

# Flexibilities

April 2015



## Introduction

The Teachers' Pension Scheme changed from April 2015. The new arrangements saw the introduction of career average as well as final salary arrangements. Members will be able to choose from a range of flexibilities depending on which arrangement they are in. Some of the flexibilities will only be available to members within career average so it'll be important that you understand which arrangement you're in (please refer to factsheet 'Understanding the Member Types'). This factsheet aims to help you understand which flexibilities you can access and when.

## Additional pension

Additional pension will be an option for all members, both those in final salary and those in career average. If you've an existing additional pension election in final salary that you're paying into, that arrangement will continue.

If you're a protected member, you'll be able to purchase a further additional pension, that's subject to an overall limit of £6,300.

If you're a transition member and are already purchasing additional pension in final salary, you'll also be able to purchase additional pension when you're in career average. The additional pension you purchase in career average is subject to an overall flexibilities maximum of £6,500, but this isn't affected by any additional pension you're purchasing in final salary (which has an overall limit of £6,300 from 1 April 2015).

Additional pension will be re-valued by figures provided by HM Treasury. It will not attract the in-service indexation that main career average or faster accrual benefits receive.

## Faster Accrual

Faster accrual is only available to members in the career average arrangement. If you're a transition member or new starter and are in career average, then you can elect to purchase a faster accrual rate by paying a higher contribution. However this is subject to an overall flexibilities limit of £6,500.

You must make a new election for each Scheme year, which runs from 1 April to 31 March. The election must be received by Teachers' Pensions in the year prior to the year for which your election is to take effect.

For example, if you're a transition member you'll need to elect within one month of 1 April 2015 if you want to purchase faster accrual for this Scheme year, 1 April 2015 to 31 March 2016. If you're a new starter and start work during the Scheme year you must make your election within one month of starting work.

The standard accrual rate for career average members is 1/57th of pensionable earnings. The accrual rates that you can choose to purchase are 1/55th, 1/50th or 1/45th.

## Example of how faster accrual works

You're a transition member who has earnings between 1 April 2015 and 31 March 2016 at £30,000.

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In the first year you are in career average and if you do nothing, you'll earn a pension for that year of: £30,000 x 1/57 = £526.31.

To build up a higher pension you could elect to pay for faster accrual and select from the range of accrual rates available. The table below shows the amount of pension you would build up in a single year if you selected to pay additional contributions to earn a faster accrual rate, compared to the standard rate of 1/57th.

Accrual rate	Pension for that year	Additional pension built up
1/57 <sup>th</sup> (standard)	£526.31	0
1/55 <sup>th</sup>	£545.45	£19.14
1/50 <sup>th</sup>	£600.00	£73.69
1/45 <sup>th</sup>	£666.67	£140.36

### Buy Out

Buy out is only available to members in the career average arrangement. If you plan to retire before your normal pension age (NPA) and take actuarially adjusted benefits (AAB) your benefits will be reduced for each year that your benefits are taken early.

From 1 April 2015 if you're in career average you'll be able to buy out that actuarial adjustment for up to three years, depending on the number of years between 65 and your career average NPA. You'll pay higher contributions subject to an overall flexibilities limit of £6,500.

For example if your new NPA is 66 you'll be able to buy out 1 year's actuarial adjustment, but if your new NPA is 67 you'll be able to buy out two years and if your NPA is 68 you'll be able to buy out three years.

You only have one opportunity to buy out this reduction and your election must be made within six months of first entering career average. Contributions towards this option will last throughout your career, so you need to appreciate that this is a long term commitment. You also need to be aware that the rates you'll have to pay will change throughout your career.

If you die while purchasing buy out, any benefits paid to your family will not be affected, nor will any buy out contributions be refunded. If you continue to work until your NPA or retire on ill-health grounds, your benefits will not be adjusted nor will your buy out contributions be refunded.