

The Teachers' Pension Scheme (TPS) is changing on 1 April 2007. This is the result of agreement by the five teachers' unions and the Department of Education. The revised scheme aims to be more relevant to the needs of members and employers with important new flexibilities and some existing provisions removed. More information on pension changes will be circulated by Northern Office to schools in the period running up to 1 April 2007.

#### ***Teachers' Pensions – New Flexibilities***

From 1 April 2007, new phased retirement provisions will allow members to draw up to 75% of their accrued benefits, while continuing to work in a reduced capacity. This "Winding Down scheme" was a key recommendation of the Curran Independent Enquiry into teachers' salaries and conditions of service.

While calculating the salary on which benefits will be paid, Teachers' Pensions will now take into account salary in the **ten** years leading up to retirement. This aims to support those members whose highest salary is not in the final years before retirement – such as those who want to move to a post of lower responsibility without affecting their pension.

The new scheme also allows employers to buy additional pension on behalf of employees. This will enable employers to support teachers in managing their transition to retirement in a way that suits both parties.

#### **Contribution Rates**

- Member contribution 6.4%
- Employer contribution 14.1%

Employer contribution rates to the TPS increased on 1 January 2007 to 14.1% with member rates increasing to 6.4%.

#### ***Retirement Dates***

From 1 April 2007, new entrants to the TPS will have Normal Pension Age (NPA) of 65 and will accrue benefits of a rate of **1/60<sup>th</sup> per year**. No automatic lump sum will be payable, although members will be able to commute annual pension into a lump sum at a rate of £1.00 of pension for £12.00 of lump sum.

Existing members will continue to accrue benefits at a rate of **1/80<sup>th</sup> per year**, plus a lump sum of 3/80<sup>ths</sup>. They will now have the option to commute annual pension into more lump sum up to a maximum of 25% of the fund value.

#### ***New Ill Health Retirement Arrangements***

The criteria for being awarded ill health retirement pension is not changing. However, a 2-tier ill health arrangement will operate from 1 April 2007. This means that the level of benefits paid will now depend upon the seriousness of the member's condition.

##### ***- Partial Incapacity Benefits –***

Members who are too ill to teach but may undertake other gainful employment outside of teaching will receive the immediate payment of their accrued benefits, but without the enhancement. This is known as Partial Incapacity Benefit (PIB).

##### ***- Total Incapacity Benefits –***

Members who are too ill to undertake any gainful employment will receive immediate payment of their benefits plus an enhancement equal to half the prospective service up to the member's Normal Pension Age (NPA). This is known as Total Incapacity Benefit (TIB). Here, for example, a 30-year old teacher with a NPA of 60, would receive 15 years enhancement on top of their accrued service.

**Members please note that the final date for receipt of applications for ill health retirement under the current provisions i.e., 6 and 2/3 years enhancement will be 31 March 2007.**

#### **Automatic Scheme Membership for Part-timers**

From 1 April 2007, all new entrants to teaching, whether part-time or full-time, will automatically become members of the scheme unless they chose to opt out and complete the appropriate form. INTO strongly recommends that all teachers maintain their membership of the TPS.

#### **Buying Additional Annual Pension**

The current arrangements which allow members to buy Past and Current Added years will no longer be available after 31 March 2007. From that date all members in pensionable service will be able to buy amounts of additional annual pension to increase benefits payable at their NPA. Members will be allowed to take their additional pension earlier than NPA but this will be subject to an actuarial reduction.

Actuarial reductions will now be available in Northern Ireland post 1 April 2007. They are financially punitive to members and INTO advises teachers against using this facility. The "Winding Down Scheme" provisions are more attractive and more teacher-friendly.

Members will be able to buy up to £5,000 of additional annual pension in multiples of £250. Employers can buy additional pension with a lump sum, although members can pay by a lump sum or by monthly salary deductions. Members can elect to buy either personal benefits only or personal and dependents' benefits. The cost of the additional pension will depend on a number of factors including sex and age. Illustrative costs will be available on the INTO website soon.