EXPLANATORY MEMORANDUM TO

The Teachers' Pension Scheme (Amendment) Regulations (Northern Ireland) 2025

S.R. 2025 No. 42

1. Introduction

1.1. This Explanatory Memorandum has been prepared by the Department of Education (the Department) to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.

1.2. The Statutory Rule is made under sections 1(1) and (2)(d), 2(1) and 3(1) to (3) of, and paragraph 4 of Schedule 2 to, the Public Service Pensions Act (Northern Ireland) 2014 and is subject to the negative resolution procedures.

2. Purpose

2.1. The Statutory Rule will introduce an increase to member contributions for the Northern Ireland Teachers' Pension Scheme (NITPS) to meet the required scheme yield .

3. Policy Background

3.1. The NITPS is contributory. Members and their employers are required to pay towards the cost of benefits they build up in the scheme. An actuarial valuation is conducted every 4 years to ensure the level of contributions made by members and employers meet the full cost of their pension rights.

3.2. The NITPS benefit structure requires 9.6% of pensionable earnings to be contributed by members collectively ('the yield'). Under the current member contribution structure, a yield of 9.34% is collected from members, meaning the scheme has been running under yield by 0.26%. The Government has said that this shortfall is no longer sustainable and have instructed all public sector schemes, including NITPS, to take the appropriate measures to ensure that their target yield is collected by April 2025.

3.3. The review of the member contribution structure will ensure that the current shortfall in the contribution structure of 0.26% will be collected in future years.

3.4. The Department of Education (the Department) has worked closely with the NITPS Scheme Advisory Board (SAB), in conjunction with Government Actuary's Department, on the potential changes that could be made. The SAB is a statutory board of member and employer representative organisations which provides advice to the Department, as NITPS Scheme Manager, on potential changes to NITPS rules. Several options were modelled in line with the policy principles determined in consultation with the SAB, which included protection of the lowest paid, fairness for all members and sustainability of the scheme.

3.5. Following consideration of the options that were discussed and modelled, the SAB recommended two preferred options, accepted by the Department as options upon which to proceed to consultation. The options being:

Option 1 – Increase all but the lowest tier by the multiple
The contribution rate for the lowest tier remains fixed at its current rate, and all other contribution rates are increased by x1.031.

Option 2 – Increase all tiers by the same multiple

The contribution rates for all tiers are increase by x1.028.

3.6. From the 1 April 2025 the Department will make changes to the member contribution structure, which will ensure the required yield is collected.

4. Consultation

4.1 A consultation was issued from 18 December 2024 to 14 February 2025 about the proposed scheme yield/member contribution structure.

4.2 The Department received seven responses to the consultation, four from individuals, two from teacher unions, the Irish National Teachers' Organisation (INTO) and the National Association of Schoolmasters and Union of Women Teachers (NASUWT), and one from a representative body, the Association of School and College Leaders (ASCL).

4.3 Whilst both 'Options 1 and 2' were recommended by SAB as viable options, there was a weighting towards 'Option 1'from respondents**.**

4.4 Following consultation, the Department determined 'Option 1' as the most appropriate way forward. The 'Option 1' contribution structure meets the key objective of achieving the target yield, whilst minimising increases for teachers on the lowest incomes. The structure also delivers on the fundamental policy principles by minimising the risk of opt-outs from the scheme across the whole membership and ensuring that the scheme remains sustainable and a valuable part of the reward package and affordable to all members.

4.5 The SAB will be asked to keep the contribution rates under review, monitoring membership and participation data to inform the timing and nature of any future adjustment. Should yield increase above the required level, the Department will consider, in collaboration with SAB, adjustments to decrease contributions rates.

5. Equality Impact

5.1. An Equality Screening/Impact Assessment (EQIA) and Rural Needs Impact Assessment were carried out by the Department and have been published on the Department's website.

5.2. The equality screening exercise indicated that a full equality impact assessment was not required under section 75 of the Northern Ireland Act 1998.

5.3. The Department is of the view that the proposed changes will not create any significate adverse impact on the Section 75 groups and where a difference in treatment occurs, that the impact will be minor and is a justifiable as a legitimate policy aim.

5.4. The Department will monitor the effect of the amendments introduced and assess the impact on scheme members, paying particular attention to members opt out of the scheme.

6. Regulatory Impact

6.1. It is not anticipated that there will be any adverse impact on business, charities social economy or voluntary bodies.

7. Financial Implications

7.1. There are no financial implications for the Department.

8. Section 24 of the Northern Ireland Act 1998

8.1. Consideration has been given to the human rights implications of these regulations. They are considered compatible with section 24 of the Northern Ireland Act 1998.

9. EU Implications

9.1. None

10. Parity or Replicatory Measure

10.1. All Public Service Pension Schemes in the UK are being required to meet their yield.

11. Additional Information

11.1. Not applicable.