Teachers’ Pensions are changing...
What are we going to look at?

- Overview of changes
- Member Eligibility
- Other Public Sector schemes
- Overtime
- Contributions
- Flexibilities
- Retirement types
- Ill health post 2015
- What happens next
## Overview of changes

<table>
<thead>
<tr>
<th>Teachers’ Pension Scheme Design</th>
<th>Final Salary Joiners (Pre 01/01/2007)</th>
<th>Final Salary Joiners (01/01/2007 – 31/03/2015)</th>
<th>Career Average (Post 01/04/2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal Pension Age</td>
<td>60</td>
<td>65</td>
<td>NPA equals State Pension Age (SPA) or 65 where that is higher</td>
</tr>
<tr>
<td>Accrual Rate (The rate at which a member’s pension builds up)</td>
<td>1/80th pension plus automatic lump sum</td>
<td>1/60th pension</td>
<td>1/57th pension which is increased each year the member is in service by Treasury Order plus 1.6%. If a member is deferred (out of service) the increase is by Pension Increase only</td>
</tr>
<tr>
<td>Pensionable pay used in calculation of benefits</td>
<td>Final average pensionable salary</td>
<td>Final average pensionable salary</td>
<td>Pensionable earnings for each year now including overtime</td>
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<td><strong>Lump sum</strong></td>
<td>Automatic lump sum = 3 x pension</td>
<td>No lump sum but can convert part of pension to receive a lump sum</td>
<td>No lump sum but can convert part of pension to receive a lump sum</td>
</tr>
<tr>
<td></td>
<td>Can also convert part of pension to receive additional lump sum (if a member has service post 01/01/07)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Phased Retirement</strong></td>
<td>Opportunity to take 2 phased retirements before final retirement</td>
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<td><strong>Actuarial Adjustment</strong></td>
<td>Benefits actuarially adjusted by approximately 5% for each year they are taken early</td>
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<td>Benefits actuarially adjusted by 5% for each year they are taken early before 65 and 3% for benefits taken after 65.</td>
</tr>
<tr>
<td><strong>Flexibilities</strong></td>
<td>Additional pension from 1 January 2007, Past Added Years (PAY), Contributions based on a former higher salary and combined contributions AVCs</td>
<td>Additional pension AVCs</td>
<td>Additional pension, faster accrual and buy out of actuarial reduction AVCs</td>
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<td><strong>Death Grant</strong> (one off payment where a member dies before becoming entitled to their pension)</td>
<td>3 x final average salary (Active member)</td>
<td>3 x final average salary (Active member)</td>
<td>3 x full time equivalent salary at date of death (Active member)</td>
</tr>
</tbody>
</table>
Who is affected?

**Full Protection**
Active members within 10 years of Normal Pension Age (NPA) at 1 April 2012 remain in final salary

**Tapered Protection**
Tapered protection for members within a further 3.5 years of their NPA remain in final salary until a later date then move into career average

**Transition members**
Other existing members enter career average on 1 April 2015

**New starters**
Join career average on entry

See examples slides 31 - 35
What happens to existing benefits?

- Pensioner and deferred members are not affected unless they take up further employment in TPS.
- Existing final salary benefits are not transferred into career average but remain as final salary benefits.
- Where a member has a break of more than 5 years they lose any protection and the final salary link.
- Unless covered by pensionable service in another public sector ‘Pension Club’ scheme.
Member eligibility

If a person is involved in a role that is predominately a teaching role, is 16 or over and is not over 75 then they should be enrolled into the TPS. This applies equally to people working full and part time.

Starters can include:

• People who are taking up their first role.
• Existing members changing employers.
• People returning to employment after claiming pension benefits.
Other Public Sector Schemes

• If a member joins the Scheme after 1 April 2012, after having worked elsewhere in the public sector, they may be entitled to Protection (i.e. final salary benefits) However if there is a break of more than 5 years in pensionable public service their protection is lost.

• Public Sector schemes include: Teachers’, NHS, MyCSP, Police, Fire, Armed Forces, LGPS, and equivalent schemes in Scotland, Northern Ireland, Channel Islands, Isle of Man.

• Teachers Pensions are engaging with other schemes to develop a common process across all public sector schemes.

• They are expecting this to be member / scheme led, not employer.
Overtime deductions and recording

Protected Member
• If protected members are remaining in the final salary arrangements, their contributions remain the same. Payroll must only deduct contributions from their salary excluding any overtime.

Tapered Member
• If a tapered member is currently still in the final salary arrangements, their contributions remain the same. Payroll should only deduct contributions from their salary excluding any overtime.

• When the member passes their transition date and enters the career average arrangements, any overtime earnings will be pensionable.
Overtime deductions and recording

New & Transition Members

- Where new members or transition members earn overtime, it will be pensionable.

