

INTO Guide

PLANNING YOUR RETIREMENT

When you are considering retiring from teaching, either at the current retirement age of 60 or through one of the options for premature retirement, you should be considering in advance how you will maximise the benefits payable to you and how to make the retirement process go smoothly. This leaflet aims to provide an awareness of the options that may be available to you under the Teachers' Superannuation Scheme, to assist you when planning your retirement.

If you have made any elections, e.g. Past Added Years or Family Benefits, for which payments are due to continue around your retirement date, contact Teachers' Salaries Branch (preferably at least 3 months before retirement) to ascertain the options open to you with regard the outstanding payments

DEFINITIONS OF SOME OF THE TERMS USED IN THIS LEAFLET

Pensionable Employment: A period of full-time or part-time employment during which teachers' pensions contributions were, or are being, paid

Excluded Employment:

Teaching employment which would have been pensionable but for an election to opt out of the Scheme or the absence of a part-time election to join the Scheme

Reckonable Service: Service which counts for pension benefits. This can include service from pensionable employment, any service bought in by paying Past or Current Added Years, and any service credited into the Teachers' Superannuation Scheme from another pension scheme

Northern Ireland Teachers Pension Scheme

The Northern Ireland Teachers' Pension Scheme (NITPS) has undergone modifications and improvements effective from 1 April 2007.

The new provisions include a pension age of 65 for new entrants to the Northern Ireland Teachers' Pension Scheme (NITPS) alongside modifications to the current scheme for existing members from 1 April 2007 so all guidance and leaflets prior to this are obsolete.

The NITPS is a contributory scheme administered by Teachers' Pensions Branch (TPB) on behalf of the Department of Education. It is a defined

benefit 'final salary' scheme and is one of the most important and valuable benefits available to teachers. The NITPS not only provides you with a regular income after you retire but can also provide a lump sum.

It also gives financial protection to your family or other dependants after you die and enhanced benefits for early retirement on ill-health or Redunancy. Benefits are index-linked under the Pensions Increase Act.

The NITPS has approximately 26,600 current members, 11,419 deferred members and 16,585 pensioners. The Scheme's complexity arises from the wide variation in coverage offered to members.

Annual expenditure on pension benefits is estimated at £229,115K while receipt of superannuation contributions is estimated at £152,555K.

The NITPS is contracted-out of the State Second Pension (S2P) and that means the NITPS guarantees to pay benefits which are at least as high as those the state would pay. Although you will be contracted out of S2P you will receive the Basic State Pension in addition to your teacher's pension.

The NITPS is a statutory scheme subject to the Teachers' Superannuation Regulations (Northern Ireland) 1998 (as amended). Nothing stated on these pages overrides the provisions of the regulations. If you want more information on any aspects of the scheme, you can get any of the leaflets mentioned in this guide in the forms and leaflets section from this website.

Planning for Retirement

Types of retirement

Your teacher's pension is an important part of your remuneration package and a well deserved benefit. The information in this section will help you to plan well for your retirement, informing you about the flexibilities and options the Northern Ireland Teachers' Superannuation Scheme (NITPS) offers you as a valued scheme member.

For example, you may find it useful when planning for the future to:

- know how you can increase your pension benefits and
- understand the retirement process including phased retirement.

Qualification period

- To qualify for retirement benefits you must normally have two years' pensionable teaching service.

Normal Age Retirement

- Age retirement benefits are payable when you reach Normal Pension Age (NPA) or from the day after you leave pensionable employment (whichever is the later).
- If you continue in teaching after your 75th birthday, further service cannot be treated as pensionable and retirement benefits are payable from your 75th birthday.
- If you want to receive a lump sum then your benefits must be paid before you reach age 75.

Actuarially Reduced Benefit (ARB)

- You may claim retirement benefits if you are 55 or over, under NPA and have been in pensionable teaching employment on or after 1 April 2007 and leave employment.
- If you are applying for ARB and you are still in pensionable teaching, you must leave that employment with the consent of your employer before you can access your retirement benefits.
- Employers cannot withhold their consent for longer than six months from the date on which you request to leave.

- ARB is paid from the day after the last day of pensionable employment.
- If you are not in pensionable employment, you may choose the payable date, but benefits will not be paid any earlier than six weeks after the date you signed the application form.
- The actuarial reduction will apply throughout the time your benefits are in payment.

