

TEACHERS' PENSION SCHEME – FINAL SALARY 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 final salary section. It does not cover the career average 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 in the final salary section?

The Government 'Proposed Final Agreement' on pensions contained provisions for transitional protection. Whether you have protection depends 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.

Scheme pension age 60		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)

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.

When can I get my pension rights in full?

Your Normal Pension Age (NPA) is the age at which you can take your pension rights in full. Your NPA depends on when you joined the scheme. If you joined the scheme on or after 1 January 2007, you have an NPA of 65. If you joined the scheme before 1 January 2007, you continue to have an NPA of 60 provided that you do not leave teaching for more than five years.

However, if you return to teaching after more than a five-year break, you'll have what's known as 'Mixed Service' – and your pension will be calculated in two slices.

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.

Calculating your pension – What service is my pension based on?

Reckonable service is the amount of teaching service on which you have paid pension contributions. Your pension is calculated on the basis of your reckonable service.

Calculating your pension – What salary is my pension based on?

The term 'average salary' describes the salary figure prior to retirement on which your pension is based. It is calculated as the better of the following two options

- Salary in the last year before retirement
- The average of the best three consecutive years in the last ten years. This is revalued with CPI inflation, so in effect it's the highest relative period in your earnings

Deferred members prior to 1 January 2007 who never return to teaching will have their pensions calculated on the pre 1 January 2007 basis (best year in last three years)

How does your pension build up work if your NPA is 60?

The pension is 1/80 of average salary for each year of reckonable service. You also get an automatic tax free lump sum of three times your pension

Example:

If average salary = £30,000 and member has 20 years' reckonable service then the pension will be:

$£30,000 * 20/80 = £7,500$ a year + £22,500 tax-free lump sum.

How does your pension build up work if your NPA is 65?

The pension is 1/60 of average salary for each year of reckonable service. There is no automatic tax-free lump sum.

Example:

If average salary = £30,000 and member has 20 years' reckonable service then the pension will be:

$£30,000 * 20/60 = £10,000$ a year

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.

How can I work out my pension and lump sum?

There is a calculator available on the Teachers' Pensions website (www.teacherspensions.co.uk). Before using the calculator, find your last benefit statement from Teachers' Pensions or, if registered, log into their MyPensionOnline service to find your amount on reckonable service and

your average salary figure. The calculator also works out the maximum tax free lump sum that you can take.

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

For working out your benefits only the days you work count towards your pension. So if you work at 0.5 for two years, this counts as one year of 'reckonable service'. Your 'average salary' will be the FTE salary rate for the job.

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 whether your NPA is 60 or 65.

An 'early retirement' calculator is available on the Teachers' Pension Scheme website at <https://www.teacherspensions.co.uk/members/calculators.aspx>

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 twice before finally retiring.

What happens if I die in service?

An in-service death grant of three times your 'average salary' (the salary that your pension would be calculated on) 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.

Eligibility for survivors' pensions requires two or more years of eligible service. Currently, service from 1 April 1972 (same or opposite sex widow or same sex widower), 6 April 1988 (opposite sex widower) or 1 January 2007 (nominated unmarried partners) automatically counts for survivors' benefits. 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.

Spouse, civil partner and nominated partners' pensions are paid for life for retirements from 1 January 2007 (for people with service on or after this date) – rather than ceasing on remarriage or cohabitation.

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.

**National Education Union
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