

Northern Ireland Teachers' Pension Scheme

Factsheet 4

Retirement



When can a Member Retire?

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.

Types of Retirement

There are several possible ways a member could claim their benefits, this section aims to provide guidance about the different types of retirement and when a member may retire. Retirement benefits are not paid automatically; a member must complete an application form.

To claim retirement benefits other than phased retirement, a member must have stopped all eligible employment.

A member should ensure that their application is submitted no more than four months before their proposed retirement date, as there may be salary changes that could affect their benefits if submitted too early.

The options in retirement include:

- Normal Pension Age (NPA) Retirement
- Early Retirement
- Phased Retirement
- Premature Retirement
- Ill Health 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.



Normal Pension Age (NPA)

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. If a member continues in pensionable service after they reach their NPA their benefits will be paid from the last day of pensionable service. If they delay making their claim then their benefits will be backdated to their last day of service or when they reached their Normal Pension Age, whichever is the later. Any backdated payments will be paid as a lump sum and will be subject to tax.

Your Normal Pension Age depends on which scheme a members' benefits are in.

Member of NPA 60 or NPA 65 Scheme

If a member has reached their final salary normal pension age i.e. 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 (i.e. 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 (i.e. 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 (i.e. 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.



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 adjusted benefits to reflect that their benefits are being paid before they've reached their NPA. However, please note: from 6 April 2028, members with service in the final salary and/or career average scheme up to 3 November 2021 will retain the right to take Early (actuarially adjusted) Retirement or Phased Retirement from age 55, subject to the relevant retirement conditions being satisfied. Members who joined the career average scheme for the first time after 3 November 2021, will have a Normal Minimum Pension Age of 57. The change was made by the Finance Act 2022 and applies to all schemes.

If a member is currently in pensionable service their employer has to agree that they can leave and take their benefits. Your benefits will be paid the day after you cease pensionable employment.

Actuarially adjusted benefits/reduced benefits and early retirement

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

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%.

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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%.



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.

Phased Retirement was introduced on 1st April 2007 with the purpose being that members who are reducing their earnings due to part time work or a reduction in responsibilities will be able to withdraw part of their pension to substitute their loss of income.

The maximum a person can withdraw from the Scheme is up to 75% of pensionable benefits. The percentage you choose to withdraw will be put into payment with effect from the first day following the date your earnings reduce. The remaining benefits left in the Scheme continue to grow as you carry on working and contributing on a reduced salary.

Will a member need to discuss Phased Retirement plans with their employer?

Yes, a member will need to discuss this with their employer to make sure there's an appropriate position available and they can accommodate their request. A Phased Retirement requires the employer's agreement. The employer will need to certify the Phased Retirement application form.

Applying for Phased Retirement?

To be eligible to claim Phased Retirement, a member must be between the age of 55 (age 57 for some members from April 2028 as detailed previously) and 75, and with the agreement of their employer. The application for Phased Retirement must be received by NI Teachers' Pensions within 3 months of the salary reduction taking place and the reduction in salary must be of at least 20% in comparison with the previous twelve months averaged earnings. This reduction must be maintained for at least twelve months (allowing for the standard annual increase).

A member is not required to take a one day break in employment to take Phased Retirement (as they do with other types of retirement in the Scheme). This means that the member can start their new contract or arrangement immediately once it's agreed with their employer.

If a member has left employment they can still apply, as long as they return to work (either with the same employer or a new one who is part of the NI Teacher s' Pension Scheme), within six months of leaving.

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How further Phased Retirements are calculated?

With final salary, the percentage of benefits you wish to take is applied to the accrued reckonable service as at the relevant date. For the second Phased Retirement the percentage is applied to the total accrued reckonable service as at the new relevant date. That's the total service in its entirety, both that accrued before the first Phased Retirement and that accrued during the first phased retirement. We then deduct from this the amount of service used in the first Phased Retirement to arrive at the total amount of service to be used in the second phased retirement. We don't simply apply the percentage against the remaining, unused accrued service.

How many phased retirements can a NITPS member access?

Career average member

A member of the career average arrangements can take three phased retirements before finally retiring, but only two can be taken before they are aged 60.

