
Demystifying entitlement to retirement benefits

LGA teachers' pensions conference
October 2017
Jonny Watson & Stephen Fry



Accessing pension and lump sum benefits in the Teachers' Pension Scheme

Certain conditions must be satisfied before members can access their pension benefits.

The 'entitlement date' or 'payable date' can vary depending on:

- The type of retirement
- If it's an in-service or out-of-service application

Members also need to consider:

- The Normal Pension Age (NPA) for the benefits
- Benefits in more than one arrangement - do they have to be taken at the same time?
- If they return to or remain in pensionable employment, abatement on Final Salary benefits.

The presentation aims to provide a guide to the common scenarios.

The different types of retirement

Age Retirement:	reached the NPA for the benefits
Early Retirement:	aged between 55 & NPA
Premature Retirement:	aged between 55 & NPA
Phased Retirement:	aged between 55 & 75
[Retirement from ASAR:	any point after initial retirement]
Ill-health Retirement:	any point prior to NPA
NPAs are:	
NPA60 Final Salary section	= age 60
NPA65 Final Salary section	= age 65
Career Average	= highest of State Pension age or age 65

Age Retirement

In order to take Age Retirement members must be at or over the NPA on the entitlement date.

- If in-service at point of reaching NPA, payable date is earliest of:
 - day after leaving all pensionable service; or
 - age 75
- If out of service or eligible employment at reaching NPA, payable date is day that the NPA is reached
- Can apply while in or out of service
- But must be out of all pensionable service on payable date - that is the entitlement condition

How is someone out of all pensionable service?

- Leave all eligible employment; or
- Opt-out of pensionable service for all eligible employment

Age Retirement

Points to consider if opting-out:

- Must be opted-out for a minimum of 1 month
- Not covered for in-service insurance elements of Scheme while opted-out
- Abatement of Final Salary benefits will still apply, irrespective of whether you opt back-in or remain opted-out

Age Retirement - multi-arrangements

In order to take Age Retirement members must at or over the NPA on the payable date.

- If age 60 or over can take NPA60 Final Salary (FS)
- If age 65 or over can take NPA65 FS
- If age SPA/65 or over can take Career Average (CA)

A transition member - benefits in NPA60 FS and CA - reaches age 60.

They can:

- Opt-out and take NPA60 FS but cannot take CA benefits, as the entitlement condition has not been met
- Leave all pensionable employment and either:
 - Take NPA60 FS as Age Retirement **AND** CA as Early Retirement
 - Take NPA60 FS as Age Retirement **BUT** defer taking CA benefits

Early Retirement

In order to take Early Retirement members must:

- be at least 55 and below NPA for benefits being taken
- have left all eligible employment

The payable date is:

- If applying in service: day after leaving all pensionable employment
- If applying out of service: 6 weeks after date of application

Members require employer agreement to make an in-service application, but if agreement isn't given then they can still make an in-service application if they continue in eligible employment for 6 months after asking.

Points of note:

- Break in all eligible employment must be genuine and at least 1 day
- Must still be out of eligible employment on payable day
- Benefits subject to actuarial adjustment
- No abatement of pension if retirement taken early

Early Retirement - multi-arrangements

If taking Early Retirement **all benefits** held in the Scheme must be taken.

- Cannot defer benefits with a later NPA
- All benefits taken early are subject to actuarial adjustment as they'll be in payment for longer
- No abatement of Final Salary pension if member returns to eligible employment

Premature Retirement

Similar to Early Retirement except that the member:

- must have employer agreement
- be at least 55 and below NPA for the benefits being taken
- must have left all eligible employment

The payable date is:

- the day after leaving all eligible employment

Points of note:

- Cannot return to eligible employment before payable date
- Abatement of pension applies to Final Salary benefits if the member returns to eligible employment (ASAR)

Phased Retirement

In order to take Phased Retirement members must:

- be at least 55; and
- meet the ‘new annual rate condition’; or
- meet the ‘new employment condition’

The ‘new annual rate condition’ is that:

- there has been a change in the terms of employment resulting in a reduced annual rate of pensionable earnings; and
- the new rate must not be more than 80% of the annual average rate in the 6 months immediately before the reduction

The ‘new employment condition’ is that:

- the member has left all eligible employment*; and
- within 6 months has entered a new employment; and
- the new rate must not be more than 80% of the annual average rate in the last 6 months of the previous employment

* If a member takes Phased Retirement the Age entitlement condition isn't triggered

Phased Retirement - how many times?