- Contributions must be deducted from both the salary and the overtime that the member has earned.

- Overtime must not be included in the FTE.

Note

Overtime and back-dated pay increases must not be included in ascertaining a member’s percentage contribution rate.
### Member Contributions

<table>
<thead>
<tr>
<th>Annual rate of pensionable earnings</th>
<th>Gross Rate</th>
<th>Full Time Equivalent Pensionable Pay</th>
<th>Gross Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to £14,999</td>
<td>Up to £14,999</td>
<td>6.4%</td>
<td></td>
</tr>
<tr>
<td>Up to £25,999</td>
<td>7.4%</td>
<td>£15,000 to £25,999</td>
<td>7.2%</td>
</tr>
<tr>
<td>£26,000 to £31,999</td>
<td>8.3%</td>
<td>£26,000 to £31,999</td>
<td>8.3%</td>
</tr>
<tr>
<td>£32,000 to £39,999</td>
<td>9.5%</td>
<td>£32,000 to £39,999</td>
<td>9.5%</td>
</tr>
<tr>
<td>£40,000 to £44,999</td>
<td>9.9%</td>
<td>£40,000 to £44,999</td>
<td>9.9%</td>
</tr>
<tr>
<td>£45,000 to £74,999</td>
<td>11%</td>
<td>£45,000 to £74,999</td>
<td>11%</td>
</tr>
<tr>
<td>£75,000 to £99,999</td>
<td>11.6%</td>
<td>£75,000 to £99,999</td>
<td>11.6%</td>
</tr>
<tr>
<td>£100,000 and above</td>
<td>12.4%</td>
<td>£100,000 and above</td>
<td></td>
</tr>
</tbody>
</table>
A teacher can also pay additional contributions into the Scheme’s AVC provision with Prudential.

This can be either as a percentage of salary or a set monthly amount.

These must be remitted directly to Prudential Financial services.

Members may also contribute to other schemes as well as the Teachers’ Pension Scheme, but they should be encouraged to seek financial advice before committing to any additional arrangements or taking up any of the scheme flexibilities.
Employer Contributions

The employer contributions are payable at the following

Percentage of a member’s pensionable earnings:

• 14.1% from 1st April 2015 until 31st August 2015 inclusive.
• 16.48% from 1st September 2015 (which includes .08% admin levy).
What are the new flexibilities?

- Additional pension continues to be a flexibility post 1 April 2015.

- Career average members can choose to purchase faster accrual each year. There will be 3 faster accrual rates (1/45th, 1/50th or 1/55th of their earning for that year).

- When a member first enters career average they can also purchase buy out of actuarial adjustment. Buy out can be up to 3 years – depending on NPA 66 (1yr), 67 (2yr), 68 (3yr). Must be purchased within 6 months of joining career average.
What are the new flexibilities?

- There is an overall maximum for all of the above flexibilities in the career average arrangements, the current limit is £6,500 for 2015/16 and includes the value of any faster accrual, additional pension or buy out of the actuarial adjustment.

- The limit in final salary arrangement will be £6,300 for 2015/16. Therefore any members transferring into the Career Average scheme who have reached this limit will have the option of increasing flexibilities up to £6,500.
Flexibilities – what is faster accrual?

A career average member can elect to pay higher contributions to earn a higher pension.

The normal rate of accrual or growth in pension is based on 1/57th of their earnings for that year.

Members can pay higher contributions so that the growth in their pension each year can be 1/45th, 1/50th and 1/55th of their earnings for that year.
Who can apply for faster accrual?

Yes

- Tapered – once they pass their transition date
- Transition member
- New starter

No

- Protected member
Flexibilities – what is buy out?

Members in career average can pay additional contributions which allow them to retire before their normal pension age without their benefits being reduced.

They can purchase up to 3 years buy out dependent on their NPA.

Contributions are paid throughout their career unless they leave service for 5 years or more, when the election is deemed to be cancelled.
Flexibilities – what is buy out?

A member who has a break in service of less than 5 years may choose to resume monthly payments on re-entering pensionable service.

They must make an election within 6 months of entering career average.

Teachers Pensions will need to be informed of starters and leavers when they occur as otherwise members may be incorrectly allowed to continue with a purchase or have one stopped in error.
Who can apply for buy out?

Yes
- Tapered – once they pass their transition date
- Transition member
- New starter

No
- Protected member
How will flexibilities be processed / administered?

A member can elect for any of the new flexibilities by completing the relevant flexibility election form available on My Pension Online (MPO).

Part B of the election form will need to be certified by the Teachers Pensions Unit (TPU).

Once the member completes the election form via MPO, TPU will receive an email to notify that Part B is to be completed on the TP Employer Portal.

Once the application has been received and processed by Teachers’ Pensions, TPU will receive confirmation that the application has been accepted, and the amount of contributions which should be deducted from the member.

