ISPS

Established in 1996 in consultation with the **Independent School Bursars Association**

The Independent Schools' Pension Scheme

A Guide for Members

CARE and Final Salary Benefit Structures

tpt Retirement Solutions

A Guide for Members

The Independent Schools' Pension Scheme (ISPS)

The Independent Schools' Pension Scheme- ISPS (the Scheme) has been designed to provide security for you during your retirement and for your dependants in the event of your death. This guide provides information about the 'Defined Benefit' (DB) structures of the Scheme.

The Scheme has four DB structures which are as follows:

1. Final salary with 1/60th accrual.
2. Final salary with 1/80th accrual.
3. Career average (CARE) with 1/80th accrual.
4. Career average (CARE) with 1/120th accrual.

Further detail on what benefits each of the above structures provides can be found in the 'Retirement' section.

For information about the defined contribution (DC) benefit structure, please refer to the **ISPS website**.

You will be offered membership of the benefit structure chosen by your employer. Please contact the person who deals with pension matters in your organisation for details.

This booklet provides basic information about the Scheme. It gives general guidance only, and you should not regard it as a complete or authoritative statement on the formal Trust Deed and Rules.

It is provided to all members and prospective members and consolidates and replaces previous Scheme booklets, announcements and disclosure leaflets. The Independent Schools' Pension Scheme Committee ('the Committee') is responsible for managing the Scheme.

While the Committee intends to continue the Scheme indefinitely it reserves the right to amend or discontinue the whole, or any part of it, at any time. However, the Committee guarantees that no amendment will be made which will reduce the value of the benefits you have built up to the date of amendment.

If you have any general enquiries about joining the Scheme, you should contact the individual who deals with pension matters in your organisation. Should you have any other queries or require further clarification or detailed information about your own benefits, the day to day administration is entrusted to TPT Retirement Solutions and their contact details are as follows:

The Independent Schools' Pension Scheme
TPT
Verity House
6 Canal Wharf
Leeds
LS11 5BQ

Tel: **0113 394 2552**
Fax: **0113 234 2698**
Email: **enquiries@tpt.org.uk**

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Joining the Scheme

Can I join the Scheme?

Yes, you can join the Scheme as long as you:

- are a member of the support staff;
- work for a participating employer;
- are aged below 75; and
- have completed any minimum period of service specified by your employer.

You may have been automatically enrolled into the Scheme. Further details about auto-enrolment are provided in the answer to the next question below.

If you have not been automatically enrolled, check with your employer whether you can join the Scheme. If you are eligible to join the Scheme, then you should ask your employer for an application form.

What is auto-enrolment?

Prior to your employer becoming subject to auto-enrolment* requirements, any of its employees can join the Scheme (subject to the Scheme's eligibility conditions, as shown above, and any conditions imposed by your employer). If you meet these conditions and wish to join, please ask your employer for an application form.

Once your employer becomes subject to auto-enrolment requirements, all its 'eligible workers' (see definition below) that are not already in a 'qualifying scheme' must be automatically enrolled into such a scheme. Your employer may have chosen one of the ISPS benefit structures, or an alternative scheme, for auto-enrolment purposes.

You will be assessed by your employer and if you meet the requirements of an eligible worker** (also known as eligible jobholder) you will be automatically enrolled by your employer into its chosen scheme. If you are not an 'eligible worker',as defined below, it is unlikely that you will have been automatically enrolled. However, you may still be eligible to join the Scheme on request and should check with your employer if you wish to do so.

Your employer may also choose to adopt contractual enrolment. This means that even if you do not meet the criteria to be classed as an eligible worker, your employer may elect to automatically enrol all of its employees. If this is the case, then this should have been outlined by your employer in your contract of employment.

*Auto-enrolment is being introduced by the Government, and as a result means eligible workers will be automatically enrolled into a qualifying workplace pension scheme. These schemes have to provide a minimum level of benefits.

**An eligible worker is anyone who:

- is not already in a workplace pension;
- is aged 22 or over;
- is under State Pension Age;
- earns more than the Income Tax Personal Allowance of £11,000 a year***; and
- works in the UK.

***based on the 2016-17 tax allowances (this may change each April).

When can I join?

You can join when you fulfill the above conditions. If you are not automatically enrolled and you do not ask to join the Scheme within one year of becoming eligible, you may be allowed to join at a later date, subject to the consent of your employer and the ISPS Pensions Committee. This will be subject to a minimum of three months' service unbroken through illness and any other conditions that the ISPS Pensions Committee may impose. These conditions also apply if you leave the Scheme, remain in the same employment (i.e. opt out) and ask to rejoin.

Please note that if you are an eligible worker who has previously opted out of the Scheme then, by law, you will be automatically re-enrolled into the Scheme every three years. Where this is the case, the conditions as described in the previous paragraph will not apply. Further to this, if you are re-enrolled, then you will of course have the option to opt out again.

Every member is bound by the obligations of the formal Trust Deed and Rules and the Scheme Document.

How much do I pay?

Contribution rates are reviewed by the Committee on the advice of the Actuary at least every three years and it is possible that contribution rates may change in the future. Your employer will have decided what proportion of the total you will be expected to pay. You should contact the individual who deals with pension matters in your organisation for this information.

The table on page 6 provides some examples of the gross and net cost of membership. The net cost is lower than the gross cost due to savings on tax. Contributions are deducted from your gross pay (before any tax is deducted) by your employer. This is know as a Net Pay arrangement. If you do not pay income tax you will be unable to benefit from tax relief. You may, if you wish, pay extra contributions in order to boost your retirement benefits. These extra contributions are known as Additional Voluntary Contributions (AVCs). Further details are given later in this booklet.

How much does my employer pay?

Your employer pays the balance of the cost of the scheme, which will vary from time to time.

Can I transfer previous benefits into the Scheme?

No, the Committee decided that with effect from 1 September 2010, no transfers would be permitted from members' previous pension arrangements.

It may be possible to transfer benefits into the defined contribution (DC) benefit structure from September 2013. Please contact the Independent Schools' Pension Scheme Team at TPT (contact details can be found on page 2) if you wish to investigate this.

