



Additional Pension

June 2008

Additional pension is a pension you can receive as well as your standard benefits from the Teachers' Pension Scheme (TPS). This leaflet explains additional pension.

Are there any restrictions on purchasing additional pension?

- + You must be in pensionable employment.
- + You cannot pay more than the maximum allowed.

How much additional pension can I buy?

- + Additional pension is bought in multiples or units of £250 of annual pension up to a maximum which is increased in line with inflation each year.
- + At the introduction of additional pension on 1 January 2007 the maximum amount that could be purchased was £5,000 and £5,200 for the scheme year commencing 1 April 2008. Details of increases to the maximum amount of additional pension will be placed on the TP website at the appropriate time. The current value of additional pension bought in previous years will be taken into account in the year of purchase.

How do I pay for additional pension?

- + You can choose to make a one off payment.
- + You can have deductions taken from your salary each month.
- + Employers can also pay for additional pension, but by lump sum only.

How much will my additional pension cost?

- + The cost is calculated using a number of factors such as your age, the amount of additional pension you wish to buy and your Normal Pension Age (NPA). There is an extra cost if you wish to provide a 50% spouse's or partner's pension payable on your death.
- + A calculator showing the cost of additional pension can be found on the Teachers' Pensions website www.teacherspensions.co.uk.
- + You will normally receive tax relief through the PAYE system if you pay by instalments.

If I decide to pay by deductions from my salary, will the payments ever change?

- + The cost of additional pension will be reviewed after each scheme valuation so your payments may increase or decrease depending upon the results of the valuation.

Will my monthly deductions alter if I start to work part-time?

- + No, you will be required to pay the same amount of contributions as you did when you worked full-time.

Can I stop paying monthly contributions?

- + You may revoke your monthly contribution election and stop payments at any time. A proportion of the benefits will be credited to you, known as a paid up credit. You may make a further election if you wish.
- + You will not be able to resume a previous election once it has been revoked or if you cease payment for a month.
- + You can, however, make a one-off lump sum payment to clear the outstanding contributions, providing you pay within **one month** of leaving teaching employment. This is not possible if you are taking your retirement benefits.

Over what period can monthly contributions be paid?

- + For members with an NPA of 60 paying by instalment, where contributions commence **before** reaching age 60:
 - instalments may be spread over a maximum of 20 years. The payments in

relation to elections made prior to age 60 must cease before age 60. This is regardless of whether you continue in pensionable employment beyond this age or not. It is, however, open to you to make a new election after age 60 if you are still in pensionable employment.

- + For members with an NPA of 60 where instalments commence **after** reaching age 60:
 - the cost of this additional pension will be calculated using factors in relation to an NPA of 65. The instalments cannot continue beyond age 65 in these cases.
 - where additional pension is bought with an NPA of 65, an actuarial reduction will apply if the benefits are drawn before age 65.
- + For those with an NPA of 65 paying by instalments:
 - contributions may be spread over a maximum of 20 years but the payments must cease before age 65.
- + Where instalments are being paid, the payment period must be in whole years.

When can a lump sum be paid?

- + Members in pensionable employment or their employers wishing to pay a lump sum must do so before the member's NPA. Members with an NPA of 60 working beyond age 60 can have additional pension purchased by lump sum up to age 65, again provided they are in pensionable employment. This will be calculated on NPA 65 factors, but if benefits are drawn before age 65, an actuarial reduction will apply.

If I decide to draw my main scheme pension part way through my instalments, must I receive my additional pension too?

- + Yes, unless you take phased retirement. If you have not completed the instalments, you will receive a paid up credit. This will also be subject to an actuarial reduction if your pension is paid before NPA.
- + Members taking phased retirement have a number of options. They may:
 - a) continue with their existing monthly instalments,
 - b) take out new elections whilst they remain in pensionable employment or,
 - c) draw all their additional pension on taking phased retirement.

Will I be able to convert some of my additional pension to a lump sum at retirement?

- + Yes, you will be able to give up some of your additional pension to provide a lump sum at a rate of £1 of annual pension for £12 of retirement lump sum, subject to the maximum allowed by Her Majesty's Revenue and Customs (HMRC).

If I become too ill to work and receive an ill-health pension, what happens to my additional pension?

- + If you retire on ill-health grounds within 12 months of your election being accepted, your election will be void and your additional contributions will be returned. Any contributions paid by your employer will be returned to them.
- + If you become entitled to ill-health benefits more than 12 months from the date of acceptance, you will receive the full amount of additional pension.

What happens to my additional pension if I die?

- + If you die within 12 months of your election being accepted, your contributions will be repaid to your personal representatives. Any contribution paid by your employer will be returned to them.
- + If you die more than 12 months from the date of acceptance, an additional pension for a spouse, civil partner or nominated partner will only be paid to them if you made the appropriate election on your application.
- + If you did not make the appropriate election, no additional pension will be paid.

If I make the election, what level of additional pension can be paid to my spouse or partner if I die?

- + If you wish to increase the level of benefits paid to your spouse or partner, you must make this election when completing your application form. By doing so 50% of your additional pension reverts to your spouse or partner when you die.

If my marriage or civil partnership is legally ended, will my additional pension be taken into account as part of any financial settlement?

- + Yes, we will be required to provide information to the court in the same way as we are required to provide information about your scheme benefits.

Will my additional pension receive increases each year?

- + Each unit of additional pension will increase from the date of purchase, up to the payable date.
- + Your additional pension will also be subject to annual increase once in payment, in the same way that your main scheme pension increases.

Are there any limitations or other points I should be aware of?

- + If by purchasing additional pension close to retirement you breach the "recycling rules", your retirement lump sum will be treated as an "unauthorised payment" and taxed at 40% by HMRC. For further details, please refer to the HMRC website, www.hmrc.gov.uk.

Here are some examples of costs. These relate to a male member aged 55 with an NPA of 60, further examples can be generated on the TP website.

Teachers' Pensions cannot provide financial advice. If you consider that you need such advice, it is open to you to consult an Independent Financial Adviser.

Example 1

The member purchases £250 per annum of additional pension for personal benefits only. The cost is £4,270 where payment is made by a one-off lump sum.

Example 2

The member purchases £250 per annum of additional pension for personal with dependant's benefits. The cost is £4,650 where payment is made by a one-off lump sum.

Example 3

The member purchases of £250 per annum of additional pension for personal benefits only. The cost is £102.40 per month where payment is made by instalments. This example assumes the maximum payment period for that member.

Example 4

The member purchases £250 per annum of additional pension for personal with dependant's benefits. The cost is £111.30 per month where payment is made by instalments. This example assumes the maximum payment period for that member at that time.

Where there is any difference between the legislation governing the Teachers' Pension Scheme and the information in this leaflet the legislation will apply.

For more information on this or any aspect of the TPS log on to www.teacherspensions.co.uk, call 0845 606 6166 or write to: Teachers' Pensions, Mowden Hall, Darlington DL3 9EE