
Teachers' Pension Scheme

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. The scheme 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 TPS is notionally funded. Part of its 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.

3. 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.

4. As a consequence of adopting Financial Reporting Standard ('FRS') 17 'Retirement Benefits', the resource accounts include the liability to meet future pension costs on its balance sheet. The accounts show the accruing cost of providing pensions rather than just the benefits payable and contributions receivable. The most significant of these are the build up of the benefit entitlements from employees' service during the year and interest cost arising because future benefit payments are one year closer to payment. The payment of pensions and lump sums, previously the cash consequence of resource expenditure, are now the use of the balance sheet provision for pensions. Income from contribution continues to be appropriated in aid.

Request for Resources

5. In 2002-03, Request for Resources provided for the amounts to be paid and payable in respect of retirement benefits, net of contributions. In consequence, there was generally little difference between the Estimates provision for Resources and for the Net Cash Requirement.

6. From 2003-04 the Estimate provision for resource expenditure is instead of the cost of benefits accruing in the year. The most significant of these are the build-up of benefit entitlements from employees' service during the year and the interest cost arising because future benefit payments are one year closer to settlement. Income from contributions continues to be appropriated in aid of expenditure.

7. The Request for Resources also contains provision for premature retirement compensation payments made on behalf of employers (where the Department for Education and Skills is not the compensating authority) and for the recovery of the costs of these payments from employers.

Net Cash Requirement

8. The elements of the Net Cash Requirement are unaltered but are accounted for differently. Most significantly, the payment of pensions and lump sums that were previously the cash consequences of resource expenditure, are now the use of the balance sheet provision for pensions.

Introduction (*continued*)

Consequences of the change

9. There may now be a significant difference between the resource costs and cash requirements of retirement benefits. There is no necessary relationship between the benefits accruing in any particular year and the benefits paid in that year.

10. Symbols are explained in the Introduction to this booklet.

Part I

	£
Request for Resources 1: Teachers' pensions	6,778,574,000
Total net resource requirement	6,778,574,000
Net cash requirement	886,476,000

Amounts required in the year ending 31 March 2005 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' Pensions 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
	£	£	£
RfR 1	6,778,574,000	2,540,496,000	4,238,078,000
Total net resource requirement	6,778,574,000	2,540,496,000	4,238,078,000
Net cash requirement	886,476,000	268,742,000	617,734,000

Part II: Subhead detail

£'000

2004-05						2003-04 Provision	2002-03 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
RfR 1: Teachers' pensions									
-	10,696,364	-	10,696,364	3,917,790	6,778,574	-	-	6,491,565	7,067,299
Spending in Annually Managed Expenditure (AME)									
<i>Central Government spending</i>									
A Pension and associated payments									
-	10,696,364	-	10,696,364	3,917,790	6,778,574	-	-	6,491,565	7,067,299
Total for Estimate:									
-	10,696,364	-	10,696,364	3,917,790	6,778,574	-	-	6,491,565	7,067,299

Part II: Resource to cash reconciliation

	£'000		
	2004-05 Provision	2003-04 Provision	2002-03 Outturn
Net Total Resources	6,778,574	6,491,565	7,067,299
Voted capital items			
Capital	-	-	-
Less Non-operating A-in-A	-	-	-
Total net voted capital	-	-	-
Accruals to cash adjustment			
Adjustments to remove non-cash items:			
Cost of Capital charges	-	-	-
Depreciation	-	-	-
New provisions and adjustments to previous provisions	-10,696,364	-10,214,555	-9,695,684
Profit/loss on sale of assets	-	-	-
Prior period adjustments	-	-	-
Other non-cash items	-	-	-
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	47,769	110,122	6,704
Increase (-) / Decrease (+) in creditors	-23,469	-19,852	-19,043
Use of provisions	4,779,966	4,486,736	4,262,847
Total accruals to cash adjustments	-5,892,098	-5,637,549	-5,445,176
Excess cash to be CFERd	-	-	-
Net Cash Requirement	886,476	854,016	1,622,123

