

Independent Schools Guidance Document on Preston Cases and their Settlement

Settlement of the Part time Pension Claims Guidance for the Independent Schools Sector

Index	Page
Introduction	2
Background, Settlement Procedure	3
History of the hourly paid part-time teacher	4
Receipt of Questionnaire and non response	5
Step One - Checking Questionnaires	5
Gaps in pay based evidence	6
Incomplete history of employment	6
Step Two - Calculating the Backdated employees contribution	6
Using the Model Settlement	7
Tax contributions	8
Use of the notional tables	9
Step Three - Service Record	9
Resolving difficulties	10
Refer back to Tribunal	10
Step Four - Send out the offer letter and returns	10
Offer letter	10
Form 1	10
Form 2 Withdrawal form for the Employment Tribunal	11
Form 64-8 Inland Revenue Authority Form	11
Step Five - Processing the returned material	12
Active Members	12
Deferred Members	13
Pensioner Members	13
Problems	14
National Insurance Contributions (NIC) Refunds	14
Applying for NIC Refunds	14
Individuals who purchased Personal Pensions	15
Guidance on the unravelling of SERPS	16

**Guidance to Employers
Settling Teachers Pension Part-time Pension Claims**

Introduction

This document is part of the agreement between the Employers Associations and the Trade Unions in the settlement of the Preston Part-time Cases.

Important Notes

1. *Agreement has been reached between the relevant trade unions and the employers associations that the simplest and fairest method of constructing retrospective pension contributions and service credit is to use the notional salaries, together with the Settlement Model.*
2. *It is further agreed that Educational Establishments with claims against them will use this guidance agreed between the employer associations and the relevant trade unions to calculate retrospective service and TP pension contributions.*
3. *The agreed spreadsheet, to be used to calculate contributions is the Government Actuary Department (GAD) Settlement Model. Full explanation of this model and its use is discussed later in this guidance document.*
4. *The Notional Salaries must only be used to construct salary data for part-time pension cases and not for any other purpose.*
5. *The Education Establishments are recommended to consider all the evidence provided by the individual together with all the information they may have and to use the information and advice in this guidance to reach a written agreement with that individual.*
6. *On the rare occasions where this is not possible by correspondence, the employer and the individual should meet to provide clarification and to seek to resolve any outstanding issues.*
7. *The Individual should have the right to be accompanied by a trade union representative or work colleague.*
8. *The Department for Education and Skills has agreed that employer contributions for retrospective membership of the Teachers Pension Scheme shall be taken into account at the next scheme valuation and NOT through a direct charge on individual employer.*

However, the Department will audit claims, verified by employer, to check that the employers are carrying out their functions strictly in accordance with this guidance. If the Department is not satisfied that the process has been carried out in accordance with this guidance, the employer's contributions will then have to be met directly by that employer.

1. BACKGROUND

At the request of the Employment Tribunal (ET Information Bulletin no 8), Independent Schools should have identified in August 2003, which of the outstanding Teacher Pension part-time claims were ready for settlement and which would remain 'stayed' pending the outcome of appeals or for other reasons. They were also asked to send a questionnaire by 1 October to the claimants in cases ready for settlement in order to collect the necessary details and evidence on which to settle the claim. The questionnaire and guidance was sent direct to employers. These should have been completed by claimants and returned within 28 days.

If a part-time election has not previously been completed by the applicant and accepted by Teachers' Pensions, then any part-time service after 1 May 1995 can be pensionable if the applicant so wishes by ticking the appropriate box on Form 1. However, any such service will be pensionable under the Teachers' Pensions regulations 1997 and contributions will be collected by Teachers' Pensions accordingly (the information contained in this guidance document cannot be applied to an election for part-time service after 1 May 1995).

2. GUIDANCE TO HELP SETTLE CLAIMS

This guidance has been prepared by the employer organisations and the trade unions and is intended to help employers settle claims where there has been a response to the questionnaire. Where there has been no response, employers are recommended to check the address, particularly where it has been changed in the past, or use any other means of ensuring that the claimant has the opportunity to reply if they so wish,

As you are already aware, it has been decided that claims can go back to 1976.

