



Teachers' Pension Scheme Career Average Scheme– A Brief Guide

April 2023

Overview

- This presentation covers the TPS career average scheme – not the final salary scheme
- Career average scheme introduced 1 April 2015
- Most teachers will have choice between final salary scheme and career average scheme for period 1 April 2015 – 31 March 2022
- Teachers who joined on or after 1 April 2012 don't get a choice – members of career average scheme only.
- All teachers in career average scheme from 1 April 2022

Who is looking after your pension?

- TPS administered by Teachers' Pensions (TP)
- Website: www.teacherspensions.co.uk
- Phone: 0345 6066166
- Register for TP Online Service 'My Pension Online' – gives online access to your benefit statement (updated monthly)
- NEU pensions content at www.neu.org.uk/pensions

Summary of TPS Career Average Scheme

- Career average basis – based on earnings over whole career. Also called Career Average Revalued Earnings (CARE)
- Contribution rate = average 9.6 per cent
- Normal Pension Age (NPA) = equal to State Pension age (65 to 68 depending on age)
- Accrual rate = $1/57$
- Revaluation rate = CPI + 1.6 per cent (in-service teachers)

Normal Pension Age (NPA)

- Scheme NPA (the age at which you can get your pension in full) is linked to State pension age (currently 68 for those born on or after 6 April 1978)
- Teachers' pension can be taken earlier – but with actuarial reduction
- Pension age may be even higher in future = 70 plus for youngest teachers
- Find out your current state pension age at <https://www.gov.uk/state-pension-age>

Contribution Rates (April 2023)

- Average employee contribution rate = 9.6 per cent
- Contributions based on actual salary, not FTE salary
- Contribution rate levied on whole earnings (not 7.4 per cent on first £32,135 etc)
- Employer contribution 23.6 per cent

Salary Band	Contribution Rate
£0 - £32,135	7.4%
£32,136 - £43,259	8.6%
£43,260 - £51,292	9.6%
£51,293 – £67,979	10.2%
£67,980 - £91,697	11.3%
£91,698+	11.7%

Pension Build Up

- Members 'bank' 1/57 of pensionable earnings for each scheme year (1 April – 31 March)
- The amount banked is increased by a revaluation factor each year until retirement. At retirement all separate years added together to form total pension
- In-service members have their pension rights revalued each April with CPI inflation + 1.6 per cent
- Out of service teachers have their pension rights revalued annually by CPI only
- If member leaves service and returns within five years then treated as in-service for whole period

Example

- Alice joins the CA scheme on 1st December 2022. Between 1st December 2022 and 31st March 2023, Alice earns £15,000. Her CA pension for that year is: $£15,000 \times 1/57 = £263.16$.
- From 1st April 2023 to 31st March 2024 she earns £35,000. Her CA pension for that year is: $£35,000 \times 1/57 = £614.04$
- Alice's CA pension at 31st March 2024 is: $£614.04 + £272.63 (£263.16 + 3.6 \text{ per cent}) = £886.67$
- N.B. inflation (CPI) in this example is 2 per cent

Administration of career average scheme

- CA pension based on pay – every payslip counts!
- Fragmentation of education system risks lower administration standards
- Vital that members check and correct records
- Members should join the Teachers' Pensions 'MyPensionOnline' service. Also keep payslips, P60s and TPS pension statements

Part-time employment

- Service is irrelevant. Just need to know pensionable salary during year

Example – Year 1:

- FTE annual pensionable salary = £28,500
- Pension built up = $£28,500 * 1/57 = £500$

If work 0.5 then:

- Pensionable salary = £14,250
- Pension built up = $£14,250 * 1/57 = £250$

Tax Free Lump Sum

- No automatic tax-free cash included in CA pension
- Members can take up to 25 per cent of pension rights as cash
- Pension converted into cash at £12 of cash for each £1 of pension given up

Interaction between FS and CA pension rights

- Most teachers will have FS pension and CA pension
- Final salary pension based on salary when exit teaching, not salary in 2015 (unless member takes break of over 5 years)
- Members can take FS pension in full at FS NPA (but must end contract)
- If a member takes FS pension at (or beyond) FS NPA – can take or leave CA rights
- If member takes FS pension before FS NPA (ie as an actuarially reduced pension) – member must also take CA pension rights

Additional Pension

- Can buy up to £8,000 in additional pension in multiples of £250
- AP bought is indexed to CPI inflation before and after retirement
- Pay by lump sum or by monthly deductions from salary
- Cost is not a percentage of salary, but depends on your age and the amount of pension you want to buy
- Part of AP can be taken as tax free cash on 12:1 basis

