

TEACHERS' PENSIONS – A PERSPECTIVE FROM THE NUT

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**LGA Teachers' Pensions Conferences
September 2014**



Where are we now?

- NUT has not accepted 'Proposed Final Agreement' – we still oppose teachers being asked to pay more, work longer and get less
- Industrial action still ongoing
- Our actuarial calculations using the 2012 valuation challenge the Government's case that our pensions were unaffordable

Background: Current TPS

- Final salary scheme
- Contribution rate = 6.4 per cent
- Normal Pension Age = 60 (pre 2007 members)
65 (post 2007 members)
- Accrual rate = 1/80 (pre 2007 members) 1/60
(post 2007 members)
- Automatic tax free lump sum of 3x pension for
1/80 scheme. No automatic lump sum for 1/60
scheme

Design for TPS 2015

- Career average scheme (CA)
- Contribution rate = average 9.6 per cent
- Normal Pension Age (NPA) = Equal to State Pension age (65 to 68 depending on age)
- Accrual rate = $1/57$
- Revaluation rate = CPI + 1.6 per cent
- Special early retirement actuarial reduction factors
- Transitional Protection in place

Contribution rates

- Average employee contribution rate = 9.6 per cent
- Table = Government's preferred contribution structure from April 2015 (TBC)
- Contributions based on actual salary for CA Scheme, not FTE salary
- Employer contribution currently 14.1 per cent, will rise to 16.4 per cent from September 2015

Salary Band	Contribution Rate
£0 - £25,999	7.4%
£26,000 - £34,999	8.6%
£35,000 - £41,499	9.6%
£41,500 - £54,999	10.2%
£55,000 - £74,999	11.3%
£75,000+	11.7%

Career average scheme – practical concerns

- Career average pension based on pay – every payslip counts!
- Vital that members check & correct TP's salary records
- Fragmentation of education system risks lower administration standards.
- NUT encouraging members to keep payslips, P60s and annual benefit statements – so should employers!

Members' information needs

- Members get pensions information from a variety of sources inc TP, Employers and Unions
- TP contract for 2010-2017 has a much bigger emphasis on educating TPS members
- NUT supporting TP communications strategy – we won't duplicate TP material but will support where members in dispute

Challenges of working longer

- Government intends teachers to work into their mid-late 60s
- Employer role in helping teachers to work longer – using scheme flexibilities, supporting part-time working
- DfE setting up ‘Working Longer’ review with Employer and Union participation

Flexibilities

- Higher accrual – requires annual elections (and Employer involvement)
- Buy-out of actuarial reduction
- Phased retirement
- Additional Pension
- AVCs

Other Future Challenges

- No Government funding for September 2015 contribution increase
- Government intends reformed TPS design to last 25 years
- Potential scheme design change if costs rise by more than 2 per cent
- Abolition of contracting out in April 2016 - 3.4 per cent increase in Employer NICs (and 1.4 per cent increase in Employee NICs) with no Government funding