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# Current Issues in the Teachers' Pension Scheme

Stephen Fry and Jonny Watson - TP PATT



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# Agenda

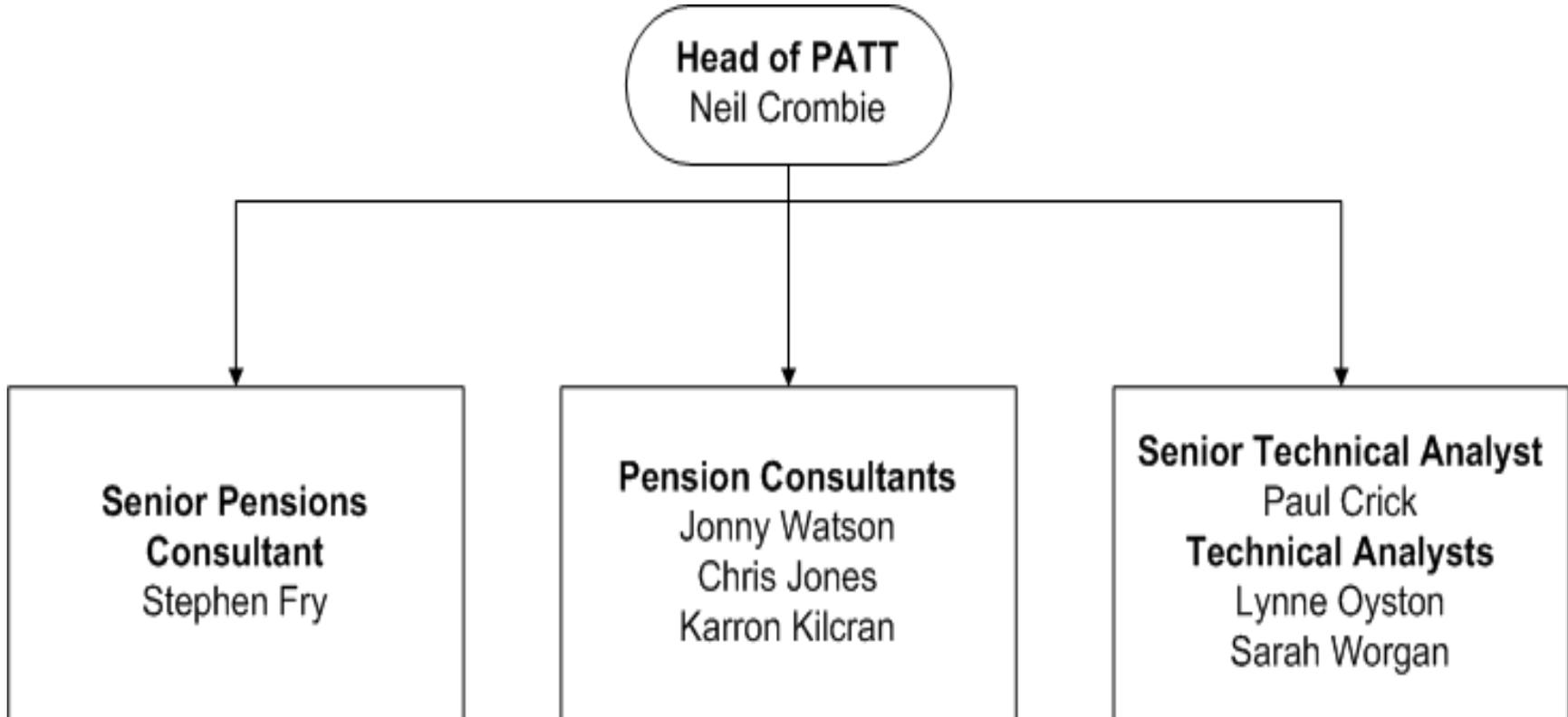
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- Who are the “Teachers’ Pensions Policy and Technical Team” (TP PATT)?
- Current policy and technical issues affecting the TPS.
- Policy and technical issues on the horizon.

