

**Independent Schools’ Pension Scheme ISPS)**

**Consultation on defined benefit changes**

**January 2022**

If you wish to use this material as you consult with your employees, or their appointed representatives, about changes to ISPS, please adapt this template as appropriate.

This material is intended as a guide only to assist you in structuring your consultation material. You should take appropriate advice on the consultation process to meet your legal obligations as TPT takes no responsibility for this process.

Please read this in conjunction with the ISPS 2020 Valuation Employer Guide, which was shared with your organisation by email.

**Background**

[Insert employer name] is a member of the Independent Schools’ Pension Scheme (ISPS or the “Scheme”) and Verity Trustees Limited is the trustee of the Scheme (the “Trustee”).

Within ISPS, [insert employer name] offers the following benefit options: delete as appropriate

|  |  |
| --- | --- |
| **Benefit option** | **Benefit option status** |
| Final salary 60th | Open to all Open to specific members onlyClosed to new entrants |
| Final salary 80th  | Open to all Open to specific members onlyClosed to new entrants |
| CARE 80th | Open to all Open to specific members onlyClosed to new entrants |
| CARE 120th | Open to all Open to specific members onlyClosed to new entrants |
| Defined Contribution  | Open to all Open to specific members onlyClosed to new entrants |

Contribution rates for the Defined Benefit (DB) future service options are reviewed at each valuation and reflect the estimated cost of new benefits being earned by active members of the Scheme. The latest valuation was undertaken at 30 September 2020.

Future investment returns for the Scheme are expected to be lower, which means that higher contributions are expected to be required. As a result, the contribution rates in respect of future service have been reassessed and will increase with effect from 1 September 2022.

Employers, in consultation with their members, will decide how any increase to the future service contribution rates will be shared between the employer and the member.

The future service contribution rate for the DB benefit option(s) being offered by [insert employer name] will increase as follows [with effect from 1 September 2022]:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Benefit\*** | **Final Salary 60th****60th** | **Final salary 80th****80th** | **CARE 80th**  | **CARE120th**  |
| Existing total contribution rates  | 30.5% | 23.1% | 23.0% | 15.6% |
| New total contribution rates from 1 September 2022  | 48.6% | 36.6% | 35.8% | 24.1% |
| Employer rate from \*1 September 2022 |  |  |  |  |
| Member rate(s) from \*1 September 2022 |  |  |  |  |

\*Please update fields and dates as required to fit employer’s position)

**Why are we consulting?**

Adjust as required:

A) Consultation on important changes to employees’ pensions is required by law because [insert employer name] has 50 or more employees or has had, on average, 50 or more employees over the last 12 months; or

B) We are doing this because our internal policies require us to consult over a change to member contribution rates / we believe it is good practice to consult on important changes to employees’ pensions.

**What are the proposed changes by [insert employer name]?**

[Examples are shown below, you should select the option that applies to you or tailor to suit your own circumstances. Please read the Section “Making changes to future benefit options or contribution rates” within the 2020 Valuation Employer Guide for more information, in particular the position regarding final salary benefit linkage where a CARE or DC option is chosen for the future.]

**Maintaining the existing DB option(s)**: [insert employer name] has considered the current benefit options being offered to staff and proposes to keep the current [insert benefit option] for [insert category of staff i.e. all current and future staff, existing staff etc]. Member contributions will increase from [xx]% to [xx]% of pensionable earnings from 1 September 2022.

**Introducing an alternative DB or defined contribution (DC) option:** [Insert employer name] has considered the increasing cost and risks attached in continuing to support [DB benefit option(s)] and proposes to offer [an alternative DB benefit option/the DC benefit option] from [date] for [insert category of staff i.e. all staff, new staff only etc].

**[If a change is being proposed then either]**

1. **[Where change is from one final salary structure (eg 1/60th) to another (eg 1/80th)]**The move to this new benefit option will be in respect of pensionable service from [date] onwards; the benefits you have already accrued in the Scheme up to [day prior to the introduction of the new option] will be retained on their existing basis and this change only affects benefits accruing from [insert date].

[**Where employer proposes to close its Final Salary structure for future accrual:**] As [insert employer name] is requiring all active Final Salary [insert] members to move to the [insert] benefit option, the Final Salary benefits (for those active members at the date of the change) will continue to be linked to Pensionable Earnings whilst they remain in the employment of [insert employer name] and continue as an active member in the Scheme i.e. you will cease to build up any further pensionable service under the Final Salary benefit option but your benefits on leaving employment will be calculated based on your Final Pensionable Earnings at the date of leaving **unless** you voluntarily decide to break the link at any point in the future **or** you voluntarily decide to join the DC structure of ISPS at any point in the future where a DB structure is still offered by [insert employer name].

