

## Transitional Protection - Myth busting

This factsheet provides you with information about Transitional Protection.

With changes being introduced to the Teachers' Pension Scheme (and other public service pensions schemes), there's lots of information being circulated and discussed about what those changes mean. And because we live in a world of various methods of communication, the message can spread quite quickly and sometimes can be misinterpreted.

Following feedback, we've answered some key questions to try and help resolve some of those uncertainties and reassure you of what the changes mean. [You may also find our Frequently Asked Questions on our website useful](#), to help with any other queries you may have.

### Questions to be answered

#### Reformed scheme? Legacy scheme? What are they?

These will be referred to in the government documents, these simply mean the career average (reformed) and final salary (legacy) schemes.

#### The remedy period – what's that?

This is the period of service for which members will be offered the choice as to which scheme their pension benefits will be paid under. This remedy period is service from 1 April 2015 to 31 March 2022.

#### Is the career average scheme illegal?

No, the career average scheme is not illegal. What was deemed discriminatory was the transitional protection policy that kept those closest to retirement age in the final salary (legacy) schemes, when others were moved automatically to the career average (reformed) schemes. The proposed remedy will ensure that all affected members have access to the scheme that they consider is better for them for the period involved.

#### Will a member lose all their final salary benefits?

No, they'll not lose their final salary benefits. They'll stay with them and make up part of their benefits when they retire.

#### Will a member be worse off?

No – no one will be worse off for the remedy period. That's why those members who are affected by the transitional protections are being given the choice as to whether they want their pension benefits relating to their service in the remedy period paid as if they were in the final salary or career average scheme (service between 1 April 2015 and 31 March 2022). All members will be treated equally from 1 April 2022.

## **Will a member have to work for longer?**

Normal Pension Age (NPA) in most of the reformed schemes is linked to the State Pension age, reflecting that most people can expect to live longer and have longer working lives. Nobody, though, is required to work longer if they don't wish to do so. Pensions taken before the relevant NPA will be adjusted fairly to reflect the fact they're likely to be paid for longer.

## **So, can't a member retire now until they're 67 or 68?**

When they retire is their choice, subject to HMRC rules on the minimum pension age (currently age 55). Normal Pension Age (NPA) in most of the reformed schemes is linked to the State Pension age, reflecting that most people can expect to live longer and have longer working lives. Nobody, though, is required to work longer if they don't wish to do so.

## **Is it correct that if a member moved out of the final salary scheme into career average scheme then the final salary scheme pension is 'frozen' and only gets CPI increases?**

Members who transition from the final salary scheme to the career average scheme have what's called **Salary Link**. Salary Link allows for the salaries earned during career average service to be used to determine the **best average salary** for final salary benefits.

## **Can a member choose to split their career average and final salary benefits when they make the choice about their service in the remedy period?**

No, they'll choose to receive their benefits from either the final salary (legacy) scheme or from the career average (reformed) scheme, in respect of the remedy period (service between 1 April 2015 and 31 March 2022).

## **Will they only receive the pension changes if they've submitted a legal claim?**

No. The government confirmed that whichever solution is implemented, it will apply across all public sector schemes and for all members with relevant service, regardless of whether they've lodged a claim.

## **Will a member lose their flexibility choices?**

In the consultation response, the government said it's considering ways to ensure that members can retain rights in the schemes in which they made voluntary contributions. The technical detail of how this will be implemented is yet to be decided through scheme level discussions and subsequent consultations for secondary legislation (scheme regulations).

## **Does this mean that the employer contribution will be going up?**

The outcomes of the 2020 valuations are unknown. HM Treasury has confirmed that the costs associated with the increased value of schemes to members as a result of the 'McCloud remedy' are 'member costs' and will feed into the valuation process. The 2020 scheme valuation is underway, and future changes to employer contribution rates following the 2020 valuation process will take effect from April 2024.

## **Independant schools withdrawing from the Scheme**

### **Are exit payments being introduced for independent schools?**

No. Schools that do withdraw from the Scheme are required to pay contributions in relation to the period when they were in the Scheme, for example if missing service is provided or pensionable earnings are corrected.

### **Are all independent schools moving away from the Scheme?**

No, Following the recent increase to employer contributions some independent schools raised concerns over on-going affordability. The department is introducing phased withdrawal for those independent schools who would otherwise need to leave the scheme completely. Phased withdrawal will allow those schools to participate for existing teachers while providing an alternative scheme to new teachers.