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Northern Ireland Teachers' Pension Scheme

Factsheet 5

Breaks in service and transfers

Introduction

Factsheet 5 provides NI Teachers' Pension Scheme (NITPS) members with an awareness of how breaks in service can impact the benefits a member receives when they retire. This will help members to make informed decisions regarding the length of their continuous break in service. In addition the factsheet will also give members an awareness of Links to Final Salary and Club Transfers.

Qualifying and Disqualifying breaks in Service

There are two types of break in service: qualifying and disqualifying.

Qualifying A qualifying break in service is where a member is out of pensionable service for 5 years or less.

Disqualifying A disqualifying break in service is where a member is out of pensionable public service for more than 5 years after 1 April 2015. This can have an impact on the benefits a member receives when they retire and it is important for the member to understand.

Impacts of a qualifying break in service

If a member has a continuous break in service of 5 years or less the member on return to employment:

- will re-enter the same scheme arrangements before the break in service commenced ie final salary (NPA 60 or NPA 65) or career average arrangements (as long as certain conditions are met and these are detailed below);
- fully protected members, will re-enter the same scheme arrangements before the break in service commenced ie final salary (NPA 60 or NPA 65);
- partial/tapered protection members have a specific (transition) date when they are scheduled to move to the career average scheme (between 1 June 2015 and 1 February 2022). If their date of re-employment is after their transition date they will start in the career average scheme on return to employment. Their pension will be based on final salary and career average components. (Please refer to '**Factsheet 1: An Introduction to the changes to the NITPS from 1 April 2015**' - tables 1-2 as these tables detail when partial/tapered members join the career average scheme);
- if the member had a link to final salary (service in NPA 60 or NPA 65 scheme) this will be maintained;
- if the member had service accrued in the career average arrangements the member's banked pension 'pot' would be increased each year by the Consumer Prices Index (CPI) plus 1.6% and this would continue as long as the member is in active service.

Impacts of a disqualifying break in service

If a member has a disqualifying break in service of more than 5 years, this can have an impact on:

- the benefits a member receives when they retire;
- the active scheme a member returns to after the break:
  - if a member was Fully Protected in the NPA 60 or NPA 65 scheme before the break in service, then on return to employment they would lose that protection and enter the career average scheme

- their normal pension age in the career average scheme would now equal their state pension age or 65 whichever is higher;
- their normal pension age for the final salary arrangements (NPA 60 or NPA 65) would remain; and
- their retirement pension would be based on final salary and career average components.

- how final salary component of pension is determined in the NPA 60 or NPA 65 schemes:
  - the link to final salary would not be maintained and the member's final salary benefits at retirement would be calculated with reference to the salary in payment when the break commenced re-valued by CPI.
- how a member's pension 'pot' banked in the career average arrangements would be increased during the break and how it increases following return to employment:
  - member's pension 'pot' banked is increased by CPI only during the break in service
  - on return to employment the member's:
    - pension 'pot' previously banked would increase by CPI only going forward;
    - member would start a new active account in which pension banked would be increased by CPI + 1.6% for each year in service.

What are the impacts on a member's accrued pension if a member has a break of more than 5 years but joins another public service pension scheme?

If a member has a break of more than 5 years and during that period joined another public service, that period of service is not counted as a disqualifying break and the member would have to provide evidence from the other public sector scheme to confirm their period of membership when the member returns to pensionable employment. The member would need to contact Teachers Pay and Pensions Team to discuss how this would be facilitated.

Example: Member has a break in service of more than 5 years with multiple employers and one of the employers is the public sector. How will this break in service impact on accrued service in the NITPS?

A member's pension consisted of final salary (NPA 60 scheme with 12 years' service) and career average (with pension 'pot' banked totalling £5,000) with an annual salary of £30,000. The member decides to leave teaching and take up other employment but after a period of more than 5 years decides to return to the teaching profession.

Actions during period 31 August 2015-1 January 2022

- member leaves teaching profession on 31 August 2015
- appointment with a major retail company from 1 September 2015-31 October 2018
- pensionable employment in the NHS (public service pension scheme) November 2018-31 December 2021
- returns to teaching 1 January 2022, re-entering pensionable service and rejoins NITPS

Although the overall break from teaching was more than 5 years, for 3 of those years the member was employed in pensionable employment in another public service pension scheme (NHS) and therefore their break was not a disqualifying break of 5 years or more.

