

SUBJECT:

**Review of the Northern Ireland
Teachers' Superannuation Scheme (NITSS)**

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TARGET AUDIENCE:

Principals and Boards of Governors of all Grant-Aided Schools.
Education and Library Boards
Council for Catholic Maintained Schools
Bodies of Institutions of Further Education; and
Other Interested Bodies

SUMMARY OF CONTENTS:

This Circular provides details of a number of guarantees and assurances for scheme members and advises how the review of the NITSS will be taken forward.

ENQUIRIES:

Any enquiries about the contents of this Circular should be addressed to:

Mr Mervyn Gregg
Department of Education
Teachers' Pensions Branch
Waterside House
75 Duke Street
LONDONDERRY
BT47 6FP

STATUS OF CONTENTS:

Information

RELATED DOCUMENTS:

None

SUPERSEDED DOCUMENTS:

None

EXPIRY DATE:

Not applicable

DE WEBSITE:

<http://www.deni.gov.uk>

TEL: 028 71 319000

FAX: 028 71 319190

REVIEW OF THE NORTHERN IRELAND TEACHERS' SUPERANNUATION SCHEME

1. The purpose of this circular is to inform teachers, their employers and representatives, of the implications for members of the Northern Ireland Teachers' Superannuation Scheme (NITSS) following the Government's consultation on its Green Paper "Simplicity, Security And Choice: Working and Saving for Retirement" which was published in December 2002.
2. An information leaflet entitled "Pensions Green Paper: Public Service Pension Age – Information for Members of the Northern Ireland Teachers' Superannuation Scheme" is attached at Annex A. I should be grateful if you would arrange for this to be circulated as widely as possible within schools, colleges and other educational establishments.
3. The most significant proposal for teachers is the increase from 60 to 65 in their normal pension age, with a further recommendation that the minimum retirement age (other than on grounds of permanent ill-health) should be raised to 55.
4. The Government requires all public service pension schemes to be revised by 2006 so that the higher normal pension age applies to new entrants. In response to this, NITSS intends to introduce, by 1 September 2006, a new teachers' pension scheme for new entrants to the teaching service. It is hoped that that new scheme will incorporate a range of improved benefits and flexibilities.
5. It is not anticipated, however, that its terms, including the higher normal pension age, will be extended to members of the present teachers' pension scheme before 1 September 2013 at the earliest. NITSS is liaising closely with Government Departments responsible for other public service pension schemes, including Teachers Pensions in England and Wales, to develop new pension arrangements for teachers in Northern Ireland. NITSS hopes to have an outline of proposed changes available by late Spring 2004, with formal consultation on detailed proposals commencing in Autumn 2004.
6. Teachers' Pensions Branch will issue further circulars as and when appropriate to keep teachers, their employers and representatives informed as matters progress and develop.
7. In the meantime, any queries about the content of this circular or the information leaflet should be made in writing to Teachers' Pensions Branch, Department of Education, Waterside House, 75 Duke Street, LONDONDERRY, BT47 6FP.



MERVYN GREGG
Head of Teachers' Pensions,
Pay and Administration Branch

PENSIONS GREEN PAPER: ***PUBLIC SERVICE PENSION AGE***

Information for Members of the Northern Ireland Teachers' Superannuation Scheme (NITSS)

Background

The Government published a Green Paper in December 2002 entitled **Simplicity, Security And Choice: Working and Saving For Retirement**. It proposed a package of reforms to ensure that people are adequately provided for in retirement and to meet the challenge of increasing life expectancy. It included a proposal to raise the pension age from 60 to 65 in public service pension schemes, including the Northern Ireland Teachers' Superannuation Scheme (NITSS).

Following consultation on the Green Paper, the Government announced in June 2003 that it would proceed with this proposal.

Details of how and when the changes might be introduced for new entrants to the NITSS and the transitional arrangements which would be appropriate for existing scheme members remain to be worked out. These will be considered within a full review of the scheme.

