

How the CARE Scheme works – Scotland

Accrual of pension in a career average revalued earnings (CARE) scheme is very different from a final salary scheme. The illustration below details how an active member of the CARE scheme will accrue pension benefits under the reformed scheme from 1 April 2015. The illustration applies to new members and transition members and it will also apply to tapered members once they pass their transition date and move into the reformed CARE pension scheme.

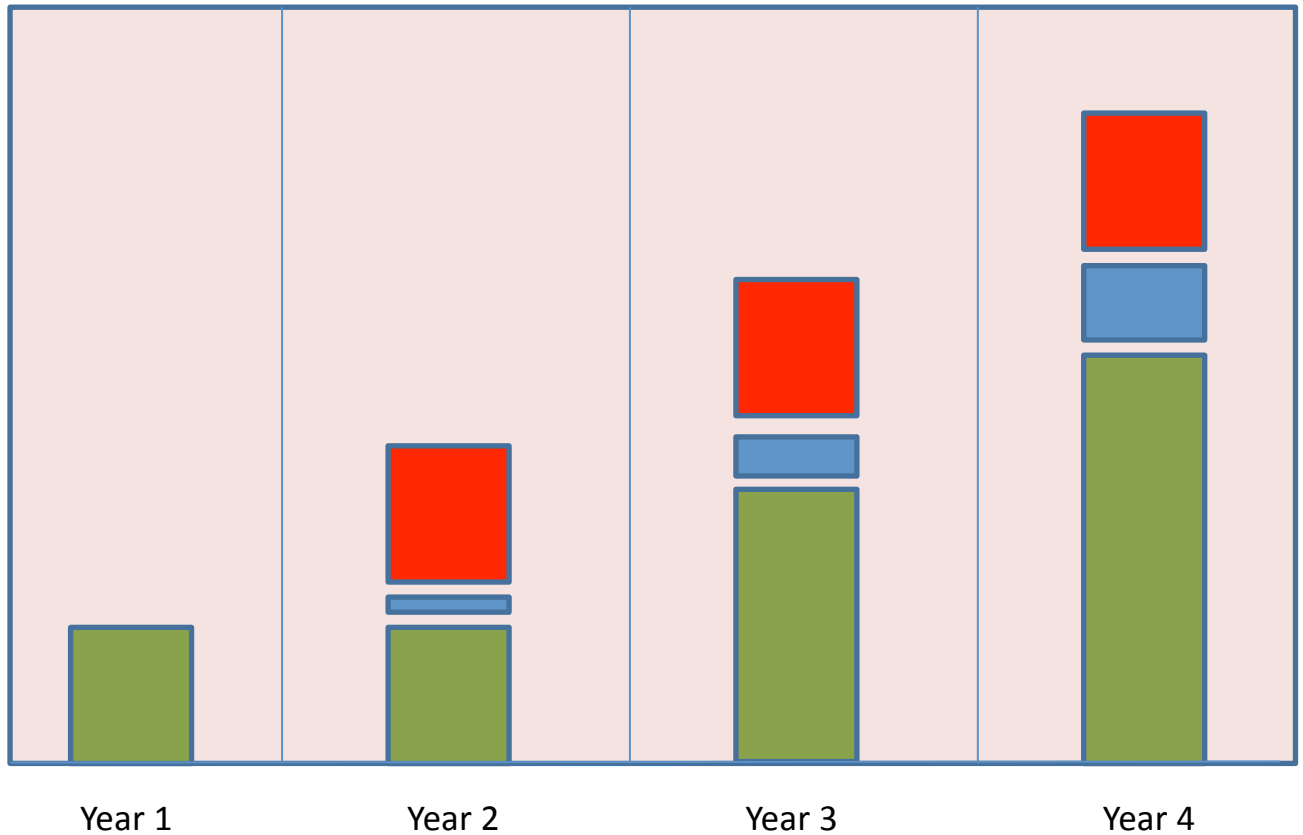
The graph depicts how a member will accrue $1/57^{\text{th}}$ of their pensionable salary for each year of service, how this will then be banked the following year and how it will attract uprating of CPI (+1.6%) as long as the member remains in active service, i.e. that they continue contributing to the scheme. Deferred members (those who leave the scheme before their NPA but do not take their pension) will receive only CPI uprating. The figure for CPI may change over the years due to the calculation of that inflation index but the 1.6% in service credit will remain the same each year.

If an STPS member leaves pensionable service for more than five years, indexation is CPI only, which reduces the pension pot which that teacher eventually receives.

The NASUWT opposes this provision, which discriminates against teachers who take career breaks. The most significant group of such Scottish Teachers Pension Scheme (STPS) members is teachers who take career breaks to raise families, who tend to be women.

