

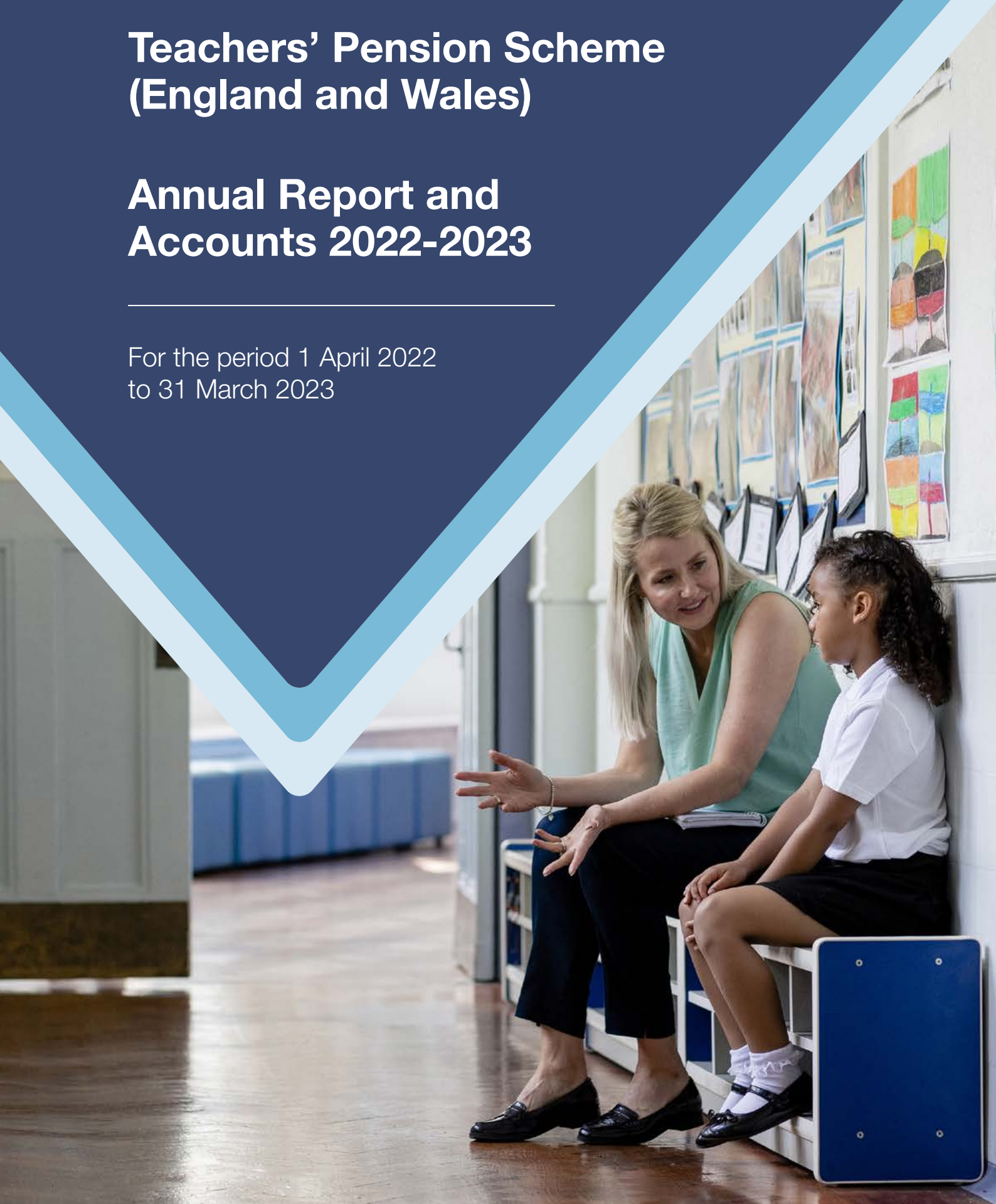


Department
for Education

Teachers' Pension Scheme (England and Wales)

Annual Report and Accounts 2022-2023

For the period 1 April 2022
to 31 March 2023





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Accountability Report

Report of the Managers

Background to the Scheme

Statutory basis for the Scheme

This report covers the financial year 2022-23.

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

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

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

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

Eligibility to join the Scheme

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

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

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

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

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

¹ <https://www.teacherspensions.co.uk/-/media/documents/employer/factsheets/who-is-eligible-to-join-the-scheme---employer-factsheet.ashx?rev=0a2f4e1450a2454cb5eae5c5ad1eafa1&hash=869CFB4AB0F1D2EC9A6A26C0A7F57D78>

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

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

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

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

Management of the Scheme and organisations responsible for administering the Scheme

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

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

Corporate governance of the Scheme, including management team

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

Arrangements governing determination of contribution rates and benefits

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

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

Work on the next Scheme valuation, as at 31 March 2020, is underway, with any changes to contributions and benefit levels expected to be announced in early Autumn 2023 and to take effect in April 2024.

Key developments in year

Changes in contributions

Employee contributions

Contributions from active Scheme members are used to offset payments to members currently in receipt of pensions and are levied on a tiered basis dependent upon salary. Employee contribution rates for each tier remained static in 2022-23, although the salary bands increased by 3.1% in line with the change in the Consumer Price Index (CPI). The following table shows the rates applied for each salary band.

2022-23		2021-22	
Salary band	Contribution rate	Salary band	Contribution rate
£1 – £29,187	7.4%	£1 – £28,309	7.4%
£29,188 – £39,290	8.6%	£28,310 – £38,108	8.6%
£39,291 – £46,586	9.6%	£38,109 – £45,185	9.6%
£46,587 – £61,742	10.2%	£45,186 – £59,885	10.2%
£61,743 – £84,193	11.3%	£59,886 – £81,661	11.3%
£84,194 or more	11.7%	£81,662 or more	11.7%

Employer contributions

Following the Scheme valuation as at 31 March 2016, employer contributions were increased to 23.6%. Employers also pay a charge equivalent to 0.08% of pensionable salary costs to cover administration expenses.

Changes in benefits

Pension payments

Pension payments were reviewed, in accordance with the Scheme regulations and Pensions Increase legislation, and were increased by 3.1% from 1 April 2022 (2021: 0.5% increase).

Changes to the Premature Retirement Compensation (PRC) scheme

During the year, PRC payments were reviewed and were increased by 3.1% with effect from 1 April 2022 (2021: 0.5% increase), in keeping with pension payments above.

Membership statistics

Membership information is provided by employers to Capita. Due to the scale and complexity of collating the data this is reported a year in retrospect, therefore the figures for active and deferred members relate to the year ended 31 March 2022. More detail is provided in Annex A on page 76.

Financial review of the year

Introduction

2022-23 has been a stable year for the Scheme. In previous years public sector schemes have seen significant legal challenges which have impacted the Scheme. There were no successful legal challenges impacting the Scheme this financial year.

Significant events

Previous legal challenges in respect of Goodwin and McCloud-Sargeant continue to impact the Scheme, as outlined below. These challenges led to the need for a provision in the year in which the challenge was known, which have been subsequently revised as more information on their effect on the Scheme has become available.

The Scheme continues to make remedial payments to members in respect of the Goodwin case in line with the Government's response in July 2021 to implement the proposed amendments.

The Department has been working with stakeholders on the detail of TPS specific changes to deliver the retrospective remedy in response to the McCloud-Sargeant case, as well as working with the Scheme administrator to put in place arrangements for the remedy implementation. Following a public consultation, on 26 July 2023, TPS regulations were laid in Parliament for the retrospective element of the remedy. Those regulations come into force on 1 October 2023 and will allow cases to begin to be addressed then, in line with the *Public Service Pensions and Judicial Offices Act 2022*.

In December 2021 several unions filed for a joint judicial review against the Government on the inclusion of the McCloud-Sargeant remedy costs within the cost control mechanism for the 2016 scheme valuations. Following a hearing, a High Court judgment was laid down in March 2023 rejecting the case made by the unions. The Court of Appeal has subsequently given the unions leave to appeal to it, and a hearing is expected to take place in February 2024. It remains the case, however, that it is not possible to estimate if and to what extent this could impact the TPS given: the outcome of the previous judgment and the consequent uncertainty over whether the appeal will be successful; that even if the appeal were successful it is unclear what remedy the court may order; and the Government would then need to consider how to proceed following such a judgment.

