

## Election to Buy Out the Standard Early Retirement Reduction

This factsheet provides you with information about the facility available in the Scottish Teachers' Pension Scheme (STPS), for buying out the standard reduction that would apply if retirement benefits were claimed before normal pension age (NPA). Please note that NPA in the 2015 scheme is the same as your State Pension age (SPA).

### Background

From 1 April 2015 members of the STPS and their employers can elect to pay extra contributions to reduce or remove the early retirement reduction if you retire after age 65 and before your NPA.

An election(s) can be taken out for 1, 2 or maximum 3 years depending on your NPA. In certain circumstances, you can select an amount other than a full year **only** if your NPA is not your birthday eg: if your NPA is 66 years 4 months you could elect to purchase 1 year and 4 months. However, you cannot reduce your early retirement age below 65.

Examples:

Member has an NPA (linked to SPA) of age 68. Member can buy out an ERRBO arrangement for 3 years and retire at age 65, or buy 2 years and retire at age 66 or 1 year and retire at age 67 with unreduced benefits.

Member has an NPA (linked to SPA) of age 66 years and 1 month. Member can buy an ERRBO for 1 year and 1 month and retire at age 65, or buy an ERRBO for 1 months and retire at age 66 with unreduced benefits.

**Important note:** The allowable limit for the purchase of additional pension benefits is £6500 from 1 April 2015. This limit will be amended each year by a rate equal to the change in prices (currently the consumer price index).

### When can I apply?

You only have one opportunity to buy out this reduction. Your election must be made within six months of joining the 2015 scheme and the election will be backdated to your start date. You should note that you will be required to pay any arrears of contributions back to your start date.

Example: member joins the 2015 scheme in 5 May, their application must be made before 5 November.

It is not possible to make a retrospective application.

## How much will it cost?

How much the election costs depends on your age in complete years at the day before the effective date of the arrangement and the number of years' reduction the arrangement is for. Contributions are payable on all of your pensionable earnings in addition to your normal tiered contributions.

Please see the [attached table](#), which demonstrates the additional contribution rates applicable from 1 April 2015.

You must pay the extra contributions from your start date of your contract up to your retirement date unless you apply to cease the contract early on grounds of hardship or leave the scheme.

You must pay the extra contributions on all your pensionable earnings i.e. if you have more than one employment contract, the extra contributions must be paid on each contract. If you change employment you must provide your new employer information about the extra contributions you are paying for the contract.

**Important note:** If you apply to take out a buy out agreement, the value of any Additional Pension and/or Faster Accrual contract you have in the 2015 scheme will be taken into account when calculating the buy out agreement. This is to ensure that the maximum amount allowable is not exceeded.

## How do I apply?

You can download a form from the website [www.2015.sppa.gov.uk](http://www.2015.sppa.gov.uk). Use this form to find out about your eligibility to enter into a buy out agreement and the rate of the additional contributions you would pay. If you wish to proceed you will need to sign and return the form. Your employer will be instructed to deduct the additional contributions from the effective date.

## What if my circumstances change?

You can terminate the arrangement at any time. If the period during which additional contributions are paid is less than one year, the additional contributions will be repaid and the arrangement cancelled. If the period is one year or more, additional contributions paid during any part scheme year will be repaid and the buy out period is limited to the end of the previous scheme year.

If you decide to retire before reaching the buy out retirement age, your pension benefits would be reduced for being paid earlier after taking account of the buy out agreement.

## Questions?

If you have any questions about the information contained in this factsheet, please contact SPPA at 7 Tweedside Park, Tweedbank, Galashiels TD1 3TE.