



## **PENSIONS NEWS UPDATE: SUMMER TERM 2022**

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### **All teachers in career average TPS from 1 April 2022**

All members of the Teachers' Pension Scheme have now joined the career average section of the Teachers' Pension Scheme from 1 April 2022. Pension is built up at 1/57 of pensionable earnings each year. These pension rights are increased each year until retirement at Consumer Price Index (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.

Please note that all final salary benefits are fully protected, will continue to grow in line with inflation and will be payable at retirement along with your career average benefits.

### **Teachers' Pension Scheme Age Discrimination Cases**

Progress continues (slowly) on removing 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 against younger members and ordered the government to rectify the situation.

Eligible scheme members will choose between final salary or career average scheme benefits for the period 2015 to 2022 when they take benefits from the scheme – effectively getting the better of the two schemes. The choice will for most people be made at the point of retirement.

Compensation arrangements for members in the Local Government Pension Scheme 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'd stayed in the previous final salary scheme. This underpin will now be extended to all members until 31 March 2022.

The Public Service and Judicial Offices Act 2022 outlining all of this has now become law. However, sets of regulations will need to be drafted in the TPS and LGPS to put the regulatory changes needed into practice. Sets of 'Treasury Directions' will also be needed. This will all take time.

Members will be contacted by their schemes with more information in due course. There is nothing which members can do proactively to speed the process up. The latest information received by the NEU is that it is likely to be October 2023 at the earliest before eligible TPS members can make their choice.

### **TPS Valuation 2016 & 2020**

Following its decision to pass on the cost of fixing age discrimination to public sector schemes, the Government has now redone the 2016 Teachers' Pension Scheme actuarial valuation including the cost of fixing the age discrimination outlined above.

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 revised 2016 valuation result means no breach of the cost sharing arrangements, which means the previously anticipated improvements will not happen. The NEU believes the Government has rigged the process to achieve its desired outcome.

Attention now turns to the 2020 valuation which is expected in early 2023, which includes the impact of fixing the age discrimination cases. Any change to employee or employer contributions (or other scheme design changes) will not be before 2024.

### **Salary bands for Teachers' Pension Scheme Employee Contributions April 2022**

From 1 April 2022 the contribution bands for employee pension contributions to the Teachers' Pension Scheme rose by 3.1 per cent. This is in line with the September 2021 increase in the Consumer Prices Index (CPI). This increase only affects the contribution bands. The contribution rates remain the same. 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 2022 are as follows:

<b>Annual Salary (1 April 2021 – 31 March 2022)</b>	<b>Annual Salary (1 April 2022 – 31 March 2023)</b>	<b>Member Contribution Rate (%)</b>
Up to £28,309	Up to £29,187	7.4
£28,309 - £38,108	£29,188 - £39,290	8.6
£38,109 - £45,185	£39,291 - £46,586	9.6
£45,186 - £59,885	£46,587 - £61,742	10.2
£59,886 - £81,661	£61,743 - £84,193	11.3
£81,662+	£84,194+	11.7

### **Indexation of TPS Career Average Pensions April 2022**

The Government has confirmed that career average pension rights for members in teaching were increased by 4.7 per cent in April 2022. Members with deferred pensions will have their career average pension rights increased by 3.1 per cent.

All teachers in active service are now 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 2021, which was 3.1 per cent.

### **Teachers' Pension increase 2022**

The April 2022 increase for TPS pensions in payment has been confirmed as 3.1 per cent, in line with the September 2021 increase in the CPI. A brief guide to differences between CPI and the Retail Prices Index (RPI) measure of inflation can be found [here](#).

### **Impact of pay freezes re ‘best consecutive 3 in 10’ salary calculation**

The NEU is continuing its efforts over the issue with the ‘best consecutive 3 in 10’ average salary calculation in the TPS final salary pension scheme.

The calculation method for the ‘best consecutive three years in ten’ average salary only applies revaluation if the salary rate changes. This means a pay freeze leads to no revaluation of pension and consequent losses for members if they retire during a period of pay freeze when indexation would otherwise be positive.

The NEU believes that TPS scheme regulations should be changed so members get revaluation at all times. In the meantime, salaries should be increased by £1 in 2021-22 for at least one month to trigger it. The NEU’s policy statement has been [updated](#) and is available on the website.

### **Increase in minimum age at which private pension rights can be accessed.**

The ‘minimum normal pension age’ (the minimum age at which private pension rights can be taken) is set to increase from 55 to 57 from 6 April 2028.

There are exceptions which allow some groups to keep a ‘protected pension age’ at 55. This includes final salary rights in the Teachers’ Pension Scheme (but not career average rights) as the right to take a pension at 55 was set out in scheme regulations. To take pension rights at 55 from 6 April 2028 you must have been in the TPS before 4 November 2021.

More information will be provided when it is available.

### **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](http://www.teacherspensions.co.uk) and will need their national insurance number and an email address.

All members should check their 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).

The NEU recommends that you check your pension records and pension data at least once a term. You should raise any issues with your pension records immediately with Teachers’ Pensions.

### **NEU Pensions website material**

Pensions materials can be found in the pensions part of the NEU website at <https://neu.org.uk/pensions> . This section includes news, briefing materials and Powerpoints intended for use by reps and district officials.

**NEU Workforce Policy Team**  
**April 2022**