

TPS Reformed Scheme 2015



Scheme design (Proposals)

- Pre 2015

- Final salary scheme with a 1/60th or 1/80th accrual rate
- Qualification period of 2 years pensionable service
- NPA of 60 or 65
- Tiered contributions for members
- Statutory Scheme with DfE as scheme managers.

- Post 2015

- Career Average Scheme with a 1/57th accrual rate
- Qualification period unchanged
- NPA – linked to a member's SPA
- Contributions – Unknown at present
- Still a statutory scheme , but in addition to DfE as scheme managers there will be :
 - A Governance Board
 - An Advisory Board
- The membership of each is still to be decided.

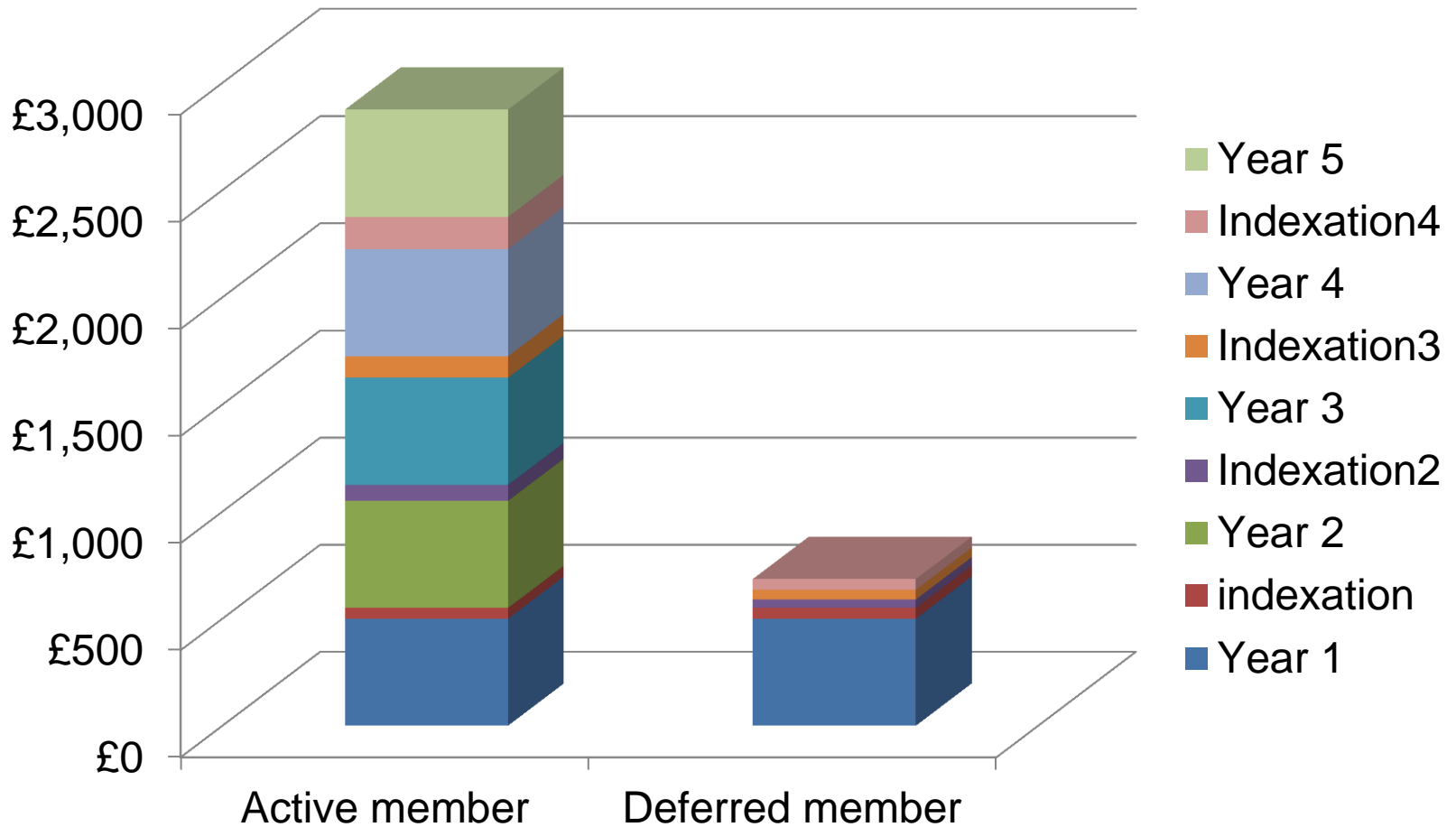


Pension Accounts

- **Accrual rate of 1/57 of the member's pensionable earnings**
- **Accrued pension "banked" in a pension account for each member**
- **Banked pension indexed annually**
- **Indexation for active member is 1.6% above rate specified in treasury order**
- **Indexation for deferred members equal to rate specified in treasury order**



