

## **Independent Schools Proposing to Leave the Teachers' Pension Scheme – Frequently Asked Questions**

### **1. Why is my employer planning to leave to the Teachers' Pension Scheme (TPS)?**

The employer contribution rate for the TPS is increasing on 1st September 2019 from 16.4% to 23.6%. The scale of the increase was unexpected and is in part due to wholly unnecessary decisions by government. Employers are claiming that the increase is unaffordable. For some this will be true but for others it is a choice.

### **2. Can my employer leave the TPS?**

Yes. To withdraw from the scheme, your employer must give written notice to the Secretary of State for Education. The school will cease to be part of the scheme from the date specified in a written notice given to its proprietor by the Secretary of State (SoS). Usually, once an application is received, it will take approximately a month to leave the scheme.

### **3. Does the employer have to consult before implementing any change?**

All employers planning a significant change to members terms and conditions should engage in meaningful and constructive consultation with the staff affected. NEU believe that the consultation period should be no less than 60 days.

The NEU believes that meaningful consultation means:

- A clear proposal
- An agreed process and timetable
- Adequate time for staff to consider the proposals, not less than 60 days
- Full details of proposed alternative provision
- Full disclosure of all relevant financial and other information, including school finances, to enable staff to ask pertinent questions, propose alternatives and make informed decisions
- Genuine consideration by the employer of proposed alternatives, at the end of the consultation period
- A robust and independent staff representative body

Steps you can take to secure consultation, and other things you should do to make your opposition know, are set out later in this briefing.

### **4. What's the difference between a Defined Contribution (DC) and a Defined Benefit Scheme?**

The TPS is a Defined Benefit Scheme stating how much you will receive in pension. A DC scheme states only how much will be contributed, not the level of pension.

A DC scheme has a set contribution for the employee and a set contribution for the employer. For example, in some DC schemes, the employer and the employee each contribute 5% of the member's earnings, or 10% in total.

Some DC schemes allow members to choose the level of contribution they wish to pay, with a related employer contribution. Contributions are invested on behalf of each scheme member.

The retirement benefits for each member depends on how much money has been built up by the member's retirement date and how well the investment has performed. At retirement the money can be used to buy an income for life (an annuity) or can be drawn down more flexibly. As a result, it is very difficult to know in advance what pension benefits a member will receive at retirement.

## **5. How do the main DC schemes being proposed compare to the TPS?**

Under all reasonable assumptions a DC pension cannot provide anywhere near equivalent retirement benefits to the TPS. The likely outcome of leaving the TPS is that members will receive a significantly smaller pension at retirement.

The NEU understands that there are two main DC schemes being proposed as an alternative to the TPS. They are the Aviva Pension Trust for Independent Schools and the TPT Independent Schools' Pension Scheme.

A comparison between the TPS career average section and a DC pension will vary based on rate of return, earnings growth, contribution level and member age. Even if current pension contribution levels to the TPS are mirrored in a new DC scheme, the TPS career average pension still provides a superior outcome. It should be noted that neither the Aviva nor the TPT schemes mandate a minimum level of contribution higher than the statutory minimum.

The NEU has undertaken some modelling to provide examples of the different level of retirement benefits one can expect from the TPS and a DC scheme. These can be found here <https://neu.org.uk/media/3876>

## **6. What will happen to my TPS benefits if my employer decides to leave?**

If your employer decides to leave the TPS, your benefits accrued to date will be protected, and you will become a deferred member. You can claim your TPS pension benefits at your normal retirement age. Between leaving the TPS and claiming your benefits, your pension will be increased each year in line with inflation to maintain its value.

## **7. Where can I find out more information about my current TPS benefits?**

You can find out more about your TPS pension here [www.teacherspensions.co.uk](http://www.teacherspensions.co.uk). Register on mypensiononline and gain full access to all your information including years of service, retirement age, current level of pension benefits and pension flexibilities.

## **8. What can staff do about the proposals?**

First and foremost, members should strongly lobby their employers to remain in the scheme. If your employer says that they simply cannot afford it, then members should expect a full disclosure of all relevant financial information. This should be interrogated. Only when this discussion has been exhausted, should there be any discussion of an alternative pension scheme, level of contributions and benefits.

The NEU position is that employers should not be using this as a cost cutting exercise. There may be a genuine financial reason why paying 23.6% employer contribution rates is unaffordable. However, employers are currently able to pay 16.4% and members should argue strongly that this is maintained in any alternative scheme being proposed.

For support and advice, members should visit the Independent Schools' page on the NEU website <https://neu.org.uk/proposed-increase-employers-contribution-tps-independent-sector-members>. This will provide background information and useful tools, guides, calculators for you to use to campaign against change.