Final salary member

A member of the final salary arrangements can take up to two phased retirements from age 55 before finally retiring in the NPA 60 and NPA 65 schemes.

Benefits in both final salary and career average

A member with benefits in both final salary and career average arrangements can choose to take different proportions of their final salary and career average benefits.

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.



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What happens if a member's 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.

How does Phased Retirement impact my in-service death benefits?

When a member takes Phased Retirement they become known as a dual capacity member because they're both a pensioner member and an active member at the same time. This has an effect on the in-service death benefits available to their beneficiaries if they were to die.

If they remain in service and are paying contributions, or if they've left service and have deferred benefits in the scheme, when they die, a death grant may still be payable to their beneficiaries. However, any retirement lump sum they were paid at the point they took Phased Retirement would be deducted from the value of their death grant.

If a member were to die within five years of taking their Phased Retirement (or before they had received five years' worth of pension), a further supplementary death grant may also be available to their beneficiaries. The supplementary death grant is five times their rate of pension when they die, less the amount of pension they had received before they died.



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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:

50% of their Annual pension

$$= ((£40,000 \times 30) 80) \times 50\%$$

$$= £15,000 \times 50\%$$

$$= £7,500$$

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

Reduced pension

$$= £7,500 - (£7,500 \times 25\%)$$

$$= £7,500 - £1,875$$

$$= \text{approximately } £5,625 \text{ per year}$$

$$\text{Plus Lump Sum} = 3 \times \text{reduced pension} = \text{approximately } £16,875$$

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, i.e. 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.



Premature Retirement

If a member is over 55 (age 57 in some cases) 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.

What happens if my employer agrees?

If premature retirement is granted a member will receive an actuarially adjusted pension (and lump sum if applicable) from the NITPS and their employer must pay the balance of what they'd have received if they were retiring at, or after, normal pension age. This is known as Mandatory Compensation. A members' employer can also offer a Discretionary Enhancement to their pension benefits by purchasing extra years that would count towards the years of service used to calculate their pension benefits.

Their employer can administer the Mandatory Compensation and Discretionary Enhancement themselves or opt for NITPS to administer it on their behalf. If the employer opts to administer, then part of the pension (and lump sum if applicable) will be paid by NITPS and part will be paid by the employer.

The pension from any Mandatory Compensation and Discretionary Enhancement paid by the employers cannot be commuted to receive any additional lump sum.

Do the scheme changes from 2015 have an impact?

If a member has service in the final salary and career average schemes, they will have to take all their benefits at the same time. Their employer must pay Mandatory Compensation on both their final salary and career average benefits.

Any queries a member may have about premature retirement should be raised with their employer. The employer will be responsible for making the decision to grant premature retirement and for paying a portion of a members' pension and any lump sum.



III-Health Retirement

III- health Retirement can be taken if a member becomes too ill to work during their teaching career. This can be taken before their Normal Pension Age (NPA) without the usual reduction applied to an early retirement pension.

Steps for III- health Retirement

- To be accepted for III-health Retirement a member will need to provide medical evidence to support their application. (It is generally expected that those members who need to apply for III-health Retirement will have had the benefit of a specialist opinion with regard to their illness).
- A member or their employer will have to pay any fees associated with obtaining and providing that evidence.
- A member is required to make sure they provide all necessary evidence to support their case and that the evidence is current, comprehensive and legible. Please note that if the evidence provided is illegible, this may delay the application as it may need to be returned to the member for clarification.
- Provided evidence will be considered by the Scheme's Medical Advisers who'll make a recommendation as to whether, in their opinion, the member meets the criteria for III-health Retirement.
- The Scheme's Medical Advisers won't seek extra medical evidence and will recommend rejection of any application that is not supported by evidence clearly showing that the III-health Retirement criteria are met.
- Where the Medical Advisers do recommend rejection of an application, they will provide a rationale for that advice which will be shared with the member. This rationale may indicate further sources of evidence which the medical advisers consider may be useful to support an appeal or new application.

Further information is available at - [Factsheet 2 - III Health Arrangements](#).

Please read our [III - Health Retirement Guide](#).

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