Pension Account - example



Retirement

- Pre 2015

- Qualification is 2 years
- Retirement benefits calculated as:

Service x 1/80 (or 60) x Final Average Salary

- Post 2015

- Qualification remains as 2 years
- Retirement benefits calculated:

On a Career Average basis each year ie:

Salary x 1/57 = the pension for that year

That pension is then 'banked' and all the banked pensions are added together when the member takes their benefits



Retirement -types

The basic retirement types will remain the same however there will be subtle changes to each type.

▪ Pre 2015

- Age retirement at 60 or 65
- AAB from age 55
- Phased retirement from age 55 on a maximum of 2 occasions
- Premature retirement from age 55 with employer consent.
- Late retirement after NPA – only NPA 65 get enhancement.

▪ Post 2015

- Age retirement from NPA - new NPA linked to SPA currently between 65-68.
- AAB from age 55 – however early retirement factors different and up to 3 years above 65 are set at 3% per annum.
- Phased – now possible on 3 occasions, only 2 before age 60.
- Premature – from age 55 as before.
- Late retirement – unchanged.



Early leavers

- Pre 2015

- If less than 2 years pensionable service then can claim a repayment of contributions less tax and NI.
- Transfer pension benefits to another approved pension scheme.
- Unlimited aggregation if service left in the TPS and index linked to protect it from increases in the cost of living.

- Post 2015

- If less than 2 years pensionable service then can claim a repayment of contributions less tax and NI.
- Transfer pension benefits to another approved pension scheme. Club scheme arrangements will remain. Details still under discussion.
- Unlimited aggregation if service left in the TPS, indexation is Treasury Order (TO) only while out of service . BUT
 - If return is within 5 years it will be TO +1.6% for the period while out of service.
 - If return is after 5 years then TO only for period while out of service and beyond.



III Health

Criteria for ill health retirement will remain the same, except the test is against the new NPA once a member is in the reformed scheme. There are some other changes:

- Pre 2015

- Members considered in service if they apply within 6 months of leaving service.

- Final average salary used in the calculation of benefits and enhancement

- Post 2015

- Proposal to increase in service applications to two years, where a member leaves teaching due to the same illness.

- Salary at date of leaving or when “stepped down” (with employer agreement) used in calculation of benefits:

pensionable earnings at retirement (£)

multiplied by

half prospective service to normal pension age (years and days)

- divided by 57



Flexibilities

- Pre 2015
- **Additional pension subject to certain limits**

- Post 2015

- **Additional Pension will continue, with existing elections honoured and new elections possible.**

New flexibilities

- **Members can elect to pay a higher contribution rate in return for a higher accrual rate for a particular year, at full member cost. 1/55, 1/50 & 1/45.**
- **Members in the new scheme with a NPA higher than 65 will have an option to pay additional contributions to reduce or, remove any early retirement reduction that applies to up to three years beyond 65, if they retire before their NPA.**
- **The total limit available for all flexibilities is the current limit applied to additional pension.**



Transfers

- Pre 2015

- **Transfers in and out of the TPS are permitted if the other scheme is recognised by HMRC**

- **3 types of transfer:**

- **Club (usually public sector schemes)**

- **Non club schemes**

- **Individual pension policies**

- **Club is often day for day as the same accrual rate applies to all public sector schemes**

- **Members have to make an election to transfer with 12 months of joining the scheme**

- Post 2015

- **Transfers in and out of the TPS are permitted if the other scheme is recognised by HMRC**

- **3 types of transfer:**

- **Club (usually public sector schemes)**

- **Non club schemes**

- **Individual pension policies**

- **Club will be more complex as the public sector schemes have different accrual and indexation rates + protection issues**

- **Proposal to allow transfers after NPA to other public sector scheme**

- **Members have to make an election to transfer with 12 months of joining the scheme**



Abatement

- Pre 2015

- Where retirement is on the grounds of AAB or Phased abatement does not apply.

