Increasing your pension benefits

October 2021

Introduction

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

How can I increase my pension benefits?

If you're in the final salary arrangement you can directly increase your pension by purchasing Additional Pension. If you're in the career average you have the choice of Additional Pension or Faster Accrual, or both. Entrants to the career average arrangement also have the option to 'buy-out' the standard rate of actuarial reduction that applies if you take Early Retirement (Actuarially Adjusted Benefits).

Please note that the amount of extra pension you can purchase in the Teachers' Pension Scheme is subject to a separate maximum amount for each arrangement. See the Updates section of our website for the current maximum.

Can anyone do this?

Yes, as long as you're an active member of the Scheme.

How do I buy additional pension?

Additional pension can be bought in multiples of £250, although please note it costs more than this to provide for an additional annual pension of £250. There are two easy ways of doing this:

- Have deductions made from your salary.
- Pay a one-off lump sum.

The maximum payment period is 20 years and must be completed before your Normal Pension Age, but be aware that payments will be reviewed after each Scheme valuation.

That means contributions may increase or decrease depending upon the outcome of the valuation. If you're in career average your additional pension will be revalued at a lower rate than your standard benefits. It's important that you check that the correct amount is being deducted.

How do I buy Faster Accrual?

This option is only available to members in the career average arrangement. An election for Faster Accrual must be made before the start of the Scheme year in April and it only applies for one year. A new election needs to be made every Scheme year and each election starts on 1 April and ends on the following 31 March.

If you're taking up a new employment mid-year you can make an election to cover the remainder of that year for that employment, but you must make an election within one month of taking up your new post. If you change jobs then your Faster Accrual election for the employment you've left ends at that point; you'll need to take out a new election within a month of joining your new employer.

The standard rate of pension accrual is 1/57th of your pensionable earnings in the year, but with a Faster Accrual election you can make a higher level of contributions in return for a rate of 1/55th, 1/50th or 1/45th. The larger the rate of accrual the higher the contributions - so you'll pay the most for an accrual rate of 1/45th.

It's important that you check that the correct amount is being deducted from you salary and if you identify a mistake you must contact your employer immediately.

How do I purchase buyout?

This option is only available to members in the career average arrangement. If you retire early your benefits are reduced, as they'll be paid out for a longer period of time. In the career average arrangement a standard rate of reduction of 3% per year applies between age 65 and age 68 (although your normal retirement age may be earlier).

If your Normal Pension Age (NPA) is 68 but you leave at age 65, your benefits will be adjusted by 9% (3 x 3%) as they'll be paid for longer than if you retired at age 68.

You can elect to 'buy out' this standard reduction, so that you can retire at 65 without any adjustment being applied to your benefits, through increased contributions over the entire course of your career average service. You can 'buy out' the actuarial adjustment for up to three years, depending on the number of years between 65 and your career average NPA.

You only have one opportunity to buy out the reduction and this must be done within six months of you first entering career average.

It's important that you check that the correct amount is being deducted from your salary and if you identify a mistake you must contact your employer immediately.

I have benefits accrued in another scheme can I transfers these to the Teachers' Pension Scheme?

Yes, but the transfer in must be completed within 12 months of entering pensionable service. The credit you receive will depend upon a number of factors such as your age, salary and the value of the transfer offered.

How do I take out an Additional Voluntary Contribution (AVC)?

The Department for Education have an agreement with Prudential to provide a Teachers' Additional Voluntary Contribution scheme, but you can use other providers.

For more information about the Prudential contact:

Teachers' AVC Department
Prudential
Craig Forth
Stirling
FK9 4UE
Telephone: 0845 0700 007
Website: www.pru.co.uk/teachersavczone

Before making any decision about whether to participate in the flexibilities that the Scheme offers, you should obtain independent financial advice for your individual circumstances. This could be especially important if you're likely to exceed your Annual Allowance.

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