Outturn by budget type

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

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

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

For more detailed explanations see His Majesty's Treasury's (HMT's) [Consolidated Budgeting Guidance](#).²

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1061788/CBG_2022-23.pdf

2022-23 Financial outturn

In 2022-23 the Scheme's AME limit was £22,170 million (2021-22: £17,999 million) against which the Scheme spent a total of £22,064 million (2021-22: £17,935 million). The table below shows the Scheme's performance against its 2022-23 control totals as agreed by Parliament in the [2022-23 Supplementary Estimates](#).³

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

Type of spend	2022-23			2021-22		
	Estimate	Outturn	Variance	Estimate	Outturn	Variance
	£m	£m	£m	£m	£m	£m
AME	22,170	22,064	106	17,999	17,935	64
Net Cash Requirement	1,985	1,728	257	1,777	1,684	93

³ <https://committees.parliament.uk/publications/34299/documents/188786/default/>

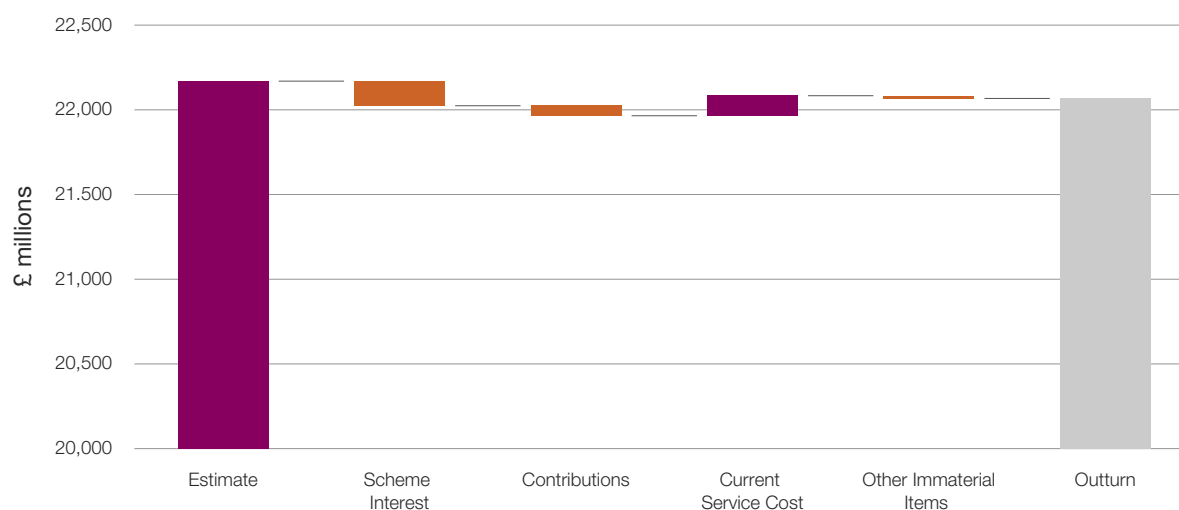
Variance analysis

Resource AME

The pay award announced in September 2022, affected outturn in 2022-23 which was £106 million lower than forecast (2021-22: £64 million lower), 0.5% of the Estimate. The pay award largely explains the variance in the following ways:

- Scheme interest was £149 million lower than the forecast cost of £8,497 million. This is a 1.7% variance which is in line with expectations
- Contributions received were £58 million higher than originally forecast. Monies received from back dated salary increases were later than anticipated and after the Supplementary Estimate process was completed
- The contributions received variance translated into a variance of £120 million on current service cost, which was higher than forecast. Current service cost is linked to contributions as both are related to pensionable pay with the current service cost being 82.3% of pensionable pay

Reconciliation of Estimate to Outturn (RAME)



Net cash

Net cash was £257 million lower than forecast (2021-22: £93 million lower), representing 12.9% of the Estimate. The significant variances were:

- Pension benefit payments are £131 million lower than forecast. The main variance relates to lump sum payments, as the number of retirees was lower than anticipated. Benefit payments are within 1.2% of the Estimate
- Contributions received were £58 million higher than originally forecast as explained above
- Contributions receivables were £36 million lower than forecast. This was due to the timing of the financial year-end being immediately before the Easter Holidays, a number of employers paid their March contributions earlier than anticipated

Reconciliation to financial statements

The SOPS shows outturn of £22,064 million, whereas the SoCNE shows (£227,409) million. The reasons for the variance are due to the factors noted below sitting outside the scope of the Estimate, and therefore not included in SOPS:

- The actuarial gain of £249,473 million. This gain is the revaluation of the prior year's pension liability and is calculated by the Scheme Actuary and is affected by a number of different factors including changes to financial assumptions, membership movements and mortality rates
- Consolidated Fund Extra Receipts are refunded directly to HMT. For the TPS, these receipts are primarily fines, interest for late contributions levied on employers and bank interest

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

Decrease in pension liability

The net pension liability, calculated by the Scheme Actuary, is £303.2 billion as at 31 March 2023 (2022: £532.3 billion). This represents the present value of the Scheme liability taking into account future forecast movements in pay, inflation and demographic assumptions. The significant reduction in the net pension liability was driven by the increase in the discount rate to 4.15% (2022: 1.55%). This rate is set independently of the Scheme by HMT taking into account varying external factors. The full Report of the Scheme Actuary can be found on page 20.

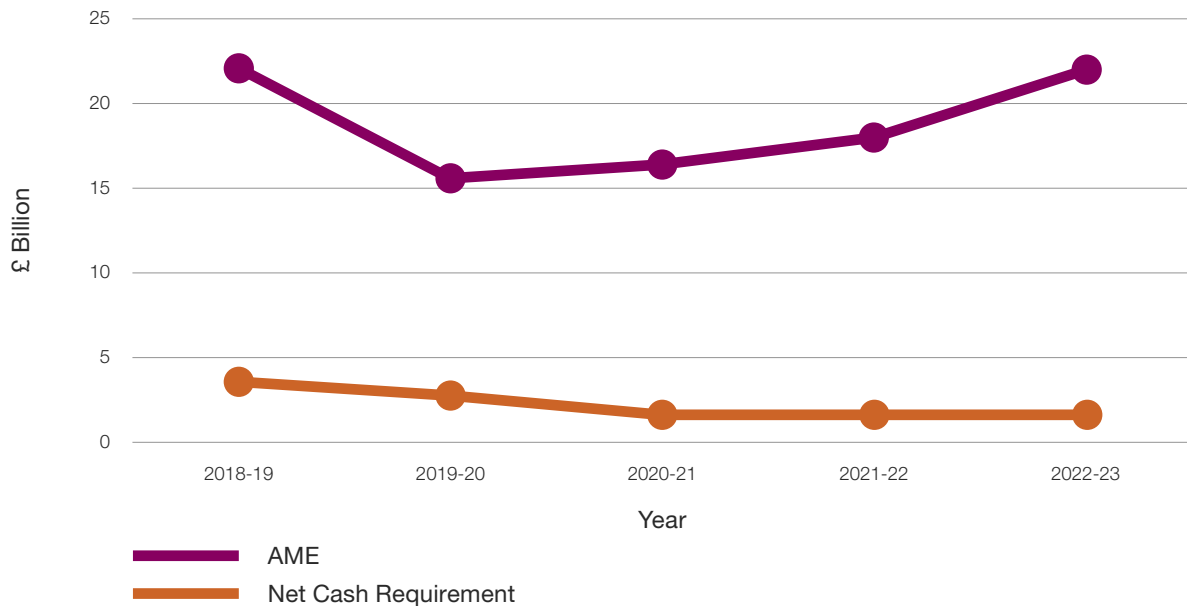
Trends in Outturn

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

	2018-19	2019-20	2020-21	2021-22	2022-23
Type of spend	Outturn	Outturn	Outturn	Outturn	Outturn
	£m	£m	£m	£m	£m
AME	22,051	15,591	16,385	17,935	22,064
Net Cash Requirement	3,577	2,755	1,692	1,684	1,728

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

TPS Outturn 2018-2023



Movements in outturn

Year-on-year outturn variance

The Scheme expenditure increased by £4,129 million from £17,935 million in 2021-22 to £22,064 million in 2022-23. The increase is primarily due to:

- Current service costs are £2,234 million higher. This is due to a change in the rate used for accruing current service costs from 77.0% in 2021-22 to 82.3% in 2022-23, following advice from Government Actuary's Department (GAD)
- Interest on Scheme liabilities increased by £2,267 million due to a change in the interest rate set by HMT from 1.25% in 2021-22 to 1.55% in 2022-23
- Employer contributions are £231 million higher because of an increase to the size of the underlying pay bill. This is due to general salary increases within pay bands. This increased income is offset by the increase in current service costs noted above, which are directly linked to employer contributions

AME

AME has fluctuated over the last few years. In 2018-19 there was a significant increase in expenditure due to a provision in respect of the McCloud-Sargeant legal case. In 2019-20, the provision was reduced and a further two provisions were made in respect of the Goodwin legal challenge and the Guaranteed Minimum Pension. The additional provisions offset the decrease to the McCloud-Sargeant provision.

The current service cost rate is updated each year to reflect changes in the rate for accruing pension costs. This has led to significant changes in current service costs and net expenditure. The current service costs are linked to the contributions received as both are calculated based on the pensionable pay bill. The movement in both can be seen in the table below.

	2022-23	2021-22	2020-21	2019-20	2018-19
Current service cost rate	82.3%	77.0%	65.8%	49.9%	49.3%
	£m	£m	£m	£m	£m
Current service cost	22,973	20,759	17,176	12,772	19,209
Contributions received	9,231	8,934	8,639	7,660	6,410

Net cash

The net cash requirement had been reducing each year since 2018-19. This was mainly due to the increase of the employers' contributions rate from 16.4% of pensionable pay to 23.6% in September 2019.

In 2022-23 there was a £43 million increase in the net cash requirement as a result of payments paid to pensioners increasing by a greater amount than the cash receipts from contributions.

Future plans

The Main Estimate for 2023-24 forecasts a decrease in the AME requirement and an increase in the net cash requirement from the 2022-23 position as follows:

Type of spend	2023-24	2022-23
	Main Estimate	Outturn
	£m	£m
AME requirement	10,979	22,064
Net cash requirement	2,388	1,728

Whilst no significant reforms are planned for the Scheme in 2022-23, the AME requirement will be impacted by changes to interest rates and the current service cost rate set by the Scheme Actuary.

