

Standard Offer Letter to Pensioner Members in respect of post-retirement employment

[Name
and
Address
Of Applicant]

[Date]
[My ref]
[Your ref]

Dear [*Applicant,*]

Teachers' Pension Scheme (TPS) Backdating of Part Time Membership – Post-retirement employment

Thank you for your claim to backdate membership of the scheme in respect of part time service following receipt of your retirement benefits from the TPS.

I am pleased to inform you that **[name of employer]** has accepted your claim for service between **[start date of period being claimed]** and **[end date of period being claimed]** to count for pension purposes on payment of the relevant pension contributions. **You worked [% hours worked] of the full period which equates to a pensionable service credit of [years and days]**It is this service credit that will be used by Teachers' Pensions to recalculate your retirement benefits.

How much service can I purchase?

In most cases you will be able to choose whether to purchase all of the service shown above or, if the period is greater than one year, purchase part of the service. If you wish to purchase only part of the service the amount you purchase must be a complete number of calendar years, of which you will be credited with the part-time proportion.

Therefore, for example, if you only have 183 calendar days of eligible part-time service you can purchase all of that service, or none of the service. If you have three years 200 days eligible part-time you can purchase all of that service or one, two or three complete calendar years (but not, for example, three years 50 days).

NB If you were awarded premature retirement benefits plus additional years of service by way of premature retirement compensation (PRC), we will have to consider if the PRC has any implications for your Preston claim. Please see paragraph 24 of the Guidance Notes.

How much will it cost me to purchase the service?

The cost of purchasing all of your eligible part time service is [**£ result of table 10 calculation cell E 40 of GAD spreadsheet**].

If you only wish to purchase part of your eligible part time service, the cost is [**£ result of table 11 calculation cell E 44 of GAD spreadsheet**] for each calendar year you wish to purchase.

What if I want to spread the payment over a period of time?

You can if you wish spread your payments by deduction from pay, but interest will be added to the amount you have to pay. The period you can spread repayments over is the shorter of:

- (a) A period equal to the number of calendar years you are purchasing. For example three years' retrospective membership can be purchased over a period of three years. Or
- (b) The period to your **XX (75th ???)** birthday. For example if your **XX (75th ???)** birthday is in two years' time and you are eligible to purchase three years of retrospective membership, this can only be purchased over a period of two years.

If you choose to purchase all of your eligible part-time service and to spread payment by deduction from salary as specified above, the contributions payable by you over that time will be a total of [**£Amount**] per month assuming contributions were paid between [**dd/mm/yy**] and [**dd/mm/yy**]. [Period starting 6 months of date of letter and ending on the end of the month defined in (a) or (b) above.]

How have the amount of contributions been calculated?

The contributions have been calculated based on [**salary data used i.e. actual/notional**] as agreed between the Employer Associations and Trade Union representatives.

What benefits will I receive in return for the contributions?

It is estimated that for each calendar year of service that you purchase, your existing benefits under the TPS would be increased by approximately:

Basic Annual Pension [**£ per annum supplied by TP**]

Plus if you are under 75 a Lump Sum [**£ supplied by TP**] (including interest as appropriate)

Or, if you are over 75, extra pension of [**£ per annum supplied by TP**]

Spouse's pension **[£ supplied by TP]**

If you purchased all of your relevant part time service it is estimated that the benefits would be increased by approximately:

Basic Annual Pension **[£ supplied by TP]**
Plus if you are under 75 a Lump Sum **[£ supplied by TP]** (including interest as appropriate)

Or, if you are over 75, extra pension of **[£ per annum supplied by TP]**

Spouse's pension **[£ supplied by TP]** For female claimants, the spouses pension will be 50% of the personal pension on all service after 5 April 1988. Interest on the arrears of pension can only be calculated when your retirement benefits are re-calculated and put into payment by Teachers' Pensions.

By when must I make a decision?

You must confirm your decision on the attached Form 1 by no later than six months from the date of this letter i.e. by **[date, 6 months from date of your letter]** and return it to the address shown on the form.

