Teachers' Pension Scheme (England and Wales)

Annual report and accounts

For the year ended 31 March 2020

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Background to the scheme

This report covers the financial year 2019-20.

The Teachers' Pension Scheme (England and Wales) (TPS or scheme) is a statutory, unfunded, 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

  both of these sections provide benefits based on final salary and length of service
- 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 scheme reforms. 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).

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
- an independent school which has been accepted into the scheme
- a further or higher education establishment covered 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

Contributions to the scheme are set at rates determined by the Secretary of State for Education, taking advice from the scheme's actuary. Contributions received from members and their employers are 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. It is envisaged that this charge will be reviewed alongside scheme valuations, to ensure that the income raised is equal to the cost.

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. Employers and members contribute on a "pay as you go" basis, with these contributions being credited to the HM Treasury under arrangements governed by the above Acts.

The TPS 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 Financial Position shows the unfunded net liabilities of the scheme
- the Statement of Comprehensive Net Expenditure shows, amongst other things, the change in the net liability analysed between the pension cost, enhancements and transfers in, interest on the scheme liabilities and actuarial adjustments

Further information about the actuarial position of the scheme is set out in the Report of the Actuary on page 17.

The scheme is managed by the Department for Education (Department) and administered under contract by Capita Business Services Ltd (Capita).

Outside the scheme, there are provisions for premature retirement compensation payments made on behalf of employers, the costs of which are recovered from the employer. These provisions are also managed by the Department and administered under contract by Capita.

Corporate Governance

The scheme is governed at three levels:

- management of day-to-day service delivery
- oversight and monitoring
- assurance

The overall 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 identify/deal with 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 in the Governance Statement on page 24.

Administration

Following a competitive tendering exercise, Capita administer the TPS, with the contract end date having recently been extended to September 2025.

Audit

The Comptroller & Auditor General is appointed by statute to audit the ARA and his certificate and report appears on pages 40 to 44. The notional fee incurred for the year is £98,000 (2018-19: £93,800) and relates to the statutory audit of the scheme's ARA and is shown in the Statement of Comprehensive Net Expenditure. The National Audit Office, as the scheme's external auditors, provided no other services during this year.

Changes to the Teachers' Pension Scheme

Employee contributions

Employee contributions are levied on a tiered basis dependent upon salary. Whilst the employee contribution rates for each band level will remain static in 2020-21, when compared to 2019-20, the salary bands will increase in line with the change in the Consumer Prices Index (CPI). The following table shows the rates applied for each salary band.

2020-21		2019-20	
Actual salary band	Actual contribution rate	Actual salary band	Actual contribution rate
£1 - £28,168	7.4%	£1 - £27,697	7.4%
£28,169 - £37,918	8.6%	£27,698 - £37,284	8.6%
£37,919 - £44,960	9.6%	£37,285 - £44,208	9.6%
£44,961 - £59,587	10.2%	£44,209 - £58,590	10.2%
£59,588 - £81,254	11.3%	£58,591 - £79,895	11.3%
£81,255 or more	11.7%	£79,896 or more	11.7%

Employer contributions

As a result of the latest scheme valuation employer contributions were increased in September 2019 from a rate of 16.4% to 23.6%. The next valuation will take effect in 2023. Employers also pay a charge equivalent to 0.08% of pensionable salary costs to cover administration expenses.

Pension payments were reviewed in accordance with the scheme regulations and were increased by 2.4% from 8 April 2019 (2018: 3.0% increase).

Changes to the Premature Retirement Compensation (PRC) scheme

During the year compensation payments were reviewed and were increased by 2.4% with effect from 8 April 2019 (2018: 3.0%) in keeping with pension payments above.

Membership statistics

Membership information is provided by employers via statutory returns to the scheme 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 2019.

The figures for pensions in payment are provided for both the year ended 31 March 2019 and the year ended 31 March 2020.

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.

Active members[1]

		2018-19
	Number of members in 2018-19 ARA	674,067
	Adjustment to prior year ARA[2]	27,983
	Actual number at 31 March 2018	**702,050**
Add:	New entrants in the year	52,385
	Further employment	4,893
	Other joiners	94
	Total joiners	**57,372**
Leavers:	**Initial awards**	
	Age and ill-health retirements	6,398
	Early retirements (actuarially reduced)	4,276
	Premature retirements	192
	Total initial awards	10,866
	Further awards[3]	
	Age and infirmity retirements	483
	Early retirements (actuarially reduced)	68
	Premature retirements	-
	Total further awards	551
	Other leavers	
	Opted out	6,439
	Deaths	326
	Net withdrawals from active to deferred status	35,871
	Other exits (transfers out, refunds of contributions)	2,596
	Total other leavers	45,232
	Total leavers	**56,649**
	Actual number at 31 March 2019	**702,773**

Notes

1 An active member is defined as an individual who is in pensionable 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 2018, as contained in the 2018-19 ARA. This adjustment reflects changes to the membership data since the 2018-19 reconciliation was compiled.

3 If a member returns to teaching and accrues additional pensionable 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.

Deferred members[1]

		2018-19
	Number of members in 2018-19 ARA	629,125
	Adjustment to prior year ARA[2]	(19,788)
	Actual number at 31 March 2018	**609,337**
Add:	Net withdrawals from active to deferred status	35,871
	Opted out from active service	6,439
	Other entrants to deferred service status (not identified)	3,270
	Total joiners	**45,580**
Leavers:	Awards out of service – initial awards	13,151
	Awards out of service – further awards[3]	1,424
	Transfers out	660
	Deaths	1,088
	Return of contributions	76
	Other exits (not identified)	60
	Total leavers	**16,459**
	Actual number at 31 March 2019	**638,458**

Notes

1 A deferred member is defined as a member who has previously been in pensionable service, or who was in pensionable 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 2018, as contained in the 2018-19 ARA. This adjustment reflects changes to the membership data since the 2018-19 reconciliation was compiled.

3 If a member returns to teaching and accrues additional pensionable 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 TPS that they have left service by that date.

Pensions in payment

		2018-19
	Total pensioners in payment as 1 April 2018	
	- members	648,137
	- dependants	68,900
	Actual number at 1 April 2018	**717,037**
Add:	Members retiring in the year	
	- Age/premature pensions[1]	15,038
	- Ill health pensions	638
	- Early retirement (actuarially reduced) pensions	8,341
	- Phased pensions[2]	780
	Total members retiring in the year	24,797
	New dependants	6,842
	- Other new dependants (unidentified)[3]	439
	Total dependants retiring in year	7,281
	Total members retiring in year and dependants	**32,078**
Less:	Cessations in year – members	
	- Age/premature pensions	11,007
	- Ill health pensions	2,045
	- Early retirement (actuarially reduced) pensions	681
	- Other (unidentified)[4]	996
	Total member cessations in year	**14,729**
	Cessations in year – dependants	4,915
	Total cessations in year	**19,644**
	Total pensions in payment at 31 March 2019	**729,471**
	Pension in payment at 31 March 2019	
	- members	658,205
	- dependants	71,266
	Total	**729,471**

		2019-20
	Pensioners brought forward 31 March 2019	
	- members	658,205
	- dependants	71,266
	Total number at 31 March 2019	**729,471**
Add:	Members retiring in the year	
	- Age/premature pensions[1]	14,555
	- Ill health pensions	735
	- Early retirement (actuarially reduced) pensions	8,281
	- Phased pensions[2]	677
	Total members retiring in year	24,248
	Total new dependants retiring in year	8,157
	Total members retiring in year and dependants	**32,405**
Less:	Cessations in year – members	
	- Age/premature pensions	12,211
	- Ill health pensions	2,273
	- Early retirement (actuarially reduced) pensions	761
	- Phased pensions	6
	- Other (unidentified)[4]	699
	Total member cessations in year	15,950
	Cessations in year – dependants	5,473
	Other (unidentified) cessations - dependants	479
	Total dependant cessations in year	5,952
	Total cessations in year	**21,902**
	Total pensions in payment at 31 March 2020	**739,974**
	Pensions in payment at 31 March 2020	
	- members	666,503
	- dependants	73,471
	Total	**739,974**

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.

Performance and position

Net cash requirement

In 2019-20, the net cash requirement was £2.76 billion (2018-19: £3.58 billion) which was £80.6 million (2018-19: £82.5 million) less than the amount authorised via the Supplementary Estimate. This represents the balance of funding provided by Parliament to pay current pensioners. This is within 2.8% (2018-19: 2.3%) of the Estimate forecast of £2.84 billion (2018-19: £3.66 billion).

The Department continues to work closely with the administrator, with input from the Government Actuary's Department (GAD), to refine the cash forecasts and take into account emerging trends and anticipated changes in behaviour as a result of perceived and actual future changes to the scheme.

