

# What you need to know before you retire

April 2018



## Introduction

This factsheet provides you with information that is useful to know when you're considering retirement and when you may retire.

## Qualification

You must have two years' service completed after 6 April 1988 or five years pensionable service completed at any time to be able to receive benefits from the Teachers' Pension Scheme. This service may be solely in either the Final Salary or the Career Average arrangement, or a mixture of both. For example if you have completed six months in Final Salary and then a further 18 months in Career Average, you will qualify for benefits.

Unless you are granted Ill-health Retirement, the earliest age at which retirement benefits can be paid is 55. Further information about Ill-health benefits can be found in our guide on [Ill-health](#).

A maximum of 45 years of reckonable service is allowed in the calculation of any Final Salary benefits. If you've bought extra service or transferred in service from another scheme, this will count towards the 45 years. Any contributions paid after you've completed 45 years of Final Salary service will be refunded. This restriction does not apply to the Career Average arrangement.

Unless you've reached your Normal Pension Age, or are taking Phased Retirement you must leave all pensionable employment before you can receive your retirement benefits.

## Normal Pension Age (NPA)

The NPA for service in the Final Salary arrangement is 60 or 65 depending on when you entered pensionable service.

If you were in service before 1 January 2007 your NPA is 60 provided you've not:

- Had a repayment of contributions
- Transferred the service out of the Scheme
- Had a disqualifying break where you were out of service for more than five years ending after 31 December 2007.

If you entered pensionable service on or after 1 January 2007, or after a disqualifying break, your NPA will be 65.

Your NPA in the Career Average arrangement is either your state pension age or age 65, whichever is the later date.

## How to apply

Retirement benefits are not paid automatically; in most cases applications for Age Retirement and Early Retirement (AAB) can be completed online. If you're applying for Phased or Additional Service After Retirement (ASAR) the paper forms are available on the website. You should ensure that your application is submitted around four months before your proposed retirement date, as there may be salary changes that could affect your benefits if submitted too early.

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### How benefits are calculated

If your Normal Pension Age is 60 your Final Salary benefits are:

- A pension calculated by multiplying your service by your average salary then divided by 80
- A lump sum equal to three times your pension.

If your Normal Pension Age is 65 your Final Salary benefits are:

- A pension calculated by multiplying your service by your average salary then divided by 60.

### Average salary

The average salary is used to calculate your Final Salary benefits when you retire. It will be the most beneficial of either the average of your best consecutive three years re-valued salaries in your last ten calendar years, or your last recorded 12 months of pensionable service before your retirement.

If you moved from the Final Salary to Career Average arrangement and have retained the Final Salary link, the salaries earned during your Career Average service will be used to calculate your best final average salary. If you've lost the Salary Link protections we'll use the salaries earned up to the point of the disqualifying break.

### Salary restrictions

If your salary has increased in any of the three years used in your average salary period by more than the permitted maximum or 10%, the salary used to calculate your benefits will be restricted.

The permitted maximum is increased annually, in line with factors provided by HM Treasury. The latest maximum is available in the updates section of our [website](#). If the average salary is restricted, any unused contributions will be refunded.

### How Career Average benefits are calculated

Each year you accrue an amount of pension based on your annual pensionable earnings in the year, which is added to your 'pension pot'. The standard rate of accrual is 1/57th of your pensionable earnings, but you can make an election to have a higher rate for a year in return for increased contributions. At the start of each new Scheme year the total amount of pension in your 'pension pot' is revalued. While you're an active member of the Scheme, the rate of revaluation applied each year is in line with a Treasury Order plus 1.6%. The Treasury Order will normally be the rate of increase in CPI in the year to the preceding September.

### Conversion of pension to lump sum

If you've Final Salary service with a Normal Pension Age of 60 you'll receive an automatic lump sum when you take your Final Salary benefits.

If you've Final Salary service with a Normal Pension Age of 65, or Career Average pension, you'll not receive an automatic lump sum when you take those benefits. You can choose to give up part of your pension to receive a lump sum. Your pension will be reduced for your lifetime and you must make your decision known as part of your application. For each £1 of pension that you give up you'll receive £12 of lump sum.

If you've Final Salary NPA60 benefits and service after 1 January 2007 you can also choose to give up some of your pension to create an additional lump sum.

The maximum amount of lump sum that you can receive is 25% of the total value of your benefits. To help you decide how much pension you want to give up and the lump sum you would like to receive, please use [the calculators/modellers](#) as once your pension is put into payment you cannot change the amount.

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### Trivial pensions

If the value of all your pension funds from all sources with the exception of any state retirement pension is of a 'trivial' size and you are age 60 or over, HMRC rules may allow you to take your pension fund as a one off tax-free lump sum.

To find out if HMRC consider that the value of your pension funds are regarded as 'trivial' please check their [website](#) where you'll find the current value of 'trivial'.

### When are benefits paid?

Your pension will be paid each month on the date before your birthday. If that date falls on a weekend or Bank Holiday it will be paid on the last working day before the normal date. If, for example, your birthday is on 25th December your pension will be paid on the 24th of each month (or earlier if it falls on a weekend).

Your first pension payment may not be for a full month depending on when you retire and your pension pay day.

### Family benefits

If you die within five years of receiving your benefits a one off lump sum will be paid which is equal to five years' worth of pension, less any payments you have received.

If you leave a spouse, civil partner or nominated partner, they may be entitled to a pension. This is based on the amount of service you have covered for family benefits. Service from 6 April 1988 is automatically covered for family benefits for all members. If you've service before that date you need to check your personal record to see if it's covered for family benefits.

**If all your service was prior to 1 January 2007 there are conditions for the continued payment of a surviving adult pension as their entitlement will end if they re-marry or Co-habit.**

If you've children they're also entitled to a pension, payable up to age 17 or, if since age 17 they remain in full-time education or training without a break, age 23.

More about how family pensions are calculated is covered in the [Bereavement factsheet](#).

### Divorce

If you've been divorced or dissolved a civil partnership and a pension sharing or earmarking order has been made against your benefits, they will be reduced in line with that order.

### Lifetime Allowance (LTA)

The LTA is the total value of benefits that can be taken from all registered pension schemes before an additional tax charge is payable. The tax charge is called the LTA charge. You can find out the current value of the LTA on HMRC website [www.hmrc.gov.uk/pensionschemes](http://www.hmrc.gov.uk/pensionschemes). If we are aware that a tax charge applies to your benefits we'll deduct it before paying you any benefits.

Where there is any difference between the legislation governing the Teachers' Pension Scheme and the information in this fact sheet the legislation will apply.