

## **PENSIONS and RETIREMENT**

### *What happened last year?*

Last year ending 31 August 2009, the Department of Education attempted to change pension and premature retirement arrangements. The main effect of the change is that the employing authority i.e. Education and Skills Authority (ESA), from when it is established, will have to pay the additional costs of teachers' premature retirement. In the likely circumstances that ESA will not have the funds to do so, the intention is that teachers will be awarded a severance payment, which would be the equivalent of double the redundancy payment due. In most cases this would amount to about one year's salary.

The Department's strategy was based on the Teachers' Pension Scheme being broke and to bring arrangements into line with England and Wales – where this change was made a decade ago. However under the Belfast [Good Friday] Agreement 1998, Government Departments must undertake an Equality Impact Assessment [EqIA] on policy changes such as this.

An INTO member challenged DE for not undertaking an EqIA. On June 28<sup>th</sup> Minister Ruane MLA pulled the plug. As a result the 193 teachers who retired in August having been made redundant got access to their pension, their pension lump sum and a redundancy payment.

### *What is likely to happen this year?*

The Department is now conducting an EqIA. The consultation period will finish at the end of January. INTO is arguing for the change to be phased in over a two year period. No amendments are likely to be made however. The Department intends to introduce Regulations introducing the change before 1 April 2010.

If this happens and it is likely, teachers retiring prematurely – even in school closure or redundancy situations will only be able to access their pension / lump sum on an actuarially reduced basis – they will need to make application to their employer for this. Teachers' being made redundant will get instead a severance payment, which would be equivalent to double their redundancy payment. Some teachers will benefit. Those 58+ may actually be better off taking their double severance payment and then taking their pension and lump sum once they hit their 60<sup>th</sup> birthday. And teachers over between 60 and 64 [a tiny group] will definitely benefit from the double redundancy payment – assuming they are being made redundant of course.

There is a small chance that the Department will not get its act together to implement the Regulations by 1 April 2010, for whatever reason. With good reason the 'cock-up' factor in what passes for politics in Northern Ireland is remarkably prevalent. Should this happen, the status quo will prevail and redundant teachers will retire with pensions and lump sums based on their reckonable service along with a redundancy payment.

*What about actuarially reduced pensions?*

Excuse the gobbledegook. Actuarially reduced pensions are daylight robbery. For teachers 55 to 60 the Scheme charges teachers for the pleasure of getting early access to their pension and lump sum. A teacher who applies for actuarially reduced benefits will lose approximately 5% of their lump sum for each year of service between 55 and 60.

Bearing in mind that each year of a teacher's pension is worth over £20,000, this could be the equivalent of losing up to £100,000.

So the advice on actuarially reduced pensions is BEWARE in capital letters. It is an option only for the filthy rich-not teachers.

*Has the age for premature retirement changed?*

Yes. From April 1<sup>st</sup> 2010, the minimum age for access to premature retirement to the teachers' – and indeed all publicly funded pensions' schemes changes to 55 from 50. Effectively this means that teachers under 55 will only have access to redundancy payments in future. Being able to access an actuarially reduced pension at 55 is really not a viable option for teachers.

*But I am 55 and slaughtered with the workload. My kids are going through university. What can I do?*

Yes the change agenda in Northern Ireland is completely mad. Since April 2007 phased retirement arrangements for teachers in the Northern Ireland Pensions' Scheme have been introduced. They apply to principals, vice-principals and teachers. Surprisingly, only 5 teachers have availed of this option. One reason may be that the option has not been well advertised but it is a flexibility that provides income security as one approaches retirement which members should consider. Contact INTO for more details.

A winding down scheme is also being considered in the Teachers' Negotiating Committee. This would be beneficial to teachers – as well as providing employment opportunities for our young unemployed teachers. It is likely to cost a small amount of money so don't hold your breath waiting for it. O to be a banker!

*My goodness! Is there any good news?*

Not a lot. Teachers' salaries and pension administration transfer soon to the Education and Skills' Authority [ESA]. As part of this change, DE has awarded a contract to Capita Hartshead to facilitate

the administration and payroll processes involved in the overall operation of the Ni Teachers' Superannuation Scheme.

Benefits to members will be access to more information to help you make retirement choices. For the first time combined benefits statements [joint forecasts of occupational and state benefits on retirement] will be issued; members will be able to access their records on-line; carry out their own forecasts, do some modelling and notify a change of personal details. Hurray!