Your contributions explained

Under Benefit Structures 1, 2 and 4 of the Scheme, the amount you pay will depend on what your employer has decided when apportioning the total cost.

Under Benefit Structure 3 of the Scheme, the contributions you pay will be your age (at 1 September each year) divided by 10. Your contributions will steadily increase with age each year. Your employer will pay the balance of the cost of the Scheme.

The actual cost to you is substantially less than the contribution amount because you get tax relief on your contributions. Some examples of the net cost are shown in the table below.

	Example Contribution Rates		
Pensionable Earnings of £20,000	5%	6%	7%
Gross Contributions	£1,000.00 a year	£1,200.00 a year	£1,400.00 a year
You receive tax relief at 20%* and save	£200.00 a year	£240.00 a year	£280.00 a year
The actual cost to you will be	£800 a year or £15.38 a week	£960 a year or £18.46 a week	£1,120 a year or £21.54 a week

*Subject to change. Those members in the higher tax bracket currently receive tax relief at 40%

Leaving the Scheme

What happens if I leave the Scheme?

If you leave the Scheme, this will normally be because you change jobs. You may also leave the Scheme and continue to work for your employer (also called opting out). In both cases you can choose to:

- have a deferred pension; or
- transfer your benefits to another pension arrangement; or
- take a refund of any contributions you may have paid to the Scheme, but only if you leave the Scheme with less than two years' qualifying service (see explanation following).

Changing jobs

If you change jobs and your new employer also participates in the Scheme, you can rejoin the Scheme with them and your memberships will be combined where this results in a higher pension. More details about opting out are described in the next question below.

What happens if I opt out of the Scheme?

You may already be a member who actively pays contributions into the Scheme and who wishes to opt out of the Scheme. In these circumstances, you must give your employer one month's written notice of your intention to opt out. You may rejoin the Scheme at a later date, as described on page 5 under the question 'When can I join?'

Alternatively, you may have been automatically enrolled into the Scheme and you may wish to opt out. You must inform your employer of your wish to opt out within 30 days of the date upon which you were automatically enrolled. In these circumstances, you are treated as not ever having joined the Scheme. Any contributions deducted from your pay will be returned to you by your employer, subject to the relevant tax deductions. You may rejoin the Scheme at a later date, as described on page 5 under the question 'When can I join?

Deferred pension

The calculation of your deferred pension depends on the benefit structure(s) of which you have been a member (see Retirement section on page 10).

For pensionable service before 1 September 2003, your deferred pension from the Scheme is payable from age 60 without reduction for early payment.

Your deferred pension will continue to increase in value until it is paid to you. You may apply for early payment of your pension when you are eligible (see page 10), but this will be reduced to reflect the longer payment period.

If you rejoin the Scheme, your previous membership will be combined with your current membership where this would be to your advantage.

You may apply for early payment of your pension at any time from when you become eligible (see Retirement section).

How does my deferred pension increase?

The Guaranteed Minimum Pension (GMP) part of your pension is, where applicable, increased by statutory revaluation for each complete tax year until you retire. The revaluation rate is 3.5% for leavers from April 2017 and may change from time to time.

It is the aim of the Scheme to ensure that deferred pensions keep pace with inflation, if resources are available.

Once you have retired, your pension will increase as shown in the section 'How does my pension increase' on page 18.

Benefit Structures 1 & 2:

Any deferred pension in excess of the GMP will continue to increase each year prior to retirement by the lower of 5% or the rise in the Pensions in Deferment Index (see Definitions).

Benefit Structures 3:

The pension earned each year from September 2019 will be increased (revalued- see below) by the rise in the Consumer Prices Index (CPI) that follows in each subsequent year before retirement up to a maximum of 5%.

The pension earned each year (excluding any GMP) prior to 1 September 2019 will be increased by the rise in the Pensions in Deferment Index (see Definitions) that follows in each subsequent year before retirement.

Benefit Structures 4:

The pension earned each year will be increased (revalued- see below) by the rise in the Consumer Prices Index (CPI) that follows in each subsequent year before retirement up to a maximum of 5%.

Benefit Structures 3 & 4:

Revaluation under the rules is for complete years – September to the end of August, applicable from the September following their accrual each year.

Transfer of your benefits

You may transfer your benefits to another pension arrangement (such as your new employer's pension scheme or to a personal or Stakeholder pension plan) at any time after you leave the Scheme, but before you retire.

The amount transferred will be the cash value of your deferred pension, calculated as the best estimate of the cash sum required to be invested in The Independent Schools' Pension Scheme to reproduce your benefits.

Following the changes introduced by the Government in the 2014 Budget, transfers from defined benefit schemes to defined contribution (money purchase) schemes, will continue to be allowed. However, from 6 April 2015, members will have to receive independent financial advice before any transfer can proceed (unless the transfer value is less than £30,000). TPT will seek evidence that this advice has been received before proceeding with a transfer to a defined contribution arrangement.

Refund of your contributions

You may take a refund only of your own contributions to the Scheme (usually with interest), provided you have less than two years' qualifying service. Qualifying service includes your period of membership of this Scheme or other schemes of TPT, plus actual membership relating to benefits from any previous scheme which you have transferred into this Scheme. If you have transferred benefits from a personal pension plan to the Scheme you cannot take a refund of your contributions.

There are two deductions from the refund:

- tax will be deducted at a rate of 20% (or 50% on any refund amount in excess of £20,000);

  and

- with the exception of the CARE 120ths benefit structure, an amount which will buy you back into the additional State Pension (known as State Second Pension) if you joined before 6 April 2016.

Please note: If interest is included with your refund, you will need to notify your tax office of the amount of interest you receive. This is because the law now requires that gross interest is paid.

HMRC will subsequently notify you of any tax charge applicable to this sum.

Retirement

There is no longer the requirement to have left the employment to which the pension relates. With the exception of ill-health early retirement and 'Protected Pension Age' (see Definitions) retirements, any reference to retirement in this booklet includes those members who choose to receive their pension benefits and continue working, as opposed to retiring in the more traditional sense (i.e. stopping work).

When can I retire?

