

PENSIONS BULLETIN

Changes to the Teachers' Pension Scheme Employee Contribution Structure

The Teachers' Pension Scheme (TPS) is one of the most valued elements of the reward package for teachers. It provides defined pension benefits to teachers and also provides complete certainty over inflation-proofed pension income at a time when private pension savings can be very volatile.

The TPS is designed so that scheme members pay an average contribution of 9.6% of their pensionable pay – employers are currently paying a contribution of 28.68%.

Since 2012, the TPS has had a tiered contribution structure, where lower paid teachers pay a lower percentage of their salary in pension contributions. The level of pension contributions is also determined by a teacher's actual salary, rather than their full-time equivalent (FTE) salary. This is despite the fact that many pension benefits are calculated using FTE salary factors and is another example of how the scheme is designed to be affordable to lower paid teachers.

In recent years, the income the TPS has received from teachers has fallen below 9.6% of their pensionable pay because teachers' salaries have not kept pace with inflation. The pension contribution tiers have been updated by inflation each year, which has led to many teachers falling into lower contribution tiers over time.

The Department for Education (DfE) therefore has to adjust teachers' pension contributions to ensure that the scheme receives 9.6% of teachers' pensionable pay in income.

The DfE consulted unions on the options for this adjustment earlier this year and the option recommended by the NASUWT's National Executive has now been accepted by the Government as its preferred model for employee pension contributions from 1 April 2025 onwards. The DfE is currently consulting on this model, which:

- retains a high level of contribution tiering to keep the scheme affordable to lower paid teachers and teachers entering the profession;
- ensures that teachers in the lowest contribution tier do not pay any increase in their pension contribution; and
- ensures that classroom teachers do not pay an increase which is greater than £10 per month, unless they move into a higher employee contribution tier. Many classroom teachers will pay less than an additional £10 per month.

In recommending this model, the National Executive was mindful of the need to reduce opt-outs from the TPS, which are much higher from teachers in the early years of their careers than from teachers later in their careers.

Under the DfE's recommended model, the contribution structure would change as follows on 1 April 2025:

Annual Salary Bands (1 April 2024*)	Current Member Contribution Rate	Member Rate from 1 April 2025
0 - £34,289.99	7.4%	7.4%
£34,290.00 - £46,158.99	8.6%	8.9%
£46,159.00 - £54,729.99	9.6%	9.9%
£54,730.00 - £72,534.99	10.2%	10.5%
£72,535.00 - £98,908.99	11.3%	11.6%
> £98,909.00	11.7%	12%

* As per existing scheme rules, the pay thresholds will be updated on 1 April 2025, and each subsequent April, when the applicable rate (based on CPI) is known.

Whilst the particular circumstances of individual teachers will determine the precise effect of the new structure, the estimated impact on take-home pay (i.e. after tax relief has been applied) for the majority of members is shown in the example table below:

Example Salary	Net effect (Annual)	Net effect (Monthly)
£30,000	£0	£0
£40,000	£96	£8
£50,000	£120	£10
£65,000	£117	£10
£85,000	£153	£13
£110,000	£198	£17

NASUWT will press the School Teachers' Review Body (STRB) and Independent Welsh Pay Review Body (IWPRB) to take account of the contributions increase when recommending the 2025/26 teachers' pay award.

There is no need for members to respond to the DfE consultation. NASUWT will respond in accordance with the National Executive's decision.

The Budget

There were a large number of rumours leading up to the Budget on 30 October 2024 that the Chancellor would introduce changes to the pensions taxation regime which would be detrimental to teachers with high levels of final salary scheme service, such as taxation of lump sums.

The Chancellor chose not to implement any changes to pensions taxation which would have a detrimental impact on public service pensioners, which the NASUWT National Executive welcomes.

NASUWT is seeking further clarification on the treatment of public service pensions in any changed inheritance tax regime and any Government proposals in this regard will be given consideration by the National Executive.

The Government's decision to accept the STRB's recommended 2024 teachers' pay award of 5.5% will boost teachers' pensionable pay and, therefore, teachers' pensions.