3. THE SETTLEMENT PROCEDURE

- 3.1 It is readily accepted by all concerned that employment records will be sketchy and may, in some cases, no longer exist. Schools are recommended to be reasonable and realistic in what evidence they require for all of the employment period claimed. Claimants will produce the evidence or information in their possession in response to the questionnaire. Schools are expected to make available any records or information they may have.

In addition, to help employers and claimants to resolve the outstanding claims, the employers' organizations and the trade unions have drawn up details of salary scales and London allowances from 1976 to 1988, when hourly-paid part-timers were admitted to the TPS, and guidance in estimating approximate hours of work. For periods where there is no information, employers need to identify patterns of employment from the details that are available and apply them to reach a reasonable informed estimate.

3.2 The purpose of this procedure is

- using the evidence available together with reasonable estimates, to calculate and inform the claimant (the offer letter) in writing of:
- the cost of the backdated employee contributions, which they will be required to pay. A tool is provided for this purpose: the "Model settlement"
- the total pensionable service to be backdated (a formula is provided).
- as part of the agreement, the claimant is required to withdraw their Employment Tribunal claim.

- to inform TPS of the backdated service payable and, unravel the national insurance contributions and SERPS
- to inform the tribunal of the agreed settlement and withdrawal of the claim or that the case will need to be decided by an employment tribunal.

3.3 To help this procedure succeed, schools are recommended to consider all the evidence provided by the claimant together with all the information they may have and to use the information and advice in this guidance to reach a written agreement with the claimant. Where this is not possible by correspondence, the employer and the claimant should meet to provide clarification and to seek to resolve any outstanding issues. The claimant should have the right to be accompanied by a trade union representative or work colleague.

3.4 If the individual has difficulty providing the evidence they should be informed to contact:

- i. Inland Revenue. Data Protection Unit, Room BP4302, Benton Park View, Newcastle upon Tyne, NE98 1ZZ (quoting NI number) to formally request a copy of their employment record and/or;
- ii. Inland Revenue, Class 1 caseworker, BP2202, Benton Park View, Newcastle upon Tyne, NE98 1ZZ (quoting NI number) to formally request a copy of their national insurance record.

4 HISTORY OF THE HOURLY PAID PART TIME TEACHER

4.1 Independent Schools hourly paid part-time workers were excluded from the Teachers Pension Scheme until 1988. Therefore there will be staff with claims to which you have sent questionnaires. The only ones that are to be processed are those hourly paid teachers who have remained hourly paid in your establishment with claims before 1988.

4.2 Claims against you can only begin at the time the school was admitted into the Teachers Pension Scheme, so the period an hourly paid part-time teacher can claim can only go back to that date.

4.3 If your establishment has come from an amalgamation of schools, which resulted in a new entity that is now your present establishments. Then claims

can only be settled from that date. Any claims by teachers before this date remained stayed subject to the outcome of the appeal on the TUPE ruling in the courts.

- 4.4 It has been agreed between the employers association and the trade unions involved in the Preston test case that within the school sector that the national salary shall be applied. *Appendix page 3.*

4.5 Receipt of Questionnaires and non response

- 4.5.1 You are responsible for agreeing a settlement to those teachers who fall into the most likely to succeed category. That is for those teachers who have worked at your establishment for the duration of their claim or part of their claim.
- 4.5.2 If you have sent out a questionnaire and it has not been returned, and you have not had an explanation, then you are advised to check your employment records and the address on the individual's tribunal form (in case this individual has moved and failed to notify the tribunal of this change). If the individual is still in your employment it is well worth talking to them to ascertain that they have received the questionnaire and that they intend to return it to you.

