

NI Teachers' Pension Scheme 2015 Frequently Asked Questions

The NI Teachers' Pension Scheme design changed from 1 April 2015. Existing scheme members who satisfied certain criteria will remain in the existing final salary arrangements, whilst others will start to have their benefits calculated using a combination of career average and final salary arrangements. A new entrant who joins the NITPS from 1 April 2015 will have their benefits calculated totally on a career average basis.

These Frequently Asked Questions (FAQs) are designed to provide members with information about the new arrangements. To assist understanding, examples are provided at **Annex 2** and a full glossary is provided at **Annex 3**, this explains certain terms and references used through the FAQs.

Final salary and career average arrangements continue to give members access to a high-quality pension with guaranteed levels of benefits and inflation proofing.

The Department of Education website www.deni.gov.uk will be an essential tool for learning, and to help members understand the changes.

There are new options (flexibilities) that will be available to you in career average, which members should be aware of.

The Department recommends that, before making any decisions, members should consult an independent financial advisor before proceeding with the purchase of pension flexibilities.

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

NI Teachers' Pension Scheme 2015 - Overview

- **What are the main features of the NITPS pension scheme 2015 design?**

The main features of the new scheme design were set out in the NI Proposed Final Agreement, published by the Department of Education and are summarised as follows:

- Pension based on career average;
- A member's normal pension age is equal to their state pension age or 65 what ever is higher;
- An accrual rate of 1157th of each year's pensionable earnings;
- Benefits accrued prior to 1 April 2015 will be protected and remain in final salary arrangements;
- Active member indexation of Consumer Prices Index (CPI) plus 1.6% (also referred to as "a cost of living adjustment or increase"). Note: For an active member with a break in service of more than 5 years (disqualifying break), indexation applies at deferred member rate;
- Deferred member indexation of CPI; and
- Flexibilities allowing members to purchase a faster accrual rate or buy out any actuarial reduction .

- **Factsheets**

The Department has developed a series of six factsheets which look at specific topics listed below:

- Factsheet 1 - An introduction to the changes from 1 April 2015
- Factsheet 2 - ill-health
- Factsheet 3 - Bereavement and nominations
- Factsheet 4 - Retirement
- Factsheet 5 - Breaks in service and transfers
- Factsheet 6 - Increasing you pension

- **How does career average work?**

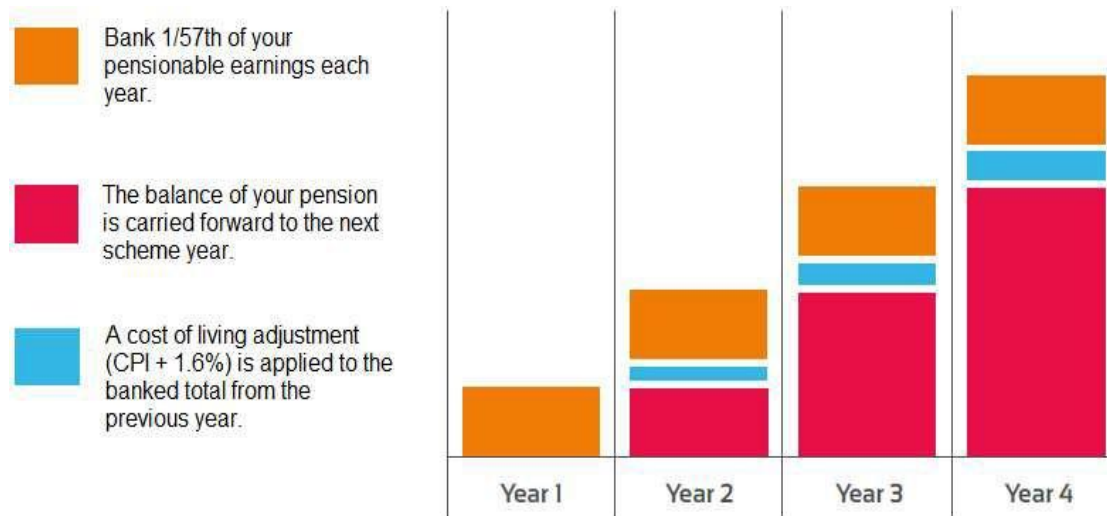
For members in career average arrangements, the amount of pension they receive when they retire is based on a percentage of pensionable earnings from each year of membership with a cost of living adjustment added to it each year.

A scheme year, is between 01 April and 31 March. Each scheme year an active member will "bank" a pension of 1/57th of their pensionable earnings.

An active member's pension is increased each year by CPI plus 1.6%.

A deferred member's pension amount is increased each year by CPI only. Please note for CPI only to be applied a member has to be a deferred member or have a disqualifying break i.e. a break in service of more than 5 years.

Figure 1: How an active member's pension builds up in career average (no breaks in service)



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Figure 2: How a member's pension builds up in career average with a qualifying break i.e. a break of no more than 5 years service (break in service years 4-8)

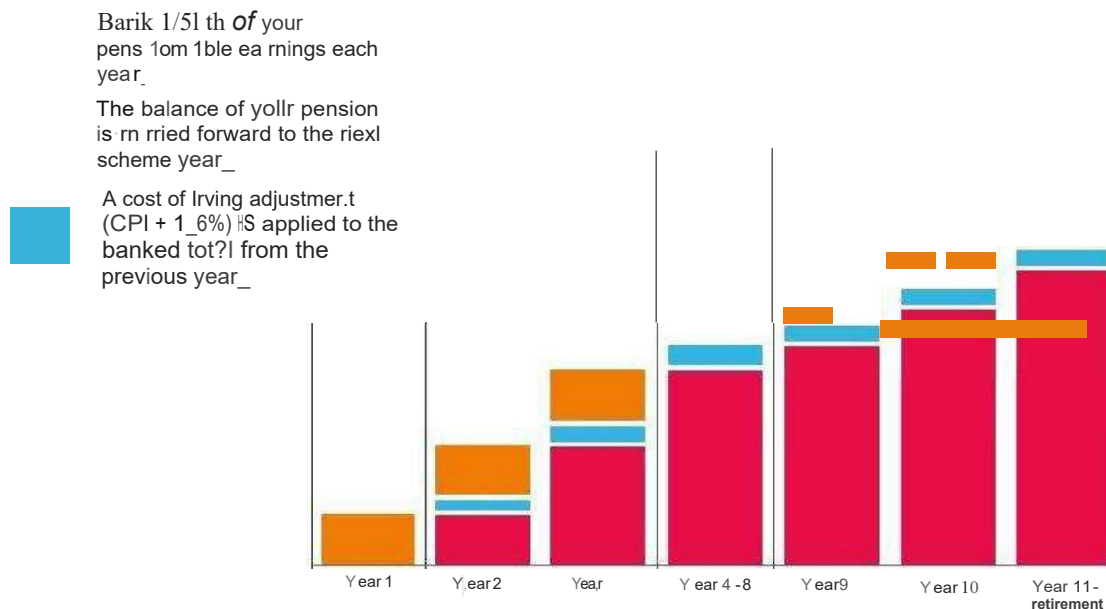
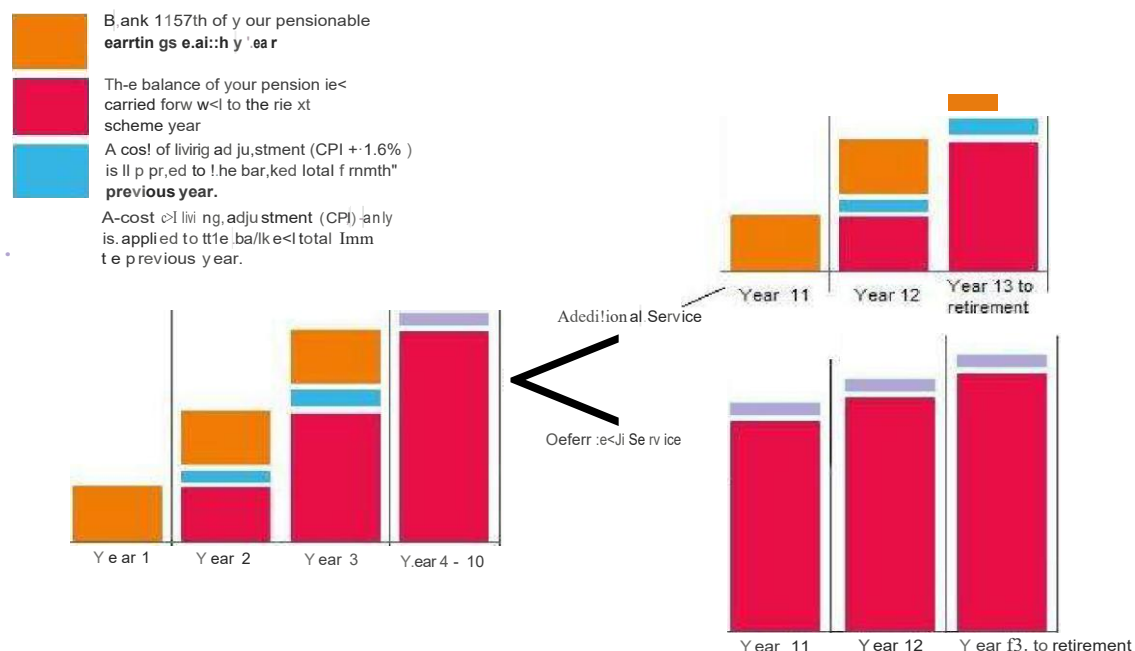


Figure 3: How a member's pension builds up in career average with a disqualifying break i.e. a break of more than 5 years in service



How Are NITPS Members Affected By The Change From 1 April 2015?

