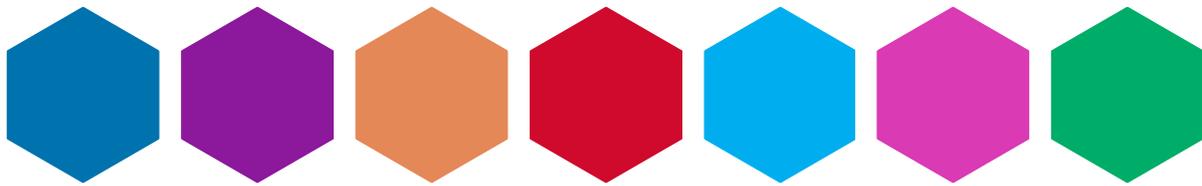




Northern Ireland Teachers' Pension Scheme Factsheet 1



An introduction to the changes to the NITPS from 1 April 2015

Introduction

Factsheet 1 introduces the changes to the NI Teachers' Pension Scheme from 1 April 2015 and will give members an awareness of:

- Benefits of the NI Teachers' Pension Scheme (NITPS)
- Changes to the NITPS from 1 April 2015
- Current schemes (NPA 60 and NPA 65)
- What type of member are you?
- How will I know what type of member I am?
- What are the impacts of a break in service?
- Are the benefits any different from now?
- Is there any change to when I can retire?
- How does career average work?
- Normal Pension Age and corresponding State Pension Age





Benefits of the NITPS

- provides you with a regular income when you retire;
- provides your family or other dependants with financial protection after you die;
- if you become too ill to work, you may receive your pension early;
- option to purchase additional pension;
- if you are a member of the career average arrangements you can purchase scheme flexibilities (faster accrual and actuarial buy-out);
- all members are able to boost their pension benefits by:
 - purchasing additional pension
 - making Additional Voluntary Contributions.
- if you were a member on or after 1 April 2007 you have the option to have part of your pension paid as a tax free lump sum;
 - £12 for every £1 of pension surrendered.
- if you were a member before 1 April 2007, you will automatically receive a tax free lump sum (3 times annual pension), and you also have the option of increasing this lump sum by converting part of your pension in line with HMRC limits*;
- pension is index-linked by Consumer Prices Index (CPI) to protect its value against the effects of inflation;
- employer makes a substantial contribution of 17.7% towards the cost of your pension; and
- provides a lump sum (death grant) if you die before you retire and may pay children's and dependants' pensions.

**A member in the NPA 60 scheme also has the option to reduce their annual pension and receive a lump sum (£1 of pension surrendered equates to £12 lump sum) subject to HMRC limits.*





Changes to the NITPS from 1 April 2015

From 1 April 2015 the NI Teachers' Pension Scheme (NITPS) is changing from a final salary scheme to a Career Average Re-valued Earnings (CARE) scheme.

This will mean changes to how your pension is calculated and when you can retire. Some members will not be affected by the changes and remain in final salary arrangements. Whilst others will start to have their benefits calculated using a combination of career average and final salary arrangements or totally career average if a new entrant joins the NITPS from 1 April 2015.

If you are a pensioner member or out of service you will only be affected if you return to pensionable employment.

Current Schemes

NPA 60 Scheme

- refers to members who joined the NITPS on or before 31 March 2007. Normal Pension Age is 60. Automatic tax free lump sum and pension determined by 80^{ths}.

NPA 65 scheme

- refers to members who joined the NITPS between 1 April 2007 and 31 March 2015. Normal Pension Age is 65, there is no automatic lump sum (although some pension can be converted into a tax free lump sum) and your pension is determined by 60^{ths}.

What type of member are you?

As an active member of the NITPS on 1 April 2012, depending on the number of years remaining to your Normal Pension Age in the NPA 60 or NPA 65 scheme, you will be classified as either a:

- Fully protected member; or
- Tapered/partial protection member; or
- Transitional member.

In addition a member who joins the NITPS for the first time from 1 April 2015 will be known as a **new entrant**.





How will I know what type of member I am?

Fully protected member

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

These are **fully protected** members.

Tapered/partial protection member

Active members in the NITPS NPA 60 or 65 schemes on 31 March 2012 who were between 10 and 13.5 years of their normal pension age on 1 April 2012. These members have a specific (transitional) date when they will move to the career average scheme and their pension will be based on final salary and career average components. 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. Refer to tables 1-2 which show your transition date and when you will move to the 2015 NITPS Career Average Scheme.