The main factor increasing the resource request is:

- Interest on Scheme liabilities increased by £4,299.3 million due to an increase in the interest rate set by HMT to 4.15% (2022-23: 1.55%). The increase is offset somewhat by a reduction in the actuarial projection of the Scheme liability, against which interest is charged; the opening liability has decreased to £303.2 billion (2022-23: £532.3 billion)

The main factor decreasing the resource request is:

- Current service costs are £15,022.4 million lower, primarily due to a change in the underlying rate used to calculate the current service cost, prescribed by the Scheme Actuary. Current service cost will decrease in 2023-24 to 27.3% of pensionable pay (2022-23: 82.3%). The change is driven by the shift in discount rates set by HMT from (1.30%) to 1.70%

Net Cash Requirement

The increase in the net cash requirement forecast in the 2023-24 Main Estimate is due in main to the anticipated increase in pension payments of £1,091.4 million as a result of annual Pensions Increase. This is linked to the CPI measure of inflation at the previous September which was 10.1% in September 2022 (2022-23: 3.1%).

This increase is offset in part by an expected increase in contributions received of £385.8 million due to expected pay rises.

Scheme valuation

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

The actuarial valuation of the TPS, implemented from September 2019, was carried out using scheme data as at 31 March 2016 and in accordance with the Directions. The valuation determines the rate of employer contributions payable and the employer cost control position (both of which are set out in the TPS regulations). The Directions also require results relating to scheme liabilities, notional assets and contribution rates to be reported.

As a result of this valuation the TPS employer contribution rate increased from 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](#)⁴ was published by the Department on 5 March 2019 and the key results were:

- 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
- The funding valuation (noted above) uses a different set of assumptions than those used to inform the valuation used in this ARA, which uses International Accounting Standard *IAS 19 Employee Benefits* (IAS 19) as its basis. Therefore, the Scheme financial position is reported as two different values between the valuation and the ARA
- for the purpose of financial reporting, actuarial assessments are undertaken in the intervening years between formal valuations

Work is now underway to complete the next scheme valuation. This will be based on the scheme membership data as at 31 March 2020 and will be delivered in accordance with HMT's latest Directions. The results of the valuation are expected to be announced in early Autumn 2023 and to take effect from April 2024. The process will determine whether a revised employer contribution rate needs to be payable, and/or benefit levels need to be amended, from this date; it is likely to impact the level of receipts outlined in this forecast for financial years 2023-24 onwards.

Further details on the results of the consultations on the [cost control mechanism](#)⁵ and [methodology for determining the discount rate](#)⁶ to be used were published in 2021.

4 <https://www.teacherspensions.co.uk/news/employers/2019/04/teachers-pensions-valuation-report.aspx>

5 <https://www.gov.uk/government/consultations/public-service-pensions-cost-control-mechanism-consultation>

6 <https://www.gov.uk/government/consultations/public-service-pensions-consultation-on-the-discount-rate-methodology>

Issues arising for 2022-23

McCloud-Sargeant determinations

The Court of Appeal determined 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 are therefore unlawful. The policy allowed some older workers to stay in their legacy pension schemes instead of being moved to new career-average schemes with higher pension ages. HMT 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.

Claims were subsequently lodged against the other main public service schemes, including the TPS. The Department conceded these in line with the rest of the Government.

The results of the 2020 public consultation regarding an appropriate remedy for all Public Sector Pension Schemes were published in February 2021 and confirmed that there would be two parts to the remedy; full closure of the legacy scheme to all members to ensure equal treatment from a future date (the prospective remedy) and a deferred choice where the members in scope have a choice of benefits, legacy or reformed, in respect of pensionable service during the remedy period (the retrospective remedy).

In line with the requirements of the *Public Service Pensions and Judicial Offices Act 2022*, the Department laid regulations which came into force on 1 April 2022, closing the legacy scheme to any further accrual. The remedy period covers 1 April 2015 to 31 March 2022.

The Department has been working with stakeholders on the detail of TPS specific changes to deliver the retrospective remedy, as well as working with the Scheme administrator to put in place arrangements for the remedy implementation. Following a public consultation, TPS regulations, that provide for the retrospective element of the remedy, were laid in Parliament on 26 July 2023. Those regulations come into force on 1 October 2023 and cases will begin to be addressed then, in line with the *Public Service Pensions and Judicial Offices Act 2022*.

Events after the reporting period

In June, Tata Consultancy Services (TCS) was announced as the new administrator for the Scheme from October 2025. A contractual agreement has been signed to deliver TPS services until September 2035.

In March 2023, Capita suffered a cyber-incident which impacted a small proportion of the servers they use to deliver services to clients. Investigations, which included the deployment of independent experts and close liaison with central Government, show that the impact on the TPS was minimal, with only data on one member being on the servers involved and which may therefore have been compromised. The incident has been reported to the ICO and the member has been informed. Neither the Scheme nor member have suffered any financial loss.

Information for members

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

Susan Acland-Hood
Accounting Officer
12 September 2023

Report of the Actuary

Introduction

This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Department for Education (DfE). It provides a summary of GAD's assessment of the scheme liability in respect of the Teachers' Pension Scheme (TPS) as at 31 March 2023, and the movement in the scheme liability over the year 2022-23, prepared in accordance with the requirements of Chapter 12 of the 2022-23 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 2020 based on the data provided as at 31 March 2020 and rolling forward that liability to 31 March 2023.

Membership data

Tables A to C summarise the principal membership data as at 31 March 2020 used to prepare this statement.

Table A – Active members

	Number	Total Pensionable Pay* (p.a.)
	thousands	£ millions
Males	205	6,985
Females	517	16,604
Total	722	23,589

* Pensionable pay is the full-time equivalent figure. Note that full-time equivalent pay is only provided for final salary section members.

Table B – Deferred members

	Number	Total Pensionable Pay* (p.a.)
	thousands	£ millions
Males	203	481
Females	441	1,012
Total	644	1,493

* Pension amounts include the pension increase granted in April 2020.

Table C – Pensions in payment

	Number	Total Pensionable Pay* (p.a.)
	thousands	£ millions
Males	233	3,790
Females	432	5,084
Spouses & dependants	74	406
Total	739	9,280

* Pension amounts include the pension increase granted in April 2020.

Methodology

The present value of the liabilities as at 31 March 2023 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 2023. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2023 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 2022 in the 2021-22 accounts.

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

Financial assumptions

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

Table D – Principal financial assumptions

	31 March 2023	31 March 2022
	p.a.	p.a.
Nominal discount rate	4.15%	1.55%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.40%	2.90%
Rate of general pay increases	3.65%	4.15%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
- CPI inflation	1.70%	(1.30%)
- Long-term pay increases	0.50%	(2.50%)
Expected return on assets	n/a	n/a

The assumptions for the discount rate and pension increases are specified by HMT in the Public Expenditure System (PES) Paper (2022) 08, dated 2 December 2022, and remain unchanged for these accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.

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

The assessment of the liabilities allows for the known pension increases up to and including April 2023.

Demographic assumptions

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

Table E – Post-retirement mortality assumptions

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

These assumptions in Table E above, and the other demographic assumptions such as commutation and family statistics, are in line with those recommended for the 31 March 2020 funding valuation of the scheme. Note that the accounts as at 31 March 2022 were based on the assumptions adopted for the 2016 valuation.

Mortality improvements are assumed to be in line with the 2020-based projections for the United Kingdom published by the Office for National Statistics (ONS) in December 2022. This is a different assumption to that used for the 2021-22 accounts.

Our advice on the selection of assumptions can be found in our assumptions and methodology report dated 20 April 2023.

Liabilities

Table F summarises the assessed value as at 31 March 2023 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in previous sections of this report. The corresponding figures for the previous year are shown for comparison. The liabilities at 31 March 2022 and 2023 both include an allowance for the higher cost of benefits accruing under McCloud-Sargeant.

Table F – Statement of Financial Position

	31 March 2023	31 March 2022
	£ billion	£ billion
Total market value of assets	nil	nil
Value of liabilities	303.2	532.3
(Deficit)	(303.2)	(532.3)
of which recoverable by employers	n/a	n/a

Accruing costs

The cost of benefits accrued in the year ended 31 March 2023 (the current service cost) is assessed as 82.3% of pensionable pay.

For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the accounts. Members contributed between 7.4% and 11.7% of pensionable pay, depending on the level of their pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. Table G shows the employer and employee contributions during the year 2022-23 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2022-23 accounts.

Table G – Contribution rate

	2022-23	2021-22
	Percentage of pay	Percentage of pay
Employer contributions*	23.6%	23.6%
Employee contributions (average)	9.5%	9.5%
Total contributions	33.1%	33.1%
Current service cost (expressed as a % of pay)	82.3%	77.0%

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

The key difference between the assumptions used for funding valuations and accounts is the discount rate, although price inflation and salary increases are also determined differently and the assumption for future improvements in life expectancy has been updated. The discount rate for accounts is set each year by HMT to reflect the requirements of the accounting standard IAS 19.

The pensionable payroll for the financial year 2022-23 was £27.9 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2022-23 (at 82.3% of pay) is assessed to be £23.0 billion. This includes an allowance for the higher cost of benefits accruing over the year under McCloud-Sargeant.

Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. A past service cost of £19 million has been determined in respect of the additional liabilities. I am not aware of any other events that have led to a material past service cost over 2022-23.

I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2022-23.

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 2023 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 2023 of changes to these assumptions (rounded to the nearest 0.5%).

Table H – Sensitivity to significant assumptions

Change in assumption	Approximate effect on total liability		
	Sensitivity	Percentage	£ billion
Financial Assumptions			
Discount rate*	+0.5% p.a.	(8.0%)	(24)
Earnings increase (long-term)*	+0.5% p.a.	+1.0%	3
Pension increases*	+0.5% p.a.	+8.0%	24
Demographic assumptions			
Additional 1 year increase in life expectancy at retirement*	+ 1 year	+3.0%	9

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

The discount rate sensitivity shown implies a scheme duration of circa 18 years.

