



# Buy Out

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## Buy Out

**Please note you need to be in pensionable service to make a flexibilities application.**

April 2015 saw the introduction of a new Career Average arrangement to the Teachers' Pension Scheme. Whilst some members remain in the existing Final Salary arrangement others have either transitioned to Career Average on 1 April 2015, or will do so at a later date.

As a member you'll be able to choose from a range of flexibilities depending on the arrangement you're in. As some of the flexibilities are only available to you if you're in the Career Average arrangement it's important that you know which arrangement you're in.

Buy Out is only available to members in the Career Average arrangement.

### What is Buy Out?

In the Career Average arrangement, your Normal Pension Age (NPA) is either your State Pension age or 65, whichever is the later date. If you plan to retire before your NPA, this is known as taking actuarially adjusted benefits (AAB) and your benefits will be reduced for each year that they are taken early.

In Career Average, you can buy out that actuarial adjustment for up to three years, depending on the number of years between 65 and your Career Average NPA. You'll pay higher contributions throughout your career, so you need to appreciate that this is a long term commitment. You also need to be aware that the rates could change following the next Scheme valuation.

For example: if your Career Average NPA is 66 you'll be able to Buy Out up to one year's actuarial adjustment; if your NPA is 67 you'll be able to Buy Out up to two years; and if your NPA is 68 you'll be able to Buy Out up to three years.

You only have one opportunity to Buy Out this reduction and your application must be made within six months of first entering Career Average.

A Buy Out election that takes you above the maximum extra pension limit will be permitted, but you'll not be able to take any further flexibilities whilst the Buy Out election is in place. For the current maximum please refer to the [Updates](#) section of our website.

If you die while purchasing Buy Out, any benefits paid to your family will not be affected, they will still be based on your NPA, nor will any Buy Out contributions be refunded. If you continue to work until your NPA or beyond, or retire on ill-health grounds, your benefits will not be adjusted nor will your Buy Out contributions be refunded.



### How is your Buy Out contribution calculated?

To calculate Buy Out contribution, Teachers' Pensions will look at:

1. What was your age (last birthday, so whole years) when you entered the Career Average arrangement?
2. How many years are being bought out?

We'll then use this information to determine the relevant Buy Out factor and multiply this by the number of years being bought out.

### Example 1

Will is 38 years old when he enters the Career Average arrangement. His NPA is 67, so Will can opt to Buy Out 1 or 2 years.

The factor for 38 years of age is 0.76. As Will wants to buy out both of the years to his NPA the calculation is:  $0.76 \times 2 = 1.52$

Will must pay regular contributions of 1.52% of his pensionable earnings.

### Example 2

Phil is 60 years old when he enters the Career Average arrangement. Phil's NPA is 65 years and 9 months, so the Buy Out can only cover 9 months.

The factor for 60 years of age is 0.88. As Phil's Buy Out only covers 9 months the calculation is:  $0.88 \times 9/12 = 0.66$

Phil will pay regular contributions of 0.66% of his pensionable earnings.

### Example 3

Hilary is 39 years old when she enters the Career Average arrangement. Hilary's NPA is 67 years and 2 months, so she can opt to Buy Out 1 year, 2 years or 2 years and 2 months.

The factor for 39 years of age is 0.76. As Hilary wants to take the full 2 years and 2 months of Buy Out the calculation is:  $0.76 \times 2$  and  $2/12$  (or  $0.76 \times 26/12$ ) = 1.65

Hilary will pay regular contributions of 1.65% of her pensionable earnings.

### Example 4

Carlton is 26 years old when he enters the Career Average arrangement. His NPA is 68 years, so Carlton can opt to Buy Out 1, 2 or 3 years.

The factor for 26 years of age is 0.72. As Carlton wants to take only 2 years of Buy Out the calculation is:  $0.72 \times 2 = 1.44$ .

Carlton will pay regular contributions of 1.44% of his pensionable earnings.

### Is there an overall maximum value you can purchase of Buy Out?

In the Career Average arrangement there is a maximum value amount of extra pension that can be purchased. For the current maximum please refer to the [Updates](#) section of our website.

For further details on the other flexibilities available, read our 'Increasing your Pension Benefits' [factsheet](#).

### How will Buy Out applications be processed?

- You'll need to complete the flexibilities form on My Pension Online. One form covers all three flexibilities and you're only required to complete the section for which you're applying. You'll only see the options which are available to you and an eligibility check will take place to make sure you're only applying for flexibilities within your limit
- Online applications are sent to your employer to confirm your employment
- Teachers' Pensions will then process your request.

### We'll inform:

- The employer, if the request has been accepted / rejected. If accepted the employer will provide the percentage deduction and confirm dates (for Faster Accrual and Buy Out) and lump sum or monthly amount for Additional Pension
- You, if the request has been accepted /rejected and indicate the reasons why.

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