Members in the Final Salary arrangement:

- can take Phased Retirement twice before final retirement
- must meet the 'new annual rate condition' or 'new employment condition' for each Phased Retirement

Members in the Career Average arrangement:

- can take Phased Retirement three times before final retirement
 - only two of which can be before age 60
- must meet the 'new annual rate condition' or 'new employment condition' each time

Points of note:

- The maximum amount of pension that can be taken is 75% of the actuarial value of their pension
- The assessment of fund value includes the value of pension already taken, therefore a further Phased Retirement doesn't allow a member to take 75% of the remaining value of their pension

Phased Retirement - multi-arrangements

Subject to the constraint on taking a maximum of 75% of the value of the pension, members with benefits in more than one arrangement of the Scheme can:

- Take as much or as little from each arrangement as they wish
- Choose to take any ongoing Additional Pension election as a paid-up-credit (PUC) or choose to continue with the election

Benefits being taken before NPA will be subject to actuarial reduction. For example, a member with NPA60, NPA65 and CA benefits aged 61 could take:

- Up to 75% of the value of their NPA60 benefits as Age
- Between 0 - 75% of their NPA65 benefits as Early
- Between 0 - 75% of their CA benefits as Early

If the same member takes a further phased retirement at age 65 they could take:

- The balance up to 75% of the value of their NPA60 benefits as Age
- The balance up to 75% of their NPA65 benefits as Age
- The balance up to 75% of their CA benefits as Early

Retirement from ASAR

Age Retirement

Different rules apply to ASAR depending on the arrangement.

ASAR - Age from Final Salary

- Members must leave all eligible employment
- Payable date depends on whether member applies in or out of service
- In pensionable or excluded employment
 - day after leaving; or
 - age 75
- After leaving all pensionable or excluded employment
 - not less than 6 weeks after the application date; or
 - age 75
- Abatement still applies if they return to eligible employment

Retirement from ASAR

ASAR - Age from Career Average

- Members can either leave all pensionable service or all eligible employment
- Payable date depends on whether member applies in or out of service
- In pensionable service
 - day after leaving pensionable service or pensionable employment; or
 - age 75
- After leaving all pensionable or eligible employment
 - not less than 6 weeks after the application date; or
 - age 75

Retirement from ASAR

Early Retirement

ASAR - Early from Final Salary or Career Average

- Members must leave all eligible employment
- Payable date depends on whether member applies in or out of service
- In pensionable or excluded employment
 - day after leaving; or
 - age 75
- After leaving all pensionable or excluded employment
 - not less than 6 weeks after the application date; or
 - age 75

Ill-health Retirement

In order to take Ill-health Retirement members must:

- be under the NPA for the arrangement their retiring from; and
- meet the ‘incapacity condition’; or
- meet the ‘total incapacity condition’

The ‘incapacity condition’ is that a member is:

- unfit to be in an eligible employment because of incapacity; and
- likely to be incapacitated permanently

The ‘total incapacity condition’ is that a member:

- meets the ‘incapacity’ condition; and
- their ability to undertake any work is impaired by more than 90% and likely to be impaired by more than 90% permanently

Ill-health Retirement

The entitlement day for ill-health retirement is the later of:

- The day 6 months prior to the medical report upon which the recommendation for ill-health retirement is based; or
- The day specified in that medical report as the day on which the incapacity / total incapacity condition was met; or
- the day the member left all eligible employment (NB eligible employment includes non-pensionable sick leave); or
- The date of any previous medical report following consideration of which the scheme manager is not satisfied that the incapacity / total incapacity condition is met.