TPS 2015: Retirement

On 1 April 2015, the Teachers’ Pension Scheme (TPS) changes, becoming both a final salary scheme and a career average revalued earnings (CARE) scheme. This factsheet outlines what you should consider at retirement, and is part of a series designed to explain the changes for ATL members. Changes to the teachers’ schemes in Scotland and Northern Ireland mean all three schemes are virtually identical.

If you are a protected member, your Normal Pension Age (NPA) will be age 60 or 65 depending on when you joined the TPS; it is 60 if you joined the TPS before 1 January 2007 and 65 if you joined on or after 1 January 2007.

A tapered or transition member will have two NPAs or even three NPAs, one or two for your final salary benefits and another for your CARE benefits. Your NPA for your final salary benefits will be age 60 or 65 depending on when you joined the TPS; 60 if you joined the TPS before 1 January 2007 and 65 if you joined on or after 1 January 2007. Your NPA for your CARE benefits will be 65 or your state pension age (SPA), if higher. To work out your SPA, visit www.gov.uk/calculate-state-pension.

As a tapered or transition member, you can claim your final salary benefits at the relevant normal pension age, 60 and/or 65, depending on when you joined the TPS, and then claim your CARE benefits at a later date when you reach your NPA under CARE. If you claim your CARE benefits at the same time as your final salary benefits, before you reach your NPA under CARE, your CARE benefits will be reduced because of early payment.

A new entrant will only have benefits in the CARE scheme. As a new entrant, your NPA will be 65 or your SPA if higher.

To be able to retire and take your full benefits from the TPS, you must be out of pensionable employment for all your service. You will need to have a genuine cessation of employment and a day’s break before you can receive any benefits. This includes taking premature retirement or actuarially adjusted benefits (AABs). You will need to apply for your pension to be put into payment and there are different retirement forms depending on which type of retirement you have decided to take. ATL advises that you complete the forms and return them to Teachers’ Pensions (TP) about three months before your anticipated date of retirement date. All the forms are available on the TP website www.teacherspensions.co.uk, or from your employer.

Once you are out of pensionable employment and past your NPA, that pension becomes payable. If you do not claim it, arrears will be paid and tax deducted when you do retire.

If you are an active member in the final salary scheme and your NPA is 65, or in the CARE scheme your pension will be enhanced if you continue to work beyond your NPA. A late retirement factor will be applied to boost your pension for late payment.

**Signalling your intention to retire**

In many cases, someone thinking of retiring will have discussions with their headteacher long before the intended date, but sometimes that decision arises from personal circumstances. In all cases, retirement is not automatic upon reaching a certain age. You will always need to resign your post in the usual way, and complete a TP retirement application form to claim your benefits.
If you are claiming your pension immediately, you will need your employer to complete part of the application form with additional information before it goes to TP.

If you are leaving and claiming AABs with immediate payment, your employer also has to consent to you drawing your AABs with immediate effect. An employer can only withhold consent for up to six months, although this is unusual, so it is important that you make your application in plenty of time. If consent were to be withheld, you can resign, leave and make an out-of-service application for AABs, which will be put into payment after six weeks.

Contracts of teachers/lecturers in the maintained sector provide for retirement to take effect at the notional end of each term (ie 30 April for spring, 31 August for summer or 31 December for autumn).

You should note, however, that if your school’s new term starts before the notional end of term you could be required to work up to the notional end unless you agree with your employer to retire at an earlier date.

In England and Wales you are required to give two months’ notice to your employer if you intend to retire at the end of the spring or autumn term, and three months’ notice if you plan to retire at the end of the summer term. If you teach in an independent school, check your contract as your position may be different. In Northern Ireland you are required to give three months’ notice in the spring and autumn terms and four months’ notice in the summer term. In Scotland, teachers are required to give four weeks’ notice at any time of year.

AABs and phased retirement
You may leave employment and access pension benefits any time from the minimum pension age (MPA), currently 55. Any benefits accessed before your NPA will be subject to a permanent reduction for early payment. This is known as taking actuarially adjusted benefits (AABs). If you are entitled to a lump sum in addition to your pension, the lump sum is also reduced for early payment. Any additional pension benefit you have purchased would also be reduced for early payment. If you are taking AABs, all your benefits in the TPS must be taken at the same time; for example you cannot defer taking your lump sum or APBs and just take the pension.

Your employer can withhold consent for six months if you are planning to take AABs. This is highly unlikely, but if it does happen, you can resign from your post in the normal way and then claim your reduced pension as an out-of-service teacher.