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# Who are the TP PATT?

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# What do we do? - Policy work

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- Policy work include:
  - Regular KiTs with the DfE Policy Team.
  - Provide information and advice to the DfE on any issues (including legislative change or trends identified from member behaviour) that may impact the TPS.
  - Help to implement any legislative change within the TP Operations.
  - Updating scheme literature and the website.
  - Liaison with other stakeholders such as unions or employer groups.
  - Organise and host meetings with other public service pension schemes - The “Public Sector Pension Forum” which meets usually twice a year.

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## Terry's last Public Sector Pension Forum - 5/10/2017

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# What do we do? (continued) Casework and 'BAU'

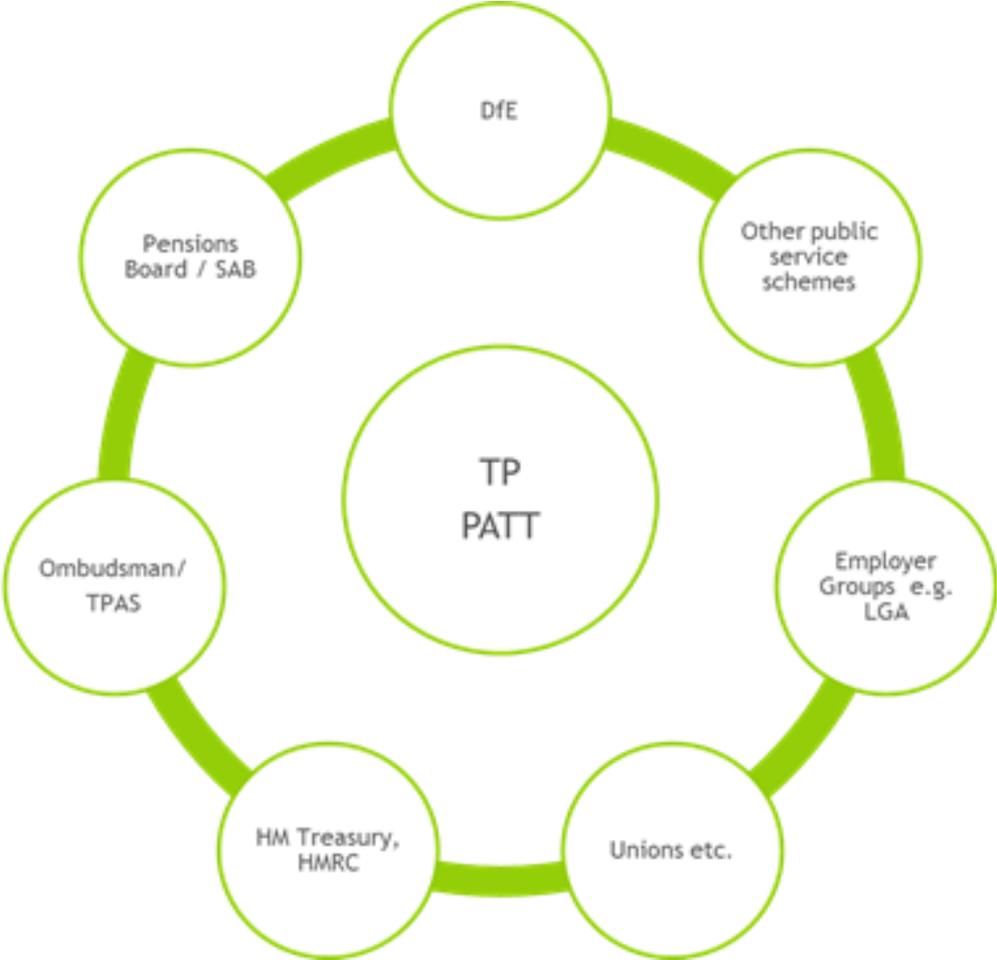
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- Casework and 'business as usual' activity includes:
  - Assist TP Operations with complex cases. E.g. Ill-health cases, transfers and Pensions increases involving GMP.
  - Provide assistance to the DfE for IDRPs cases.
  - Liaison with TPAS and the Pensions Ombudsman.
  - Subject Access Requests.
  - Regular KiTs with the DfE Casework Team.
  - High earner enquiries and Independent Financial Advisers, regarding the Lifetime Allowance, Annual Allowance, Scheme pays etc.
  - Liaison with OH Assist regarding Ill-health retirement processes.
  - Commentary on mandatory or discretionary compensation.
  - Membership issues from employers - Who can be in the scheme?