The Scheme's Normal Pension Age (NPA) is 65. This is the age that will be used for normal funding purposes for Scheme benefits. If you retire after NPA, your pension will be greater and if it starts before NPA, it will be smaller.

Whilst the information following explains when you can take your pension, the age at which you retire is an employment issue, the timing of which you should discuss with your employer.

At retirement under any benefit structure you have the option to take a pension, or a lump sum and a reduced pension. Lump sums are covered later in this section.

What will I get?

The calculation of your pension on leaving or retirement will depend upon which benefit structure applies to your membership.

Benefit Structure 1

Final Salary 1/60th

For your period of membership under this benefit structure you will receive a pension of 1/60th x Pensionable Service x Final Pensionable Earnings. Pensionable service during part time employment is pro-rata.

Benefit Structure 2

Final Salary 1/80th

For your period of membership under this benefit structure you will receive a pension of 1/80th x Pensionable Service x Final Pensionable Earnings. Pensionable service during part time employment is pro-rata.

Benefit Structure 3

Career Average Revalued Earnings (CARE) 1/80th

For your period of membership under this benefit structure you will receive a pension of 1/80th x total revalued career earnings.

In practice we will calculate a pension of 1/80th of your Pensionable Earnings each year. For pension earned from 1 September 2019, this will then be increased by the rise in the CPI that follows in each subsequent year before retirement. For pension earned before 1 September 2019, this will then be increased by the rise in the Pensions in Deferment Index (see Definitions) that follows in each subsequent year before retirement. Revaluation under the rules is for complete years – September to the end of August, applicable from September following the accrual each year.

Benefit Structure 4

Career Average Revalued Earnings (CARE) 1/120th

For your period of membership under this benefit structure you will receive a pension of 1/120th x total revalued career earnings.

In practice we will calculate a pension of 1/120th of your Pensionable Earnings each year. This will then be increased by the rise in the Consumer Prices Index (CPI) up to a maximum of 5% that follows in each subsequent year before retirement. Revaluation under the rules is for complete years – September to the end of August, effective from September each year.

For Example:

If you have been a member of Benefit Structure 1 (60ths Final Salary) for five years and your Final Pensionable Earnings is £20,000 your pension will be:

1/60th x 5 years x £20,000 = £1666.67 a year.

If you have been a member of Benefit Structure 2 (80ths Final Salary) for five years and your Final Pensionable Earnings is £20,000 your pension will be:

1/80th x 5 years x £20,000 = £1250.00 a year.

If you have been a member of Benefit Structure 3 (80ths CARE) for five years and your Pensionable Earnings were as shown in Table A, you would have a CARE pension of £1215.42 a year, calculated as shown in Table B. (RPI inflation has been assumed based on membership prior to 1 September 2019. Membership from September 2019 will attract CPI inflation)

If you have been a member of Benefit Structure 4 (120ths CARE) for five years and your Pensionable Earnings were as shown in Table C, you would have a CARE pension of £810.29 a year, as shown in Table D.

Table A - Example Data

	Assured Earnings	Pension (1/80th of earnings)	Assumed RPI Inflation
Year 1	£17,000	£212.50	n/a
Year 2	£17,750	£221.88	3.0%
Year 3	£18,500	£231.25	2.5%
Year 4	£19,250	£240.63	2.4%
Year 5	£20,000	£250.00	2.7%

Table B - Revalued Pension						
Pension	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	Total
Year 1	£212.50	x1.03	x1.025	x1.024	x1.027	= £235.93
Year 2		£221.88	x1.025	x1.024	x1.027	= £239.17
Year 3			£231.25	x1.024	x1.027	= £243.19
Year 4				£240.63	x1.027	= £247.13
Year 5					£250.00	= £250.00
Total pension after the end of Year 5						**£1215.42**

Table C - Example Data			
	Assured Earnings	Pension (1/120th of earnings)	Assumed CPI Inflation
Year 1	£17,000	£141.67	n/a
Year 2	£17,750	£147.92	2.6%
Year 3	£18,500	£154.17	2.1%
Year 4	£19,250	£160.42	2.0%
Year 5	£20,000	£166.67	2.3%

Table D - Revalued Pension						
Pension	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	Total
Year 1	£141.67	x1.026	x1.021	x1.02	x1.023	= £154.86
Year 2		£147.92	x1.021	x1.02	x1.023	= £157.59
Year 3			£154.17	x1.02	x1.023	= £160.87
Year 4				£160.42	x1.023	= £164.11
Year 5					£166.67	= £166.67
Total pension after the end of Year 5						**£804.10**

Can I retire early?

Yes you can take early retirement from age 55 even if you choose to continue working. You may take your pension benefits between ages 50 and 55 if you have a Protected Pension Age (see ‘Definitions’) and have left employment to which your membership relates, or at any age if you are retiring on grounds of ill-health (subject to approval).

Your pension will usually be lower than at NPA because it will be reduced to allow for the fact that pensions paid early are expected to be paid for longer and you will have been a member of the scheme for a shorter time.

If you retire early, you still have the option to take a lump sum. This sum will also be smaller than it would be if you retired at NPA.

If you retire at age 60 or later, your pension (excluding AVCs) for membership before 1 September 2003 (if any) will not be reduced for early payment before NPA.

Can I take a lump sum?

Yes, you can give up part of your pension and exchange it for a pension commencement lump sum (PCLS). This will leave you with a smaller pension, reduced according to your age.

The PCLS was previously known as your tax-free lump sum. However, it is now possible for a tax charge to apply, but only if your pension savings exceed the Lifetime Allowance (see Definitions).

The maximum lump sum available is 25% of the value of your pension benefits. Unfortunately the calculation is not straightforward. However, as an indicator, some examples of the cash sums available to individuals at age 65 are shown in the table below.

The table below shows comparisons between a full pension (Option 1) or a PCLS with a reduced pension (Option 2) for an individual aged 65.

Option 1	Option 2	
Full Pension	Maximum Lump Sum	Reduced Pension
£5,000 per year	£22,894	£3,434 per year
£10,000 per year	£45,789	£6,868 per year
£15,000 per year	£68,683	£10,302 per year

Note: These figures are only provided as examples.

