

Career average scheme

August 2024



Move to the career average scheme.

You were a protected member who's now moved into the career average scheme on 1 April 2022: what does this mean?

- Any new pension will be built up in the career average scheme
- You'll retain the benefits you've already built up in the final salary scheme

What happens to my benefits if I have service in both the final salary and career average schemes?

Members with service in both will receive a pension with benefits built up in both.

If you've benefits in both (and don't have a continuous break in service of more than five years), your final salary benefits are protected and will remain in final salary.

Final salary benefits will still be calculated based on your salary at retirement. This includes any salaries earned up to that point whilst a member of the career average scheme (this is known as the 'Salary Link', and means you continue to benefit from any increases in your salary). The average salary used for final salary benefits is the better of the final average salary over the last year of teaching, or the best three years (re-valued) from the last ten years.

If you've a single continuous break of more than five years from the Scheme spanning 1 April 2022, your final salary benefits will use your salaries up to the start of the break (but using the same best of rules outlined above) for the average salary. This is because the 'Salary Link' is broken following a single break of more than five years.

What are the pension benefits in the career average scheme?

For every year you're a member of the career average scheme, you build up your pension. When you retire, you can draw this pension as a regular monthly income.

For each year you work, you build up 1/57th of your pensionable earnings in that year. Your pensionable earnings is made up of your regular salary plus any overtime that you receive. So, if you have pensionable earnings of £28,500 per year, you'll add £500 of annual pension to your career average scheme pension for that year. Your pension is added together each year to build up to your total career average retirement benefits, and the 'running total' is re-valued each year. We apply that revaluation each April, and it's usually based on the rate of CPI in the preceding September, plus an additional 1.6% if you are an active member of the Scheme.

All pensionable teaching employment counts towards the career average scheme. This is different to the final salary scheme which only allows for a maximum of 365 days 'reckonable service' in any one scheme year. It's important to note that if you have additional teaching employments on top of a full-time teaching employment, the additional teaching employments will now be pensionable. Under the final salary scheme this wasn't the case, and you may have been a member of another pension scheme – such as the Local Government Pension Scheme (LGPS) – for these additional employments.

We'll be contacting employers to remind them of this difference and the need to contractually enrol members into the Teachers' Pension Scheme in respect of all employments that are eligible. From 1 April 2022 you'll be required to pay contributions on the additional employments to the Scheme, although it's open to you to opt out for any individual employment if you wish to do so.

What are the contribution rates?

The contribution rate tiers for the career average scheme are the same as in the final salary scheme. The difference will be that the contribution rate will apply to any pensionable overtime you undertake (although overtime isn't used to determine the rate itself), and it will apply to any teaching employment that wasn't pensionable in the final salary scheme but is pensionable in the career average scheme.

The contribution rate tiers for the Scheme are reviewed each April, to keep them in line with cost of living rises. [Details of the current contribution rate tiers for the Scheme can be found on the our website.](#)

When can I take my pension?

Your Normal Pension Age is the same as your State Pension Age (or 65, whichever is higher). You can still retire earlier than this, but your benefits will be reduced to reflect the fact that they're paid for longer. You can also choose to retire after your Normal Pension Age and your benefits will be increased to reflect the fact that they're being paid later.

You can still take your final salary pension at the Normal Pension Age (age 60 or age 65) and defer taking your career average pension by triggering your entitlement to your final salary pension. This can be achieved by either leaving all eligible employment or opting-out of the Scheme after having reached your final salary scheme Normal Pension Age.

As the minimum period for opting-out of the Scheme is one month, and during any period opted-out you're not eligible for the 'in-service' insurance benefits provided by the scheme, such as death-in-service lump sums to your beneficiary or enhancement to Ill-health Retirement, you should seek independent financial advice before making any decision.

Flexibilities

Please note you need to be in pensionable service to make a flexibilities election.

Additional Pension

Existing elections in the final salary scheme aren't affected by moving into the career average scheme and will still count towards your final salary pension. If you've any Additional Pension elections that you're still paying for via monthly contributions (deduction from payroll), then please continue to pay as normal. We'll inform employers to do the same.

You'll be eligible to take out new Additional Pension elections in the career average scheme, subject to the total maximum extra pension limit. [Please note that there are separate extra pension limits for the final salary and career average schemes.](#)

Faster Accrual

You can elect to have a faster rate of pension accrual in any one scheme year. The standard rate of accrual in the career average scheme is 1/57th of pensionable earnings, but in return for additional contributions from your salary you can opt to have an accrual rate of 1/55th, 1/50th or 1/45th. An election is required per employment and must be made before the start of the Scheme year (April) or within a month of first joining the Scheme or taking up a new employment.

Buy Out

If you retire early from the career average scheme there's a standard rate of reduction of benefits of 3% per year, from age 65, for a maximum of three years. (A reduction based on actuarial factors applies to Early Retirement between age 55 - 65.) The minimum pension age is changing from 6 April 2028, when it will rise from age 55 to 57. Find out more about what this means on [our website](#). This means that for a member with a career average normal pension age of 68, if they retire at age 65, the standard 3% reduction per year will apply, overall 9%. If a member has a career average normal pension age of 65, no reduction will be applied to the pension.

In return for additional contributions, you can choose to 'buy out' this standard rate of reduction so that it isn't applied at retirement. This election continues whilst you're an active member of the Scheme in order to apply to all career average benefits accrued and isn't refundable should you choose to work beyond age 65. If you wish to make a Buy Out election you must do so within six months of joining the Scheme.

Transfers

As you've joined the career average scheme for the first time on 1 April 2022, the 12-month window to complete a transfer into the Scheme from another pension provider will be open to you.