



Teachers' Pension Scheme 2015 Career Average Section– A Brief Guide

April 2019

Overview

- This presentation covers the TPS 2015 career average scheme – not the final salary schemes
- Members with full transitional protection will keep their existing final salary scheme
- Members with tapered transitional protection will switch to career average at some point
- Members without transitional protection and new members enter the career average scheme

Summary of TPS Career Average Section 2015

- Career average basis
- 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)
- Special early retirement reduction factors between 65 and 68 of 3 per cent a year

Am I in the career average section?

- Teachers without transitional protection are in career average section
- Teachers within 10 years of NPA on 1 April 2012 stay in final salary scheme under pre-2015 rules
- Teachers up to a further 3.5 years away have tapered protection. Each year younger than full protection cut-off, they lose 2 months of protection
- Table relates to normal pension age of 60 – for NPA 65 members add 5 years to ages
- Everyone else is a career average member from 1 April 2015

FS NPA 60 Scheme Member	
Age at April 2012	Age when moving to CA Scheme
50	Stays in FS Scheme
49 years 6 months	58.5 (1 April 2021)
49 years	57 (1 April 2020)
48 years 6 months	55.5 (1 April 2019)
48 years	54 (1 April 2018)
47 years 6 months	52.5 (1 April 2017)
47 years	51 (1 April 2016)
46 years 6 months, 1 day	49 years 8 months (1 June 2016)
46 years 6 months	49 years 6 months (no protection)

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

Pension Build Up

- Each year members 'bank' $\frac{1}{57}$ of pensionable earnings
- 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
- Overtime included in definition of pensionable earnings

Employee Contribution Rate

- Average employee contribution rate = 9.6 per cent (up from 6.4 per cent pre-April 2012)
- Contributions based on actual salary, not FTE salary
- Employer contribution 16.4 per cent until 31 August 2019. Government plans rise to 23.6 per cent from 1 September 2019

Salary Band	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%
£79,596+	11.7%

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 = $£14,250 * 1/57 = £250$

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

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

- Post 2015 most teachers will have FS pension and CA pension
- Final salary based on salary when exit teaching, not salary in 2015
- Members can take FS pension in full at current 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 £6,800 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

New 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 £7,000 limit. This £7,000 limit is separate to any AP previously bought in the Final Salary section
- 2015 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

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
- Where the employer agrees to premature retirement - pension not reduced for early payment

Death Grant

- Death grant for all members of the Teachers' Pension Scheme 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 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!