

Teachers' Pension Scheme: Options Table



Option	Description, pros and cons
Remain in the TPS	<p>Maintain the status quo and continue to participate in the TPS, meeting the contribution rates as set by the scheme.</p> <ul style="list-style-type: none"> • No adverse union involvement. • The School continues to offer its teachers a highly valued benefit; this benefits recruitment and retention. • The School must continue to meet the high costs of participation in the scheme. • No control over future changes including potential future increases in the rate of employer contribution. • The possibility of the introduction of an exit penalty. • Threat of a further increase in employer contribution in 2024.
Withdraw from the TPS	<p>Withdraw from the TPS and move teachers to a defined contribution (DC) scheme at the school's chosen level of contribution.</p> <ul style="list-style-type: none"> • Enables cost certainty. • Likely to create greater financial sustainability. • Tax efficiency if a salary sacrifice scheme is introduced. • Consistency for all teaching staff. • Consultation required which may be unsettling, particularly following the challenges and disruption caused by COVID-19. • If the School has 20 or more staff eligible to TPS membership, collective consultation will be required. • Depending on the School's circumstances staff representatives may need to be elected. • Comprehensive consultation will likely take 2 to 3 terms (including notice before the change is implemented). • Where the variation to contract cannot be agreed, contractual notice and offer of re-engagement on new terms will be required. • Whilst lawful, this approach has received a significant amount of negative scrutiny. • Trade union scrutiny may follow who may encourage strike action and/or request voluntary recognition. • As the approach may result in the dismissal of staff, there is a risk of associated employment claims. • Withdrawal may be viewed negatively when recruiting, particularly when contrasted with independent schools in TPS and/or the state sector.

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<p>Phased withdrawal</p>	<p>Close the TPS to new joiners whilst retaining access for existing staff.</p> <ul style="list-style-type: none"> No change for current staff. Whilst Teachers' Pensions recommend undertaking a consultation exercise with existing staff over the proposal, the change will not result in a variation to contract for existing staff and will not require a formal consultation. Over time pension costs will decrease. The impact of the change on the School's outgoings will likely be minimal at first and the cost burden would remain. The School remains vulnerable to future TPS cost increases. The approach will likely result in a two-tier workforce which may cause employee dissatisfaction in future. The approach may reduce natural staff turnover as staff may be reluctant to leave and lose their TPS benefits.
<p>Operate TPS and DC schemes in parallel (based on current level of pay and contributions)</p>	<p>Teaching staff can remain in the TPS or opt out to a DC scheme, with the ability to opt back into TPS at any time.</p> <ul style="list-style-type: none"> Increased flexibility for teachers. The approach is therefore better than simply offering the TPS alone. Depending on circumstances there may be periods of time when teachers find it advantageous to opt out of the TPS and into a DC scheme. Depending on the benefits offered this may lead to a voluntary move away from the TPS making a future change more manageable. The School will not achieve a cost saving. The School will remain vulnerable to future increases to TPS employer contribution rate. There is no motivation for teachers to leave the TPS and join the DC scheme. Teachers that do join the DC scheme may re-join the TPS at any time. Even where staff opt out of the TPS and into the DC scheme, the auto-enrolment regime could require the School to re-enrol all teachers back into the TPS every three years, given this is the auto enrolment scheme.
<p>Operate TPS and DC schemes in parallel</p>	<p>This is a total remuneration package which includes pensionable salary and the value of employer pension contributions. Teachers can choose between lower salary and higher employer contributions under TPS; or higher salary and lower pension contributions under a DC scheme.</p> <ul style="list-style-type: none"> Teachers retain access to the TPS with increased flexibility to choose the option best suited to them. Teachers can move freely between the schemes.

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<p>(based on a Total Pay and Benefits approach with a reduction in salary should employer contributions under the TPS exceed a certain level)</p>	<ul style="list-style-type: none"> • The School will achieve a degree of certainty in respect of pensions costs which will help in managing budgets. • The approach can be tax efficient in that National Insurance savings can be made by using salary sacrifice arrangements for the DC scheme. • Consultation is required to achieve a variation to contract. Staff often resist the concept of a pay reduction to enable the school to meet the TPS costs. • As with withdrawal, if agreement cannot be reached dismissal and re-engagement may be required to implement the change. This creates risks of claims, strike action and union recognition discussed above in relation to withdrawal. • Staff who remain in the TPS are likely to receive less net pay either initially or once TPS employer contributions increase. • Depending on where the total pay level is set it may place the School at a disadvantage in the recruitment market. • The approach poses administrative challenges as there will be costs and increased time required to manage two schemes. • Depending on the level of future increase to the employer contribution rate, the Schools need to further consult with teachers on the impact on their pay. • Even where staff opt out of the TPS and into the DC scheme, the auto-enrolment regime will require the School to re-enrol all teachers back into the TPS every three years, given this is the auto enrolment scheme.
<p>Operate TPS and DC schemes in parallel</p> <p>(based on a Total Pay and Benefits approach with increases in employer contributions under the TPS being offset against</p>	<p>This is a total remuneration package which includes pensionable salary and the value of employer pension contributions. Again, teachers can choose between lower salary and higher employer contributions under TPS; or higher salary and lower pension contributions under a DC scheme. However, under this approach any increases in employer contributions are offset against future pay awards for staff remaining in the TPS.</p> <ul style="list-style-type: none"> • Teachers retain access to the TPS with increased flexibility to choose the option best suited to them. • Teachers can move freely between the schemes. • The School will achieve a degree of certainty in respect of pensions costs which will help in managing budgets. • The approach can be tax efficient in that National Insurance savings can be made by using salary sacrifice arrangements for the DC scheme. • The School would not need to change existing terms and conditions of employment. No changes are being made to TPS membership entitlement and staff do not have the right to a pay rise - just a pay review. A pay review may be zero%. • The School would not therefore need to follow a formal collective consultation procedure and there is no requirement to dismiss and reengage staff. • There is still a need to consult generally and provide staff with the information they need to inform their decisions.

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<p>future pay awards)</p>	<ul style="list-style-type: none"> • Staff who remain in the TPS are likely to receive less net pay once TPS employer contributions increase. • The approach poses administrative challenges as there will be costs and increased time required to manage two schemes. • Even where staff opt out of the TPS and into the DC scheme, the auto-enrolment regime will require the School to re-enrol all teachers back into the TPS every three years, given this is the auto enrolment scheme.
<p>Operate TPS and DC schemes in parallel (based on either current levels of pay and contributions or a Total Pay and Benefits approach)</p>	<p>This is a total remuneration package which can be operated on either of the above 3 principles. Here however, the TPS is closed to new joiners.</p> <ul style="list-style-type: none"> • Existing teachers retain access to TPS should they wish. • New joiners are auto enrolled in the DC scheme. • Depending on whether current levels of pay and contributions or a Total Pay and Benefit approach is adopted, the relevant pros and cons above would apply. • In addition however, unlike the above, should an existing teacher choose to move to the DC scheme, with phased withdrawal, they no longer retain the ability to move back to the TPS. • Consequently, current teachers may be reluctant to leave the TPS and join the DC scheme.