5 Step One - Checking Questionnaires

- 5.1 The questionnaire will need to be checked both for what is claimed and what evidence is offered. It would be wise at the same time to cross-reference this with any information that you hold on the individual. This is likely to confirm the evidence and claim and might also supplement the evidence if it has gaps in it and this might lead to a complete record. If there is any conflict you will have to discuss this with the individual and seek to resolve the matter.
- 5.2 It is recognised that the responses will cover a wide spectrum of both type and level of evidence returned to you. There will be some that have complete documentary evidence of their work record including contracts specifying grades of pay and work time as well as pay slips and P60's. There will also be some with evidence of the employment but scant information on the range of contracts and work time.
- 5.3 Your task is to establish a chronological pattern of the earnings over the time.
- 5.4 Once you have established a chronological diary of work, pattern, earning and evidence then you need to identify the method to be used to establish the contributions due and the service credited
- 5.5 The individual is likely to provide the evidence in academic years as contracts were normally issued in this way. **Remember you are reporting the information to Teachers Pension in financial years and need to separate out the summer term into the next academic year.**

5.6 If the evidence is pay based with gaps

For example the individual has some P60's for some years and a bunch of pay slips for another, and it is known that the individual worked throughout this time, then you would use the *Table in the Appendix on page 3*

P60s for March 1989 showed £7534, March 1988 showed £6850 and March 1986 showed £5907.

The pay slips in the autumn term of 1988 totalled £2400 for 14 weeks, which suggest that the individual continued to earn in the same pay banding range as the other years namely 80%.

Notional Salaries for Part-time Teachers

Period	Up 20%	Up to 40%	Up to 60%	Up to 80%	FTE
01.04.85 – 30.03.86	1829	3659	5488	7378 5907	9147
01.04.86 – 30.03.87	1996	3992	5987	7983 ?	9979
01.04.87 – 30.03.88	2170	4340	6511	8681 6850	10851
01.04.88 – 30.03.89	2414	4827	7241	9654 7534	12068

If the pattern of work is variable then using the notional salary for the appropriate section you will need to put it down against the pay bandings and see if a pattern emerges. If it does not then see if the periods of work form blocks and handle the information that way. If it does not then you are going to have to average the work over the period of time.

5.7 Incomplete history of employment

When you have used all the evidence you have on an individual and there are still gaps, you will need to organise a meeting with the individual and their representative, and together look at the material and agree a way of handling the gaps. The most promising is to look at the pattern of the work on either side and mirror it across the gap. If the work pattern is very erratic then seek to mirror the average of the work across the time to fill the gap in.

It is in the interests of the individual and yourself to reach an agreement on this matter.

6. Step Two – Calculating the Backdated Employee Contribution

- 6.1 Once you have gathered the evidence and processed it you are ready to move to the calculation stage: this should enable you to work out the contributions the individual will have to make and the service it will purchase in the scheme.

It will also enable you to complete the forms for Teachers Pension and provide the information necessary of the audit trail for the DfES.

- 6.2 To calculate the backdated employee contributions, you need information on the earnings in each year claimed (use the evidence) and the full-time equivalent salary for each of those years (*select table on page 3 in the appendix*). You can calculate the part time proportion (as a percentage) by dividing the earnings by the FTE to get a fraction and multiply by 100 to get a percentage. You then put this information in the "Model settlement" and it will calculate the backdated employee contributions for you. (*Page 8 in the appendix show an illustration of the page you will work on, and page 9*). With the same information use the formula to calculate the years of pensionable service to be credited. *Shown on page 10 in this guidance.*
- 6.3 Tracking an individual's pensionable earnings year by year is not likely to be practicable in the vast majority of cases because the records will not be available. So the most frequently used method is likely to be based on one annual pensionable earnings figure at the end of the reinstatement period or current salary. You will need the part-time proportion as described above. This may have been the same throughout the period or, where it varied, an average across the total period can be calculated or using the last year in the blocks for each variation and again totaling the contributions owed.
- 6.4 The "Model settlement" is available in the [GAD SPREADSHEET MODEL TO ASSIST IN CALCULATING CONTRIBUTIONS REQUIRED TO REINSTATE SERVICE](#). The website also provides information on how to use the model - [Guidance on the use of the GAD SPREADSHEET MODEL](#). The TPS contribution (employee) rate required by the Model settlement is 6% for all years and the tax rate would normally be 22%. *Explanation in the appendix page 25.*
- 6.5 Here are some examples of how to use the Model settlement.**