Resource Outturn to Supply Estimate

The Statement of Parliamentary Supply provides information on how the scheme has performed against the Parliamentary control totals on resources and cash expenditure. An explanation of variances is on page 37.

Financial position

Comprehensive net expenditure for the year amounted to £75.2 billion (2018-19: £1.7 billion). The variance between the two years can be attributed to two main factors:

- Actuarial adjustment movement of £80.0 billion: the actuary takes a number of different factors into account when determining the scheme valuation. The most significant were changes to financial assumptions which amounted to an increase of £76.1 billion (2018-19: £15.9 billion decrease). This arose as there was a decrease in the HMT nominal discount rate from 2.90% to 1.80%, which increased the liability, but was offset by a decrease in the assumed rate of pension increases from 2.60% to 2.35%, which reduced the liability. There was also a £12.9 billion decrease due to changes in mortality assumptions (2018-19: £0.6 billion decrease)
- Past service cost reduction of £6.9 billion. This arose from;
    - A reduction in the provision for the McCloud/Sargeant case in 2019-20 amounting to £3.4 billion (2018-19: £7 billion increase)
    - Provision of £1.7 billion for the Goodwin legal case
    - Provision of £1.75 billion for Guaranteed Minimum Pension (GMP) Indexation

The scheme had net liabilities of £432.2 billion (2018-19: £359.8 billion) at 31 March 2020.

Scheme valuation

The primary purpose of a formal actuarial valuation is to set the employer contribution rate. For the TPS these usually take place every four years.

The actuarial valuation of the TPS pertaining to the financial periods including September 2019 to March 2023 was carried out 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 initial employer cost cap (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 16.4% to 23.6% from September 2019. The timing of the implementation is to align it with employers' budget planning cycles.

The funding valuation report was published by the Department on 5 March 2019 and a full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.[1] The key results of the valuation are:

- employer contribution rates were set at 23.6% of pensionable pay, in line with current regulations, plus an additional 0.08% of pensionable pay for the cost of scheme administration

- at 31 March 2016, total scheme liabilities for service of £218.1 billion, and notional assets of £196.1 billion, giving a notional past service deficit of £22.0 billion. 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 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. This uses the full membership data from 2016 updated to include reported movements in membership

The valuation reflects the government's announcement in January 2019 to pause the cost control mechanism - which was to form part of the valuation - due to a Court of Appeal ruling in December 2018 relating to the transitional protection offered to members in the 2015 pension reforms. Further details of which can be found in the valuation report.

On 16 July 2020 the government further announced that, as there was now more certainty over the possible remedy for transitional protection issues and the costs involved, action would be taken to complete the cost control mechanism part of the scheme valuation. This activity will not be completed until 2021, so any impact on scheme costs will be accounted for then. In the meantime, Government has confirmed that the part of the valuation process that determines employer contribution rates will not be revisited. Consequently, the employer contribution rate will remain at 23.6% (23.68% when the scheme

[1] https://www.teacherspensions.co.uk/news/employers/2019/04/teachers-pensions-valuation-report.aspx

administration fee is added) until the next scheme valuation is implemented, which is expected to be in April 2023.

Influences on performance in 2019-20

The performance of the scheme is influenced by changes in the scheme's membership (such as the age profile of the members), members' salary and service levels, mortality rates, and the increases applied to pensions for inflation.

Free-standing additional voluntary contributions and stakeholder pensions

The Department provides for members of the scheme to make additional voluntary contributions (AVC/AVCs) to an approved provider, Prudential, to increase their pension entitlements or to increase life assurance cover. 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 AVC scheme are private arrangements between Prudential and those members contributing to the AVC scheme. Members can purchase an annuity or take a lump sum from their AVC fund independently of any TPS benefits. HM Revenue and Customs (HMRC) also regards the two schemes, TPS and Prudential, as being separate schemes for tax purposes.

This being the case, the AVC data does not form part of the ARA; it is included here for completeness only.

In 2019-20, the aggregate amounts of AVC investments are as follows:

Prudential

	2019-20 £m	2018-19 £m
Movements in the year:		
Balance at 1 April	1,386	1,412
New investments	161	142
Sales of investments to provide pension benefits	(215)	(168)
Balance at 31 March	**1,332**	**1,386**
Contributions received to provide life cover	-	-
Benefits paid on death	5	5

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 (as amended) and the Teachers' Pension Scheme Regulations 2014 (as amended). There were 11,221 (2018-19: 11,128) contributing employers participating in 2019-20 split into the following categories.[2] [3]

Contributing Employers	2019-20 Number	2018-19 Number
Local authorities	173	174
Further education institutions	285	312
Higher education institutions	65	64
Independent establishments	1,319	1,396
Academies	8,185	8,035
Free Schools	398	430
Others	796	717
	11,221	**11,128**

Issues arising in 2019-20

COVID-19

The scheme is working with the unprecedented challenges of the COVID-19 global pandemic.

In March 2020, the Department took the decision to close all offices and staff were required to work from home. This was made possible by the Department's IT refresh two years ago. Capita took a similar decision with the majority of staff working remotely by the end of March and the remaining staff in the member Contact Centre following in early April. A small number of mail room staff remained onsite with protective measures in place. All staff have adapted positively to this change and have continued to perform their duties, with service levels having been maintained at or close to near normal levels as a result.

In August 2020 the Department began the phased reopening of its offices whilst ensuring that staff were able to adhere to government guidelines.

Along with the rest of government the scheme has adopted Procurement Policy Note 02/20 and is maintaining payments to suppliers and pensioners in order to support the economy.

The scheme continues to work with government to support the wider response.

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[2] http://www.legislation.gov.uk/uksi/2010/990/contents/made
[3] http://www.legislation.gov.uk/uksi/2014/512/contents/made

Brexit

In March 2017 the government triggered Article 50 of the Lisbon Treaty and subsequently left the European Union (EU) on 31 January 2020. The outcome of continuing negotiations with the EU (the transitional period) will determine which arrangements apply in relation to EU legislation and funding once the United Kingdom has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

McCloud/Sargeant

In December 2018, the Court of Appeal held that transitional protection provisions contained in reformed judicial and firefighter pension schemes - introduced as part of public service pension reforms in 2015 - gave rise to direct age discrimination and were therefore unlawful. The policy allowed some older workers to stay in their legacy pension schemes, instead of being moved in 2015 to new career-average schemes with higher pension ages.

Whilst the Court of Appeal decision was made in respect of the Judicial and Firefighters' pension schemes (the McCloud and Sargeant cases), HM Treasury concluded that the judgment applied to all main public service schemes, including the TPS, and committed to address the discrimination and ensure equal treatment from a future date.

The Court of Appeal remitted the McCloud and Sargeant cases back to the Employment Tribunals to determine the remedy. Since then, claims have also been lodged against the main public service schemes including the TPS. The Department has conceded those in line with the rest of the government. In July 2020 HM Treasury launched a 12 week public consultation which will provide evidence to support the delivery of an appropriate remedy for the affected schemes, including TPS.

The consultation provided further detail on the members in scope and that has allowed the estimate of the past service cost involved to be refined. The provision has been revised to £3.6 billion in respect of the challenge.

Guaranteed minimum pension

In October 2018, the High Court published its judgment on the equalisation of Guaranteed Minimum Pensions (GMP) and found that pensions must be equalised for the effects of unequal GMP. HMRC is expected to provide further general guidance on GMP equalisation and, at this stage, the approach for GMPs across public service schemes has not been fully confirmed. The Government extended the "interim solution" until April 2021 and has committed to addressing GMP equalisation.

A project to reconcile scheme data with that held by HMRC in relation to GMP concluded in 2019. As part of the reconciliation, a number of cases identified incorrect GMP had been overpaid to members. In agreement with HM Treasury all overpayments have been written off in 2019-20. The cost to the scheme is £15.0 million.

In 2019-20, a provision for past service costs of £1.75 billion has been recognised in the scheme's financial statements. In addition, the scheme has recognised and written off a number of overpayments which have been identified as part of this exercise.

Goodwin legal challenge

In December 2019 a further legal challenge was made against the scheme relating to an identified equalities issue whereby male survivors of opposite-sex marriages and civil partnerships are treated less favourably than survivors in same-sex marriages and civil partnerships. The Secretary of State for Education agreed not to defend the case. In June 2020 the employment tribunal recorded its findings in respect of the claimant. A past service cost provision of £1.7 billion has been recognised in respect of this claim.

Accounting Officer

In August 2019 Jonathan Slater announced that he was stepping down as the Permanent Secretary and Accounting Officer of the Department with effect from 31 August 2020. I, Susan Acland-Hood, have been appointed Acting Permanent Secretary and Accounting Officer from 1 September 2020 until a permanent replacement is confirmed.