Phased retirement from age 55

- You may take phased retirement without having a break in employment provided that your pensionable salary will reduce by at least 25% for a minimum of 12 months.
- This could, for example, be because you have taken up a post of lesser responsibility or because you are working reduced hours.
- You will need to discuss this arrangement with your employer and they will be required to provide confirmation of the salary reduction on your application form.
- You may exercise this option twice before final retirement.
- You can decide how much you wish to take of the benefits you have accrued up to the commencement of phased retirement, up to a maximum of 75% of your total benefits.
- Remaining service, which must be at least 25%, will be aggregated with the subsequent service you accrue being used in any future benefit calculations.
- Phased retirement benefits taken before Normal Pension Age will be subject to actuarial reduction

Premature retirement

- Retirement benefits may be paid if you are:

a) 50 or over; or

b) 55 or over and joined the scheme on or after 1 April 2007; or

c) 55 or over for all members from April 2010

and your employer certifies that your pensionable employment has been terminated because of redundancy or in the efficient discharge of the employer's function

- There is no automatic right to premature retirement; it is at the discretion of your employer who must agree to the payment of premature retirement benefits.
- If you have any queries about premature retirement arrangements, you should discuss them with your employer. Remember that your employer may be responsible for paying a portion of the pension and lump sum.

Ill health

- Ill-health benefits may be paid if you become permanently unfit due to illness before you reach NPA.
- Further information is available in leaflet Ill-health retirement benefits.

How retirement benefits are calculated

- If you were a scheme member (existing member) before 1 April 2007, your benefits are made up of an annual pension and a lump sum that are calculated using your pensionable service and average salary.
- If you became a scheme member (new entrant) on or after 1 April 2007, you will receive only an annual pension although you may give up part of your pension in favour of a lump sum.
- There are transitional arrangements for existing scheme members who were out of service prior to 1 April 2007 and who re-enter the scheme after that date.
- For further information about average salary see the Average salary fact sheet.

Pension

- Existing member – the pension is $\frac{1}{80}$ th of the average salary for each year of pensionable service. The pension is taxable.
- New entrant – the pension is $\frac{1}{60}$ th of the average salary for each year of pensionable service. The pension is taxable.

Lump sum

- Existing member – the tax-free lump sum is $\frac{3}{80}$ th of the average salary for each year of pensionable service. If you have pensionable service on or after 1 April 2007 you may increase this lump sum by commuting £1 of pension, which will increase your lump sum by £12.
- New entrant – there is no automatic lump sum, however, to get a lump sum you can commute £1 of pension for £12 of lump sum.
- You can commute up to 25% of your total pension benefits

Redundancy Payment

When a teacher is selected for premature retirement in a redundancy situation and is dismissed from his employment by reason of redundancy, he may be entitled to receive a redundancy payment in addition to the superannuation benefits set out above. The payment is normally tax free and is based on:

- Actual continuous employment as a teacher in a recognised school and in institutions of further education;

- Contractual weekly gross pay at the date of notice, or date of leaving, if no notice is given

The redundancy payment is calculated at the rate of:

- 1.5 weeks pay for completed years over 41 years of age;
- 1 weeks pay for other completed years at age 22 but under 41 subject to an overall maximum 20 years service. Therefore the maximum payment is $20 \times 1.5 = 30$ week's salary.

Increasing your benefits

Additional pension

- You can only buy additional pension while you are in pensionable employment.
- You can buy an additional pension up to a maximum pension of £5,000 per annum. You can do this at different times in multiples of £250.
- You can pay by a lump sum or a regular monthly payment.
- Any instalment period must be completed before you reach NPA.
- Instalment payments will be subject to periodic review and may change during the period of the instalments.
- You have the option to buy personal benefits only or personal benefits and partners' benefits.
- It is not possible to buy partners' benefits only.
- If you leave pensionable employment before completing an instalment plan, you will have the opportunity to pay the balance in a lump sum or take a paid up credit.
- If you retire before completing an instalment plan you will receive a pension based on the contributions you have paid.
- If you retire on health grounds before completing an instalment plan, you will receive the full value of your additional pension provided that TPB received a valid health declaration at the start of the payment period and the payments have been made for more than 12 months.
- Additional pension benefits are index-linked from the date of the first contribution.
- Additional pension benefits are affected by any re-employment abatement.
- If you have arranged to purchase additional pension for your partner, then a pension will be paid to your surviving partner on your death.
- If you die and have only arranged to purchase additional pension for personal benefits no additional death benefits will be paid.

Additional Voluntary Contributions (AVC)

- To increase your own benefits or family benefits you can pay Additional Voluntary Contributions (AVCs).

