



Retirement - arrangements and planning (for members in service on or after 1 January '07)

Your teacher's pension is an important part of your remuneration package and a well-deserved benefit. The information in this leaflet will help you to plan well for your retirement, informing you about the flexibilities and options the Teachers' Pension Scheme (TPS) offers you as a valued scheme member.

For example, you may find it useful when planning for the future to:

- + know how you can increase your pension benefits and
- + understand the retirement process and options.

Qualification period

- + To qualify for retirement benefits you must normally have two years' pensionable teaching service.

Types of retirement

Normal Age Retirement

- + Age retirement benefits are payable when you reach Normal Pension Age (NPA) or from the day after you leave pensionable employment (whichever is the later).
- + If you continue in teaching after your 75th birthday, further service cannot be treated as pensionable and retirement

benefits are payable from your 75th birthday.

- + If you want to receive a lump sum then your benefits must be paid before you reach age 75.

Actuarially Reduced Benefit (ARB)

- + You may claim retirement benefits if you are 55 or over, under NPA and have been in pensionable teaching employment on or after 30 March 2000 and leave employment.
- + If you are applying for ARB and you are still in pensionable teaching, you must leave that employment with the consent of your employer before you can access your retirement benefits.
- + Employers cannot withhold their consent for longer than six months from the date on which you request to leave.
- + ARB is paid from the day after the last day of pensionable employment.
- + If you are not in pensionable employment, you may choose the payable date, but benefits will not be paid any earlier than six weeks after the date you signed the application form.
- + The actuarial reduction will apply throughout the time your benefits are in payment.

Phased retirement from age 55

- + You may take phased retirement without having a break in employment provided that your pensionable salary reduces by at least 25% for a minimum of 12 months.
- + An application for phased retirement must be made within 3 months of starting employment in a reduced capacity.
- + This could, for example, be because you have taken up a post of lesser responsibility or because you are working reduced hours.
- + You will need to discuss this arrangement with your employer as they will be required to provide confirmation of the salary reduction on your application form.
- + You may exercise this option twice before final retirement.
- + You can decide how much you wish to take of the benefits you have accrued up to the commencement of phased retirement, up to a maximum of 75% of your total benefits.
- + Remaining service, which must be at least 25%, will be aggregated with the subsequent service you accrue and this will be used in any future benefit calculations.
- + You may take phased retirement if your new appointment is a

support role such as a classroom assistant and your appointment is in an educational establishment covered by the TPS.

Premature retirement

- + Retirement benefits may be paid if you are age 55 or over and your employer certifies that your pensionable employment has been terminated because of redundancy or in the efficient discharge of the employer's function.
- + **There is no automatic right to premature retirement;** it is at the discretion of your employer who must agree to the payment of premature retirement benefits and agree to pay a statutory share of your retirement benefits from the TPS.
- + This element is called 'mandatory compensation'.
- + If you have any queries about premature retirement arrangements, you should discuss them with your employer. Remember that your employer will be responsible for paying a portion of the pension and lump sum.

Ill health

- + Ill-health benefits may be paid if you become permanently unfit to teach due to illness before you reach NPA.
- + Further information is available in leaflet 'Ill-health retirement benefits'.

How retirement benefits are calculated

- + If you were a scheme member (existing member) before 1 January 2007, your benefits are made up of an annual pension and a lump sum that are calculated using your pensionable service and average salary.
- + If you became a scheme member (new entrant) on or after 1 January 2007, you will receive only an annual pension although you may give up part of your pension in favour of a lump sum.
- + There are transitional arrangements for existing scheme members who were out of service prior to 1 January 2007 and who re-enter the scheme after that date.
- + Further information about different types of membership can be found on the Teachers' Pensions website at www.teacherspensions.co.uk.

- + For further information about average salary see the 'Average salary' fact sheet.

Pension

- + Existing member - the pension is 1/80th of the average salary for each year of pensionable service. The pension is taxable.
- + New entrant - the pension is 1/60th of the average salary for each year of pensionable service. The pension is taxable.