Whether you decide to purchase all, some or none of your service you must also complete the enclosed "Withdrawal of Employment Tribunal Application" (Form 2) and send it to the relevant address shown on that form.

Your decision to either accept or decline this offer means that your claim will be settled and can be withdrawn.

PLEASE NOTE:

- Any decision you make will be a one off, once and for all, decision.
- In opting to purchase a period of service you will be entering into a contractual commitment to pay the required pension contributions. It will not be possible, at some later stage, to withdraw from that commitment.
- If you decide to purchase none of your service you will not be able to subsequently alter your decision and opt to purchase service. Similarly, if you opt to purchase part of your service you will not subsequently be able to opt to purchase a further part of your service.
- It is the policy of public service pension schemes to abate pension during re-employment in the same occupation from which the pensioner retired. The principle underlying such in-service abatement is to ensure that overall income in retirement does not exceed the income before retirement. (Please refer to the guidance notes for further information on this.)

- If you are in receipt of premature retirement compensation (PRC), backdating your membership of the scheme could affect the PRC. (Please refer to the guidance notes for further information on this.)

Before making a decision on how you may wish to proceed you are strongly advised to read the notes enclosed very carefully and to seek advice from your solicitor, your union or independent financial adviser.

Failure to respond within the six months timescale will mean that we will be able to ask the Employment Tribunal to “strike out” your claim.

Yours sincerely

[Title of signatory]

GUIDANCE NOTES: Please read these notes very carefully before making a decision

1. Before making a final decision about the purchase of any or all of the service outlined in this letter, you are strongly advised to consider any implications there might be in respect of National Insurance Contributions (NIC) and the State Earnings Related Pension Scheme (SERPS). SERPS was in existence between 6 April 1978 and 5 April 2002.
2. You will need to compare the cost to you of backdating your membership and the TPS benefits that you will get in return, against the amount of the NIC refund that may be due to you (if any) and the effect this will have on your SERPS benefits.
3. This and other matters, which you may wish to consider, are detailed below. Some, all or none of these may be applicable in your particular case.

General information

4. You may have overpaid NIC for any period of service in respect of which you opt to pay backdated pension contributions and in respect of which you paid full not contracted-out rate NIC, in which case your National Insurance record will need to be adjusted.
5. This could mean that you may be eligible for a refund of the overpaid NIC (plus interest) which could reduce the pension payable from the SERPS.
6. No refund of NIC will be due in respect of any period during which you

did not pay any NIC (due to the level of your earnings) or for any period during which you held a married woman's or widow's reduced rate election.

7. If you are already over State Pension Age and you are receiving the additional state pension (SERPS) and you opt to backdate membership of the TPS, the SERPS benefit you are receiving may have been overpaid.

8. Any overpaid SERPS pension will be deducted from any of refund of NIC to which you may be entitled. You will not, however, be asked to repay any remaining SERPS overpayment.

9. Before electing to pay contributions to backdate membership of the TPS it is strongly recommended that you seek information from HM Revenue and Customs (HMRC) in respect of the amount of NIC refund you may be eligible to receive and from the Department for Work and Pensions about the effect this may have on your SERPS benefits.

10. You will need to take these into account and consider the likely benefits from the TPS if you pay contributions to backdate membership of the TPS, before deciding whether or not to elect to backdate membership of the TPS.

11. To obtain details of any refund of NIC you may be due you should write quoting your name and address, your NI Number, the start and end date of the period for which you wish to backdate membership of the TPS, and the reference "PRESTON" to :

HMRC
National Insurance Contributions Office
Benton Park View
Newcastle upon Tyne, NE98 1ZZ.

12. To obtain details of the effect on your SERPS benefits you should contact The Pension Service on 0845 3000148 explaining that you are considering backdating your membership of an occupational pension scheme under the "Preston" arrangements.

13. We make no representation that an individual will be better off being in the TPS rather than in SERPS, or vice versa.

14. If you do decide to backdate membership of the TPS, we will arrange for HMRC to pay any NIC refund which may be due to you. In this connection would you please complete and return the enclosed Form 64-8. This authorises HMRC to give us a breakdown of any NIC refund that you may be eligible to receive and will enable us to calculate and pay you interest on that NIC refund. Please note that for the purposes of Form 64-8 your "agent" is the employer dealing with your claim for backdated membership of the Teachers' Pension Scheme.