- The money you pay is invested for you by the AVC Company and the benefits you receive depend on the value of the investment and the cost of annuities when you retire.
- You can take 25% of the fund value as a tax-free lump sum.
- AVCs do not increase the benefits you receive from the NITPS. They are a separate arrangement.
- Prudential is the AVC provider for members of the NITPS, but you can choose to make arrangements with any other provider.

Other pension arrangements

- Members of the NITPS may contribute to any other pension arrangement as well as contributing to the NITPS.
- You may wish to consult your financial advisor about other arrangements.

Transferring in

- If you have pensionable employment in another scheme, it may be possible to transfer it into the NITPS.
- You must apply within one year of entering pensionable teaching.
- Your previous scheme will offer an amount of money called a transfer value, which you can use to buy service in the NITPS.
- The service may be different to the actual length of your service in the previous scheme.

For further information see the Transfers In leaflet.

Restoring service

- If you received a repayment of your contributions before 1 June 1973 and are currently in pensionable service, you can repay those contributions and restore that service in the NITPS.
- You will have to pay compound interest at 3.5% per annum as well as repaying the original contributions.

Potential restrictions or reductions to your benefits

Possible salary restrictions

- If your final year's salary is used to calculate your benefits and you received an increase of more than 10% plus the standard salary increase, your salary will be restricted if your employer is not prepared to meet the additional cost of the difference in benefits.
- When your application for retirement benefits is received, TPB will calculate benefits using both the restricted and unrestricted average salaries.
- TPB will notify your employer of the sum required, known as the 'additional contribution'.
- If your employer pays the additional contribution, you will receive your benefits calculated using the unrestricted average salary.
- It is not possible to anticipate if this provision will apply in advance of a known retirement date.
- If you are approaching retirement and you think it is possible that your average salary might be affected, you should discuss this with your employer.
- This provision will not apply if the salary used in the calculation of your benefits is the average of the best three consecutive years' salary in the last ten years.
- Transitional arrangements apply to the average salary from 1 April 2007 to 31 March 2009. During this period, salary restrictions may apply during the final three-year period rather than just the final year.

Multiple employment

- If more than one employer employs you when you apply for retirement benefits, you must discuss your proposed retirement arrangements with all your employers.

Outstanding contributions on retirement

- If you are still paying additional contributions for purchasing additional service or family benefits from your salary when you retire, it may be possible to pay the remaining balance or for you to receive a pension based upon your payments to date.

Important Note

- If you are intending to use 30% or more of your lump sum to increase your pension benefits, this could result in Her Majesty's Revenue and Customs (HMRC) subjecting the whole of your lump sum to a tax charge of 40% and a further 15% surcharge if the proportion of your lump sum that you use exceeds 25% of your pension rights in the scheme.
- If you are retiring on or after NPA and the contributions relate to additional family benefits, you will be required to pay the full amount of outstanding contributions.
- Any outstanding amounts are deducted after any actuarial reduction has been applied.

Pension sharing

If your benefits are subject to a pension sharing order, you should read this leaflet in conjunction with the leaflet Pensions on Divorce and Dissolution.

Index-linking

- Your pension will be increased annually each April in line with the Retail Prices Index (RPI), in order to maintain its purchasing power.
- The rate of increase will not mirror any rate of increase in teachers' pay; it may be higher or lower.
- If your pension is paid before your 55th birthday, this increase will not be paid until after that birthday unless you have been prematurely retired and have dependent children or you are incapacitated in which case benefits are increased annually regardless of your age

Lifetime Allowance (LTA)

- The LTA takes account of the total value of an individual's pension benefits, excluding state benefits and dependants' pensions, across all registered schemes.
- The amount of the allowance in 2006/07 is £1.5 million and this will increase annually.
- When retirement benefits are drawn, the value of all pension scheme benefits are added together and tested against the LTA.
- Any benefits above the LTA will be subject to a tax charge.

To assess whether you would be affected the following formula should be applied to your benefits:

$$(\text{Annual Pension} \times 20) + \text{Lump Sum} / \text{Lifetime Allowance} \times 100 = \text{LTA}\%$$

- If the percentage exceeds 100%, you will be liable for the LTA charge unless you have a transitional protection certificate.

How to apply for benefits

- You can obtain the relevant application form from your employer.
- You can also download the forms from the Forms and Leaflets section of the website.
- Many members retire at a common date, usually the end of a school term, so you should aim to complete and submit your retirement application early, at least four months before peak dates.
- If you are paying extra contributions and the contribution period will go beyond your retirement date, please contact TPB about the outstanding payments.

- The date you receive each pension payment will be the last working day of the month.

