

What do you need to know about your Northern Ireland Teachers' Pension?

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Cath Laycock

Brian Gannon



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Money &
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Service



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Online and over the phone, you'll get clear money and pension guidance. We can also point you to trusted services, if you need more support.

MoneyHelper is helping people to clear their debts, reduce spending and make the most of their income. To support loved ones, plan ahead for major purchases and find out about entitlements. To build up savings and pensions, and know their options.

For money help all in one place that's free to use, just search for MoneyHelper.

moneyhelper.org.uk



Disclaimer

We offer free and impartial information and guidance to help you make the most of your money and pensions. Our service is designed to support you in making your own informed decisions based on your circumstances.

We don't give legal or regulated financial advice or recommend specific financial products because we aren't regulated or authorised by the Financial Conduct Authority to do so. This means we can't tell you what the best option is for you, or what to do with your money or pension.

If you're looking for personalised money or pensions advice or specific product recommendations, you'll need to see a regulated financial adviser or seek legal advice.

Find out more about when and how to get professional advice in our guide [Do you need a financial adviser](https://www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/do-you-need-a-financial-adviser): <https://www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/do-you-need-a-financial-adviser>.

If you need legal advice, you can find a solicitor on the [Law Society website](https://www.lawsociety.org.uk/): <https://www.lawsociety.org.uk/>

What we'll focus on today

- How much money will you need in retirement?
- The State Pension
- Why are pensions important?
- How do your pension contributions get tax relief?
- Types of pension
- The Northern Ireland Teachers' Pension Scheme
- What's paid when you die?
- Saving more into your NITPS pension
- What happens to your pension if you leave your job?
- Tracing old pensions
- Pension scams and how to spot them
- How to contact us



How will you fund your retirement?

It's never too early (or too late!) to start planning.....

How much money will you need?

The answer to this question differs for everyone and will depend on your circumstances.

Research originally published in 2018 (and updated in October 2021) sets out three suggested levels of expenditure in retirement:

	Single person	Couple
Minimum – covers basic needs, maybe some left over for ‘fun’	£10,900	£16,700
Moderate – allows for financial security and flexibility	£20,800	£30,600
Maximum – more financial freedom and luxuries	£33,600	£49,700

Read more here: retirementlivingstandards.org.uk/

See what you’re on track to get from your pensions using our calculator:

moneyhelper.org.uk/en/pensions-and-retirement/pensions-basics/pension-calculator

The State Pension

The full new State Pension is currently £179.60 a week (£9,339 per year)

You'll need at least 35 years of qualifying NI contributions to receive the full State Pension – *although the effect of 'contracting out' before April 2016 via your Teachers' Pension can reduce the State Pension in some cases*

You can find out your own State Pension Age here: [gov.uk/state-pension-age](https://www.gov.uk/state-pension-age). For example, a 30-year-old can't expect to receive their State Pension until their 68th birthday

You can request a State Pension forecast online to see your current position (*a Government Gateway or Gov.uk.verify account is required*): [gov.uk/check-state-pension](https://www.gov.uk/check-state-pension)

If there are any gaps in your NI record, then you may be able to pay voluntary NI contributions to top up your State Pension

Why is it important to look after your pension?

Did you know?

- The State Pension alone is unlikely to be enough for many people.
- A private pension can be accessed earlier than your State Pension.
- You receive tax relief on the money you pay into a pension, so some of the money that would've gone to the government as tax goes into your pension instead.
- 'Free money' from your employer who pays in the equivalent of 25.1% of your pay.
- You can often take up to 25% of the value of your pension benefits as a tax-free lump sum.
- Pensions can also help with inheritance tax planning because death benefits paid from a pension are often not counted as part of your Estate.



How do your contributions get tax relief under a 'net pay arrangement'?

The example below shows how tax relief works if your employer uses a 'net pay arrangement' for deducting your pension contributions from your pay:

Laura, a teacher, earns £30,000 per year (£2,500 per month)

Employee pension contribution rate based on salary = 8.6% (approx. £215 per month)

- The £215 pension contribution is deducted from Laura's salary before income tax is calculated. So, the taxable amount of monthly earnings is reduced to £2,285 (£2,500 - £215)
- As Laura is not paying tax on £215 of her earnings, she is saving tax of £43 (£215 x 20%)
- This means that her £215 pension contribution only really costs her £172 (£215 - £43)

How do your pension contributions get tax relief through salary sacrifice?

Eric (without salary sacrifice)

Gross pay	£2,500
Less pension contribution	(£215)
Less NI @ 12%	(£204)
Taxable pay	£2,285
Less tax @ 20%	(£247)



Take-home pay:
£1,833

Ernie (with salary sacrifice)

Gross pay	£2,500
Less sacrifice pension	(£215)
Actual Pay	£2,285
Less Tax @ 20%	(£247)
Less NI @12%	(£178)



Take-home pay:
£1,859

What type of pensions are there?

Defined Benefit (DB)

Gives you a guaranteed income for life.

