Your Pension

TEACHERS’ PENSION SCHEME

General Guide – Retirement on Age Grounds

GUIDE 2

Your Scheme
The Teachers' Pension Scheme (TPS) is administered by Teachers' Pensions, Mowden Hall, Darlington, DL3 9EE (Tel: 01325 745745), who will consider all applications for retirement on age grounds.

Qualification for retirement benefits

Both men and women teachers can retire at age 60 and receive their teachers’ pension and lump sum subject to the minimum service requirements having been completed. Pension benefits are not payable before age 60, except in the case of early retirement on grounds of ill health or where a teacher retires under the premature retirement compensation arrangements or takes actuarially reduced benefits.

Men and women can normally remain in service until the end of the term in which they attain their 65th birthday.

The minimum service requirements for an annual pension and lump sum are as follows:-
• two years of pensionable service beginning on or after 6 April 1988; or
• in the case of a teacher who was employed in pensionable service on 6 April 1988, and had been employed in pensionable service prior to that date, two years of pensionable service in all; or
• five years’ aggregate pensionable service at any time.
• A teacher in pensionable employment after 5 April 1978 and at any time between the day before her 60th birthday, in the case of a woman, and the day before his 65th birthday, in the case of a man, will qualify for benefits regardless of the length of service. Pensionable service is any period where superannuation contributions have been paid but is not necessarily the same as reckonable service.

Reckonable service is the number of years and days accumulated in the scheme which counts for pension benefits and can include any periods of pensionable part-time service, periods bought in by paying Past or Current Added Years and any service transferred into the Teachers’ Pension Scheme from another pension scheme.

For example, in the case of a part-time teacher employed in a 0.4 full-time equivalent capacity during every year of service, one year of pensionable service will be accrued but only 146 days will count as reckonable service in calculating retirement benefits.

Calculation of retirement benefits
A teacher’s pension and lump sum are calculated by reference to:
• the whole of the teacher’s reckonable service, calculated in years and days, and
• the teacher’s average salary.
Average salary is the average of the full salary over the best successive 365 days of reckonable service during the final 1095 days (three years).
The maximum period of reckonable service allowed for calculating retirement benefits is 45 years. Not more than 40 years undertaken before age 60 can count in the calculation of the pension. The lump sum payment may not exceed one and a half times the average salary in respect of service before age 60.

For teachers in full-time service and regular part-time service the average salary will, in most cases, be the average salary which the teacher received during the last year of service, but in the event of a change in salary scale, or a break in the past year of service, some other periods may give a larger average salary.

A period of absence due to sickness, whether on full pay or half pay, counts as full-time reckonable service when calculating pension benefits. This means that both reckonable service and average salary would be assessed as if the teacher had not been ill.

Each year of reckonable service provides an annual pension of $\frac{1}{80}\text{th}$ of the final **average salary**, and a lump sum of $\frac{3}{80}\text{ths}$ of the final **average salary**.

A teacher retiring with forty years’ reckonable service will, therefore, receive a pension of half his or her average salary and a tax free lump sum of $1\frac{1}{2}$ times his or her average salary, whatever that salary is at the time of retirement.

In the calculation of both pension and lump sum, part years count pro rata. The annual pension is regarded as earned income for income tax purposes, but the retirement lump sum is not subject to income tax.

**Payment of retirement benefits**
The pension benefits are paid by Teachers’ Pensions and a teacher must make a formal application as the benefits are not paid automatically. The lump sum payment is paid normally by direct payment to the teacher’s bank account, although special arrangements may be made if the teacher does not have a bank account. The teacher’s pension is paid monthly either by direct credit to the teacher’s bank account or in some cases building society, or by a crossed voucher.

Where the pension is paid direct to a bank account or building society account, the payment is normally credited to the account on the day payment of pension is due. There is no payment advice slip given and the only details the teacher has is the nett pension figure, which appears on the bank statement. However, where there is a change in income tax code or pension rate the relevant details are given and the teacher is informed that the pension will be paid at that rate until further notice. If the teacher chooses to have the annual pension paid by crossed voucher, there is a counterfoil, which gives details of the gross pension, income tax deducted that month, income tax code and nett pension.

