



# How we calculate retirement benefits

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## Introduction

If you're new to Teachers' Pensions, or don't fully understand what goes into retirement calculations, you may be surprised to hear that there's quite a few different factors. Some big and some small, but all equally important.

## Are the member's benefits in the final salary or career average scheme?

Depending on what scheme a member's benefits are in and when they joined the Teachers' Pension Scheme, will determine what calculation we use upon retirement. There are three methods we may use:

- Member has benefits in the final salary scheme with a Normal Pension Age 60, the calculation used is:  $\text{Service} \times \text{salary} / 80$
- Member has benefits in the final salary scheme with a Normal Pension Age of 65, the calculation used is:  $\text{Service} \times \text{salary} / 60$
- Member has benefits in the career average scheme, the calculation used is: 1/57th of all pensionable earnings, index linked each year, giving the total pension upon retirement.

## What age is the member wanting to retire at?

The scheme the member's benefits are in also dictates what their Normal Pension Age (NPA) would be. We therefore need to look at the age that the member would like to retire at. If the member would like to retire before their NPA, then a reduction will be applied to their benefits. This is known as an Actuarial Adjustment.

## Service and salary are key in calculating benefits

A member's salary record needs to remain accurate and up to date as this is vital in ensuring the correct amount of benefits are paid upon retirement. This is particularly important if a member's salary changes, or if a member is paid for overtime and they're in the career average scheme.

We also need to know if a member's changed contracts during their career. This includes if they've multiple contracts or if they've gone from part-time to full-time employment, or vice versa. Full-time and part-time service are dealt with differently depending on the scheme the member's benefits are in, so it's important this is correct.

If a member has had a break of a day or more in service throughout their career, we need to know as it may impact their benefits upon retirement.

If a member leaves your establishment it's important that you include the 'w' indicator on your monthly submissions when they leave, to prevent their record from being updated incorrectly once they've

left. It's also a good time to ensure the member's record is fully up to date and accurate at this point to prevent us from having to ask you questions, potentially years later, when the information may not be so readily available.

## **What about a member's flexibilities?**

We'll let you know what flexibilities a member has, but you need to ensure the correct deductions are taken from the member each month as they'll be included within the benefit calculation.

Flexibilities can be bought throughout a member's teaching career to boost their level of benefits upon retirement, and include:

- **Additional Pension** - This can be bought in multiples of £250 per annum as deductions from a member's salary, or as a one-off lump sum
- **Buy Out** - Member's in the career average scheme have the option to buy out the actuarial reduction made to benefits if they retire early
- **Faster Accrual** - Members in the career average scheme can also use the Faster Accrual option to pay higher contributions to increase their pension.

## **How you can help us get it right the first time**

To prevent us from paying incorrect benefits to members, it's important all the above is correct on a member's record. This will mean that members will receive the correct benefits they're entitled to, on time. If we don't have the correct information it could mean a delay in benefits being paid out and the potential for an over or underpayment to occur, which can impact a member's financial circumstances.

Getting a member's retirement benefits right first time will also mean we have to complete less revisions, which will ensure that the relationship between you, your employees and us, remains positive.