- 6.5.1 An hourly paid lecturer in an Independent school is claiming for 5 years 1983 to 1988 when they were allowed access to the pension scheme. The worked roughly the same each year and in their final year earned £3424.80. Using the table (*in the Appendix page 3*) for that year you can see that the earnings are in the 40% band and that the FTE is £10,851

Click the boxes to see the drop down menu or information that you will need to input. The guidance for using the model is on page 8 or the appendix. Note the cells at the left hand side are numbered and these are referred to below and explanations are in the guidance using these cell numbers.

Using this data, complete the Settlement Model as follows:

Start of Re-instatement period (<i>cell 20</i>)	09/1983
End of Re-instatement period (<i>cell21</i>)	03/1988
Applicable month and year for salary	03/1988
Date. (<i>cell26</i>)	

Independent Schools Guidance Document on Preston Cases and their Settlement

Annual full-time salary (<i>cell27</i>)	£10851
Part time proportion (<i>cell 28</i>)	40%
Contribution rate	6%
Tax rate for active members (<i>cell 32</i>)	22%

The model would use this information to calculate the contribution that the individual will have to make:

Contributions due	£2536
-------------------	-------

(where tax relief available)

The model also calculates the monthly regular deduction that the individual can agree.

6.6 The tax contributions see page 25 of appendix for explanation.

6.7 Request full assessment as all evidence has been presented.

You may have an individual who has all the evidence and asks you to undertake a full assessment. These requests are likely to be very rare, but if made have to be undertaken.

Using page 3 of the Appendix for the FTE, work out the earnings for each financial year unless the individual also has their P60 for the year and then just use that. **Remember that the Summer Term will fall into the next financial year. So add the summer, autumn and spring term earnings together.**

	<i>FTE</i>	
1983/4	£1569	£7755
1984/5	£2775	£8142
1985/6	£4940	£8556
1986/7	£2507	£9979
1987/8	£2570	£10851

You would have to input each year into the Model settlement and added them up like so, remember to change both the start and end date of the reinstatement, along with the date of the salary information every time. You should then obtain the results below assuming tax of 22%.

1983/4	payment owed with included tax relief £139
1984/5	payment owed with included tax relief £ 390
1985/6	payment owed with included tax relief £ 673
1986/7	payment owed with included tax relief £ 324
1987/8	payment owed with included tax relief £ 315

Total the individual amounts and the lecturer would have to make the following contributions for backdating access to the scheme.

Contributions due £1841
(where tax relief available)

6.8 Use of the notional tables

A teacher without the evidence, but enough to satisfy the employer would use them in the following way, *page 3 in the appendix*. The table shows the earnings entered into the appropriate banding to enable an earnings pattern to

Year	Up to 20%	Up to 40%	Up to 60%
1983/4	£1628		
1984/5		£3422	
1985/6			£5488
1986/7		£3992	
1987/8		£4340	

emerge. It shows an average banding of 40% for the 5 years against FTE of £10851. If this was entered into the Settlement Model it would show.

The lecturer would have to make the following contributions

Contributions due £2536
(where tax relief available)

When you calculate the contribution remember to print out a copy of the page and place in the individuals file. If you are not using simply one year end, then remember to print each block or individual pages if the individual has requested actual service to be calculated.

The total payment due should then be included in the appropriate offer letter to the individual, in addition you have to include the cost of purchasing the service on the bases of each year.

7. Step 3 -Service Record

Refer back to the print page or saved copy of the cost of the backdating from the Model settlement, where you already entered the percentage of earnings against the FTE. Take the % used and the number of years of the claim and this should give the service to be credited.

e.g. 40% for 10 years = $\frac{40}{100}$ x $\frac{365}{365}$ x $\frac{10}{10}$ = 4years service

Remember to place a copy of this calculation in the individual's file for reference purposes.

The number of years service can then be included in the offer letter to the individual and on the form to Teachers Pension.

