Rt Hon Darren Jones MP
Chief Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London SW1A 2HQ
**By email**

19 December 2024

Dear Rt Hon Mr Jones,

**Request for flexibility for HE institutions to offer an alternative pension scheme to the TPS**

We are writing to request that HM Treasury allows HEIs that participate in the TPS to be able to offer staff an alternative pension scheme.

For a large part of the higher education (HE) sector, the financial pressures on institutions have been exacerbated by the cost of participating in the Teachers' Pension Scheme (E&W) where the current employer contribution rate is 28.68% of pay. Unlike schools and colleges who receive extra government funding to meet their additional TPS costs resulting from the previous two scheme valuations, HE institutions (HEIs) are required to pay the full employer contribution. Over the past five years the rate has increased by 12 percentage points and participation in the scheme continues to be a substantial financial burden for many HEIs and is cited as a reason why many have had to undertake redundancy exercises.

The recent announcements by the Westminster and Welsh Governments that the maximum tuition fee for 'home' undergraduate students in England and Wales is set to increase from £9,250 to £9,535 from 2025/26 is welcome. However, UCEA research shows that for many HEIs, including those that participate in the TPS, the increased income they are forecast to receive from charging the maximum tuition fee will be completely absorbed by increases in their employer National Insurance Contributions from April next year. In some cases, HEIs will be worse off as a result.

HEIs continue to demonstrate their resilience and flexibility in managing the adverse economic conditions they operate in. However, this ultimately means redundancies and recruitment freezes, as well as likely cutbacks to important additional services which go beyond an HEI's core offering such as employability support for students and mental health care provision. In addition, other areas of provision where there might have been opportunities for expansion have also had to be reconsidered for example, degree apprenticeships and short courses.

Within this context we would ask that HM Treasury allow HEIs that participate in the TPS the option to offer an alternative pension scheme. By allowing this flexibility, HEIs would be able to reduce the financial burden of contributing to the TPS and focus their expenditure on activities related to their core mission and purpose - of teaching, training and research - all of which are significant financial contributors to the UK economy.

Yours sincerely,

Raj Jethwa

**Raj Jethwa**
Chief Executive

**UCEA** Woburn House,
20 Tavistock Square,
London WC1H 9HU

020 7383 2444
enquiries@ucea.ac.uk

**www.ucea.ac.uk**