

**SPEAKER NOTES – TPS REP POWERPOINT: APRIL 2024**

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**Introduction**

These speaker notes are designed to accompany the Teachers’ Pension Scheme 2024 Reps’ Powerpoint and provide extra speaking notes to enable the presenter to answer questions which members may have. Further pensions material is available on the website at <https://neu.org.uk/advice/your-rights-work/pensions>

**Overview**

We need to start with a short history lesson. In 2015 the Government introduced major reforms to the Teachers’ Pension Scheme (TPS) in April 2015. Most teachers were transferred from a ‘final salary’ to a ‘career average’ pension. New entrants joined the career average scheme. Some older members were protected and stayed in their existing final salary schemes

An age discrimination case was launched by members of the judges and firefighters’ schemes claiming age discrimination against younger people. After a legal battle they won (known as the McCloud judgement).

The upshot is that all teachers (including older teachers) were moved into the career average scheme from 1 April 2022.

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 for most people will be made at the point of retirement.

Rights in the final salary scheme will be fully protected and will be dealt with under the rules of the final salary scheme.

Teachers who joined on or after 1 April 2012 (or who weren’t in service on 1 April 2015) aren’t covered and will have career average accrual from 1 April 2015.

**Career Average (CA) scheme**

Right, so all teachers are now building up pension in a ‘career average’ scheme. This switches pensions from being based on final salary to being based on average salary throughout a whole career. This was designed by the Government to cut pensions relative to the final salary scheme.

Teachers in the career average scheme will build up pension at 1/57 of their pensionable earnings each year. So, if your pensionable earnings are £57,000, you’ll build up £1,000 of pension for that year.

This pension is then increased each year until retirement. The annual increase for teachers who stay in teaching is Consumer Prices Index (CPI) inflation + 1.6 per cent.

Each year is essentially treated as a separate unit, and at retirement, it’s all added together to form the total pension.

Once the pension is in payment, it just increases annually with CPI.

If a teacher leaves service before retirement and doesn’t return within five years, the ‘banked’ pension is just increased with CPI. If the teacher does return then they’re treated as ‘in-service’ for the whole period.

**CA Scheme example**

Just an example here to show how it works. The key point is that each ‘scheme year’ from 1 April to 31 March is a separate unit, and what matters is what it earned in that scheme year.

Assume Alice earns £15,000 between 1st December 2023 and 31st March 2024 and then £35,000 from 1st April 2024 to 31st March 2025. CPI Inflation is 2 per cent throughout.

The position at 31st March 2024 is straightforward - £15,000 \* 1/57 = £263.16

At 31st March 2025 Alice has (£35,000 \*1/57) = £614.04 for that year plus the indexed pension from the previous year (£263.16 + 3.6 per cent = £272.63).

Total pension is £886.67

**Pension age**

In the career average scheme, the normal pension age (the age at which you can get your pension rights in full) is the State pension age.

This means (based on ages as at April 2024) – people aged 46 and under have a pension age of 68, people aged 47 to 62 have a pension age of 67 and people aged 63 to 66 have a pension age of 66.

The problem is that the state pension age may well rise. Under the Pensions Act 2014, there must be a review of the state pension age at least every six years. The stated aim is to keep state pension receipt to the same proportion of adult life.

The NEU believes this review mechanism will lead to further increases in the state pension age, which feeds directly through into the TPS. Younger teachers potentially face working into their 70s. The NEU thinks teachers can’t be expected to work into their late 60s or beyond.

Teachers in the final salary scheme keep a NPA at either 60 or 65 regardless of the state pension age.

**Operation of career average scheme**

In the final salary scheme, the pay teachers get in the early years of their career doesn’t matter for pension purposes if they stay in teaching. Under career average, every month’s pay throughout a teacher’s career will decide their 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. Teachers should 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).

The TPS does not automatically send out paper benefit statements anymore. Teachers are expected to register with the ‘MyPensionOnline’ Service. It is vital that teachers register and then use the service – we know that many don’t use it even after they’ve registered! It’s important that teachers check their pension information and correct it if necessary. It’s easier to sort problems out at the time rather than close to retirement.

**Pension Build Up (FS60)**

This is just a simple explanation of how the final salary scheme works for those with service in the NPA 60 section (those who joined on or before 31 December 2006 who haven’t had a greater than 5 year break from teaching since 1 January 2007).

These teachers get 1/80 of their final pensionable salary per year of full-time service. So if a teacher has a final salary of £30,000 and 20 years of full-time service then the pension is:

£30,000 \*20/80 = £7,500 a year. This pension increases in line with CPI inflation.