Lump sum

- + Existing member - the tax-free lump sum is 3/80th of the average salary for each year of pensionable service. If you have pensionable service on or after 1 January 2007 you may increase this lump sum by converting part of your pension.
- + New entrant - there is no automatic lump sum, however, you can get a lump sum by converting part of your pension.
- + Each £1 of pension that you convert will create £12 of lump sum.
- + You can convert up to 25% of your total pension benefits.
- + Lump sum calculations and the fact sheet 'Retirement Lump Sum' can be found on the TP website: www.teacherspensions.co.uk.

Increasing your benefits

Additional pension

- + You can only buy additional pension while you are in pensionable employment and under NPA.
- + You can buy an additional pension up to a maximum pension of £5,000 per annum. (this amount is reviewed each year). You can do this at different times in multiples of £250.
- + You can pay by a lump sum or a regular monthly payment.
- + Any instalment period must be completed before you reach NPA.
- + Instalment payments will be subject to periodic review and may change during the period of the instalments.
- + You have the option to buy personal benefits only or personal benefits and partners' benefits.
- + It is not possible to buy partners' benefits only.
- + If you leave pensionable employment before completing an instalment plan, you will have the opportunity to pay the balance in a lump sum within 30 days or be credited with an additional pension based on the contributions you have paid.
- + If you retire before completing an instalment plan you will receive a pension based on the contributions you have paid.
- + If you retire on health grounds before completing an instalment plan, you will receive the full value of your additional pension provided that TP receive a valid health declaration at the start of the payment period and the payments have been made for more than 12 months.
- + Additional pension benefits are index-linked from the date of the first contribution.
- + Additional pension benefits are affected by any re-employment.
- + If you have arranged to purchase additional pension for your partner, then a pension will be paid to your surviving partner on your death.
- + If you die and have only arranged to purchase additional pension for personal benefits no additional death benefits will be paid nor will any contributions be refunded.

Additional Voluntary Contributions (AVC)

- + To increase your own benefits or survivor benefits you can pay Additional Voluntary Contributions (AVCs).
- + The money you pay is invested for you by the AVC Company and the benefits you receive depend on the value of the investment and the cost of annuities when you retire.
- + You can take 25% of the fund value as a tax-free lump sum.
- + AVCs do not increase the benefits you receive from the TPS. They are a separate arrangement.
- + Prudential is the AVC provider for members of the TPS, but you can choose to make arrangements with any other provider.

Other pension arrangements

- + Members of the TPS may contribute to any other pension arrangement as well as contributing to the TPS.
- + You may wish to consult your financial advisor about other arrangements.

Transferring in

- + If you have accrued pension credit in another scheme, it may be possible to transfer it into the TPS.
- + You must apply within one year of entering pensionable teaching.
- + Your previous scheme will offer an amount of money called a transfer value, which can buy pension credit in the TPS.

For further information see the 'Transfers in' leaflet.

Restoring service

- + If you received a repayment of your contributions before 1 June 1973 and are currently in pensionable service, you can repay those contributions and restore that service in the TPS.
- + You will have to pay compound interest at 3.5% per annum as well as repaying the original contributions.

Potential restrictions or reductions to your benefits

Possible salary restrictions

- + If your final year's salary is used to calculate your benefits and you received an increase of more than 10% plus the standard salary increase, your salary will be restricted if your employer is not prepared to meet the additional cost of the difference in benefits.
- + When your application for retirement benefits is received, TP will calculate benefits using both the restricted and unrestricted average salaries.
- + TP will notify your employer of the sum required, known as the 'additional contribution'.
- + If your employer pays the additional contribution, you will receive your benefits calculated using the unrestricted average salary.
- + It is not possible to anticipate if this provision will apply in advance of a known retirement date.
- + If you are approaching retirement and you think it is possible that your average salary might be affected, you should discuss this with your employer.

