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Newsletter for members of the NI Teachers Pension Scheme (NITPS)

This newsletter provides updates on the topics:

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How the end of ‘contracting-out’ from 6 April 2016 affects you

As a member of the NITPS you were ‘contracted-out of the Additional State pension (also known as the Second State Pension or State Earnings Related Pension Scheme (SERPS)) until 5 April 2016. This means that you gave up entitlement to the Additional State Pension by paying lower National Insurance Contributions and building up a workplace pension instead with the NITPS.

Under contracting-out, both you and your employer paid a lower rate of National Insurance Contributions, and in return the NITPS was required to provide a pension at least the equivalent of the Additional State Pension as part of the overall Scheme pension. The reduction to national Insurance is known as the “National Insurance rebate”.

From 6 April 2016 contracting-out came to an end, which means that you will pay the standard rate of National Insurance instead of the lower rate that you used to pay. This will be an increase of 1.4% of earnings between HM Treasury thresholds of £5,824 and £40,040 (2016/17 rates).

The New State Pension

You may be aware that from 6 April 2016 a new 'single-tier' State Pension was introduced.

This replaced the two-tier system, which existed up to 5 April 2016, and was made up of:

- the Basic State Pension; and
- the Additional State Pension'

This two-tier arrangement ceased from 6 April 2016. The new State Pension will apply to people reaching State Pension Age on after that date. People who reached State Pension Age before 6 April 2016 will receive the previous 'two-tier' State Pension. To find out your State Pension Age visit:

www.gov.uk/state-pension-age

Under both the previous and the new systems, the amount of State Pension you receive will take account of any periods when you were 'contracted-out'. As the NITPS was contracted out of the Additional State Pension, members paid reduced rate National Insurance contributions up to 5 April 2016. The full rate of the new State Pension for 2016/17 is £155.65 but, as stated above, this starting amount will be reduced to take account of periods you've been contracted out.

If your starting amount is less than the full new State Pension, you can build up a higher amount of State Pension at a rate of 1/35th of the full State Pension (£155.65 x 1/35 = £4.45 per annum) for each 'qualifying year' you remain in employment after 5 April 2016. This pension will be added to your starting amount, until you reach the full level of the new State Pension or you reach State Pension Age, whichever occurs first.

Further information about the new State Pension can be found at:

www.gov.uk/new-state-pension

No Inflationary increase in Public Sector Pensions and Guaranteed Minimum Pension¹ Indexation

The Department of Finance and Personnel is making a Direction under Article 69A of the Social Security Pensions (NI) order 1975. Article 69 provides for public service pensions, such as the NITPS, to be increased annually by the same percentage applied to Additional State Pension (SERPS and State Second Pension). This is known as indexation. The percentage increase is based on the annual September to September increase in the Consumer Prices Index and applied in April.

The Direction makes necessary provision under Article 69 for indexation of Guaranteed Minimum Pensions in public service pension schemes that were contracted-out of the Additional State Pension before 6 April 2016. The effect is that there will be no change to current practice of price protecting Guaranteed Minimum Pensions in public service pension schemes until at least December 2018.

Currently public service schemes are required to pay the indexation of the whole of public service pension entitlement, including Guaranteed Minimum Pensions.

Indexation for the year 2016/17

As stated above public service pension schemes are indexed annually based on the annual change in the Consumer Prices Index (CPI) measured as at the previous September. As the percentage increase in CPI in the 12 months to September 2015 was negative (-0.1%), the Treasury decided that no inflationary increase should be applied to Public Sector Pensions. DFP have also applied this decision within NI. It is not proposed that pensions should be reduced as a result of the negative rate of inflation. This means that no inflationary increase is to be applied from 1 April 2016 for either pensions in payment or deferred pensions. Both will therefore remain at their current level of payment or deferred value.

¹ **Guaranteed Minimum Pension**

The Guaranteed Minimum Pension (GMP) is the minimum pension which a United Kingdom occupational **pension scheme** has to provide for those employees who were contracted out of the **State Earnings-Related Pension Scheme** (SERPS) between 6 April 1978 and 5 April 1997.

