

## Changes include

- + Benefits may be payable to nominated dependent partners (opposite and same sex).
- + The better of the last year's salary or the re-valued (in line with Retail Prices Index (RPI)) average of the best three consecutive years' salary in the last ten years of service to be used for calculating benefits at retirement.
- + Revised ill-health retirement package for those permanently incapable of teaching – tiered approach with a higher level of benefits for total incapacity and lower level of benefits for partial incapacity.
- + More scope to take a higher tax-free lump sum and a lower level of pension.
- + A facility to purchase up to £5,000 of additional annual pension.
- + Spouses', surviving civil partners' and nominated dependent partners' pensions paid for life.
- + An increase in the death grant to three times salary.

## Need more information?

**You'll find all you need to know at [www.teacherspensions.co.uk](http://www.teacherspensions.co.uk)**

The Department for Children, Schools and Families (formerly the Department for Education and Skills) worked with Prudential to develop a DVD, 'What do you want to do when you leave school?'

A guide to the Teachers' Pension Scheme'. The DVD was issued to all schools and education establishments in October 2006.

The DVD is available to watch on the TeacherNet website [www.teachernet.gov.uk/pensions](http://www.teachernet.gov.uk/pensions)

# Changes 2007



**For more information on this or any aspect of the TPS log on to [www.teacherspensions.co.uk](http://www.teacherspensions.co.uk), call 0845 606 6166 or write to: Teachers' Pensions, Mowden Hall, Darlington DL3 9EE**

On 1 January 2007 changes came into force that transform the Teachers' Pension Scheme (TPS) arrangements for both existing and future teachers and lecturers.

The changes mean more flexibility and greater choice over how individuals save and plan for retirement; including increased options for saving outside the main scheme and encouragement to consider pension planning from an earlier stage in their career. Outdated features of the scheme have been reformed allowing arrangements to meet the needs of workers and employers to make the most of teachers' experience and expertise.

Existing members will retain a normal pension age (NPA) of 60, whilst new entrants – and those who have had gaps in service of more than 5 years in respect of their future service – will have a NPA of 65. However, the accrual rate for new entrants is changing from 1/80th to 1/60th with increased freedom over the amount of lump-sum to be taken at retirement.

All teachers are still able to choose a retirement date that is different from their NPA. The revised arrangements remove the 'cliff edge' approach to retirement and allow a teacher or lecturer to take part of their benefits and remain in employment in a reduced capacity, for example, by going part time. Also the calculation of pension benefits now takes account of the member's salary over the last 10 years of service, supporting those who 'wind-down' to retirement.

## Case study – Phased Retirement

Mark is a 59 year old Advanced Skills Teacher who can draw his unreduced pension at age 60. His annual salary is £44,000 and he has 36 years' service. Mark was considering retirement, but wanted to carry on teaching in some capacity. With the support of his employer he has decided on a phased retirement. Mark has decided to give up some of his duties and reduce his salary by £15,000. He will also draw 50% of his pension benefits immediately.

This means that Mark will receive an immediate lump sum payment of £28,690\*. He will then receive an annual pension of £9,306\* plus his reduced salary of £29,000. The pension in payment will be subject to annual inflation increases.

This arrangement encourages Mark to carry on teaching. It also helps his school to retain an experienced member of staff.

If Mark continues to work for another three years before deciding to retire completely at age 62 he will receive a further lump sum and a further pension.

The further pension benefits will be based on 18 years remaining service plus three years of new service and will use the average of the best consecutive three years' salaries in the last 10 years (up-rated to take account of inflation) as that would provide a higher benefit than using Mark's actual salary at retirement.

For more information on phased retirement see the 'Phased Retirement' fact sheet and on the average salary used to calculate retirement benefits see the 'Average Salary' fact sheet or access them online at [www.teacherspensions.co.uk](http://www.teacherspensions.co.uk)

Calculators, to assist with pension planning, are available on the TP website [www.teacherspensions.co.uk/resources/calculators.htm](http://www.teacherspensions.co.uk/resources/calculators.htm)

\*an actuarial reduction has been applied because Mark is taking some of his pension benefits before his normal pension age of 60