



New members: Your guide to your pension

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Introduction

As you're entering teaching for the first time, it goes without saying you've got a lot on your plate. And with retirement seemingly so far away, you can be forgiven for not placing your pension top of your 'to do' list. But if this is the case, we'd invite you to stop for a second and think about it.

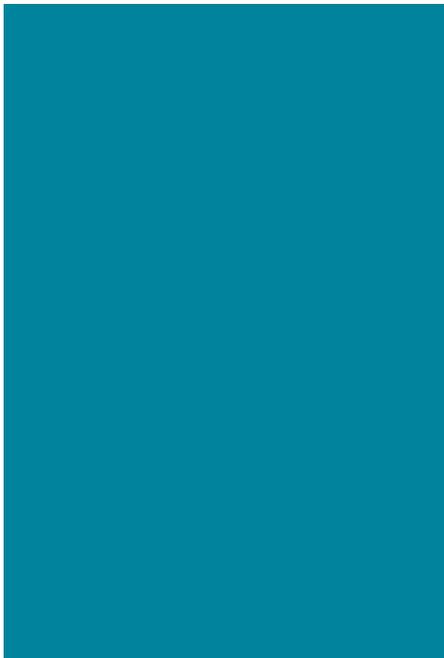
As a member of the Teachers' Pension Scheme, you'll be paying into your pension from your very first pay cheque and your employer will be paying in too even more than you are.

It all adds up to one of the most important benefits available to a new teacher. So why not spend a few minutes with this guide and find out the things you should know about your pension right now. If you want to know more about the scheme, like retirement planning, we've got other guides. This one, however, has the basics, or as we prefer to call them, the essentials.

Go on, read it. Your pension's worth it.

Five basic things you should know about your pension

- 1** You receive a guaranteed pension through the Teachers' Pension Scheme.
- 2** You pay into your pension – and so does your employer.
- 3** The size of your pension is calculated by adding together all your periods of service.
- 4** It's a Defined Benefit Scheme, registered with HM Revenue and Customs, based on your salary and service rather than investments – so there will be no nasty surprises when you come to claim your pension.
- 5** Your pension will be a regular source of income when you retire – but you can also take some of it as a tax-free lump sum.



What you'll be paying into your pension

The table below outlines the contributions you'll make to your pension. They're based on your full-time equivalent salary, so the more you're paid, the higher your contributions.

Lower Salary	Higher Salary	Contribution Rate in 2012-13
	< £14,999	6.4%
£15,000	£25,999	7.0%
£26,000	£31,999	7.3%
£32,000	£39,999	7.6%
£40,000	£74,999	8.0%
£75,000	£111,999	8.4%
£112,000 >		8.8%

Five more good things to remember about your pension

- 1** If you've a family or other dependants, your pension can give them an income after you die.
- 2** Your pension is index-linked, and is reviewed annually.
- 3** If you're sick you may be entitled to ill health benefits.
- 4** To boost your pension benefits you may be able to make extra contributions.
- 5** You may transfer other pension benefits within one year of joining the scheme.

Financial Advice

Teachers' Pensions isn't authorised to provide financial advice. We therefore recommend that you seek independent financial advice before making any decisions about your pension.



Is it any good?

Compared with other pension schemes, yours is... well, you decide.

As pensions go, your pension from Teachers' Pension Scheme stands up well. But why take our word for it?

How you can make it even better.

At some point you may want to increase your pension benefits by paying extra contributions. Here are three ways you might want to do this:

- 1** Buying Additional Pension on top of your normal TPS contributions.
- 2** Paying additional voluntary contributions (AVCs) through the Prudential.
- 3** Paying into another registered pension scheme.

Interested? Check out our website or have a word with your employer to find out more.