Flexible retirement

In most cases members are able to take part of their pension whilst continuing to work and, should they wish to, accrue further pension benefits. Exceptions to this are ill-health retirements and those members with a 'Protected Pension Age' (see Definitions) who retire before age 55. This option is only available once in a 12 month period. Enquiries in the first instance should be directed to TPT (see page 2 for contact details).

Please note: This should not be confused with the right to have your pre-1 September 2003 benefits paid with no reduction from age 60. This option is also sometimes referred to as 'flexible retirement'.

Are there any other options?

You can provide a higher level of pension for a dependent person by giving up part of your own pension at retirement. If you are interested in this option, you should request a quotation when you are nearing retirement.

Can I contribute after normal pension age?

Yes, you may continue as a member and contribute to the Scheme until your 75th birthday. If you work beyond age 67 your pension from the Scheme at age 67 will be increased by a late retirement factor, and you will receive additional benefits based on your pension earned after age 67.

Death benefits will continue to be provided. However, once you reach age 75, any lump sum death benefit payable will no longer include a life cover payment of three times your pensionable earnings at the date of your death.

What happens if I am too ill to continue working?

Provided there is satisfactory medical evidence that you are and will continue to be unable to work again in any capacity, your pension can be paid immediately regardless of your age. Guidance on eligibility is available on request.

Your pension will be calculated, as explained in the 'What will I get?' section on page 10, for the period of membership up to your date of retirement, plus half the prospective pension from that date to age 60. The prospective pension is calculated using your Final Pensionable Earnings (see Definitions). There will be no reduction for early payment.

If you retire early due to ill-health, you still have the option to take a pension commencement lump sum.

The Committee reserves the right to request updated medical evidence on your state of health and has the discretion to reduce or suspend your pension if eligibility changes.

You may also apply for early payment if you are too ill to continue working and have a deferred pension after leaving your employment or leaving the Scheme. In this case, if approved, your deferred pension will not be reduced for early payment.

Survivor's or dependant's benefits

What happens if I die before retiring?

If you die while in employment and have not opted out or left the Scheme, as a member of a Defined Benefit structure the benefits payable are:

Lump Sum

- three times your pensionable earnings at the date of your death, provided you have not reached age 75 when you die; and
- a refund of your own contributions, with interest.

Survivor's Pension

- 50% of the pension you would have received, calculated using the pension earned up to the date of death plus the prospective pension from that date to age 65 and your pensionable earnings at the date of your death; or
- If the value of the pension is under a limit set by HMRC, your survivor may instead choose to receive a one-off tax-free lump sum in lieu of a taxable pension (subject to the minimum pension being paid to any legal spouse or civil partner as required under contracting-out legislation).

Children's Pension

- 25% of the pension you would have received (as described under 'Survivor's Pension') would be paid to each of up to two dependent children. If there are three or more dependent children, the pensions will be added together and shared between them.

What happens if I die after leaving the Scheme?

If you die after leaving the Scheme but before you start receiving your pension the benefits are:

Lump Sum

- A refund of your own contributions, with interest.

Survivor's Pension

- 50% of the pension you would have received, calculated on the value of your deferred pension at the date of your death.

Children's Pension

- 25% of the pension you would have received, calculated on the value of your deferred pension at the date of your death, would be paid to each of up to two dependent children. If there are three or more dependent children, the pensions will be added together and shared between them.

What happens when I die after retiring?

When you die after retirement the benefits are:

Lump Sum

- If you die within five years of retiring, a lump sum death benefit is paid. The sum paid is equal to the unpaid balance of the five years' pension payments, at the rate applicable at the date of death.

Survivor's Pension

- 50% of your pension (calculated on your full pension before you took any pension commencement lump sum and including increases in your pension).

Children's Pension

- 25% of your pension (calculated on your full pension before you took any pension commencement lump sum and including increases to your pension) would be paid to each of up to two dependent children. If there are three or more dependent children, the pensions will be added together and shared between them.

Important notes

- Because of the regulations governing schemes which were 'contracted-out' of the additional State Pension prior to April 2016, the spouse's/civil partner's Guaranteed Minimum Pension (GMP), or 'Reference Scheme' pension (for any member's service from 6 April 1997), must be paid to a legal spouse or civil partner, if you have one, at the date of your death.

  Please note: The GMP payable to a widower or civil partner will be based on the GMP that the member accrued from 6 April 1988.

- If your partner or survivor is more than 10 years younger than you, the pension will be reduced by 2.5% for each whole year in excess of 10 that he/she is younger than you.
- Except for legal spouses and civil partners, it will be necessary for the Trustee to receive confirmation that the nominee for a pension is eligible at the date of the member's death.
- Children's pensions will be doubled if:
  - no survivor's pension is paid; or
  - dependent children are orphans or become orphans.

Nominations

- You must complete a Nomination Form or put your nominations to us in writing.
- Separate nominations are required for lump sums and pensions (even if you have nominated the same person to receive both).
- You should ensure your nominations are kept up to date. If you wish to make any changes to the nomination or a nominee's address, please notify TPT in writing.

Who gets what?

Lump Sum

- you can nominate one or more persons or organisations;
- if you choose more than one you must state the percentage you want each person or organisation to receive; and
- you should not use the words 'Executor', 'Administrator', 'In Trust for' or 'Estate' for your nomination, but the proper names of persons or organisations.

Survivor's Pension

May be paid to:

- your spouse or civil partner; or
- a child who is disabled and is unable to earn a living (in this case the child would be paid the survivor's pension, but not the child's pension); or
- you may nominate a dependent child to receive the survivor's pension, but this would stop when he or she ceased to be treated as a 'Child' as described overleaf. Please note: the child would receive the survivor's pension in place of the child's pension; or
- anyone who lives with you and shares living expenses; or
- anyone who is largely financially dependent on you.

Children's Pension

May be paid to:

- any child who is aged under 18; or
- any child below age 22 if in full time education;
  or
- a child of any age who is disabled and unable to earn a living, unless the child is already receiving a survivor's pension.

