



Department
for Education

Teachers' Pension Scheme Main Estimate 2026-27

Memorandum to the Education Select Committee

April 2026

Teachers' Pension Scheme Main Estimate 2026-27

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Overview

Objectives

The Teachers' Pension Scheme (TPS, the Scheme) is an unfunded defined benefit Scheme, in which payments from the Scheme are funded by contributions from current employees and employers in England and Wales, with the shortfall being financed by the Exchequer.

Spending Controls

The TPS budgets are not subject to pre-set Departmental Expenditure Limit (DEL) control totals; they sit within a category of spending known as Resource Annually Managed Expenditure (R-AME), which can be revised and reforecast regularly. This is because net expenditure and cash payments are largely outside the control of the scheme administrators on a day-to-day basis, instead being affected by factors such as membership numbers; salary levels; mortality rates; the age profile of members and annual pension increases.

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

In addition, the **net cash requirement** represents the estimated net cash required for the year to cover payments of pensions, after taking account of estimated contributions and transfer values paid in by employees and employers. A negative value means that more is forecast to be received than paid in year.

Comparison of Spending Totals Sought

The table and graphic below shows how the totals sought for the Scheme compare with last year:

Net Spending Total		Difference +/- compared to final budget last year		Difference +/- compared to original budget last year	
Amounts sought this year Main Estimate 2026-27		Supplementary Estimate 2025-26		Main Estimate 2025-26	
£ million		£ million	%	£ million	%
Resource AME	9,007.5	(800.5)	(8.2)	(722.2)	(7.4)
Net Cash	1,053.1	(110.7)	(9.5)	(34.9)	(3.2)

Further details can be seen on page 6.

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Key Drivers of Spending Changes since Last Year**Resource AME**

The provision sought under R-AME is £800 million lower than last year, with the most significant changes being described below.

The main factors that have decreased the resource request:

- There is a £431 million decrease in Resource expenditure arising primarily from a decrease in the Current Service Cost of £932 million offset by an increase in the Interest on Scheme Liability of £498 million
 - The Current Service cost decrease is due to a reduction in the accrual rate, prescribed by GAD, from 22.2% in 2025-26 to 18.9% in 2026-27. This is partially offset by an increase in the underlying pay bill caused by, amongst other things, the 5.5% pay award in September 2024 and 4.0% increase in September 2025
 - The Interest on Scheme Liability increase is due to an increase in the interest rate from 5.15% to 5.60%. This is partially offset by a decrease in the underlying Scheme liability from £290.7 billion in April 2025 to a forecast £277.2 billion in April 2026.
- There is £369 million increase in Resource Income, which in turn reduces the Resource requirement.
 - This primarily derives from an increased level of Contributions, caused by the 4.0% pay award in September 2025, together with a further forecast uplift of 1.7% in September 2026.

Net Cash Requirement

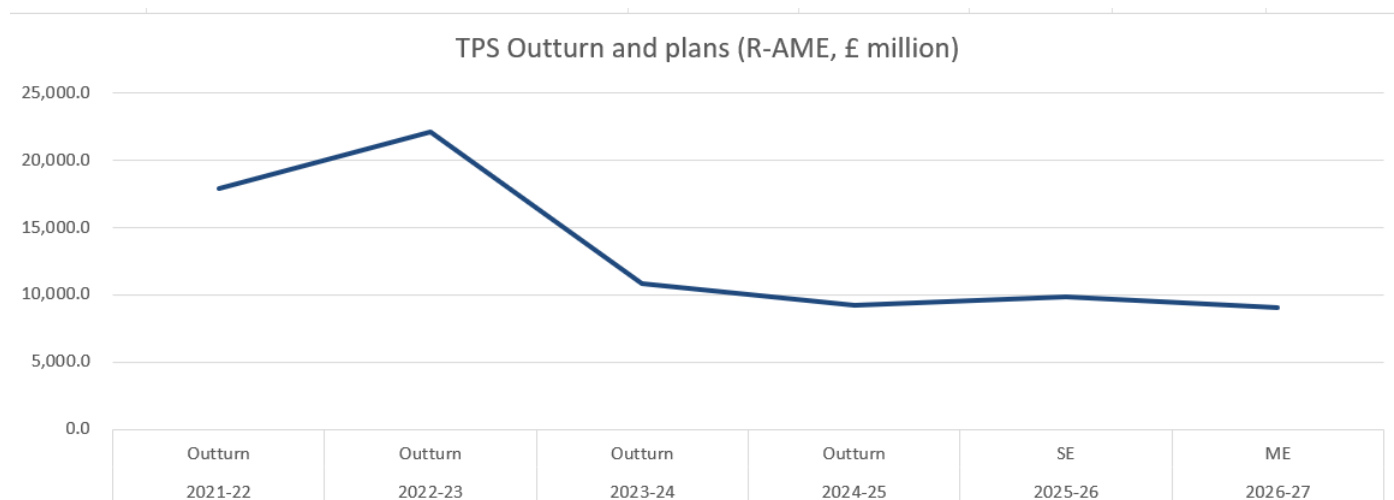
The net cash requirement is £111 million lower than last year. The main factors that have decreased the request are derived from three main areas:

- Regular Contributions receipts have increased by £354 million as outlined above.
- Additionally, there is a working capital adjustment caused by the contribution debtor movement which is forecast to be lower in 2026-27 than in 2025-26. Whilst Contributions increased year on year, the increase in 2026-27 compared to 2025-26 was much lower than the increase in 2025-26 compared to 2024-25. Therefore, the increase in the forecast amount outstanding at year end is also reduced.
- The reductions in requirement above are partially offset by an increase in forecast benefit payments. This is due to routine inflationary-linked Pension Increase forecasts of 3.7% together with additional increases due to the Public Service Pension Remedy (McCloud-Sargeant).