	TPS	S2P	PP or SP
Can I have a tax-free lump sum on retirement?	✓	✗	✓
Do I pay reduced income tax?	✓	✗	✓
Do I pay lower National Insurance Contributions?	✓	✗	✓
Does my pension in payment increase with cost of living?	✓	✓	Yes, but at extra cost to you
Would a lump sum be payable to my dependants if I die while employed?	✓	✗	✓
If I suffer a serious illness, are ill health benefits available?	✓	✗	✓
Does my Employer pay contributions as well?	✓	✗*	✗**
Can my benefits be affected by stock market volatility?	✗	✗	✓
Is there the option of early retirement?	✓	✗	✓
Are my benefits guaranteed?	✓	✓	✗
Do I have to pay general administration charges?	✗	✗	✓

* The Employer does pay higher NI contributions in this case.

** The Employer does pay higher NI contributions in this case and may contribute to your own personal pension plan.

TPS – Teachers' Pension Scheme (The TPS is contracted out of the state second pension).

S2P – State Second Pension

PP – Personal Pension

SP – Stakeholder Pension

How do I qualify for a pension?

To qualify for benefits you'll need to complete a minimum of two years' qualifying service. If you want to know what qualifying service is, read on.

People sometimes get confused between qualifying service and the actual service that counts towards their benefits. What's the difference? Well, if you're working part-time, the whole period counts towards your qualifying service. However, only the days you work count towards your benefits.

So working half of the time for a year gives you six months for calculating your benefits, but a full year's worth of qualifying service. All clear?

What is your normal pension age?

Someone (like you) joining the Teachers' Pension Scheme since 1 January 2007, with no previous service, will currently have a Normal Pension Age (NPA) of 65.

Got another pension?

The good news is, you may be able to transfer your pension from your previous scheme into your teacher's pension.

But you can only do it if it meets HM Revenue & Customs' rules – and your previous scheme is willing to pay a transfer value.

You have to apply for a transfer within one year of entering pensionable teaching service. So don't hang about.

Are you in the 'transfer club'?

It's a special arrangement that allows you to transfer into your new pension scheme from other schemes on favourable terms. With both Club and Non-Club transfers however, we can't guarantee you the same amount of service as you had in your previous scheme.

Starting the transfer process.

If you want to transfer your pension from your previous scheme, you can go online to www.teacherspensions.co.uk where you'll find the forms.

Death Grant and Short Term Pensions

If you die in service – or within a year of leaving service (because of ill health) – your beneficiaries may be paid a short-term pension. This is the same as your pensionable pay at the time of your death.

Your employer usually pays it for three months from the day after your death. Your children may be paid a short-term pension for the same three months too. If there's no long-term pension payable to an adult beneficiary – but you have one or more eligible children, a short-term pension may be payable to them for six months.

Death Grant

Your spouse, civil partner or surviving nominated partner will automatically receive your death grant unless you make a death grant nomination.

You can choose to nominate somebody to receive your death grant, but it's important to keep this up to date.

If there is no adult beneficiary or death grant nomination at the time of your death, the grant will be paid to your estate.

Death in service.

There is an in-service lump sum death grant equal to three times your average salary.

However for it to be paid to you, one of the following needs to happen:

- You die while you are in pensionable employment.
- You die within 12 months of leaving pensionable employment due to ill-health and you're not entitled to retirement benefits.
- You die while you are paying current added years. These were arrangements that allowed members who had left teaching to continue contributing to the TPS by paying both their share and the employer's share of contributions. These arrangements have been withdrawn, but existing elections are being honoured.
- You die while serving in a reserve force.
- You die during non-pensionable family leave.

There is no minimum qualifying period for an in-service death grant.

Death out of service.

If you have two years of pensionable employment – and you die after leaving pensionable employment – your death grant will be either of these:

- Your retirement lump sum accrued to date.
- Your pension contributions plus interest of 3% if there is no adult pension payable.

However, if you have less than two years of pensionable employment, your beneficiaries would receive your pension contributions plus interest at 3%.

Death and additional pension contributions.

If you start purchasing additional pension – and die within 12 months – your contributions will be returned.