Please seek advice from the local NEU offices and branches. They will be able to help organise meetings, coordinate campaigns and PR and help with questions you may have. Ultimately, if your employer wishes to leave the TPS then employee pressure up to and including the prospect of industrial action may be necessary to change the employer's mind.

Most independent schools and governors recognise the importance of TPS membership in terms of recruitment and retention of the best quality teachers. This is core to the business and the success of your school. However, there will be some governors who may not be so sympathetic to the interests of teachers and only see the cost of pension provision.

#### **9. What will be the impact if my school chooses to leave the TPS?**

If your school were to leave the TPS and other local IS schools remain, this raises a significant issue for teacher recruitment and retention. This is likely to have a knock-on effect on teacher morale, standards and what kind of teacher the school is able to attract and retain. Employers should be wary of jumping into the unknown and finding themselves on the wrong side of the divide: schools that offer the TPS to their teachers and those that don't.

Aware of this, some employers have informed NEU that they will delay any decision beyond September 2019 to see how things develop. Others have decided to remain in the TPS. At time of printing, the NEU has confirmed with the TPS that not a single independent school has formally applied to leave.

#### **10. What is the NEU and our members doing about this?**

The NEU is campaigning very strongly against any independent school leaving the TPS. Where schools have shared proposals to leave the TPS, we are working locally with those employers and members to explain the situation, ensure proper consultation and encourage schools to remain.

We have written a letter, co-signed by the Independent Schools Council and the Independent Schools Bursar Association, to the Damian Hinds, the SoS for Education asking for more support for Independent Schools. The employer pension contribution increase will be fully funded by the government in the maintained sector for the period to April 2020. There are no guarantees beyond that point.

We have produced and published online materials, including a template letter to your MP [insert link], to help members understand the issue better and to help members organise and campaign locally.

#### **11. So, what exactly should we do at school level?**

These are things that you can do now which might positively influence the situation in your workplace.

- Get together with your fellow NEU members to make sure that colleagues are aware of the threat and to form your collective response. The NEU is by far the largest education union and in the independent sector. A union response in an individual school comes with that additional heft.
- This should be led by the NEU workplace rep. If there isn't one in your workplace, now is the time for members to get organised and appoint a rep! Information on the role can be found here.
- Speak to your bursar to find out what the situation is your school or college. The institution's resources might mean that they can absorb the additional cost without issue. If so, you don't need to worry. If there is doubt about continuation in the scheme you need to act as soon as possible.

- It is imperative that NEU members make robust representations to the governing body or proprietor to stress the importance of the TPS to staff and the school.
- As the largest and most influential union in the independent sector, we recommend that this is done in the name of the NEU. As appropriate, you might act in liaison with other unions, the common room, or staff pay and remuneration committee.
- If your employer is actively considering withdrawing from the TPS, then they must make provision for meaningful consultation of staff. Ask what provision is being made.
- The strongest staff voice is where the employer recognises the union to collectively represent staff. Then there is negotiation, with a view to reaching agreement.
- If the NEU is not recognised in your workplace consider seeking recognition of NEU – a statutory right, with majority of staff support.
- Should your representations prove unsuccessful, there should be a negotiation on provision for an alternative pension scheme.

NEU members in many schools have organised collectively to ensure that their voice has the maximum affect. Members have made robust representations to governors and successfully suggested alternatives to leaving the TPS. Members have successfully challenged consultation as not meaningful where employers have refused to discuss other options such as increasing fees, or failed to provide requested financial information and essential detail on proposed alternative schemes. In others, asking the union to conduct indicative ballots to test support for withdrawing their labour has led to proposals being withdrawn. Recognition campaigns to strengthen staff voice are underway in many schools.

#### **12. I am worried about how this will impact my retirement plans, what can I do?**

The NEU recommends that you contact Lighthouse Financial Advice for personal independent financial advice. NEU members can receive a free, no obligation initial consultation from Lighthouse, either on a 1-2-1 basis or school member meeting.

You can book your complimentary, no obligation initial consultation by calling 0800 085 85 90 or visit [www.lighthousegroup.plc.uk/affinity/neu/](http://www.lighthousegroup.plc.uk/affinity/neu/).

#### **13. Will I be able to re-join the TPS if I change employers?**

Yes. You will need to be employed in the maintained sector or another independent school that has remained in the TPS. You will stop being a deferred member and you will once again be an active member.

If you return to the TPS within five years, then your service will be 'aggregated' with your previous service and your final pension will be based on your salary when you finally leave teaching. If you wait more than five years, then you will have two separate periods of service.

#### **14. Can I transfer my benefits from the TPS into a new employer DC scheme?**

No.

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