Illustration of how an active member would build up pension benefits in the reformed Teachers' Career Average Revalued Earnings (CARE) Pension Scheme

- Bank 1/57th of your pensionable earnings each year
- A cost of living adjustment (CPI + 1.6%) is applied to the banked total from the previous year
- The balance of your pension is carried forward to the next scheme year



CARE pension example:

Example: In April 2015 Teacher B is on a salary of £36,000; therefore, for that year she will accrue the following pension:

Salary x Accrual rate = Annual Pension

$£36,000 \times 1/57 = £631.58$

The annual pension will be banked and the banked pension will then be revalued each subsequent scheme year in April (2016) in line with CPI (assuming it is 3.0%) + (1.6%) as she remains an active member (in service) contributing to the scheme.

$£631.58 \times 4.6\% (3.0\% + 1.6\%) = £29.06$

$£631.58 + £29.06 = £660.64$

Therefore, Teacher B's full pension for 2015, once revalued, will be £660.64 (salary x 1/57 + CPI (3.0%) + in service credit (1.6%).

In April 2016 Teacher B earns a salary of £40,000 and therefore she will accrue the following pension.

$$£40,000 \times 1/57 = £701.76$$

The annual pension will be banked and the banked pension will then be revalued in April 2017 in line with CPI (assuming it is 3.5%) + (1.6%) as he remains an active member contributing to the scheme.

In April 2017, Teacher B's full pension of £660.64 (2015) + £701.76 (2016) will be added (£1,362.40) x 4.6 % (3.0% + 1.6%) = £62.67.

Pension after two years - **£1,425.07**

Teacher B will therefore continue to accrue CARE pension akin to the example above each year so long as she remains an active member contributing to the scheme. Teacher B's pension will be revalued each year in line with CPI (which may fluctuate) + 1.6 % (so long as she remains in service otherwise she will receive only CPI) and her final pension will be payable at her normal retirement date, which will be the same date as her SPA.

Final salary pension calculation

Under the old final salary scheme, pension benefits are calculated using a teacher's final pensionable salary which is the higher of the last consecutive 365 days' salary before they retire or the average of the best consecutive three years' salary in the last ten before they retire (revalued by CPI to protect against inflation). Therefore, protected members and tapered members who have not transitioned into the CARE scheme will continue to have their benefits calculated in this way.

Lump sum

Members who joined the scheme before 2007 are entitled to a lump sum of 3/80ths of their salary. Members who joined the STPS after 2007 do not have the option of an automatic lump sum; however, there is the option to commute part of their annual pension for a lump sum in the ratio of 12:1. For each £1 of annual pension a member

commutes they will receive £12 as a lump sum. This facility also applies to the new CARE scheme from 1 April 2015.

All lump sums are subject to the HMRC taxation regime and therefore the first 25% is tax free with tax at the marginal rate being applicable to the remainder.

CARE member types and how the changes affect you

There is no 'cliff edge' to the changes being introduced to the STPS from 1 April 2015 and therefore for many members of the current final salary STPS there will be no need for action as they will be protected members. Also, tapered members (those who do not receive full protection but do not transition to the CARE scheme on 1 April 2015) will not be affected immediately. However, the changes will apply from day one to new members who join the STPS with effect from 1 April 2015 and transition members who move to the CARE scheme from the same date. Please see below for further details to determine your membership type and status and how the STPS reforms from 1 April 2015 will affect you.

What the new pension changes mean for you... protected members

STPS members who have an NPA of 60 and who were aged 50 or over on 1 April 2012, together with members who have an NPA of 65 and were over 55 years of age on 1 April 2012 (i.e. within ten years of their NPA on that date), will see no change to their pensions as they are afforded 'full protection' and they remain in the final salary scheme as a 'protected member'. This is provided they do not have a continuous break in pensionable service of more than five years.

Protected members will not therefore join the new CARE scheme and will retain their pension accrual rate and NPA under the final salary scheme. They will continue to be eligible to receive their benefits, including family benefits, unaffected on the final salary scheme basis, with no reduction in their pension benefits or change to their NPA, when they can retire from the STPS on full benefits.

Protected members are also eligible to take their retirement early from age 55 on an actuarially reduced basis, to reflect the earlier and longer duration of the pension payment should they wish to do this. Alternatively, they can delay taking their pension, in which case the pension will be increased by the CPI each year to reflect its late payment.

What the new pension changes mean for you... tapered members

Members of the STPS who were between ten and 13.5 years from their NPA under the final salary scheme on 1 April 2012 are entitled to 'tapering protection' and are therefore eligible to remain in the final salary scheme beyond April 2015 for a limited period subject to how close they were to their NPA. They will therefore not join the new CARE scheme from April 2015 but will instead move into the CARE scheme on their 'transition date'. Appendix 1 at the back of this guide gives further details of the relevant 'transition date'.