COVID-19 implications

As with the accounts last year, the 2022-23 Resource Accounts are being produced when the UK continues to deal with the impacts of the Covid-19 pandemic. I have considered the potential implications of how this pandemic could impact on the actuarial calculations required for the Resource Accounts.

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

Neil Crombie FIA
Actuary
Government Actuary's Department
19 June 2023

Statement of Accounting Officer's responsibilities

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

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

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

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

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

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

Governance statement

Scope of responsibility

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

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

Governance structure

Overview

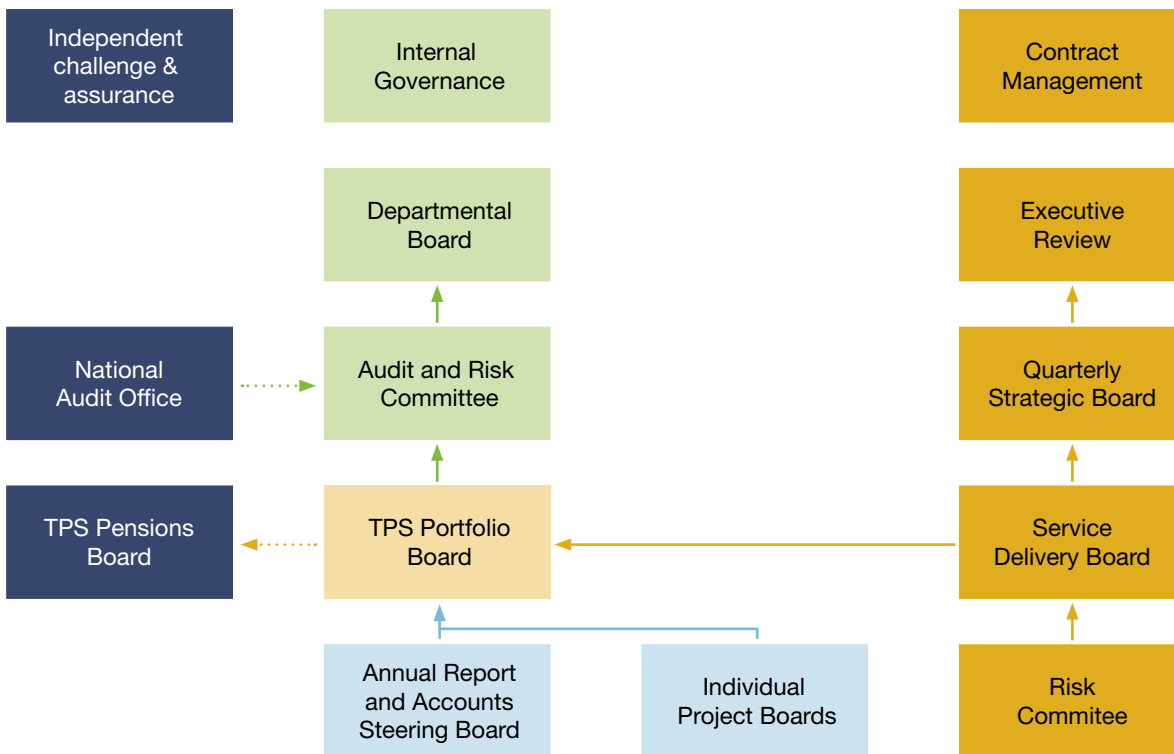
The Scheme is governed at three levels: management of day-to-day service delivery; oversight and monitoring; and assurance.

The overall governance approach is based on delegating management of risks and issues to those best placed to deal with them, with oversight and monitoring arrangements in place to help with the setting of strategic direction and 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 below. In summary, the TPS Portfolio Board (TPS PrB), shown in yellow, oversees all aspects of managing service delivery taking input from a number of other boards. The boards that manage day-to-day delivery by the scheme administrator are shown in the orange boxes in the diagram below. There are further boards, shown in light blue that are responsible for delivery of specific projects.

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

The diagram below illustrates the key governance arrangements in place.



Governance at Departmental level

The Departmental Board (DB)

The DB provides the collective strategic and operational leadership for the Department, by bringing together Ministers, Civil Service leaders and non-executive board members from outside Government and is chaired by the Secretary of State. The DB's remit encompasses the TPS, providing assurance on the way in which the Scheme is operating via reporting through the Departmental Audit and Risk Committee (ARC), taking updates from the Departmental team that manages the service and the NAO. The DB also considers TPS-related matters escalated to it.

Further details on the DB and the sub-committees that support it can be found in the Department's Governance Statement published in the [Department's Annual Report and Accounts](#).⁷

No TPS-related issues were escalated to the DB in 2022-23.

⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1171616/Department_for_Education_Consolidated_annual_report_and_accounts_2023.pdf

Audit and Risk Committee (ARC)

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

TPS Portfolio Board (TPS PrB)

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

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

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

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

TPS Pension Board (TPSPB)

The TPSPB was established in accordance with the *Public Services Pensions Act 2013*. The Board is responsible for assisting the Scheme manager 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 Scheme members and employers; the Accounting Officer, the Secretary of State; and taxpayers that the TPS is being administered efficiently, effectively and in accordance with the Scheme regulations. The Board undertakes this role by scrutinising data and reports and challenging the Department and Capita on aspects of scheme performance.

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](#).⁸

The TPSPB typically meets four times a year.

The TPSPB provides assurance 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 on those reports and any aspect of administration/delivery – this feedback is ultimately considered by and acted upon, as appropriate, by the TPS PrB.

⁸ <https://www.teacherspensions.co.uk/public/governance/pension-board/the-board.aspx>

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

- managing risk and internal controls
- service delivery and maintenance of data
- information for members and communications
- TPS commercial projects

The TPSPB has 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, 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.

Member	Meetings attended (out of possible)
Independent members	
Neville Mackay (Chair)	4/4
Susan Anyan (pension specialist)	4/4
Department members	
Peter Springhall	3/4
Iain King (left December 2022)*	0/2
Employer representatives	
David Butcher (left June 2022)	0/1
Susan Fielden	4/4
Simon Lowe	2/4
Yvonne Moulton (from February 2023)	0/0
John Pratten	4/4
Lisa Sproats (from July 2022)	3/3
Jackie Wood (left February 2023)	3/4
Member representatives	
Kate Atkinson	3/4
Maria Chondrogianni (from July 2022)	2/3
Julie Huckstep (left February 2023)	3/4
Christopher Jones (left June 2022)	1/1
John McGill (from February 2023)	1/1
Heather McKenzie	3/4
Peter Strike	3/4

* other departmental representatives attended in Iain's place

Governance at Scheme level

Strategy Board (SB)

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

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

Service Delivery Board (SDB)

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

- managing and monitoring delivery on a day-to-day basis
- monitoring core pension administration delivery and providing strategic direction and/or a resolution forum for any service-related issues
- reviewing contractual performance measures via defined service level agreements, key performance indicators and outcome measures and key client management issues, addressing delivery risks and issues

- discussing any escalation from Department or Capita Finance, Operations, Engagement, Governance and Audit meetings
- promoting collaboration in developing best practice operational discipline; this includes joint initiatives to promote more effective change

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

TPS Risk Committee

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

Meetings are held monthly and are chaired by the TPS 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 Teachers' Pension Scheme Division, who has six-monthly meetings with the executive committee member for Capita. These reviews provide a vehicle for escalations and resolving issues.

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

Risk management and controls

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

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

Risk management is built into the TPS business planning and reporting processes, evident in the governance and audit mechanisms that monitor compliance with risks associated with policy, administration and financial requirements. There is clear accountability and ownership of risk to ensure that it is managed at the appropriate level. Risks relating to the TPS are discussed by exception at the Department's ARC and, if necessary, escalated to the DB. No TPS-related issues were escalated in 2022-23.

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 and major project has ownership and accountability for managing their own risks, and therefore each business aspect is required to take account of the impact on the other. The structure of the registers is continually reviewed to ensure compliance with risk management best practice. The risk committee, incorporating membership from both the Department and the Scheme administrator, is responsible for the management and oversight of delivery risks recorded in the registers. Strategic/ programme level risks are captured on a separate risk level, which is considered each month by the TPS PrB.

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 CGIA, who provide audit reports to the TPS contract management team and wider assurance via monthly contract management risk committee meetings.

Annual audit plan

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

Key risks

Delivery of remedies in respect of the McCloud-Sargeant (transitional protection) and Goodwin (equalities) legal challenges remained key risks under management during 2022-23 and the consequent management of an expanding programme of work – in particular the need to ensure these do not negatively impact business as usual service delivery performance.

Additionally, the rollout of Monthly Contribution Reconciliation (MCR) processes has provided further challenge to the programme of work in the reporting period. Progress has been slower than anticipated and additional support has been needed to assist employers and payroll providers to successfully onboard to the new process.

In response to the issue and following comprehensive review, action has been taken to:

- temporarily halt onboarding, followed by a revised onboarding timetable to aid the project reset and ensure future delivery can be achieved/supported
- provide additional resource to support customers, included revised guidance
- develop a revised communication strategy;
- accelerate escalation processes to support employers/payroll providers to provide appropriate data.

This is a major change in the Scheme's approach to data management which will ultimately produce a simplified and robust process for employers to provide accurate service and contribution information and improved transparency for members, once implemented. Additional management oversight and resources have been deployed to ensure this project does not negatively impact business as usual service delivery.

The wider TPS programme of work is overseen by the TPS PrB, supported by effective programme management arrangements which remain under constant review. The controls and mitigations in place effectively ensured service delivery was maintained at a high level for members and employers in the reporting period, while expected progress has been made on designing and preparing for delivery of the McCloud-Sargeant remedy; and ensuring that Goodwin cases are now being remedied.

