



Teachers' Pension Scheme
**Factors for calculating cost of purchasing additional
family benefits**

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Teachers' Pension Scheme
Factors for costing additional family benefits – 17 September 2012
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1 Introduction

Scope of this guidance note

- 1.1 This note is provided for the Department for Education (DfE) as scheme manager of the Teachers' Pension Scheme (TPS). These factors should be used only to calculate the cost purchasing additional family benefits in respect of periods of non-qualifying service, as outlined in Section 2 of this note.
- 1.2 This note relates to regulation 21 and Schedule 5 of The Teachers' Pensions Regulations 2010 (SI 2010/990) ('the Regulations').
- 1.3 The guidance and factors provided in this note have been prepared in light of our advice to DfE of 9 January 2012 and its instructions following that advice.
- 1.4 DfE has determined that these factors should be implemented immediately.
- 1.5 Factors should be selected according to the sex of both the member and dependant.
- 1.6 In carrying out this work I have followed our normal quality processes for work conducted on public service pension matters¹.

¹ The GAD Statement of Understanding sets out the standards which the Department currently applies for any work carried out in this area.
http://www.gad.gov.uk/Documents/Occupational%20Pensions/GAD_Statement_of_Understanding_v_1.1_Dec_2011.pdf

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2 Purchasing additional family benefits

- 2.1 These factors can be used to determine the cost to members of purchasing periods of past service which did not accrue family benefits in the TPS (periods of 'non-qualifying service' as defined in paragraph 3 of Schedule 5 of the Regulations).
- 2.2 The member can purchase additional family benefits either by lump sum under paragraph 16(2) of Schedule 5 of the Regulations, or by regular contributions under paragraph 15(3) of Schedule 5 of the Regulations.
- 2.3 If the member elects to purchase through a lump sum, the contribution payable to the scheme should be calculated as,

$$A \times B \times C$$

Where,

A is the factor from Table 800 chosen according to the sex of the member and the dependant,

B is the amount of non-qualifying service, in years, to be purchased, and

C is the member's annual pensionable earnings.

- 2.4 If the member elects to purchase the additional family benefits by paying a regular contribution based on a chosen percentage of their pensionable salary, then the period (in years) over which this should be paid should be calculated as,

$$\frac{A}{B} \times C$$

Where,

A is the amount of non-qualifying service, in years, to be purchased,

B is the member's chosen contribution rate as a percentage of salary, and

C is the factor from Table 800 chosen according to the sex of the member and the dependant.

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3 Example calculations

Example 1: Purchase through lump sum

Member Details

Member's Gender	Male
Beneficiary's Gender	Male
Period of non-qualifying service to be purchased (B)	6 years
Pensionable salary at calculation date (C)	£35,000 pa
Factor (A)	1.7%

Cost of Purchase

From 2.3 the lump sum payable is calculated as,

$$A \times B \times C$$
$$1.7\% \times 6 \times 35,000 = \text{£}3,570$$

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Example 2: Purchase through regular contributions

Member Details

Member's Gender	Male
Beneficiary's Gender	Female
Period of non-qualifying service to be purchased (A)	3 years
Member's chosen additional contribution rate (B)	6%

Factor (C) 2.7%

Cost of Purchase

From 2.4, the period, in years, over which additional contributions of 6% are payable is,

$$\frac{A}{B} \times C$$

$$\frac{3}{6\%} \times 2.7\% = 1.35 \text{ years}$$

So the member can purchase the additional family benefits by paying an additional 6% of pensionable earnings for 1.35 years.

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4 Table of Factors

Table 800 – Factors for calculating the cost of additional family benefits

Gender of Member	Gender of Beneficiary	Factor
Male	Male	1.7%
Male	Female	2.7%
Female	Male	1.0%
Female	Female	1.7%