Susan Acland-Hood **9 November 2020**
Acting Accounting Officer

The managers, administrators and other advisors are listed below

Acting Accounting Officer

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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.

Report of the Actuary

Introduction

This statement has been prepared by the GAD at the request of the Department. It provides a summary of GAD's assessment of the scheme liability in respect of the TPS as at 31 March 2020, and the movement in the scheme liability over the year 2019-20, prepared in accordance with the requirements of Chapter 9 of the 2019-20 version of the Financial Reporting Manual.

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 2016 based on the data provided as at 31 March 2016 and rolling forward that liability to 31 March 2020.

Membership data

Tables A to C summarise the principal membership data as at 31 March 2016 used to prepare this statement.

Table A – Active members

	Number (000's)	Total pensionable pay* (p.a.) £ million
Males	209	**7,670**
Females	519	**16,308**
Total	**727**	**23,978**

* Pensionable pay is the actual amount received by members of the scheme.

Table B – Deferred members

	Number (000's)	Total deferred pension* (p.a.) £ million
Males	162	359
Females	361	743
Total	**523**	**1,102**

* Pension amounts include the pension increase granted in April 2016 (2016 increase was 0%).

Table C – Pensions in payment

	Number (000's)	Annual pension* (p.a.) £ million
Males	226	3,446
Females	397	4,320
Spouses & dependants	69	322
Total	**692**	**8,088**

* Pension amounts include the pension increase granted in April 2016 (2016 increase was 0%).

Methodology

The present value of the liabilities as at 31 March 2020 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 2020. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2020 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 2019 in the 2018-19 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 below:

Table D – Principal financial assumptions

Assumption	31 March 2020 p.a.	31 March 2019 p.a.
Nominal discount rate	1.80%	2.90%
Rate of pension increases	2.35%	2.60%
Rate of general pay increases	4.10%	4.10%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
• Pension increases	(0.50%)	0.29%
• Long–term pay increases	(2.20%)	(1.15%)
Expected return on assets	n/a	n/a

The assessment of the liabilities allows for the known pension increases up to and including April 2020.

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 'S2 tables' with the percentage adjustments to those tables derived from scheme experience.

Table E – Post-retirement mortality assumptions

	Standard table and adjustments
Males	
Retirements in normal health	106% of S2NMA_L
Current ill-health pensioners	Age-dependent assumption ≤75: 70% of S2IMA with an underpin of 119% of S2NMA >75: 119% of S2NMA
Future ill-health pensioners	100% of S2IMA
Dependants	120% of S2NMA
Females	
Retirements in normal health	Age-dependent adjustments to S1NFA_L ≤79: 75% 80-84: 86% 85-89: 100% ≥90: 108%
Current ill-health pensioners	Age-dependent assumption: ≤75: 85% of S2IFA with an underpin of 114% of S2NFA >75: 114% of S2NFA
Future ill-health pensioners	100% of S2IFA
Dependants	95% of S2DFA

These assumptions in table E above are the same as those adopted for the 31 March 2016 funding valuation of the scheme and the accounts as at 31 March 2019.

For the 2018-19 accounts, future improvements in mortality were assumed to be in line with the 2016-based principal population projections published by the Office for National Statistics (ONS). Mortality improvements are now assumed to be in line with the latest 2018-based projections for the United Kingdom published by the ONS in October 2019, which leads to a reduction in life expectancies.

Liabilities

Table F summarises the assessed value as at 31 March 2020 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described earlier. The corresponding figures for the previous year are shown for comparison. The liabilities at 31 March 2019 and 2020 both include an allowance for the higher cost of benefits accruing under McCloud.

Table F – Statement of Financial Position

	31 March 2020 £ billion	31 March 2019 £ billion
Total market value of assets	nil	nil
Value of liabilities	432.2	359.6
Surplus/(Deficit)	(432.2)	(359.6)
of which recoverable by employers	n/a	n/a

Accruing costs

The cost of benefits accrued in the year ended 31 March 2020 (the current service cost) is assessed as 49.9% 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 2019-20 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2019-20 accounts.

Table G – Contribution rate

	2019-20 % of pay	2018-19 % of pay
Employer contributions (excluding expenses)	20.6%	16.4%
Employee contributions (average)	9.5%	9.5%
Total contributions	**30.1%**	**25.9%**
Current service cost (expressed as a % of pay)	**49.9%**	**49.3%**

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 2019-20 was £25.5 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2019-20 (at 49.9% of pay) is assessed to be £12.7 billion. This includes an allowance for the higher cost of benefits accruing over the year under McCloud.

Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. A past service cost of £1.75 billion has been determined in respect of the additional liabilities for the indexation and equalisation of GMP in public service pension schemes for members reaching State Pension age after 6 April 2021. A past service cost of £1.7 billion has been determined to address unequal treatment in connection with survivor benefits. A negative past service cost of £3.4 billion has been determined in respect of the change of scope of members covered by the McCloud judgment. I am not aware of any other events that have led to a material past service cost over 2019-20.

I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2019-20.

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 2020 of changes to the most significant actuarial assumptions.

The most significant financial assumptions are the discount rate, general earnings increases and pension 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 2020 of changes to these assumptions (rounded to the nearest 0.5%). For example, if the nominal discount rate used in the assessment of the liabilities was 2.3% per annum instead of the 1.8% per annum adopted (0.5% per annum higher), the assessed value of the liabilities would be £45.4 billion lower (a reduction in the liabilities of around 10.5%).

Table H - Sensitivity to significant assumptions

Change in assumption		Approximate effect on total liability	
Financial assumptions			
(i) discount rate*:	+0.5% p.a.	- 10.5%	- £45.4 billion
(ii) (long-term) earnings increase*:	+0.5% p.a.	+ 2.0%	+ £8.6 billion
(iii) pension increases*:	+0.5% p.a.	+ 7.5%	+ £32.4 billion
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 4.0%	+ £17.3 billion

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

COVID-19 implications

At the time of writing we are working during the unprecedented challenges of the COVID-19 global pandemic. I have considered the potential implications of how this pandemic could impact on the actuarial calculations required for these accounts.

The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2019) 11 Revised, dated 6 December 2019, 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 the Department, 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 increase in the amount of Government debt being taken on to pay for its response to the COVID-19 pandemic is likely to affect salary growth. However, at this stage, it is too early to speculate on the potential impacts for the long-term salary growth. Therefore, I do not believe there is any information to justify changing the salary assumption.

The current population mortality projections make no specific allowance for the impact of COVID-19 or any other pandemics. The starting rates of mortality improvement are based on projections of past trends in UK mortality and the effects of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. My view is that it is too early in the pandemic to determine whether COVID-19 changes the long-term view of life expectancy in the UK. It is therefore not unreasonable to retain the existing mortality assumptions. A death rate from COVID-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain over the next year's accounts.

Neil Crombie FIA
Actuary
Government Actuary's Department
30 July 2020

Statement of Accounting Officer's responsibilities

Under Section 5 of the Government Resources and Accounts Act 2000, HM Treasury 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 and in particular to:

- observe the Accounts Direction issued by HM Treasury, 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 Government Financial Reporting Manual 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

HM Treasury has appointed Susan Acland-Hood, the Acting Permanent Secretary of the Department for Education, as Acting 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 HM Treasury.

As Acting 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.

Governance statement

Scope of responsibility

As Acting Accounting Officer of the Teachers' Pension Scheme, I am required to provide assurances about the stewardship of the TPS. These assurances are provided in this Governance Statement, in line with HM Treasury 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, of which I am Acting Accounting Officer.

On 1 September 2020 I was appointed as Acting Accounting Officer for the scheme following my predecessor, Jonathan Slater, stepping down from the role. In doing so, I have taken assurance from a governance statement declaring he had reviewed the assurance frameworks within his areas of responsibility. He confirmed that he was satisfied with the governance, internal control and risk management of the scheme for the year ended 31 March 2020.

