Teachers' Pensions

news

information for teachers and employers

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The Teachers' Pensions (Miscellaneous Amendments) (No. 2) Regulations 2006

The above regulations come into force on 1 October and bring in the following changes:

Regulation C1 is amended to provide salary sacrifice arrangements with effect from 1 June 2006 in line with the School Teachers' Pay and Conditions Document for Local Authorities. An amendment has also been made to provide these arrangements from 1 October 2006 for those scheme members who are not subject to the pay document. At present salary sacrifice is only allowed in respect of childcare, bicycles and mobile phone schemes.

Regulation C2 (to pay contributions on a former higher salary) is amended so that the reduction in salary has to take place before 1 October 2006. Therefore, **no applications** can be accepted if the reduction in salary **occurs on or after 1 October 2006**. This amendment is in advance of scheme review changes because of age discrimination legislation.

Regulation E4 is amended to provide that a person who is, or may become, subject to barring on the grounds that he is unsuitable to work with children may, exceptionally, still receive ill-health benefits.

Regulation E19 is amended to allow commutation of GMP when ill-health pension is awarded.

Schedule 8 is amended so that service that could have formed part of a "bulk transfer", but the individual decides not to transfer in his service, nevertheless counts as "qualifying service". In other words, although the service was not transferred in, it nevertheless counts towards the qualifying period for benefits.

Annual Return of Service and Salary 2005/2006

Thank you to all those employers who submitted their return by the deadline. The response this year was again fantastic although there were 3 local authorities and some 300 establishments who failed to complete on time.

Invoices for Arrears of Contributions

The number of unpaid arrears invoices has increased in recent years and this is of concern to the Scheme managers (DfES). Where "missing" service is identified from 1 October 2006, Teachers' Pensions (TP) will issue employers with an invoice for arrears of contributions, but will allow a period of 28 days for payment rather than the current 14 days. However, where payment is not received within this new deadline and under the contract TP have with the DfES, TP may issue new invoices which take into account recalculated compound interest, rendering the original invoice null and void. Further information about this can be found on our website (www.teacherspensions.co.uk).

Recording of Safeguarded Management Allowance

It has come to our attention that local authorities are confused over the way safeguarded management allowances should be recorded. Where a teacher does not receive a TLR but is safeguarded on the Management Allowance it is not necessary to split the line of service. **However, it is important that the allowance indicator (1 to 5) in the middle position of the DOT code continues to be shown for the safeguarded period.** Therefore, a teacher on the main scale who is safeguarded on a management allowance of 2 should have a DOT of W20 and the annual salary will include the amount of the allowance.

It is possible that a teacher would receive a TLR payment which is less than the management allowance. **In these cases the service line should be split and the management allowance indicator should be shown in the middle position of DOT and appropriate TLR indicator in the end position of DOT. The TLR amount (not the safe guarded) should also be shown in the 'other allowances' field and the annual salary will include the management allowance.** These payments should be the full amount and no account taken of any safeguarded element. For their own analysis, the DfES will calculate the value of the safeguarded element by subtracting the value of any TLRs from the full MA value. Note that safeguarded management allowances, social priority allowances and Inner London supplements should not be flagged with an 'S' in the safeguarded salary field. Any other type of safeguarding should be flagged with an 'S'.

Employer Seminars

There are still places available at the venues and dates as follows:

15 November	**Crowne Plaza, Nottingham**
16 November	**The Suites Hotel, Liverpool**
06/07 December	**The Victoria Crowne Plaza, London**

The seminar gives a complete overview of the pension scheme, the employer's role and responsibilities, details of annual return and the payment of contributions. The afternoon includes a demonstration of all facilities available to teachers and employers on our web site.
The cost is £264.20 incl. VAT per delegate. If you are interested in attending or would like further information please contact Graham (graham.patrick@capita.co.uk) or Allan (allan.downing@capita.co.uk).

Forms and Leaflets

In the last issue we told you about new literature being available to coincide with the launch of the scheme changes. Shortly we will cease to issue existing stock and from November will provide each employer with copies of the most requested leaflets.

Employer Guide

The Employer Guide, which is available on our website, www.teacherspensions.co.uk, has recently been updated. However, in view of the forthcoming changes to the Scheme, the guide is currently under review and the updated version will be available from January 2007.

Scheme Modernisation

Look out for the next special edition of TP News which will contain all you need to know about the new Scheme being introduced 1 January 2007.

Important Change in Legislation

The government is concerned about people who use their tax free lump sum to re-invest in the same or other pension arrangements. The use of a tax free lump sum in this way is known as "recycling". Members who breach the recycling rules will be liable to a potential "unauthorised payments charge" of 40% of the lump sum. The recycling rule will not apply if the lump sum is less than £15000 for 2006/2007 or the contribution to a pension scheme is less than 30% of the retirement lump sum.

The government has no desire to affect an individual's "normal retirement planning", but is concerned about individuals pre-planning to use their lump sum to increase pension benefits. Such measures caught by the recycling rule include:

- Any member who makes a significant increase in contributions to a pension scheme in the two tax years leading up to retirement and the tax year of retirement itself;
- Members who plan to use their retirement lump sum from the Teachers' Pension Scheme (TPS) or any other pension scheme with the intention (prior to its receipt) of investing the lump sum into a pension arrangement; or
- The use of savings or a loan to fund additional pension benefits prior to retirement, with the intention of using the lump sum to replenish available savings or repay the loan when the retirement lump sum is received.

Please note this will apply if the member is planning higher payments to Teachers' Additional Voluntary Contributions (TAVCs) with Prudential or funding payments to another pension scheme. The recycling rule will also affect a member if they pre-plan to take a lump sum and then reinvest this into another registered pension scheme such as a personal pension. If the member takes a tax free lump sum from the TPS and pays this into another pension scheme they may have breached the rules on recycling. Please note that this affects any member who is considering a Method A election (purchase of added years by monthly payments) or a Method B election (purchase of added years by lump sum payment) in the run up to retirement.

The issue of lump sum recycling is complex and members are advised to consult an independent financial advisor or HMRC if they think they are affected. It is the member's responsibility to advise the scheme if they have breached the recycling rule. A member must advise the TPS within 30 days of the breach, if the tax free lump sum has been used to increase their pension benefits.

As a result of the new legislation, TP has introduced a new procedure to identify and write to members where it appears that the recycling rule has been breached. A new declaration form will be issued to retiring members asking then to confirm their intentions regarding the lump sum and whether they have breached the recycling rule. All retirement application forms will be amended to include a question on recycling from 1 January 2007.

Please note this is not a definitive guide to recycling of lump sums.

Further information can be obtained from the TP website, www.teacherspensions.co.uk or

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Transfers Team

Dorothy Woolway and Linda Fraser receive a thank you cake from Mr Atkinson, an independent financial advisor, in New Zealand, for their help with an overseas transfer.