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Mr David Amess MP
House of Commons
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Your ref: SW2401

Dear David

24 June 2011

Thank you for your letter of 1 June, addressed to the Secretary of State, enclosing correspondence from Dr Robin Bevan, head teacher of Southend High School for Boys, Prittlewell Chase, Southend-on-Sea, Essex, SS0 0RG, regarding the potential changes to the Teachers' Pension Scheme (TPS). I am replying as the Minister of State for Schools.

Providing good quality pensions is becoming more challenging given increasing life expectancy. That is why the Government set up the Independent Public Service Pensions Commission (IPSPC) chaired by Lord Hutton to make recommendations on how such pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the tax payer.

In undertaking his review Lord Hutton recognised the contribution the public sector makes to society and that good-quality pensions should be part of the reward package for public service. He concluded that it is mistaken to say, as many have, that public sector pensions are gold plated; and he has rejected the argument that public sector pensions should be levelled down to what is typically provided in the private sector.

In his interim report of 7 October, Lord Hutton recommended that increased longevity and the imbalance between employer and employee contributions are strong reasons to make short-term changes to pension contributions pending a more fundamental redesign of the schemes. In making this recommendation, Lord Hutton considered the reforms already made to the public service pension schemes (in 2007 in the case of the TPS) and, whilst he acknowledged that savings had been achieved, he pointed out that the cost of public service pensions had increased by around a third because of longer life expectancy over the last 50 years. As a result, cash expenditure


on paying pensions to public service pensioners had increased to £32bn over the last decade.

The Government has accepted that there is a rationale for increasing member contributions to ensure a fairer distribution of costs between taxpayers and members. The Government's response to Lord Hutton's interim report was set out in the Chancellor of the Exchequer's Spending Review statement. The statement made clear that the Government is keen to discuss with unions and employer representatives the implementation of contribution increases, which will lead to an additional saving of £2.8bn a year by 2014-15, to be phased in from April 2012. Meetings are taking place between Government and public service unions, including representatives of the teacher unions, to ensure that scheme members' interests are represented fully. In particular, the Government wants to ensure that the impact of the changes on the level of employee contributions is progressive and protects the lower paid.

The Government is grateful to Lord Hutton's Commission for its final report which was published on 10 March and agrees that its recommendations will form the basis for consultation with public sector workers and trade unions. I am absolutely committed to working openly, honestly and constructively with the teacher unions and others to ensure that teachers continue to receive the high quality pensions that they deserve and value. With that in mind, the Government has already given a firm and absolute commitment that accrued pension benefits will be protected; and that any changes to the provisions of public sector pension schemes, including the TPS, would take effect from a future date and in respect of future service. This means that there is nothing to be gained by teachers seeking to retire earlier than they have planned. All that would do is guarantee a lower pension than if teachers continued to contribute to the scheme.

I appreciate Dr Bevan's concerns at the changes taking place within public service pension schemes, but I want to assure him that the Government will continue to ensure that the hard work and professionalism of teachers is recognised through a fair remuneration package, including a suitable and effective pension scheme.

With best wishes.

Yours sincerely


Nick Gibb MP