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 Acting 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: TPS boards

Strategy Board (SB): meets quarterly, chaired by Jeffrey Rogerson; the Department's Head of Assurance and Planning for Teachers' Pensions, Teacher Reward and Incentive Division, for the purpose of determining the strategic direction of the administration services, and reviewing delivery progress. The focus is on:

- Departmental/government pension priorities
- achievement of contractual outcomes
- innovations and improvements that deliver improved customer service and/or service efficiencies
- discussion of any escalations from Service Delivery Board

Board Member	Meetings attended	Out of a possible
Department		
Jeffrey Rogerson	4	4
Sue Crane	4	4
Peter Springhall (from July 2019)	4	4
Capita		
Gareth Pickles	1	1
Nigel Purveur (from October 2019)	3	3
Iain Gray (from October 2019)	3	3
David Heslop	4	4
Neil Crombie (left February 2020)	3	3
Amy Gibbs	1	1

Service Delivery Board (SDB): meets monthly, chaired by Sue Crane; the Department's TPS Senior Contract Manager. The SDB is responsible for:

- managing and monitoring delivery of the strategic direction on a day-to-day basis
- monitoring core pension administration delivery (see below) and providing a resolution forum for any service-related issues
- reviewing contractual performance measures and key client management issues, addressing delivery risks and issues
- discussing any escalation from Department/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

Board Member	Meetings attended	Out of a possible
Department		
Sue Crane	12	12
Anna-Marie Alderson (left December 2019)	8	9
Richard Lees	12	12
Capita		
David Heslop (left March 2020)	2	3
Paula Graham	7	8
Paul Faulkner (from February 2020)	2	2
Keith Barker	11	12
Kerry Tate-King	10	12
Jo Cole (deputising for Kerry Tate-King)	2	2
Neil Crombie (left February 2020)	11	11
Amy Gibbs (from April 2019)	12	12
Matthew McNaughton	12	12
Stephen Fry (from August 2019)	7	8
Barry Bailey (from January 2020)	3	3
Jonathan Veitch (left October 2019)	7	7

TPS Risk Committee: consisting of Department and Capita representatives, supports the contract management governance boards, 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 Analytics and Risk Manager 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 Teacher Reward and Incentives Division, who has six-monthly meetings with the Executive Committee Member for Capita People Solutions; whose remit includes responsibility for pension administration services within the Capita Group. These reviews provide a vehicle for escalations and resolving issues.

Where appropriate, issues are escalated to the Department's boards.

The Department's boards and committees

The Departmental Board (DB) provides strategic and operational leadership for the Department, by bringing together Ministerial and official leaders with non-executive board members from outside government and is chaired by the Secretary of State.

Further details on the DB and committees can be found in the Department's Governance Statement published in the Department's Consolidated Annual Report and Accounts, which are due for publication in November 2020.

The DB is supported in the delivery of its functions by the Department Audit and Risk Committee (ARC). This provides assurance to the Acting Permanent Secretary, in her role as Acting Principal Accounting Officer on audit, risk and control issues and is responsible for scrutinising the TPS ARA. It is chaired by a non-executive board member and its members are independent of the Department.

The committees of the DB report or escalate relevant issues to the main DB. This may take the form of routine reports to board members, but may, if considered necessary or appropriate by the relevant committee Chair, form the subject of a full agenda item for discussion at the DB. No TPS-related issues were escalated to the DB in 2019-20.

Teachers' Pension Scheme Pension Board (TPSPB)

The TPSPB was established in accordance with the Public Services Pensions Act 2013. The Board is responsible for assisting the scheme manager (the Secretary of State for Education) in ensuring compliance with the TPS Regulations, any other legislation relating to the governance and administration of the scheme, and any requirements imposed by the Pensions Regulator. The Board provides additional assurance to members, employers, 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 two senior Department officials. Details and biographies of Board members can be found on the Teachers' Pensions website.[4]

The TPSPB met formally four times in 2019-20. It will continue to meet on a quarterly basis with meetings aligned to service delivery milestones and financial and assurance timelines.

The TPSPB provides further assurance to the scheme's Accounting Officer, scheme members and their employers on the effective management of the TPS through scrutiny of quarterly reporting setting out key financial, operational and risk management 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's scheme managers on those reports and any aspect of scheme administration/delivery.

The TPSPB is supported by four sub-committees which 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 future administration (commercial) project

The TPSPB has focussed on specific elements of administration whilst challenging and pressing Capita and the Department on matters where it considers improvements should be made. The Board will continue to focus its efforts to ensure that members' and employers' needs and expectations continue to be met, and on thereby providing the Scheme Manager and the scheme's Accounting Officer with assurance that the scheme continues to be administered effectively.

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

[4] https://www.teacherspensions.co.uk/public/governance/pension-board/the-board.aspx

Board member		Meetings attended	Out of a possible
Neville Mackay	Chair	4	4
Susan Anyan	Independent pensions specialist	4	4
Jerry Glazier (left February 2020)	Member representative	4	4
Julie Huckstep	Member representative	4	4
Christopher Jones	Member representative	4	4
David Trace (left February 2020)	Member representative	3	4
Dave Wilkinson (left February 2020)	Member representative	4	4
Roy Blackwell (left June 2019)	Employer representative	-	1
David Butcher	Employer representative	4	4
Lee Probert (left February 2020)	Employer representative	4	4
Jackie Wood	Employer representative	4	4
Simon Lowe (from July 2019)	Employer representative	2	3
Ian Payne (from March 2019)	Employer representative	4	4
Stephen Baker (left October 2019)	Department	2	3
Kate Copley (from November 2019)	Department	1	1
Iain King	Department	4	4

Risk management and controls

The Department's approach is to assign risks to those best placed to manage them. 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 Early Years and Schools Group is responsible for the delivery of scheme policy objectives, governance and administration of the scheme; responsibility for the financial reporting and scheme accounting lies with the Director of Operational Finance.

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 on an exceptions basis by the Department's ARC and, if necessary, escalated to the DB. No TPS-related issues were escalated in 2019-20.

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 on-going 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/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 has overall 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 the risks recorded in the registers
- Contractual audit requirement: Capita's contract requires them 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 Capita's internal audit division, Group Internal Audit (GIA)
- Annual audit plan: a risk-based annual audit plan is delivered by GIA which is agreed with the Department's TPS Contract management team in consultation with the Government Internal Audit Agency (GIAA) and TPSPB. The Department's TPS Team continually reviews plan delivery, as well as approving the scope of individual audit activity, and reviewing/challenging audit findings
- During 2019-20 there were five GIA reviews undertaken:
  - overpayments and recovery - effective
  - Azure environment – improvement required
  - GDPR – improvement required
  - payroll - effective
  - debtor control account – improvement required
- There were 26 findings (12 Medium and 14 Low risk rated findings) identified within the GIA reviews undertaken during 2019-20. At 31 March 2020, there were no overdue findings
- For the areas reviewed during the year GIA confirm the overall adequacy and effectiveness of governance, risk management and internal control arrangements to be generally effective. This is supported by the fact there have been no 'Critical' or 'High'

issues identified during our work (one High known issue, however, no direct action or impact on TPS processes)

Where GIA identified weaknesses, GIA confirms that Capita management has taken appropriate measures to agree and remediate the identified weaknesses in the control environment. All audit actions are subsequently tracked by GIA until closure, with GIA independently verifying that the actions have been adequately addressed.

- Monitoring: risks and audit finding resolutions are monitored and discussed at the SDB and SB meetings, with further oversight undertaken at the QSB meeting. Strategic/service 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
- Independent audit assurance: in line with their charter, and International Professional Practices Framework (IPPF) GIA are subject to independent reviews of their practices and procedures. The next one is planned for 2021 (with the previous one being completed May 2016). An interim self-assessment was undertaken in 2019, in association with PwC, which included a review of the people, process and systems and a revised target operating model agreed with senior management. The Department's internal audit function, provided by the GIAA, engages regularly with contract managers and GIA to review and challenge contract, risk and audit management processes and controls

The key financial controls are as described below:

- Fraud identification: 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
- Debt management: 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
- Cash forecasts: are provided by Capita, using financial models based on in-depth analysis of historic data and assessment of external factors which may drive member behaviour. The forecasts are subject to challenge by the Department and further challenge by HMT and the Office for Budget Responsibility
- Income and expenditure forecasts: the Department's finance team produces the Main and Supplementary Estimates in line with the Spending Review requirements. These are based upon the cash data provided by Capita and modified to become resource based accounts - taking into account, amongst other things, information from the

scheme actuary in respect of financial and demographic assumptions, and HMT in respect of interest rates and other fiscal assumptions. HMT provide further challenge to the estimates before they are submitted for consideration and approval by Parliament

- Monthly management reports: prepared by the Department finance team to show the movement between actual outturn and forecast movement, and submitted for scrutiny to the Departmental Senior Leadership Team and HMT

Pension policy changes which impact the scheme are determined by the Department following appropriate consultation. The Department proactively participates in the occupational pension network, which is chaired by HMT and provides a vehicle for identifying and discussing impacts and solutions at public sector scheme level. Capita proactively monitor and progress general changes to overarching pension policy to ensure the scheme and administration complies with regulatory positions. Monitoring the delivery of policy changes/issues 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 contractually required to ensure that it employs appropriately skilled and qualified practitioners, preferably with a sound pension background, to specialist posts within the 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 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 in order to maintain and further develop their skills and professional qualifications. The learning and development team within Capita maintains a record of all individuals' skills and professional qualifications.