Tapered STPS members will continue to accrue final salary pension under the final salary scheme, which will be payable at their NPA of 60 or 65 (dependent on when they joined the scheme), and they will move to the CARE scheme on their 'transition date'. Under the CARE scheme, their NPA will be their SPA. Tapering protection remains until the 'transition date' occurs, subject to a tapered member not leaving the scheme for more than five years.

Tapered STPS members will be eligible to take their full final salary pension from the scheme at age 60 or 65 (their existing NPA). However, the CARE pension will only be payable in full from the member's SPA. Therefore, members are entitled to wait until they reach their SPA in order to receive their full CARE pension or take the CARE pension early (at the same time as the final salary pension) on an actuarially reduced basis.

Alternatively, STPS members can delay taking their final salary benefits until their SPA so that they can take both the final salary and CARE pension benefits in full at that time. The final salary pension will be increased in line with CPI for each year

after the member's NPA until it is paid. The section on *flexibilities* on page X gives further details in regards to retirement options.

The NASUWT recommends that NASUWT members take independent financial advice when making such decisions and further recommends Wesleyan for free and impartial advice. Members are entitled to this under their NASUWT member benefits package.

The securing of tapered protection for members who are within 13.5 years of their NPA was a significant victory for the NASUWT, as prior to NASUWT national industrial action, the Coalition Government had intended to move all members to the new CARE scheme from 1 April 2015, no matter how close they were to retirement.

Appendix 1 at the back of this document gives further information on when members will join the new CARE scheme if they are a transition member.

What the new pension changes mean for you... transition members

Teachers who are members of the final salary scheme and who are not eligible to the full or tapered protection (i.e. they are not within 13.5 years away from their NPA on 1 April 2015) will move to the new CARE scheme on 1 April 2015. Any pension benefits accrued under the old final salary scheme will be preserved and increased by CPI each year until the member reaches their NPA (60 or 65 depending on when they joined the scheme), at which time they may take their final salary benefits in full providing that they retire or have a break in service.

Any CARE benefits accrued under the new scheme will be payable from a member's state pension age (SPA) in full, as a member's NPA is their SPA. Members can take their benefits earlier subject to an actuarial reduction to reflect their earlier payment.

Transitional STPS members will be eligible to take their full final salary pension from the scheme at age 60 or 65 (their existing NPA). However, the CARE pension will only be payable in full from the member's SPA. Therefore, members are entitled to wait until they reach their SPA in order to receive their full CARE pension or take the

CARE pension early (at the same time as the final salary pension) on an actuarially reduced basis.

Alternatively, STPS members can delay taking their final salary benefits until their SPA so that they can take both the final salary and CARE pension benefits in full at that time. The final salary pension will be increased in line with CPI for each year after the member's NPA until it is paid.

The NASUWT recommends that NASUWT members take independent financial advice when making such decisions and further recommends Wesleyan for free and impartial advice. Members are entitled to this under their NASUWT member benefits package.

Providing a STPS member does not have a break in service of more than five years they will retain the final salary link. A member's CARE salary (excluding overtime) will be used to determine their final salary benefits on retirement rather than the salary on the date they left the final salary scheme (31 March 2015), in order for STPS members to be able to benefit from any growth in their salary.

What the new pension changes mean for you... new members

Teachers who are new to the profession and teachers who previously opted out of the STPS and decide to opt back in on or after 1 April 2015 will join the CARE scheme from April 2015 and they will accrue $1/57^{\text{th}}$ for each year of pensionable service and their pension will be payable on their SPA.

Appendix 1

Transition dates for tapered members of the NPA 60 and 65 Final Salary TPS.

