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# Teachers' Pension Scheme (England & Wales)†

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## Introduction

1. This Estimate provides for the payments of pensions and lump sum benefits to persons covered by the Teachers' Pension Scheme (TPS). The rules of the scheme are contained in the teachers' pensions regulations 1997 (as amended). The scheme is an unfunded, contributory, public service occupational pension scheme and applies mainly to teachers employed in schools in England and Wales and their dependants. Provision is made for the refund of contributions to early leavers, and for the payment of and receipt of transfer payments in respect of teachers moving out of and into employment covered by the scheme. The Estimate also includes the increases payable in accordance with the Annual Review orders made under section 59 of the Social Security Pensions Act 1975 and section 109 of the Pensions Schemes Act 1993.
2. The Estimate also provides for the provision for premature retirement compensation payments made on behalf of employers and for the recovery of costs of those payments from employers.
3. Part of the TPS income consists of actual receipts, e.g. contributions from employers and employees, transfer payments from other superannuation schemes etc. These are appropriated in aid of this Estimate to meet expenditure on benefits, although in practice there need be no correlation between receipts and expenditure.
4. Benefits and contributions are carried to a statutory account and valued quinquennially by the Government Actuary. The deficiency revealed as at 31 March 1996 was £3,960 million and this falls to be met by the employers over a period of 40 years.
5. This Estimate includes the impact of the change in the discount rate on provisions and pension liabilities held on the balance sheet with effect from 1 April 2005.
6. Symbols are explained in the Introduction to this booklet.

† In the Vote on Account this Estimate was described as 'Teachers' Pension Scheme'.

**Part I**

	£
<b>Request for Resources 1: Teachers' pensions</b>	<b>22,222,172,000</b>
<b>Total net resource requirement</b>	<b>22,222,172,000</b>
<b>Net cash requirement</b>	<b>1,174,536,000</b>

Amounts required in the year ending 31 March 2006 for expenditure by the Department for Education and Skills on:

**RfR 1: Teachers' pensions**

Superannuation allowances and gratuities, and other related expenditure, in respect of teachers and the widows, widowers, children and dependants of deceased teachers, and for premature retirement compensation payments made to members of the Teachers' Pension Scheme and on behalf of their employers.

The **Department for Education and Skills** will account for this Estimate.

	Net total	Allocated in Vote on Account	Balance to complete
	£	£	£
<b>RfR 1</b>	22,222,172,000	3,050,358,000	19,171,814,000
<b>Total net resource requirement</b>	22,222,172,000	3,050,358,000	19,171,814,000
<b>Net cash requirement</b>	1,174,536,000	425,508,000	749,028,000

## Part II: Subhead detail

£'000

2005-06						2004-05 Provision	2003-04 Outturn		
Resources						Capital		Net Total Resources	Net Total Resources
Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non- operating A in A		
1	2	3	4	5	6	7	8	9	10
<b>RfR 1: Teachers' pensions</b>									
-	26,186,397	6,500	26,192,897	3,970,725	22,222,172	-	-	6,876,725	6,612,031
<b>Spending in Annually Managed Expenditure (AME)</b>									
<i>Central Government spending</i>									
A Pension and associated payments									
-	11,876,238	6,500	11,882,738	3,970,725	7,912,013	-	-	6,876,725	6,612,031
<b>Non-budget</b>									
B Pension and associated payments									
-	14,310,159	-	14,310,159	-	14,310,159	-	-	-	-
<b>Total for Estimate:</b>									
-	26,186,397	6,500	26,192,897	3,970,725	22,222,172	-	-	6,876,725	6,612,031