- + This provision will not apply if the salary used in the calculation of your benefits is the average of the best three consecutive years' salary in the last ten years.
- + Transitional arrangements apply to the average salary from 1 January 2007 to 31 December 2008. During this period, salary restrictions may apply during the final three year period rather than just the final year.

Multiple employment

- + If you are employed by more than one employer when you apply for retirement benefits, you must discuss your proposed retirement arrangements with all your employers.

Outstanding contributions on retirement

- + If you are still paying additional contributions for purchasing additional service or survivor benefits from your salary when you retire, it may be possible to pay the remaining balance or for you to receive a pension based upon your payments to date.

- + If you are intending to use your lump sum to increase your pension benefits, this could result in a tax charge if you breach the “recycling” rule. Please refer to the TP website and HM Revenue and Customs website for more details.
- + If you are retiring on or after NPA and the contributions relate to additional survivor benefits, you will be required to pay the full amount of outstanding contributions.
- + Any outstanding amounts are deducted after any actuarial reduction has been applied.

Pension sharing

If your benefits are subject to a pension sharing order, you should read this leaflet in conjunction with the leaflet ‘Pensions on Divorce and Dissolution’.

Index-linking

- + Your pension will be increased annually each April in line with the Retail Prices Index (RPI), in order to maintain its purchasing power.
- + The rate of increase will not mirror any rate of increase in teachers' pay; it may be higher or lower.
- + If your pension is paid before your 55th birthday, this increase will not be paid until after that birthday unless you are incapacitated in which case benefits are increased annually regardless of your age.
- + To assess whether you would be affected the following formula should be applied to your benefits:
$$\frac{(\text{Annual Pension} \times 20) + \text{Lump Sum}}{\text{Lifetime Allowance}} \times 100 = \text{LTA\%}$$
- + If the percentage exceeds 100%, you will be liable for the LTA charge unless you have a transitional protection certificate.

Lifetime Allowance (LTA)

- + The LTA takes account of the total value of an individual's pension benefits, excluding state benefits and dependants' pensions, across all registered schemes.
- + The amount of the allowance in 2007/08 was £1.6 million and this will increase annually.
- + When retirement benefits are drawn, the value of all pension scheme benefits are added together and tested against the LTA.
- + Any benefits above the LTA will be subject to a tax charge.
- + You can obtain the relevant application form from your employer.
- + You can also download the forms from the TP website at www.teacherspensions.co.uk.
- + Many members retire at the end of the school term, so you should aim to complete and submit your retirement application early, at least three months before peak dates.
- + If you are paying extra contributions and the contribution period goes beyond your retirement date, please contact TP about the outstanding payments.

How to apply for benefits

- + The date you receive each pension payment will depend on your birthday. For example, if you were born on the 19th of a month, your pension will be paid on the 18th of each month.
- + If you do not receive a pension payment on the first pension payable date, TP will automatically make a payment of 78% of the arrears to your bank account. Tax will not be deducted from this payment.
- + This payment will be issued without separate notification and it will be deducted when the first monthly pension payment (including the arrears) is made.

Returning to work as a teacher after receiving a teacher's pension

- + You must inform TP immediately in writing if you take up any teaching employment.
- + If you are in receipt of ill-health benefits, your pension will cease.
- + If you take phased retirement and continue in pensionable employment, your pension will not be reduced and subsequent service will be pensionable. If the conditions of your new employment subsequently change, you should notify TP to confirm whether your pension will be affected.
- + If you retired on Actuarially Reduced Benefits, any subsequent employment will not cause your pension to be reduced. If you retire on premature or age grounds then, depending on level of earnings, your pension may be reduced.
- + If you become re-employed in teaching after receiving your pension following final retirement, that employment will be pensionable unless you opt out of the scheme.
- + All future employment covered by the TPS or by the teachers' schemes in the British Islands may affect your pension.
- + For further information about returning to work, see the fact sheet 'Returning to work after receiving pension benefits'.

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