Normal Pension Age (NPA) 60 Scheme			
Date of Birth	Age attained on 1 April 2012		First day in reformed CARE TPS – “transition” date
	Year	Month	
01.04.1962 and older	50	0	Full Protection
02.04.62 to 01.05.62	49	11	01/02/2022
02.05.62 to 01.06.62	49	10	01/12/2021
02.06.62 to 01.07.62	49	09	01/10/2021
02.07.62 to 01.08.62	49	08	01/08/2021
02.08.62 to 01.09.62	49	07	01/06/2021
02.09.62 to 01.10.62	49	06	01/04/2021
02.10.62 to 01.11.62	49	05	01/02/2021
02.11.62 to 01.12.62	49	04	01/12/2020
02.12.62 to 01.01.63	49	03	01/10/2020
02.01.63 to 01.02.63	49	02	01/08/2020
02.02.63 to 01.03.63	49	01	01/06/2020
02.03.63 to 01.04.63	49	0	01/04/2020
02.04.63 to 01.05.63	48	11	01/02/2020
02.05.63 to 01.06.63	48	10	01/12/2019
02.06.63 to 01.07.63	48	09	01/10/2019
02.07.63 to 01.08.63	48	08	01/08/2019
02.08.63 to 01.09.63	48	07	01/06/2019
02.09.63 to 01.10.63	48	06	01/04/2019
02.10.63 to 01.11.63	48	05	01/02/2019
02.11.63 to 01.12.63	48	04	01/12/2018
02.12.63 to 01.01.64	48	03	01/10/2018
02.01.64 to 01.02.64	48	02	01/08/2018
02.02.64 to 01.03.64	48	01	01/06/2018
02.03.64 to 01.04.64	48	0	01/04/2018
02.04.64 to 01.05.64	47	11	01/02/2018
02.05.64 to 01.06.64	47	10	01/12/2017
02.06.64 to 01.07.64	47	09	01/10/2017
02.07.64 to 01.08.64	47	08	01/08/2017
02.08.64 to 01.09.64	47	07	01/06/2017
02.09.64 to 01.10.64	47	06	01/04/2017
02.10.64 to 01.11.64	47	05	01/02/2017
02.11.64 to 01.12.64	47	04	01/12/2016
02.12.24 to 01.01.65	47	03	01/10/2016
02.01.65 to 01.02.65	47	02	01/08/2016
02.02.65 to 01.03.65	47	01	01/06/2016
02.03.65 to 01.04.65	47	0	01/04/2016
02.04.65 to 01.05.65	46	11	01/02/2016
02.05.65 to 01.06.65	46	10	01/12/2015
02.06.65 to 01.07.65	46	09	01/10/2015
02.07.65 to 01.08.65	46	08	01/08/2015
02.08.65 to 01.09.65	46	07	01/08/2015
02.08.65 to 01.10.65	46	06 months and 1 day	01/06/2015
1 October 1965 and younger	46	6	01/04/2015

Normal Pension Age (NPA) 65 Scheme

Date of Birth	Age attained on 1 April 2012		First day in reformed CARE TPS – “transition” date
	Year	Month	
01.04.1957 and older	55	0	Full Protection
02.04.57 to 01.05.57	54	11	01/02/2022
02.05.57 to 01.06.57	54	10	01/12/2021
02.06.57 to 01.07.57	54	09	01/10/2021
02.07.57 to 01.08.57	54	08	01/08/2021
02.08.57 to 01.09.57	54	07	01/06/2021
02.09.57 to 01.10.57	54	06	01/04/2021
02.10.57 to 01.11.57	54	05	01/02/2021
02.11.57 to 01.12.57	54	04	01/12/2020
02.12.57 to 01.01.58	54	03	01/10/2020
02.01.58 to 01.02.58	54	02	01/08/2020
02.02.58 to 01.03.58	54	01	01/06/2020
02.03.58 to 01.04.58	54	0	01/04/2020
02.04.58 to 01.05.58	53	11	01/02/2020
02.05.58 to 01.06.58	53	10	01/12/2019
02.06.58 to 01.07.58	53	09	01/10/2019
02.07.58 to 01.08.58	53	08	01/08/2019
02.08.58 to 01.09.58	53	07	01/06/2019
02.09.58 to 01.10.58	53	06	01/04/2019
02.10.58 to 01.11.58	53	05	01/02/2019
02.11.58 to 01.12.58	53	04	01/12/2018
02.12.58 to 01.01.59	53	03	01/10/2018
02.01.59 to 01.02.59	53	02	01/08/2018
02.02.59 to 01.03.59	53	01	01/06/2018
02.03.59 to 01.04.59	53	0	01/04/2018
02.04.59 to 01.05.59	52	11	01/02/2018
02.05.59 to 01.06.59	52	10	01/12/2017
02.06.59 to 01.07.59	52	09	01/10/2017
02.07.59 to 01.08.59	52	08	01/08/2017
02.08.59 to 01.09.59	52	07	01/06/2017
02.09.59 to 01.10.59	52	06	01/04/2017
02.10.59 to 01.11.59	52	05	01/02/2017
02.11.59 to 01.12.59	52	04	01/12/2016
02.12.59 to 01.01.60	52	03	01/10/2016
02.01.60 to 01.02.60	52	02	01/08/2016
02.02.60 to 01.03.60	52	01	01/06/2016
02.03.60 to 01.04.60	52	0	01/04/2016
02.04.60 to 01.05.60	51	11	01/02/2016
02.05.60 to 01.06.60	51	10	01/12/2015
02.06.60 to 01.07.60	51	09	01/10/2015
02.07.60 to 01.08.60	51	08	01/08/2015
02.08.60 to 01.09.60	51	07	01/08/2015
02.08.60 to 01.10.60	51	06 months and 1 day	01/06/2015
1 October 1960 and younger	51	6	01/04/2015

