

# Teachers' Pensions Cookie Preferences

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## Types of contributions



Members can and do receive pensionable pay that is in addition to their 'normal' pensionable salary. Pensionable earnings, on which contributions are due, include residential emoluments, overtime (career average only), out of school learning activities (OSLA) payments and bonus payments (although only where it is performance related and / or part of the contract for all employees or all employees of a particular class and description and not, for example, an honorarium or a one-off non-performance related bonus).

### Residential Emoluments

The Teachers' Pension Scheme Regulations allow the value of free accommodation to be included in contributable salary where you've agreed this with us. Please note:

- The Residential Emolument isn't automatically carried over from one employee to their replacement
- You've three months from the start of the employment (or from when the accommodation becomes available) to agree the emolument with us. However, we'll need written evidence of the valuation calculations before they've accepted residual emolument as part of their contributable salary
- The emolument should be reviewed every two years, or the agreement may be rescinded and the contributions refunded by us
- The valuation used must consist of the current gross annual value of the residence, as certified by an estate agent, i.e. the rental value of the property if let on the open market, subject to a limitation of 1/6th of contributable salary. The gross annual salary rate should also be provided
- As well as this, the annual Council Tax and costs of amenities (like heating, lighting and water) may be added to the calculation if these are provided free of charge
- Where a residential emolument is accepted by us, pension contributions are payable on it, by both the Scheme member and you, from the date of occupancy of the property. This continues as long as they remain in the property.

### Additional Voluntary Contributions (AVCs) with Prudential

Members can pay additional contributions into the Scheme's AVC

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members can pay additional contributions into the scheme via a provision with Prudential. This can be either as a percentage of salary or a set monthly amount. These must be remitted directly to Prudential Financial services.

## Salary sacrifice

Members of the Scheme have the ability to opt for salary sacrifice arrangements under the Teachers' Pensions Regulations 2014.

Only those salary sacrifice arrangements included in the School Teachers' Pay and Conditions document can be included as pensionable earnings, and on which contributions will need to be paid.

A member can choose to give up part of their gross salary, which enables the following benefits to remain pensionable within the Teachers' Pension Scheme:

- (i) child care voucher or other child care benefit scheme;
- (ii) a cycle or cyclist's safety equipment scheme; or
- (iii) a mobile telephone scheme entered into on or before 5 April 2017 (except that a salary sacrifice arrangement for a mobile telephone scheme will only be covered by the provisions of this paragraph up until 6 April 2018).

Note that for an **approved** salary sacrifice scheme, contributions should continue to be on the full gross pensionable salary **before** the salary sacrifice is applied. When providing service and salary information through your MCR/MDC submission or TR28 missing service template, the full salary prior to the sacrifice should be recorded.

For **unapproved** salary sacrifice schemes the pensionable salary is **after** the application of the salary sacrifice and it's the reduced salary that must be used when determining contributions or reporting service and salary information.

## Bonus payments

For members who are classed as a school teacher under the Teachers' Pension Scheme regulations - this is only employees in an eligible role employed by local authority, voluntary aided or special foundation school, whose pay and conditions are determined by a pay order from the Secretary of State for Education under section 122 of the Education Act 2002 - bonus payments are not pensionable. Primarily that's because bonus payments do not form part of these members' pay.

For other members a bonus payment under a pay settlement, that applies to all employees (or all employees of a particular class or description) at the institution where the member is employed, is pensionable. Additionally, a payment is pensionable if it's calculated by reference to: the member's performance; the performance of all employees at the institution where they're employed; or the performance of that institution.

If a bonus payment is made to an employee, the contribution tier for the month in which it's made will include the bonus when calculating the annual salary. But it's important to note that in the service return the annual salary will also have to annualise the bonus payment, i.e. multiple the bonus payment by 12 in the month in which it's paid in the service submissions. This is required to ensure that the member receives the full accrual for the bonus for which they've paid contributions.

If the bonus payment is not annualised in the month in which it's paid, the member will only receive one twelfth (1/12th) of the accrual in the case of an annual bonus. This is because of the way that our systems calculate pensionable earnings based on service returns. Our systems treat it as a monthly salary rather than an addition on top of the annual salary.

For example, a member with a salary of £33,000 per annum receives a bonus of £1,200 in May 2016. In order to ensure that the member's accrual of pension is based on the total pensionable earnings in the scheme year (£34,200), there are two options:

1. Make the member's salary £47,130 in the month in which the bonus was paid ( $\text{£33,000} + (\text{£1,200} \times 365/\text{days in the period, i.e. 31 in this case})$ ); or
2. Make the member's salary £34,200 in each month or period of the service return but covering the entire scheme year (1 April - 31

March).

### Pensionable pay elements

Since 1 April 2015, overtime payments are treated as pensionable for any members in the career average scheme.

Overtime must be included on any MDC/MCR submissions for all members. Overtime should be shown in the period it's earned.

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