EXPLANATORY MEMORANDUM TO

THE TEACHERS' PENSIONS SCHEMES (AMENDMENT) REGULATIONS 2025

2025 No. 284

1. Introduction

1.1 This explanatory memorandum has been prepared by the Department for Education and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Catherine McKinnell, Minister for School Standards at the Department for Education confirms that this Explanatory Memorandum meets the required standard.

2.2 Peter Springhall, Deputy Director for the Teachers' Pension Scheme (TPS), at the Department for Education confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Raeesah Taylor at the Department for Education (Raeesah.taylor@education.gov.uk) can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The instrument introduces amendments to the Teachers' Pensions Regulations 2010 (the 2010 regulations) (SI 2010/990)[1], the Teachers' Pension Scheme Regulations 2014 (the 2014 regulations) (SI 2014/512)[2] and the Teachers' Pension Scheme (Remediable Service) Regulations 2023 (the 2023 regulations) (SI 2023/871)[3]. The instrument has been made with the consent of HM Treasury. The two main amendments relate to the member contribution tiers and the Fair Deal provision. All other changes relate to minor updates and amendments to ensure that the longstanding policy aims are achieved. More detail on the amendments is provided in the Policy Context section below.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument is England and Wales

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales.

[1] https://www.legislation.gov.uk/uksi/2010/990/contents
[2] https://www.legislation.gov.uk/uksi/2014/512/contents
[3] https://www.legislation.gov.uk/uksi/2023/871/introduction/made

5. Policy Context

What is being done and why?

Member Contribution Tiers

5.1 The member contribution tiers need to be adjusted because the scheme design requires members to contribute 9.6% of pensionable salary, and this is the figure that certain requirements in the Public Service Pensions Act 2013, and Treasury directions for the scheme valuations, are based on. This is referred to as the member contribution 'yield'. The 9.6% requirement is shared across the workforce by charging a sliding scale of rates to members according to their pensionable earnings. The aggregate amount collected across members must equal 9.6%. This approach is known as 'tiered contributions.' At the latest scheme valuation, which covers the period of 1 April 2024 to 31 March 2027, the Government Actuary's Department (GAD) estimated that the current structure would produce a yield of 9.45% without any changes being made. Therefore, an adjustment is required in order to achieve the required yield. Following detailed consultation, the six-tier structure will be retained, with an increase of 0.3 percentage points applied to tiers two to six. Those in the lowest tier are protected from any increase.

5.2 The table below details how the current structure will be updated.

Annual Salary Bands (1 April 2025)	**Existing Member Contribution Rate**	**Member Rate from 1 April 2025**
< £34,873	7.4%	7.4%
£34,873.00 - £46,943.99	8.6%	8.9%
£46,944.00 - £55,660.99	9.6%	9.9%
£55,661.00 - £73,768.99	10.2%	10.5%
£72,769.00 - £100,590.99	11.3%	11.6%
> £100,591	11.7%	12%

5.3 As the member contribution rates are a protected element of the scheme according to section 22(5) of the Public Service Pensions Act 2013, they are subject to enhanced protection. This means that if a change is to be made to this protected element before 31 March 2040, a report must be laid in Parliament to explain the changes. This report has been laid in Parliament with the SI.

Fair Deal

5.4 Fair Deal is a non-statutory policy which maintains access to public service pension schemes where employees are transferred from the public sector to a private sector employer under Transfer of Undertakings (TUPE) terms. Scheme regulations specify the establishments that this policy applies to for those in the TPS. Following the Office for National Statistics' (ONS) reclassification of Further Education (FE) colleges as public sector organisations, HM Treasury has updated its policy to include

FE colleges in the Fair Deal provisions. The amendment to scheme regulations has been included to reflect that change in HM Treasury policy which will extend the current scope to employees of FE establishments that are eligible for TPS membership under the existing regulations. The change will apply retrospectively from 14 November 2024, which is the date that HM Treasury confirmed the final policy.

Miscellaneous Amendments

5.5 All other amendments included in the SI are minor clarifications or updates to ensure that the TPS regulations operate as intended. The minor amendments are as follows:

a. Updating the 2010 and 2014 regulations to reflect the latest enactment of the Diocesan Boards of Education Measure.
b. Including the National Institute of Teaching by name as an eligible organisation and employer of the TPS. Until now it has participated under a provision for temporary acceptance.
c. Changing the employer pay over day (of contributions) from the 7th to the 15th of each month following the rollout of Monthly Contribution Reconciliation (MCR).
d. A redundant provision in the 2023 regulations is removed to prevent the policy intention from being misinterpreted. The amendment is in relation to provisions dealing with divorce and dissolution of marriages involving a member's remediable service (in relation to the discrimination identified with the way that some of the public service pension schemes were reformed in 2015). Pension Sharing Orders will have already been made based on information about a member's pension rights during the remediable period (April 2015 to March 2022) which pre-dated the remedy. The 2023 regulations contain provisions allowing the amount of remediable pension which has been shared with the member's former spouse or civil partner to be revalued in accordance with the remedy. The amendment corrects an error to ensure the "alternative amount" used to revalue shareable rights considers rights accrued in the remedy period only.

