

Freedom and Choice in Pensions

The Coalition Government has embarked on reform to pensions provision which it describes as ‘freedom and choice in pensions.’ These reforms, also known as ‘pensions liberation’ and which were publicised in the 2014 Budget, will enable savers in defined contribution pension schemes to extract their pension savings in one go rather than having to purchase an annuity which would provide them with regular pension income for the rest of their life.

‘Pensions liberation’ has been described by some commentators as a risky strategy for savers and for society, because many people with private pensions may not be left with any pension for their old age. The Government therefore plans to increase the minimum pension age to 57 in 2028 to reduce risk, which will affect teachers. The NASUWT has opposed this worsening of pension provision.

The Teachers’ Pension Scheme is a defined benefits scheme rather than a defined contributions scheme. This means that teachers know the pension which they will receive, whereas persons in receipt of a defined contributions pension may find that the value of their pension varies from saver to saver depending on the value of the pension fund on the day that the pension is taken. The Teachers’ Pension Scheme is also an unfunded scheme, like most public service pension funds – members of the scheme do not build up a cash fund.

As a defined benefits scheme a teacher’s pension is therefore not subject to ‘pensions liberation’ and teachers cannot extract their ‘pension pot’ from the Teachers’ Pension Scheme. **Teachers will continue to receive a pension which enables them to plan for retirement.**

Teachers’ AVCs

Money purchase teachers’ AVCs are defined contributions ‘pension pots’ and are subject to ‘pensions liberation’. Members are advised to take independent financial advice before deciding how to take their AVC pension. The Financial Conduct Authority prevents trade unions from providing individual financial advice to its members. However, the NASUWT is in partnership with Wesleyan, and as part of your NASUWT member benefits programme, you can obtain free and independent

financial advice from Wesleyan financial consultants who specialise in providing financial advice to educational professionals. Wesleyan also organises free 'planning for retirement' seminars. Wesleyan is contactable via the following link <http://www.wesleyan.co.uk/professions/teachers>

The NASUWT does not support the Coalition Government's 'freedom and choice' reforms, which seem superficially attractive, but pose a threat to the principle that pensions are received for life. The NASUWT's response to the Coalition Government's freedom and choice in pensions consultation is available via the following link

http://www.nasuwt.org.uk/consum/groups/public/@salariespensionsconditions/documents/nas_download/nasuwt_012629.pdf