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# The TP PATT in liaison with various bodies

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## Current policy and technical issues affecting the TPS



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# General Data Protection Regulations (GDPR)

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How are we managing compliance with GDPR?

A Capita Group-wide project has been established to deliver compliance with GDPR by May 2018. This project is fully integrated with the wider Capita Group GDPR programme.

Teachers' Pensions (the Data Processor) maintain regular meetings with the Department for Education (the Data Controller) specific to GDPR to manage expectations and monitor progress on compliance requirements.

The key stages we are following are:

- Completing a gap analysis of existing processes against minimum GDPR compliance.
- Implementing change to existing policies and processes, with supporting IT change being implemented where required.
- Working with the DfE to update the contractual arrangements (particularly around data processing and consent).
- Seeking assurances from any sub-contractors involved in the delivery of the services we provide to confirm that they are GDPR compliant.

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# Amending regulations from 30 November 2017?

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Two changes with administration implications are:

- Changes to Phased retirement earnings criteria.
- Clarification of entitlement to lump sums on death and Serious Ill-health lump sum.
  - Ill-health Factsheet to provide more details to members with limited life expectancy about the options which may be available.

Regulations will be laid 21 days before they come into force:

- TP PATT has arranged awareness sessions for staff;
- Communication bulletins will be released via the engagement team.

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# Changes to Phased retirement earnings criteria

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- Currently a member who elects for phased retirement must take a reduction in pensionable earnings of no less than 20% of their pre-phased retirement pensionable earnings. Pre-phased retirement earnings were determined using the member's average annual earnings in the 6 months immediately before taking phased retirement.
- This is now to be changed to the member's pre-phased retirement average annual earnings to be assessed over 12 months instead of 6 months.
- If the pension exceeds 80% of the pre-Phased earnings threshold (allowing or standard salary increases) in the 12 months after Phased, the Phased retirement pension will be invalidated.
- The change to average over a year takes effect for all Phased Retirements with a payable date on or after 30 November 2017?
- This amendment will assist irregular supply teachers in meeting the Phased retirement condition, but other members with salary rises in the 12 months leading up to retirement may be affected. Members taking phased retirement so make sure their post Phased earnings do not breach 80% of the pre-Phased earnings.

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## Clarification of entitlement to lump sums on death and Serious Ill-health lump sum.

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- Tidy up the regulations regarding entitlement to lump sums on death.
- Basically, if a member had been accepted for Serious Ill-health lump sum by TP, this becomes payable instead of the death grant.
- Once accepted, the Serious Ill-health lump sum is paid to the member's estate.
- The Factsheet is being updated to refer to the options available to members who are seriously ill. Members should obtain independent financial advice, to take account of their preferred outcome.

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# Annual Allowance (AA) and the tapered AA - 2016/17

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- The AA is a tax on the growth in a person's pension benefits, The standard AA is £40,000:
  - Involves calculations based on service up to 5 April 2017.
  - Data provided by employers via Annual Service Return or Monthly Data Collection.
  - Is any data outstanding?
  - If data was provided by 6 July, Pension Savings Statements were due to be issued by 6 October. If not, then 3 months from receipt of data by TP.
  - New Tapered Annual Allowance (TAA) impacting members in 2015/16.
  - There is a tapering of the tax free allowance from £40,000 to £10,000 for anyone with
    - 'threshold income' over £110,000 and
    - 'adjusted income' between £150,000 and £210,000 Members with don't automatically get a Pension Savings Statement
- Potential changes
  - Introduction of Voluntary Scheme Pays (SP), as mandatory SP does not recognise the TAA.
  - BUT this will only be for tax years 2016/17 onwards