Independent assurance

External audit

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

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

Internal audit

In administering the TPS on behalf of the Department, Capita is required to establish and maintain appropriate systems of internal control and to review its effectiveness. The remit of the CGIA 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 applying methodology in line with the Institute of Internal Auditors (IIA) International Professional Practice Framework (IPPF) and adhering to all mandatory elements of the Public Sector Internal Audit Standards (PSIAS).

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

Their Annual Statement of Assurance for the year ending 31 March 2023 confirmed the governance, risk management and internal control arrangements tested during the reporting period had been effective.

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

During 2022-23 four CGIA reviews were undertaken:

- Goodwin casework processing
- Monthly Contribution Reconciliation
- HR/People Management
- TPS Hartlink Change Management

For the areas reviewed during the year CGIA confirmed that the overall adequacy and effectiveness of governance, risk management and internal control arrangements remain generally effective, with no 'Critical' issues identified during their work.

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

An effective governance framework is in place to report and escalate outstanding and overdue audit actions to the contract governance forums and the business Risk and Compliance Committee on a monthly basis. This process has been effective during the period, and there are no overdue audit actions. Risks and audit finding resolutions are monitored and discussed at the SDB meetings, with further oversight undertaken at the quarterly SB meeting and ultimately at the TPS PrB. Strategic and operational delivery risk registers and audit updates are incorporated into contract reports and reports for consideration at the TPSPB Managing Risk and Internal Controls sub-committee. Additionally, Capita ensures that the TPS is given prominence within its business-wide Risk Management and Audit Committee, which meets monthly.

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

Data breaches

In the reporting period there were 42 minor data breaches identified, all of which were appropriately reported to the Information Commissioner's Office (ICO). None of these breaches resulted in financial loss to the Scheme. However as a consequence of third party identity theft, two instances resulted in financial loss to those members.

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

In March 2023, Capita suffered a cyber-incident which impacted a small proportion of the servers they use to deliver services to clients. Investigations, which included the deployment of independent experts and close liaison with central Government, show that the impact on the TPS was minimal, with only data on one member being on the servers involved and which may therefore have been compromised. The incident has been reported to the ICO and the member has been informed. Neither the Scheme nor member have suffered any financial loss.

Financial management

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

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

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

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

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

Pension policy

Pension policy changes which impact the Scheme are determined by the Department following appropriate consultation. The Department proactively participates in the cross-Government occupational pension network, which is chaired by HMT, and provides a vehicle for identifying and discussing impacts and solutions at public sector pension scheme level.

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

The administrator has a strategic objective in relation to staffing. Staff must be flexible, skilled and responsive. An appraisal system is in operation to ensure that staff performance is maintained against individual and organisational objectives. Staff are required to undertake internal learning and development training 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.

Information management

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

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

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

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

The strategy nevertheless continues to develop, in a drive to continue to improve data quality. The Scheme is currently working with employers and payroll providers to transition to a process of monthly contribution reconciliation, which is a natural progression from the successful rollout of the monthly data collection process and will further improve the level of contemporary member data and reduce the potential for errors. The section on Key Risks above sets out the challenges currently being addressed in implementing the monthly contribution reconciliation project.

Data Security

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

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

The group has responsibility for:

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

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

The group is involved in overseeing developments and the TPS response to the recent cyber incident suffered by Capita, details of which are set out in the data breaches section above. The main focus is expected to be on ensuring that any applicable lessons learnt are implemented for the TPS.

Overall assessment

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

Susan Acland-Hood
Accounting Officer
12 September 2023

Statement of Outturn against Parliamentary Supply: audited

Overview

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), FReM requires the Scheme to prepare a SOPS and supporting notes. The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

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

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

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

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

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 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 S4).

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

Summary tables – mirrors part 1 of the Estimate

For the year ended 31 March 2023

Summary table, 2022-23

Type of Spend	Note	Outturn			Estimate			Outturn vs Estimate, savings/ (excess)		Prior Year Outturn
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	Total 2021-22
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit										
- Resource		-	-	-	-	-	-	-	-	-
- Capital		-	-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-	-	-	-
Annually Managed Expenditure										
- Resource	S1.1	22,064,486	-	22,064,486	22,170,954	-	22,170,954	106,468	106,468	17,935,089
- Capital		-	-	-	-	-	-	-	-	-
Total		22,064,486	-	22,064,486	22,170,954	-	22,170,954	106,468	106,468	17,935,089
Total Budget										
- Resource	S1.1	22,064,486	-	22,064,486	22,170,954	-	22,170,954	106,468	106,468	17,935,089
- Capital		-	-	-	-	-	-	-	-	-
Total Budget Expenditure		22,064,486	-	22,064,486	22,170,954	-	22,170,954	106,468	106,468	17,935,089
Non-budget Expenditure										
- Capital		-	-	-	-	-	-	-	-	-
Total Budget and Non-budget		22,064,486	-	22,064,486	22,170,954	-	22,170,954	106,468	106,468	17,935,089

Figures in the areas outlined in thick line are the voted control limits voted by Parliament. Refer to the [Supply Estimates Guidance Manual](#)⁹ for detail on the control limits voted by Parliament.

9 <https://www.gov.uk/government/publications/supply-estimates-guidance-manual>

Net cash requirement 2022-23

Item	SoPS Note	Outturn £000	Estimate £000	Outturn vs Estimate, saving/ (excess) £000	Prior Year Outturn Total 2021-22 £000
Net cash requirement	S3	1,727,572	1,984,395	256,823	1,684,124

Administration costs 2022-23

Item	SoPS Note	Outturn £000	Estimate £000	Outturn vs Estimate, saving/ (excess) £000	Prior Year Outturn Total 2021-22 £000
Administrative costs		-	-	-	-

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

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

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

Notes to the Statement of Outturn against Parliamentary Supply: audited

S1. Outturn detail, by Estimate line

S1.1 Analysis of resource outturn by Estimate line

Type of spend (Resource)	Resource outturn						Estimate		Outturn vs Estimate savings/ (excess) £000	Prior Year Outturn Total, 2021-22 £000
	Administration		Programme		Total	Virements	Total inc. virements			
	Gross	Net	Gross	Net				£000		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Spending in Departmental Expenditure Limit (DEL)										
Voted expenditure	-	-	-	-	-	-	-	-	-	-
Non-voted expenditure	-	-	-	-	-	-	-	-	-	-
Total spending in DEL	-	-	-	-	-	-	-	-	-	-
Spending in Annually Managed Expenditure (AME)										
Voted expenditure	-	-	-	-	-	-	-	-	-	-
Teachers' Pension Scheme	-	-	31,331,415	(9,266,929)	22,064,486	22,170,954	-	22,170,954	106,468	17,935,089
Non-voted expenditure	-	-	-	-	-	-	-	-	-	-
Total spending in AME	-	-	31,331,415	(9,266,929)	22,064,486	22,170,954	-	22,170,954	106,468	17,935,089
Total resource	-	-	31,331,415	(9,266,929)	22,064,486	22,170,954	-	22,170,954	106,468	17,935,089

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HMT). Further information on virements are provided in the [Supply Estimates Guidance Manual](#).¹⁰

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.

¹⁰ <https://www.gov.uk/government/publications/supply-estimates-guidance-manual>

S1.2. Explanation of variances

The underspend of £106 million on AME is due to the interest on scheme liabilities (£149 million) being lower than forecast and contribution income (£58 million) being higher. This was offset by current service costs (£120 million) being higher than forecast. The remaining variance of £19 million relates to insignificant amounts of less than £5 million.

The underspend of £257 million on the net cash requirement was due to lower than forecast pension benefits, and contributions were higher than forecast.

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

S2. Reconciliation of outturn to net operating expenditure

Item	Reference	Outturn	Prior Year
		total	outturn total,
		£000	2021-22
			£000
Total Resource outturn	S1.1	22,064,486	17,935,089
Less: income payable to the Consolidated Fund	S4	(817)	(105)
Net operating expenditure in SoCNE	SoCNE	22,063,669	17,934,984

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

S3. Reconciliation of net resource outturn to net cash requirement

Item	Reference	Outturn total	Estimate	Outturn vs Estimate, savings/(excess)
		£000	£000	£000
Total Resource outturn	S1.1	22,064,486	22,170,954	106,468
Total Capital outturn		-	-	-
Adjustments to remove non-cash items				
New provisions and adjustment to previous provisions		(31,299,880)	(31,350,072)	(50,192)
Adjustments to reflect movements in working balances				
Increase in receivables		7,381	43,795	36,414
(Increase)/Decrease in payables		(18,076)	18,076	36,152
Use of provision		10,973,661	11,101,642	127,981
Total		(20,336,914)	(20,186,559)	150,355
Net cash requirement		1,727,572	1,984,395	256,823

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

S4. Analysis of income payable to the Consolidated Fund

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

Item	Outturn total		Prior Year, 2021-22	
	Accruals	Cash basis	Accruals	Cash basis
	£000	£000	£000	£000
Income outside the Ambit of the Estimate	817	817	105	<i>105</i>
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total amount payable to the Consolidated Fund	817	817	105	<i>105</i>

Parliamentary accountability disclosures: audited

Overview

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

Losses and special payments

Losses statement

	2022-23	2021-22
Total number of losses	2,476	3,747
	£000	£000
Total value of losses	301	242

There were no individual losses in excess of £300,000 in 2022-23 (2021-22: nil).

Special payments

There were no special payments made in the year (2021-22: nil).

Remote contingent liability

In the unlikely event of a default by the approved Additional Voluntary Contribution (AVC) provider the Scheme will guarantee AVC payments. Prudential is unable to confirm the total liability for all future years and is therefore considered an unquantifiable remote contingent liability. For information, the liability for the first year is £44 million (2021-22: £41 million). This does not apply to members who make payments to other institutions offering free standing AVCs.