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					
	2004-05 Provision		2003-04 Provision		2002-03 Outturn	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income not classified as AinA	-	-	-	-	128,175	<i>101,703</i>
Non-operating income not classified as AinA	-	-	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-	210	<i>214</i>
Excess cash receipts to be surrendered to the Consolidated Fund	-	-	-	-	-	-
Total	-	-	-	-	128,385	<i>101,917</i>

Forecast Combined Revenue Account

£'000

	2004-05 provision	2003-04 provision	2002-03 outturn
Net Programme Costs			
RfR 1			
<i>Income</i>			
Contributions	3,823,869	3,616,561	2,654,012
Receivable Transfers In	69,630	80,765	89,249
Other Income	24,291	25,664	13,299
	3,917,790	3,722,990	2,756,560
	-3,917,790		
<i>Expenditure</i>			
Pension Costs	10,683,289	10,201,962	9,683,012
Leavers	13,075	12,593	12,672
Other Expenditure			
	10,696,364	10,214,555	9,695,684
Total Net Operating Cost	6,778,574	6,491,565	6,939,124
<i>of which:</i>			
Net Resource Outturn	6,778,574	6,491,656	7,067,299
<i>of which:</i>			
Prior period adjustments	—	—	—
CFERs	—	—	-128,175
Resource Budget Outturn	6,778,574	6,491,565	6,939,124

Notes to the Main Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000		
	2004-05 Provision	2003-04 Provision	2002-03 Outturn
Net Resource Outturn (Estimates)	6,778,574	6,491,565	7,067,299
<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	—	—	-128,175
Other adjustments	—	—	—
Net Operating Cost (Accounts)	6,778,574	6,491,565	6,939,124
<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	—	—	—
<i>Adjustments to additionally include:</i>			
other Consolidated Fund Extra Receipts	—	—	—
resource consumption of non departmental public bodies	—	—	—
unallocated resource provision	—	—	—
Other adjustments	—	—	—
Resource Budget Outturn (Budget)	6,778,574	6,491,565	6,939,124
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	—	—	—
Annually Managed Expenditure (AME)	6,778,574	6,491,565	6,939,124

Reconciliation of capital expenditure between Estimates and Budgets

	£'000		
	2004-05 Provision	2003-04 Provision	2002-03 Outturn
Net Voted Capital Outturn (Estimates)	—	—	—
<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	—	—	—
Capital Budget Outturn (Budget)	—	—	—
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	—	—	—
Annually Managed Expenditure (AME)	—	—	—

Notes to the Main Estimate *(continued)*

Explanation of Accounting Officer responsibilities

The Treasury has appointed the Permanent Head of the Department for Education and Skills, Mr David Normington, as Accounting Officer for the Teachers' Pension Scheme (England and Wales), with responsibility for preparing the Estimate in respect of the Scheme.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Scheme's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in *Government Accounting*.

Analysis of appropriations in aid (A in A)

	£'000					
	2004-05 provision		2003-04 provision		2002-03 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
RfR 1: Teachers' pensions						
Employees and Employers contributions towards payment of pensions and lump sum benefits to persons covered by the scheme.	3,917,790	—	3,722,990	—	2,628,385	—
Total RfR 1	3,917,790*	—	3,722,990	—	2,628,385	—

*Amount that may be applied as appropriations in aid in addition to the net total, arising from receipts from employees and employers superannuation contributions; transfer values received; deductions from returns of superannuation 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 costs of premature retirement compensation payments on their behalf by Capita.

Notes to the Main Estimate *(continued)*

Analysis of Consolidated Fund extra receipts

	2004-05 provision		2003-04 provision		2002-03 outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Over recovery of appropriations in aid	—	—	—	—	128,175	101,703
Miscellaneous receipts	—	—	—	—	210	214
Excess cash receipts to be surrendered to the Consolidated Fund	—	—	—	—	—	—
Total	—	—	—	—	128,385	101,917

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

The provision sought for 2004-05 of £6,778,574,000 is 4.4 per cent higher than the final net provision and estimated outturn for 2003-04 of £6,491,565,000

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) which has been or will be appropriated in aid

	2004-05 provision	2003-04 provision	£'000 2002-03 outturn
	3,917,790	3,722,990	2,628,385

Contingent Liabilities

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

	Amount £'000
Teachers' pension scheme. 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