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Spending Trends

The charts below show overall spending trends for the last six years and plans presented in the Main Estimate for 2026-27. As AME is re-forecast on an annual basis there are no future spending plans to present beyond the current Estimate.



R-AME has fallen significantly since 2022-23 because of changes in the Current Service Cost rate prescribed by the Scheme Actuary. The most significant reduction was in 2023-24, which fell to 27.3% from 83.7% in 2022-23. Since then, it has been roughly consistent (22.1% in 2023-24 and 22.2% in 2024-25) but will fall slightly to 18.9% for 2026-27.

Administration Costs and Efficiency Plans

The costs of administering the scheme are funded via a charge to employers and is currently 0.08% of their pensionable pay bill. The costs of administration are forecast to be £46 million with the expected charge to employers being £26.6 million. This is expected to be a short-term shortfall due to the increased costs associated with the transition of the administration contract to a new provider which is due to take place in late 2026.

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Spending Detail

Explanation of Changes in Spending from Main Estimate

The table below shows how the TPS spending plans for R-AME compare with last year

Subhead	Description Detail		Resource AME					
			This year		Last year		Change from last year	Is change significant?
			Main Estimate 2026-27	Supplementary Estimate 2025-26				
					£ million	£ million		
R-AME	Expenditure	Current Service costs	6,437.6	7,369.4	(931.8)	(12.6)	1	
		Interest on scheme liabilities	15,300.9	14,802.8	498.1	3.4		
		Enhancements	30.0	17.0	13.0	76.5	2	
		Other payments	1.0	1.2	(0.2)	(16.7)		
		Increase in liabilities due to Transfers in	11.6	10.9	0.7	6.4		
		Increase in premature retirement provision	0.5	12.8	(12.3)	(96.1)	3	
		Interest on premature retirement provision	3.4	0.7	2.7	385.7		
		Administration fee	46.0	47.3	(1.3)	(2.7)		
		Sub total	21,831.0	22,262.1	(431.1)	(1.9)		
R-AME	Income	Employer contributions	(9,514.5)	(9,269.4)	(245.1)	2.6		
		Employee contributions	(3,270.3)	(3,147.9)	(122.4)	3.9		
		Transfers in	(11.6)	(10.9)	(0.7)	6.4		
		Other income	0.0	0.0	0.0	0.0		
		Administration levy	(26.6)	(25.6)	(1.0)	3.9		
		PRC contributions	(0.5)	(0.3)	(0.2)	66.7		
	Sub total	(12,823.5)	(12,454.1)	(369.4)	3.0			
	Net Resource AME	9,007.5	9,808.0	(800.5)	(8.2)			
	Net Cash	1,053.1	1,163.8	(110.7)	(9.5)			

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Differences meeting any of the following criteria are explained below:

- Where a variation is greater than both 10% and £10 million.
 - Where a variation is greater than both 5% and £200 million.
 - Changes to discount rates affecting provisions.
1. **Current Service Costs:** Current Service Costs are the amount of cost set aside in the current year, to pay for the service earned that will be paid at some point in the future. The rate used is calculated by the Scheme Actuary and is provided as a percentage of pensionable pay. The rate has dropped from 22.2% in 2025-26 to 18.9% in 2026-27.
 2. **Enhancements:** There have been significant refunds of Career Average flexibility payments made following the rollback of the Public Service Pension Remedy period (2015–2022) into the Final Salary scheme, which has reduced the value in 2025-26.
 3. **Decrease on Premature Retirement Provision:** The decrease is a normalizing adjustment following a one-off, non-recurring adjustment made in respect of a prior year. The adjustment was made in 2025-26, with 2026-27 expected to return to a normal level.

Changes to Contingent Liability

In the unlikely event of a default by the approved Additional Voluntary Contribution (AVC) provider, the Secretary of State for Education 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 £69 million as per the 2024-25 annual report and accounts, (2023-24: £55 million). This does not apply to members who make payments to other institutions offering free standing AVCs.

Estimated Scheme Liabilities

The [valuation of scheme liabilities](#) published in October 2023 was £262.2 billion.¹ The valuation was based on 721,000 active members, 645,000 deferred members and 739,000 retired members

For Annual Report and Accounts purposes, the Scheme Actuary updates this estimate under *IAS19 – Employee Benefits*. The estimated liability in the [2024-25 Annual Report and Accounts](#) was £290.7 billion.²

¹ The full address of the website is: [https://www.teacherspensions.co.uk/-/media/documents/member/documents/factors/valuation/tps-ew-2020-valuation-results-report---26_10_23-\(002\).ashx?rev=aba4c7a4288a480487ee087589a8eda6&hash=732241CC77819285E35B0F764486A6E0](https://www.teacherspensions.co.uk/-/media/documents/member/documents/factors/valuation/tps-ew-2020-valuation-results-report---26_10_23-(002).ashx?rev=aba4c7a4288a480487ee087589a8eda6&hash=732241CC77819285E35B0F764486A6E0)

² The full address of the website <https://www.gov.uk/government/publications/teachers-pension-scheme-annual-accounts-2024-to-2025>

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The next valuation is currently underway utilising data on 31 March 2024.

Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by me as Departmental Accounting Officer.

Susan Acland-Hood

Accounting Officer

Teachers' Pension Scheme

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