7. Difficulties

It is likely that you may have some difficulty with some of the evidence or lack of evidence for periods of time the individual is claiming. Then it would be useful if you invite the individual and their representative to attend a meeting with you to see if the issue can be resolved. Any tribunal would expect an employer to act reasonably and seek to reach an agreement. It may be that the agreement if there is a gap can be reached using what happened before and/or after that particular period.

9. Refer back to Tribunal

Ultimately if it is not possible to reach an agreement with the individual, then the matter will have to be referred back to the courts.

If you receive no response to your questionnaire and have sought other ways of reaching them and not been successful, again you will have to refer the matter back to the tribunal. It is wise to have retained the evidence of your efforts, as tribunals are likely to be unhappy if they believed that it could have been resolved without their intervention.

10. Step 4 -Offer Letter and Forms.

Once the calculations of the retrospective contribution and service credit, have been completed and agreed. The employer will provide the individual with an Offer Letter and other relevant information.

10.1 Offer Letters

1. There are three versions of the offer letter.
2. One for each type of individual. An active member of TPS,(appendix page 26) a deferred member (appendix page 36) and a pensioner member (appendix page 45).
3. The offer letters are basically the same, but there are variations depending upon the current employment status of the Applicant. This affects the payment options of the individual, a summary of the payment options is on page 4 of the appendix.
4. The employer will be required to add information to each of the offer letters, indicated by bold text within square brackets [].
5. Each offer letter must be accompanied by the following forms, for completion and return by the individual

10.2 a) Form 1.

This is the election form on which the individual indicates whether or not they wish to accept the offer, made in the letter. The individual

may also use the form to indicate their preferred option for payment and to provide details of any contribution they have made to a personal pension scheme. By signing the Form 1, the individual (who legally is known as the Applicant) is entering into a legally binding agreement, from which they may not withdraw.

Form 1 must be completed and returned, to the employer, by the individual within six months from the date of the offer letter. The return date must be entered on the offer letter by the employer, in the “By when must I make a decision” paragraph. The employer’s name and address should be entered on the last page of Form 1 to indicate where the form should be returned.

Once it has been returned to the employer, a copy must be forwarded to TP, who will make the necessary arrangements for retrospective reinstatement to the pension scheme.

A sample Form 1 follows each of the Offer Letters in the Appendices. For active members page 34 of the appendix, for deferred members page 43 of the appendix and for pensioner members page 51 of the appendix.

10.3 b. Form 2. Withdrawal of Employment Tribunal Application.

This form must be completed and returned to the address on the back of the form, by all individuals where agreement has been reached to settle their claim. Once it has been received by the ET, it will signal to the ET that the claim has been settled and the case can be withdrawn/closed. If an individual/Applicant decides to decline the offer of retrospective membership of TPS, they will still have to complete and return the Form 2 to one of the addresses on the back of the form. Once the completed “Withdrawal of Employment Tribunal Application” is received by the ET, the claim will be withdrawn and the case will be closed. There are guidance notes with the form, which should accompany the form to the Applicant. A sample form is at Page 53 of the Appendices.

10.4 c. Form 64-8 Inland Revenue Authority Form

This form, once the individual has completed it, must be returned to the employer. It provides the Inland Revenue with the authority **to send** the employer details of the individual’s National Insurance Contribution refund, to enable the employer to calculate and pay the interest due to the Applicant on the overpayment of National Insurance Contributions. A sample form is at page 56 of the Appendices.

Please note that for the purposes of Form 64-8 the employer is the “agent” dealing with the claim for retrospective membership of TPS.

Further copies of this document can be downloaded from
www.inlandrevenue.gov.uk/pdfs/64-8.pdf

- 10.5 E. Estimate of Retirement Benefits sheet will be included with the information sent to enable the individual to obtain an approximate calculation of the increased benefits they are able to purchase. Appendix page 59.

11. Step Five – Processing the returned offers and forms

When the forms are returned within the six-month deadline, then the employer needs to process them. Sort them out into the types of membership of Teachers Pension and process. Completed forms Education 1 (the questionnaire), Form 1 and Education 3 must be sent to Capita Teachers' Pensions, Mowden Hall, Darlington, DL3 9EE.