'Child' will have the meaning defined in the formal rules.

Children's pensions cease on reaching age 18 or 22 as described, unless the child is disabled and unable to earn a living, when the pension can continue for the rest of that child's life.

Your pension

How will my pension be paid?

You will receive your first pension payment on the Friday following your day of retirement or within seven working days of TPT receiving the appropriate forms. Thereafter, pensions are paid quarterly in advance, on the 6 of January, April, July and October. They will be paid direct to your bank, building society or Giro account.

Please note: Your pension is taxable and if any tax is due it will be deducted under the PAYE system.

When will my pension increase?

Pension increases are applied on 6 April each year. Increases are based on the rise in the Pensions in Payment Index (see Definitions) in the January of the same year, as detailed below.

How does my pension increase?

The increases explained below apply to your own retirement pension, or your survivor's pension and children's pensions.

Once in payment, your pension will increase as follows:

Before State Pension Age

- The whole of your pension will increase by LPI (see Definitions).

After State Pension Age

- The GMP part of your pension earned after 6 April 1988, if any, is guaranteed to increase each year by the rise in the Pensions in Payment Index subject to a maximum payment of 3% each year.
- Any pension in excess of this will increase by LPI.

It is the aim of the Scheme to ensure that pensions keep pace with inflation, if resources are available.

Please note: For some former members of the Ipswich School (1972) Scheme, a different rate of increase to that stated above may apply. You will be advised if this affects you.

Boosting your pension – Additional Voluntary Contributions (AVCs)

Should I pay AVCs?

There are various reasons for choosing to pay AVCs. These include:

- increasing the pension you will receive at Normal Pension Age; or
- to offset the reduction which is applied to pensions paid early; or
- to boost your pension in order to reduce the impact of previous breaks in employment or periods where you did not have access to a pension scheme; or
- to increase the amount of cash that you receive when your benefits are taken.

You should be aware that AVCs are extra provision for retirement and before then you will not receive any benefit from your AVCs.

TPT cannot give financial advice and the decision to pay AVCs is your responsibility. You may wish to discuss this with an Independent Financial Adviser.

How much can I pay?

You will receive full tax relief on contributions to as many different tax-registered pension arrangements as you choose, provided that the total paid in each year does not exceed your annual earnings or the Annual Allowance (see Definitions).

As long as the total increase in your benefits in any one year does not exceed the Annual Allowance, you will receive tax relief on up to 100% of your earnings. For example, if your normal contribution rate (to your main scheme) is 8%, this will give you scope to pay up to a further 92% of your earnings as tax-free AVCs.

If your contributions exceed 100% of your earnings in any tax year, tax on the excess, at your marginal rate, is payable through self-assessment.

However, if you earn £130,000 or more and you are considering making additional payments, further restrictions may apply. Please contact TPT if this affects you.

Who do I pay AVCs to?

You can pay them to TPT or pay additional contributions to an alternative pension provider of your choice. Your employer will offer one or more suitable arrangements for this purpose that are administered by TPT. Full details of the options available to you, and further information about AVCs, will be provided by TPT on request.

If you are a high earner, please also read the section on Annual Allowance (see Definitions).

What do my AVCs buy?

Your AVC fund will be used to provide additional benefits on a money purchase basis.

This means the amount of pension will depend on variable factors such as:

- how much you pay;
- the investment return; and
- the cost of pensions when you retire.

Because of these variables it is not feasible, before contributions commence, to project your final fund value. After you start paying AVCs you will receive an annual statement which will include, where appropriate, a pension projection on stated assumptions.

The AVC pension is usually payable from the same date as your main Scheme benefits.

Added years AVCs (Option closed to new contributors on 30 June 2017)

Added years AVCs allow members of Benefit Structures 1 and 2 to purchase extra years and months of pensionable service.

For contributions which commenced before 1 September 2003, the additional AVC pension is payable from age 60. If you retire earlier than age 60, the added years pension will be reduced because you require a longer period of payment, and you will stop paying AVCs earlier than expected.

For contributions which commenced between 1 September 2003 and 30 June 2017, the additional AVC pension is payable from age 65. If you retire earlier than age 65, the added years pension will be reduced because you require a longer period of payment, and you will stop paying AVCs earlier than expected.

Can I take a lump sum from my AVC fund?

Since 6 April 2015 members aged 55 and over have greater choice over how they access their pension savings, including AVCs. Members can now take all of their AVC pot as cash. 25% of the pot would be tax-free, with the remainder subject to their marginal income tax rate in that year.

Further information is available on the Money Advice Services website **www.moneyadviceservice.org.uk**

Financial Guidance

The UK government recognises the importance of making good financial decisions and that information regarding retirement incomes is vital to ensuring your long term welfare. A free pensions guidance service, called Pension Wise, is available for members with defined contribution (money purchase) arrangements. This includes members with AVC funds, who are approaching retirement. This is separate to independent financial advice which is available. For further details go to **www.pensionwise.gov.uk**.

How can I find out more?

A separate booklet giving further information about AVCs is available on request from TPT (see page 2 for contact details). This can also be found on TPT's website **www.tpt.org.uk** under the ISPS Forms and documents.

What if...

What if I work part-time?

Benefit Structure 1 & 2

If you are a member of Benefit Structure 1 or 2 and have consistently worked the same part-time hours in your employment, you can calculate your pension using the method shown in the Retirement section of this booklet. Service is calculated on a pro-rata basis for part time working.

The calculation is more complex if the number of hours you work part-time changes during your membership of the Scheme, or if your membership is made up of full-time and part-time periods. For part-time service, your retirement benefits will be proportionately reduced, relative to the equivalent full-time service.

Benefit Structure 3 & 4

In the CARE benefit structure your pension is calculated each year from your actual pensionable earnings and is therefore unaffected by the number of hours you work.

What if I divorce?

The courts may order that your pension rights must be shared with your ex-spouse. An information leaflet is available on request. Members should take appropriate legal advice. On the dissolution of a civil partnership, the same pension sharing rules as those used for divorce will apply.

What if I take maternity leave?

The first 39 weeks

You are entitled to up to 39 weeks' scheme membership regardless of whether you receive pay during this period.

