

TALKING POINT

Approach confirmed by Government to remove age discrimination from the Teachers' Pension Scheme



To alleviate age discrimination against those who moved into the reformed Teachers' Pension Scheme in 2015, the Government has confirmed their decision to follow the deferred choice underpin approach when giving members their options.

This Talking Point answers some common questions you may have about the decision 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. Therefore, the Government launched a consultation in 2020 with their proposal to remove this discrimination from all public sector pension schemes.

In February 2021, the Government confirmed they would proceed with the 'deferred choice underpin' option as a way to remove the discrimination.

The legislation is currently going through Parliament to introduce the DCU. It entered Parliament in July.

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, including members who were in service on 31 March 2012 and then took a qualifying break of less than 5 years. This also 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 was also issued for the schemes in Northern Ireland.

WHAT DOES THIS APPROACH MEAN FOR TEACHERS?

As some members will benefit from moving to the reformed scheme, the Government will give members a choice via the deferred choice underpin (DCU). This is the approach selected following the consultation and is where members will be given the choice, when they access their scheme benefits, of 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'.

For those members who have already taken benefits or are planning to retire (including partially) before October 2023, the choice will be offered 'as soon as practicable'. Their choice will then be applied retrospectively.

In the meantime eligible members will remain in, or be returned to, their legacy schemes for service between 2015 and 2022. All members still active in the scheme as at 1 April 2022 will be moved into the reformed 2015 scheme.

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 therefore were excluded from the consultation. The exception are any members who transferred in from other public service pension schemes.

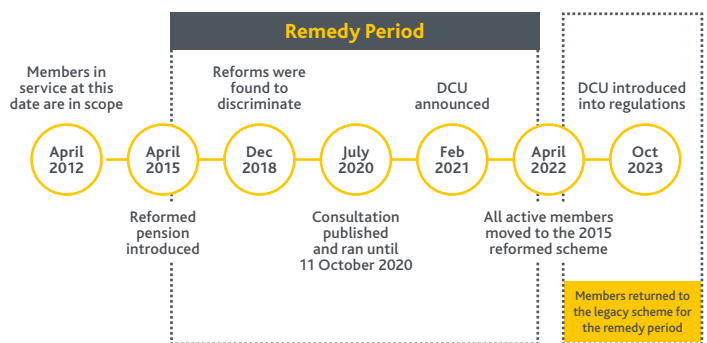
DO TEACHERS NEED TO DO ANYTHING?

Eligible members of the schemes don't need to do anything yet, as they will be contacted by their pension scheme to notify them of the changes.

When benefits become payable, each teacher impacted by the change will need to make a choice from which scheme they wish to receive their benefits from for the legacy period – either the legacy scheme or the 2015 scheme, based on their own circumstances and needs

TIMELINE

Deferred Choice Underpin (DCU) – Members decide which scheme they wish to receive benefits from during the period from 1 April 2015 to 31 March 2022. Remedy period (2015-2022).



DO YOU NEED FURTHER GUIDANCE?

With areas as complex as this, it pays to get advice. Your Specialist Financial Adviser from Wesleyan Financial Services 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.

To arrange your no-obligation financial review for a time and date that best suits your schedule, you can do so by using the contact details below or [please follow this link](#).

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