

Scottish Teachers' Pension Scheme (2015)

Jargon Buster

We work hard to avoid using jargon in all our communications with you but some terms are unavoidable. These are explained here. We've also included some terms which we try not to use but you will often see in communications about pensions in general. If there are any terms you don't understand but which aren't explained here, please let us know using the Contact us tab.

Accrual rate – This is the proportion of earnings which count for pension each year. In other words how much pension you earn in any one year. For example the accrual rate in the Teachers' 2015 scheme is 1/57 of pensionable earnings each year.

Active member – You are an active member if you are paying into the scheme.

Actuarially reduced – This is a reduction in your pension if you take it before normal pension age to take account of the fact that it is paid for longer.

Buy out reduction – If your normal pension age is over 65 you may elect to pay contributions that will enable you to retire up to three years early without a reduction for early payment.

A buy out must be made within six months after a member joins the Teachers' 2015 scheme.

CARE – Career Average Revalued Earnings is a type of defined benefit pension scheme. A defined benefit scheme guarantees a certain level of benefit at retirement, according to a fixed formula. In this respect it is similar to the current final salary sections of the Scottish Teachers' Superannuation Scheme.

In a CARE scheme your pension is based on your pensionable pay right across your career. The pension you earn each year is based on pensionable pay in that year and is increased by a set revaluation rate, linked to inflation, for each year up to retirement or leaving. While you're paying into the scheme this is currently in line with the Consumer Prices Index (CPI) plus 1.6%. If you leave the scheme before retiring, your pension will continue to be revalued but in line with CPI only. The final pension is calculated by adding together the pension earned in each year of membership.

Commutation – This is an option to exchange some of your pension for a lump sum (which is currently tax free). You currently receive £12 of lump sum for every £1 of annual pension you give up. There is a maximum amount of tax free lump sum HMRC will allow you to take (subject to HMRC rules).

Consumer Prices Index (CPI) – CPI is a measure of inflation. Like the Retail Prices Index (RPI) it tracks the changing cost of a fixed basket of goods and services over time. However unlike the RPI it disregards some items, such as housing costs. The rate of CPI is currently used as a measure of inflation by which we increase pensions.

Deferred member – You are a deferred member if you leave the scheme before retiring. Your benefits will be referred to as a deferred pension and revalued each year in line with increases in CPI until you retire.

If you return to the scheme within five years of leaving, we will revisit the pension we have revalued during your absence and re-calculate it using CPI plus 1.6%. We will also continue to link any service you earned in the Scottish Teachers' Superannuation Scheme to your final pensionable salary.

If you return after more than five years, any service in these sections will be based on your pensionable pay at leaving. Your benefits in the Teachers' 2015 scheme will continue to be revalued in line with increases in CPI.

Faster accrual – Subject to certain conditions, you can elect to pay extra contributions to increase the rate your pension builds up (known as the accrual rate). You can choose from three rates depending on your budget and how quickly you would like your pension to grow:

1. 1/45
2. 1/50
3. 1/55

HMRC – HM Revenue & Customs

Normal pension age (NPA) – The age at which you can choose to retire from the scheme and have the full value of your pension paid. For the Teachers' 2015 scheme, this is linked to your State Pension age.

Pensioner re-employment – If you return to work after accessing your pension you must inform SPPA, as this may have an effect on the benefits payable to you.

Protection – Protection is the arrangement whereby certain members will remain in their current section of the Scottish Teachers' Superannuation Scheme beyond 31 March 2015.

Full protection

If, on 1 April 2012, you were paying into the Scottish Teachers' Superannuation Scheme and you were within 10 years of your normal pension age you will not join the Teachers' 2015 and you will continue to earn benefits in the Scottish Teachers' Superannuation Scheme.

Tapered protection

You did not immediately join the Teacher's 2015 scheme if, on 1 April 2012, you were paying into the Scottish Teachers' Superannuation Scheme, and you were within 13 years and 6 months of your normal pension age. Instead, you will continue to earn benefits in the Scottish Teachers' Superannuation Scheme and join the Teachers' 2015 scheme at a later date depending on your age.

You will receive a letter from SPPA if you qualify for either full or tapered protection.

All other members automatically joined the Teachers' 2015 scheme on 1 April 2015.

Pensionable pay – This is the pay we use to work out your contributions to the scheme and how much benefit you will earn. It is your normal pay plus certain regular allowances.

Retirement factors – These factors are applied to your pension if you take it at a date other than your normal pension age. They will reduce your pension if you take it early and increase it if you take it late.

Revaluation rate – The pension you earn each year will be indexed each year to account for inflation in the period before you retire or leave. If you are paying into the scheme we use CPI 1.6% to revalue your pension. If you have left the scheme we use CPI.

Yield – The overall level of your contributions as a percentage of payroll required by HM Treasury which when added to the employers contribution will meet the liabilities of the scheme.