15. You should note that claims for a refund of NIC contributions can take some time to be processed.

Personal Pension Schemes

16. Up to April 2001, HMRC rules did not permit people to be a member of an occupational and personal pension scheme at the same time. From April 2001, concurrent membership was only available to individuals who had a stakeholder pension scheme and then only if the individual had earnings of less than £30,000 per annum.

17. However, HMRC has advised that there is no need to unscramble personal pensions as they will have been validly entered into at the time. HMRC will nonetheless seek to recover from a contracted-out personal pension any overpaid NI minimum contribution paid to the personal pension scheme (which will reduce the size of the personal pension pot).

18. Also, if a person is already in receipt of a pension from the proceeds of that contracted-out personal pension pot, HMRC may seek to recover the NI minimum contributions directly from the individual person.

19. If you were a member of a contracted-out personal pension scheme during any of the period you wish to buy back membership of the Teachers' Pension Scheme please provide the relevant details requested on Form 1.

Potential drawbacks of backdating membership of the TPS

20. Backdating membership of the TPS could impact on means tested benefits that a person may be entitled to from the State, for example the Minimum Income Guarantee or Pension Credit and from other sources, for example council rent and council tax rebates.

Abatement - including abatement of pension already paid from TPS and premature retirement compensation (PRC)

21. A teacher's pension is subject to abatement if overall income in retirement is more than the index-linked salary at retirement ('salary of reference'). If employment was terminated early on grounds of redundancy or efficient discharge and the teacher was awarded premature retirement benefits enhanced by additional years of discretionary compensation (PRC), then PRC pension is also subject to abatement. If Teachers' Pensions (TP) has not already done so, they will conduct an earnings assessment over the whole period of your re-employment to assess whether your pension (and, if paid, PRC) should have been abated. If pension (and PRC) should have been abated, TP will take steps to recover any overpaid pension (and notify the compensating authority about abatement of PRC). Overpaid pension will be recovered from any additional TPS benefits due to you and may result in your pension being reduced or stopped until such time as the amount overpaid has been recovered.

22. For assessment purposes the index lined salary of reference is the highest amount of the full time equivalent salary received during the average

salary period.

23. **NB.** TP will undertake recovery action of any overpaid pension irrespective of whether you decide to purchase your service for pension purposes.

Clawback of Premature Retirement Compensation (PRC)

24. If you were awarded premature retirement benefits plus additional years of service by way of premature retirement compensation (PRC), we will have to consider if the PRC has any implications for your Preston claim. The point here is that it would be unfair for a person who is being admitted to the Scheme retrospectively to be in a better position than a person who paid contributions during the further employment. There is statutory provision which requires compensating authorities to clawback PRC if a compensated person accrues further pensionable service. And we will have to consider whether it is necessary to restrict the service than can be claimed in order to avoid double counting.

What will happen after I have completed the forms mentioned above?

25. If you decide not to purchase any of your eligible part time service, you will have to complete the "Withdrawal of Employment Tribunal Application" (Form 2) and complete and return Form 1.

26. Form 2 is simply to notify the Tribunal that your claim has been brought to a satisfactory conclusion and allows the Tribunal to complete its paperwork.

27. When your completed "Withdrawal of Employment Tribunal Application" is received by the Employment Tribunal, your claim will be withdrawn and the case will be closed.

How do I pay the backdated contributions?

28. If you decide to purchase some or all of your eligible part-time service and you are no longer employed in teaching, the additional benefits due, less the amount of contributions you owe, will be paid to you immediately.

29. If the additional lump sum to be paid to you is less than the contributions to be collected, the outstanding contributions will be recovered from the additional monthly pension due to you.

30. If you are still employed in teaching you can pay by immediate payment of a lump sum or you can choose to pay by an instalment plan. Instalments will be deducted from your salary and remitted to TP. If you choose this option and retire before the instalment plan is complete, the balance will be deducted from the additional retirement benefits that will become payable.