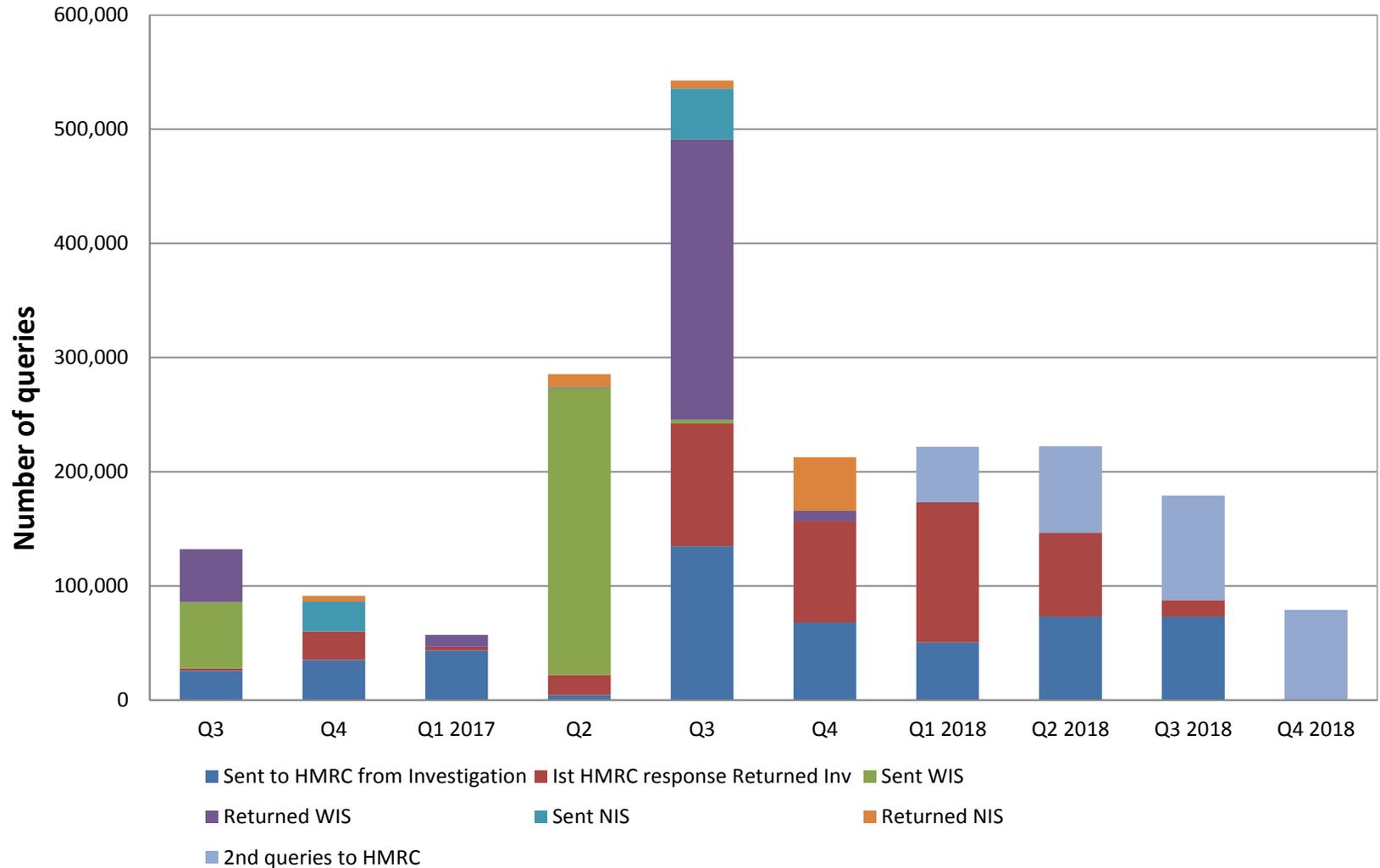
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# GMP reconciliation update