Corporate governance code

The governance arrangements of the TPS, covering responsibilities in respect of the administration of the scheme can be found in the Governance Statement on page 24.

Independent assurance

In administering the TPS on behalf of the Department, Capita is required to establish and maintain appropriate systems of internal control and for reviewing its effectiveness. The remit of the GIA function is to review and report on the adequacy and effectiveness of internal processes, systems and controls. This includes risk management, control and governance systems and processes.

GIA is required to assess the governance arrangements in place between Capita and the Department on an annual basis, to ensure that it provides an effective governance framework and adequate processes to proactively manage risks. Their Annual Statement of Assurance for the year ending 31 March 2020 confirmed the governance, risk management and internal control arrangements during the reporting period had been effective.

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

COVID-19, and specifically the move to remote working has brought about additional challenges since March 2020. Whilst there has been a focus on maintaining delivery there has also been an equal focus on maintaining the integrity of the systems and control environment, in line with arrangements set out above. Where needed, appropriate adjustments have been made and additional testing of those adjustments undertaken by GIA. That has not raised anything to change the above findings. There has also been additional oversight and monitoring from, for example, the TPSPB, to provide additional assurance on the maintenance of performance and controls.

In considering the effectiveness of the internal controls for the TPS, account has been taken of the findings of the reporting accountants (Grant Thornton UK) in their assurance report for Capita Employee Benefits Ltd (CEBL) for the year ending December 2019. The Department has sought additional information from Capita to aid its consideration of the issues involved and has concluded that, where the issues have any relevance to the TPS, risks are suitably mitigated by the control arrangements in place.

As Acting 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 **9 November 2020**
Acting Accounting Officer

Parliamentary accountability and audit report

Overview

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the scheme to prepare a Statement of 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, 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 S1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SoPS to the financial statements (note S2); a reconciliation of outturn to net cash requirement (note S3); and, an analysis of income payable to the Consolidated Fund (note 0).

Statement of Parliamentary Supply: audited

for the year ended 31 March 2020

Summary tables – mirrors part 1 of the Estimate

Summary table, 2019-20, all figures presented in £000s

	SoPS	Outturn			Estimate			Outturn vs Estimate, savings/(excess)		Prior Year Outturn Total
Type of Spend	note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	2018-19
Departmental Expenditure Limit										
- Resource		-	-	-	-	-	-	-	-	-
- Capital		-	-	-	-	-	-	-	-	-
Total		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Annually Managed Expenditure										
- Resource	S1.1	15,591,672	-	15,591,672	18,508,991	-	18,508,991	2,917,319	2,917,319	22,050,747
- Capital		-	-	-	-	-	-	-	-	-
Total		**15,591,672**	**-**	**15,591,672**	**18,508,991**	**-**	**18,508,991**	**2,917,319**	**2,917,319**	**22,050,747**
Total Budget										
- Resource		15,591,672	-	15,591,672	18,508,991	-	18,508,991	2,917,319	2,917,319	22,050,747
- Capital		-	-	-	-	-	-	-	-	-
Total Budget Expenditure		15,591,672	**-**	15,591,672	18,508,991	**-**	18,508,991	2,917,319	2,917,319	22,050,747
Non-budget Expenditure		-	-	-	-	-	-	-	-	-
Total Budget and Non-budget		**15,591,672**	**-**	**15,591,672**	**18,508,991**	**-**	**18,508,991**	**2,917,319**	**2,917,319**	**22,050,747**

Net cash requirement 2019-20

All figures presented in £000s

Item	SoPS note	Outturn	Estimate	Outturn compared to Estimate: savings/(excess)	Prior Year Outturn Total 2018-19
Net cash requirement	S3	**2,755,229**	**2,835,814**	80,585	3,576,769

Administration costs 2019-20

All figures presented in £000s

Type of spend	SoPS note	Outturn	Estimate	Outturn compared to Estimate: savings/(excess)	Prior Year Outturn Total 2018-19
Administration costs	-	-	-	-	-

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.

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

Explanations of variances between Estimate and Outturn are given in SoPS note S1.1.1.

The notes on pages 36 to 38 form part of these statements.

Notes to the Statement of Parliamentary Supply: audited

S1. Outturn detail, by Estimate Line

S1.1 Analysis of resource outturn by Estimate line

All figures presented in £000s

Type of spend (Resource)	Resource outturn							Estimate			Outturn vs Estimate savings/ (excess)	Prior Year Outturn Total, 2018-19
	Administration			Programme			Total	Total	Virements	Total inc. virements		
	Gross	Income	Net	Gross	Income	Net						
Spending in Department Expenditure Limits (DEL)												
Voted expenditure												
A - Estimate line 1	-	-	-	-	-	-	-	-	-	-	-	-
Non-voted expenditure												
A - Estimate line 1	-	-	-	-	-	-	-	-	-	-	-	-
Total spending in DEL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Spending in Annually Managed Expenditure (AME)												
Voted expenditure												
A - Estimate line 1	-	-	-	23,293,240	(7,701,568)	15,591,672	15,591,672	18,508,991	-	18,508,991	2,917,319	22,050,747
Non-voted expenditure												
A - Estimate line 1	-	-	-	-	-	-	-	-	-	-	-	-
Total spending in AME	**-**	**-**	**-**	**23,293,240**	**(7,701,568)**	**15,591,672**	**15,591,672**	**18,508,991**	**-**	**18,508,991**	**2,917,319**	**22,050,747**
Total resource	**-**	**-**	**-**	**23,293,240**	**(7,701,568)**	**15,591,672**	**15,591,672**	**18,508,991**	**-**	**18,508,991**	**2,917,319**	**22,050,747**

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 Manual, 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.

S1. Outturn detail, by Estimate Line (continued)

S1.1 Analysis of resource outturn by Estimate line (continued)

S1.1.1 Explanation of the variation between Estimate and Outturn (net total resources)

The net resource outturn is £2,917 million (2018-19: £82 million underspend) lower than the net resource limit in the Supply Estimate. In 2018-19 a provision of £7,000 million was made in respect of the McCloud/Sargeant legal cases. At the time of publication of the 2018-19 ARA the outcome of the employment tribunal was unknown and as such there was significant uncertainty about the value of this provision. Due to the developments in the cases since then, the Actuary has been able to provide a more accurate value for this report and as such the provision was reduced by £3,400 million in 2019-20. Further details can be found in note 1.3.1.

This reduction in provision was partially offset by the introduction of a new provision in the year relating to the Goodwin legal challenge that was not known at the time of the Supplementary Estimate. The value of this provision is £1,700 million.

S2. Reconciliation of net resource outturn to net expenditure

All figures presented in £000s

Item	Reference	Outturn total	Prior Year outturn total, 2018-19
Total resource outturn	S1.1	15,591,672	22,050,747
Less: income payable to the Consolidated Fund	S4	173	161
Combined net expenditure in Combined Statement of Comprehensive Net Expenditure	SOCNE	**15,591,499**	**22,050,586**

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

All figures presented in £000s

Item	Reference	Outturn total	Estimate	Outturn vs Estimate, savings/ (excess)	Prior Year outturn total, 2018-19
Total Resource outturn	**S1.1**	**15,591,672**	**18,508,991**	**2,917,319**	**22,050,747**
Total Capital outturn		**-**	**-**	**-**	**-**
Adjustments to remove non-cash items:					
New provisions and adjustments to previous provisions		(23,257,880)	(26,211,632)	(2,953,752)	(28,459,054)
Adjustments to reflect working balances:					
Increase in receivables		161,298	179,259	17,961	39,592
(Increase)/decrease in payables		(38,560)	(37,039)	1,521	(59,238)
Use of provisions		10,298,699	10,396,235	97,536	10,004,722
Net cash requirement		**2,755,229**	**2,835,814**	**80,585**	**3,576,769**

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

The following income relates to the scheme and is payable to the Consolidated Fund (cash receipts being shown in italics).

All figures presented in £000s

		Outturn total		Prior Year, 2018-19	
Item	**Reference**	**Accruals**	**Cash basis**	**Accruals**	**Cash basis**
Income outside the ambit of the Estimate		173	*173*	161	*161*
(Excess) cash surrenderable to the Consolidated Fund		-	-	-	-
Total amount payable to the Consolidated Fund		**173**	***173***	**161**	***161***

Parliamentary accountability disclosures: audited

Losses statement

	2019-20	2018-19
Total number of losses	24,559	3,234
Total value of losses (£000)	15,557	627

In 2019-20, £15.0 million was written off in relation to the indexation and equalisation of GMP.

