



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

September 2010

Your teacher's pension is an important part of your remuneration package. The information in this leaflet is intended to help you to plan for your retirement, informing you about the flexibilities and options the Teachers' Pension Scheme (TPS) offers you.

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, you must apply for your benefits before you reach the age of 75.

Qualification period

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

Normal Pension Age (NPA)

- + Existing members have an NPA of 60. New entrants from 1 January 2007 have an NPA of 65.
- + A person who has a break in employment of more than 5 years will have NPA 60 for service up to the end of the break in service and NPA 65 for all future service. They will be a 'person with mixed 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

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.
- + 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.

- + You must not re-enter any teaching employment during this six week period or your application will be invalidated.
- + 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 20% 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 agree 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 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 establishment covered by the TPS.

Premature retirement

- + Retirement benefits may be paid if you are aged 55 or over and your employer certifies that your pensionable employment is being 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.

Average Salary

Your average salary is the better of the following:

- + the pensionable salary received in the last 12 months before retirement; or
- + the salaries for the last ten years are index linked to current day values. The average of the best consecutive three years' re-valued salaries in those ten years is used.

If you left service before 1 January 2007, there is a different average salary calculation.

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

Pension

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

Lump sum

- + Existing member - the tax-free lump sum is $\frac{3}{80}$ th 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 calculators and the fact sheet 'Retirement lump sum' can be found on the TP website.

Increasing your benefits

Additional pension

- + You can only buy additional pension while you are in pensionable employment and under age 65.
- + You can buy an additional pension up to a maximum pension of £5,400 for 2010/11. (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.
- + further information is available in the leaflet: Additional Pension available on the website.

Additional Voluntary Contributions (AVC)

- + To increase your own benefits or survivor benefits you can pay Additional Voluntary Contributions (AVCs).
- + 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.
- + To contact Prudential email: www.pru.co.uk/teachers/

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 an independent financial advisor.

Transferring in

- + If you have accrued pension benefits in another scheme, it may be possible to transfer it into the TPS.
- + You must apply within one year of entering pensionable teaching service.
- + For further information see the 'Transfers in' leaflet available on the website.

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 the pensionable salary received in the last 12 months before retirement is used to calculate your average salary, and you have received a large salary increase(s) during the 3 years before retirement, your salary (ies) will be restricted.
- + If your salary is increased in any of the 3 years by more than £5,000 or 10%, whichever is the greater, your salary will be restricted.
- + The figure of £5,000 will be increased annually, in line with factors provided by HM Treasury.
- + If the average salary is restricted, the unused contributions will be refunded.
- + Your employer will also have the option to purchase additional pension, up to the maximum allowed, within 6 months of your leaving employment.

Outstanding contributions on retirement

- + If you are still paying additional contributions you will have the option to either pay the remaining balance or receive a pension based on your contributions to date.
- + 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. 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 HM Revenue and Customs website for more details:- www.hmrc.gov.uk.

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 reviewed annually each April 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.

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 2010/11 is £1.8 million .
- + 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.
- + 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.

How to apply for benefits

- + You can obtain the relevant application form from your employer, or from the secure area of the website.
- + 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 your retirement date.

Multiple employment

- + If you are in part-time employment with more than one employer when you apply for retirement benefits, there must be a common retirement date agreed with all your employers.
- + All employers must complete an application form, if you have worked for them in the last 12 months.

Payment of benefits

- + The lump sum (if applicable) is paid on your retirement date.
- + The date you receive each pension payment will depend upon your birthday. For example, if you were born on the 19th of the 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 are in receipt of 'Age' or 'Premature retirement benefits, your pension may be temporarily reduced, depending upon your earnings.
- + 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