TPU will then inform payroll providers in the usual way.
Pre April 2015

• Age retirement at 60 or 65.

• AAB (early retirement) from age 55.

• Phased retirement from age 55 on a maximum of 2 occasions.

• Late retirement after NPA – only NPA 65 get enhancement.
Retirement - types

Post April 2015

• Age retirement from NPA - new NPA linked to SPA currently between 65-68.

• AAB (early retirement) from age 55 (rising to 57 from 2028 and thereafter staying 10 years below the state pension age).

• However early retirement factors different and up to 3 years above 65 are set at 3% per annum (for active members only).

• Phased – now possible on 3 occasions, only 2 before age 60 from age 55 (57).

• Late retirement after NPA.
Where a member works part time any enhancement will be calculated using their full-time equivalent salary at retirement. Where a member works more than full-time, the full time equivalent salary is calculated by taking account of the rate for each employer involved.

Provided the member remains in a contractual relationship with you, they will be treated as ‘in-service’. If they leave pensionable service due to ill health and apply for ill health benefits because of the same illness within 2 years of leaving, they will be treated as still being in pensionable service.

Where a member’s condition is serious and their life expectancy is severely restricted i.e. is less than a year, their pension can be paid as a one-off lump sum of approximately five times the initial pension. The member needs to request this when making their application for ill-health retirement to ensure that their request is correctly considered.
What happens next

• Scheme Arrangement Reports.
• Our Responsibilities.
• Your Key Requirements.
Scheme arrangements reports

What are they?
• Two separate reports, on an employer/member basis to TPU.

What information will be included on it?
• One-off “All member” report will cover the arrangements members will be in on 01/04/2015.

• Moves and changes will cover which members will be transitioning to career average in the coming few months, new starters with an employer, new entrants to the scheme.

When will it be distributed?
• All member report from February and then on request.

• Moves and changes report on a monthly basis.
Our Responsibilities

• We will ensure that the annual return is completed on time with accurate information, and complete the extra reports which will be generated by Teachers Pensions.

• We will receive, collate and distribute both the Status report and the monthly moves and changes report to you, so that you can inform your payroll provider of your employees status, and ongoing changes.

• We will directly resolve any queries relating to member type.
Your key requirements

Once you receive the Status report for your staff, and you have checked there is no-one missing, inform each member of their status.

• Ensure your teaching staff register with Teachers Pensions online as soon as possible so that they can check their member profile against the information provided on your report.

• Members will be able to complete and submit certain forms via their secure online facility – My Pension Online, these include forms to apply for the new flexibilities.

• Registration will also give them instant access to their benefits statement at any time throughout the year particularly as 2015 will be the last time paper statements will be issued.
Member profile examples – Protected member

Andy – the protected member

- DOB - 2 October 1957
- Date entered TPS - 1 September 1979
- NPA in current scheme - 60
- Age on 31 March 2012 – 54
- Type of member at 1 April 2015 - Fully Protected
- NPA on 1st April 2015 – 60
- Andy will remain in the final salary arrangements until his retirement.
Member profile examples – Tapered member

Haroon – the tapered member

- **DOB** – 1 February 1960
- **Date entered TPS** – January 2008
- **NPA in current scheme** – 65
- **Age on 31 March 2012** – 52 years, 2 months
- **Type of member at 1 April 2015** – Tapered
- **NPA on 1st April 2015** – 66

Haroon will remain in final salary arrangements until his transition date (1 August 2016) to career average.
Member profile examples – Transition member

Dianne – the transition member

- **DOB** – 21 March 1976
- **Date entered TPS** – Sept 1999
- **NPA in current scheme** - 60
- **Age on 31 March 2012** – 36
- **Type of member at 1 April 2015** – Transition

- **NPA on 1<sup>st</sup> April 2015** - 67

- Dianne will build up benefits in career average
Example – Dianne the transition member

- 5 years pensionable service
- NPA 60
- Entered career average – 1.4.15
- Salary £30,000
- Builds up 20 years of benefits in career average without a break in service.
- When she retires her salary is £60,000
- Final salary pension = 5 years service x £60,000 (average salary at point of retirement) / 80th = £3,750 pension + automatic lump sum
- + 20 years career average pension = £18,000
- Total = £3,750 + £18,000 = £21,750
Member profile examples – Post 2015 / New member

- DOB - 28 July 1991
- Date entered TPS - Sept 2015
- Type of member at 1 April 2015 - New member
- NPA on 1st April 2015 - 68
- Katy will build up benefits in career average

Katy - post 2015 new member
Teachers Pensions website holds a wealth of information such as:

- Reform modeller to determine individual member types.
- Videos specific to member types.
- Fact sheets.
- Q&A’s.
- Online calculators.

Registered teachers can also keep up to date through Twitter and LinkedIn Group.