Other Flexibilities

- 2015 scheme has facility for faster accrual
- Teachers can choose to buy pension at $1/55$, $1/50$ or $1/45$ of pensionable earnings instead of $1/57$
- Election must be made each year
- Faster accrual subject (along with AP) to a total £8,000 limit. This £8,000 limit is separate to any AP previously bought in the Final Salary section
- CA scheme also allows teachers to buy out cost of 3 per cent a year actuarial reduction factors between 65 and NPA

Actuarially Reduced Early Retirement

- Need to be 55 or over and under normal scheme pension age
- 'Actuarial Reduction' means that the pension is reduced because it's expected to be paid out for a longer period
- Employers can withhold consent for maximum of six months from date you ask to leave. Or can leave service and claim pension as deferred member after six weeks
- Amount of reduction depends on years and months pension is taken before normal pension age. Based on tables supplied by Government's Actuary's Department
- Special actuarial reduction factors of 3 per cent a year between age 65 and member's NPA (whether 66, 67 or 68)
- 'Actuarial enhancement' available for members who work beyond NPA

Phased retirement

- Allows a teacher to keep working but draw part of their pension benefits
- To exercise, must be 55 or over
- Must reduce salary by at least 20 per cent for at least 12 months – can be as a result of going part time, or moving to a post with lower responsibility
- Can take up to 75 per cent of pension and keep working. Phased retirement can be exercised three times before final retirement (3rd phase only available after age 60)
- Teacher can take different proportions of pension rights from final salary and career average scheme accrual
- Teachers taking phased retirement continue to build up service in the Teachers' Pension Scheme (unless they opt out)

III-Health Early Retirement (1)

- The applicant must be: incapacitated if, as a result of illness or injury, the applicant is unfit to be in eligible employment despite appropriate medical treatment
- The condition is met if the person is incapacitated and likely to be incapacitated permanently
- The applicant meets the total incapacity condition if they are incapacitated as above and their ability to carry out any work is impaired by more than 90 per cent and is likely to be impaired by more than 90 per cent permanently
- ‘unfit to be in eligible employment’ means incapable of serving efficiently in any post for two days a week, not incapacity to do the job the member was doing previously



III-Health Early Retirement (2)

- Two levels of award – ‘Total Incapacity Benefit’ and ‘Partial Incapacity Benefit’
- TIB gives an uplift to benefits of half prospective service to a person’s normal pension age. Pension paid without actuarial reduction
- Example: 40-year-old with 10 years’ reckonable service and a pension age of 68 would be able to retire with 24 years’ service $(10 + (28/2)) = 24$
- PIB gives no uplift in benefits – but accrued pension is received with no actuarial reduction

III-Health Early Retirement (3)

- 'In-service' applications are eligible for TIB and PIB
- In-service applications must be made within two years of leaving pensionable employment (i.e. receiving at least half pay) if members no longer have an employment contract
- Out of service applicants must meet the TIB criteria to get a PIB award
- Vital that members considering IHER application read Teachers' Pension Scheme website [IHER section](#) very carefully. Medical evidence is crucial

Premature retirement

- Premature retirement is where your employer makes you redundant or you leave in the 'efficient discharge of the employer's function'
- Minimum age for premature retirement = 55
- Premature retirement is at the discretion of the employer as the employer must pay the cost to the Teachers' Pension Scheme – not a right
- Where the employer agrees to premature retirement - pension not reduced for early payment

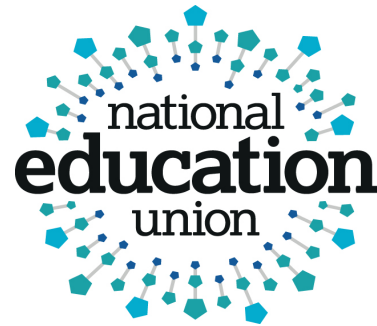
Death Grant

- Death grant for all members who die in service = three times FTE salary at date of death
- Death grant also paid for teachers who die within a year of leaving pensionable employment on incapacity grounds (from same illness) who have not received ill health retirement
- Death grant goes to person or persons nominated. Important to fill out nomination form and keep it up to date
- For deaths shortly after retirement, supplementary death grant payable of difference between the pension paid up to the date of death and five times the annual rate of pension.



Dependents' Pensions

- Long-term pensions payable at 37.5 per cent of CA pension
- If member dies in service, pension enhanced by $\frac{1}{2}$ prospective service to NPA
- 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 also available if: child under 17; between 17 and 23 and in full-time education or training; any age if child incapacitated and dependent on you. Amount of pension depends on number of children and any earnings they have



Teachers' Pension Scheme

That's it!