Rt Hon Baroness Jacqui Smith
Minister of State for Skills
Department for Education
Sanctuary Buildings
Great Smith Street
London SW1P 3BT

By email

23 October 2024

Dear Baroness Smith,

National Insurance and employer pension contributions – growing concerns for HE sector

As you will be aware, for a large part of the higher education (HE) sector, the financial pressures on institutions have been exacerbated by the substantial increase in employer pension contributions to the Teachers' Pension Scheme (TPS). In fact, employer contributions to TPS (E&W) have increased by 12 percentage points over the last 5 years. While public sector employers received a subsidy to meet these increased costs, no such funding has been made available to any HE Institutions.

There is growing speculation that, should National Insurance (NI) Contributions be levied on employer pension contributions, there may be mitigations put in place for public sector bodies. While this is unconfirmed, I wanted to urge consideration of any such mitigations also being made available to HE Institutions.

The pensions landscape in HE is particularly complex with individual HE Institutions participating in a range of schemes, including both private and public service schemes. Levying NI on pension contributions without some form of mitigation for the sector will disproportionately impact institutions offering high quality defined benefit (DB) schemes which generally have higher employer contribution rates; this includes the public service schemes offered in the sector (TPS, LGPS and NHSPS), in particular, and may also have consequences for the viability of USS, risking further industrial action in the future.

The recognition of the significant budgetary impact on public sector employers must also apply to the HE sector. The failure of past governments to support HE Institutions over the TPS increases would only be reinforced if mitigations in respect of NI on employer pension contributions were not extend to the HE sector.

Thank you also for offering to meet me to discuss the wider issues in relation to TPS. I look forward to speaking to you once your office has identified a suitable date.

Yours sincerely,

Raj Jethwa

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Chief Executive

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