- **Will all NITPS members move into the career average arrangements?**

Not all NITPS members will move into the career average arrangements. Members who meet certain criteria will remain in the existing (Normal Pension Age (NPA) 60 and NPA 65) arrangements.

(1) Fully Protected Members (Remain in Final Salary Arrangements).

Active members of the NITPS NPA 60 or NITPS NPA 65 schemes on 31 March 2012, and who were within 10 years of their normal pension age on 1 April 2012 will remain in their final salary arrangements. For example this applies to:

- members in the NPA 60 scheme with a date of birth of 1 April 1962 and older; or
- members in the NPA 65 scheme with a date of birth of 1 April 1957 and older.

These members are **fully protected**. There will be no changes to the benefits these members or their family are currently entitled to.

(2) Partial/Tapered Protection Members (A transition date to move to the career average scheme - pension will be based on final salary and career average arrangements).

Active members in the NITPS NPA 60 or NPA 65 schemes who were between 10 and 13.5 years of their normal pension age on 1 April 2012 are **partial/tapered protection members**. Refer to **Annex 1** which details the transition date of entry to career average arrangements for NITPS members of the NPA 60 and NPA 65 schemes. For example this applies to members in the NPA 60 scheme with a date of birth between 2 April 1962 - 30 September 1965, and members in the NPA 65 scheme with a date of birth between 2 April 1957 - 30 September 1960.

Member's pension is based on amounts built up in both the final salary and career average schemes.

(3) Availability of full and partial/tapered protection.

Full and partial/tapered protection is only available as long as a member of the NITPS does not have a disqualifying break i.e. a continuous break in service of more than five years or does not take their pension benefits (other than phased benefits).

(4) Transitional Members have no protection (Move to career average on 1 April 2015 and pension is based on a combination of final salary and career average arrangements).

Active members in the NITPS NPA 60 or NPA 65 schemes on 1 April 2012 who have more than 13.5 years to their normal pension age. These members will join the career average arrangement on 1 April 2015, and their pension is based on amounts built up in both the final salary and career average schemes. For example this applies to members in the NPA 60 scheme with a date of birth of 1 October 1965 and younger, and members of the NPA 65 scheme with a date of birth of 1 October 1960 and younger.

Members will retain their existing NPA in their NPA 60 or NPA 65 final salary arrangements but will have a new NPA in the NITPS 2015 which will be equal to their state pension age or 65 what ever is higher.

To find out when you will receive your state pension access the following link:

www.gov.uk/calculate-state-pension

Note: Please refer to Questions section 'Normal Pension Age' regarding the status of the NI Pensions Bill (42/11-16).

- **New entrants to NITPS from 1 April 2015**

New members who join the NITPS on or after 1 April 2015 will join the 2015 scheme i.e. career average scheme.

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Access to Retirement Benefits

- **Qualification for retirement benefits**

Members must have at least two years service to be able to receive a pension from the NI Teachers' Pension Scheme. However, please *note: service may be in final salary or career average or a combination of both.*

Teachers in temporary positions may make pension contributions and will qualify for retirement benefits after service totalling at least two years.

A re-employed pensioner must have at least a year's service to re-qualify for benefits from the NI Teachers' Pension Scheme.

The earliest retirement benefits can be paid from is age 55, unless you qualify for ill-health benefits. *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.*

- **Will a member have to take their final salary and career average benefits at the same time?**

Actuarially Adjusted/ Reduced Benefits/ Early Retirement

If a member is 'fully protected' and has had no disqualifying breaks in service i.e. breaks of more than 5 years they will have remained in the final salary NPA 60 or NPA 65 schemes and will be able to take their retirement benefits at their final salary NPA 60 or NPA 65 without an actuarial reduction. Otherwise their retirement benefits will be actuarially reduced by approximately 5% per year before their normal pension age. An active member with 'transitional protection' must claim both final salary and career average benefits at the same time.

Age Retirement

Where the member retires (is out-of-service) final salary benefits can be taken without career average benefits when a member reaches their NPA in their existing final salary arrangements. The member will be able to claim their benefits from final salary, without having to claim their benefits from the career average arrangement.

If a member is out of service and wishes to claim all their benefits at their final salary NPA, then the career average benefits will be actuarially reduced (approximately 5% per year before age 65 and 3% per year to their career average NPA - maximum period of 3 years).

Phased Retirement

It is also possible for a member to receive final salary phased retirement benefits without making an application for career average benefits. Alternatively a member can choose to claim phased retirement benefits from final salary and career average schemes at the same time (the member can claim the same percentage from each arrangement or different percentages up to a specified limit) or claim phased retirement from career average only.

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

- **A member is planning to take Actuarial Adjusted Benefits (AAB) / Actuarial Reduced Benefits (ARB) / Early Retirement - do they have to take all their benefits at the same time?**

If a member is applying for benefits before reaching their NPA in the final salary arrangements, they will have to take all their retirement benefits at the same time i.e. if a member has benefits in final salary (NPA 60 scheme) and career average arrangements (with an NPA of 67) and the member decides to retire at 58 this would result in the member taking their benefits from the final salary and career average arrangements at the same time.

If a member is out of service, and they have reached their NPA in their NPA 60 or NPA 65 scheme they can elect to take their benefits from the final salary arrangements only and can defer taking their benefits from the career average 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 NPA - maximum period of 3 years). The actuarial reduction is because the member is claiming their benefits before their NPA.

Additional Pension

- **Can members of the NITPS still purchase Additional Pension?**

As with the current arrangements, all NITPS members can still purchase additional pension in the 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 HM Treasury up to the date of retirement.

The cost of additional pension is dependent on the member's age and normal pension age at the time of purchase and the scheme the member belongs to.

Additional pension:

- o Purchased in amounts of £250.
 - o Payment can be monthly or in a lump sum (the maximum length of the contract purchase being 20 years or 240 months and the monthly payment must be completed the month before the member reaches their respective normal pension age).
- **Can fully protected members still purchase additional pension?**

Yes, fully protected members can still purchase additional pension.

- **What happens if a transitional member (move to career averaging arrangements on 1 April 2015) was purchasing additional pension?**

The additional pension election in the final salary arrangements will continue to the previously agreed date unless the member has a break of 30 days or more. The member can make further additional pension elections in the career average arrangements.

Additional Voluntary Contributions (AVC's)

- **Can members of the NITPS still purchase AVC's?**

Yes, all members of the NITPS can also pay additional contributions into the Scheme's AVC provision with Prudential.

The money a member pays in is invested for the member with the AVC provider and the benefits a member will receive will depend on the value of their investment.

Further information is available by calling 0845 070 0007 or using the following link:

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.

Beneficiaries

- **How much pension do survivors receive if a career average member dies?**

If you are married or have a civil partner they will automatically receive any family pension in the event of a member's death. If a member is unmarried they can nominate either a partner or close relative who is financially dependent to receive a pension. If you want to nominate a partner, you must be able to register a civil partnership and be financially interdependent. A pension will only be paid if you have been living together for at least two years before a member's death.

A member can nominate a parent, step-parent, brother or sister, provided that they are either unmarried, widowed, not a civil partner or cohabiting with another person as husband and wife or as civil partners. The nominee must be wholly or mainly financially dependent on the member.

It is up to members to keep their nominations up to date. The forms for nominations (Family and Death Grant) are available on the Departmental website.

(1) Member dies out of service (deferred member).

If a member dies out of service, the surviving adult receives 37.5% of the member's accrued pension benefits.

Where there is an eligible child, or more than one eligible child, and a surviving adult the child's pension will be determined by multiplying the scheme member's benefits by 37.5% and then dividing by 2 or by the number of eligible children where there is more than two.

Similarly, where there is an eligible child, or more than one eligible child and no surviving adult, each child's pension will be determined by multiplying the member's pensionable benefits by 50% and then dividing by 2, or by the number of eligible children where there are more than two of them.

