

TEACHERS' PENSION SCHEME – CAREER AVERAGE SECTION

NEU Guidance for members in England & Wales

The Teachers' Pension Scheme will provide much of your retirement income so it's vital that you understand it. This factsheet covers the career average section of the Teachers' Pension Scheme (TPS) in which most members are accruing pension. It does not cover the final salary section. This guidance document aims to answer the most common pension queries for NEU members.

What we say

When you read through this document you may have questions about what happens in your particular school or workplace and there may be collective issues that affect other members. In most circumstances, you should initially discuss the matter with your workplace rep, as they will know whether similar concerns have been raised by other members. If you do not have a rep at the moment, it would be a good idea to get members together to elect one. Further advice on this is available at:

<https://neu.org.uk/becoming-a-rep>

Although you may sometimes feel that you are the only person affected by or concerned about a particular issue, in reality this is seldom the case. Any difficulties you may experience are likely to be linked to wider conditions at your workplace and as a member of the NEU you have the advantage of being able to act collectively with your colleagues. This should give you the confidence of knowing that you have the weight of the Union behind you.

Why should I be in the Teachers' Pension Scheme?

Your teachers' pension will be the cornerstone of your retirement income. Benefits include:

- a substantial contribution from your employer to your pension – 23.6 per cent of your salary from September 2019 – alongside your own contribution;
- a regular income after you retire and the right to a tax-free lump sum payment at retirement
- ill-health benefits if you become too ill to teach; and
- financial protection for your family and other dependents after you die.

The Teachers' Pension Scheme is extremely valuable. Don't opt out!

Am I eligible for a pension?

To be eligible to receive a pension from the Teachers' Pension Scheme you must have completed a certain minimum length of service. This is:

- two years' pensionable employment at any time after 5 April 1988;
- two years' pensionable employment at any time, if you were in pensionable employment on 6 April 1988; or
- five years' pensionable employment at any time.

If you're working part-time, your service counts at its full time equivalent for purposes of qualifying for a pension. Like full-timers, you only need two years' pensionable employment at any time after 5 April 1988 for example to qualify.

Am I in the career average section?

The Government 'Proposed Final Agreement' on pensions contained provisions for transitional protection. Whether you have protection depended on your age on **1 April 2012** and your TPS normal pension age (NPA) (the age at which you can get your pension in full).

If you were within ten years of your NPA on 1 April 2012 (i.e. 50 or over if your TPS pension age is 60 or 55 or over if it is 65) then you will stay in the final salary scheme provided that you don't have a break from teaching of five years or more. This applies even if they work past scheme retirement age.

If you were up to a further 3½ years away from your NPA on 1 April 2012 (i.e. 46½ - 50 if your TPS NPA is 60 or 51½ - 55 if it is 65) then you'll stay in your current final salary scheme under current rules for a limited period. However, you will be switched over to the career average scheme in the future. The older you are, the more protection you have. The chart below has more details.

Final Salary Scheme pension age 60		Final Salary Scheme pension age 65	
Age at April 2012	Switch to career average	Age at April 2012	Switch to career average
50	Stays in FS scheme	55	Stays in FS scheme
49½	58½ (April 2021)	54½	63½ (April 2021)
49	57 (April 2020)	54	62 (April 2020)
48½	55½ (April 2019)	53½	60½ (April 2019)
48	54 (April 2018)	53	59 (April 2018)
47½	52½ (April 2017)	52½	57½ (April 2017)
47	51 (April 2016)	52	56 (April 2016)
46½	April 2015 (no protection)	51½	April 2015 (no protection)

If you have no transitional protection, if you are a new member of the scheme on or after 1 April 2015 or if you rejoin the Teachers' Pension Scheme after a greater than five year break then you will be placed in the career average section.

What is career average?

Career average is a way of calculating how much pension you will get. Until April 2015, the Teachers' Pension Scheme was a 'final salary' scheme – where pension was based on your salary at or near retirement. Under career average, pension is based on your salary over the whole of your career.

How does career average work?

Teachers in the career average scheme build up pension at 1/57 of their pensionable earnings each year. So, if your pensionable earnings are £28,500, you'll build up £500 of pension for that year. From April 2015, overtime was included in the definition of pensionable pay.

This pension is then increased each year until retirement. The annual increase before you retire for teachers who stay in teaching is Consumer Prices Index (CPI) inflation + 1.6 per cent. This is slightly less than the expected long-term growth in average earnings.

If a teacher leaves service before retirement and doesn't return within five years, the 'banked' pension is just increased with CPI.

Each year is essentially treated as a separate unit, and at retirement, it's all added together to form your total pension. Once the pension is in payment, it just increases annually with CPI.

Under career average, every month's pay throughout your career will decide your pension. 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.

What do I have to do?

Keep every payslip! Payslips are the main evidence members will have to challenge errors in their records. It's vital to keep payslips and other salary records (like P60s).

Pension statements are provided through the Teachers' Pension Scheme's MyPensionOnline service, so it's important that teachers register. Teachers will be informed that the relevant information is online. This is updated annually in most cases. Some employers have 'monthly data collection' and in this case information is updated monthly.

It's important that you check this information and correct it if necessary. It's easier to sort problems out at the time rather than close to retirement.

When can I get my pension rights in full?

