-existing recruitment problem and staff turnover of around 18 per cent, any further economic pressures would have a devastating impact on the sector. There is currently a 15,000 shortage of FE Teachers. Further cuts in staff will have a knock-on effect on workload for those who remain and will make the sector a less desirable career option in general. It would also undermine the capacity and willingness of the sector to roll out T Levels across the board.

Question 3. Please provide any additional evidence relating to the impact on all sectors, which you think the Department should consider considering these proposals.

These proposals do not cover the post-1992 universities or independent schools (except independent special schools as set out in 4.6). As things stand, these sectors will have to face the full impact of this increase in cost from 1 September 2019.

The NEU believes that teachers in independent schools should continue to be able to join or remain in the TPS when working in the sector, and that independent school employers should be able to offer their teachers membership of the TPS. The NEU believes that the proposed substantial increase to employer contributions to around 23.6 per cent of pay will reduce the likelihood of this continuing to be the case.

The provision of a good pension scheme is integral to attracting good quality teachers to the profession. There will be a significant impact on the ability to recruit and retain teachers in any school or college that does not offer the TPS. There will also be a negative knock-on effect on mobility of teachers between the sectors. This is yet another reason for HM Treasury to revisit its wholly unnecessary decision to cut the discount rate for a second time in this valuation cycle.

Yours sincerely

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