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Example: Deferred scheme member 'Paul' who has build up a pension of £15,000.		
Beneficiary/beneficiaries	Surviving adult's pension	Child's/children's pension
Paul leaves a widow, Ann and one eligible child, Sandra.	Ann receives £5,625. Calculated as $\text{£15,000} \times 37.5\%$	Sandra receives £2,812.50. Calculated as $(\text{£15,000} \times 37.5\%) / 2$
Paul leaves a widow, Ann and two eligible children Sandra and Mark.	Ann receives £5,625. Calculated as $\text{£15,000} \times 37.5\%$	Sandra and Mark each receive £2,812.50 Calculated as $(\text{£15,000} \times 37.5\%) / 2$
Paul does not leave a surviving adult but has two eligible children, Sandra and Mark.		Sandra and Mark each receive £3,750 . Calculated as $(50\% \text{ of } \text{£15,000}) / 2$
Paul does not leave a surviving adult but has three eligible children, Sandra, Mark and Stephen.		Sandra, Mark and Stephen each receive £2,500. Calculated as $(50\% \text{ of } \text{£15,000}) / 3$

(2) Member dies in service (active member).

If a member dies in service, their benefits are enhanced using the salary they are on when they die and the period to their normal pension age, divided by 2. The surviving adult receives 37.5% of those enhanced benefits. *However, please note: the salary used to determine the enhancement is the full-time equivalent that applied at the time of the member's death.*

Example:

Susan, who works full time, has a NPA of 67, final pensionable earnings of £30,000 and career average benefits accrued so far of £5,000. Should Susan die at age 32, the pension she would have received is enhanced by 17.5 years' worth of additional career average benefits.

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The enhancement is based on half the period between her death at age 32 and her NPA 67, and her full-time equivalent salary at the time of death.

The enhancement is £9,210.53 (calculated as $(£30,000 \times 17.5) \times 1/57$). Susan's career average benefits are (notionally) increased to £14,210.53 ($£5,000 + £9,210.53$).

Her dependants' pensions are based on the enhanced amount.

Dependent(s)	Dependent's pension
Susan leaves a widower, Tim.	Tim receives £5,328.94 Calculated as $£14,210.53 \times 37.5\%$
Susan also leaves two children eligible children, Alan and Emma.	Alan and Emma each receive £2,664.47 Calculated as $(£14,210.53 \times 37.5\%) / 2$
Susan does not leave a surviving adult but has two eligible children, Alan and Emma.	Alan and Emma each receive £3,552.63 Calculated as $(£14,210.53 \times 50\%) / 2$

- What are family short term pensions?**

If a member dies in-service the Employer will pay any adult beneficiary a member's salary for three months. If the member was a pensioner, NITPS will continue to pay any adult beneficiary pension for three months. Otherwise if the member was out of service or deferred there is no short term pension payable.

If a member has dependent children as well as an adult beneficiary, children will also receive a short term pension for three months. If there is no adult beneficiary the member's children will receive a short term pension for six months.

If a member has one child, then they will receive half of any adult's short term pension. If the member has two or more children, the adult's pension is divided by the number of children.

- How long will beneficiaries receive a pension?**

If a member was in-service on or after 1 April 2007 any adult pension will be paid for the member's beneficiary's lifetime.

If a member was not in service on or after 1 April 2007 then any adult beneficiary's pension will cease if they, register a civil partnership or are cohabiting with another person as husband and wife or as civil partners.

Members' children will receive a pension as long as they are under age 17. If a member's children continue in full-time education after the age of 17 they may receive pension benefits until they reach age 23.

Break In Service

- **What is "a break in service of 5 years or more" i.e. a disqualifying break?**

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 you receive when you retire.

If you are a **fully protected, partial/tapered protection or transitional** member and have a disqualifying break i.e. a continuous break of 5 years or more and return to employment you will join the career average scheme. In addition the link to final salary would not be maintained and the member's final salary benefits at retirement would be calculated using the salary when the break in service commenced re-valued by CPI. Otherwise if you had a qualifying break i.e. returned within 5 years or less the link with final salary would be maintained.

However, please note: If you were in pensionable employment on or after 1 April 2007 then your average salary will be the better of:

- *Average salary averaged out over the last twelve months of service; or*
- *Average of your best three re-valued years' salaries of the last ten years of pensionable employment.*

However if all your pensionable employment is before 1 April 2007 then calculation of the NPA60 scheme benefits will be based on an average of the best salary over any 12 months out of the last three years.

If you're part-time the full-time equivalent is used to calculate the average.

- **I am remaining in the final salary arrangements. What happens if I have a break in service?**

If your continuous break in service is classified as a disqualifying break i.e. a break of more than 5 years, you will enter the career average scheme when

you return. Otherwise if your break in service is a qualifying break i.e. a break of 5 continuous years or less you will remain in final salary arrangements.

Career Average

- **I was in service on 31 March 2012 - does that mean I will move into the career average arrangements in April 2015?**

This depends on the number of years to your normal pension age (NPA) on 1 April 2012. If you were 10 years or less away from your NPA on 1 April 2012 you will remain in the current final salary (NPA 60 or NPA 65) arrangements.

If you were over 10 years but within 13.5 years to your normal pension age on 1 April 2012 you will move to the career average at a later date. Refer to **Annex 1** which details the tapering protection and transition date for members of the NPA 60 and NPA 65 schemes.

However, please note: if you have a disqualifying break of more than 5 years, you will move into the career average on your return to pensionable employment.

Otherwise you will move into the career average arrangements on 1 April 2015.

- **I was within 10 years of retirement on 1 April 2012. Does that mean I will move into the career average arrangements on 1 April 2015?**

If you were within 10 years of your NPA on 1 April 2012 you will see no change to when you can retire, or change in the calculation of the pension you will receive at your NPA. You will remain in your existing scheme (NPA 60 or NPA 65) up to and including the date you draw your pension.

However, please note: if you have a disqualifying break of more than 5 years, you will move into the career average scheme on your return to pensionable employment.

- **I was within 13.5 years, but over 10 years away from my normal pension age on 1 April 2012? Does this mean that I will move into the career average scheme?**

If you were over 10 years but within 13.5 years to your NPA on 1 April 2012 you will move to the career average scheme at a later date. Refer to **Annex 1** which details the tapering protection and transition date for members of the NPA 60 and NPA 65 schemes.

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However please *note: if you have a disqualifying break of more than 5 years, you will move into the career average scheme on your return to pensionable employment.*

- **I am due to remain in the final salary arrangements. Can I elect to join career average arrangements?**

No, you cannot elect to join the career average arrangements.

However, please note: if you have a disqualifying break of more than 5 years, you will move into the career average scheme on your return to pensionable employment.

- **I am moving to career average arrangements how will this impact the link to final salary?**

The benefits accrued under the current final salary arrangements will be based on the final salary at retirement. If you were in pensionable employment on or after 1 April 2007 then your average salary will be the better of:

- average salary over the last twelve months of service; or
- average of your best three re-valued years' salaries of the last ten years of pensionable employment.

However if all your pensionable employment is before 1 April 2007 then *calculation of the NPA60 scheme benefits will be based on* an average of the best salary over any 12 months out of the last three years.

If you're part-time the full-time equivalent is used to calculate the average.

However, members should be aware of how they plan their retirement and the 'final salary link' as the link will not impact the member now, but the member may be affected by their career choices as they approach retirement. 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. Members should note there is no change in how the Department determines a member's average salary calculation in the NPA 60 or NPA 65 schemes.

Contributions

- **What are member contribution rates for the NITPS?**

Members' monthly contributions are based on their actual salary. From 1 April 2015 the contribution rates for the NITPS are changing to the table shown below:

Actual annual pensionable earnings	Member Contribution Rate
Up to £25,999 .99	7.4%
£26,000 to £34,999.99	8.6%
£35,000 to £41,499.99	9.6%
£41,500 to £54,999.99	10.2%
£55,000 to £74,999.99	11.3%
£75,000 and above	11.7%

Death Grants

- **If a member dies in service are there any lump sum (death grants) benefits payable?**

The NITPS provides for different levels of death grant to be paid, depending on whether the scheme member is active, deferred or a pensioner.

In line with the current scheme, there is no qualification period for death grants.

The salary used to calculate the lump sum (death grant) in respect of an active member will be the full-time equivalent pensionable earnings at the time of the member's death not the career average, this is the case for full-time or part-time members. Where the member is in multiple employments the full-time equivalent salary will be determined by taking appropriate account of the full-time salary for each job.

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Only one lump sum (death grant) will be payable i.e. a transition member who has benefits in both the final salary and career average arrangements will receive only one payment.

However please note, it is up to members to keep their nominations up to date. The forms for nominations (Family and Death Grant) are available on the Departmental website.

