TEACHERS' PENSION SCHEME
NUT BRIEFING

MAY 2013

The NUT and NASUWT have announced a joint programme of lobbying, rallies, action short of strike action and strike action to defend teachers from the attacks we face on pay, pensions and working conditions. This NUT briefing note sets out exactly what the Government's pensions proposals mean for teachers.

What is the Government proposing?

The Government's final proposals for the Teachers' Pension Scheme have been in place for over a year since it published its 'Proposed Final Agreement' on 9 March 2012.

The core elements of the proposed TPS are:

- a career average basis for the scheme;
- an increase in the TPS normal pension age (the age at which pensions can be taken in full) for future accrual, with the normal pension age being equalised with the State pension age and rising to 68 or even higher;
- an accrual rate of 1/57th of pay per year of service;
- annual revaluation of accrued benefits for serving members of the scheme in line with CPI inflation plus 1.6 per cent;
- annual revaluation of deferred benefits for those who have left the scheme prior to retirement in line with CPI inflation;
- annual increases in pensions in payment in line with CPI inflation;
- continuation of current provisions on optional lump sum commutation, spouses/partners pensions, death in service and ill-health benefits and limited improvements to actuarially reduced early retirement benefits for those retiring early in future between 65 and 68.

The Government have made these proposals to save on costs, not to improve the terms of your pension scheme. The NUT believes the current TPS is affordable and fair.

Why hasn't the NUT accepted the Government's offer?

The key point is that the Government's pension proposals still involve teachers paying more, working longer and getting less in retirement.

The Government still wants you to pay more - your contributions have already risen in April 2012 and April 2013 and are set to rise again in April 2014. They still want you to work longer - from 2015, the normal pension age will begin to rise, eventually reaching 68 or even higher. And they still want you to get less, both when you retire, due to a move to 'career average' pensions, and during retirement, due to lower annual pension increases.

The Government says that public sector pensions aren't affordable – but they haven't proved it. They abandoned the 2006 agreement and the mechanisms that were supposed to decide any changes to the TPS. The NUT believes this is because the facts would not have supported the Government's unilateral changes.

NUT analysis shows that since the TPS was set up in 1923, teachers have paid in £46.4bn more to the scheme than has been paid out in pensions, after yearly surpluses / deficits are adjusted in line with GDP growth over time. The Government has had a long cheap loan from teachers, but now baulks at paying the pensions due.

Have we gained anything through our previous strike action?
The Government made an improved offer in November 2011 to attempt to buy off unions in advance of that month's public sector strike action. Those concessions included:
- an 8% improvement in the Government's proposed "cost ceiling" - the amount of money it is willing to see spent on teachers' pensions; and
- "transitional protection" - full protection for those within 10 years of retirement and tapered protection for those between 10 and 13.5 years of retirement.

The increase in the cost ceiling means that someone who would have received a £10,000 pension under the original proposals will now receive £10,800. That's £800 a year for life - for every teacher in the scheme - gained by the action taken.

How much more does the Government want me to pay?
The Government is increasing teachers' pension contributions by 50 per cent on average – from 6.4 per cent before April 2012 to an average 9.6 per cent of pay by April 2014. Exactly how much you will pay depends on how much you earn. Increases in April 2012 and April 2013 have already been implemented.

Salary Band	Contribution rate pre April 2012	Contribution rate 2013-14	Anticipated contribution rate 2014-15
Up to £14,999	6.4%	6.4%	6.4%
£15,000 to £25,999	6.4%	7.0%	7.0%
£26,000 to £31,999	6.4%	7.9%	8.2%
£32,000 to £39,999	6.4%	8.8%	9.4%
£40,000 to £44,999	6.4%	9.2%	9.8%
£45,000 to £74,999	6.4%	10.1%	11.1%
£75,000 to £99,999	6.4%	10.6%	11.7%
£100,000 to £150,999	6.4%	11.2%	12.4%

The NUT's pension increase calculator at www.teachers.org.uk/pensions-contribution shows how much extra you are already paying in pension contributions and the anticipated final increase in April 2014.

The Government has also proposed a long term 'cost cap' which would limit increases in the employer contribution if scheme costs rise. Further increases in longevity could, therefore, lead to further increases in employee contributions or pension ages.

How much longer does the Government want me to work?
The Government wants to tie the TPS normal pension age (the age at which you can get your pension rights in full) to the State pension age. This is already due to rise to 68 under current Government plans - so all teachers aged under 35 would have to work until 68 for a full pension, while those aged 35 to 51 would have to work until 67 and those aged 52 to 59 until 66 (unless covered by transitional protection). Retiring earlier would only be possible on a reduced pension.