If you are a tapered or transition member and you have benefits in both final salary and CARE, all your benefits must be taken at the same time, if you decide to take AABs.

Your employer can withhold consent for six months if you are planning to take AABs. This is highly unlikely, but if it does happen, you can resign from your post in the normal way and then claim your reduced pension as an out-of-service teacher. It will take six weeks to put this pension into payment.

Phased retirement
Members over the age of 55 can work and access a proportion of their pension benefits at the same time. This is a phased retirement. To qualify for phased retirement you must have a least a 20% reduction in your pensionable salary compared to the previous six months. You can do this by either reducing your hours, relinquishing a post of responsibility, a combination of both, or by taking up a post with a new employer. The new employment must be taken up within six months of leaving the previous employment. You must make the election within three months of taking the drop in salary and the reduction must be for at least 12 months.

If you are a protected member you can take two phased retirements before finally retiring.

If you are a tapered, transition or new member, you can take phased retirement three times before finally retiring, but only two of your phased retirements can be before age 60.

You can take up to 75% of your accrued benefits. If you’re a transition member you can also choose to take different proportions of your final salary and career average benefits.

Premature retirement
If you are 55 or over and your employer decides to terminate your employment on the grounds of redundancy or in the efficient discharge of the employers’ function, they may grant you 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 benefits.

If premature retirement is granted you will receive an actuarially adjusted pension from the TPS, 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.

If you are a tapered member or transition member and have service in both final salary and CARE schemes, then you will have to take all your benefits at the same time. Your employer will have to pay mandatory compensation on both your final salary and career average benefits.

Returning to teaching after retirement

You may decide to return to teaching after retirement. Any work you do in an establishment that is part of TP will be automatically pensionable. This means that you and your employer will contribute to the TPS and you will build up further benefits to be paid separately when you retire again. All categories of membership who retire and return to pensionable employment will join the CARE scheme.

If you have retired on the grounds of age or taken premature retirement, you will have an earnings limit applied to your future earnings. This is roughly the difference in the pension you are awarded and the highest salary used in the calculation of your pension benefits; TP will give you an earnings limit, updated each year. If you are re-employed and breach that earnings limit within any tax year, your pension will be abated for the remainder of that tax year until the start of the next one, when your earnings limit begins again. It is your responsibility to send TP a completed certificate of re-employment every year. You can download it from www.teacherspensions.co.uk or complete it through ‘My pension online’ on the same site.

The earnings limit also only applies to your final salary benefits; it will not apply in relation to CARE benefits. The earnings limit only applies to any work you do after retirement that is subject to the TPS. If you return to teaching as a supply teacher through an agency or work for an independent school that does not participate in the TPS, you will not be subject to an earnings limit.

If you only have AABs, you are not subject to an earnings limit; however, be wary of taking an AAB very close to NRA and not having a proper break between retiring and starting re-employment. The Department for Education (DfE) can deem your retirement void if it is felt your retirement was not genuine and you have simply drawn your pension and continued working. This can result in having to repay pension paid. ATL’s advice is that you should resign your current post, apply for your pension and retire, have a gap of at least a day, and begin a brand new contract in the same or a new school or college. Opting out of the TPS in reemployment that is subject to the TPS does not get around this rule, as the school or college is still part of the TPS. Currently, any reemployment in Northern Ireland is not pensionable.

Your information

In England and Wales, the TPS is administered on behalf of the DfE by Capita. The best way to access your most up-to-date information is by signing up for ‘My pension online’ at www.teacherspensions.co.uk. All the forms you will need over the course of your membership can be accessed from here, and applications can also be made online. ATL urges all members to check their pension statement at least once a year online to ensure their records are correct and up to date.

If you cannot access the internet, paper copies of your record and any forms that you require can be obtained by ringing TP on 0345 606 6166 (standard rate number) between 8.30am – 6pm Monday to Friday.

If you are a member of Teachers’ Pensions in Northern Ireland, please visit www.deni.gov.uk or call 028 7131 9000. If you are a member of Teachers’ Pensions in Scotland, see www.sppa.gov.uk or call 01896 893 000.

ATL’s full series of factsheets on the TPS 2015 is available at www.atl.org.uk/factsheets.

For further help and advice contact ATL’s pension team at info@atl.org.uk or call 020 7782 1600.

Need advice?

Your first point of contact is the ATL rep in your school/college. Your local ATL branch/district is also available to help, or you can contact ATL’s member advisers on 020 7930 6441, email info@atl.org.uk. Don’t forget there’s lots more advice on ATL’s website at www.atl.org.uk.

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