



## Tiered Contributions - Employer Factsheet

### Introduction

The Teachers' Pension Scheme Regulations 2014 set out the contributions that will apply to members of the Teachers' Pension Scheme from April 2019.

You'll be notified of any change to the contribution rates as and when a change is announced by the Department for Education (DfE).

#### Contribution rates in effect from 1 April 2019:

- On 1 April 2019, the salary bands applicable to member contributions for the Teachers' Pension Scheme changed
- The contribution tiers from April 2019 apply to members in the final salary and the career average arrangements
- The salary structure and contribution rates that will need to be applied to members' salaries from 1 April 2019 - 31 March 2020 are set out in the table below
- The rates should be applied based on members' annual salary rate **not** the full-time equivalent. For further details on contributions, and determining the annual salary rate please review the examples provided in this factsheet and the Payroll Guide, available on our [website](#).

Employer contributions are based on the pensionable amount paid to the employee.



#### What do I need to do next?

As an employer of scheme members there are important actions you now need to take:

- Ensure your HR/payroll systems are updated to implement the revised contribution rates from September 2019 and the method of determining the annual salary rate, or where applicable ensure your third party payroll provider is prepared to do so
- Make your employees aware of the change to their contributions and scheme benefits. Please see the [Member Factsheet](#) for further information
- Use the revised Monthly Contributions breakdown form from September 2019 contributions onwards.

#### How do Tiered Contribution rates need to be applied?

The tiered rate of contributions is determined by the annual salary rate.

If a teacher is working full-time, earning £46,000 per year, they'll be required to contribute 10.2% of their pensionable earnings in the pay period.

Annual Salary Rate for the eligible employment	Member contribution rate
Up to £27,697.99	7.4%
£27,698 to £37,284.99	8.6%
£37,285 to £44,208.99	9.6%
£44,209 to £58,590.99	10.2%
£58,591 to £79,895.99	11.3%
£79,896 and above	11.7%

From 1 September 2019 the Employer contribution rate changed to 23.68%, which includes the 0.08% administration levy.

If a teacher is working part-time, or is a supply or irregular teacher, the annual salary rate is determined by annualising their pensionable earnings in the pay period.

Note that overtime or back dated pay increases are not included when determining the annual salary rate.

Where a teacher is a member of the Teachers' Pension Scheme in respect of more than one employment (i.e. has two or more part-time jobs, or, for a member in the career average arrangement only, a full-time and a part-time job in the Teachers' Pension Scheme) the earnings in each employment will determine the contribution rate paid for each particular employment.

#### **Example 1 - Part-time teacher**

Walt is a part time teacher. He works 70% of full-time and receives a pro-rata salary. Walt's actual salary is £1,166.66 per month. To work out his level of contribution payments you need to calculate Walt's annual salary rate. As Walt earned £1,166.66 in any month, his annual salary rate is calculated as follows:

$£1,166.66 \times 12 = £14,000$  (Annual Salary Rate). Walt will pay a contribution rate of 7.4%.

#### **Example 2 - Mid-month pay rise**

If you've had a mid-month salary increase, the contribution tier is still determined by what you're paid in the pay period, as set out in the following example:

Hank is a classroom teacher who works full-time and earns £42,500 per year. On 15 September 2019 Hank receives a pay rise increase to £44,000. To work out Hank's monthly contribution for September you need to calculate the monthly pay Hank will earn in September:

15 days at £42,500 = £1,770.83 and 15 days at £44,000 = £1,833.33.

Total £3,604.16.

This produces an annual salary rate of  $£3,604.16 \times 12 = £43,250$ . This means that Hank will pay a pension contribution for September equal to 9.6% of £3,604.16 i.e. £346.00.

In October Hank will earn £3,666.67, which will give an annual salary rate of:

$£3,666.67 \times 12 = £44,000$ .

This means that Hank will pay a pension contribution equal to 9.6% of £3,666.67 i.e. £374.00.

#### **Example 3 - Back-dated pay rise**

Back-dated pay increases are treated as pensionable earnings in the month they're paid, but are not included when deriving the annual rate of salary when determining the contribution tier. The contribution rate is applied against all pensionable earnings - salary and any back-dated pay increase.

Jessie, who has an annual salary of £41,500, receives a pay rise in September 2019 equal to £2,400. The pay increase of £2,400 is equal to £200 per month. Due to administrative restrictions, the pay increase is not received by Jessie until her November 2019 pay.