## Part II: Resource to cash reconciliation

	£'000					
	2005-06		2004-05		2003-04	
	Provision		Provision		Outturn	
<b>Net Total Resources</b>	22,222,172		6,876,725		6,612,031	
<b>Voted capital items</b>						
Capital	-		-		-	
Less Non-operating A-in-A	-		-		-	
<b>Total net voted capital</b>	-		-		-	
<b>Accruals to cash adjustment</b>						
Adjustments to remove non-cash items:						
Cost of Capital charges	-		-		-	
Depreciation	-		-		-	
New provisions and adjustments to previous provisions	-26,186,397		-10,760,809		-10,330,456	
Profit (+) / loss (-) on sale of assets	-		-		-	
Prior period adjustments	-		-		-	
Other non-cash items	-		-		-	
Increase (+) / Decrease (-) in stock	-		-		-	
Increase (+) / Decrease (-) in debtors	17,821		103,426		233,372	
Increase (-) / Decrease (+) in creditors	-14,557		-12,030		-7,851	
Use of provisions	5,135,497		4,778,934		4,414,518	
<b>Total accruals to cash adjustments</b>	-21,047,636		-5,890,479		-5,690,417	
<b>Excess cash to be CFERd</b>	-		-		-	
<b>Net Cash Requirement</b>	1,174,536		986,246		921,614	

## Part III: Extra receipts payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):-

	£'000					
	2005-06		2004-05		2003-04	
	Provision		Provision		Outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Operating income not classified as AinA	-	-	-	-	37,472	<i>128,531</i>
Non-operating income not classified as AinA	-	-	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-	-	-
Excess cash receipts to be surrendered to the Consolidated Fund	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	37,472	<i>128,531</i>

## Notes to the Main Estimate

### Forecast Combined Revenue Account

	£'000		
	Provision 2005-06	Provision 2004-05	Outturn 2003-04
<b>Net programme costs, Request for Resources 1</b>			
Income			
Contributions received	3,886,836	3,794,816	3,669,991
Transfers in	75,635	86,982	82,396
Other income receivable	8,254	7,839	8,075
	<u>3,970,725</u>	<u>3,889,637</u>	<u>3,760,462</u>
Expenditure			
Increase in liability	4,698,542	3,989,118	3,846,129
Interest on scheme liability	7,169,421	6,764,014	6,463,046
Other expenditure	14,775	13,230	25,846
Change in discount rate	14,310,159	—	—
	<u>26,192,897</u>	<u>10,766,362</u>	<u>10,335,021</u>
Total net programme costs	<u>22,222,172</u>	<u>6,876,725</u>	<u>6,574,559</u>
<b>Net Operating Cost</b>	<b>22,222,172</b>	<b>6,876,725</b>	<b>6,574,559</b>
<i>of which:</i>			
<b>Net Resource Outturn</b>	<b>22,222,172</b>	<b>6,876,725</b>	<b>6,612,031</b>
<i>less</i>			
Prior period adjustments	—	—	—
<i>Plus</i>			
CFERs	—	—	-37,472
Non-voted	—	—	—
<b>Resource Budget Outturn</b>	<b>7,912,013</b>	<b>6,876,725</b>	<b>6,574,559</b>

## Notes to the Main Estimate

### Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000		
	2005-06 Provision	2004-05 Provision	2003-04 Outturn
<b>Net Resource Outturn (Estimates)</b>	<b>22,222,172</b>	<b>6,876,725</b>	<b>6,612,031</b>
<i>Adjustments to remove:</i>			
provision voted for earlier years	—	—	—
<i>Adjustments to additionally include:</i>			
non-voted expenditure in the OCS	—	—	—
Consolidated Fund Extra Receipts in the OCS	—	—	-37,472
Other adjustments	—	—	—
<b>Net Operating Cost (Accounts)</b>	<b>22,222,172</b>	<b>6,876,725</b>	<b>6,574,559</b>
<i>Adjustments to remove:</i>			
capital grants to local authorities	—	—	—
capital grants financed from the Capital Modernisation Fund	—	—	—
European Union income and related adjustments	—	—	—
voted expenditure outside the budget	-14,310,159	—	—
<i>Adjustments to additionally include:</i>			
other Consolidated Fund Extra Receipts	—	—	—
resource consumption of non departmental public bodies	—	—	—
unallocated resource provision	—	—	—
Other adjustments	—	—	—
<b>Resource Budget Outturn (Budget)</b>	<b>7,912,013</b>	<b>6,876,725</b>	<b>6,574,559</b>
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	—	—	—
Annually Managed Expenditure (AME)	7,912,013	6,876,725	6,574,559