Susan Acland-Hood
Accounting Officer
12 September 2023

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

Opinion on financial statements

I certify that I have audited the financial statements of the Teachers' Pension Scheme (England and Wales) ("the Scheme") for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The Scheme's financial statements comprise: the combined

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion, the financial statements:

- give a true and fair view of the state of the Scheme's affairs as at 31 March 2023 and its combined net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2023 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

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

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

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

Conclusions relating to going concern

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

Opinion on other matters

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

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

Matters on which I report by exception

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

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

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

Responsibilities of the Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in

accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;

- ensuring that the Annual Report is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Scheme will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- considered the nature of the sector, control environment and operational performance including the design of the Scheme's accounting policies.
- inquired of management, the Scheme's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Scheme's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Scheme's controls relating to compliance with the Teachers' Pensions Regulations 2010 (as amended), the Teachers' Pension Scheme Regulations 2014 (as amended), the Public Service Pensions Act 2013, the Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2022 and the regulations set by The Pensions Regulator.
- inquired of management, the Scheme's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud.
- discussed with the engagement team and the relevant internal and external specialists, including actuarial specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Scheme for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates, the selection of inappropriate assumptions or methodology unpinning the pensions liability and related estimates and the payment of benefits to ineligible members. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Scheme's framework of authority and other legal and regulatory frameworks in which the Scheme operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Scheme. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2022, Public Service Pensions Act 2013, regulations set by The Pensions Regulator, the Teachers' Pensions Regulations 2010 (as amended) and the Teachers' Pension Scheme Regulations 2014 (as amended).

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

Audit response to identified risk

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

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business;
- I performed substantive testing of contributions received and benefits paid in the year to ensure compliance with laws and regulations and regularity;
- I engaged an auditor's expert to review the actuarial methods and assumptions used by the scheme actuary, reviewing the expert's report and undertaking further procedures as necessary; and
- I reviewed significant correspondence with The Pensions Regulator.

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

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

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

I am required to obtain 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.

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

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
 14 September 2023

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



STAFF
ONLY

Financial Statements

Financial Statements

Combined Statement of Comprehensive Net Expenditure

For the year ended 31 March 2023

	Note	2022-23 £m	2021-22 £m
Principal arrangements			
Income			
Contributions receivable	2	(9,231)	(8,934)
Transfers in	3	(12)	(14)
Other pension income	4	(24)	(23)
		(9,267)	(8,971)
Expenditure			
Service cost	5	22,992	20,759
Enhancements	6	(13)	4
Transfers in	7	12	14
Pension financing cost	8	8,344	6,077
Administration expenses	9	30	27
		31,365	26,881
Net expenditure		22,098	17,910
Agency arrangements			
Benefits payable	10	(34)	25
Net expenditure		(34)	25
Combined net expenditure		22,064	17,935
Other comprehensive net expenditure			
Pension re-measurements			
Actuarial (gain)/loss	15.7	(249,473)	34,957
Comprehensive net (income) / expenditure for the year		(227,409)	52,892

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

Combined Statement of Financial Position

As at 31 March 2023

	Note	2023 £m	2022 £m
Principal arrangements			
Current assets			
Receivables	12	742	735
Cash and cash equivalents	13	92	52
Total current assets		834	787
Current liabilities			
Payables (within 12 months)	14.1	(644)	(586)
Total current liabilities		(644)	(586)
Net current assets		190	201
Non-current liabilities			
Pension liability	15	(303,200)	(532,300)
Net liabilities, including pension liability		(303,010)	(532,099)
Agency arrangements			
Payables (within 12 months)	14.2	-	(1)
Provision for liabilities and charges	16	(155)	(202)
Net liabilities		(155)	(203)
Combined schemes – total net liability		(303,165)	(532,302)
Taxpayers' equity			
General Fund		(303,165)	(532,302)
Total taxpayers' equity		(303,165)	(532,302)

Susan Acland-Hood
Accounting Officer
12 September 2023

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

Combined Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2023

	Note	General Fund	
		2022-23	2021-22
		£m	£m
Balance as at 1 April		(532,302)	(481,094)
Net Parliamentary Funding			
– drawn down		1,767	1,664
– deemed		52	72
Supply payable adjustments		(91)	(52)
Combined net expenditure for the year		(22,064)	(17,935)
Actuarial gain/(loss)	15.7	249,473	(34,957)
Net Change in taxpayer's equity		229,137	(51,208)
Balance at 31 March		(303,165)	(532,302)

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

Combined Statement of Cash Flows

For the year ended 31 March 2023

		2022-23	2021-22
	Note	£m	£m
Cash flows from operating activities			
Combined net expenditure		(22,064)	(17,935)
Adjustments for non-cash transactions	8 & 16	8,342	6,077
(Increase) in receivables – principal arrangements	12	(7)	(80)
<i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
(Decrease) in payables agency arrangement	14.2	(1)	-
Increase/(decrease) in payables – pensions	14.1	58	(45)
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	14.1	(40)	20
Increase in pension provision	5 & 16	22,959	20,783
Increase/(decrease) in pension provision – enhancements and transfers in	6 & 7	(1)	18
Use of provisions – pension liability	15.5	(10,943)	(10,490)
Use of provisions – early retirement	16	(11)	(11)
Use of provisions – refunds and transfers	15.6	(19)	(21)
Net cash outflow from operating activities		(1,727)	(1,684)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		1,767	1,664
Net Parliamentary financing		1,767	1,664
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		40	(20)
Payments of amounts due to the Consolidated Fund	14.1	-	-
Net increase/ (decrease) in cash and cash equivalents in the period		40	(20)
Cash and cash equivalents at beginning of period	13	52	72
Cash and cash equivalents at end of period	13	92	52

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

Notes to the Accounts

1. Accounting policies

The financial statements of the Teachers' Pension Scheme have been prepared in accordance with the relevant provisions of the 2022-23 FReM issued by HMT. The accounting policies contained in the FReM apply IFRS as adapted or interpreted for the public sector. IAS 19 Employee Benefits and IAS 26 Accounting and Reporting by Retirement Benefit Plans are of particular relevance to these statements.

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

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

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

1.1 Basis of preparation

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

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

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

Management has considered the financial reporting implications for each scheme and the premature retirement compensation schemes. 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 8.

1.1.1 Principal arrangements

The Scheme is an unfunded, multi-employer, 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 are met by employers via an administration fee collected alongside contributions and reported in the ARA.

These accounts show the financial position of the Scheme at the year end and the income and expenditure during the year. The Combined SoFP shows the unfunded net liabilities of the Scheme; the Combined SoCNE 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 these accounts should be read in conjunction with that report.

1.1.2 Compensation arrangements

The Scheme acts as an agent for employers in the payment of compensation benefits arising under the Scheme. Compensation payments are generally recovered from the employer in advance, on a quarterly basis. The financial flows associated with these transactions are not recognised in these accounts other than to recognise a payable in respect of monies recovered from employers but not yet paid to members. However, the Scheme does recognise the liabilities arising from the central funding of compensation payments where the employer has transferred its liability to the Scheme through payment of an actuarially assessed amount. This amounts to £155 million (2021-22: £202 million) (see Note 16).

1.2 Going Concern

The SoFP as at 31 March 2023 shows a combined pension and compensation liability of £303.2 billion (2021-22: £532.3 billion). Other movements in the liability reflect the inclusion of liabilities falling due in the long-term, which are to be financed mainly by drawings from the Consolidated Fund. Such drawings will be grants of Supply approved annually by Parliament to meet the Scheme's pension benefits, which come into payment each year. Under the *Government Resources and Accounts Act 2000*, no money may be drawn from the Consolidated Fund other than as required for the service of the specified year or retained in excess of that need. In common with other public service pension schemes, the future financing of the Scheme's liabilities is to be met by future grants of Supply to be approved annually by Parliament. Such approval for amounts required for 2022-23 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.3 Critical accounting judgements and key sources of estimation uncertainty

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

1.3.1 Goodwin and McCloud-Sargeant

Implementation of the remedies for these cases is ongoing, so there remains a risk that costs will differ from estimates. A legal challenge made in respect of the treatment of McCloud-Sargeant costs, within finalisation of the cost control mechanism for the 2016 TPS valuation, has been unsuccessful. At the time of publication, there remains a chance that this could be the subject of appeal. Given the uncertainty over whether there will be an impact on costs, no update has been made to the existing Scheme Liability.

1.4 Adoption of FReM amendments

There have been no significant amendments to FReM for 2022-23.

1.5 Early adoption

The Scheme has not early adopted any accounting standards in 2022-23.

1.6 IFRSs in issue but not yet effective

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

There is one standard in issue but not effective:

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

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

1.7 Income

1.7.1 Pension contributions

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

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

1.7.2 Transfers in and out

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

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

1.7.3 Income received in respect of enhancements

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

1.7.4 Other income

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

1.8 Administration fee and expenses

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

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

1.9 Current service cost

The current service cost is the increase in the present value of the Scheme liabilities arising from current members' service in the current period and is recognised in the SoCNE. It is calculated by factoring up the actual contribution rate charged of 23.6% (2021-22: 23.6%) to the projected unit credit rate of 82.3% (2021-22: 77%) adopted by the actuary.

1.10 Past service cost

Past service costs are increases/decreases in the present value of the Scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, change to, or improvement to, retirement benefits. Past service costs are recognised in the SoCNE in the year in which the increase in benefits vests. Past service costs accrue based on additional contributions received from members. In 2022-23 this charge amounted to £19.0 million.