In November Jessie receives her new monthly salary and the backdated pay increase i.e.  $£3,658.33 + £400$  (new monthly salary plus 2 months back dated pay award). To calculate Jessie's contributions for November you need to annualise her total pensionable earnings, excluding back-dated pay in that month:

$£3,658.33 \times 12 = £43,900$ .

Jessie is in the 10.2% contribution band. For November's pensionable earnings Jessie's contribution will be 10.2% of  $£3,658.33 + £400$ , i.e. £413.95.

#### **Example 4 - Maternity leave**

Skyler is a classroom teacher and works full-time with an annual salary of £27,000. Skyler is on a period of maternity leave, receiving half pay, £1,125 rather than her usual £2,250. Skyler's contribution rate will be determined using her pay, but the rate will be applied to her actual pensionable earnings in the period.

To work out Skyler's monthly contribution you need to annualise her usual pensionable earnings:

$£2,250 \times 12 = £27,000$ .

Skyler will be in the 7.4% contribution band and her contributions whilst receiving half pay will be 7.4% of £1,125, i.e. £83.25.

The same principle applies with other pensionable family leave.

However, if you're on sick leave the principal only applies if you're receiving at least half pay; if on less than half pay then you're not in pensionable service and no contributions should be made.

### **Example 5 - Supply Teacher**

Saul is a supply teacher who submits his pay claims late; claiming in the same pay period for hours worked in October, November and December 2019.

Saul receives £2,000 for each month, a total of £6,000 paid in the pay period. Saul's annual rate of salary for the pay period will be:

$$£6,000 \times 12 = £72,000$$

Saul will be in the 11.3% contribution band and his contributions will be 11.3% of £6,000 i.e. £678.

In this scenario employers can, if they choose to, calculate the annual rate of salary and hence contributions on a monthly basis; i.e. three separate calculations for the three months:

$$£2,000 \times 12 = £24,000$$

Saul would be in the 7.4% contribution band and his contributions will be 7.4% of £2,000 for each of the three months.

### **Monthly Contributions Breakdown form**

The Monthly Contributions Breakdown form has been amended to reflect the new contribution rates and should be used from September 2019. The first breakdown form under the new rates will be due by 7 October.

### **Making your employees aware of the change**

As an employer of scheme members it's important that you make employees aware of the contribution changes and what these changes mean to them.

We've produced a factsheet to send out to your employees which can be found on our [website](#). Please ensure that this is distributed to your employees as soon as possible. We'd also ask you to direct your employees to our [website](#) for further information relating to contribution changes and scheme reforms. Our website includes information about Tiered Contributions and how they're applied to members, and an interactive calculator which enables a member to work out their monthly contributions.

If any of your teaching staff are considering opting out of the Scheme, it's important that you help them make an informed decision. Please encourage members to ensure that they're fully informed about the benefits of their pension by directing them to our [Member Guides](#).

Alternatively, if members have a specific query relating to their pension, please ask them to call us on 08456 066 166.

### **Annual Audit exercise**

The annual audit exercise helps us to ensure that contributions submitted match the contributions that are due. This is required as a record for audit of Scheme accounts.

- Each year you'll receive an End of Year Certificate (EOYC)
- This will be issued in mid April and will include details of the amount of contributions you've paid in the previous year
- A copy of the unaudited form must be returned to us by 31 May.

### **For non Las**

- It must be signed by the Officer with financial responsibility and returned to us - if the audit can be completed by this stage no further action will be required
- Please note: the auditor can't be an employee of the establishment.

### **For LAs**

- It must be signed by the Chief Finance Officer - if the audit can be completed by this stage no further action will be required
- Even if the form is returned unaudited it must be signed by the responsible officer.

### **Unaudited forms**

- If the EOYC is returned unaudited, instead of Teachers' Pensions issuing a second form, you should pass the original copy of the first form to your auditor. The audited form should be returned no later than 30 September for non LAs and 30 November for LAs.
- The audit process gives assurance to the DfE about the accuracy of scheme accounts.

**Interest will be charged on any underpayments received after 30 September for non LAs and LAs.**

### **For help and support**

- Check out our Frequently Asked Questions on our [website](#)
- Attend one of our free [seminars or webinars](#).
- Call or email your Employer Relationship Manager (ERM) for one-to-one support. If you don't already know them, find out who your ERM is and how they can help by [emailing us](#)
- Call our Employer Helpline on 08453 003 756 (option 2).