If as a result of physical or mental disability, the pensioner is unable to deal with his or her pension payments, alternative arrangements can be made. In these circumstances, the pensioner, or the pensioner’s representative should contact Teachers’ Pensions.

The payment month will commence on the date of the month upon which the teacher was born. Accordingly, a teacher retiring on 31 August and whose date of birth was 15 May, would first receive a proportionate pension payment on 14 September. The next pension payment would be on 14 October and would represent a full month’s pension.
Where a teacher was born at the beginning of the month (e.g. between the 1st and 10th), it is unlikely that Teachers’ Pensions would make a pension payment for less than 10 days and this would be added on to the first full month’s pension.

Where a teacher has left teaching before age 60, having qualified for pension benefits, the notification of the awarded benefits by Teachers’ Pensions will include details of cost of living increases.

A retired teacher who changes address or bank account should notify Teachers’ Pensions as soon as possible.

‘Normal’ dates of retirement
Most teachers retire from teaching at the end of a teaching term. In practice the last days of the three terms are assumed to be 30 April; 31 August; and 31 December. This arrangement has the advantage, for those about to retire, that the days after the end of teaching carry full salary, and not pension, up to the last day of the teaching term. Staff regulations operated by some local education authorities may enable teachers to retire at some other dates, but by mutual agreement.

Date of commencement of retirement benefits
A teacher can receive the pension and lump sum immediately after retirement if he or she has reached age 60.

If a teacher leaves service before age 60, other than on grounds of infirmity, or having been awarded Premature Retirement Compensation, the pension benefits will be preserved until they are claimed at age 60. The preserved benefits will then be paid together with any increases, which have accrued on account of the rise in the cost of living since leaving reckonable service, regardless of any income the teacher may have from employment outside the teaching profession.

Pension Guarantee
Where retirement benefits become payable after 1 April 2000 and the teacher dies before receiving the pension for five years, there will be a ‘five year pension guarantee’. This means that a supplementary death grant will be payable, equal to five times the amount of the annual pension payable at the date of death less the total amount of pension already received.

Claiming retirement benefits
To avoid any delay in the payment of the pension and lump sum, a teacher should ask his or her employer for a copy of the necessary application form, Form 14, about four months before the date of retirement. A teacher employed in a grant maintained school, or a teacher employed in an independent school should be able to obtain a copy from the employer, but if there are any difficulties the teacher should contact the regional office or, in Wales, the NUT Wales Office, NUT Cymru, or Teachers’ Pensions. When writing to Teachers’ Pensions the teacher should state his or her reference number (RP . . /. . ).

Form 14 is in two parts. Part A, including the ‘Declaration’ should be completed by the teacher. The complete form should then be forwarded to the employing local education
authority or governing body for Part B to be completed. The teacher’s employer should then return the form to Teachers’ Pensions.

In the case of an education authority, which has gone out of existence or of an authority whose boundaries have been changed, the form should be sent to the education authority which now administers the schools in the district where the teacher was last employed. If a teacher has retired from service some time before reaching age 60 years, the claim should be made about four months before the 60th birthday, by asking Teachers’ Pensions for Form 14.

Further advice on all these matter can be obtained from your regional office or, in Wales, the NUT Wales Office, NUT Cymru.

Example
A teacher retires with 39 years 70 days (or 39.19 years) of reckonable service and an average salary of £26,000.

Pension
The pension is the total of reckonable service x 1/80 x average salary i.e.
39.19 x 1/80 x £26,000 = £12,736.75

Lump sum
The lump sum is total reckonable service x 3/80 x average salary i.e.
39.19 x 3/80 x £26,000 = £38,210.25

Further Information

A leaflet giving details of age retirement benefits, leaflet 194, is available from Teachers’ Pensions. A general guide to the scheme, ‘Your Pension - A Guide to The Teachers’ Pension Scheme England and Wales’, is available also.

Further advice on all these matter can be obtained from the appropriate regional office or, in Wales, the NUT Wales Office, NUT Cymru.