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Independent Schools’ Pension Scheme

Employee Consultation Template

Certain employers are required by law to consult before making “listed changes” to occupational pension schemes. Guidance from the Pensions Regulator at the following link sets out more information on employers’ duties and provides details of the underlying legislation:

<https://www.thepensionsregulator.gov.uk/en/employers/managing-a-scheme/db-scheme-funding-and-costs/funding-your-db-scheme/the-duty-to-consult-on-scheme-changes>

An employer may also consider it good practice to consult with its employees under its internal governance procedures before making changes, even where there is no legal requirement to do so.

This material has been produced by TPT Retirement Solutions (“TPT”) to assist employers in the Independent Schools’ Pension Scheme (“ISPS”) when they are consulting with their employees about proposed changes to the benefits provided through ISPS. It is intended as a guide only to assist you in structuring your consultation material. **It does not represent legal advice and should not be relied upon as meeting employers’ legal consultation obligations.** You should take appropriate advice on the consultation process to meet your legal obligations. TPT takes no responsibility for this process.

Please read this in conjunction with the ISPS 2023 Valuation Summary which is available on the Scheme website:

<https://www.tpt.org.uk/clients/scheme-information-employers/isps-valuation/>

Background

[Insert employer name] is a participating employer in the Independent Schools’ Pension Scheme (ISPS, or the Scheme) and Verity Trustees Limited is the trustee of the Scheme (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 only Closed to new entrants |
| Final salary 80th | Open to all  Open to specific members only Closed to new entrants |
| Career Average (CARE) 80th | Open to all  Open to specific members only Closed to new entrants |
| Career Average (CARE) 120th | Open to all  Open to specific members only Closed to new entrants |
| Defined Contribution | Open to all  Open to specific members only Closed to new entrants |

Contribution rates for the Defined Benefit (DB) future service options are reviewed at the three yearly actuarial valuation. These reflect the estimated cost of new (“future service”) benefits being earned by active (“contributing”) ISPS DB members. The date of the latest actuarial valuation was 30 September 2023 and the new contribution rates will be effective from 1 September 2025 [insert an alternative date if required].

Investment market conditions have changed significantly since the 2020 valuation, impacting the amount needed to provide member benefits. This means the estimated cost of providing future service benefits has reduced; as a result, the total contribution rates for future service will decrease with effect from 1 September 2025.

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

Where an employer has closed its DB options to new members, the employer is responsible for paying the closed scheme loading percentage in addition to the agreed allocated employer contribution rate. This loading must not to be apportioned to the members. [delete this paragraph if not applicable].

The future service contribution rate for the DB benefit option(s) being offered by [insert employer name] will change as follows [with effect from 1 September 2025]:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Benefit** | **Final**  **Salary 60th** | **Final**  **Salary 80th** | **CARE 80th** | **\*CARE 120th** |
| Current total contribution rates | 48.6% | 36.6% | 35.8% | 24.1% |
| New total contribution rates from 1 September 2025 | 20.4% | 15.4% | 14.7% | 10.0% |
| Employer Rate(s) from \*1 September 2025 |  |  |  |  |
| Member Rate(s) from \*1 September 2025 |  |  |  |  |

\*

NOTE: table should be amended to fit employer’s position. Excludes Closed Employer Loading. If you offer CARE 120ths – please see the information note below.

**\*CARE 120ths structure and auto-enrolment**

As some employers use the Scheme as their auto-enrolment pension scheme, it needs to meet minimum statutory requirements. The contribution rates for the Career Average (CARE) 120ths structure have fallen so much that this structure may not meet these requirements from 1 September 2025.

Under the auto-enrolment requirements **it is an employer’s responsibility** to ensure that the Scheme it uses for auto-enrolment meets the statutory requirements. Those employers using the CARE 120ths structure as an auto-enrolment pension scheme may wish to take their own advice on the future use of the CARE 120ths structure from September 2025. There is some additional wording provided below to assist employers who decide to close this structure because the statutory requirements will not be met.

Why are we consulting with you?

