Premature Retirement

If a member is 55 or over, then you may decide to grant premature retirement benefits if you make the member redundant, although you're not obliged to do this and it is entirely at your discretion. The minimum pension age is changing from 6 April 2028, when it will rise from age 55 to 57. Find out more about what this means **here**.

If a member is affected by the Transitional Protection changes introduced from 1 October 2023, you should read the premature retirement webpage to understand what this means.

If you do decide to grant a member premature retirement benefits you need to be aware that you will be legally obliged to pay Mandatory Compensation for the lifetime of that member. If the member has more than one employer, and the second employer has not agreed to make the member redundant, then you will cover the Mandatory Compensation for all of the member's service to their Normal Pension Age, including service with the other employers. This is assuming the member leaves pensionable service in their other employment, either by leaving that post or opting-out of their second employment.

The Scheme will pay the member an Early Retirement (Actuarially Adjusted Benefits (AAB)) pension based on the service completed by the member. You'll be required to pay the difference between that and the unreduced pension that would be payable if the pension were paid on an Age retirement basis. This is known as Mandatory Compensation. If family benefits are subsequently paid upon the member's death, they will not be reduced for Early Retirement and the scheme will pay the full amount.

Premature retirement is not an option at the end of a fixed-term contract. If you're a Local Authority and make a severance payment, premature benefits can't be paid.

Before premature retirement benefits can be paid the member must cease all teaching employment and their contract(s) of employment must end. Where a member works on a supply or casual basis, their contract must end. A non-working day is not considered as a break in service.

If a member has accrued both final salary and career average benefits then all their benefits have to be taken at the same time. You will have to pay Mandatory Compensation on both benefits.

You will be required to confirm:

- the member's proposed retirement date;
- that you accept that you will have to pay part of the member's benefits;
- how you propose to make those payments; and
- details of service and salary since your last service return or from a date required by Teachers' Pensions.

If there is any delay in providing the information the member may not receive their benefits at their retirement date / payable date.

Applications should be submitted six months before the proposed retirement date to allow those affected by Transitional Protection to make and receive their choices, but any application received more than six months from the retirement will be rejected. This is because service and salary details can change in the intervening period.

You can choose to make the Mandatory Compensation payment direct to a member yourself or can contract with Teachers' Pensions to make those payments on your behalf.

If you contract with Teachers' Pensions to make the payments you'll have to refund the Teachers' Pension Scheme for the payments issued on your behalf. This is in addition to an administration fee.

You can make the refund to the Teachers' Pension Scheme by one of three methods:

- Pay as you go where the refund is made every 3 months based on the payments made in the previous 3 months;
- On a one off lump sum basis where an actuarial calculation is undertaken using factors based on life expectancy provided by the Teachers' Pension Scheme actuary; or
- On a lump sum basis where an actuarial calculation is undertaken using factors based on life expectancy provided by the Teachers' Pension Scheme actuary but the lump sum is paid over a period of two to five years. In those circumstances interest is charged on the total payment.

In addition to the mandatory element you may decide to grant additional benefits to the member. This is known as Discretionary Compensation. Again you can choose to make these payments direct to the member or can contract with Teachers' Pensions to make those payments on your behalf. The arrangements for refunding the Discretionary Compensation are the same as those for Mandatory Compensation.

Unlike Mandatory Compensation, Discretionary Compensation does not end when a member dies but continues to be paid at a reduced rate to the spouse or civil partner after a member's death.

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FAQ

Have you read our Retirement Benefits FAQs?

FAQs

Form

Complete the premature retirement form.

Download (PDF, 683 KB) (This link opens in a new window)

Resources

Premature retirement factors.

Explore (PDF, 372 KB) (This link opens in a new window)

Related Information

- Employer Forms
- Employer Support team
- Employer Hub

Latest News

The latest policy updates and announcements about the scheme and the news that affects it:

- Latest factor changes
- Changes to Lifetime Allowance from 6 April 2024
- Finance update
- More News

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