



Department
for Education

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Dear Colleague

Consultation on the Teachers' Pension Scheme (Transitional and Consequential) Provisions Regulations 2014

This letter invites comments on a further set of amending regulations in respect of the reformed Teachers' Pension Scheme (TPS). These cover a number of technical changes to over-riding pension legislation that are needed to ensure that it and the reformed Teachers' Pension Scheme operate effectively and appropriately together. The amendments are being co-ordinated by HM Treasury, with the other public service schemes taking forward similar amending regulations at the same time.

The changes involved ensure, in particular, that members of the TPS who move from the existing final salary arrangements to the new career average ones ('transitional members') continue to enjoy the same over-riding protections and arrangements as all other pension scheme members. The need arises because the over-riding legislation is currently geared around individuals being an active member in one scheme only. Following the recent changes, transitional members with continuous service will be active in the career average arrangement, but there will be an ongoing connection with their final salary benefits. (N.B. the over-riding legislation treats the two sets of arrangements as separate pension schemes).

The explanatory note to the regulations provides more detail on the changes involved but in summary they address the following particular issues:-

- Contracting out – the amendments streamline the process for the new career average arrangements to achieve contracted out status and thereby for preserving the reduced rate national insurance contributions for members and employers until April 2016, when the single tier state pension is introduced.
- Access to benefits – the changes ensure that access to final salary and career average benefits can be managed as one, i.e. that in practice the benefits come together as a single pension. In particular, the changes ensure that there is clarity over access and entitlement to things like ill-health and death benefits and that as a result transitional members, or their beneficiaries, can access all benefits easily; as if there was one set of TPS arrangements.

- Transfers – the changes ensure that when a transitional member wishes to transfer benefits into or out of the TPS that both final salary and career average benefits can move at the same time and, in particular, that entitlement under cash equivalent transfer rules are maintained appropriately.
- Tax issues – amendments ensure that where a member with service under both arrangements retires on the grounds of ill-health there is no double-counting of benefits for tax purposes. This ensures that such transitional members are not disadvantaged in respect of annual or lifetime allowance arrangements.
- Short and long service benefits – changes here ensure that the “standard reduction”, the beneficial actuarial adjustment for active members taking early retirement benefits and whose normal pension age is over 65, can operate in line with what was proposed in the Proposed Final Agreement for the TPS.

We would welcome any comments you have on the draft regulations by 27 November 2014. I appreciate that is a relatively short deadline but would stress that the amendments:

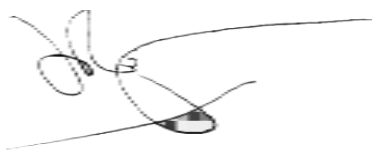
- are technical in nature;
- do not change the regulations or arrangements already consulted on and put in place for the reformed TPS; and
- will, like the amending regulations for the other public service schemes, be subject to the affirmative procedures for regulations in Parliament, this means they will be the subject of consideration and a vote by both Houses (Commons and Lords).

Any comments should be sent either by email to reformedteacherspension.consultation@education.gsi.gov.uk

or by letter to

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Yours sincerely



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