11.1 Active member

11.1.1 Lump sum payment

If the individual is not purchasing the whole amount but part of their service, go back to the Model Settlement and if you have saved an individual copy for each member then open it. Remember to change from the 'initial quotation' to 'follow-up query', to enable you to input the new data. Input the part purchase option and print off a copy of this form and add this to their file.

If the individual is purchasing the full period or part of the period by lump sum payment, send all information to Teachers Pension with copies of their file. At the same time confirm this with the individual.

Move to sorting out their National Insurance Contributions.

11.1.2 Deduction by monthly debit.

If the individual is not purchasing the whole amount but part of their service, go back to the Model Settlement and if you have saved an individual copy for each member then open it. Remember to change from the 'initial quotation' to 'follow-up query', to enable you to input the new data. Input the part purchase option and print off a copy of this form and add this to their file.

If the individual is purchasing the full period or part of the period by deduction from their salary and they will have indicated either that they wish to pay this off over a period equal to the number of years of service they are purchasing or the period to their 60th birthday whichever is the earlier, then, establish the payroll deductions. Check that the period is not more than the period of years that they are purchasing. Check that the repayments occur before the individual reaches the age of 60 years of age.

Remember that the deductions are a fixed payment not a percentage of salary and send all information to Teachers Pension with copies of their file. At the same time confirm this with the individual.

Move to sorting out their National Insurance Contributions.

11.2 Deferred Members

If the individual is not purchasing the whole amount but part of their service, go back to the Model Settlement and if you have saved an individual copy for each member then open it. Remember to change from the 'initial quotation' to 'follow-up query', to enable you to input the new data. Input the part purchase option and print off a copy of this form and add this to their file. At the same time confirm this with the individual.

11.2.1 **Lump sum –deferred members**

If the individual is purchasing the full period or part of the period by lump sum payment, send all information to Teachers Pension with copies of their file. At the same time confirm this with the individual.

11.2.2 **Use of retirement grant to complete repayments.**

If the individual has indicated no payment back or a limited payment back and has opted to have the payment deducted from the lump sum retirement grant (or death Grant) and if necessary, by making deduction from the monthly pension when it is in payment, these arrangements are made directly with Teachers Pension. Therefore the employer needs to send all information to Teachers Pension with copies of their files. . At the same time confirm this with the individual.

Once Teachers Pension have been notified move to sorting out the national insurance contributions.

11.3 Pensioner Members

If the individual is not purchasing the whole amount but part of their service, go back to the Model Settlement and if you have saved an individual copy for each member then open it. Remember to change from the 'initial quotation' to 'follow-up query', to enable you to input the new data. Input the part purchase option and print off a copy of this form and add this to their file.

For the pensioner purchasing the full service or part service send the files to Teachers Pension for processing and at the same time confirm this with the individual.

Teachers Pension will recalculate the benefits and offset the cost of the period being bought against the additional benefits due.

Move to sorting out the national insurance contributions.

12. Problems

The employer needs to remember that if the individual defaults on any arrangements, then Teachers Pension will recover any unpaid amount (with interest) from the employer. It will be for the employer to recoup the money direct from the individual.

12.1 Active Members

If the individual is an active member and chooses to leave your employment before payment is completed, and is not claiming the pension, then when you receive their notice you need to talk to them over their intentions.

They could repay the money over a shorter period if they could afford to.

They could move to the payment being collected out of the retirement pension when they claim it.

Or select the payment in a one of sum in the future before retirement.

If the individual is claiming pension before they have completed the repayments, the employer should notify Teachers Pension who will recover the outstanding contributions via the retirement lump sum and monthly pension payments if necessary.

12.2 Deferred Members

If the deferred member has not paid off their outstanding contributions and wishes to transfer their pension, then the individual must pay off any balance of the outstanding contributions within six months of the 'guaranteed date' of the Cash Equivalent Transfer Value (CETV).

