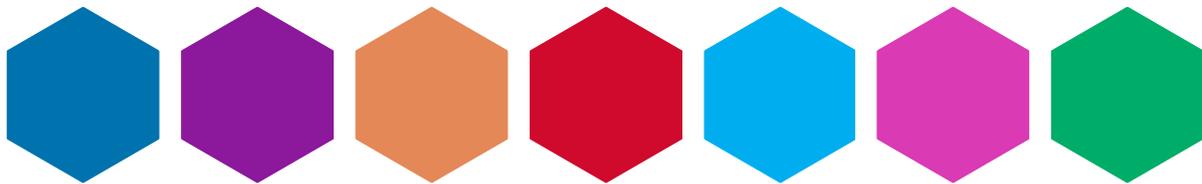




Northern Ireland Teachers' Pension Scheme

Factsheet 4



Retirement

Introduction

Factsheet 4 provides members with awareness about the different types of retirement and when they may retire.

Retirement benefits are not paid automatically and a member has to complete an application form which is available from the Departmental website. Members should ensure that their applications are submitted four months before their proposed retirement date.

The factsheet will give members an awareness of:

- Qualification
- Age retirement
- Actuarially adjusted/early retirement benefits
- Premature retirement
- Phased retirement





Qualification



A member must have at least two years' service to qualify for pension benefits from the NI Teachers' Pension Scheme (NITPS).

A member's service may be in final salary or career average or a combination of both arrangements.

The earliest retirement benefits can be paid is age 55, unless a member has been granted ill-health benefits. Further information regarding ill-health benefits can be found in '[Factsheet 2: ill-health arrangements](#)'.

Age retirement

Schemes in the NITPS

NPA 60 Scheme

- refers to members who joined the NITPS on or before 31 March 2007. Normal Pension Age is 60 and pension is determined by final salary arrangements.

NPA 65 Scheme

- refers to members who joined the NITPS between 1 April 2007 and 31 March 2015. Normal Pension Age is 65 and pension is determined by final salary arrangements.

Career Average Scheme (Normal Pension Age equals State Pension Age)

- refers to members who transitioned from NPA 60 or NPA 65 schemes to the career average scheme on or after 1 April 2015, and pension accumulated going forward is based on career average arrangements, while pension accrued up to 31 March 2015 is based on final salary arrangements; or
- refers to new entrants to the NITPS on or after 1 April 2015 and pension is based on career average arrangements only.





When can a member retire?

Once a member has reached their normal pension age (NPA), and providing they are out of pensionable service, a member can claim their retirement benefits without actuarial reduction.

From age 55 to member's NPA

Member of NPA 60 or NPA 65 Scheme

If a member has reached their final salary normal pension age ie 60 or 65 and is not in pensionable service, the member can choose to claim their retirement benefits from their final salary scheme.

Member of NPA 60 or NPA 65 Scheme and Career Average Scheme

If the member has pension accumulated in both the final salary and career average arrangements, the member can choose to delay claiming the career average benefits if they have not reached the appropriate normal pension age in the career average arrangements; or the member can choose to claim the career average retirement pension at the same time as final salary (ie at normal pension age 60 or 65). However in this instance this is treated as early retirement from the career average scheme and the benefits will be reduced as they are going to be paid before the member's normal pension age.

If a member has accumulated pension in both final salary and career average arrangements and has not reached normal pension age in their final salary (ie NPA 60 or NPA 65 scheme) or career average scheme, the member can choose to take early retirement. However, this will result in the member claiming their retirement pension from all corresponding schemes (ie final salary and career average) and their retirement pension will be reduced as it is being claimed before their normal pension age in their respective final salary and career average schemes.





Actuarially adjusted benefits/reduced benefits and early retirement

It is possible for a member to take their benefits before they reach their normal pension age provided they are aged 55 or over and are leaving service. In this instance the member's retirement benefits will be actuarially reduced to reflect that their benefits are being paid before they reach their normal pension age.

If you are a transition member and have service in the final salary and career average arrangements, you will have to take all your benefits (final salary and career average) at the same time and these will be actuarially reduced.

Actuarial reduction for the NITPS 2015

Age	Actuarial reduction
Age 55-65	Actuarial reduction is approximately 5% per year
Age 66-68	Actuarial reduction is approximately 3% per year for a maximum of 3 years.

Example 1: If an active member has a NPA of 68; and is a member of the career average scheme only and decides to retire at the age of 65, how will their retirement benefit be impacted?

If the member retires at age 65 instead of their normal pension age of 68 their benefits would be reduced by 9% as the member has taken their benefits early as follows:

Year 1 = Age 65-66 incurs 3% reduction

Year 2 = Age 66-67 incurs 3% reduction

Year 3 = Age 67-68 incurs 3% reduction

Total actuarial reduction approximately 9%.





Example 2: If an active member has an NPA of 68; and is a member of both the NPA 65 scheme and career average scheme and decides to retire at the age of 64, how will their retirement benefit be impacted?

If the member retires at age 64 instead of their normal pension age of 68 their -

NPA 65 Scheme

NPA 65 benefits would be reduced by approximately 5% as the member has taken their benefits early as follows:

Year 1 = Age 64-65 incurs approximately 5% standard reduction

NPA 65 Scheme total actuarial reduction is approximately 5%

Career Average (2015 Scheme)

Career average benefits would be reduced by approximately 14% as the member has taken their benefits early as follows:

Year 1 = Age 64-65 incurs approximately 5% standard reduction

Year 2 = Age 65-66 incurs 3% reduction

Year 3 = Age 66-67 incurs 3% reduction

Year 4 = Age 67-68 incurs 3% reduction

Career Average total actuarial reduction is approximately 14%.