If you are receiving pay from your employer, contributions should be deducted from this at your usual percentage rate, but only on the actual pay you receive. Your contributions may therefore be lower than normal.

Your employer is required to pay its full contribution, i.e. as though you were working normally, plus any shortfall in your contribution. Therefore, in cases where you receive no pay, your employer must pay the full combined (member plus employer) contribution.

Please note: if you return to work before 39 weeks' absence, your normal contributions must resume immediately.

Weeks 40 – 52

During this period, unless you are still receiving pay from your employer, no contributions are due and no benefits will accrue. The full range of death benefits will continue to apply during periods of paid and unpaid maternity leave.

Return to work

Your employer should resume deducting contributions as normal.

If you wish to pay arrears of contributions to cover any period of unpaid maternity leave, your employer has discretion over whether or not to pay its contributions. Please note: if your employer declines to pay, you may, if you wish, pay the employer's share. If anything less than the full amount is paid, your benefits will be adjusted to reflect the proportion of the full contributions that has been paid.

What if I take family leave?

'Family Leave' means leave that men or women are entitled to take by law – either paternity leave when a child is born or adopted, or parental leave to care for a child. If Family Leave is paid, the rules apply as for maternity leave (above). If it is unpaid, the rules apply as for any other temporary absence. Please note: the above applies to any periods of 'additional paternity leave' which may be granted to members in relation to babies born on or after 3 April 2011.

If you die whilst on family leave the full range of death benefits will be paid. These would be based on the rate of earnings you would have been receiving if you were not on family leave.

What if I am absent from work?

If you are off work due to illness or other absence (as agreed by the Committee) for up to 12 months, and are in receipt of full or reduced pay, you will pay contributions at your normal percentage rate on whatever pay you receive. Therefore if you receive full pay, you will pay your usual (full-rate) contribution, but if your pay drops to half-rate the contribution deducted must also be reduced to half your normal amount.

When you return to work you will have the option to pay the contributions missed. If you opt to do so, your employer may, at its discretion, also choose to pay the employer contributions missed.

If both you and your employer pay full contributions, your membership will be continuous for the period of absence. (Please note: should your employer decline to pay arrears,you may, if you wish, pay the employer's share to provide full benefits.)

If anything less than the full amount is paid, your benefits will be adjusted to reflect the proportion of the full contributions that has been paid.

Should you choose not to pay the contributions missed, you will not accrue any pension benefits for that period.

Where the absence is due to illness or injury and continues beyond 12 months, you may remain in the pension scheme subject to your employer paying the balance of your contributions in addition to its own. In all other cases you will be treated as a leaver from the date you have been absent for 12 months, or the date your contributions stopped if earlier.

The full range of death benefits will continue to apply during periods of absence of up to 12 months.

Further information

Employer Committee

The Independent Schools' Pension Scheme Committee is responsible for managing the Scheme. The Committee has the following membership:

- four elected by employers; and
- four elected by active, deferred and pensioner members

The Committee decides what benefits the Scheme will offer and the contributions payable, and ensures that the Scheme is adequately funded.

Who looks after the Scheme?

The day-to-day administration is entrusted to TPT Retirement Solutions which has been administering pension schemes since 1946. TPT is directly answerable to its members – the employers who choose its pension schemes and the active members, pensioners and deferred members who belong to these schemes. TPT is not an insurance company.

Scheme registration

The Scheme is a registered pension scheme for the purposes of Part 4 of the Finance Act 2004.The Pension Scheme Tax Reference is 00281218RV.

Benefit limits

HM Revenue & Customs no longer impose limits on the pension benefits you can receive. However, if the value of your benefits from all tax-registered schemes exceeds the Lifetime Allowance, tax charges will apply to the excess. It should be noted that both the Lifetime and Annual Allowances (see Definitions) are likely to affect those with very high earnings and/or significant pension benefits held elsewhere. For example, if your pensions from all tax-registered schemes do not exceed £60,000 a year, you are unlikely to be affected.

The Committee has taken the decision to retain an 'earnings cap' in relation to benefits which were earned in the Scheme before 6 April 2006, although this is no longer a legal requirement.

The cap is set at £150,600 for the tax year 2016/17 and this is the maximum earnings figure which will be used when calculating Scheme benefits earned before 6 April 2006. The earnings cap will be reviewed each year.

If you are affected by this restriction, your Final Pensionable Earnings will be calculated as shown in Definitions, but with each relevant year's earnings being restricted to the earnings cap that applied in that year.

From 6 April 2006 onwards, the pensionable earnings used in determining your pension contributions and Scheme benefits will be unrestricted. Please note: If you joined (or were deemed to have joined) the Scheme before 1 June 1989, your entire Scheme benefits will be calculated using your unrestricted earnings.

Can I assign my pension?

No, except where permitted by law on divorce or dissolution of a civil partnership, you cannot sign away your pension rights, even temporarily, for example as security for a loan.

The Trustee Company

The Scheme is governed by a Trustee Company called Verity Trustees Limited. Directors are non-executive, three nominated by members, three nominated by employers and up to three co-opted by the member nominated and employer nominated Directors.

Investments are managed independently by external authorised fund managers. Investment performance is reviewed regularly by the TPT's Investment Committee.

The State Pension

Prior to 6 April 2016 the State Pension was made up of two parts: the basic State Pension and the additional State Pension (this is also called the State Second Pension or SERPS).

If you were a member of a Defined Benefit structure of the Scheme (except CARE 120ths structure) prior to 6 April 2016, your employment was contracted out of the State Second Pension and as a result, you paid lower National Insurance contributions. This meant that you did not accrue the full State Second Pension during your period of membership to 6 April 2016.
From April 2016, there is a single tier State Pension for people reaching State Pension age on or after this date. This has replaced the basic and additional State Pension and also ends contracting out (of the additional State Pension) and the National Insurance rebate.

The amount of State Pension you receive after 6 April 2016 will take account of any time that you have been contracted-out and paid National Insurance at a lower rate. To find out more about the State Pension visit **www.gov.uk/state-pension**.