The Government has, nevertheless, provided a number of guarantees and assurances for scheme members. These are detailed below.

Guarantees and Assurances

- Serving teachers who are currently aged 50 or over will not be affected by changes to the existing pension arrangements.
- Pension benefits earned before the new arrangements start will be fully protected.
- Teachers will still be able to retire at, before or after age sixty as they do now. At retirement, pension and lump sum benefits will take account of the number of years of service the teacher has worked before and after the changes.
- Teachers, their union representatives and employers will be fully consulted on the changes.
- The review will also examine what other benefits and flexibilities can be introduced into the pension scheme.

FREQUENTLY ASKED QUESTIONS

Why is the scheme's pension age being increased to 65?

The Green Paper proposed a package of reforms to ensure that people are adequately provided for in retirement. Raising the pension age for teachers and other public servants from 60 to 65 is one of the measures being taken to reflect increased life expectancy, and the fact that many people want to work longer and build up higher pensions.

What is the difference between 'retirement age' and 'pension age'?

Normal 'retirement age' is the age at which someone would normally be required to retire from employment. Normal 'pension age' is the earliest age at which someone may receive the pension they have built up without special conditions or a reduction for taking it early.

When will changes take effect?

We propose to consult on the basis that the change for new entrants will take effect from 1 September 2006; and not earlier than 1 September 2013 for the future service of existing staff.

What do you mean by a new entrant? What happens if someone moves from one employer to another within the NITSS?

As now, someone moving between employers within the same scheme would not be treated as a new entrant to the pension scheme so the existing rules would continue to apply in the same way as if someone remained with the same employer. Nor would those returning from a career break or loan or secondment be treated as a new entrant.

What is the effect on existing teachers?

There is no immediate effect. Whatever changes are made will not affect pension benefits already earned from past service. The NITSS will consider and consult on whether, and under what conditions, the higher pension ages might apply to the future service of existing employees.

Will I have to work until I'm 65?

No. You will be able to retire at, before, or after age 60 as you can now. All service up to the date when a change is made will be on existing terms. Where future service is based on a pension age of 65, you will continue to have a choice over the age at which you take your pension. However, improvements may be made to the provisions of the NITSS that may allow greater flexibility – particularly in the transition from work to retirement. Where people choose to stay on longer they will be rewarded appropriately.

I am under 50, if I decide to retire at age 60, how much of my pension will I lose?

Benefits earned before the higher normal pension age is introduced will be payable in full but those earned after that point will be subject to actuarial reduction because they will be paid before age 65.

I am currently 50 – will I really be unaffected by the change to normal pension age?

Yes.

Would I be better off if I just left now?

Absolutely not. The changes, which would apply only to future service, will not be introduced for many years for existing teachers. Over and above the loss in salary and other benefits involved, any resultant reduction in service will have a much more dramatic impact on the level of pension payable than any effect that the change in normal pension age may have. Furthermore, anyone leaving prior to the change will not have access to the improvements and flexibilities we hope to introduce.

Is this just a cost saving measure?

No. Raising the pension age from 60 to 65 is part of a package of reforms. Increasing the pension age from 60 to 65 will help ensure pensions remain affordable. But we also want to look at the scope to improve benefits, for instance, by introducing additional flexibilities that would give teachers more scope to vary their working patterns when nearing retirement.

Aren't some people unable to work until age 65?

Early retirement will still be available at your or your employer's initiative, although from 2010 changes to Inland Revenue rules will mean that the minimum age for early retirement from any pension scheme will become 55.

What about ill-health retirement?

Ill-health retirement will remain for those whose health is such that they can no longer continue in their employment.

What other pension scheme changes will there be?

It is too early to say for certain. These will be determined through a review of the NITSS and will be the subject of wide consultation. The aim is to develop the scheme in a way that enables teachers to enhance their pension provision and have greater flexibility in the way they arrange the transition from work to retirement.