Adjust as required:

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

B) It is good practice to consult on important changes to employees’ pensions and our internal policies require us to consult over a change to member contribution rates.

Link to the Employer consultation regulation: <https://www.legislation.gov.uk/uksi/2006/16/made>

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]

Maintaining the existing DB structure(s): [insert employer name] has considered the current benefit structures being offered to staff and proposes to keep the current [insert benefit structure] for [insert category of staff i.e. all current and future staff, existing staff etc]. Member contributions will increase/reduce from [xx]% to [xx]% of pensionable earnings from 1 September 2025.

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

**Closing CARE 120th** [Where the auto-enrolment minimum requirements will not be met – see note on page 2] The CARE 120th structure is closing to future membership from 1 September 2025 as the total contribution rate that would be payable under this option would be below the minimum rate required for [employer name] to comply with its legal obligations to auto-enrol members into a qualifying pension scheme. [This structure may be reintroduced at a future date should circumstances allow.]

[Insert employer name] has considered the options and proposes to offer [an alternative DB benefit structure/the DC benefit structure] 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 the change is from one final salary structure (eg 1/60th) to another (eg 1/80th)]** The move to this new benefit structure will be in respect of your Scheme membership from [date] onwards; the benefits you have already earned in the Scheme up to [day prior to the introduction of the new structure] will be retained on their existing basis. This change only affects benefits earned from [insert date].

[**Where the employer proposes to close its Final Salary structure for future accrual:**] As [insert employer name] is requiring all active (“contributing”) Final Salary [insert accrual rate] members to move to the [insert] benefit structure, 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 no longer build up any further Scheme membership under the Final Salary benefit option but your benefits on leaving employment and the Scheme will be calculated based on your Pensionable Earnings at the date of leaving.

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://www.tpt.org.uk/multi-employer-schemes-employers/ISPS/](https://www.tpt.org.uk/multi-employer-schemes-employers/isps/).

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

Pensionable Earnings definition: [insert definition] **(Please note ISPS does not allow contributions based on Qualifying Earnings)**  
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 important to note that none of [Insert employer name], the Trustee, its administrator, TPT Retirement Solutions, or its employees are authorised to give financial advice. Financial advice is regulated by the Financial Conduct Authority (FCA) and only appropriately qualified individuals may provide it. It is important that if you feel it necessary, you should take your own independent financial advice on the information contained in this document and any supporting information provided by [insert employer name] and the options that are available 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>

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 consider the information provided [insert what arrangements – if any – you will put in place for queries] and direct any questions and comments to [insert employer contact name].

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

[Insert employer name] will then consider all comments and feedback before making a decision to change the future service pension offering i.e. 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 questions you may want to address, with suggested responses:

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

Suggested response:

The benefits you have already earned in the Scheme up to [insert date] will not be affected. The proposed change will be effective from [insert date]. Please refer to the ISPS website <https://www.tpt.org.uk/multi-employer-schemes-employers/isps/> 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:

This depends on the Pensionable Earnings and contribution structure your organisation decides to introduce. Minimum contribution rates apply for the Scheme to qualify for auto-enrolment. For more information please see: <https://www.tpt.org.uk/clients/auto-enrolment/>.

**\*Please note ISPS does not support contributions based on Qualifying Earnings. ISPS employers will therefore have to choose one of the 3 ‘Sets’ as described in the link above.**

Examples include:

It is proposed that:

Your Pensionable Earnings will be [insert definitions here] (**\*Please see note above**). ISPS employers must therefore use one of the 3 sets as explained in our auto-enrolment guides

<https://www.tpt.org.uk/mediaLocal/xjvnbu0l/ae-contribution-rates.pdf>.

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 wish. [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% if you wish. [insert employer name] will not pay more than Y%. (examples will be helpful here).

**What is the timescale for change?**

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

[Insert employer name] proposes to change 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)

Employee 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): | |

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_/ \_\_\_\_\_/ \_\_\_\_\_

Please return this form to **[*insert contact name*]**, by no later than **[insert date]**, indicating your preference. [Employer name] will consider all responses provided and may change its proposals as a result. The final position will be confirmed to you following this process.