Contracting out prior to 6 April 2016

Between 6 April 1997 and 5 April 2016 a contracted out scheme had to provide benefits for members which were broadly equivalent to, or better than, those that would have been provided under a 'Reference Scheme'. The requirement was for the benefits over all to be as good as those under this Reference Scheme, although there is no guarantee that every member's own benefits would pass that test.

For any period of membership between 6 April 1978 and 5 April 1997 a Guaranteed Minimum Pension (GMP) had to be provided for each member who was contracted out. The GMP is payable to women from age 60 and men from age 65, or the date of retirement, if later. At that age, the pension payable has to be at least as much as the GMP, which for the majority of members is usually the case. The main impact the GMP has on retirement pensions is the way that pension increases after it starts to be paid. Please refer to the section 'How does my pension increase?', earlier in this guide, for details of how the GMP affects the annual increase in your pension.

Pension Tracing Service

Details of TPT (and all pension schemes) have been lodged with the Pension Tracing Service and the address is:

Pension Tracing Service
The Pension Service
Tyneview Park
Whitley Road
Newcastle-upon-Tyne
NE98 1BA
Tel: **0845 600 2537**
Reference: 10170418

The purpose of this registration is to help individuals trace their pension rights.

Rights, obligations and limitations

The rights and obligations of members of the Independent Schools' Pension Scheme are set out in the Trust Deed and Rules and the Scheme Document which are the formal documents of the Scheme. This booklet is intended to provide a clear and simple explanation of the main benefits you are entitled to under the Scheme.

If there is any conflict between the interpretation given in this booklet and the formal Trust Deed and Rules, or the Scheme Document, the legal interpretation of the formal documents will prevail. Copies of the Trust Deed and Rules and Scheme Document are available from TPT.

Before making any financial commitment on the basis of any information provided, please contact TPT for final confirmation of the expected level of benefits. Staff will be pleased to provide any further information or assistance you may need.

TPT is not registered under the Financial Services and Markets Act to give financial advice. Any information that is provided to members or prospective members should therefore be taken to constitute information and not to be taken to constitute advice. When providing information to members or prospective members, TPT takes care to provide an accurate service but the decision and choice remains the individual's for which TPT cannot be responsible.

General Data Protection Regulation (GDPR)

For more detailed information on how we use and disclose personal information, the protections we apply, the legal basis for our use of personal information and your data protection rights under the General Data Protection Regulation, see our privacy notice at **www.tpt.org.uk/privacy-policy**.
If you would like a copy of the privacy notice to be sent to you, please email **privacy@tpt.org.uk** or call **0113 394 2779**

Annual Report & Financial Statements

Members receive a summarised version of TPT's Annual Report and Accounts each year, but are entitled to the full version on request. A copy can be viewed on TPT's website: **www.tpt.org.uk** in the About Us section.

Termination

The Independent Schools' Pension Scheme is a centralised scheme and is intended to provide long-term security for the benefit of its past present and future members.

If your employer decides to withdraw from the Scheme you will normally be entitled to benefits calculated as if you had left service, subject to the necessary contributions having been paid.

The Pension Protection Fund (PPF)

The PPF is a fund designed to protect members' rights under company defined benefit pension schemes should the employer become insolvent.

The PPF will be funded by a levy on company pension schemes that are potentially eligible to benefit from it. The levy on the Scheme will not result in a reduction to your pension.

Benefits payable under the PPF are, briefly, as follows:

- Your full pension if you have reached your scheme's Normal Pension Age or receive an ill-health pension (regardless of your age).
- 90% of the expected scheme pension for all other members, subject to a current maximum of £40,020.34 (2019/20) a year at age 65. This maximum figure is reduced actuarially for those under age 65.
- Widow/ers', civil partners' or survivors' pensions of 50% of the members' pensions.
- Pension earned from 6th April 1997 will increase each year in line with the Pensions in Payment Index up to a maximum of 2.5%. Pension relating to service before 6th April 1997 will not be increased under the PPF.

In general, benefits will be paid from the PPF, as opposed to your own scheme, when:

- your employer becomes insolvent, or in circumstances where the Trustee or Pensions Regulator consider this likely; and
- the assets of the pension scheme are insufficient, i.e. there is not enough money to pay at least the level of pension described above.

The PPF will only assume responsibility for multi-employer schemes (such as the Independent Schools' Pension Scheme) if all the participating employers become insolvent, or if it appears that all of the employers are unlikely to continue as going concerns.

Complaints

If you have a problem or complaint in connection with your pension, we recommend that you initially discuss this with your usual contact at TPT. If they are unable to resolve the matter you may find it helpful to speak to the Administration Manager and/or the Head of Pensions Administration Services

If your complaint cannot be resolved informally and you remain dissatisfied you may at any time follow the formal complaints procedure; this has two stages and is summarised below.

Disputes – Formal Resolution

If you remain dissatisfied, you may request (in writing) a formal resolution from the Head of Trustee Services. A decision should be provided within two months of your formal request.

Appeal

If you remain unhappy or disagree with the formal resolution from the Head of Trustee Services, within six months of the decision you have the right to appeal to the Trustee. The result of your appeal should be provided within two months of your request.

The Pensions Ombudsman - Early Resolution Team

The Pensions Ombudsman- Early Resolution Team is available at any time to assist members and beneficiaries of the Scheme in connection with difficulties they have failed to resolve. The address is:

10 South Colonnade,
Canary Wharf,
E14 4PU.
Tel: **0800 917 4487 – select option 1**
Email: **helpline@pensions-ombudsman.org.uk**

Pensions Ombudsman

The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation to the Scheme where TPAS has not resolved the issue. The address is:

The Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB
Tel: **020 7630 2200**
Email: **enquiries@pensions-ombudsman.org.uk**

The Pensions Regulator

The Pensions Regulator is able to intervene in the Scheme administration where Trustee, employers or professional advisers have failed in their duties.

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW
Tel: **0345 600 0707**
Email: **customersupport@tpr.gov.uk**

Definitions

'Added Years' AVCs

are AVCs which secure additional years and months of pensionable service.