The new scheme links the TPS normal pension age (NPA) (the age at which teachers can get their teachers' pension in full) to the State pension age. Retiring earlier would only be possible on a reduced pension.

This means (based on ages as at April 2019) – people aged 41 and under have a pension age of 68, people aged 42 to 57 have a pension age of 67 and people aged 58 to 65 have a pension age of 66.

How much do I have to pay?

The current employer contribution is 23.6 per cent. Employees pay contributions on a sliding scale. The average employee contribution is 9.6 per cent.

Salary	Contribution Rate
£0 - £27,697	7.4%
£27,698 - £37,284	8.6%
£37,285 - £44,208	9.6%
£44,209 - £58,590	10.2%
£58,591 - £79,895	11.3%
£79,896+	11.7%

A key point is that contributions are based on a member's actual salary (formerly contributions were calculated on the full-time equivalent salary). This is a gain for part-time employees, the majority of whom are women.

Your contributions are taken from your salary before it is taxed – therefore you receive tax relief at your highest marginal rate of tax.

Can I take an additional tax free lump sum?

If you have service on or after 1 January 2007, you can take up to 25 per cent of the total value of your pension rights as tax-free tax free lump sum – exchanging each £1 of annual pension for £12 of lump sum.

What happens to my final salary pension?

If you were switched into career average, you'll have "mixed service". Part of your pension will be from the career average scheme and part will be from the final salary scheme. Your final salary pension will be based on your salary when you leave teaching (or the period leading up to it), not your salary in 2015.

You can in theory take your final salary pension in full at its scheme pension age (either 60 or 65). But you will have to end your contract to get it.

Do I have to take both pensions at once?

If you take your final salary pension at or beyond your final salary scheme pension age, you can take the two parts separately.

If you take your final salary pension before your final salary scheme pension age, you have to take your career average pension rights as well. This would mean a large actuarial reduction in most cases.

How can I work out my pension?

It is extremely difficult to work out your career average pension as it depends on past earnings while you've been a member of the career average section. It will be possible to see the information if you have joined the Teachers' Pension Scheme's MyPensionOnline service. Otherwise you will have to request a statement from Teachers' Pensions.

Calculating your pension – What happens if I work part time?

You just need to know your pensionable salary and the fraction that you work. So if you work at 0.5 and earn £28,500 you will build up $£28,500 \times 0.5 \times 1/57 = £250$ in pension for that year.

How is my pension increased in retirement?

Your teachers' pension is increased each April based on the previous September's inflation figure. The Government currently uses the Consumer Prices Index (CPI) to work out increases.

What if I want to retire early?

Actuarially reduced benefits allow you to take your pension before your Normal Pension Age. To be able to claim, you must be 55 or over and have service in the Teachers' Pension Scheme on or after 30 March 2000. Your pension (and any associated lump sum) will be reduced because you're retiring early and can expect to get it for a greater number of years. The earlier you take the pension, the bigger the reduction. There are different tables depending on your NPA.

Can I retire early through ill health?

If you are under NPA and have to stop teaching through ill health, you can apply for ill health retirement. Ill health pensions can be paid at two levels:

- Total Incapacity Benefit (TIB) for those permanently unable to teach and unable to undertake any other gainful employment.

- Partial Incapacity Benefit for those permanently unable to teach but able to do other non-teaching work.

The decision to award an Ill Health pension is based on medical evidence. Before you even think about applying for ill health retirement, you should contact your NEU Representative / District Secretary.

What if my employer makes me redundant?

If you're 55 or over and are made redundant or leave work on the grounds of organisational efficiency, your employer can choose to pay you an unreduced pension. In some cases the employer can add extra years of reckonable service in calculating your pension.

What is 'Phased retirement'?

Phased retirement allows teachers to keep working but in a reduced capacity – perhaps by moving to part-time work or a less strenuous post, but mitigate the income loss by drawing part of their pension.

To claim phased retirement you must be aged between 55 and 75 and have service in the Teachers' Pension Scheme after 31 December 2006. To qualify, you must reduce your pensionable salary by 20 per cent or more for at least 12 months. The reduction in salary is compared to your average salary over the previous 6 months.

You can draw up to 75 per cent of your pension benefits and carry on working. You can currently exercise phased retirement three times (at least once after 60) before finally retiring.

What happens if I die in service?

An in-service death grant of three times your FTE salary is paid if you die while in pensionable employment. It can also be paid if you die within a year of leaving pensionable employment (and haven't claimed ill health retirement).

The death grant goes to your spouse, civil partner, or nominated unmarried partner unless you make a separate death grant nomination. It is vital to keep your nomination details up to date. For deaths shortly after retirement, a supplementary death grant is payable of the difference between the pension paid up to the date of death and five times the annual rate of pension.

What about my dependents?

For those who die in service or after retirement, survivors' pensions may be payable to their beneficiaries. Long-term pensions are payable at 37.5 per cent of the career average pension. Dependents' pensions available to widows, widowers, civil partners and unmarried partners. Unmarried partners must have been in relationship for two years and be 'financially interdependent' at time of death. Children's pensions can also be payable depending on the age of the children.

Further Resources

More information is available from the Teachers' Pension Scheme website (www.teacherspensions.co.uk). You can telephone Teachers' Pensions on 0345 6066166 or write to Teachers' Pensions, Lingfield Point, Darlington, DL1 1AX.

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