Returning to work as a teacher after receiving a teacher's pension

- You must inform TPB immediately if you take up any teaching employment.
- If you are in receipt of ill-health benefits, your pension will cease.
- If you take phased retirement and continue in pensionable employment, your pension will not be reduced and subsequent service will be pensionable. If the conditions of your new employment subsequently change, you should notify TPB to confirm whether your pension will be affected.
- If you retired on Actuarially Reduced Benefits, any subsequent employment will not cause your pension to be reduced. If you retire on premature or age grounds then, depending on level of earnings, your pension may be reduced.
- If you become re-employed in teaching after receiving your pension following final retirement, that employment will not be pensionable.
- All future employment covered by the NITPS or by the teachers' schemes in Scotland and England and Wales may affect your pension.
- For further information about returning to work, see the 'Returning to work after receiving pension benefits' fact sheet

Additional voluntary contributions outside scheme

Additional Voluntary Contributions (AVC) with the Prudential

The Education Departments in the UK have negotiated a Teachers' Additional Voluntary Contributions scheme with the Prudential Assurance Company.

You can choose to pay additional voluntary contributions to the Prudential in order to buy extra pension benefits. You may pay AVCs to increase your own pension, any dependants' pensions, the death gratuity, or any combination of these. You agree with the Prudential the amount which you wish to pay (subject to HM Revenue & Customs limits) and deductions are made from your salary.

The Prudential provide an information pack upon request and may be contacted at:

*AVC Customer Services
Prudential
Craigforth
Stirling
FK9 4UE*

Customer Call Centre: 0845 070 0007

Extra benefits entitlement through AVCs is paid separately by the Prudential. The Department's only role is to advise the Prudential of the date from which your pension becomes payable and of the maximum pension which you are entitled to receive under HM Revenue & Customs' rules.

NB INTO cannot advise you about which type of AVC you should choose. You may wish to obtain advice from an Independent Financial Adviser

Transfer of pensionable service

When you join the Northern Ireland Teachers' Superannuation Scheme (NITSS) you may be eligible to transfer pensionable service from a previous scheme, including an overseas scheme, as long as the previous scheme meets HM Revenue and Customs and Department of Social Security requirements, and, you apply for a transfer within 12 months of entering pensionable employment. The requirement to apply within 12 months of joining the NITSS does not apply to the transfer of previous service from the teachers' pensions schemes in Scotland, England & Wales and the Isle of Man.

On receipt of all the relevant information from your former scheme you will be provided with the estimated service credit that your former benefits will purchase in the NITSS. The transfer will not proceed until you have completed an option form confirming that you wish the transfer to proceed. Once payment of the transfer value has been received, you will be informed that the transfer process has been completed and the amount of service purchased in the NITSS will be confirmed.

If you want to transfer pension rights out of the Northern Ireland Teachers' Superannuation Scheme, we require a formal application from your new scheme. You should contact your new scheme and ask them to write to us seeking a transfer on your behalf. On receipt of the application we will calculate a transfer value and forward this to your new scheme. They will then forward this to you along with an option form for you to complete. Once the signed acceptance has been received together with a request for payment from your new scheme, payment of the transfer value will be made.

Transfers to overseas schemes are also allowed provided you and the scheme meet certain requirements.

The Department has power to extend the time limits in which the application for transfer of pension rights from a previous scheme may be made. However, this power is used only where there are sound reasons for doing so. Even where the time limits are extended the member may still suffer considerable loss in terms of the service in the Teachers' Pensions Scheme which the transfer value purchases. The amount of loss depends on the difference between the person's salary and age while subject to the previous scheme and his/her salary and age in the Teachers' Pensions Scheme at the time the transfer value is received. The terms under which transfer values are received in schemes funded

by HM Treasury are decided by the Government Actuary's Department. The Department has no scope for discretion in this matter.

Calculation of benefits

Qualifying service for benefit

Providing you satisfy the necessary age requirements you qualify for benefits by completing either:

- Two years of pensionable service commencing after 5 April 1988; or
- A total of two years pensionable service either before or after 6 April 1988 providing you were employed in pensionable service on 6 April 1988; or
- A total of five years service undertaken at any time.

NOTE: Current Added Years count towards the qualifying period for benefit whereas Past Added Years do not.

If you are employed in part-time pensionable service, the whole period of your part-time employment counts towards the minimum qualifying period. For example, if you work half time for a year this would count as one year for qualification purposes but only as 6 months for the calculation of your pensionable service.

Pensionable service

Pensionable service for calculation of benefits includes:

- Periods of temporary, part-time and permanent service for which you have paid superannuation contributions;
- Pensionable service transferred from previous pensionable employment to the Teachers' Superannuation Scheme;
- Any past or current added years purchased.

