Briefing on the Teachers' Pension Scheme

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a career average public service defined benefit scheme for those that are deemed Teachers in schools, colleges, prisons (with exceptions) adult education and post-92 universities. It builds up benefits using a formula based on salary and service using a particular proportion of annual salary generally 1/57th which grows with inflation both during service and once retired. This is referred to as the 'accrual rate'.

To check your pension make sure you register and keep the scheme aware of your details such as changes to your nomination forms or address:
https://www.teacherspensions.co.uk/forms/registration.aspx

Teacher's Pension Scheme valuation

The Teachers' Pension Scheme like other public service schemes is paid from general taxation and the valuation is carried out differently to a private scheme such as USS. TPS has a formula for valuation common to other unfunded public sector schemes where costs are divided between employer costs and member costs. This system was introduced by the government in 2015 when it was thought that public sector pay rises and life expectancy improvements would push up costs that fall on the staff side. What actually happened was that those costs fell and therefore, there must, (under parliamentary regulations) be improvements to benefits for those in the career average section of the scheme. Final salary members generally are benefitting already from the 60/65 pension age changes so can't benefit more on fairness grounds.

How the improvements to members' pensions in the valuation will be made is not yet clear. It is likely that, given the valuation cycles are typically 4 years, any improvement is likely to be for the period up to the next valuation. UCU supports building-up of pension via changing the accrual rate as the most appropriate way to improve members' pensions. This also means any beneficial changes are locked into retirement savings. In England and Wales this will be from September 2019, but backdated to April 2019 in line with the other schemes. In Scotland and Northern Ireland in April 2019.

However, it's important to note that the employer contributions rely on a different set of technical assumptions and those have changed dramatically due to poorer expectations for the economy. The 'discount rate' based on UK GDP, a major assumption in setting employer contributions fell. Under the 2015 changes this triggers an increase in employer cost on top of the contribution rise employers will have to pay for those benefit improvements for members. They also have another increase because the technical assumptions have changed. In Scotland and Northern Ireland this is around 6% employer contribution increase resulting in employers paying over 20%-22% of salary costs. In England and Wales it's over 7% increase resulting in employers paying 23%-24%. These numbers are not yet completely confirmed but are likely to be close to the final outcome.

The teaching unions are working together on these proposed changers and are discussing how benefit improvements can be made. Ministers in England have said that the employer costs will be covered in schools, further education and ACE but only for one year after that it will be down to the government's spending review to cover the costs. No funding has been announced for the university sector, which means a big potential cost increase in post-92 universities. UCEA (employer body) have made their position public, they want a delay, a change to assumptions and if possible staff to pay less rather than have a benefit improvement. Treasury has ruled out all these options at the moment.

UCU nationally elected officers and national officials have formed a working party to look at the implications of this and will keep members up to date with developments.

If you have any comments or questions please contact Christine Haswell, UCU pensions officer, **Chaswell@ucu.org.uk**

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