



# Understanding how your Career average pension builds up

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## How is your pension made up?

In the career average scheme, the amount of pension you receive is based on your pensionable earnings each year for the period you are a member of the Teachers' Pension Scheme.

Every year you'll accumulate a pension of 1/57th of your pensionable earnings, including any overtime. The pension you build up each year will be added together to form the basis of the pension you'll receive when you retire. Each year your pension will be re-valued, or indexed, and the value of the indexation will be added to your total pension benefits. This process of building up new pension and it being re-valued will continue each year that you're in the Scheme.

## What is indexation?

This is the annual revaluation of the pension benefits that you've built up in the Scheme. Members who are active in the Scheme will have their benefits revalued annually using a rate published by HMT (Treasury Order) plus 1.6%. For members with deferred benefits the revaluation rate is Treasury Order only.

Members who leave and return to the Scheme after a gap of more than five years in service may have a combination of active (latest service) and deferred (previous service) indexation.

Where a member has transferred benefits from another public scheme on a 'Club Transfer' basis, the active indexation applied to the transferred amount will be the same as that from the previous scheme. For example, a Club Transfer from the NHS will have active indexation at Treasury Order + 1.5%, not Treasury Order + 1.6%.

### How is Katy's first year calculated?

Katy is a full time teacher, starting in the career average scheme on 1 April 2015, aged 26 years, with a pensionable salary of £20,000. In year 1 she'll bank £350.88 in her pension

$$\text{£20,000} \times \frac{1}{57\text{th}} = \text{£350.88}$$

### How is Katy's second year calculated?

To calculate Katy's second year we take the amount banked in Year 1, £350.88, as the opening balance and then add active indexation (this example uses 3.8%, made up from a Treasury Order of 2.2% and 1.6% in-service) of £13.33. If Katy's pensionable salary remains at £20,000 she'll add another £350.88 to her pension, giving a total banked at the end of year 2 of £715.09

$$\text{£350.88 (banked in year 1)} + \text{£13.33 (3.8\%)} + \text{£350.88 (earned in year 2)} = \text{£715.09 banked at the end of the second year.}$$

## How will it look after 10 years?

Using the same calculation for each year, you can see how much Katy has banked over the 10 years in the table below.

This will continue until Katy reaches her Normal Pension Age or until she decides to take a retirement option. The figures will change if Katy's pensionable earnings increase (or decrease) and if the indexation figure changes.

Year in career average	Opening Balance	Active Index 3.8%	Increased pension	Pensionable earnings	Earned Pension	Opening balance for next year
1	0	0	0	20,000.00	350.88	350.88
2	350.88	13.33	364.21	20,000.00	350.88	715.09
3	715.09	27.17	742.26	20,000.00	350.88	1,093.14
4	1,093.14	41.54	1,134.68	20,000.00	350.88	1,485.55
5	1,485.55	56.45	1,542.01	20,000.00	350.88	1,892.88
6	1,892.88	71.93	1,964.81	20,000.00	350.88	2,315.69
7	2,315.69	88	2,043.69	20,000.00	350.88	2,754.56
8	2,754.56	104.67	2,859.24	20,000.00	350.88	3,210.11
9	3,210.11	121.98	3,332.10	20,000.00	350.88	3,682.98
10	3,682.98	139.95	3,822.93	20,000.00	350.88	4,173.81

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

## Can Teachers' Pensions forecast my pension estimate?

In reality a member's salary would not normally stay at the same rate throughout their teaching service and indexation is likely to change year on year (and we cannot forecast these changes). We have provided an example below to show career progression with the indexation remaining the same, however this will not provide an accurate estimate for someone on a similar salary progression due to the indexation likely changing. However, you can look at one of the following to estimate your final pension:

- View your Benefit Statement on [My Pension Online](#).
- Utilise our calculator '[Estimate your final pension value](#)' on the website.

Year in career average	Opening Balance (£)	Active Index 3.8%	Increased pension (£)	Pensionable earnings (£)	Earned Pension (£)	Opening balance for next year (£)
1	0	0	0	20,000	350.88	350.88
2	350.88	13.33	364.21	20,000	350.88	715.09
3	715.09	27.17	742.26	25,000	438.60	1,180.86
4	1,180.86	44.87	1,225.73	25,000	438.60	1,664.33
5	1,664.33	63.24	1,727.57	25,000	438.60	2,166.17
6	2,166.17	82.31	2,248.48	35,000	614.04	2,862.52
7	2,862.52	108.78	2,971.29	35,000	614.04	3,585.33
8	3,585.33	136.24	3,721.57	40,000	701.75	4,423.32
9	4,423.32	168.09	4,591.41	40,000	701.75	5,293.17
10	5,293.17	201.14	5,494.31	40,000	701.75	6,196.06

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