If the individual fails to do this, then Teachers Pension will recover the outstanding debt from the employer. They will become responsible for collecting this debt from the individual.

13. Applying For National Insurance Contribution Refunds

13.1 Employers will normally claim NIC refunds on behalf of the Applicant and themselves. Employers should complete a schedule of Applicants who are claiming NIC refund as part of the retrospective access to the Teachers Pension Scheme. An excel template of the schedule is available at Page 66 of the Appendices.

- 13.2 Once completed as fully as possible, the schedule should be sent, with a covering letter, from the Employer, quoting the reference “PRESTON”, to NICO, Benton Park View, Newcastle upon Tyne, NE98 1ZZ.
- 13.3 The employer should include the following details if any of them apply:
- a. If the individual is claiming an NIC refund for a period of service with a previous employer, from whom the individual was statutorily transferred (a statutory novation), then the covering letter should provide details of the employer from whom the Applicant was statutorily transferred, together with relevant dates of service, for which retrospective membership of TPS has been agreed.
 - b. A completed Inland Revenue Form 64-8 for each Applicant
- 13.4 NIC refunds can take some time to be processed, but once NICO have received the schedule, a form 64-8 for each Applicant, together with a letter requesting the individual’s refund to be made directly to the employer, if required and, where necessary a letter regarding statutory novation, it will be possible for them to calculate the refund due to the individual and employer, plus the interest due to the employer and arrange for payment to be made.
- 13.5 Once NICO has made employee refund (C), they will supply the employer with an annual breakdown in respect of those cases where a Form 64-8 has been returned with the schedule.
- 13.6 The employer can then complete the NIC spreadsheet to calculate the interest due to the individual and arrange for payment to be made, together with any NIC refund received in respect of the individual. This is available on the Treasury website http://www.hm-treasury.gov.uk/documents/taxation_work_and_welfare/public_service_pensions/tax_pensions_preston.cfm **Do remember to take a copy for the individual’s file.**
- 13.7 The employer must then pass the residual sum (A+B-D) to TPS, to offset the employer pension contribution. You remit this to TP in the normal way. Explanations of unraveling the National Insurance Contributions is on page 60 of the appendix.

Employers should also refer to the guidance issued last August by DWP to Preston claimants – ‘Backdating membership of an occupational pension scheme: What this might mean for you’.

14. Individuals who Purchased Personal Pensions

- 14.1 It is possible that some individuals who fit into the ‘cases most likely to succeed’ category will have paid into a personal pension scheme for part or all of the period that they are seeking retrospective membership of the TPS. There is an explanation of Personal Pension and Retrospective access to Teachers Pension Scheme on page 63 of the appendix.

- 14.2 There is only one situation that you have to watch out for and that is the individual who paid into a personal pension scheme, at a time when they were eligible for membership of the TPS and who have, as a result of the Securities and Investment Board (SIB) review of mis-sold personal pensions, subsequently been reinstated in to Teachers Pension for part or all of the period of their claim. You will be alerted to this possibility by Teachers Pension, following submission of the agreed dates for retrospection, they hold this information on their files.
- 14.3 If Teachers Pension contact you on this matter it will be to inform you and provide you with the relevant dates and depending on this information the claim will either not be able to continue or you will have to recalculate the information removing that period of time.

15. Guidance on the unravelling of SERPS

1. SERPS unraveling will commence once NICO receives the above documents from the employer in respect of an individual who is being retrospectively admitted to the TPS and a NIC refund is required.
2. NICO will calculate the appropriate contracted-out deduction for the period of reinstatement, for individuals who are still in employment
3. Individuals who have retired and are claiming the SERPS pension will have their NIC records adjusted.
4. This will enable a calculation to be carried out, by the Department of Work and Pensions, in respect of any overpayment of the SERPS pension to Applicants who are in receipt of the SERPS pension.
5. The SERPS pension will then be recalculated taking into account any refund of NIC.
6. Any overpayment of the SERPS pension to the Applicant will not be recoverable, although it will be offset against any NIC refund that may be due.