Premature retirement

If a member is over 55 and their employer decides to terminate their employment, the employer may grant the member premature retirement. Premature retirement is not an automatic right and the decision to grant premature retirement rests with the employer as they will be required to pay the cost of the premature retirement as and when it takes place.





Phased retirement



Phased retirement provides for a managed transition from work to retirement by enabling members to continue working in the education profession in a reduced capacity by moving to a part-time position or relinquishing some of their responsibilities. In addition members may choose to supplement their reduced income by accessing some of their pension benefits.

Features of phased retirement

The features of phased retirement within the NITPS are as follows:

- reduced salary of at least 20% for a minimum of twelve months;
- draw down can be taken on:
 - two separate occasions for final salary arrangements; or
 - three separate occasions for career average arrangements - but only two before age 60;
- benefits taken early, ie before normal pension age, would be subject to an actuarial reduction;
- there is no qualifying period for future service;
- a member will have six months from the date of leaving their higher paid post to find a new position with the 20% reduction in salary. The member also has three months to make an application for phased retirement from the date they find the new position. The phased retirement will be payable to the member from the date they commence the new position;
- members are able to decide how much of the total benefits they have accrued they want to access up to a maximum of 75%. Remaining service will be added to any future service after claiming phased retirement benefits and then used in future benefits calculations;
- if members have retirement benefits in final salary and career average arrangements they are able to decide which scheme to access and the percentage of benefits accessed; and
- if a member is taken ill after commencing phased retirement they are still able to apply for ill-health benefits based on their remaining service in the NITPS.





Who can take phased retirement?

Phased retirement is available to members who are aged 55 and over, and, with the agreement of their employer, they are able to change the capacity in which they are working so that their pensionable salary is reduced by at least 20% compared to the average salary in the previous six months.

Members should note that the 20% reduction in salary must be for at least twelve months or the phased retirement will cease.

How many phased retirements can a NITPS member access?

Final salary arrangements

- a member of the final salary arrangements can take up to two phased retirements from age 55 before their retirement in the NPA 60 and NPA 65 schemes.

Career average arrangements

- a member of the career average arrangements is able to take 3 phased retirements before finally retiring, but only two can be taken before they are aged 60.

How much pension benefits can a member take from their accrued pension?

A member is able to take up to a maximum of 75% of the total pension benefits they have accumulated in the NITPS.

If a member has benefits in the final salary and career average arrangements the member can choose to take their benefits from final salary or career average only or a combination of both and they can choose what percentage applies to which scheme.

However, please note: if a member takes their benefits early these will be actuarially reduced (approximately 5% per year before age 65 and 3% per year to their career average normal pension age - maximum period of 3 years). The actuarial reduction is because the member is claiming their benefits before their normal pension age.





What happens if my salary exceeds the 20% reduction in the 12 months period?

If a member's salary exceeds 20% there are financial implications which result in:

- ◆ a member's application being cancelled;
- ◆ future pension payments being suspended;
- ◆ there could also be an unauthorised payment charge from HMRC if the member received a lump sum payment.

What happens to service that is not used in phased retirement?

A member's remaining service, which must be at least 25%, will be added to any subsequent service the member accrues and will be used in any future benefit calculations.

What happens if a member takes ill after starting their phased retirement?

If a member has started phased retirement then they may apply to receive ill-health benefits based upon their remaining service in the NITPS.

Does a member's employer need to be involved in an application for phased retirement application?

A member can only access phased retirement benefits if they are moving to a part-time position or relinquishing some of their responsibilities with the agreement of their employer.

The member's employer will need to certify that the member has taken up, or will take up a lower paid appointment which meets the criteria of phased retirement. The appointment could be with a different employer.





Phased retirement example

Example 3: fully protected member applies for partial retirement.

A fully protected member of the NPA 60 scheme is 55 years of age, their normal pension age is 60, and has an annual salary of £40,000 with 30 years' total service.

The member, with the agreement of their employer, takes partial retirement and the member reduces their duties and salary by £10,000 to £30,000 and decides to access 50% of their pension benefits immediately.

The member will access the following retirement benefits:

$$\begin{aligned} & 50\% \text{ of their Annual pension} \\ & = \left(\frac{£40,000 \times 30}{80} \right) \times 50\% \\ & = £15,000 \times 50\% \\ & = £7,500 \end{aligned}$$

As the retirement pension is being taken before their NPA of 60 this is reduced by approximately 5% per year before their NPA ie $5 \times 5 = 25\%$

$$\begin{aligned} & \text{Reduced pension} \\ & = £7,500 - (£7,500 \times 25\%) \\ & = £7,500 - £1,875 \\ & = \text{approximately } £5,625 \text{ per year} \end{aligned}$$

Plus Lump Sum = 3 x reduced pension = approximately £16,875

The member will also receive a reduced annual salary of £30,000

If the member decides to continue working for an additional 5 years, they will receive a further lump sum and further pension based on 15 years service (30-15, ie the remaining 50% in respect of their annual pension) plus 5 new years' service. The Department will determine the average salary based on the best consecutive three years' salaries in the last 10 years as this could result in a higher salary than the salary used in the partial retirement calculation.

Where there is any difference between the legislation governing the NI Teachers' Pension Scheme and the information in this factsheet the legislation will apply.