Scheme members status at time of death	Lump Sum (Death Grant)
active	Career average: • 3 x full-time equivalent salary. Fully Protected: • 3 x final average salary. Tapered Protection: • final salary 3 x final average salary Otherwise • 3 x full-time equivalent salary.
deferred	2.25 x scheme member's accrued pension.
pensioner	5 years' worth of pension less amount paid to the scheme member to date - where member dies within 5 years of drawing their pension.

- **If a retired member returned to pensionable employment what would their beneficiary receive?**

If you are a re-employed pensioner then an in-service death grant will be paid, less any lump sum previously paid.

In addition, if your pension had been in payment for less than five years, a death grant equal to five times your annual pension, less any pension paid will be paid to the beneficiary.

Employer's contributions

- **What are employer contributions for the NITPS?**

The employer contributions for the NITPS from 1 April 2015 will be 17.7%.

Employer's cost cap

- **What is the employer's cost cap?**

Scheme valuation is the process whereby the employer (and thus the taxpayer) costs would be capped at an agreed level, and there would be a mechanism for bringing the scheme back to that level if the cap was breached.

The cap is expressed as a percentage of pensionable pay.

If a valuation shows that the costs of a scheme have risen more than two percent above the cap, or have fallen two percent below the cap, action will be taken to return the costs to the level of the cap and this would be action by the NITPS Pension Board.

The cost cap for the NITPS has been set at 13.2%, this figure only applies to the cost of the career average scheme.

Flexibilities

- **Who can access flexibilities?**

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

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

However, please note: partial/tapered members will only be able to access career average flexibilities once their protected period has expired and they have joined the career average scheme. All members of the NITPS can still avail of options to purchase Additional Pension or AVC's.

- **What is faster accrual?**

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

The normal rate of accrual or growth in pension is based on 1/5J1h of their actual earning for that year.

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

However, please note: faster accrual elections are only available to career average members.

- **When does a faster accrual election start and end?**

Each 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. However, please note: *this would ideally be before the end of January to allow the Department and employer to process the election before 1 April.*

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.

However, please note: faster accrual elections are only available to NITPS 2015 (i.e. career average) members.

- **What is actuarial buy-out?**

Members in career average arrangements 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 unless they leave service for 30 days or more, when the election is deemed to be cancelled.

*However, please note: For members to avail of 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.*

- **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 deduction. 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.

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

Final Salary Arrangements

- **What will happen to a member's "pension pot" built up in the final salary arrangements?**

Members' final salary benefits will continue to be calculated using the final salary arrangements.

However, please note: if a member has a disqualifying break of 5 years or more this can impact on their benefits and the amount they receive when they retire.

If you are fully protected, partial/tapered or transitional member and have a disqualifying break of 5 years or more and return to employment you will join the career average scheme. In addition the link to final salary will not be maintained and final salary will be calculated using the salary when the break in service commenced to calculate your final salary benefits. Refer to Questions section 'Break In Service'.

ill-Health

- **Are there any new arrangements for ill-health in the career average arrangements?**

As with the current arrangements, if a member becomes unfit to teach they can apply for an ill-health retirement pension.

There are two levels of ill-health benefits:

- A member is permanently unable to teach but they are able to undertake other employment. In this instance:
 - Member is medically assessed as being unable to continue in teaching employment but is able to undertake other types of employment;

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- o Member would be paid a pension of accrued benefits immediately; or
- A member is permanently unable to teach and unable to undertake any other types of employment. In this circumstance:
 - o Member is medically assessed as being unable to continue teaching and is unable to undertake other types of employment;
 - o Member would receive an enhancement based on half of the service they would have completed before reaching their normal pension age and their final salary at retirement.

To be considered for ill-health retirement the member must have 2 years' qualifying service and this would include service in final salary and career average arrangements.

Up to 31 March 2015 a member applying for an ill-health retirement pension needs to be considered as being in-service i.e. they need to be in a contractual relationship with their employer.

From 1 April 2015, provided a member leaves pensionable teaching service and within two years applies for ill-health retirement benefits, their application will be treated as an in-service application (if the illness at the times of leaving service is the same one which results in the application being accepted). This extension allows a member's slow to develop or difficult to diagnose illness to be taken into account and members are therefore not disadvantaged.

- **What are the time limits for applying for ill-health arrangements?**

If the member applies for ill-health retirement within 2 years of leaving pensionable employment and there is evidence that they left on medical grounds which are the same reasons for their application, they will be treated as though they were still in service at the point of making an application.

- **What are the ill-health arrangements and reduced responsibilities {stepping down}?**

If a member applies for ill-health retirement after reducing their responsibilities or working pattern and there is evidence that this was for medical reasons, which are the same reasons for their application, they will be treated as though they are still in their original post when calculating any enhancement that might apply.

In these circumstances, should the member eventually retire on ill-health the salary used to calculate their enhancement would be the higher of their:

- Full-time equivalent salary at retirement; or
- Re-valued full-time equivalent salary from the point at which they stepped down.

The accrued career average benefits would be calculated using the member's actual pensionable pay.

The member's total pension consists of 'accrued pension' plus 'ill-health enhanced pension'..

- **How will terminal illness apply?**

If a member's condition is serious and their life expectancy is less than one year, a member's pension can be paid as a one-off lump sum of approximately five times the initial pension. Any subsequent beneficiary benefits will not be affected.

Joining NITPS

- **Who can join the NITPS?**

If a person is involved in a predominately teaching role, is 16 or over and is not over 75 years of age the person can join the NITPS. This applies equally to teachers working in full-time, part-time or temporary employment.

Lump Sum

- **Lump sums available in the NITPS.**

NPA 60 Scheme

Annual Pension= (Average Salary x Years service)/ 80

Automatic lump sum of 3 x Annual Pension

Can convert part of pension to receive additional optional lump sum (HMRC allows a maximum of 25% of the value of your pension fund to be converted to a lump sum)

Maximum additional lump sum= (Annual Pension x 33) / 14

NPA 65 Scheme

Frequently Asked Questions



Annual Pension= (Average Salary x Years Service)/ 60 No

automatic lump sum

Can convert part of pension to receive additional optional lump sum (HMRC allows a maximum of 25% of the value of your pension fund to be converted to a lump sum)

Maximum additional lump sum = Annual Pension x 30) / 7

- **If a member retires will they be able to convert some of their annual pension to a lump sum under the career average scheme?**

A member will still be able to convert some of their annual pension to a lump sum provided they have pensionable service after 1 April 2007. For every £1 of annual pension surrendered the member will receive a £12 lump sum in return (known as "commutation").

This is subject to limits set by HMRC, and the current limit is 25% of the value of your pension benefits.

There is more information available on the tax free lump sum and other pension tax arrangements using the following link:

www.hmrc.gov.uk/pensionschemes/tax-basics.htm

- **If I was a member before 1 April 2007 will I receive an automatic lump sum?**

If you were a member before 1 April 2007, yes you will automatically receive a lump sum of 3 times your annual pension from the NPA 60 scheme. In addition you can also convert part of your pension to receive an optional lump sum subject to limits set by HMRC. Lump sums are currently tax-free.

Normal Pension Age

- **What is the normal pension age after 1 April 2015?**

There is no change to normal pension age (NPA) for members who remain in the final salary arrangements.

Members' NPA in the career average scheme will be equal to their state pension age or 65 what ever is higher.

However, please note: The NI Pensions Bill 42/11-16 is progressing through the NI Assembly. The main provisions of the Bill are to:

- *Reform the State Pension;*
- *Bring forward progressively the increase in state pension age from 66 to 67 between 2026 and 2028; and*
- *A framework for reviewing State Pension age.*

Past Added Years (PAY)

- **What happens if a transitional member was purchasing past added years (PAY)?**

The PAY election will continue to the previously agreed end date unless the member has a break of 30 days or more. If they do the election will cease. The member's deductions should continue to be based on their salary but should not include any overtime.

Pensioner

- **I am currently receiving a Teachers' Pension. How am I affected by the changes?**

If you are already receiving your pension you will not be affected by the changes unless you re-enter pensionable employment.

- **I am an existing pensioner and am thinking about taking up a new teaching appointment. Will I remain in final salary after 1 April 2015?**

If you became re-employed on or after 1 April 2015, you will enter the career average scheme.

If you were already re-employed and were an active member of the scheme on 31 March 2012, you may be classed as a **'partial/tapered'** or a **'fully protected'** member, even though you had already received a pension before this date. Please refer to questions relating to how members will move into the career average scheme arrangements.

Phased Retirement

- **Will members still be able to take phased retirement after 1 April 2015?**

Phased retirement remains a key element of the NITPS design:

- 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.
- 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.

If you are over 55 a member can choose to take phased retirement and continue to work and receive part of their retirement benefits. *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.*

To be able to take phased retirement, members must have a reduction of at least 20% of their pensionable earnings compared to the previous six months.

