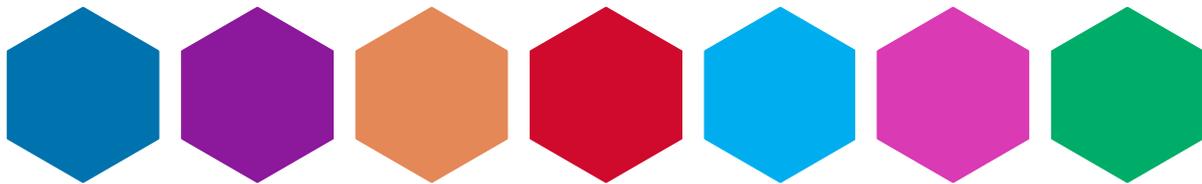




## Northern Ireland Teachers' Pension Scheme

# Factsheet 6



## Increasing your pension benefits

### Introduction

Flexibilities (faster accrual rate and actuarial buy-out) will be available from 1 April 2015 and are only available to members who are part of the career average arrangements.

It is important that members understand which arrangement they are in (please refer to [Factsheet 1 'An Introduction to the Changes to the NITPS From 1 April 2015'](#) section 'How will I know what type of member I am?').

Factsheet 6 provides NI Teachers' Pension Scheme (NITPS) members with an awareness of the various options and flexibilities available in the NITPS for members to increase their retirement pension.

It will give members an awareness of:

- ◆ Additional Pension
- ◆ Additional Voluntary Contributions (AVCs)
- ◆ Flexibilities
  - Faster Accrual
  - Actuarial buy-out





Before making any decisions, members may wish to consult an independent financial advisor before proceeding with options to increase their pension. There may be a charge for such advice and this will be a cost that the member must bear.

### Additional Pension

Additional Pension is an option for all NITPS members, those in final salary and career average arrangements.

Additional pension can either be bought for the member only or to provide member and dependants' pensions.

Additional pension purchased is re-valued annually by the Consumer Prices Index (CPI) up to the date of retirement.

The cost of the additional pension is dependent on the member's age, Normal Pension Age (NPA) at the time of purchase and the scheme the member belongs to.

#### **Fully protected or tapered/partial protection member**

- If a member has an existing additional pension election in final salary arrangements, this arrangement will continue;
- Members can purchase further additional pension subject to HMRC limits - currently £6,300 for the 2015/2016 financial year for final salary schemes:
  - However tapered/partial protection members are only able to purchase further additional pension in final salary arrangements as long as they have not moved to the career average scheme.

#### **Career Average**

- Members who are part of the career average arrangements are able to purchase additional pension subject to HMRC limits - currently £6,500 for the 2015/2016 financial year.
  - Please note: for members who are purchasing additional pension in final salary arrangements there are separate limits for final salary and career average.





### How is additional pension purchased?

Additional pension can be:

- ◆ Purchased up to a maximum of £6,300 (final salary arrangements) or £6,500 (career average): these limits are set annually by HM Treasury.
- ◆ Purchased in multiples of £250;
- ◆ Paid by a lump sum or a regular monthly payment with the maximum length of the contract being 240 months or 20 years
  - Monthly payment must be completed the month before the member reaches their respective normal pension age.

#### Example 1: Additional pension

If a member, who is aged 40 and has a NPA of 68, decides to buy £250 of additional pension and retires at 68, the additional pension would be re-valued to £379.31 (assuming index linking using CPI as 1.5% per annum) or £499.12 (assuming indexation linking using CPI at 2.5% per annum).

### Additional Voluntary Contributions (AVCs)

All members of the NITPS can also pay additional contributions into the Scheme's AVC provider, Prudential.

The money you pay in is invested for you with the AVC provider and the benefits you receive will depend on the value of your investment.

Further information is available by calling 0845 070 0007 or using the following link:  
[www.pru.co.uk/teachers](http://www.pru.co.uk/teachers)

Members do not have to choose Prudential and can make other arrangements with any other AVC provider.

Please note: AVCs do not increase the benefits you receive from the NITPS. They are a separate arrangement.





### Flexibilities

Flexibilities (faster accrual and actuarial buy-out) are only available to career average scheme members.