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

Special payments

There were no special payments made in the year (2018-19: nil).

Susan Acland-Hood
Acting Accounting Officer

9 November 2020

The certificate and report of the Comptroller and 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) for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Combined Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in those reports and disclosures as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Scheme's affairs as at 31 March 2020 and of its total comprehensive net expenditure for the year then ended; and
- the financial statements 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 Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2020 and shows that those totals have not been exceeded; and
- 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), Practice Note 15 (revised) 'The Audit of Occupational Pension Schemes in the United Kingdom' and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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 2016. I am independent of Teachers' Pension Scheme (England and Wales) in accordance with the ethical requirements that are relevant to my audit and 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

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Teachers' Pension Scheme (England and Wales) use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Teachers' Pension Scheme (England and Wales) have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Teachers' Pension Scheme (England and Wales) ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 the preparation of the financial statements and for being satisfied that they give a true and fair view.

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. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Teachers' Pension Scheme (England and Wales) internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Teachers' Pension Scheme (England and Wales) use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Teachers' Pension Scheme (England and Wales) ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Teachers' Pension Scheme (England and Wales) to cease to continue as a going concern.

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 that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against 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 also required to obtain evidence sufficient 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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor’s report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, 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, 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:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the Teachers’ Pension Scheme (England and Wales) and its environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report; and
- the information given in the Report of the Managers and the Report of the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

Report

I have no observations to make on these financial statements.

Gareth Davies **11 November 2020**
Comptroller and Auditor General

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

Financial Statements

Combined Statement of Comprehensive Net Expenditure

for the year ended 31 March 2020

	Note	2019-20 £m	2018-19 £m
Principal arrangements			
Income			
Contributions receivable	2	(7,660)	(6,410)
Transfers in	3	(19)	(18)
Other pension income	4	(3)	(3)
Other pension income - administration fee		(20)	(20)
		(7,702)	**(6,451)**
Expenditure			
Service cost	5	12,772	19,209
Enhancements	6	5	8
Transfers in	7	19	18
Pension financing cost	8	10,464	9,247
Administration expenses	9	17	18
GMP write off		15	-
		23,292	**28,500**
Net expenditure		**15,590**	**22,049**
Compensation arrangements			
Benefits payable	10	1	2
Net expenditure		1	2
Combined net expenditure		**15,591**	**22,051**
Other comprehensive net expenditure			
Recognised losses for the year			
Actuarial loss / (gain)	14.7	59,629	(20,387)
Total comprehensive net expenditure		**75,220**	**1,664**

The notes on pages 49 to 66 form part of these accounts.

Combined Statement of Financial Position

as at 31 March 2020

	Note	2020 £m	2019 £m
Principal arrangements			
Current assets			
Receivables	11	716	554
Cash and cash equivalents	12	53	44
Total current assets		**769**	**598**
Current liabilities			
Payables	13.1	(592)	(544)
Total current liabilities		**(592)**	**(544)**
Net current assets, excluding pension liability		**177**	**54**
Provision for pension liability	14	(432,200)	(359,600)
Net liabilities, including pension liability		**(432,023)**	**(359,546)**
Compensation arrangements			
Payable	13.2	(1)	(1)
Provision for compensation payments	15	(196)	(208)
Net liabilities		**(197)**	**(209)**
Combined schemes - total net liability		**(432,220)**	**(359,755)**
Taxpayers' equity			
General Fund		(432,220)	(359,755)
Total equity		**(432,220)**	**(359,755)**

Susan Acland-Hood **9 November 2020**
Acting Accounting Officer

The notes on pages 49 to 66 form part of these accounts.

Combined Statement of Changes in Taxpayers' Equity

for year ended 31 March 2020

	Note	General Fund £m
Balance at 31 March 2018		**(361,668)**
Net Parliamentary Funding		
– drawn down		3,515
– deemed		106
Supply payable adjustments		(44)
Comprehensive net expenditure for the year		(22,051)
Actuarial gain	14.7	20,387
Net change in taxpayers' equity		1,913
Balance at 31 March 2019		**(359,755)**
Net Parliamentary Funding		
– drawn down		2,764
– deemed		44
Supply payable adjustments		(53)
Comprehensive net expenditure for the year		(15,591)
Actuarial loss	14.7	(59,629)
Net change in taxpayers' equity		(72,465)
Balance at 31 March 2020		**(432,220)**

The notes on pages 49 to 66 form part of these accounts.

Combined Statement of Cash Flows

for the year ended 31 March 2020

	Note	2019-20 £m	2018-19 £m
Cash flows from operating activities			
Net expenditure		(15,591)	(22,051)
Adjustments for non-cash transactions	8 & 15	10,464	9,243
Increase in receivables – principal arrangements	11	(162)	(40)
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure			
Increase in Payables agency arrangement	13.2	-	1
Increase / (Decrease) in payables – pensions	13.1	48	(3)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	13.1	(9)	62
Increase in pension provision	5 & 15	12,770	19,190
Increase in pension provision – enhancements and transfers in	6 & 7	24	26
Use of provisions – pension liability	14.5	(10,259)	(9,964)
Use of provisions – early retirement	15	(10)	(10)
Use of provisions – refunds and transfers	14.6	(30)	(31)
Net cash outflow from operating activities		**(2,755)**	**(3,577)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		2,764	3,515
Net Parliamentary financing		**2,764**	**3,515**
Net financing		**9**	**(62)**
Net increase / (decrease) in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		**9**	**(62)**
Payments of amounts due to the Consolidated Fund	13.1	-	-
Net increase / (decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund		**9**	**(62)**
Cash and cash equivalents at the beginning of the year	12	**44**	**106**
Cash and cash equivalents at the end of the year	12	**53**	**44**

The notes on pages 49 to 66 form part of these accounts.

Notes to the Accounts

1. Accounting policies

The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRSs) to the extent that they are meaningful and appropriate to the public sector context and to an unfunded scheme, with a separate vote. The accounts therefore include contributions receivable as income, as a pension scheme would. 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 accounts.

1.1 Basis of preparation

The TPS ARA has been prepared in accordance with the relevant provisions of the 2019-20 FReM issued by HMT. The accounting policies contained in the FReM apply IFRSs as adapted or interpreted for the public sector. IAS 19 Employee Benefits (IAS 19) and IAS 26 Accounting and Reporting by Retirement Benefit Plans (IAS 26) are of particular relevance to these accounts.

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

Management has considered the financial reporting implications for each scheme and the premature retirement compensation schemes. A decision was made to produce 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 2.

The scheme Estimate and forward plans include provision for the scheme's continuation. It is therefore appropriate to prepare the scheme's accounts on a going concern basis.

1.1.1 Teachers' Pension Scheme - principal arrangements

The scheme is an 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 Secretary of State after consultation with the scheme's actuary. The contributions partially fund payments made by the scheme; the balance of funding being provided by Parliament through the annual Supply Estimates process. The costs of administering the scheme is met by employers via an administration fee collected alongside contributions and reported in the ARA.

The accounts of the scheme show the financial position of the 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 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 accounts should be read in conjunction with that report.

1.1.2 Teachers' Pension Scheme - 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 the accounts other than to recognise a payable in respect of monies recovered from employer's 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 £196 million (2018-19: £208 million) (see note 15).

1.2 Accounting convention

These accounts have been prepared under the historical cost convention.

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 Pension Scheme Liability. Further details of these assumptions can be found in note 14.1 and 14.2.

1.3.1 McCloud/Sargeant

A provision of £7 billion was made in the 2018-19 ARA in respect of the McCloud/Sargeant case, on the assumption that all members could be affected by a potential remedy. Following the Court of Appeal ruling against the Judicial and Firefighters pension schemes, claims have been lodged against the main public sector schemes including the TPS. The Department has conceded those in line with the rest of the government. In July 2020 HM Treasury launched a 12 week public consultation which will provide evidence to support the delivery of an appropriate remedy for the affected schemes, including TPS. The consultation proposes that a remedy would affect members in services on 31 March 2012 and 1 April 2015. Whilst the remedy has yet to be agreed, the proposals have enabled the actuary to revise their estimate of the provision to £3.6 billion and so there is a negative past service cost of £3.4 billion in the 2019 ARA.

1.3.2 Guaranteed minimum pension

The calculation of the adjustment to past service costs in 2019-20: £1.75 billion arising from the government's commitment to addressing GMP equalisation, either through provision of full indexation of pensions or conversion of GMPs in respect of the additional liabilities for members reaching state pension age after 6 April 2021 has been calculated in line with the methodology used for the interim solution in 2017-18. Where there is uncertainty a prudent estimate has been used.