Members who are in the career average scheme are able to take 3 phased retirements before finally retiring, but only 2 can be taken before they are aged 60. Members can take a percentage of their final salary benefits, or a percentage of their career average benefits or a percentage from both arrangements.

There is a maximum amount that a member can take which must not exceed 75% of their benefits.

Frequently Asked Questions



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

Members who are 'fully protected' and remain in the final salary arrangements will only be able to take phased retirement on 2 occasions.

Premature Retirement

- **If you are over 55 and your employer decides to terminate your employment are you able to apply for premature retirement?**

The decision to grant premature retirement is down to your employer as they will be required to pay part of the cost of your retirement benefits.

If premature retirement is granted, you will receive an actuarially reduced pension but your employer will pay the balance of what you would have received if you were retiring on age grounds. This is known as mandatory compensation.

Re-payment of Contributions

- **Is there a re-payment of contributions?**

If a member has less than 2 years of pensionable employment, or is a re-employed pensioner with less than 1 year of additional pensionable employment, and does not have a previous transfer into the NITPS, they may have a repayment of their contributions after leaving service.

New entrants to the NITPS, or those auto enrolled will receive a refund of contributions if they opt out of the NITPS within 3 months i.e. they are treated as if they had never joined / rejoined the NITPS.

However, please note: the member must have been out of pensionable employment for one month.

Short Term Pension

- **Is there any change to the amount of short term pension?**

No, there are no changes to the amount or duration of the short term pension.

If a member has more than one, but less than two years service a member can apply for a short service pension in the event of a terminal illness. The service will consist of two months' worth of final salary or the amount of your contributions, if that is higher.

However, please note: short term pensions paid to adults are subject to PAYE (income tax deduction). Any queries about tax should be directed to your tax offices.

Transfers

- **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 two 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:

Frequently Asked Questions



- 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.

Frequently Asked Questions

Tapering protection for members of the NPA 60 and NPA 65 schemes.

Normal Pension Age (NPA) 60 Scheme (Joined up to 31/3/2007)			
Date of Birth	Age attained on 1 April 2012		Transition Date First day in 2015 NITPS
	Year	Month	
01.04.1962 and older	50	0	Full Protection
02.04.62 to 01.05.62	49	11	01/02/2022
02.05.62 to 01.06.62	49	10	01/12/2021
02.06.62 to 01.07.62	49	09	01/10/2021
02.07.62 to 01.08.62	49	08	01/08/2021
02.08.62 to 01.09.62	49	07	01/06/2021
02.09.62 to 01.10.62	49	06	01/04/2021
02.10.62 to 01.11.62	49	05	01/02/2021
02.11.62 to 01.12.62	49	04	01/12/2020
02.12.62 to 01.01.63	49	03	01/10/2020
02.01.63 to 01.02.63	49	02	01/08/2020
02.02.63 to 01.03.63	49	01	01/06/2020
02.03.63 to 01.04.63	49	0	01/04/2020
02.04.63 to 01.05.63	48	11	01/02/2020
02.05.63 to 01.06.63	48	10	01/12/2019
02.06.63 to 01.07.63	48	09	01/10/2019
02.07.63 to 01.08.63	48	08	01/08/2019
02.08.63 to 01.09.63	48	07	01/06/2019
02.09.63 to 01.10.63	48	06	01/04/2019
02.10.63 to 01.11.63	48	05	01/02/2019
02.11.63 to 01.12.63	48	04	01/12/2018
02.12.63 to 01.01.64	48	03	01/10/2018
02.01.64 to 01.02.64	48	02	01/08/2018
02.02.64 to 01.03.64	48	01	01/06/2018
02.03.64 to 01.04.64	48	0	01/04/2018
02.04.64 to 01.05.64	47	11	01/02/2018
02.05.64 to 01.06.64	47	10	01/12/2017
02.06.64 to 01.07.64	47	09	01/10/2017
02.07.64 to 01.08.64	47	08	01/08/2017
02.08.64 to 01.09.64	47	07	01/06/2017
02.09.64 to 01.10.64	47	06	01/04/2017
02.10.64 to 01.11.64	47	05	01/02/2017
02.11.64 to 01.12.64	47	04	01/12/2016
02.12.64 to 01.01.65	47	03	01/10/2016
02.01.65 to 01.02.65	47	02	01/08/2016
02.02.65 to 01.03.65	47	01	01/06/2016
02.03.65 to 01.04.65	47	0	01/04/2016
02.04.65 to 01.05.65	46	11	01/02/2016
02.05.65 to 01.06.65	46	10	01/12/2015
02.06.65 to 01.07.65	46	09	01/10/2015
02.07.65 to 01.08.65	46	08	01/08/2015
02.08.65 to 01.09.65	46	07	01/08/2015
02.09.65 to 01.09.65	46	06	01/06/2015
1 October 1965 and younger	46	06 months and 1 day	01/04/2015

Frequently Asked Questions

Normal Pension Age (NPA) 65 Scheme (Joined 1/04/2007 - 31/03/2015)			
Date of Birth	Age attained on 1 April 2012		Transition Date First day in 2015 NITPS
	Year	Month	
01.04.1957 and older	55	0	Full Protection
02.04.57 to 01.05.57	54	11	01/02/2022
02.05.57 to 01.06.57	54	10	01/12/2021
02.06.57 to 01.07.57	54	09	01/10/2021
02.07.57 to 01.08.57	54	08	01/08/2021
02.08.57 to 01.09.57	54	07	01/06/2021
02.09.57 to 01.10.57	54	06	01/04/2021
02.10.57 to 01.11.57	54	05	01/02/2021
02.11.57 to 01.12.57	54	04	01/12/2020
02.12.57 to 01.01.58	54	03	01/10/2020
02.01.58 to 01.02.58	54	02	01/08/2020
02.02.58 to 01.03.58	54	01	01/06/2020
02.03.58 to 01.04.58	54	0	01/04/2020
02.04.58 to 01.05.58	53	11	01/02/2020
02.05.58 to 01.06.58	53	10	01/12/2019
02.06.58 to 01.07.58	53	09	01/10/2019
02.07.58 to 01.08.58	53	08	01/08/2019
02.08.58 to 01.09.58	53	07	01/06/2019
02.09.58 to 01.10.58	53	06	01/04/2019
02.10.58 to 01.11.58	53	05	01/02/2019
02.11.58 to 01.12.58	53	04	01/12/2018
02.12.58 to 01.01.59	53	03	01/10/2018
02.01.59 to 01.02.59	53	02	01/08/2018
02.02.59 to 01.03.59	53	01	01/06/2018
02.03.59 to 01.04.59	53	0	01/04/2018
02.04.59 to 01.05.59	52	11	01/02/2018
02.05.59 to 01.06.59	52	10	01/12/2017
02.06.59 to 01.07.59	52	09	01/10/2017
02.07.59 to 01.08.59	52	08	01/08/2017
02.08.59 to 01.09.59	52	07	01/06/2017
02.09.59 to 01.10.59	52	06	01/04/2017
02.10.59 to 01.11.59	52	05	01/02/2017
02.11.59 to 01.12.59	52	04	01/12/2016
02.12.59 to 01.01.60	52	03	01/10/2016
02.01.60 to 01.02.60	52	02	01/08/2016
02.02.60 to 01.03.60	52	01	01/06/2016
02.03.60 to 01.04.60	52	0	01/04/2016
02.04.60 to 01.05.60	51	11	01/02/2016
02.05.60 to 01.06.60	51	10	01/12/2015
02.06.60 to 01.07.60	51	09	01/10/2015
02.07.60 to 01.08.60	51	08	01/08/2015
02.08.60 to 01.09.60	51	07	01/06/2015
02.09.60 to 30.09.60	51	06	01/04/2015
1 October 1960 and younger	51	06 months and 1 day	01/04/2015

Examples (provided for illustration purposes only)

Please note: in career average overtime if payable is now pensionable and will form part of the member's pensionable earnings to calculate the amount of pension accrued in each year. Overtime is not pensionable for fully protected or tapered members who remain in the final salary arrangements.