How much less would I get in retirement?
The Government's planned switch from final salary to career average salary pensions will cut pensions for most. Teachers will earn a pension of 1/57 of their pay for each year's service. On the surface, this looks good - it's higher than the 1/60 final salary pension currently available to new teachers. However, with career average pensions, the pension earned has to be 'revalued' each year until retirement, otherwise the pension earned in your early years of service would be worth virtually nothing by retirement. Pensions would be revalued according to Consumer Prices Index inflation plus 1.6 per cent. This may protect your pension against inflation but probably won't maintain its value relative to your earnings increases across your career.

Teachers won't just lose out through career average - they will also lose out because of the way pensions are increased in retirement. In April 2011, the Government changed annual pension indexation from Retail Prices Index (RPI) inflation to Consumer Prices Index (CPI) inflation. RPI inflation is normally higher than CPI inflation – the 2.2 per cent pension increase from April 2013 would have been 2.6 per cent if the RPI link had been retained and the Union estimates that a teacher retiring with a £10,000 pension will lose over £30,000 during the course of a 25 year retirement due to the switch.

How does the transitional protection work?
Transitional protection allows all those within 10 years of their TPS normal pension age as at 1 April 2012 to stay on their existing pension terms until their eventual retirement, so that anyone on the NPA 60 scheme who is 50 or over as at 1 April 2012 would be unaffected by many changes to the scheme. Further 'tapered' protection would apply to those up to 3.5 years younger than the qualifying age for full protection. All of these teachers would, however, have to pay higher pension contributions and face lower pension increases in retirement.

The following table shows the age at which teachers getting transitional protection would be moved into the new career average scheme.

NPA 60 Scheme Member		**NPA 65 Scheme Member**	
Age at April 2012	Move to new scheme	Age at April 2012	Move to new scheme
50	Stays in FS scheme	55	Stays in FS scheme
49.5	58.5 (April 2021)	54.5	63.5 (April 2021)
49	57 (April 2020)	54	62 (April 2020)
48.5	55.5 (April 2019)	53.5	60.5 (April 2019)
48	54 (April 2018)	53	59 (April 2018)
47.5	52.5 (April 2017)	52.5	57.5 (April 2017)
47	51 (April 2016)	52	56 (April 2016)
46.5	April 2015 (no protection)	51.5	April 2015 (no protection

How can I find out what I might lose from my pension?
Go to the NUT's pension loss calculator at www.teachers.org.uk/pensionscalc to find out how much you will lose. The calculator is fully up to date and builds in the Government's proposals including career average accrual at 1/57 of pay; annual revaluation of accrued pensions at CPI inflation plus 1.6 per cent; and annual revaluation of pensions in payment at CPI inflation rather than RPI inflation. It also incorporates the proposals relating to early retirement factors and transitional protection.

The calculator figures are startling. They highlight what the proposals mean for your pension – pay more, work longer and get less. The calculator is an excellent tool for informing colleagues who have yet to fully realise the issues at stake.

What about the argument that teachers' pensions are too expensive?
This is simply not correct. Even the Hutton Commission report says that the cost of the existing structure of public sector pensions will fall from 1.9 per cent of GDP now to 1.4 per cent by 2060. The average teacher's pension in payment is just over £10,000 a year - only 5 per cent of pensions are for £20,000 or more. Your pension is your recompense for a lifetime in teaching. The decision to attack your pension is political not economic.

Teachers accepted in 2006 the possibility of paying more for our pensions or accepting other changes if necessary. We are willing to accept our share of any increasing costs – but only if that is justified. The Government abandoned the 2006 agreement and the overdue valuation of the Teachers' Pension Scheme because it did not want to take the risk that the facts would not back up its decision to cut teachers' pensions.

The real pensions problem
The real pension problem is in the private sector. Two-thirds of private sector employees aren't in any employer-backed scheme, compared to just over half ten years ago. Almost 90 per cent of private sector final salary pension schemes are now closed to new members. Employer contributions to newer "defined contribution" schemes are less than half those for final salary schemes. Too many employers are simply seeking to abandon their responsibilities to their employees. The cost of supporting them in retirement is simply passed back to the State and future taxpayers. Cutting public sector pensions won't help private sector workers – it will just make everyone poorer in retirement.

What happens next?
The NUT will continue to oppose the Government's proposals on pensions. The NUT and NASUWT joint industrial action campaign to protect teachers and defend education against Government attacks has the pensions issue at its heart. We need your support to keep up the pressure on Government by continuing the action short of strike action and by joining our strike action, regionally or nationally, when the time comes.

What else can I do to support the campaign?
Go to www.teachers.org.uk/pensions for a range of suggestions, including supporting the industrial action campaign, using the NUT pensions calculators, writing to your local MP or local paper, attending NUT meetings and rallies and recruiting any non NUT members.

National Union of Teachers
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