

Understanding the changes

April 2015



What has changed?

From 1 April 2015 the Teachers' Pension Scheme arrangements will be career average as well as final salary. The benefits of members who are in career average arrangements will be based on their pensionable earnings each year. These will be added together to form their benefits at retirement.

For each of these years they'll accumulate a pension based on 1/57th of their earnings which will include any overtime they've earned. They'll be able to see year on year what they have accumulated in their pension.

The total pension is then made up of the amounts banked each year, with index linking applied. For an active member this will be indexation + 1.6% and for a deferred member it will be indexation only. Final salary benefits are still based on service and an average salary that is determined when you retire.

Example

Dianne is an active member and the indexation value is 2.5% Dianne's earnings for 1 April 2015 to 31 March 2016 are £30,000. She will earn a pension for that year of:

$$£30,000 \times 1/57\text{th} = £526.32$$

At the start of her second year of service (April 2016) her pension 'banked' in year 1 (£526.32) is increased by 4.1% (Indexation of 2.5% plus 1.6%).

Index linking addition:

$$£526.32 \times 4.1\% = £21.58$$

Dianne's total pension for the year is £526.32 + £21.58 = £547.90

A new Normal Pension Age

A member's Normal Pension Age (NPA) in career average is either their State Pension Age (SPA) or 65, whichever is higher.

A member's NPA in the final salary will remain age 60 or 65, dependent on when they joined the scheme.

What does this mean for members?

Protected members

If a member was an active member immediately before 1 April 2012 and was within 10 years of their normal pension age (NPA) on that date, they're protected and have remained in the final salary arrangement.

Tapered members - If a member was an active member immediately before 1 April 2012 and was more than 10 years but less than 13.5 years away from their NPA on that date, they'll remain in final salary for a longer period. They'll move into career average, on their "transition date", which is determined by their age on 1 April 2012.

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Transition members - Any other active members entered the career average arrangement on 1 April 2015.

New starters - Anyone who joins the Teachers' Pension Scheme on or after 1 April 2015 will enter career average.

What happens to a member's pension in final salary?

Any benefits built up in final salary will be protected and will remain in the final salary arrangement. Members with service in both career average and final salary will receive a pension with benefits built up in both arrangements.

For members who have benefits in both final salary and career average (and don't have a continuous break in service of more than five years), we'll use the salaries they're earning in career average (excluding overtime) to calculate their final salary benefits (rather than the salary they were on when they left final salary). This means they will still benefit from any growth in their salary. This is called the final salary link.

Members reassurance

Whilst these changes to the Teachers' Pension Scheme have been introduced, it's important to remember the excellent benefits that members will still receive:-

- Valuable life cover in the form of death in service benefits
- Optional lump sum
- Dependants benefits if they die
- Ill health retirement benefits
- A new range of flexibilities to buy extra pension.

For information and resources to help you understand the changes to the Teachers' Pension Scheme visit www.teacherspensions.co.uk