Teachers in the FS60 section also get 3 times their pension automatically as tax free cash - £22,500 in this case.

All teachers were moved into the career average section for further service from 1 April 2022.

Pension is payable in full at age 60.

**Pension Build Up (FS65)**

Again, a simple explanation of how the final salary scheme works, this time for those in the NPA 65 section (those who joined on or after 1 January 2007).

These teachers get 1/60 of their final pensionable salary per year of full-time service. So if a teacher has a final salary of £30,000 and 20 years of full-time service then the pension is:

£30,000 \*20/60 = £10,000 a year. This pension increases in line with CPI inflation.

There is no automatic tax free cash available in the NPA 65 section. Members can convert pension to cash at the rate of £12 of cash for each £1 of cash given up. There is a calculator available on the TPS website <https://www.teacherspensions.co.uk/> .

All teachers were moved into the career average section for further service from 1 April 2022.

Pension is payable in full at age 65.

**Contribution rates**

Teachers pay an average 9.6 per cent towards their pensions. The TPS has a six-tier contribution structure.

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| --- | --- |
| **Salary** | **Contribution Rate** |
| £0 - £34,289 | 7.4% |
| £34,290 - £46,158 | 8.6% |
| £46,159 - £54,729 | 9.6% |
| £54,730 - £72,534 | 10.2% |
| £72,535 - £98,908 | 11.3% |
| £98,909+ | 11.7% |

Contributions are paid on a member’s actual salary not full-time equivalent salary. This benefits part-time employees, the majority of whom are women.

The employer contribution rose from 23.6 per cent to 28.8 per cent in April 2024.

**Interaction between final salary and career average rights**

From 2022 (or 2015 depending on their choice) most teachers will have a split pension record. Part of their pension will be from the new career average scheme and part will be from their final salary scheme.

The final salary pension will be based on the teacher’s salary when they leave teaching (or the period leading up to it), not their salary in 2022.

Teachers will understandably want to take their final salary pension rights at their final salary normal pension age (NB – there is no enhancement to NPA 60 pension rights if teachers work beyond 60) Teachers can in theory take their final salary pension in full at their scheme pension age (either 60 or 65). This is easier said than done because they will have to end their contract to get it. Currently scheme rules allow teachers to opt out of the pension scheme to claim their pension rights but there is no guarantee that this will still be in place in 10+ years.

There is also the question of whether teachers have to take their career average pension when they take their final salary pension.

If teachers take their final salary pension at or beyond their final salary scheme pension age, they can take the two parts separately.

If teachers take their final salary pension before their FS scheme pension age, they **must** take their career average pension rights as well. This would mean a large actuarial reduction in most cases.

**2020 actuarial valuation**

The 2020 valuation has now been completed including the cost of the ‘McCloud remedy’ (i.e. the choice between career average and final salary for most members for April 2015 to March 2022).

The employer contribution has increased from 23.6 per cent to 28.6 per cent. This is largely due to a change in the ‘discount rate’ – a rate of interest on scheme assets and liabilities. The Government cut the discount rate from CPI+2.4 per cent to CPI+1.7 per cent for the 2020 valuation. This has overwhelmed other factors which would have made the scheme cheaper (people not living as long as expected, more teachers leaving the profession than expected and pay rises being well below expectations). There will be no change to the design of the TPS (i.e. no cut in future pension accrual).

The Government will fund the increase in costs for maintained schools, academies and further education providers. We know that independent schools will not be funded, which means a likely continuation of the trend for independent schools to leave the TPS. Post-92 universities will also not be funded.

**Who is looking after your pension?**

Most teachers don’t know who is administering their pension. Some even think it is the NEU which does this!

In fact the Teachers’ Pension Scheme is administered by ‘Teachers’ Pensions’ which is run by Capita in Darlington. While Capita has a questionable reputation, Teachers’ Pensions is generally run well.

The Teachers’ Pensions website is [www.teacherspensions.co.uk](http://www.teacherspensions.co.uk) . Teachers should go on the website and have a look around to get more understanding of their pension. In particular, teachers should register with the ‘MyPensionOnline’ service. It’s the only way to get pension statements which in most cases are updated monthly.

Teachers’ Pensions can also be contacted by phone at 0345 6066166. There is also a postal address: Teachers' Pensions, 11b Lingfield Point, Darlington, DL1 1AX

NEU pensions material is also available at <https://neu.org.uk/advice/your-rights-work/pensions>