

Thinking of leaving your occupational pension?

Think carefully – there's more to lose than you might think.

The cost of living crisis is making everyone think of ways to tighten their financial belts. Turning the heating down, shopping differently and cutting back on those well-earned treats may be top of the list, but you may also be thinking of stopping your pension scheme membership to increase your income.

Pension contributions can seem like a luxury when times are hard. But being a member of an occupational pension scheme like USS or TPS offers other advantages as well as a pension in retirement. Yes, you can take out separate policies for life assurance, critical injury and ill health cover (all things that are included in occupational pension schemes) but your employer won't contribute to those as they do your occupational pension scheme.

Your TPS Membership includes all of this

- Employer contributions of 23.6% of your salary
- A guaranteed pension in retirement
- Life assurance benefits for your dependants
- A lump sum payable if you die in service
- Pension benefits paid early if you have to leave work due to permanent ill health.



Also – the amount you save could be insignificant compared to the amount you lose from your pension in retirement.

Teachers Pension Scheme examples

A lecturer earning £40,000pa builds up £701.75 pension each year. By opting out of the scheme they can save over £3000 in pension contributions a year BUT, if they live 20 years in retirement they will lose over £14,000 pension income from that one year alone.



An Early Career academic earning £24,000pa builds up £421 pension each year. By opting out of the scheme they can save £1776 in pension contributions a year BUT, if they live 20 years in retirement they will lose over £8,400 pension income from that one year alone.



A part time lecturer earning £20,000pa builds up £350.88 pension each year. Because contributions are lower for lower paid staff, they would only save just over £1,000 in contributions a year BUT, if they live 20 years in retirement they will lose over £7,000 pension income from that one year alone.



(These examples are at today's rates – TPS provides inflation proofing that's not factored in to these examples)

If you are thinking you need to leave the scheme make sure you know all the facts about what you are leaving behind. Check out the following links for more information – [USS](#), [TPS\(E&W\)](#), [TPS\(S\)](#), [TPS\(NI\)](#), [LGPS](#)

An extra word of caution - If you are thinking of swapping from a scheme like TPS which is a “Defined benefit” scheme – so called because it defines the amount you receive in retirement – for a “Defined contribution” scheme, where what you get in retirement depends on investment performance, your contributions may be lower but so might the returns. Also – if you move to a DC scheme provided by your employer, their contribution will be much less than it would be into TPS and if you swap to a private pension, they won't pay in anything at all.

For example – in one of the above examples, a lecturer saves £3000 by opting out of TPS for one year. If they were to decide to invest all of that in a private pension it would provide a pension of less than £139 PER YEAR in retirement. That’s over £550 a year difference. Investing half of the saving would provide just £70 per year – less than £6 per month.

Do you know how much you will need in Retirement?

In conjunction with Loughborough University, the Pensions and Lifetime Savings Alliance have calculated some interesting figures about the level of income people need in retirement.

The table below shows projections for a single person and assume there is no rent or mortgage payable-

	MINIMUM	MODERATE	COMFORTABLE
	£10,900 a year	£20,800 a year	£33,600 a year
WHAT STANDARD OF LIVING COULD YOU HAVE?	Covers all your needs, with some left over for fun	More financial security and flexibility	More financial freedom and some luxuries
HOUSE (NOT INCLUDING RENT OR MORTGAGE)	DIY maintenance and decorating one room a year.	Some help with maintenance and decorating each year.	Replace kitchen and bathroom every 10/15 years.
FOOD & DRINK	A £41 weekly food shop.	A £47 weekly food shop.	A £59 weekly food shop.
TRANSPORT	No car.	3-year old car replaced every 10 years.	2-year old car replaced every five years.

HOLIDAYS & LEISURE	A week and a long weekend in the UK every year.	2 weeks in Europe and a long weekend in the UK every year.	3 weeks in Europe every year.
CLOTHING & PERSONAL	£410 for clothing and footwear each year.	£730 for clothing and footwear each year.	£1,200 for clothing and footwear each year.
HELPING OTHERS	£10 for each birthday present.	£30 for each birthday present.	£50 for each birthday present.

Source - <https://www.retirementlivingstandards.org.uk/>