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- GMPs need to be reconciled by October 2018
- Total staff working on GMP exercise - around 50
- HMRC dictate the method for dealing with queries. This has to be raised via the HMRC system i.e. Scheme Reconciliation Service (SRS) template or “auto-solutions”.
- Deferred and pensioner data (i.e. above SPA) provided first, then the active member “closure scan” in April 2017
- A whole new data-cut of active, deferred and pensioner members was provided by HMRC so that the whole membership can be reconciled.
- There are a number of “stalemate” cases.
- TP aim to keep queries to employers to a minimum.
- Project remains on track.
- Potential for some small under- and over-payments and benefit corrections going forward.

# GMP reconciliation statistics as at Q3 2017.



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# Brewster - Unmarried partner benefits

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- Following the Brewster judgement on 8 February 2017, it's no longer necessary to nominate an unmarried partner to receive a pension in the event of your death.
- Entitlement to a survivor's pension in the TPS depends on certain criteria being met:
  - living with that person as if you were a married couple or in a civil partnership for at least 2 years;
  - you can marry or register a civil partnership with that person;
  - neither party is living as if married or in a civil partnership with a third person; and
  - that person is financially dependent on you or you are financially interdependent with that person at the point of your death.
  - must have at least 2 years' qualifying service.
- The survivor's pension will be based on service from 2007 only, but a member may be able to make an election to pay additional contributions to make some or all of their service prior to 1 January 2007 count towards the pension.
- A member may still wish to make a partner nomination so that TP has the most up-to-date information.
- There is a news article on the TP website which can be shared with members about this provision. A partner nomination can also be found on the TP website.
- This nomination is different from the "death grant" nomination.

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## Outstanding issue on Auto-Enrolment and transitional delay

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- A person who has had transitional delay applied to them will be assessed as at 1 October 2017. If they are an eligible jobholder and an exception does not apply to them they will be enrolled.
- E.g. The Pensions Regulator has confirmed that if a member opted out before transitional delay (or before 1 October 2016), there is no duty to auto-enrol an individual on the first enrolment date. The person must be re-assessed on the next 3<sup>rd</sup> anniversary of the staging date.
- However, a person who is not an eligible jobholder on 1 October 2017 will be monitored until they become one, then even if it's two or three years further on they will be enrolled with backdated effect from 1 October 2017. This will potentially create arrears of contributions and interest for both the member and the employer.
- The LGA and the TP PATT raised the issue with The Pensions Regulator and they have confirmed that this interpretation of the legislation is correct.
- We (and the LGA) have also raised this with DWP. DWP's initial response is that they think that TPR have interpreted the legislation correctly. However, it seems that this is an unexpected consequence of the legislation.
- We continue to chase DWP for a further response.

## Policy and technical issues on the horizon



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# Summary of some issues on the horizon

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- Public Sector Scheme Valuations and resulting contribution rates
- Proposed change in the Normal Minimum Pension Age from 2028 i.e. that minimum pension age will be 10 years below State Pension Age (SPA).
- Potential rise in the State Pension Age following the Cridland Report.
- Survey of employer relationships with irregular supply teachers - Jackie arranging a questionnaire.
- Consultation on Pensions indexation and equalisation...

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# Pensions indexation and equalisation

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- The introduction of the new State pension in April 2016 meant changes were required to the indexation of public service pensions.
- Interim solution put in place for people reaching State Pension Age between April 2016 and December 2018.
- HMT launched a consultation in late 2016 on potential options for those reaching State Pension Age after December 2018.
- Options included:
  - Case-by-case
  - Full indexation
  - Consultation
- Awaiting response to the consultation...

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# Caveat

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- These slides are based on TP PATT's understanding of the overriding legislation or regulations concerning the subjects discussed.
- Employers and delegates should consider taking their own legal advice in connection with the subjects raised.

ANY QUESTIONS?

