



Pensions news update: Summer term 2021

Teachers' Pension Scheme Age Discrimination Cases

In July 2020, the Government announced a public consultation seeking views on how to remove the discrimination caused by the transitional protections in the Teachers' Pension Scheme (TPS).

Transitional protections meant older members of the TPS remained in the Final Salary Scheme or delayed joining the Career Average Revalued Earnings (CARE) Scheme whereas younger members were immediately transferred into the CARE Scheme as soon as it was implemented in April 2015. The courts determined that this was discriminatory and ordered the Government to rectify the situation.

The Government has published its response to the July 2020 public consultation - Public Service Pension Schemes: changes to the transition arrangements to the 2015 schemes consultation. Full details of the government's response [can be found here](#). The NEU is pleased that the Government has adopted our position and favours the 'Deferred Choice Underpin' (DCU).

Eligible scheme members will get a choice between Final Salary Scheme benefits or Career Average Scheme benefits for the period 2015 to 2022, when they take benefits from the scheme. The choice will for most people be made at the point of retirement, so the decision is based on known facts rather than assumptions about the future. It is proposed that all members of the TPS will join the Career Average Scheme from April 2022, which will negate any age discrimination issue.

Compensation arrangements for members in the Local Government Pension Scheme (LGPS) will be slightly different. All LGPS members joined the Career Average Scheme in 2014, but some older members had the benefit of a final salary 'underpin', meaning they would not get less than they would have received if they had stayed in the previous Final Salary Average Scheme. This underpin will now be extended to all members until 31 March 2022.

The Government intends to pass the cost of the compensation onto Public Sector Pension Schemes so that it is borne by employers / employees. The iniquity of making employees pay for their own compensation caused by the Government's unlawful actions has been pointed out vigorously to the Department for Education and the Treasury.

The Government will need to pass primary legislation through Parliament and pension schemes will need to draft and enact regulations, in order, to put all of this into effect. Members do not need to do anything - and indeed there is nothing which members can do proactively. Members will be contacted by their schemes, which for the TPS in particular, we do not anticipate before April 2022 at the earliest.

TPS Valuation 2016 and 2020

Following its decision to pass on the cost of fixing age discrimination to public sector schemes, the Government, now has to re-do the 2016 Teachers' Pension Scheme actuarial valuation. The original valuation result showed that the Teachers' Pension Scheme had breached the cost-sharing

arrangements introduced in 2015 in a downwards direction. A mix of lower pay increases than expected, lower improvements in life expectancy than expected and more teachers leaving the profession meant scheme costs fell by over 2 per cent, causing the breach.

The downwards breach in the cost sharing arrangements meant that accrual in the Career Average Scheme was set to be improved from 1/57 to approximately 1/49.2 from April 2019 – a 16 per cent improvement. These improvements were put on hold due to the age discrimination cases. The valuation will be redone once the Treasury has issued new ‘valuation directions’ covering central assumptions set across public sector schemes.

Making members bear the cost of the measures to remedy age discrimination mean that it is not known whether the cost sharing arrangements will still have been breached downwards. If there is still a downwards breach, then the career average scheme will still be improved - though by not as great an amount as previously - and backdated to April 2019.

If the revised valuation shows no breach, then the career average scheme will continue with the same arrangements as now. The NEU considers it extremely unlikely that there will be an upward breach - leading to higher contributions or lower pension accrual. The Government has stated that in the event of this unlikely scenario, there would be no change implemented as a result, of the 2016 valuation.

Directions for the 2020 valuation are expected next year. Changes resulting from the 2020 valuation - including any change to employer contributions - will be implemented in 2024, a year later than planned.

Salary bands for Teachers’ Pension Scheme employee contributions April 2021

From 1 April 2021, the contribution bands for employee pension contributions to the Teachers’ Pension Scheme are rising by 0.5 per cent. This is in line with the September 2020 increase in the Consumer Prices Index (CPI).

This increase only affects the contribution bands. The contribution rates remain the same. The increase applies to members in the Career Average section and the Final Salary section of the scheme. The contribution structure is based on the teacher’s actual salary rather than the full-time equivalent salary.

The tiered contribution rates for the TPS from 1 April 2021 are as follows:

Annual Salary (1 April 2020 – 31 March 2021)	Annual Salary (1 April 2021 – 31 March 2022)	Member Contribution Rate (%)
Up to £28,168	Up to £28,309	7.4
£28,169 - £37,918	£28,310 - £38,108	8.6
£37,919 - £44,960	£38,109 - £45,185	9.6
£44,961 - £59,587	£45,186 - £59,885	10.2
£59,588 - £81,254	£59,886 - £81,661	11.3
£81,255+	£81,661+	11.7

Indexation of TPS career average pensions April 2021

The Government has confirmed that career average pension rights for members in teaching will be increased by 2.1 per cent in April 2021.

Members with deferred pensions will have their career average pension rights increased by 0.5 per cent in April 2021.

Most teachers are currently accruing pension in the Career Average Section of the Teachers' Pension Scheme. Their pension is being built up at 1/57 of their pensionable earnings each year. These pension rights are then increased each year until retirement at CPI inflation + 1.6 per cent for teachers who stay in teaching, and at CPI inflation only for those who leave the Teachers' Pension Scheme.

The increase is based on the CPI figure from September 2020, which was 0.5 per cent.

Teachers' pension increase 2021

The April 2021 increase for TPS pensions in payment has been confirmed as 0.5 per cent, in line with the September 2020 increase in the Consumer Prices Index.

Guaranteed Minimum Pension consultation

The Government has now published its response to its own consultation on the indexation of 'Guaranteed Minimum Pension'. This is an element of the UK pension system which was built up between April 1978 and April 1997.

The Government has confirmed that full indexation will be provided on a permanent basis to public servants with a GMP reaching State Pension age from 6 April 2021, [more detail can be found here](#).

Independent schools phased withdrawal regulations

Draft regulations have now been published to implement 'phased withdrawal' in independent schools. This will allow independent schools to withdraw TPS to new entrants while keeping existing employees in the scheme. The planned implementation date is 1 September 2021. The NEU opposes this measure as it will create a two-tier workforce and discourage movement between the public and private sectors. All teachers should have access to the Teachers' Pension Scheme.

The regulations also cover implementation of the 'Goodwin' case, which means all surviving widowers, widows and civil partners should receive survivor pensions calculated on the basis, of all their spouse/partner's service from April 1972 onwards. This extends the April 1972 service date to male widowers of female teachers, which will benefit the survivor of at least 13,000 female teachers. The NEU supports this measure.

The consultation on these draft regulations closes on 1 June. The NEU will be responding.

Check your pension records

The NEU receives many reports of pension records being incorrect. The growing fragmentation of the school system means a growing number of small employers, and more changes of employer for teachers over their careers. These are perfect conditions for mistakes to be made.

Members should sign up with the Teachers' Pension Scheme's 'MyPensionOnline' service to check that their pension is correct. Teachers can register at www.teacherspensions.co.uk and will need their national insurance number and an email address. This is particularly important for members in the Career Average Scheme. Each year is effectively a separate piece of the final pension, so it is vital that each year's salary information is logged correctly – otherwise the final pension will be wrong.

It is important for older members still building up a final salary pension to check their records. These members should check salary details and that their contract and days out of service are correct. It is

much simpler to deal with errors as they arise rather than shortly before retirement. It is therefore important to keep payslips and other salary records - like P60s.

NEU Pension materials

Pension materials such as latest news, briefing materials and PowerPoints (some with speaker notes!) intended for use by reps and district officials can be found at [pensions](#).

NEU Employment and Bargaining Department
April 2021