

Working out average salary

April 2023



What is average salary?

Average salary only applies to benefits accrued in the final salary scheme.

Average salary is the salary used in the calculation of your final salary benefits. It is based upon salary information provided by your employer. Please note the final salary scheme closed on 31 March 2022 for any new benefits.

How is my average salary calculated?

Average salary is calculated by using the better of the following calculations:

- The salaries for the last 10 pensionable years are increased at each salary change to current day value. The average of the best consecutive three years re-valued salaries in those 10 years is used.
- The pensionable salary received in the last 12 months of employment before the date of retirement.

Where you have accrued benefits in the career average as well as final salary schemes and have not had a break in pensionable service that exceeds five years, you may have a salary link. That means that the salaries used in calculating your average salary may be those earned in the career average scheme.

I left service before 1 January 2007 and I'm not returning, is the same calculation used?

No, the same calculation is not used. It's the highest amount of full salary for any consecutive 365 days of reckonable service, whether continuous or not, during the last three years of pensionable employment. Reckonable service is those years and days that count towards your pension benefits.

Are there circumstances where the average salary may differ from the standard?

Yes, there are two circumstances where the average salary may be calculated differently. These are:

- If the calculation of your final salary benefits uses your pensionable salary in the last 12 months of employment before the date of retirement as the average salary, and there has been a salary increase of more than 10% or £6,446 whichever is the greater, in any year in the last three years prior to leaving service, then your salary will be restricted. This limit is reviewed annually.
- If you've had a break in service (and at that point had sufficient service to qualify for a pension and lump sum) retirement benefits are calculated using your average salary at the break. These benefits are then brought up to current day value from the date of the break. These increased benefits are compared with the benefits calculated in the 'normal' way with the better of the two being put into payment. In most cases this alternative or 'hypothetical' calculation uses the whole of the reckonable service, but if the final salary at the break is higher than at retirement, only the reckonable service up to the break is used.

Where there is any difference between the legislation governing the Teachers' Pension Scheme and the information in this fact sheet the legislation will apply.

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