

## **TEACHERS' PENSIONS – A PERSPECTIVE FROM THE NUT**

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IER Pensions Conference February 2014**



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### **Where are we now?**

- NUT has not accepted 'Proposed Final Agreement' - teachers will still pay more, work longer and get less
- NUT has announced a national strike across England and Wales on Wednesday 26<sup>th</sup> March as part of ongoing dispute
- Strike due to Michael Gove's persistent refusals to address ongoing dispute on pay, pensions and conditions of service



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### **Background: Current TPS**

- Final salary scheme
- Contribution rate = 6.4%
- 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



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## Planned Design for TPS 2015

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




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## What concessions did we win?

- Initial Government proposals (Spring 2011) hinted at accrual rate between 1/80 and 1/100
- September 2011 proposal = accrual rate of 1/65
- November 2011 concessions included:
  - Further 8% improvement in the "cost ceiling" - the amount of money spent on teachers' pensions; and
  - protection for those within 10 years of retirement and tapered protection for those up to 3.5 years further away
- December 2011 offer - 'Proposed Final Agreement' - just repackaged November deal with no more money




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## Pay More

- 50% contribution rise, from 6.4% to an average 9.6% from April 2014
- Teachers' contributions based on FTE salary
- Contribution structure post April 2015 to be decided – but will be average 9.6%

| Salary Band (FTE)  | Contribution rate 2014-15 | Increase compared to April 2012 |
|--------------------|---------------------------|---------------------------------|
| Up to £14,999      | 6.4%                      | 0%                              |
| £15,000 - £25,999  | 7.2%                      | 0.8%                            |
| £26,000 - £31,999  | 8.3%                      | 1.9%                            |
| £32,000 - £39,999  | 9.5%                      | 3.1%                            |
| £40,000 - £44,999  | 9.9%                      | 3.5%                            |
| £45,000 - £74,999  | 11.0%                     | 4.6%                            |
| £75,000 - £111,999 | 11.6%                     | 5.2%                            |
| Over £112,000      | 12.4%                     | 6.0%                            |

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## Work Longer

- Scheme pension age to be linked to State pension age
- Based on age as at April 2012
  - Work till 68 for a full pension if 34 or under
  - Work till 67 if aged 35 to 50
  - Work till 66 if aged 51 to 58
- Transitional protection if within 10 years of current scheme pension age (see later)
- Pension age may be even higher in future = 70+ for youngest teachers?




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## Get Less

- Career average means less for vast majority of teachers
- Accrual rate of 1/57 of average salary per year but
- Reduced actuarial reduction factors for those with NPA above 65
- Lower 'revaluation rate' means pension will lose ground against average earnings before retirement
- CPI inflation link during retirement takes over £30,000 from teachers with £10,000 pension




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## Transitional protection

- Teachers within 10 years of NPA on 1 April 2012 stay on existing FS scheme
- Teachers up to further 3.5 years away have tapered protection. Each month younger than full protection cut-off, they lose 2 months of protection

| NPA60 scheme member |                                   |
|---------------------|-----------------------------------|
| Age at April 2012   | Age when moving to new CA scheme  |
| 50                  | Stays in FS scheme                |
| 49.5                | 58.5 (April 2021)                 |
| 49                  | 57 (April 2020)                   |
| 48.5                | 55.5 (April 2019)                 |
| 48                  | 54 (April 2018)                   |
| 47.5                | 52.5 (April 2017)                 |
| 47                  | 51 (April 2016)                   |
| 46.5                | 49 years 6 months - no protection |

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### **Operation of career average scheme**

- Teachers build up an amount of CA pension each year – then indexed to retirement
- CA pension based on pay – every payslip counts!
- Fragmentation of education system risks lower administration standards
- Vital that members check and correct service and salary records



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### **Other Future Challenges**

- Government intend reformed TPS design to last 25 years
- 2012 Scheme valuation could lead to rise in employer contributions
- Potential scheme design change if costs rise by more than 2 per cent
- Abolition of contracting out in April 2016 means 3.4 per cent increase in Employer NICs



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### **Conclusion**

- NUT still in dispute over pensions
- 3.2% contribution rises since April 2012 outweigh September 2013 1% pay rise
- 68 is too late [www.68istoolate.org.uk/](http://www.68istoolate.org.uk/) – and young teachers may have to work into their 70s
- Cuts a real possibility due to abolition of contracting out and increases in employer contributions



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