Annual Allowance

This is the amount by which the value of your pension benefits may increase in any one year period without you having to pay a tax charge. From 6 April 2016 the Pension Input Period has changed and is now aligned with the tax year.

The Annual Allowance is £40,000, with provision to carry forward unused Annual Allowance from the previous three pension input periods.

In defined benefit schemes, such as the ISPS DB benefit structures, the input value is measured by the increase in the value of the pension over the year. The input value is calculated as the increase in the annual pension amount, allowing for inflation, multiplied by 16.

In defined contribution schemes such as the ISPS DC benefit structure, the input value is the total of all contributions paid in by the member and the employer.

If the amount by which the increase in your input value in any one year exceeds the Annual Allowance and you do not have sufficient unused Annual Allowance from the previous three tax years to cover the excess, you will be liable for an 'Annual Allowance tax charge', even if your contributions are less than 100% of your earnings.

TPT will inform you if the increase in your ISPS benefits exceeds the Annual Allowance by 6 October following the end of the relevant tax year.

If you exceed the Annual Allowance in any year you must report this to HMRC on your self-assessment tax return. Where the tax charge exceeds £2,000 in relation to any pension benefits held with TPT, you can ask for this to be paid by the Scheme and have your benefits reduced accordingly. Please contact TPT for guidance if you believe you may be affected.

You should note that if you wish TPT to pay a charge on your behalf, you must provide notification by 31 July in the year following the end of the tax year to which the charge relates for any later tax years. However, if you are retiring and taking all of your benefits from the Scheme, and you want the Scheme to pay your tax charge as detailed above, you must inform TPT before you become entitled to those benefits (please contact TPT for further details).

If the charge is less than £2,000, you are responsible for paying this directly to HMRC.

If you should die, become entitled to a serious illhealth lump sum, or retire on the grounds of illhealth where you are not likely to work again, then the input value of the tax year in which the event occurs will not count towards the Annual Allowance.

AVCs

Additional Voluntary Contributions (AVCs) is the name given to any contributions you pay above your 'normal' contributions to the Scheme.

Benefits

are the pensions and other payments made to members and their dependants on retirement, death and after leaving the Scheme.

The Committee

is the Independent Schools' Pension Scheme Committee. The Committee has responsibility for managing the Scheme. (See page 22).

Deferred Pension

is the pension secured for you on leaving the Scheme and is payable on retirement.

Final Pensionable Earnings

For service after 1 September 2011 the Final Pensionable Earnings is the higher of pensionable earnings in the last 12 months or the average of 3 years in the last 10 years increased by RPI 6 months prior to date of leaving.

Please note: The Committee reserves the right to restrict the level of Pensionable Earnings in cases where the increase in Pensionable Earnings in any of the 5 years before retirement is more than 10% above the average pay award for the staff group concerned.

Guaranteed Minimum Pension (GMP)

is that part of your pension, or your legal spouse's or civil partner's pension, which represents the equivalent of the State Earnings-Related Pension Scheme (SERPS), for pensionable service before 6 April 1997. The Scheme pays a GMP to you during retirement, or your legal spouse or civil partner on your death, as part of the Scheme pension, to replace the State Earnings Related Pension. See also page 23.

Interest

means compound interest calculated annually on the amount of the Members' contributions at the end of the preceding September. For refunds of contributions on death, interest only accrues up to the date of death.

Lifetime Allowance

Each individual in the UK is allowed to accumulate pension benefits up to a value of £1.055 million without incurring any tax charge.

Each year your Benefit Statement will show the value of the pension benefits you have accrued as a percentage of the current Lifetime Allowance. You must also take into account the value of any pension benefits you have from previous pension arrangements in estimating whether you have scope to pay AVCs without any danger of breaching the Lifetime Allowance.

If the Lifetime Allowance is exceeded, a tax charge of 55% will be levied on the excess fund if the benefits are taken as a cash lump sum. If the excess benefits are taken as pension then a tax charge of 25% will be levied, as well as the usual income tax payable on the pension instalments.

If you are concerned that your benefits from all sources may breach the Lifetime Allowance you should consult an Independent Financial Adviser (IFA) as to your best course of action.

Please note: TPT and its representatives are not permitted to give financial advice.

LPI

Limited Price Indexation (LPI) is a requirement under the Pensions Act 1995 to pay specified increases on pensions in payment. For pension accrued from 6 April 2005, LPI is defined as the rise in the Pensions in Payment Index, up to a maximum of 2.5%. For pension which was earned before 6 April 2005, LPI is the rise in the Pensions in Payment Index, capped at 5%.

Please note: The change only affects pensions in payment; any increases that are awarded between the date you leave the Scheme and the date you draw your pension will continue at RPI limited to 5%.

Normal Pension Age

Service accrued from 31 August 2003 can be taken at age 60 without reduction.

Pensionable Earnings

is your basic pay, which may include contractual bonuses, overtime and allowances (including taxable housing allowance or the provision of housing), but not non-contractual overtime.

Pensionable Service

is your period of membership of the Scheme (in years and completed months) in Benefit Structure 1 or 2 of the Scheme.

Pensions in Deferment Index

RPI (Retail Prices Index) is used to calculate the pensions in deferment index.

Pensions in Payment Index

CPI (Consumer Prices Index) is used to calculate the pensions in payment index.

Protected Pension Age

Members who joined the Scheme before 6 April 2006 will have a 'Protected Pension Age' of 50. This allows these members to retire from age 50 but if they retire before age 55 they will be required to leave the employment to which the pension relates.

Reference Scheme Test

To contract-out of the additional State Pension Scheme, between 6 April 1997 and 5 April 2016 the Scheme must provide benefits at least equal to the Reference Scheme Test (as defined by legislation for contracting-out purposes). See also page 23.

The Scheme

is the Independent Schools' Pension Scheme (ISPS).

These definitions are provided as a summary. Please see the formal Trust Deed and Rules, as appropriate, for further clarification.

Verity House, 6 Canal Wharf, Leeds LS11 5BQ **Tel:** 0113 234 5500
Email: enquiries@tpt.org.uk or visit the **ISPS website**

ISPS.DBMG.0722

Retirement Solutions