Pays a regular pension income usually with the option of a tax-free lump sum and a reduced income.

Can normally be accessed after reaching age 55*, but the pension is likely to be reduced for early payment.

Find out more on Defined Benefit pensions [here](#).

Defined Contribution (DC)

A pot of money that is built up and invested.

Up to 25% of the pension pot can usually be paid as a tax-free lump sum.

There are a flexible range of options for drawing money out of the pot after reaching age 55*.

Find out more on Defined Contribution pensions [here](#).

** Normal Minimum Pension Age (NMPA) will increase to age 57 from 6 April 2028 but some individuals will still be able to keep a NMPA of age 55*

NITPS Pension Arrangements

Final Salary NPA 60 scheme – joiners on or before 31 March 2007

- Retirement age of 60 – can take your pension between age 55 and 75
- Final Salary scheme with 1/80th accrual rate and automatic lump sum

Final Salary NPA 65 scheme - joiners from 1 April 2007 to 31 March 2015

- Retirement age of 65 - can take your pension between age 55 and age 75
- Final Salary scheme with 1/60th accrual rate

Career Average scheme – joiners from 1 April 2015

- Retirement age is State Pension Age
- Career Average (CARE) scheme with 1/57th accrual rate

Many people will have benefits in two or more of these sections

McCloud Judgment

- The Court has found that the 2015 pension reforms were discriminatory against younger members
- As a result, pension schemes are currently working hard to remedy this
- **If you were you in service as a member of a public service pension scheme on 31 March 2012 and remained in service on 1 April 2015 then you will be affected:**
 - When your pension becomes payable, you will be offered a choice of receiving benefit from your old (legacy) scheme or the 2015 scheme for the period between 2015 and 2022
 - You don't need to do anything now, your pension scheme will contact you and explain what this means for you

From 1 April 2022, everyone will build up future pension in the 2015 scheme, irrespective of age

assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1033170/PSP_Leaflet.pdf

The 2015 Northern Ireland Teachers' Pension Scheme

Everyone will pay into this scheme from April 2022 onwards whilst some of you will already be paying into it

- 'Career Average Revalued Earnings' (CARE)
- You contribute between 7.4% and 11.7% of your salary depending on your earnings
- Normal Pension Age is the later of age 65 and your State Pension Age
- You can retire from age 55 but your pension will normally be reduced if taken early. The pension can be paid earlier than age 55 if you qualify for ill health retirement.
- You earn 1/57th of your pensionable earnings each year as a pension
- When you take your pension, you will have the option of exchanging some of your pension for a tax-free lump sum – for every £1 of pension given up, you receive £12 of lump sum

How is your pension calculated in the 2015 scheme?

EXAMPLE:

You earn £30,000 in your first year of scheme membership:

$$\text{Year 1 Pension} = £30,000 / 57 = \boxed{£526.32}$$

Your salary increases to £30,500 in your second year of membership:

$$\text{Year 2 Pension} = £30,500 / 57 = \boxed{£535.09}$$

Total pension earned to date:

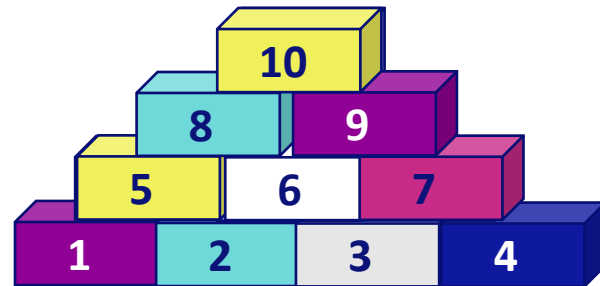
Year 1 pension + (Treasury Order increase, e.g. 2% plus 1.6%) (£526.32 + 3.6% = £545.27)
Plus Year 2 pension

$$= \boxed{£1,080.36} \text{ (£545.27 + £535.09)}$$

This process continues every year that you are building up pension in the 2015 scheme

How is your pension calculated in the 2015 scheme?

This continues each year, with your salary increasing and past years of pension increasing. After 10 years you might have a total pension payable at State Pension Age of, say, £5,000 a year, following the example on the previous slide.



- Depending on individual circumstances, some people will build up higher pensions in the 2015 CARE scheme than they would under the final salary schemes.
- You have the option to give up some of your pension to get a tax-free cash lump sum at retirement (for every £1 of pension given up, you will get £12 of lump sum).

What's paid when you die?

If you die whilst still in active service a lump sum death in service grant of 3 x your full-time equivalent salary at the date of your death will be paid.

- Your surviving spouse, civil partner or qualifying partner will automatically receive the discretionary death grant unless you make a death grant nomination.
- You can nominate an unmarried partner or someone else of your choice regardless of their age and relationship to you.
- Tax-free if you were under age 75 at death and it's paid within two years of the notification of death.

Complete a Death Grant Nomination Form:
[education-ni.gov.uk/publications/tp9a-form-nomination-death-grant](https://www.education-ni.gov.uk/publications/tp9a-form-nomination-death-grant)



What's paid when you die?