What was the previous policy, how is this different?

Member Contribution Tiers

5.6 The requirement for members to collectively contribute 9.6% to the scheme remains exactly the same, as does using a six-tier structure to allow members to pay different rates according to their level of earnings. An adjustment to the rates for tiers two to six is needed to ensure that the required yield is achieved in the current valuation period. This is needed because the contribution bands have increased at a higher rate than average pay increases, which has resulted in fewer members being in the higher tiers than was anticipated. The first tier, for those earning less than £34,873 remains unchanged in order to protect the lowest paid members. All other tiers have been increased by 0.3 percentage points.

Fair Deal

5.7 The Fair Deal provision currently extends to members that work for a governing body of a school maintained by a local authority, academy or special school that is not maintained by a local authority, which is party to a Participation Agreement. HM

Treasury's revised policy extends the provision to include FE colleges. The policy has been updated because the ONS reclassified FE colleges as public sector organisations, and therefore the relevant TPS regulations on Fair Deal need to be updated accordingly.

6. Legislative and Legal Context

How has the law changed?

6.1 The amendments are to ensure that the rules of the TPS reflect current legislation and policy.

Why was this approach taken to change the law?

6.2 As the TPS is a statutory scheme, this is the only approach that can be taken to make the necessary changes that are described above.

7. Consultation

Summary of consultation outcome and methodology

7.1 The draft SI and consultation document were published on 14 November 2024 and can be found here[4]. The consultation closed on 23 January 2025. A total of 187 responses were received, 177 from individuals and 10 from organisations which represent members and employers in the education sector.

7.2 Prior to consultation, the Department discussed at length the proposed changes to the member contribution tiers with the Teachers' Pension Scheme Advisory Board (SAB). The Scheme Advisory Board is made up of member and employer representatives and provides advice on the desirability of changes to the Teachers' Pension Scheme rules. The SAB unanimously supported the approach to amending the member contribution structure that was subject to consultation.

7.3 48.6% of the responses to the consultation agreed that the draft amendments achieve the stated policy aims as described in the consultation document. Most comments and queries from respondents centred on four key themes: the impact of the adjustment of the member contribution rates on member's finances, the decision to protect the lowest paid in the contribution structure, the impact of the amendment on the number of members opting out of the scheme and whether the Fair Deal amendment should be applied retrospectively from 2022 (when the reclassification took place). The Department has addressed all relevant comments in the consultation response document. Most of the responses that did not express agreement with the proposed amendments raised matters that were not directly related to the subject of the consultation – for example whether members should be able to contribute different rates, which would effectively require a whole new scheme design. The Department's full consultation response has been published alongside the consultation document.

7.4 The Fair Deal provision has been amended to apply retrospectively from 14 November 2024 in the final regulations after a respondent queried the proposed coming into force date of 1 April 2025. This reflects the date that HM Treasury confirmed the final policy position. This change from the draft regulations that were consulted on does not alter the proposed policy approach outlined in the consultation document.

[4] www.gov.uk/government/consultations/teachers-pension-scheme-regulations-2024-proposed-amendments

8. Applicable Guidance

8.1 Information and guidance will be available to members of the scheme via the Teachers' Pensions website[5]. The website will be updated with a link to the consultation response. Communications will be issued to affected members and employers on the changes that affect them.

8.2 The free issue procedure applies to this SI as there are amendments correcting existing regulations and therefore anyone who has purchased the 2014 or 2023 regulations will be provided a corrected copy free of charge.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because the SI relates to the maintenance of existing regulatory standards.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies because the SI relates to members of the TPS specifically.

9.3 The legislation does not impact small or micro businesses.

9.4 The SI allows the Department to continue providing a good pension for teachers whilst also protecting public finances, as any shortfall in member contributions will fall to employers, and ultimately the taxpayer.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The member contribution tiers will be reviewed during the next valuation exercise, with the results implemented from April 2027. The Department will once again work with GAD to determine if the revised member contribution structure will be projected to meet the required 9.6% yield for the next valuation period (April 2027 to March 2031). Further adjustments will be made at that time if the outcome of the valuation demonstrates it is necessary. Member behaviour will be monitored through monthly opt-out reporting that is then discussed with the SAB when it meets. All other amendments will be monitored by the scheme administrator and any issues will be raised with the Department as necessary.

10.2 The instrument does not include a statutory review clause as the member contribution rate change will be monitored and reviewed as part of the TPS valuation process, the Fair Deal amendment gives effect to updated policy and the miscellaneous amendments are minor wording changes that do not affect the way the regulations are intended to be applied.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

[5] www.teacherspensions.co.uk

12. European Convention on Human Rights

12.1 The Minister for School Standards has made the following statement regarding Human Rights:

"In my view the provisions of the Teachers' Pensions Schemes (Amendment) Regulations 2025 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").