OR

1. The [insert benefit option] will replace [current benefit option(s)] for [new employees or new members] from [date].

[Where DC benefit option is proposed] The DC benefit option means your benefits will be related to the pot of money built up for you. Further information on ISPS DC can be accessed at: [**https://members.tpt.org.uk/scheme-information?scheme=isps#scheme-isps**](https://members.tpt.org.uk/scheme-information?scheme=isps#scheme-isps).

Details of the DC offering being provided by [insert employer name] are set out below:

Employer contribution: [insert rate(s)]
Member contribution: [insert rate(s)]

We have included some frequently asked questions (FAQs) at the end of this document.

**Financial advice**

It is very important that you understand that neither the Trustee, [Insert employer name], nor any of its staff are authorised to give financial advice. Financial advice is regulated by the Financial Conduct Authority (FCA) and only appropriately qualified individuals may provide it. Therefore, it is important that if you feel it necessary, you should take your own independent financial advice on the information contained within this document and the options that are open to you.

You can find an adviser in your area at [**https://www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser**](https://www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser)

Please note that you would personally be responsible for any costs associated with obtaining such advice.

**Next steps**

Consultation runs from [DD Month YYYY] until [DD Month YYYY]. During this time you should study the information provided [insert what arrangements – if any – you will put in place for queries] and may direct questions and comments to [insert contact name]. This is an [insert employer name] decision however we will keep the Trustee informed during the consultation process.

Reply forms should be submitted to [insert contact name] by the closing date of [DD Month YYYY].

[Insert employer name] will then consider the comments and feedback before making a decision whether or not to offer the [insert benefit option] instead of [insert existing benefit option] from [date] and will provide further information if the proposal is to proceed. [Insert employer name] will notify the Trustee of the decision.

**Frequently asked questions**

Please find below some other questions you may want to address, with some suggested responses:

**What happens to the defined benefits I have earned so far?**

Suggested response:

The benefits you have already accrued in the Scheme up to [insert date] will be not be affected and this proposed change only affects benefits accruing from [insert date]. Please refer to the ISPS website [**www.tpt.org.uk/schemes/isps-db-member/home**](http://www.tpt.org.uk/schemes/isps-db-member/home) for further information.

**What will my [insert DB benefit option] pension contributions be?**

From [insert date] it is proposed that your monthly contribution rate will be X% of your pensionable earnings and [insert employer name] will pay Y%.

**What will my DC pension contributions be?**

Suggested response: depends on the contribution structure your organisation decides on. Minimum contribution rates apply for the Scheme to qualify for auto-enrolment. For more information please see [**www.tpt.org.uk/pension-auto-enrolment**](http://www.tpt.org.uk/pension-auto-enrolment).

Examples include:

It is proposed that:

From [insert date] your monthly contribution rate will be X% of your pensionable earnings and [insert employer name] will pay Y%. You can pay more if you want to but [insert employer name] will still pay Y%.

From [insert date] you can choose the percentage rate you want to pay and [insert employer name] will [match/double] this up to a maximum member contribution of X%. You can pay more than X% but [insert employer name] will not pay more than Y%. (examples will be helpful here).

From [insert date] your minimum member contribution will be X% and [insert employer name] will pay Y%.

**What is the timescale for change?**

This consultation process commences on [insert date] and ends on [insert date].

[Insert employer name] proposes to increase the [insert benefit option] future service contribution rate from [insert date].

OR

[Insert employer name] proposes to change to the [insert benefit option] for [all staff/new members/new employees] from [date].

**Independent Schools’ Pension Scheme (ISPS)**

**Consultation reply form**

[Insert employer name] wants to hear your views on the proposed changes to ISPS (the Scheme).

**Full name:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Member number:** M \_\_\_\_\_\_\_\_\_\_

**Location (if applicable)**: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

|  |
| --- |
| **Please tick one of the following boxes:** |
| I am in favour of [insert details of the proposed changes]  |  |
| I will support whichever decision [insert employer name] makes. |  |
| I am not in favour of changing to [*insert proposed changes*]. |  |
| **Comments** (please continue on a separate sheet if necessary): |

Signed: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_/ \_\_\_\_\_/ \_\_\_\_\_

Please return this form to **[insert contact name]**, by no later than **[insert date]**, indicating your preference.