Transitional member

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 scheme on 1 April 2015, and their pension will be based on their final salary and career average components. 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.

New Entrants

New members who join the NITPS on or after 1 April 2015 will join the career average scheme, and their pension will be based on career average.





Factsheet 1

Table 1: 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
02.12.24 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 30.09.65	46	06 months and 1 day	01/06/2015
1 October 1965 and younger	46	06	01/04/2015





Factsheet 1

Table 2: 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	01/08/2015
02.09.60 to 30.09.60	51	06 months and 1 day	01/06/2015
1 October 1960 and younger	51	06	01/04/2015





What are the impacts of a break in service?

A significant break in service is where a member is out of pensionable service for more than 5 years.

If you have a break of 5 years or more this can impact on the type of member you are and the level of protection and the benefits you receive when you retire.

If you are a **fully protected, partial/tapered protection** or **transitional** member and have 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 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. Otherwise if you returned within 5 years or less the link with final salary will be maintained.

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

- ◆ *Your final full-time equivalent salary averaged out over the last twelve months of service; or*
- ◆ *An average of your best three re-valued years' salaries during the last ten years of pensionable employment.*
- ◆ *Revaluation is in relation to the Consumer Prices Index (CPI).*

However, if all your pensionable employment is before 1 April 2007 then calculation of the NPA 60 scheme benefits will be based on the best average 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.





Are the benefits any different from now?

Fully Protected Member

If you are a fully protected member you will remain in the current NPA 60 or NPA 65 schemes and your pension will be determined as follows:

NPA 60 Scheme

- Annual Pension = $\frac{(\text{Average Salary} \times \text{Years Service})}{80}$
- Automatic lump sum of 3 x Annual Pension
- Can also convert part of pension to receive an additional optional lump sum (HMRC allows a maximum of 25% of the value of your pension fund to be converted to a lump sum)
 - Formula for calculating the maximum additional lump sum
 $= \frac{(\text{Annual Pension} \times 33)}{14}$

Example 1: A member of the NPA 60 scheme wants to receive the maximum lump sum available following HRMC guidelines.

A member has 40 years' service and their final salary is £30,000. The member's Annual Pension is calculated as:

$$£15,000 = \frac{(\text{£}30,000 \times 40)}{80}$$

The member's automatic lump sum will be calculated as:

$$£45,000 = £15,000 \times 3$$

The maximum additional lump sum available would be calculated as:

$$£35,357 = \frac{(\text{£}15,000 \times 33)}{14}$$

For the member to receive the additional lump sum their annual pension would be reduced by £2,946 calculated as:

$$£2,946 = \frac{£35,357}{12}$$

Additional lump sum calculated as:

$$£35,352 = £2,946 \times 12$$

Member's pension at retirement would be:

- Annual Pension of £12,054 (£15,000 - £2,946) with a lump sum of £80,352 (£45,000 + £35,352).





NPA 65 Scheme

- Annual Pension = $\frac{\text{Average Salary} \times \text{Years Service}}{60}$
- No automatic lump sum
- Can also convert part of pension to receive an optional lump sum (HMRC allows a maximum of 25% of the value of your pension fund to be converted to a lump sum)
 - Formula for calculating the maximum additional lump sum
= $\frac{\text{Annual Pension} \times 30}{7}$

Example 2: A member of the NPA 65 scheme wants to receive the maximum lump sum available following HMRC guidelines.

The member has 40 years' service and their final salary is £30,000. The member's Annual Pension is calculated as:

$$£20,000 = \frac{£30,000 \times 40}{60}$$

The member does not receive an automatic lump sum.

The maximum lump sum available will be calculated as:

$$£85,714 = \frac{£20,000 \times 30}{7}$$

For the member to receive the lump sum their annual pension would be reduced by £7,142 calculated as:

$$£7,142 = \frac{£85,714}{12}$$

Lump sum calculated as:

$$£85,704 = £7,142 \times 12$$

Members pension at retirement will be:

- Annual Pension of £12,858 (£20,000 - £7,142) with a lump sum of £85,704.

Career Average from 1 April 2015 onwards

If you are a tapered/partial protection or transition member your total pension benefits will be based on final salary and career average components.



How does career average work?

