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- Managing members
- Member retirement
- Scheme changes
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Manage your members' pensions, perform key tasks and stay up to date with Scheme information.

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Age Retirement
Early Retirement
Phased Retirement
Premature Retirement
Calculation of Premature Retirement
Administration Charge
Ill Health
Re-employment

Calculation of Premature Retirement



How to calculate the value of the Mandatory Compensation

Start by entering the appropriate details for the Scheme member in the [Estimate your final salary calculator](#).

By using the [Want to retire early calculator](#) you can work out the difference between the reduced and unreduced amounts of pension and lump sum.

In the example below the member is male, aged 56 years and 2 months. His accrued pensionable service is 34 years and 204 days and his final salary is £41,000 p.a.		
Age input to calculator:	56 years, 2 months	
Service used in calculation:	34 years, 204 days	
Salary used in calculation:	£41,000	
A Your Actuarially Reduced Pension:	Basic Pension £14,523	Converted: Residual Pension £11,670
B Your Actuarially Reduced Lump Sum:	Basic LS £43,569	Converted: Maximum Lump Sum £77,801
Factor used from Table 2:	0.82	
C Unreduced Pension for comparison:	Basic Pension * £17,711	
D Unreduced Lump Sum for comparison:	Basic LS * £53,133	

* The converted figures would be based on the Teachers' Pension Scheme share only, i.e. amounts shown above. (Figures rounded down to nearest £)

The Teachers' Pension Scheme will pay the 'reduced' values, A (£14,523) and B (£43,569). This means you, the employer, would pay an annual pension of C minus A and a one-off lump sum of D minus B. In this example these would be £3,188 and £9,564 respectively. As well as paying the mandatory values above, employers may be able to pay additional discretionary compensation, as previously explained.

Option to convert annual pension for an increased retirement lump sum

For those members with pensionable service on or after 1 January 2007, members have an option to convert pension into a tax-free retirement lump sum, up to the maximum allowed by HM Revenue and Customs, which is 25% of the value of the member's pension.

The calculation will differ depending on whether the member has a NPA of 60, 65 or later. Calculate the **maximum retirement lump sum** and the consequent reduction in the member's annual pension. Any decision to take the maximum lump sum will not affect the dependant's pension payable in the event of the member's death.

If a member has both final salary and career average benefits then all their benefits have to be taken at the same time.

Calculating the difference between the Scheme and employers share of the pension and lump sum

Once you've calculated the reduced and unreduced pension and lump sum, to obtain the employers share of the mandatory benefits you should:

- Take A from C for the employers share of the pension
- Take B from D for the employers share of the lump sum

Payment of Mandatory and Discretionary Compensation

Employers can put in place their own arrangements for paying their element of the lump sum and pension to your employee. Alternatively, Teachers' Pensions can provide a service to administer these payments on your behalf. This should be clearly stated by completing section B on the Premature Retirement application form.

If you do wish Teachers' Pensions to administer your share of the benefits, you'll be required to enter into a contractual agreement.

The benefits of us providing this service are:

For the pensioner:

- Both pensions are paid from one source.
- Teachers' Pensions have a dedicated call centre to ring with any queries.

For the employer:

- A full administration service to include all payment queries i.e. Tax, National Insurance, Pensions Increase and personal details change.
- Teachers' Pensions ensure that pensions are ceased in a timely manner upon notification of bereavement, with any applicable family benefits put into payment.
- Teachers' Pensions conduct re-employment monitoring. You may not be made aware of a pensioner being re-employed in another establishment. If a pensioner is re-employed without your knowledge this can cost you money. We're able to monitor this effectively as we hold relevant employment records and are made aware of any changes in circumstances.

Teachers' Pensions charge an annual administration fee for mandatory payments of £120.29 plus VAT per employee per year for providing the above service. This fee is payable for the life of the pensioner irrespective of which method of reimbursement you choose.

If you wish us to administer the discretionary payment only, the fee is £37.42 plus VAT per teacher per year. This fee is payable for the life of the pensioner and also any surviving spouse irrespective of which method of reimbursement you choose.

Last Updated: 29/02/2024 10:18

Form

Complete the premature retirement form.

[Download \(PDF, 683 KB\) \(This link opens in a new window\)](#)

Calculator

We've developed a final pension value calculator for our members.

[➤ Calculator](#)

FAQ's

Find the answers with our range of Frequently Asked Questions.

[➤ FAQs](#)

Related Information

[➤ Estimate your final pension value](#)

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[➤ Employer Factsheets](#)



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