1.11 Interest on Scheme liabilities

The interest cost is the increase during the year in the present value of the Scheme liabilities because the benefits are one period closer to settlement. The cost is recognised in the SoCNE. The interest cost is based on a discount rate of (1.30%) (2021-22: (0.95%)); nominal rate of 1.55% (2021-22: 1.25%) including inflation.

1.12 Scheme liability

Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at (1.30%) real, 1.55% gross. The actuary reviews the most recent actuarial valuation at the date of the SoFP and updates it to reflect current conditions.

1.13 Pension benefits payable

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

1.14 Pension payments to those retiring

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

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.

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

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

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

1.16 Lump sums payable on death in service

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

1.17 Actuarial gains and losses

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

1.18 Premature retirement compensation

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

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

2. Contributions receivable

	Note	2022-23	2021-22
		£m	£m
Employers		6,587	6,357
Employees:			
Normal		2,657	2,573
Purchase of added years	6	(13)	4
		9,231	8,934

£9,637 million contributions are expected to be payable to the scheme in 2023-24.

3. Transfers in

	Note	2022-23	2021-22
		£m	£m
Individual transfers in from other schemes		12	14
	15.4	12	14

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

4. Other pension income

	2022-23	2021-22
	£m	£m
Premature retirement compensation	1	2
Administration fee	23	21
	24	23

5. Service cost

	Note	2022-23	2021-22
		£m	£m
Current service cost	15.4	22,973	20,739
Past service cost	15.4	19	20
		22,992	20,759

6. Enhancements

	Note	2022-23	2021-22
		£m	£m
Employees:			
Purchase of added years	2	(13)	4
	15.4	(13)	4

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

7. Transfers in – additional liability

	Note	2022-23	2021-22
		£m	£m
Individual transfers in from other schemes		12	14
	15.4	12	14

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

8. Pension financing cost

	Note	2022-23	2021-22
		£m	£m
Net interest on defined benefit liability		8,344	6,077
	15.4	8,344	6,077

9. Administration expenses

	2022-23	2021-22
	£m	£m
Administration expenses	30	27
	30	27

10. Compensation benefits payable

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

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

	2022-23	2021-22
	£m	£m
On retirement		
Premature retirement compensation	(33)	24
Other	1	1
Unwinding of discount	(2)	-
	(34)	25

11. Additional voluntary contributions

11.1 Arrangements for additional voluntary contributions (AVCs)

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

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

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

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

11.2 Prudential

The aggregate amounts of AVC investments are as follows:

	2022-23	2021-22*
	£m	£m
Movements in the year		
Balance at 1 April	1,316	1,359
New investments	126	129
Sales of investments to provide pension benefits	(170)	(172)
Settlements	-	-
Changes in market value of investments	-	-
Balance at 31 March	1,272	1,316
Contributions received to provide life cover	-	-
Benefits paid on death	5	6

*The 2021-22 figures are taken from the AVC provisional accounts.

12. Receivables

	2023	2022
	£m	£m
Amounts falling due within one year		
Pension contributions due from employers	507	505
Employees' normal contributions	205	204
Other receivables	29	25
Recoverable compensation from employers (principal)	1	1
Total amounts falling due within one year	742	735

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

13. Cash and cash equivalents

	2023	2022
	£m	£m
Balance at 1 April	52	72
Net change in cash balances	40	(20)
Balance at 31 March	92	52
The following balances at 31 March were held at:		
Government Banking Service	91	50
Commercial banks and cash in hand	1	2
Balance at 31 March	92	52

14. Payables

14.1 Payables – Principal arrangements

	2023	2022
	£m	£m
Amounts falling due within one year		
Pensions	425	432
HMRC and voluntary contributions	107	92
Other payables	19	10
Amounts issued from the Consolidated Fund for Supply but not spent at year end	92	52
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
Received	1	-
	644	586

14.2 Payables – Agency arrangements

	2023	2022
	£m	£m
Amounts falling due within one year		
Balance at 1 April	1	1
Receipts from employers	27	28
Payments to employees	(28)	(28)
	-	1

15. Provision for pension liabilities

15.1 Assumptions underpinning the pension liability

The TPS is an unfunded defined benefit scheme. GAD carried out an assessment of the Scheme liabilities as at 31 March 2023. The Report of the Actuary, starting on page 20, sets out the scope, methodology and results of the work the actuary has carried out.

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

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

The key assumptions used by the Actuary were:

	2023	2022	2021	2020	2019
	%	%	%	%	%
Rate of increase in salaries	3.65	4.15	3.72	3.72	4.10
Rate of increase in pensions in payment and deferred pensions	2.40	2.90	2.22	2.22	2.35
Inflation assumption	2.40	2.90	2.22	2.22	2.35
Nominal discount rate	4.15	1.55	1.25	1.25	1.80
Discount rate net of price inflation	1.70	(1.30)	(0.95)	(0.95)	(0.50)

	2023	2022	2021	2020	2019
	Years	Years	Years	Years	Years
Life expectancy for those retiring at 31 March aged 60					
Males	27.8	27.9	27.8	27.7	28.6
Females	30.0	29.9	29.8	29.7	30.6
Retirements in 20 years' time					
Males	29.5	29.5	29.4	29.3	30.5
Females	31.5	31.4	31.4	31.3	32.5
Life expectancy for those retiring at 31 March aged 65					
Males	22.9	23.0	22.9	22.8	23.6
Females	25.0	24.9	24.8	24.8	25.6
Retirements in 20 years' time					
Males	24.5	24.5	24.5	24.4	25.5
Females	26.5	26.4	26.3	26.2	27.3

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 corporate bonds. The Actuary uses both professional expertise and data from HMT in arriving at a view of the most appropriate rates to use in the annual valuation of the scheme liabilities. However, the scheme managers acknowledge that the valuation reported in these accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

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

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

15.2 Analysis of the pension liability

	2023	2022	2021	2020	2019
	£bn	£bn	£bn	£bn	£bn
Value of liability in respect of					
Pensions in payment	144.0	287.9	259.6	238.0	179.8
Deferred members	32.0	60.7	48.2	38.3	32.5
Active members	127.2	183.7	173.2	155.8	147.3
Total liabilities*	303.2	532.3	481.0	432.2	359.6

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

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

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

15.3 Sensitivity analysis

Table showing the indicative effects on the total liability as at 31 March 2023 of changes to assumptions (rounded to the nearest 0.5%).

Change in Assumption Financial Assumptions	Approximate effect on total liability		
	Sensitivity	Percentage	£ billion
Discount rate*	+ 0.5% p.a.	(8.0%)	(24)
Earnings increases*	+ 0.5% p.a.	+1.0%	3
Pension increases*	+ 0.5% p.a.	+8.0%	24
Demographic assumption			
Additional one year increase to life expectancy at retirement*	+ 1 year	+3.0%	9

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

15.4 Analysis of movements in scheme liability

	Note	2022-23	2021-22
		£m	£m
Scheme liability at 1 April		532,300	481,000
Current service cost	5	22,973	20,739
Past service cost	5	19	20
Pension financing cost	8	8,344	6,077
Enhancements	6	(13)	4
Pension transfers in	7	12	14
Benefits payable	15.5	(10,943)	(10,490)
Pension payments to and on account of leavers	15.6	(19)	(21)
Actuarial (gain)/loss	15.7	(249,473)	34,957
Scheme liability at 31 March		303,200	532,300

During the year ended 31 March 2023, members contributed an average of 9.5% of pensionable pay (2021-22 average: 9.5%). Employers contributed 23.6% of pensionable pay (2021-22: 23.6%).

15.5 Analysis of benefits paid

	2022-23	2021-22
	£m	£m
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	9,933	9,563
Commutations and lump sum benefits on retirement	1,010	927
Total benefits paid	10,943	10,490

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

	2022-23	2021-22
	£m	£m
Refunds to members leaving service	4	4
Individual transfers to other schemes	15	17
Total payments to and on account of leavers	19	21

15.7 Analysis of actuarial (gain)/loss

	2022-23	2021-22
	£m	£m
Experience (gain)/loss arising on the Scheme liabilities	31,627	(5,943)
Changes in financial assumptions	(281,100)	40,900
Total actuarial (gain)/loss	(249,473)	34,957

The primary driver for the actuarial gain is the increase in nominal discount rate from 1.55% p.a. to 4.15% p.a. which also decreases the liability. The gain from the change in financial assumptions is due to the decrease in the assumed rate of pension increases from 2.90% p.a. to 2.40% p.a. and the decrease in the assumed rate of general pay increases from 4.15% p.a. to 3.65% p.a., both of which decrease the value of the liabilities.

The experience loss is largely due to the pension increase for April 2023 being 10.1% compared with the original assumption of 2.90% at the previous calculation as at 31 March 2022. Adding to this loss is the experience of pay increases throughout 2022-23 which were originally assumed to be 4.15% but were actually 5.45%.

15.8 History of experience (gains)/losses

	2022-23	2021-22	2020-21	2019-20	2018-19
Experience losses/(gains) arising on the scheme liabilities					
Amount (£m)	31,627	(5,943)	(8,220)	(3,571)	(3,887)
Percentage of the present value of the scheme liabilities	(10.43%)	1.12%	1.71%	0.83%	1.08%
Total amount recognised in Statement of Changes in Taxpayers' Equity					
Amount (£m)	(249,473)	34,957	34,180	59,629	(20,387)
Percentage of the present value of the scheme liabilities	82.28%	(6.57%)	(7.11%)	(13.80%)	5.67%

16. Provision for compensation payments

	2022-23	2021-22
	£m	£m
Balance at 1 April	202	189
Additional/(release of) provisions	5	7
Use of provision in year	(11)	(11)
Unwinding of discount	(2)	-
Step change in discount rate	(39)	17
Balance at 31 March	155	202

17. Financial instruments

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

18. Contingent liabilities

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

19. Related party transactions

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

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

There are no further related party interests.