Think of career average as a "savings deposit account with interest added to the amount you save". The amount you "bank" is based on a fraction of pensionable earning and for the NITPS this will be $1/57^{\text{th}}$. The amount you "bank" the following year is then re-valued by a percentage factor year on year and thus your pension pot increases as you progress through your career. For NITPS the percentage factor is the rate of the Consumers Prices Index (CPI) + 1.6% while you are in active service and CPI only if you are a deferred member or have a break that spans more than five years.

Example 3: How career average works



Member's earnings for 1 April 2015 to 31 March 2016 are £30,000.

Assuming indexation (CPI) is 2.5%

Year 1

Member will bank a pension for Year 1 of:

$$£30,000 \times 1/57^{\text{th}} = £526.32$$

Year 2

In the following year the member earns £31,000.

At the start of Year 2 the member's pension banked in Year 1 is increased by 4.1% (Indexation of 2.5% + 1.6%) ($£526.32 \times 4.1\%$) = £21.58 (A)

So, pension banked in Year 1 = £526.32 (B)

Member will bank a pension for Year 2 of:

$$£31,000 \times 1/57^{\text{th}} = £543.86 \text{ (C)}$$

Total Pension at the end of Year 2 = £1091.76 (A)+(B)+(C)

Year 3

In the following year the member earns £31,500.

At the start of Year 3 the member's pension banked in Year 1 is £547.90 (A)+(B) + an increase of 4.1% (indexation) of £22.46 = £570.36(D)

At the start of Year 3 the member's pension banked in Year 2 is increased by 4.1% (indexation) = £543.86 + £22.30 = £566.16(E)

Member will bank a pension for Year 3 of:

$$£31,500 \times 1/57^{\text{th}} = £552.63 \text{ (F)}$$

Total Pension Year at the end of Year 3 = £1,689.15 (D)+(E)+(F)



Is there any change to when I can retire?

There is no change to a member's normal pension age (NPA) if they are a fully protected member and remain in the final salary arrangements for the NPA 60 or 65 schemes.

If you are a member of the NITPS 2015 scheme ie career average your NPA will now be equal to your State Pension Age or 65 whatever is higher. You can choose to retire before your NPA in the 2015 scheme and take your benefits from both the final salary arrangements and the career average arrangements but if you take these benefits before their respective NPA the benefits will be reduced.

Example 4: Member retires at 60 from NITPS (member of NPA 60 and 2015 scheme with a NPA of 68). How would their benefits be impacted?

A member has a combined pension 'pot' of £20,000, with £10,000 in the NPA 60 scheme and £10,000 in the 2015 scheme ie career average arrangements.

NPA 60 scheme: there is no reduction in benefits as the member chooses to retire at their NPA

NPA 60 benefits calculated as:

- £10,000 plus a lump sum of £30,000

2015 Scheme benefits calculated as:

- £10,000 - ((approx 5% reduction per year before 65) + (approx 3% reduction from 65 to NPA in 2015 scheme))
- £10,000 - (25% +9%)
- £10,000 - 34% = £6,600

Total pension benefits will be approximately £16,600 (£10,000 + £6,600) plus £30,000 lump sum.

NB: the member also has the option to reduce their annual pension and receive a lump sum (£1 of pension surrendered equates to £12 lump sum) subject to HMRC limits.





Example 5: Member retires at 60 from NITPS (member of NPA 65 and 2015 scheme with a NPA of 68). How would their benefits be impacted?

A member has a combined pension 'pot' of £20,000 with £10,000 in the NPA 65 scheme and £10,000 in the 2015 scheme ie career average arrangements.

NPA 65 scheme: there is a reduction in benefits as the member is retiring before their NPA of 65.

NPA 65 benefits calculated as

- £10,000 - (approx 5% reduction per year before age 65) = £10,000 - 25%
- £10,000 - £2,500 = £7,500

2015 Scheme benefits calculated as

- £10,000 - ((approx 5% reduction per year before 65) + (approx 3% reduction from 65 to NPA in 2015 scheme))
- £10,000 - (25% +9%)
- £10,000 - 34% = £6,600

Total pension benefits will be approximately £14,100 (£7,500 + £6,600).

NB: the member also has the option to reduce their annual pension and receive a lump sum (£1 of pension surrendered equates to £12 lump sum) subject to HMRC limits.

Normal Pension Age and corresponding State Pension Age

Tapered/partial protection and Transitional members will retain their existing normal pension age in their NPA 60 or NPA 65 final salary arrangements but will have a new normal pension age in the NITPS 2015 which will be equal to their state pension age or 65 whatever is higher.

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

www.gov.uk/calculate-state-pension

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