If you die more than 12 months after the start date of purchasing both personal and dependant's additional pension, your dependant will receive an additional pension of 50% of the indexed amount, plus any other Teachers' Pension Scheme benefits.

Significant others

It goes without saying that your pension isn't just about you. It's also about the people you love and care for.

Partners.

If you're married, your spouse may receive a pension when you pass away. The same goes if you're in a civil partnership. To nominate your partner so that they can benefit from your pension after your death, just download and complete the form from our website. Alternatively, you can talk to your employer who'll be able to help.

You'll need two or more years' service to qualify for partner benefits on death and for your nomination to succeed you'll need to satisfy some conditions.

- Have you lived with your partner in a permanent exclusive relationship for a minimum of two years?
- Have you both been legally free to marry or enter into a civil partnership for more than two years? In other words, has anything like a previous divorce or dissolution been finalised and over with for more than two years?
- Are you and your partner financially interdependent? This will be checked should you die but it typically means things like sharing bank accounts and a mortgage. Or you've named each other in your wills. Or you run a household together and share the spending.

Do you have any dependents?

If you're not married or in a civil partnership, there may be other family members who can benefit from your pension after you die.

You must nominate them before you retire, you can choose one from this group:

- An unmarried or widowed parent.
- A step-parent.
- An unmarried brother or sister.

If you marry or register as a civil partner, their nomination ends. It also ends if they die, marry or otherwise stop being dependent on you.

What about your children?

Your children, born during your lifetime or within 12 months of your death, may be eligible to the benefits from your pension. The same goes for children born to a previous partner, adopted children, and unadopted financially dependent children who are living as part of your family at the time of your death.

To be eligible, your children can't be married or in a civil partnership. They must also be:

- Under 17; or
If over 17, have remained in full-time education, or been in training for a trade or profession for at least two years, without a break of more than one academic year, up to age 23 at the latest;
- Incapacitated and unable to earn a living due to ill health at the time of your death. (A doctor will need to confirm this, and we will need to know about any benefits they're receiving).

Should you stay or go?

Being a member has its advantages.

You get a guaranteed pension when you retire. This pension is index-linked and reviewed annually. One that comes with the option to take a tax free lump sum that can allow you to do the things you've always wanted to do.

But the benefits don't stop there. They start as soon as you begin paying your monthly contributions. (Your employer pays more, by the way – 14.1%.) Your contributions are taken from your gross salary before you pay tax.

It's your pension. And your choice whether you opt in or out.

To put it bluntly, it's your pension and your choice. Want to opt out and make your own arrangements? Feel free, it's entirely up to you. Want to change your mind and jump back in? That's fine too.

Now for the serious stuff.

Think **very** carefully before you opt out. Consider your long-term financial position. Compare and contrast the benefits of your teachers' pension with those offered by alternative personal pension plans or any other arrangements. Consult an Independent Financial Adviser or your teachers' association.

If you do elect to opt out, you'll find the forms and further information on our website. Then just follow the instructions. Opting out takes effect from the first of the month following receipt of your election.

Any questions or complaints?



As we said at the start, this is the essential information about your pension we think you need to know as you enter teaching for the first time. If you want to find out more, there are a few easy ways to go about it. You can go online and check out our website. Or get hold of one of the other guides we've produced. Or simply speak to the person whose job it is to administer your pension.

Finally, if you have any complaints, or if you're not happy with how we've dealt with something, please let us know. Our complaints and appeals procedure contains details of the two stage Internal Disputes Resolution procedure and other addresses which you may find useful. You'll find this on our website.



Visit us at:

www.teacherspensions.co.uk

Call us on:

08456 066 166

Monday–Friday, 8.30am–6.00pm

Write to us at:

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Mowden Hall
Darlington, DL3 9EE

Teachers' Pensions isn't authorised to provide financial advice. We recommend you seek independent financial advice before making any decisions about your pension.

The information contained in this guide is correct at the time of press, but may be subject to change. If there is any difference between the legislation governing the Teachers' Pension Scheme and the information contained in this guide, the legislation will apply.