POA2025/03081

HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Mr Raj Jethwa
Chief Executive
Universities and Colleges Employers Association

Ms Jo Grady
General Secretary
University and College Union

14 April 2025

Dear Mr Jethwa and Ms Grady,

Thank you for your joint letter of 5 February expressing concerns about the increase in pension costs following the recent change in the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate.

On 30 March 2023 the previous government confirmed the SCAPE discount rate methodology would remain based on the Office for Budget Responsibility's (OBR's) forecast of long-term future GDP growth, which was first adopted in 2011, as it best met the balance of objectives between being a fair reflection of costs. The Government believes this methodology provides intergenerational fairness by ensuring that pension promises are made in a way that is sustainable and affordable to future taxpayers, and which will support the long-term stability of the public service pension system.

You have requested to bring forward the 2031 review of the SCAPE discount rate methodology as soon as possible. We will be reviewing the SCAPE rate for the next valuation of the schemes, which will determine the employer contribution rates payable from 2027/28, based on the OBR's long-term GDP forecasts to be published later this year. As you will be aware, in addition to confirming the methodology, the previous government announced the aim to review the level of the discount rate once in every four-year valuation cycle, rather than the previous five-year timetable.

This Government is committed to creating a secure future for our higher education sector. That is why the Secretary of State for Education has confirmed an increase to maximum fees in the academic year 2025/26 for the first time since 2017. This was a difficult decision which demonstrates that the Government is serious about the need to put our world-leading higher education sector on a secure footing.

While this represents a substantial investment in the sector, higher education providers are responsible for managing their own budgets and business models. It will be for it each provider to take decisions around the application of maximum fees in the academic year 2025/26.

We will consider higher education funding in the round at the Spending Review

Thank you again for taking the time to share your concerns.

Yours sincerely,



RT HON DARREN JONES MP
CHIEF SECRETARY TO THE TREASURY