The member on returning to pensionable service would be treated as if their break was less than 5 years, however for this to be reflected in their service within the NITPS the member would need to provide sufficient evidence from the NHS pension scheme to the NITPS.

This would result in the member's link to final salary being maintained and the member's pension 'pot' banked being treated as in-service during the period of absence and being increased each year by CPI + 1.6% instead of CPI only (as in the case of a disqualifying break).

Final Salary Links

The previous section gives members an awareness of the impacts of a break in service and the link to final salary.

2015 . . . . . Retirement Date

Whereas, members who have benefits accrued in final salary arrangements (NPA 60 and NPA 65 schemes) and join the career average scheme on or after 1 April 2015 need to be aware of the 'final salary link' and how they plan their individual retirement.

Members should note that **there is no change in how the Department determines a member's average salary in the NPA 60 or NPA 65 Schemes** as it is based on the higher calculation of:

- average of a member's best 3 re-valued years' salaries of the last ten years; or
- average salary in the last twelve months.

The final salary link will not impact the member now, but the member may be affected by their career choices as they approach retirement ie if the member moves to a post with reduced responsibility or works reduced hours, this may result in a reduced average salary calculation which will impact the benefits they receive from the NPA 60 or NPA 65 schemes.

Transferring service into the NITPS

Transferring service in from a comparable teachers' pension scheme

It is important to note that if you have been a member of a teachers' pension scheme elsewhere in England and Wales, Scotland, Isle of Man or Channel Islands, your benefits **will not be transferred automatically** to the NITPS and the transfer must be requested from the receiving scheme, in this case the NITPS.

Existing arrangements whereby a member was able to transfer comparable teaching service in the schemes in England, Wales, Channel Islands, Scotland or Isle of Man to the NITPS at any time before retirement no longer apply. To facilitate current members a grace period is currently in place (two years up to **31 March 2017**) for members to make comparable pension benefit transfers.

Club Transfers (Public Sector Transfer Club)

Club arrangements will continue for transferring accrued pension benefits to and from schemes which participate in the Public Sector Transfer Club (hereafter known as the Club). The Club is run by the Cabinet Office.

The Club arrangements have been revised to incorporate the arrangements for the reformed career average revalued earnings (CARE) schemes operated by public service. The Club has 2 distinct elements to it: Outer Club and Inner Club.

Outer Club Refers to transfers of final salary benefits between Club Schemes that operate on a final salary basis, or that are able to accept final salary benefits.

Inner Club Refers to transfers of CARE scheme benefits on terms whereby the receiving scheme (NITPS) undertakes to uprate the transferred benefits using the same in-service uprating methodology as used by the sending scheme (previous scheme) while the member remains in-service in the NITPS.

When a member joins the NITPS, if they have benefits in another pension scheme, they are able to request an estimate (which will be valid for 3 months) of the benefits and if the member decides to transfer the benefits into the NITPS the following criteria have to be satisfied:

- application made for a transfer within 12 months of entering pensionable service in the NITPS;
- a club transfer is normally available until the date the member reaches the NPA of the sending scheme;
- a club transfer can only be accepted if the length of the break between leaving the sending scheme and joining the receiving scheme is no more than 5 years. However, please note if the member has more than one period of service with a Club Scheme, and had not aggregated their benefits, separate Club transfers would be calculated for each period of non-aggregated service and the 5 year limit could apply to the period of earlier service in the sending scheme;
- the previous scheme meets HMRC requirements.

If a member is going to have a break in service of more than 5 years from the NITPS, and takes up employment in another public service, they could consider whether they wish to exercise a transfer of benefits to the other public sector scheme.

However, please note if a member is considering transferring their pension benefits to the NITPS other than from another teachers' pension scheme, they are not committing themselves to transfer by making an enquiry. The Department will provide you with an "estimate" of the service "credit" that the transfer value from your former scheme will provide in the NITPS. You have the option to terminate the process or proceed with the transfer.

Please note the Department is unable to provide financial advice regarding transfers and, before making any decision, members may wish to consult an independent financial advisor.

If a member decides to transfer benefits into the NITPS they would need to contact NITPS Teachers Pay and Pensions Team to discuss how this would be facilitated.

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