Example : How a member's pension is banked each year in the career average scheme

	Member's earnings for 1 April 2015 to 31 March 2016 are £30,000. Member will earn a pension for Year 1 of: £30,000 x 1/57th = £526.32 In the following year the member earns £31,000. Member will earn a pension for Year 2 of: £31,000 x 1/57th: £543.86 In the following year the member earns £31,500. Member will earn a pension for Year 3 of: £31,500 x 1/57th = £552.63
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Examples: Revaluation (index-linking) of benefits

Assuming indexation (CPI) is 2.5%.	
Member pension banked in Year 1	£526.32
At the start of Year 2 the member's pension is increased by 4.1% (Indexation of 2.5% + 1.6%) (£526.32 x 4.1%)	£21.58

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Members Pension is now worth	£547.90
Each year the amount will continue to increase with indexation	
At the end of Year 2 the member's pension is:	
Pension banked in Year 1 (including indexation)	£547.90
Pension banked in Year 2 (£31,000 x 1/5?1h)	£543.86
Total members pension at the end of Year 2	£1,091.76
At the end of Year 3 the member's pension is:	
Pension banked in Year 1 (including indexation) £547.90 + £22.46 (calculated as £547.90 x 4.1%)	£570.36
Pension banked in Year 2 (including indexation) £543.86 + £22.30 (calculated as £543.86 x 4.1%)	£566.16
Pension banked in Year 3 (£31,500 x 1/5?1h)	£552.63
Total members pension at the end of Year 3	£1,689.15
Once a member has a break in service they become deferred and their pension will be increased by Indexation only and they will not benefit from the extra 1.6%.	
If a member joins the career average on 1 April 2015 and works for 5 years, during that time their pension that is banked each year will be increased by indexation (CPI) + 1.6%. If the member decides to leave teaching and does not return, from that point at which the member leaves teaching (out-of-service) their pension banked will increase by Indexation (CPI) only until retirement benefits are taken.	
A member joins the NITPS on 1 April 2015 and therefore joins the career average scheme. The member decides to leave teaching on 31 August 2018 and does not transfer their benefits to another scheme.	
The member returns to teaching in September 2025 after a break of more than 5 years and remains in teaching until their NPA on 31 August 2055.	
The members pension will consist of two amounts which will be added together to form their pension:	

- First amount
 - Consists of their pension for the period 1 April 2015 to 31 August 2018. *Indexation will be applied using CPI + 1.6%, the 'in-service factor'. After the member leaves service it will be increased by CPI only the 'out-of-service factor'.*
- Second amount
 - Consists of career average benefits for the period 1 September 2025 to 31 August 2055. *Note: Indexation will be applied using CPI + 1.6%, the 'in-service factor' during that period.*

If a member joins the NITPS on 1 April 2015 and works until 31 August 2020, during that time their pension banked each year will be increased by indexation (CPI)+ 1.6%. The member leaves teaching from 1 September 2020 (out-of-service) and from this point their pension banked will only increase by Indexation (CPI) only.

The member decides to return to teaching on 1 September 2025 and has a break of 5 years or less then the in-service indexation (CPI) + 1.6% is applied as if the member had never had a break in service (i.e. on a back dated basis from 1 September 2020 to 31 August 2025). As long as the member remains in employment, the pension banked each year will be increased by indexation (CPI) +1.6% going forward.

Examples : No Break in Service and Disqualifying Break in Service

Example: Member has no breaks in service.

A member has five years pensionable service in the NPA 60 scheme, and moves to the career average scheme on 1 April 2015 as they are a transitional member. The member's salary at this time was £30,000.

The member continues in teaching for a further 20 years and builds up pensionable service in the NITPS 2015 scheme i.e. career average scheme without a break in service.

When the member retires their salary has increased to £60,000.

The members pension benefits are calculated as follows:

- First amount
 - o Final salary (NPA 60) = 5 years service x £60,000 (average salary at the point of retirement)/ 80th = £3,750 annual pension (plus automatic lump sum £11,250 equal to 3 times your pension); plus
- Second amount
 - o 20 years of career average pension = £18,000

However, please note: the final salary link is dependent on the member's service being treated as continuous and the member not having a disqualifying break in service of more than five years after 1 April 2015. If there is a disqualifying break in service of more than 5 years, the service will be treated as deferred and the final salary benefits will be calculated using the salary when the out-of-service arrangement commenced and the salary will then be increased by indexation (CPI) up to the point when the member retires.

Example: Member has a disqualify break in service i.e. more than five years.

A member has five years pensionable service in the NPA 60 scheme, and moves to the NITPS 2015 scheme i.e. career average scheme on 1 April 2015 as they are a transitional member. The member's salary at this time was £30,000.

The member continued to work for another year and banked a year's career average and then decided to work outside teaching for 10 years.

The member returned to teaching and re-joined the career average arrangements and continued teaching for an additional 10 years.

The members pension benefits are calculated as follows:

Frequently Asked Questions

- Final salary (NPA 60) = 5 years service x £30,000 (average salary at the point of the break increased with inflation)/ 80th = £1,875 pension (plus automatic lump sum £5,625 equal to 3 times your pension);
- Deferred career average (£30,000 x 1/5?1h = £526.32) plus indexation using CPI of 1.6% = £722.97; plus
- 10 years of career average pension = £8,500

Example: Actuarially Adjusted Benefits/Actuarially Reduced Benefits/Early Retirement

If an active member has an NPA of 68 and is a member of the career average scheme only and decides to retire at the age of 65 their benefits will be actuarially reduced.

Actuarial reduction from age 55 (57 if does not meet requirements mentioned above) 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.

Therefore if the member retired at age 65 instead of their normal pension age of 68 their benefits would be reduced by 9% as the member had 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 9%.

If an active member who 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 benefits will be actuarially reduced.

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.

NPA 65 Scheme 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

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 benefits would be reduced by approximately 14%.

Example: Flexibilities

There is an overall limit to the total value of flexible benefits that a member can buy during their career. This includes the value of faster accrual, additional pension or actuarial buy-out. For 2015-2016 the limit is £6,500 for career average members and £6,300 for members who remain in final salary arrangements and will be subject to revaluation.

Example : Faster Accrual

In career average the standard accrual rate is $\frac{1}{57}$ 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 either 1155th, 1150th or 1145th

A member's earnings from 1 April 2015 to 31 March 2016 are £33,000.

If 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
1/57th (standard)	£578.95	n/a
1/55 th	£600.00	£21.05
1/50 th	£660.00	£81.05
1/45	£733.33	£154.38

Example: Additional Pension

Additional pension is an option for members of both Final Salary and Career Average arrangements.

Additional pension will continue to be available in amounts of £250 per annum (payment can be monthly or in a lump sum with the maximum length of contract being 240 months or 20 years but must end the month before their NPA).

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

Additional pension purchased is re-valued up to the date of retirement.

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 indexation using CPI as 1.5% per annum) or £499.12 (assuming indexation linking using CPI at 2.5% per annum).

However, please note:

*A **'fully protected'** member will continue to be able to buy additional pension in final salary and existing elections will continue.*

*A **'partial/tapered'** member will continue to be able to apply for additional pension under final salary but once they reach their transition date and move to career average they will only be able to apply for additional pension in career average arrangements . Existing elections will continue.*

*A **'transition'** member's existing elections will continue, but from 1 April 2015 they will only be able to buy additional pension in the career average scheme.*

A new entrant to the NITPS from 1 April 2015 will only be able to buy additional pension in the career average scheme.

The cost of the additional pension is dependent on the member's age and NPA at the time of purchase.

Example: 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 (57 if member does not meet the requirements mentioned above) 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 a member has an NPA of 66, they are able to buy-out 1 year actuarial reduction.
If a member has an NPA of 67, they are able to buy-out 2 year's actuarial reduction.
If a member has an NPA of 68, they are able to buy out 3 year's actuarial reduction.

However, please note: the cost of the actuarial reduction is dependant on the member's age at application and would be payable monthly throughout a member's entire career average membership.

Example: ill Health Benefits

There will still be two levels of ill health provision depending on whether the member is assessed as:

- Permanently unable to teach but could undertake other types of employment; or
- Permanently unable to teach or undertake other types of employment.

Example: Member permanently unable to teach but could do other types of employment.

A member is aged 40 with an NPA of 66 and has accrued a pension of £3,000 with full-time equivalent pensionable earnings at the time of their ill-health of £32,000.

The member is medically assessed as being unable to continue in teaching employment but is able to undertake other types of employment.

As with the current arrangements, the member would be paid a pension of £3,000 immediately and they would be able to undertake other types of employment outside teaching without their pension being affected.

However, please note: if in the future the member was able to resume their teaching career, the member's pension would be stopped.

Example: Member permanently unable to teach or to do other types of employment.

A member in these circumstances would receive an enhancement based on half of the service they would have completed before reaching their NPA and their final salary at retirement.

A member is aged 40 with an NPA of 66, and has accrued a pension of £3,000 with full-time equivalent pensionable earnings at the time of their ill-health of £32,000.

The member is assessed as being unable to continue teaching and unable to undertake other employment.

The member's ill-health enhancement pension is calculated as follows:

- 1/57 (standard accrual rate for career average)
- x £32,000 (full-time equivalent pensionable earnings at retirement)
- x 13 (half member's prospective service to NPA i.e. $(66-40) / 2$)

Member's ill-health enhancement pension of £7,298.25.

Member's accrued pension in career average of £3,000.

Member's total pension of £10,298.25.

Example: Member stepped down as a result of ill-health

A member may reduce their hours or take a position with less responsibility with the agreement of their employer to help the member manage their condition.