### Reconciliation of capital expenditure between Estimates and Budgets

	£'000		
	2005-06 Provision	2004-05 Provision	2003-04 Outturn
<b>Net Voted Capital Outturn (Estimates)</b>	—	—	—
<i>Adjustments to remove:</i>			
gains / losses from sale of capital assets	—	—	—
<i>Adjustments to additionally include:</i>			
other Consolidated Fund Extra Receipts	—	—	—
capital spending by non-departmental public bodies	—	—	—
capital grants to local authorities	—	—	—
capital grants financed by the Capital Modernisation Fund	—	—	—
local authority credit approvals	—	—	—
capital spending by levy funded bodies	—	—	—
unallocated capital provision	—	—	—
Other adjustments	—	—	—
<b>Capital Budget Outturn (Budget)</b>	—	—	—
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	—	—	—
Annually Managed Expenditure (AME)	—	—	—

## Notes to the Main Estimate *(continued)*

### Explanation of Accounting Officer responsibilities

In accordance with Government Resources and Accounts Act 2000 the Treasury has made the following Accounting Officer appointment for the Request for Resources within this Estimate.

**Request for Resources:** Sir David Normington, Permanent Head of Department

Sir David Normington, as the Principal Accounting Officer (PAO) of the Department for Education and Skills has personal responsibility for the proper presentation of the Department for Education and Skills' resource accounts as prescribed in legislation or by the Treasury and their transmission to the Comptroller and Auditor General. The PAO as the permanent head, in addition to the responsibilities for the assigned RfR, remains in general overall charge of the Department for Education and Skills.

The responsibilities of an Accounting Officer are set out in Annex 4.1 of Government Accounting. In essence these responsibilities include a personal responsibility for the propriety and regularity of the public finances for which they are answerable; for the keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; and for the efficient and effective use of all available resources. In addition, the Accounting Officer must ensure that there is a sound system of internal control to support the achievement of the Department for Education and Skills' policies, aims, and objectives; and should regularly review the effectiveness of that system.

### Analysis of appropriations in aid (A in A)

	£'000					
	2005-06 provision		2004-05 provision		2003-04 outturn	
	Operating A in A	Non- operating A in A	Operating A in A	Non- operating A in A	Operating A in A	Non- operating A in A

#### Request for Resources 1: Teachers' pensions

Employees and employers contributions	3,970,725	—	3,889,637	—	3,722,990	—
<b>Total RfR1</b>	<b>3,970,725*</b>	<b>—</b>	<b>3,889,637</b>	<b>—</b>	<b>3,722,990</b>	<b>—</b>

*of which: Administration Budgets*

\*Amount that may be applied as appropriations in aid in addition to the net total, arising from receipts from employers and employees superannuation contributions; transfer values received; deductions from returns of contributions towards payment in lieu of graduated national insurance contributions equivalent premiums; recovery of contributions equivalent premiums from the state pension scheme; amounts received from employers of teachers' scheme members in reimbursement of the cost of premature retirement compensation payments on their behalf by Capita.

## Notes to the Main Estimate *(continued)*

### Analysis of Consolidated Fund Extra Receipts (CFERs)

	2005-06 provision		2004-05 provision		2003-04 outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Over recovery of appropriations in aid $\Delta$	—	—	—	—	37,472	128,531
Miscellaneous receipts $\Delta$	—	—	—	—	—	—
Excess cash receipts to be surrendered to the Consolidated Fund $\Delta$	—	—	—	—	—	—
<b>Total</b>	—	—	—	—	37,472	128,531

### Comparisons of provision sought with final provision and forecast outturn for the previous year

The total net resource sought for 2005-06 of £22,222,172,000 is 223.2 per cent higher than the final provision and forecast outturn for 2004-05 of £6,876,725,000.

### Cash which may be retained to offset expenditure

Cash which may be retained by the department to offset expenditure in the year due to its relationship with income (operating and non-operating) that has been or will be appropriated in aid

	2005-06 provision	2004-05 provision	£'000 2003-04 outturn
	3,970,725	3,889,637	3,722,990

### Contingent Liabilities

As at 31 March 2003, the following liabilities fell to be met from the Estimate:

	£'000
A very remote contingent liability to make payments to pensions relating to Additional Voluntary Contributions. This would be in the unlikely event of default to the private insurance company.	Unquantifiable