1.3.3 Goodwin legal challenge

In December 2019 a legal challenge was made against the TPS for which the Secretary of State for Education, having sought legal counsel, agreed not to defend. In June 2020 the Employment Tribunal recorded its findings in respect of the claimant. Based on the agreed remedy, the actuary estimated a past service cost of £1.7 billion that has been recognised in respect of this claim.

1.3.4 Administration levy

Non-contributory income such as the administration levy will be recognised in the same period as the pay bill to which it relates. As there are no discernible timings to any customer rights arising from the levy, there is no deferral of levy revenue.

1.4 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 TPS must disclose where it has not applied a new

IFRS that has been issued but is not yet effective. There are two standards in issue but not effective:

- IFRS16 Leases, annual periods beginning on or after 1 January 2019, 2021-22 (subject to EU adoption and consultation), with FReM application from 1 April 2021
- IFRS17 Insurance Contracts, annual periods beginning on or after 1 January 2023, FReM application unknown

TPS has carried out a review of the above IFRSs, to assess their impact on its accounting policies and treatment. The full impact of these IFRSs has been assessed as not material to the accounts.

1.5 Pension contributions receivable

Pensions contributions are mainly outside the scope of IFRS 15 Revenue from Contracts with Customers. The only element that is within scope is the employer administration expense levy, which is immaterial to the financial statements

- 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 (dealt with in the next bullet point) and AVCs (dealt with in 1.21 below) 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

1.6 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 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.

1.8 Other income

Other income, including refunds of gratuities, 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.

1.9 Administration fee and expenses

The costs of administering the scheme are ultimately met by employers via a levy of 0.08% of pensionable salary. This levy is shown as income in the Statement of Comprehensive Net Expenditure and accounted for on an accruals basis.

The expenses are paid for by the Department and recharged to the scheme on a quarterly basis. These charges are shown under Expenditure in the Statement of Comprehensive Net Expenditure and are accounted for on an accruals basis.

1.10 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 Statement of Comprehensive Net Expenditure. It is calculated by factoring up the actual contribution rate charged (employers 16.4% which increased to 23.6% in September 2019) to the projected unit credit rate of 49.9% (2018-19: 49.3%) adopted by the actuary.

1.11 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 Statement of Comprehensive Net Expenditure in the year in which the increase in benefits vests. Past service costs accrue based on additional contributions received from members. In 2019-20 this charge amounted to £0.02 billion.

A one off adjustment for past service cost of £7.0 billion was recognised in 2018-19 in relation to a legal case in respect of the transitional protection. This has been reduced by £3.4 billion in 2019-20 resulting in a negative past service cost.

In 2019-20 there were two further past service costs amounting to £3.45 billion. £1.75 billion related to the future solution of GMP indexation and equalisation, and £1.7 billion in relation to the Goodwin legal challenge.

1.12 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 Statement of Comprehensive Net Expenditure. The interest cost is based on a discount rate of 0.29% (2018-19: 0.10%), real rate i.e. 2.90% (2018-19: 2.55%) including inflation.

1.13 Other expenditure

All other expenditure in the Statement of Comprehensive Net Expenditure is related to the compensation scheme and accounted for on an accruals basis.

1.14 Bad debt provision

A bad debt provision has been made in respect of contributions receivable from employers who are either in administration or are notified insolvent. The debt is written off and the provision is released once scheme managers are satisfied that there is no possibility of recovery from any source. All cash, receivables and payables are classified as amortised cost for IFRS 9 Financial Instruments purposes. Owing to the immaterial size of such receivable's balances and losses thereon, the impact of moving to an expected credit loss model was immaterial.

1.15 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 (0.5%) real (1.80% gross). The actuary reviews the most recent actuarial valuation at the date of the Statement of Financial Position and updates it to reflect current conditions.

1.16 Pension benefits payable

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

1.17 Pension payments to those retiring at their normal retirement age

Where a retiring member of the pension 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.

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 a cash basis.

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

Where a member of the pension 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 pension 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.

1.19 Lump sums payable on death in service

Lump sum payments payable on death in service are accounted for on a cash basis. They are funded through the normal pension contributions and are a charge on the pension provision.

1.20 Actuarial gains and losses

Actuarial gains and losses arising from any 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.

1.21 Additional voluntary contributions

AVCs are deducted from members' salaries and are paid over directly by the employers to the approved AVC provider.

1.22 Premature retirement compensation

On-going 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 are not recorded in the Statement of Comprehensive Net Expenditure.

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 Statement of Comprehensive Net Expenditure, with offsetting income reflecting the reimbursements due from employers.

1.23 Administration expenses

The budget for all the administration expenses related to the scheme in 2019-20 is included in the Main and Supplementary Estimates. Administration expenses include all staff costs, overheads and general administration costs and the cost of fees paid for medical examinations. These are collated by the Department and recharged to the scheme on a quarterly basis. Employers pay a contribution to cover administrative expenses and this is covered in note 1.5.

2. Contributions receivable

	2019-20 £m	2018-19 £m
Employers	5,244	4,055
Employees:		
Normal	2,411	2,347
Purchase of added years	5	8
	7,660	**6,410**

£8,662 million contributions are expected to be payable to the scheme in 2020-21.

3. Transfers in

	Note	2019-20 £m	2018-19 £m
Transfers in from other schemes		19	18
	14.4	**19**	**18**

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

4. Other pension income

	2019-20 £m	2018-19 £m
Premature retirement compensation	3	3
	3	**3**

5. Service cost

	Note	2019-20 £m	2018-19 £m
Current service cost	14.4	12,702	12,189
Past service cost	14.4	70	7,020
		12,772	**19,209**

6. Enhancements

	Note	2019-20 £m	2018-19 £m
Employees:			
Purchase of added years		5	8
	14.4	**5**	**8**

7. Transfers in - additional liability

	Note	2019-20 £m	2018-19 £m
Transfers in from other schemes		19	18
	14.4	**19**	**18**

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

8. Pension financing cost

	Note	2019-20 £m	2018-19 £m
Net interest charge for the year		10,464	9,247
	14.4	**10,464**	**9,247**

9. Administration expenses

	Note	2019-20 £m	2018-19 £m
Administration Fees		17	18
		17	**18**

10. Compensation benefits

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 Statement of Comprehensive Net Expenditure

	Note	2019-20 £m	2018-19 £m
On retirement			
Contributions equivalent premiums		-	22
Premature retirement compensation		-	(18)
Other		1	2
Unwinding of discount	15	-	(4)
		1	**2**

11. Receivables

	2020 £m	2019 £m
Amounts falling due within one year:		
Pension contributions due from employers	460	314
Employees' normal contributions	185	182
Other receivables	70	57
	715	553
Recoverable compensation from employers (principal)	1	1
Total amounts falling due within one year	**716**	**554**

Included within the 2019-20 figures is £nil (2018-19: £nil) that will be due to the Consolidated Fund once the debts are collected.

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.

12. Cash and cash equivalents

	2020 £m	2019 £m
Balance at 1 April	44	106
Net change in cash balances	9	(62)
Balance at 31 March	**53**	**44**
The following balances at 31 March were held at:		
Cash at bank and in hand:		
Government Banking Service	51	41
Commercial banks and cash in hand	2	3
Balance at 31 March	**53**	**44**

13. Payables

13.1 Payables – Principal arrangements

	2020 £m	2019 £m
Amounts falling due within one year:		
Pensions	450	411
HMRC and voluntary contributions	82	82
Other payables	7	7
	539	**500**
Amounts issued from the Consolidated Fund for supply but not spent at year end	53	44
	53	**44**
Total amounts falling due within one year	**592**	**544**

13.2 Payables – Agency arrangements

	2020 £m	2019 £m
Amounts falling due within one year:		
Balance at 1 April	1	-
Receipts from employers	28	28
Payments to employees	(28)	(27)
Total amounts falling due within one year	**1**	**1**

14. Provisions for pension liabilities

14.1 Assumptions underpinning the pension liability

The TPS is an unfunded defined benefits scheme. The GAD carried out an assessment of the scheme liabilities as at 31 March 2020. The Report of the Actuary on pages 17 to 22 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:

	2020 %	2019 %	2018 %	2017 %	2016 %
Rate of increase in salaries[1]	4.10	4.10	3.95	4.55	4.20
Rate of increase in pensions in payment and deferred pensions	2.35	2.60	2.45	2.55	2.20
Inflation assumption[2]	2.35	2.60	2.45	2.55	2.20
Nominal discount rate	1.80	2.90	2.55	2.80	3.60
Discount rate net of price inflation	(0.50)	0.29	0.10	0.24	1.37

	2020 Years	2019 Years	2018 Years	2017 Years	2016 Years
Life expectancy for those retiring at 31 March aged 60					
Males	27.7	28.6	28.5	29.4	29.3
Females	29.7	30.6	30.5	31.7	31.6

	2020 Years	2019 Years	2018 Years	2017 Years	2016 Years
Retirements in 20 years' time					
Males	29.3	30.5	30.4	31.4	31.3
Females	31.3	32.5	32.3	33.6	33.5

	2020 Years	2019 Years	2018 Years	2017 Years	2016 Years
Life expectancy for those retiring at 31 March aged 65					
Males	22.8	23.6	23.5	24.4	24.3
Females	24.8	25.6	25.5	26.6	26.5

	2020 Years	2019 Years	2018 Years	2017 Years	2016 Years
Retirements in 20 years' time					
Males	24.4	25.5	25.4	26.3	26.2
Females	26.2	27.3	27.2	28.4	28.3

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

[1] Short term adjustments have been made to this assumption.
[2] The inflation assumptions shown are based 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.