In these circumstances, should the member eventually retire on ill-health the salary used to calculate their enhancement would be the higher of their:

- full-time equivalent salary at retirement; or
- re-valued full-time equivalent salary from the point at which they stepped down.

The accrued career average benefits would be calculated using the member's actual pensionable pay.

The member's total pension consists of 'accrued pension' plus 'ill-health enhanced pension.'

Example: Enhancement when a member is not working full-time or on reduced pay

Part-time or reduced hours member will continue to have any ill-health enhancement calculated using their full-time equivalent salary at the time of their ill-health retirement.

Scenario 1: A member works 50% part-time and receives a salary of £15,000 and the full-time equivalent is £30,000.

The enhancement would be calculated using the full-time equivalent salary of £30,000.

Scenario 2: A member works 75% part-time and receives a salary of £22,500 and the full-time equivalent is £30,000. In addition the member also works 25% in the South West College receiving a salary of £10,000 against a full-time equivalent salary of £40,000.

The annual salary used for the enhancement would be calculated as follows:

Percentage of time : $75 + 25 = 100$

Annual salary: $(£30,000 \times (75/100)) + (£40,000 \times (25/100))$
 $= £22,500 + £10,000$
 $= £32,500$

However, please note: in the second scenario the total percentage worked used in the calculation, this could be more or less than 100.

Example: Terminal Illness

Where a member's condition is serious enough that their life expectancy is severely restricted, i.e. less than a year, the member's pension could be paid as a one-off lump sum of approximately five times the initial pension.

However, please note: The member / department / employer would need to consider this option at the time of ill-health application.

Example: Member Tiered Contributions

The tiered rate of contributions is determined with reference to the member's earnings for a particular employment, rather than the Full Time Equivalent rate for it. If a member has multiple employments the earnings in each employment will determine the contribution rate paid for each particular employment.

Employers will need to determine the member's 'annual salary rate' for each pay period, in order to determine the contribution rate for the pay period.

Overtime and back-dated salary increases are not included when determining the annual rate of pensionable earnings. In addition overtime only needs to be included (if payable) where the member is in the career average arrangements when the contribution rate is applied to their "pensionable earnings" in the pay period.

For part-time members, supply and hourly paid the contribution rate is determined by calculating the 'annual salary rate' for the pay period and applying it to all pensionable earnings paid in the pay period (including arrears).

Example: Member (full-time) in Career Average arrangement.

A member in the career average arrangements receives £2,750 per month (pay period) January- March 2016, and receives an overtime payment of £250 in March 2016 and receives a pay increase of £250 in April 2016 to give an annual rate of pensionable earnings (salary) of £36,000 per annum and receives a back dated pay award of £750.

The annual contribution rate of basic pay from January 16 - March 2016 is 8.6% (£26,000 - £34,999.99) and from April 2016 this will be 9.6 % (£35,000 - £41,499.99), and will be applied to all pensionable earnings from April 2016.

	Pay Period Earned (PPE)	Back Dated Pay B		Pay Period Paid (PP)	PPE	PPE Member's Contribution Rate F	PPE Pay Period Pensionable Earnings (A+B+C) G	PPP Contributions rate (F x G) H
Pay Period A								
Jan-16	£2,750			£2,750	£33,000	8.6%	£2,750	£236.50
Feb-16	£2,750			£2,750	£33,000	8.6%	£2,750	£236.50
Mar-16	£2,750		£250	£3,000	£33,000	8.6%	£3,000	£258.00
Apr-16	£3,000	£750		£3,750	£36,000	9.6%	£3,750	£360.00
May-16	£3,000			£3,000	£36,000	9.6%	£3,000	£288.00

Example: Member (part-time works two days per week) in Career Average

A member in the career average arrangements works two days per week and receives £1,100 per month (pay period) April 2015 - August 2015 (FTE salary of £33,000) and receives a pay rise of £100 in September 2015 (FTE salary of £36,000) back dated to April 2015.

The annual contribution rate for basic pay in April-August 2015 2015 will be 7.4% (0 - £25,999.99), and from September the annual rate of earning for basic pay remains at 7.4% and this is within (£0 - £25,999.99) and this percentage will be applied to all pensionable from September 2015 onwards.

Pay Period	Pay Period Earned	Back Dated	PPE Overtime C	Pay Period Paid (PPP) D	PPE	PPE Member's Contribution Rate F	PPE Pay Period Pensionable Earnings (A+B+C) G	PPP Contributions Paid (FxG) H
Apr-15	£1,100			£1,100	£13,200	7.4%	£1,100	£81.40
May-15	£1,100			£1,100	£13,200	7.4%	£1,100	£81.40
Jun-15	£1,100			£1,100	£13,200	7.4%	£1,100	£81.40
Jul-15	£1,100			£1,100	£13,200	7.4%	£1,100	£81.40
Aug-15	£1,100			£1,100	£13,200	7.4%	£1,100	£81.40
Sep-15	£1,200	£500		£1,700	£14,400	7.4%	£1,700	£125.80

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Example: Member (full-time) in final salary arrangements.

In November 2015 a member in the Final Salary arrangements receives a pay increase of £250 per calendar month to give a total salary of £36,000 per annum and receives a back dated pay award of £500.

The annual contribution rate for basic pay in October 2015 is 8.6% (£26,000 - £34,999.99) and from November 2015 will be 9.6 % (£35,000 - £41,499.99), this percentage will be applied to all pensionable earnings from this point onwards.

Month	FTE	Monthly Pay A	Back Pay B	Overtime C	Annual Rate of Pensionable Earnings D Ax12	Member's Contribution Rate E	Monthly Pensionable Earnings F A+B	Contribution Paid G Fx E
Oct	£33,000	£2,750	£0	£75	£33,000	8.6%	£2,750	£236.50
Nov	£36,000	£3,000	£500	£75	£36,000	9.6%	£3,500	£336.00
Dec	£36,000	£3,000	£0	£75	£36,000	9.6%	£3,000	£288.00

Please note: overtime is not included in the pensionable earning of a member of the NITPS who is remaining in the final salary arrangements.

Example: Re-employment and Abatement

If a teacher in receipt of pension benefits decides to return to teaching, checks have to be performed to determine if their pension should be abated i.e. either reduced or stopped altogether.

Career average benefits will not be subject to abatement, unless the member also had final salary benefits in which case the career average pension will also be included in the abatement calculation.

Example: Abatement

A pension would be abated if the pension benefit paid, together with a member's re-employment earnings, is higher than their index linked salary at retirement i.e. the member's average salary at retirement re-valued up to the date of calculation.

If a member retired and the average final salary at retirement was £30,000 and the member returned to teaching after a period of five years - the final average salary would be £32,318.52 with the assumption that indexation using CPI of 1.5% per annum.

In the case of premature retirement, any mandatory or discretionary benefits paid by the employer are taken into account in the re-assessment.

However, please note: this does not affect a member who took Actuarial Adjustment Benefits/Early Retirement or phased retirement unless they also took age, premature or ill-health retirement benefits.

Example: Retired teacher returns to teaching.

Example 1

A pensioner member aged 63 with a pension of £15,500 per annum decides to return to teaching.

The member's salary at the point of retirement was £30,000, and assuming indexation using CPI of 2.5% for 3 years the re-valued salary would be £32,306.72.

The member's salary on returning to teaching employment is £20,000.

The member's total earning would be £35,500 calculated as (£15,500 + £20,000).

As the member's total earnings now exceed the re-valued final salary of £32,306.72 by £3,193.28 (£35,500 - £32,306.72) this will result in abatement of the pension in payment. The pension will be reduced to £12,306.72 (£15,500 - £3,193.28) and will continue to be paid monthly until the point in the tax year at which time the member's pension will be suspended to ensure the member is not overpaid.

Example 2

If the member returns to teaching employment with a salary of £10,000 instead of a salary of £20,000 abatement would not apply.

The member's salary on returning to teaching employment is £10,000.

The member's total earnings would be £25,500 calculated as (£15,500 + £10,000).

As the member's total earnings do not exceed the re-valued final salary of £32,306.72 abatement will not apply and the member's pension could continue to be paid in full without any abatement.

Example 3

If a member's pension consists of final salary and career average benefits, the total pension will be taken into account in the calculation but only the final salary pension will have abatement applied.

A member has a retirement pension of £20,000 per annum consisting of £5,000 final salary and £15,000 career average.

The member's salary at the point of retirement was £30,000, and assuming indexation using CPI of 2.5% for 3 years the re-valued salary would be £32,306.72.

The member's salary on returning to teaching employment is £20,000.

The member's total earning would be £40,000 calculated as (£20,000 + £20,000).