20. Events after the reporting period

20.1 Post balance sheet event

In June, Tata Consultancy Services (TCS) was announced as the new administrator for the Scheme from October 2025. A contractual agreement has been signed to deliver TPS services until September 2035.

In March 2023, Capita suffered a cyber-incident which impacted a small proportion of the servers they use to deliver services to clients. Investigations, which included the deployment of independent experts and close liaison with central Government, show that the impact on the TPS was minimal, with only data on one member being on the servers involved and which may therefore have been compromised. The incident has been reported to the ICO and the member has been informed. Neither the Scheme nor member have suffered any financial loss.

In December 2021 several unions filed for a joint judicial review against the Government on the inclusion of the McCloud-Sargeant remedy costs within the cost control mechanism for the 2016 scheme valuations. Following a hearing, a High Court judgment was laid down in March 2023 rejecting the case made by the unions. The Court of Appeal has subsequently given the unions leave to appeal to it, and a hearing is expected to take place in February 2024. It remains the case, however, that it is not possible to estimate if and to what extent this could impact the TPS given: the outcome of the previous judgment and the consequent uncertainty over whether the appeal will be successful: that even if the appeal were successful it is unclear what remedy the court may order; and the Government would then need to consider how to proceed following such a judgment.

20.2 Authorisation

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



Annexes: unaudited

Annex A – Scheme statistics

Employers

An employer in England or Wales that meets the requirements of the Scheme qualifies as a TPS employer – further details on qualification requirements can be found in the [Teachers' Pensions Regulations 2010](#)¹¹ (as amended) and the [Teachers' Pension Scheme Regulations 2014](#)¹² (as amended). There were 12,357 (2021-22: 12,209) contributing employers participating in 2022-23 split into the following categories.

	2022-23	2021-22	2020-21	2019-20	2018-19
	Number	Number	Number	Number	Number
Local authorities	173	173	172	173	174
Further education institutions	261	281	274	285	312
Higher education institutions	63	63	63	65	64
Independent establishments	946	1,027	1,248	1,319	1,396
Academies*	10,002	9,851	9,252	8,583	8,465
Others	912	814	876	796	717
	12,357	12,209	11,885	11,221	11,128

* Academies include Free Schools.

Membership statistics

Membership information is provided by employers via returns to the Scheme's administrator. Due to the way that employers submit data and it is collated and reviewed, this is reported a year in retrospect, therefore the figures for active and deferred members relate to the financial year ended 31 March 2022.

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.

11 <http://www.legislation.gov.uk/uksi/2010/990/contents/made>

12 <http://www.legislation.gov.uk/uksi/2014/512/contents/made>

Active members ¹

	2021-22	2020-21	2019-20	2018-19
Number of members in prior year's ARA	710,438	713,109	702,773	674,067
Adjustment to prior year ARA ²	5,149	4,970	6,240	27,983
Actual number at 1 April	715,587	718,079	709,013	702,050
Add:				
New entrants in the year	53,145	41,673	51,867	52,385
Further employment	3,699	3,246	4,421	4,893
Other joiners	-	-	-	94
Total joiners	56,844	44,919	56,288	57,372
Less:				
Initial awards				
Age and ill-health retirements	5,348	5,350	6,171	6,398
Early retirements (actuarially reduced)	1,090	4,028	4,193	4,276
Premature retirements	43	49	145	192
Mixed	2,041	12	-	-
Total initial awards	8,522	9,439	10,509	10,866
Further awards ³				
Age and infirmity retirements	152	528	462	483
Early retirements (actuarially reduced)	260	156	58	68
Premature retirements	34	41	1	-
Total further awards	446	725	521	551
Other leavers				
Opted out	5,408	5,236	6,971	6,439
Deaths	297	359	341	326
Net withdrawals from active to deferred status	43,451	35,892	31,696	35,871
Other exits (transfers out, refunds of contributions)	1,274	909	2,154	2,596
Total other leavers	50,430	42,396	41,162	45,232
Total leavers	59,398	52,560	52,192	56,649
Actual number at 31 March	713,033	710,438	713,109	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 2020, as contained in the 2020-21 accounts. This adjustment reflects changes to the membership data since the 2020-21 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 the TPS that they have left service by that date.

Deferred members ¹

	2021-22	2020-21	2019-20	2018-19
Number of members in prior year's ARA	673,882	655,785	638,458	629,125
Adjustment to prior year ARA ²	(3,167)	(8,864)	(5,502)	(19,788)
Actual number as at 1 April	670,715	646,921	632,956	609,337
Add:				
Net withdrawals from active to deferred status	43,451	35,892	31,696	35,871
Opted out from active service	5,408	5,236	6,971	6,439
Other entrants to deferred service status (not identified)	-	-	-	3,270
Total joiners	48,859	41,128	38,667	45,580
Less:				
Awards out of service – initial awards	9,632	11,239	13,063	13,151
Awards out of service – further awards ³	545	996	1,257	1,424
Transfers out	488	390	586	660
Deaths	1,470	1,358	782	1,088
Return of contributions	36	87	88	76
Other exits (not identified)	63	97	62	60
Total leavers	12,234	14,167	15,838	16,459
Actual number at 31 March	707,340	673,882	655,785	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 2020, as contained in the 2020-21 accounts. This adjustment reflects changes to the membership data since the 2020-21 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 the TPS that they have left service by that date.

Pensions in payment

	2022-23	2021-22	2020-21	2019-20
Total pensioners in payment as 1 April				
Members	673,201	669,029	666,503	658,205
Dependants	78,315	75,884	73,471	71,266
Actual number at 1 April	751,516	744,913	739,974	729,471
Add:				
Members retiring in the year				
Age/premature pensions ¹	10,657	15,125	12,626	14,555
Ill-health pensions	527	679	600	735
Early retirement (actuarially reduced) pensions	7,892	5,363	5,102	8,281
Phased pensions ²	620	551	520	677
Mixed pensions	2,268	28	2,570	-
Other (unidentified)	143	91	-	-
Total members retiring in the year	22,107	21,837	21,418	24,248
New dependants	8,594	8,042	8,480	8,157
Other new dependants (unidentified) ³	-	30	-	-
Total dependants retiring in year	8,594	8,072	8,480	8,157
Total members retiring in year and dependants	30,701	29,909	29,898	32,405
Less:				
Cessations in year – members				
Age/premature pensions	15,326	14,053	14,680	12,211
Ill-health pensions	3,044	2,644	2,735	2,273
Early retirement (actuarially reduced) pensions	1,085	966	914	761
Phased pensions	4	2	8	6
Other (unidentified) ⁴	-	-	555	699
Total member cessations in year	19,459	17,665	18,892	15,950
Cessations in year – dependants	6,193	5,641	5,770	5,473
Other (unidentified) cessations – dependants	-	-	297	479
Total dependant cessations in year	6,193	5,641	6,067	5,952
Total cessations in year	25,652	23,306	24,959	21,902
Total pensions in payment at 31 March	756,565	751,516	744,913	739,974
Pension in payment at 31 March				
Members	675,849	673,201	669,029	666,503
Dependants	80,716	78,315	75,884	73,471
Total	756,565	751,516	744,913	739,974

Notes:

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

Annex B – Scheme contacts

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

Accounting Officer

Susan Acland-Hood
Department for Education
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**Head of Assurance and Planning
and Premature Retirement Scheme
Manager (contact)**

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Administrator of the Scheme

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Actuary

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Bankers**Royal Bank of Scotland plc**

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Auditor

Comptroller and Auditor General
157-197 Buckingham Palace Road
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Any enquiries about either the Scheme or the Premature Retirement Compensation Scheme in England and Wales should be addressed to Capita Business Services Ltd at the address above.

Annex C – Glossary of key terms

Abbreviation or term	Description
AME	Annually Managed Expenditure
ARA	The Teachers' Pension Scheme (England and Wales) Annual Report and Accounts
ARC	Audit and Risk Committee
AVCs	Additional Voluntary Contributions
Capita	Capita Business Services Ltd
CPI	Consumer Price Index
CGIA	Capita Group Internal Audit
DB	Department for Education Departmental Board
The Department, or DfE	Department for Education
The Directions	<i>The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014</i>
FReM	Government Financial Reporting Manual
GAD	Government Actuary's Department
GIAA	Government Internal Audit Agency
HMRC	His Majesty's Revenue and Customs
HMT	His Majesty's Treasury
IAS	International Accounting Standards
ICO	Information Commissioner's Office
IPPF	International Professional Practice Framework
MCR	Monthly Contribution Reconciliation
NAO	National Audit Office
NPA	Normal Pension Age
ONS	Office for National Statistics
p.a.	Per Annum
PES	Public Expenditure System
PRC	Premature Retirement Compensation
PSIAS	Public Sector Internal Audit Standards
PUCM	Projected Unit Credit Method
SB	Teachers' Pension Scheme Strategy Board
SDB	Teachers' Pension Scheme Service Delivery Board
IFRS	International Financial Reporting Standards
SoCNE	Statement of Comprehensive Net Expenditure
SoFP	Statement of Financial Position
SOPS	Statement of Outturn of Parliamentary Supply
The Scheme, or TPS	Teachers' Pension Scheme (England and Wales)
TPSPB	Teachers' Pension Scheme Pension Board
TPS PrB	Teachers' Pension Scheme Portfolio Board
2021-22 & 2022-23	Financial years, ending on 31 March



Department
for Education