However, partial/tapered members will also be able to access career average flexibilities once their protected period has expired and they have joined the career average scheme.

The Government Actuary's Department has supplied the Department with the cost of the factors to determine faster accrual and actuarial buy-out. If members choose to avail of flexibilities they should contact Teachers' Pay and Pensions Team.

#### **What happens if a member has more than one employer and chooses to make flexibilities election?**

If a member has more than one employer, they are required to notify the Department and employer that they wish to make the flexibilities election.

If a member makes a faster accrual election they can choose to have different rates of deduction from each employer, provided they do not exceed their overall flexibilities limit which is set by HM Treasury - currently the limit is £6,500 for the 2015/2016 financial year.

If a member elects for the actuarial buy-out flexibility, then it applies to all their employments.

### Actuarial buy-out

Members in career average can pay additional contributions, which allows them to retire from 65 but before their normal pension age (NPA) without their benefits being actuarially reduced.

Members can purchase 1, 2 or 3 years' buy-out dependent on their NPA. Contributions are paid throughout their career and members need to appreciate that this is a long term commitment. The rate a member pays may change throughout their career.





**The cost of the actuarial reduction is dependent on the member's age at application** and this would be payable monthly throughout a member's entire career average membership.

For members to avail of the actuarial buy-out flexibility, members **must make an election within 6 months of entering the career average scheme** as this flexibility is only available when the member joins the career average scheme.

However, please note, if a member dies while purchasing actuarial buy-out, any benefits paid to their family will not be affected, nor will any actuarial buy-out contributions be refunded. If a member continues to work until their career average normal pension age or retires on ill-health grounds, the member's benefits will not be adjusted nor will the actuarial buy-out contributions be refunded.

### **Example 2: Actuarial Buy-Out**

In career average, from 1 April 2015 a member has the option to buy-out the actuarial reduction from age 65 to their normal pension age (maximum 68) but this **must be done within 6 months of entering the career average scheme**.

Actuarial reduction from age 55 to age 65 is approximately 5% per year.

From age 66 to 68 the actuarial reduction is 3% per year for a maximum of 3 years.

If the member decides to buy-out their actuarial reduction from age 66-68 the following applies:

- member with a NPA of 66 can buy-out 1 year actuarial reduction.
- member with a NPA of 67 can buy-out up to 2 years' actuarial reduction.
- member with a NPA of 68 can buy-out up to 3 years' actuarial reduction.

## Faster Accrual

### **What is Faster Accrual?**

A member can elect to pay higher contributions in career average to earn a higher pension in retirement.





The normal rate of accrual or growth in career average is based on  $1/57^{\text{th}}$  of their actual earning for that year.

Members can pay higher contributions so that growth in their pension can be  $1/45^{\text{th}}$ ,  $1/50^{\text{th}}$  or  $1/55^{\text{th}}$  of their actual earnings for that year.

### When does a faster accrual election start and end?

Each Faster Accrual election lasts for one financial year (1 April to 31 March). An election must be made in the year before the member wants it to take effect. This would ideally be before the end of January to allow the Department and employer to process the election before 1 April.

However, if a member enters teaching mid-year they can make an election for the remainder of that year, but the member must make it within one month of entering service.

### Example 3: Faster Accrual

In career average the standard accrual rate is  $1/57^{\text{th}}$  of pensionable earnings. A member can elect to purchase a Faster Accrual by paying higher contributions for a particular scheme year which runs from 1 April to 31 March. Any Faster Accruals purchased will attract either in-service indexation using CPI + 1.6% (whilst the member is in active service) or CPI only (if the member is deferred).

Faster Accrual rates can be  $1/55^{\text{th}}$ ,  $1/50^{\text{th}}$  or  $1/45^{\text{th}}$

If a member's earnings from 1 April 2015 to 31 March 2016 are £33,000, and a member elected to pay a Faster Accrual rate, the following additional benefits would be added to their career average benefits:

Accrual Rate	Pension bought in one year	Extra pension from higher accrual
$1/57^{\text{th}}$ (standard)	£578.95	n/a
$1/55^{\text{th}}$	£600.00	£21.05
$1/50^{\text{th}}$	£660.00	£81.05
$1/45$	£733.33	£154.38

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

