

TALKING POINT

THE PLAN TO REMOVE AGE DISCRIMINATION FROM THE TEACHERS' PENSION SCHEME



The Government has launched a consultation, outlining their proposals to alleviate age discrimination against those who were moved into the reformed Teachers Pension Scheme in 2015.

This Talking Point answers some common questions you may have about the proposal and what it could mean for your finances.

WHAT IS THE BACKGROUND TO THESE CHANGES?

In April 2015, public sector pension schemes were reformed, with most members moved into new career average arrangements. Following consultations with member representatives, transitional protections were put in place to protect those close to retirement. These protections meant that members within 10 years of retirement on 31 March 2012, would not move into the reformed schemes, usually referred to as the 2015 schemes.

It also meant that those between 10 and 13½ years from retirement would move to the reformed schemes, but later.

In December 2018, the Court of Appeal found that these transitional protections unlawfully discriminated against younger members of the judicial and firefighters' schemes. In July 2019 the Government accepted that the judgment applied to all the main public service pension schemes, including the Teachers' Pension Scheme. This consultation is the Government's remedy to remove this discrimination from all public sector pension schemes.

WHO IS AFFECTED?

The proposals will apply to the following:

- ▶ All members who were in service before 31 March 2012 and on or after 1 April 2015. This includes members who were in service on 31 March 2012 and then took a qualifying break of less than 5 years. This includes members who left pensionable service, or who took their pension benefits, after 1 April 2015.
- ▶ All public sector schemes including Teachers', the NHS, Local Government, Armed Forces and Judicial.

Due to how the reformed schemes were introduced, separate consultations have been published for the Local Government schemes in Scotland and England & Wales. A separate consultation will also be issued for the schemes in Northern Ireland.

WHAT CHANGES ARE BEING PROPOSED?

As some members will benefit from moving to the reformed scheme, rather than moving all members back to the legacy schemes, the Government is proposing to give members a choice.

This choice is which scheme they wish to receive benefits from during the period from 1 April 2015 to 31 March 2022, also known as the 'remedy period'.

The Government are considering two possible proposals to this:

1. An immediate choice

Members will be asked to make a choice over which scheme they wish to receive benefits from, for the relevant period within 12 to 24 months after 31 March 2022.

2. 'Deferred Choice Underpin'

Members will be asked to make their choice when they access benefits.

In both cases, those members who have already taken benefits will be asked to make their choice as soon as possible after 31 March 2022. Their choice will then be applied retrospectively.

The Government is also proposing that all active members are moved into the reformed schemes on 1 April 2022. This will mean that anyone still contributing to the scheme on 1 April 2022, will be moved into the 2015 schemes.

WHAT WOULD THESE PROPOSALS MEAN FOR TEACHERS WHO WERE MOVED FROM LEGACY SCHEMES TO THE 2015 SCHEME?

Teachers who were moved to the 2015 scheme, will need to decide whether they want their benefits to be based on the legacy scheme or the reformed 2015 scheme, for the remedy period between the 1 April 2015 and 1 March 2022. Members will not need to make their decision until after the 1 April 2022. Depending on the outcome of the consultation, the decision will either need to be made within 12-24 months of April 2022, or when the member retires after this date.

Members who retire before April 2022, will need to make their decision shortly after the April 2022 and any changes will be

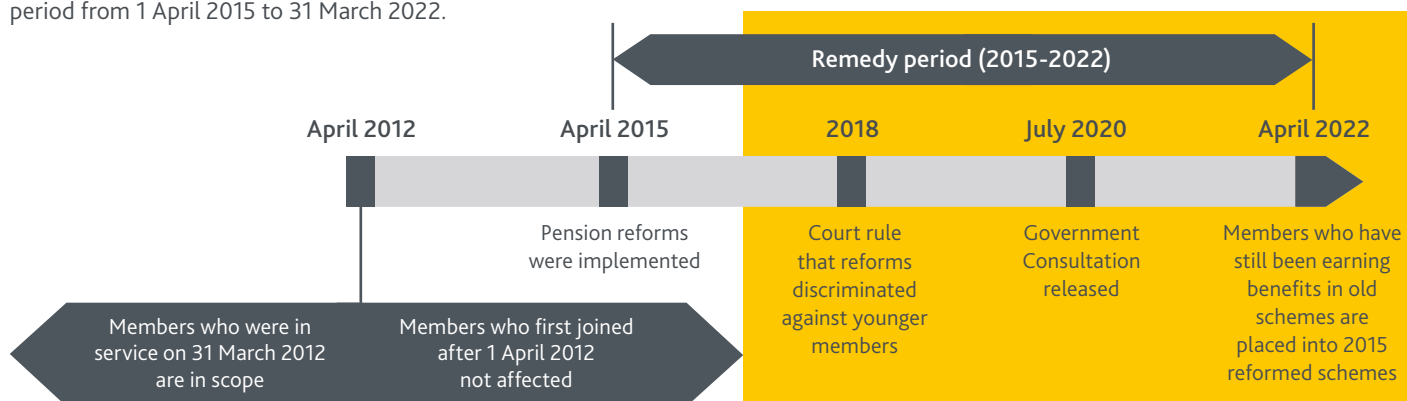
backdated. Each teacher impacted by the consultation will need to make a choice between their legacy scheme and the 2015 scheme, based on their own circumstances and needs.

WOULD THERE BE ANY IMPACT ON TEACHERS ALREADY DRAWING PENSIONS PRE-2015, OR JOINING AFTER APRIL 2012?

Teachers who took benefits before April 2015, will not be impacted by the changes proposed, nor will those who joined the Teachers' Pension Scheme after 1 April 2012. In the latter case, members who joined after April 2012 would not have been eligible for protection no matter how close to retirement they were and are therefore excluded from the consultation.

TIMELINE

The Government is proposing to give affected members a choice on which schemes they wish to receive benefits from during the period from 1 April 2015 to 31 March 2022.



DO YOU NEED FURTHER GUIDANCE?

With areas as complex as this, it pays to get advice. Your Wesleyan Financial Services Consultant can advise on how the nuances of this issue affect you now, and into the future. Give us a call, to book your no-obligation appointment at a time and date that fits best around your busy schedule.

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