- In other cases the index-linked salary of reference minus the annual rate of pension payments is the amount that a member's earnings may reach in the tax year before their pension is affected.

- Post 2015

- Abatement will not apply to pension earned in the Career Average scheme.

- Abatement will continue to apply to pension earned in the final salary scheme – except where retirement is on the grounds of AAB or Phased.

- Where a member has pension in both schemes the abatement calculation takes into account both pensions.



Family Benefits

▪ Pre 2015

- **The long-term pension is calculated at the rate of 1/160th of the average salary for each year of survivor benefits service**
- **The rate paid for children is:**
 - half of the adult's pension to one child, and
 - if there are two or more children the adult pension is divided equally between each child.
- **Enhancements based on old style ill health arrangements – i.e. on length of service.**

▪ Post 2015

- **Adults will receive 37.5% of a member's career average benefits (60/160).**
- **A child will receive 18.75% of a member's career average benefits if only one child**
- **If more than one child they will receive 37.5% of a members career average benefits divided by the number of children**
- **If dependent is eligible for enhancement, it will be 37.5% of half a member's potential service to NPA x final pensionable earnings/57**



Death Grant

- Pre 2015

- In service death grant of 3 x average salary..
- If out of service and has 2 years of pensionable service the death grant is the retirement lump sum accrued to date, or if there is no adult pension payable, the pension contributions plus interest of 3%.
- If out of service and less than 2 years of pensionable service the death grant is the pension contributions plus interest of 3%.
- Supplementary Death Grant (SDG) is payable of annual rate of pension times 5 (minus any pension already paid) if member dies within 5 years of retirement.

- Post 2015

- In service death grant = 3 x final FTE salary.
- Out of service death grant = member's career average pension x 2.25
- SDG is payable of annual rate of pension times 5 (minus any pension already paid) if member dies within 5 years of retirement



Protection and salary link

▪ Protection

- Members at 1 April 2012 within 10 years of NPA remain in the current scheme.
- Tapered protection for members within 13.5 years of their NPA. That means members will join the Career Average Scheme but at a later date.
- If a member is out of service on 1 April 2012 but returns to pensionable service within 5 years they are protected.
- If a member is out of service on 1 April 2012 and returns to pensionable service after 5 years they do not have protection.

▪ Salary Link

- **Members who have continuity of service on 1.4.15 will have their final salary benefits based on the salaries being paid prior to their retirement.**
- **If a member has a break of more than 5 years then this salary link will not be retained and the final salary benefits will be based on salaries at the break.**



Protection and salary link examples

These member all are potentially eligible for protection and the table shows the impact on that protection if they have a break in service.

Leaves	Returns	Effect
1.4.10	31.3.15	Fully protected in final salary scheme
1.4.10	4.4.15	No protection or salary link
1.4.11	31.3.16	Fully protected in final salary scheme
1.4.09	1.3.15	No protection but salary link
1.4.14	3.4.20	No protection or salary link
1.4.08	3.4.13	No protection but salary link



Transitional members - retirement

These are member who have a mixture of Final Salary and Career Average service. These members may have a choice of when to take each type of benefit.

- Age retirement

- Conditions for taking benefits do not change, members must be out of service and have reached their NPA
- Final salary at 60 or 65, Career average at SPA .
- If taking Final Salary benefits do not have to take Career Average at same time. If taking Career Average at the same time then that element will be AAB
- If taking Career Average benefits then Final Salary benefits have to be taken if not already in payment

Premature

If granted premature benefits both sets of benefits have to be taken at the same time, i.e. Final Salary and Career Average

AAB

If taking AAB both sets of benefits must be taken at the same time

Phased

If taking phased do not have to take all benefits at the same time or draw down the same percentage



Transitional members - ill health & death

- Ill health

- Benefits are assessed on the scheme the member is in when they make their application.
- All scheme benefits have to be taken at the same time
- Enhancement is only applied once, not to both sets of benefits
- Enhancement is FTE pensionable earnings at retirement times half prospective service to normal pension age divided by 57.

- Death

- The death grant is based on the scheme the member is in when they die.
- Only one in service death grant is paid, i.e. not one for the final salary service and another for the career average service.
- Enhancement is only applied once, not to both sets of benefits
- Enhancement is 37.5% of the enhancement that the member would receive if retiring on ill health.



For more information



QUESTIONS