Survivor's pensions

- Your legal spouse/civil partner will automatically receive a long-term pension if you have at least two years' scheme membership.
- An unmarried partner can receive a pension if they meet certain conditions, including that you were financially interdependent and cohabiting for at least two years.
- You can also nominate a close dependent relative.

Complete a Partner Notification Form (not mandatory but recommended):

education-ni.gov.uk/publications/tp71-nomination-partner



Saving more into your NITPS pension

Buy Additional Pension

- Buy a set amount of additional pension
- Minimum is £250 per year of additional pension
- The maximum amount is currently £7,100 per year in the 2015 scheme

Faster Accrual

- The normal rate of accrual is 1/57th of actual earnings for that year.
- You can pay higher contributions to get 1/45th, 1/50th or 1/55th of actual earnings for that year.
- Elect before the start of the year and pay extra for the full year

Early Retirement Reduction (Actuarial Buy Out) Career Average section only

- Pay extra contributions to buy out the reduction that would otherwise apply if you claim your benefits up to three years before your Normal Pension Age (but not earlier than age 65)
- Must choose within 6 months of joining the 2015 scheme

education-ni.gov.uk/sites/default/files/publications/education/factsheet-6-increasing-your-pension-benefits.pdf

Saving more into your NITPS pension

Pay Additional Voluntary Contributions (AVCs)

- Separate pension arrangement with Prudential.
- You build up your own pot of money that is invested.
- The size of your pot will depend on how much you pay in, how long you pay in for, the impact of costs, charges and how well your investments perform.
- Your AVC pot is separate from your Teachers' Pension and can be accessed at any time once you reach age 55.
- The AVC does not promise to pay you a guaranteed level of pension; instead you have various options for accessing the money: moneyhelper.org.uk/en/pensions-and-retirement/pension-wise/pension-pot-options

www.pru.co.uk/teachers/

What happens to your pension if you leave your job?

- If you leave employment and have more than two years' membership in the pension scheme, you will become a **deferred member** and you can:
 - Leave the pension where it is until retirement (*it will be increased yearly to keep up with the cost of living*)
 - Transfer the pension to another 'defined benefit' pension scheme
 - If you're over the age of 55 but below Normal Pension Age, you can apply for **Early Retirement** and your pension will usually be reduced for early payment
- If you're over age 55 and lose your job because of redundancy, you may be able to claim your pension immediately without it being reduced for early payment if your employer agrees (as they will need to make an extra payment to the scheme to cover the costs of this).
- If you also have membership in earlier sections of the scheme then early retirement options will also be available for these sections. You can discuss your particular situation with your pension scheme administrator.

Tracing old pensions

You don't have to click on any adverts for tracing help or pay anyone to trace your pensions

- Keep your pension providers up to date with your address.
- Register for an online account if you haven't already done so.
- Find contact details for old pensions via the Pension Tracing Service: [gov.uk/find-pension-contact-details](https://www.gov.uk/find-pension-contact-details)
- You can leave old pensions where they are or choose to transfer them to a different pension scheme – for example, if you wanted to combine all your pensions into one place.
(note: the Northern Ireland Teachers' Pension Scheme will usually only accept a transfer in within the first 12 months of your scheme membership.)

More information from MoneyHelper about tracing your pensions and pension transfers:

moneyhelper.org.uk/en/pensions-and-retirement/pension-problems/tracing-and-finding-lost-pensions

moneyhelper.org.uk/en/pensions-and-retirement/building-your-retirement-pot/uk-pension-transfers

Pension scams and how to spot them

- Contacted out of the blue
- Illegal to do so (report to ICO)
- Applying pressure to make quick decision
- Guaranteeing high investment returns
- Access pensions before 55
- Offer of one-off investments , time-limited offers, upfront cash incentives, free pensions reviews, legal loopholes or government initiative
- **IF IT SOUNDS TOO GOOD TO BE TRUE IT USUALLY IS**

What can you do now?

Trace lost pensions

Trace any lost pensions using the Government's tracing service: [gov.uk/find-pension-contact-details](https://www.gov.uk/find-pension-contact-details)

State Pension

Get a state pension forecast: [gov.uk/check-state-pension](https://www.gov.uk/check-state-pension)

Death Benefits

Make sure your NITPS death benefit nominations are up-to-date

Budget

Use our helpful [budget planner](#) to keep track of your spending now and in retirement

Ask for more information

Contact the Teachers' Pension Team if you want to ask questions about your pension record: [education-ni.gov.uk/contacts/teachers-pensions-team](https://www.education-ni.gov.uk/contacts/teachers-pensions-team)

Speak to us:

Looking for pension guidance?

Phone: **0800 011 3797**

Webchat: moneyhelper.org.uk/pensionschat

Online enquiry: moneyhelper.org.uk/pensions-enquiry-form

Looking for money guidance?

Phone: **0800 138 7777**

Webchat: moneyhelper.org.uk/moneychat



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