Career Average Scheme Revaluation for the 2015/16 year

The rate that will be used for the 2015/16 annual revaluation of the Career Average Revalued Earnings (CARE) benefits accrued in the NITPS 2015 Scheme for active members will be 1.5%.

The Teachers' Pension Scheme Regulations (NI) 2014 brought in the Career Average Revalued Earnings (CARE) scheme, effective from 1 April 2015, under the Public Service Pensions Act (NI) 2014. Section 9 of the Act deals with the annual "in-service" revaluation index of CARE scheme benefits and means the percentage increase or decrease by which your pensionable earnings, or a proportion of those earnings accrued as a pension, are re-valued whilst you are in pensionable service in the NITPS.

The NITPS 2015 Regulations provide for annual revaluation of members' Career Average Scheme accruals by reference to changes in prices. For active members this is at the rate of CPI plus 1.6%.

Section 9(2) of the Act requires the change in prices used for revaluation to be such percentage increase or decrease as is specified in an order made by the Department of Finance and Personnel (DFP). Accordingly DFP made the Public Service Pensions Revaluation (Prices) Order (NI) 2016 on 22 March 2016. The Order applies to Career Average Scheme in relation to the period beginning on 1 April 2015 and ending on 31 March 2016. The change in prices specified in the Order is a **decrease of 0.1 per cent** and reflects the negative change in CPI (-0.1%) in the 12 months to September 2015. The Order is used in line with the provisions for revaluation set out in The Teachers' Pensions Scheme Regulations (Northern Ireland) 2014.

As a result of the negative change for CPI applied in the DFP Revaluation Order, the in-service revaluation for the NITPS 2015 Scheme in respect of 2015/16 will be 1.5%.

Deadline for elections: Actuarial Buy-out extended to 1 June 2016

For NITPS members who transferred to the Career Average Revalued Earnings (CARE) scheme from 1 April 2015, the Department is exercising its discretion to extend the deadline to make elections for Actuarial Buy-outs to 1 June 2016.

If you are in the Career Average Scheme you can purchase 1, 2 or 3 years' buy-out by making additional pension contributions. This allows you to retire from age 65 but before your Normal Pension Age without your pension benefits being actuarially reduced.

If you are a Tapered/Partial Protection members transferring to the Career Average Scheme up to the end of 2021 or a new joiners to the NITPS, please note that elections must be made within 6 months of entering the Career Average Scheme as this flexibility is only available when you join the Scheme.

This option is not available to members in the 'Final Salary' Scheme.

To find out your "Normal Pension Age", or whether you are a "Tapered/Partial Protection member", go to [Factsheet 1: Changes to NITPS 1 April 2015](#)

For further information on Actuarial Buy-out, go to [Factsheet 6: Increasing your pension benefits](#)

No change in employee pension contribution rates from 1 April 2016

Employee contribution rates for members of the NI Teachers' Pension Scheme remain the same as the previous year and are set out below.

Scheme Year 1 April 2016 to 31 March 2017

| Annual salary rate for the eligible employment | Members' contribution rate |
|---|-----------------------------------|
| £0 - £25,999 | 7.4% |
| £26,000 - £34,999 | 8.6% |
| £35,000 to £41,499 | 9.6% |
| £41,500 to £54,999 | 10.2% |
| £55,000 to £74,999 | 11.3% |
| £75,000 or above | 11.7% |

Contribution rates are based on your actual salary (what you were paid each month or week).

If you are paid monthly, the contribution you make each month will depend on the pensionable earnings you were paid in that month. Your contribution rate will be calculated by taking your pensionable earnings for that month, multiplying them by 12, and applying the correct rate for the pay band (set out in the above table).

If your pensionable earnings change in any month, and your increased or decreased earnings take you to another pay band, your contribution rate will also change. Your pensionable earnings may vary from month to month because of changes such as arrears of pay or changes to your hours or salary.

Issue of Annual Benefits Statements

The NI Teachers' Pensions Scheme will in future issue an annual statement of the pension benefits you have accrued from your pensionable service. The statement will illustrate the annual pension and (if appropriate) the pension lump sum. This statement will replace existing arrangements whereby pension benefits statements are issued only upon request.

When you receive the statement, should you have any queries about the information contained within it, you should **contact your employer directly.**"