The assumptions reflect the outcomes in the case of the McCloud/Sargeant ruling.

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.

14.2 Analysis of the provision for pension liability

	2020 £bn	2019 £bn	2018 £bn	2017 £bn	2016 £bn
Value of liability in respect of					
Pensions in payment	238.0	179.8	153.6	151.6	136.5
Deferred members	38.3	32.5	33.7	28.2	21.0
Active members	155.8	147.3	174.3	167.4	114.2
Total liabilities*	**432.2**	**359.6**	**361.5**	**347.2**	**271.7**

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

Pension 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 Statement of Financial Position 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 14.4 and 14.7. 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.

14.3 Sensitivity analysis

Table showing the indicative effects on the total liability as at 31 March 2020 of changes to assumptions (rounded to the nearest ½%).

Change in Assumption		Approximate effect on total liability [1]	
Financial Assumptions			
Discount rate [1]	+ ½% a year	(10.5%)	(£45.4 billion)
Earnings increases[1]	+ ½% a year	2.0%	£8.6 billion
Pension increases[1]	+ ½% a year	7.5%	£32.4 billion
Demographic assumptions			
Additional one year increase to life expectancy at retirement[1]		4.0%	£17.3 billion

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

14.4 Analysis of movements in the scheme liability

	Note	2019-20 £m	2018-19 £m
Scheme liability at 1 April		359,600	361,500
Current service cost	5	12,702	12,189
Past service cost	5	70	7,020
Pension financing cost	8	10,464	9,247
Enhancements	6	5	8
Pension transfers in	7	19	18
Benefits payable	14.5	(10,259)	(9,964)
Pension payments to and on account of leavers	14.6	(30)	(31)
Actuarial (gain) / loss	14.7	59,629	(20,387)
Scheme liability at 31 March		**432,200**	**359,600**

During the year ended 31 March 2020, members contributed an average of 9.5% of pensionable pay (2018-19: 9.5%). From 1 April to 31 August 2019, employers contributed a rate of 16.4% of pensionable pay and from 1 September 2019 a rate of 23.6% (2018-19: 16.4%).

14.5 Analysis of benefits paid

	2019-20 £m	2018-19 £m
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	9,129	8,825
Commutations and lump sum benefits on retirement	1,130	1,139
Total benefits paid	**10,259**	**9,964**

14.6 Analysis of payments to and on account of leavers

	2019-20 £m	2018-19 £m
Refunds to members leaving service	6	10
Individual Transfers to other schemes	24	21
Total payments to and on account of leavers	**30**	**31**

14.7 Analysis of actuarial losses/(gains)

	2019-20 £m	2018-19 £m
Experience gain arising on the scheme liabilities	(3,571)	(3,887)
Changes in projected improvements in mortality	(12,900)	-
Changes in baseline mortality assumptions	-	(600)
Changes in demographic assumptions (other than mortality) underlying the present value of scheme liabilities	-	-
Changes in financial assumptions	76,100	(15,900)
Total actuarial loss / (gain)	**59,629**	**(20,387)**

The loss incurred from the change in financial assumptions is due to changes in the HMT nominal discount rate from 2.90% to 1.80% which increases the liability. This was offset by a decrease in the assumed rate of future pension increases from 2.60% to 2.35% which reduces the liability.

The experience gain was influenced by two factors being payments to current pensioners and payments to new pensioners. These were lower than anticipated due to lower interest rates, fewer retirements and/or members with smaller pension funds.

Mortality rates have been updated to use the 2018 projections published by the Office for National Statistics.

14.8 History of experience losses/(gains)

	2019-20	2018-19	2017-18	2016-17	2015-16
Experience losses/(gains) arising on the scheme liabilities Amount (£m)	(3,571)	(3,887)	7,277	(2,797)	(3,219)
Percentage of the present value of the scheme liabilities	0.83%	1.08%	(2.01%)	0.81%	(1.18%)
Total amount recognised in Statement of Changes in Taxpayers’ Equity Amount (£m)	59,629	(20,387)	2,077	67,403	(12,319)
Percentage of the present value of the scheme liabilities	(13.80%)	5.67%	(0.57%)	(19.41%)	(4.53%)

15. Provision for compensation payments

	Note	2019-20 £m	2018-19 £m
Balance at 1 April		208	241
Additional/(release of) provisions		(3)	13
Use of provision in year		(10)	(10)
Unwinding of discount	10	-	(4)
Step change in discount rate		1	(32)
		196	**208**

16. 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. The scheme’s purchase and usage requirements do expose the scheme to financial risks as defined under IFRS 7, due to the risk of employer insolvency. However, the value of financial risk is immaterial.

17. IAS 37 contingent liabilities

In the unlikely event of a default by the approved AVC provider, the scheme will guarantee pension payments. The liability for 2019-20 is £31.6 million per annum (2018-19: £29.2 million). This guarantee does not apply to members who make payments to other institutions offering free standing AVCs.

18. Related party transactions

The TPS falls within the ambit of the Department for Education. 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 of the scheme.

None of the managers of the scheme, key managerial staff or other related parties have undertaken any material transactions with the scheme during the year.

19. Events after the reporting period

19.1 COVID-19 response and other events

From 1 April 2020 business operations have experienced significant impact due to COVID-19. The outbreak of COVID-19 has resulted in office closures and changes to business operations including a work from home policy. There has however been limited impact on operations of the scheme obligation to pay benefits. We are working to support the government's response to COVID-19, of which there were no events to report. There has been no financial impact on the scheme due to COVID-19 in 2019-20.

In August 2019 Jonathan Slater announced that he was stepping down as the Permanent Secretary and Accounting Officer of the Department with effect from 31 August 2020. Susan Acland-Hood has been appointed Acting Permanent Secretary and Accounting Officer of the Department and the TPS from 1 September 2020 until a permanent replacement is confirmed.

19.2 Legal cases

McCloud and Sargeant

In July 2020 HM Treasury launched a 12 week public consultation in relation to the McCloud/Sargeant case, which will provide evidence to support the delivery of an appropriate remedy for the affected schemes, including TPS. Whilst the remedy has yet to be agreed, the proposals have enabled the actuary to revisit their estimate of the 2018-19 provision. Their revised estimate was £3.4 billion lower than 2018-19 which we have adjusted in the accounts, this has resulted in a negative past service cost.

Goodwin

In December 2019 a legal challenge was made against the TPS for which the Secretary of State for Education, having sought legal counsel, agreed not to defend. In June 2020 the Employment Tribunal recorded its findings in respect of the claimant. Following the agreement of the remedy, the actuary estimated the value of this provision to be £1.7 billion, which we have adjusted in the accounts and it has resulted in an additional past service cost.

19.3 Authorisation

The accounts were authorised for issue by Susan Acland-Hood (Acting Accounting Officer) on the date they were certified by the Comptroller & Auditor General.

Annex

Glossary of key terms

Abbreviation or term	Description
ARA	The Teachers' Pension Scheme Annual Report and Accounts
AVCs	Additional Voluntary Contributions
Capita	Capita Business Services Ltd
CPI	Consumer Price Index
DB	Department for Education Board
The Department	Department for Education
The Directions	The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014
FReM	Financial Reporting Manual
GAD	Government Actuary's Department
GIA	Capita Group Internal Audit
GMP	Guaranteed Minimum Pension
HMT	Her Majesty's Treasury
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
PUCM	Projected Unit Credit Method
SB	Strategy Board
The scheme	Teachers' Pension Scheme
SDB	Service Delivery Board
TPS	Teachers' Pension Scheme
TPSPB	Teachers' Pension Scheme Pension Board
2018-19 & 2019-20	Financial years, ending on 31 March
2018/19 & 2019/20	Academic years, ending on 31 August

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