QUESTIONS

1. When do I qualify for benefits?

Normally at age 60, providing you have retired from service. If you remain in service after age 60, benefits are payable when you eventually retire from pensionable service.

A woman teacher who first entered reckonable service before 1 April 1972 and has completed 30 years' reckonable service, which may include service transferred in from another scheme, may retire on or after attaining the age of 55.

2. How are my pension and lump sum calculated?

Your pension and lump sum calculations are based on the following formulae: -

Pension

$1/80\text{th} \times \text{Average Salary} \times \text{Pensionable Service}$

For example

Average Salary = £16,000: Service = 40 years

Pension = $1/80\text{th} \times £16,000 \times 40 = £8,000$ per annum

Lump sum

$3/80\text{ths} \times \text{Average Salary} \times \text{Pensionable Service}$

For example

$3/80 \times £16,000 \times 40 = £24,000$

3. What is average salary?

Average salary (also known as Pensionable Pay) is the earnings of the 365 consecutive (but not necessarily continuous) days of pensionable

service, during the final 1,095 days of pensionable service, which are most advantageous to you.

4. What if I work part-time?

When calculating the average salary for a period of part-time employment, that employment (for average salary purposes only) is deemed to be full-time. If you are job-sharing, your salary for the last year of employment is deemed to have been full-time. However, you are credited only with the service actually worked.

5. If I am contributing to the Scheme from a full-time employment and a part-time employment, are my earnings from these employments combined when calculating average salary?

No. In these circumstances electing that your part-time employment be pensionable could reduce your pension benefits. This could happen if the part-time employment is paid on a lower salary scale.

6. If, during the same period(s), I have been concurrently contributing to the Scheme from several part-time employments, will my earnings from all these employments be combined when calculating my Average Annual Salary?

Yes. In those circumstances your average salary might be calculated over less than 365 calendar days. The Average Salary is the earnings of 365 pensionable days, not calendar days

7. How does part-time employment count towards Pensionable Service?

The amount of earnings of a period of part-time employment is divided by the annual salary rate prevailing during that period and the result multiplied by 365. If the annual salary rate is £20,000, you work part-time 2 days per week from October to February and earn £2,000 you would generate 36.5 days of pensionable service.

All service is counted in years and days and benefits are calculated on your total pensionable service at retirement.

NOTE: Pensionable Service is restricted to a maximum of 40 years at age 60

8. Am I entitled to benefits should I retire early due to ill-health?

If you are aged under 60 and you believe that you are no longer able to teach due to ill-health you may apply, through your employer, for ill-health retirement benefits.

9. If I am prematurely retired by my employer am I entitled to early payment of benefits?

If you are aged 50 or over and your employment is terminated by your employer on grounds of redundancy or in the interest of the efficient discharge of the employer's function then you may be entitled to premature retirement benefits.

These benefits are calculated in the same way as the normal retirement pension and lump sum allowance. However, your benefits may be supplemented **at the discretion of your employer** by awarding compensation (additional years) which vary according to your years of pensionable service.

10. How do I apply for Pension and Lump Sum?

Application should be made on Form TP4 (obtainable from the Department) at least 4 months before the date you intend to retire.

Ill health retirement benefits and re-employment

Re-employment by people in receipt of ill health retirement benefits (IHRB), Partial Incapacity Benefit (PIB) and Total Incapacity Benefit (TIB).

Your entitlement to continue to receive a pension from the NITPS will depend on:

- whether you return to teaching employment or non-teaching employment;
- the date your retirement benefits were put into payment;
- the type of benefit:

-if your pension application is received before 6 April 2007, you will be in receipt of IHRB,

-if your pension application is received on or after 6 April 2007, you will be in receipt of (i) PIB only, or perhaps (ii) TIB in addition to PIB.

You will automatically cease to be entitled to the pension if:

- you are in receipt of a PIB plus TIB and you take up gainful employment. Any gainful employment would cause a TIB to stop immediately;
- you are in receipt of a PIB and you take up employment as a teacher or in another educational capacity covered by the NITPS.
- you are in receipt of IHRB and you retired before 31 March 2007 and you return to full or part-time teaching employment;
- in other circumstances it may be necessary for the Department of Education medical advisers to review your entitlement to the pension.

You must always notify Teachers' Pension branch of all teaching and non-teaching employment as this may affect your entitlement to continue to receive the pension

INVESTING MY LUMP SUM

INTO legally cannot advise members on the best means of investing their lump sum. INTO advise members should to contact a financial advisor approved by the Financial Services Authority in relation to this matter.