As the member's total earnings exceed the re-valued final salary of £32,306.72 by £7,693.28, only the member's final salary pension of £5,000 would be abated and the member's career average pension of £15,000 would continue to be paid. Therefore the member's final salary pension would be stopped and if there has been an overpayment this would be recovered by the Department.

Example 4

A member returned to teaching at the age of 64 after retiring at age 60 with a career average pension only which has been re-valued to £18,000 per annum.

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As the member's pension has been fully built up in the career average arrangements the member's pension will not be abated irrespective of the level of the member's salary on returning to teaching employment.

Example: Pensions On Divorce

Pensions On Divorce (POD) or Pension Sharing On Divorce (PSOD) is:

- subject to overriding legislation;
- will continue to be administered in a similar way to the current arrangements;
- applies to both final salary and career average arrangements;

Note: The Government Actuary's Department has to provide guidance and factors on the Cash Equivalent Transfer Value calculation methodology for final salary and career average arrangements.

Annex 3

Glossary

It is hoped that the following clarifications are useful:

Abatement (abated): A provision in the current scheme where a member's age or premature retirement pension is abated (reduced or stopped) in a tax year if the re-employment earnings exceed a certain limit. The NITPS 2015 pension is not abated but will be taken into account in the abatement calculation for the current scheme.

Accrual rate: The rate, as a proportion of pensionable earnings, at which pension builds up for each year of membership. The accrual rate in the reformed scheme is 1157th of pensionable earnings for each scheme year.

Accrued pension: The amount of pension built up in the final salary or career average (NITPS 2015) scheme up to the current date. In the reformed scheme, this takes account of the pension earned in all scheme years to date, together with the index-linking that has been applied to date.

Active scheme members: Members paying or due to pay ongoing contributions and accruing benefits in the scheme. For the purposes of index-linking, a member may be treated as having remained active if they return to pensionable service following a break of five years or less, and providing they have not drawn the benefits already accrued in full. For the purposes of protection and tapered protection, a member was an active scheme member on 1 April 2012 provided they were either: paying contributions and accruing benefits at that point; or had done so previously, had not drawn benefits in full, and return to paying contributions and accruing benefits within five years or less of having previously done so.

Actuarial adjustment: The adjustment applied to a member's accrued pension to take account of the fact that it is being paid early, or in some cases late. The adjustment is made using factors, determined by the scheme actuary, which are calculated in a way that aims to reflect fairly the fact that benefits are expected to be in payment for a longer, or a shorter, period.

Actuarially adjusted benefit: A pension which is adjusted by an appropriate factor, where a scheme member has taken benefits before, or after, NPA. For NPA 60 members, there is no actuarial increase for late payment. NPA65 members receive an actuarial increase provided they are in service beyond their NPA, and this provision is being carried forward into NITPS 2015.

Additional pension: Amounts of extra pension which can be purchased by monthly contribution or by lump sum. Employers can purchase on behalf of a member, but must pay by lump sum.

Career average scheme / Career average benefit: A defined benefit scheme that gives scheme members a pension based on a proportion of the salary earned in each scheme year. Amounts of pension earned in previous years have index-linking applied in order to maintain their value.

Commutation / Commutation rate: Commutation is where a member exchanges an amount of annual pension in return for a retirement lump sum. The rate at which pension is given up for a higher retirement lump sum is known as the commutation rate. In the NITPS, giving up £1 of annual pension provides £12 of retirement lump sum.

Consumer Prices Index (CPI): An index of inflation published by the Office for National Statistics. This is the current basis for determining cost of living increases for public sector pensions. The index used could change in the future.

Current scheme: The existing final salary NPA 65 scheme, where benefits are calculated on the basis of salary at retirement, length of service, and a 60ths accrual rate. Other members of the final salary scheme have an NPA 60 with 80ths accrual, or a combination of both.

Deferred scheme members: A member who was previously an active member, but has now left pensionable service and not yet taken all pension benefits from the scheme.

Defined benefit pension scheme: A pension scheme where the pension is related to the members' salary or some other value fixed in advance. Final salary and career average are typical examples of such a scheme.

Department of Finance and Personnel Order: A direction from the Department of Finance and Personnel confirming the amount of indexation to be applied to in-service career average benefits at the beginning of each scheme year. This reflects provisions in the Public Service Pensions Act 2014. In-service index-linking in the NITPS is Treasury Order plus 1.6% (See In-service index linking).

Discretionary compensation: A payment granted by employers in addition to premature retirement at the discretion of employers.

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

Excluded employment: A period which would be pensionable service, but for the fact that the member has opted out or has remained in a non-pensionable post which commenced before April 2007.

Final salary scheme: A defined benefit scheme that gives members a pension based on their final salary, the accrual rate and the period of service.

Full protection: Scheme members who, on 1 April 2012, have ten years or less to their NPA, will continue to accrue benefits in the current scheme, provided there is no break in service of more than five years.

Index-linking addition: The amount of revaluation added to a scheme member's accrued pension at the beginning of each scheme year.

In-service index-linking: The rate at which amounts of career average benefits are re-valued while the scheme member remains in pensionable service as an active member of the NITPS. The rate for NITPS 2015 will be that specified in the Department of Finance and Personnel Order plus 1.6%. However, please note: where a member returns to pensionable service following a break of less than five years, this rate will apply to the member's benefits earned up to the point of the break, provided the member has not drawn them in full.

Mandatory compensation: A compensation payment, in recognition of loss of office, that is granted by employers where a member has been awarded premature retirement.

NITPS 2015: This is the name of the new career average scheme which comes into effect on 1 April 2015. Member's pension is based on a banked amount of 1157th of actual salary per year. However, please note: members can increase banked amount to either 1155th, 1150th or 1145th for the year by paying a higher contribution rate.

Normal Pension Age (NPA): The age at which benefits would come into payment in full, i.e. without actuarial adjustment. NPA is linked to SPA in NITPS 2015. NPA in the current final salary scheme is 65, though many members retain a NPA of 60 under previous arrangements or a combination depending on the member's circumstances.

Out-of-service index linking: Indexation of benefits for deferred members, this is currently linked to CPI. However, please note: where a member has a break in pensionable service of more than five years, this is the rate that will always apply to the member's career average pension earned up to the point of the break.

Pensionable earnings: Pensionable earnings are the earnings against which the scheme member and the employer will pay contributions and is the salary used to calculate the pension earned in any given year. For those in multiple employment, including those working more than full-time, the pensionable earnings from all

employments can be taken into account in determining the member's benefits, subject to contributions being paid in respect of them.

Pensionable service: A period where the scheme member is an active member.

Pensioner: Members who are in receipt of a retirement pension. In addition, this will also include pensions payable to surviving adults and other dependants entitled to benefits in respect of deceased former members of the scheme.

Phased retirement: Scheme flexibility whereby scheme members can, with their employers' co-operation, manage their transition to retirement. This provision allows members to access some of their benefits, subject to certain conditions, whilst they carry on working on a part-time basis or in a role of lesser responsibility.

PRC (Premature Retirement Compensation): A payment of either mandatory and/or discretionary compensation, awarded by the employer as a result of premature retirement.

Premature retirement: Where a scheme member has left pensionable service early, on the grounds of redundancy or in the efficient discharge of the employer's functions, and the employer has agreed to pay premature retirement compensation under the PRC regulations. The scheme member must have left service from age 55 and whilst the member receives, at least, her or his accrued pension that is a combination of pension paid by the NITPS and mandatory and discretionary compensation funded by the employer.

Premature retirement pension: A pension paid by the NITPS, payable with compensation funded by employers under the PRC regulations.

Re-employment: Where a member draws their full accrued benefits from the NITPS and then either returns to pensionable service and accrues further separate benefits or enters excluded employment (e.g. employment that is covered by the NITPS but the member has elected to opt out of scheme membership).

Reformed scheme: The new arrangements for the NITPS whereby benefits will be determined on a career average basis, i.e. a percentage of the salary earned in each scheme year.

Restricted salary provision: Applies to members in the current final salary scheme, where their final salary has increased, year on year, by more than 10% over the last three years before leaving service.

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

Salary- See pensionable earnings.

Frequently Asked Questions



Scheme member: A person who has contributed to the scheme and is an active member, deferred member or pensioner.

Scheme year: The period 1 April to 31 March.

State Pension Age (SPA): The age at which the State Pension would normally become payable.

Tapered protection: Active scheme members who, on 1 April 2012, were between 10 years and 13.5 years of their NPA will remain in the current scheme until a specified date (See Annex 1), provided they have continuous service. A break of five years or less is to be disregarded in determining whether service is continuous.

Transition date: The date on which a scheme member with service in the current scheme joins NITPS 2015.

Transitional scheme member: A scheme member with pensionable service in the current scheme and NITPS 2015 and is entitled to benefits in both.

Valuation: A report, carried out by the scheme actuary, of the financial position of a defined benefit pension scheme, which informs the contribution rates needed going forward.