When should I retire?

Budget and legislation changes coupled with the extension of the Croke Park Agreement have put a lot of focus on the issue of Public Sector retirement. Many Public Sector employees are having difficulty deciding when to retire, and teachers and lecturers are no exception. Generally the closer you are, the more you're looking forward to it. But when exactly should you retire?

Croke Park agreement deadline approaching – should I go now?

Under the Croke Park Agreement extension, any teacher or lecturer who retires before the end of February 2012 will have their pension and tax-free lump sum based on their 2009 salary i.e. before the government reduced the Public Sector pay. After this date (March 2012), any teacher or lecturer who retires will have their pension and Tax-Free Lump Sum based on their current reduced salary.

However, teachers and lecturers also need to take into account the pension reduction introduced by the government in the Finance Act 2011. This pension reduction applies to all retired public sector employees including those who retire before the end of February 2012. **The average pension reduction is 4%.** The pension reduction will not apply to anybody who retires from 1st March 2012.

Example: Mary retires after 34 years' service on a salary of €65,000, paying PRSI at the lower D1 rate.

Retires 29th February 2012
(34 years service)

Salary	€69,459 (pre-1/1/10 cut salary)
Pension	€28,332
Lump Sum	**€88,655**

VS

Retires 31st August 2012
(34.5 years service)

Salary	€65,000 (post-1/1/10 cut salary)
Pension	€28,031
Lump Sum	**€84,093**

During that time she would have, in addition, earned a further 6 months' gross salary of €32,500 (less deductions) rather than a gross pension of €14,166 (less deductions).

Issues to take into account to help you make an informed decision

1. Normal Retirement

For teachers/lecturers who entered the Public Sector pre-April 1st 2004 and who have not broken service, normal retirement age is 60. For teachers/lecturers who entered (or re-entered following a break in service) post-April 1st 2004, normal retirement age is 65.

2. Early Retirement for Teachers – optional retirement at age 55

Teachers appointed before 1st April 2004 who have at least 35 years of service and want to retire from age 55 may do so with no actuarial reduction in their retirement benefits i.e. if you have 35 years of service, you will be paid for 35 years of service. Credit for pre-service training of either 1 or 2 years is given in order to help teachers to reach the 35-year threshold for retirement. However, such credits do not count as pensionable service i.e. a teacher eligible for the maximum credit of 2 years would be able to retire after 33 years of service (having reached age 55).

3. Cost Neutral Early Retirement

Teachers/lecturers who began service before 1st April 2004 and who want to retire after age 50 and before age 60 (regardless of their years of service) may be able to retire under the Cost Neutral Early Retirement Scheme. In such cases, retirement benefits will be reduced by a formula designed to reflect the additional cost to the state of paying these employees' pensions over a longer period. For those teachers appointed after April 1st 2004 and who therefore have a normal retirement age of 65, the Cost Neutral Early Retirement Scheme is available from age 55 onwards.

As the Cost Neutral Early Retirement Scheme is not seen by Revenue as a normal retirement, the amount you can take as tax-free cash on retirement is also reduced.

The reduced rate of pension applies throughout the lifetime of your pension. The tables below set out the reduced % of normal benefits paid if you retire early.

If your normal retirement age is 60
i.e. you were appointed **before** 1st April 2004

Age last birthday at retirement	Pension will be reduced to	Gratuity will be reduced to
50	62.4%	82.2%
51	65.1%	83.9%
52	67.9%	85.5%
53	71.0%	87.2%
54	74.3%	88.9%
55	77.8%	90.7%
56	81.6%	92.4%
57	85.7%	94.3%
58	90.1%	96.1%
59	94.8%	98.0%

If your normal retirement age is 65
i.e. you were appointed **after** 1st April 2004

Age last birthday at retirement	Pension will be reduced to	Gratuity will be reduced to
55	58.2%	82.4%
56	61.1%	84.0%
57	64.1%	85.6%
58	67.4%	87.3%
59	71.0%	89.0%
60	74.8%	90.7%
61	79.0%	92.5%
62	83.6%	94.3%
63	88.5%	96.1%
64	94.0%	98.0%

Please note: *If you are buying Superannuation credit under the PNS/NSP Scheme and decide to opt for early retirement under this arrangement, this may reduce the service you are buying through the PNS/NSP Scheme, so this is an area you will need to address with your employer. Also the format in which the benefits from the AVC are drawn down may be different.*

Example: Retiring under the Cost Neutral Early Retirement Scheme.

Mary's normal retirement age is 60 but she is thinking of retiring at age 54 after 34 years of service as a teacher/lecturer with a salary of €65,000.

	Cost Neutral
Pension	€20,013 starting at age 54
Gratuity	€73,676

4. State Pension age and rate

The "National Pensions Framework" sets out the Government's commitment to maintain the value of the State Pension at approximately 35% of average weekly earnings. The State Pension is currently €230.30 if you qualify for the full personal rate at retirement. However, the "National Pensions Framework" also sets out the Government's intention to increase the qualification ages for the State Pension in phases over the coming years from 65 up to 68 years of age in 2028.

- Age 66 from 2014
- Age 67 from 2021
- Age 68 by 2028.

To put this in context for teachers and lecturers

If you are a member of the Superannuation Scheme (paying A1 PRSI) you can currently still retire at your normal retirement age (60 or 65) though you may not become entitled to a State Pension until the later age above. Please note the minimum Superannuation pension age for new entrants (members of the proposed new public sector pension scheme) is expected to be linked to State Pension age and so the normal retirement age will be 65, 66, 67 or 68 depending on when one reaches retirement.

Note: The above will not have any impact if you are or have been and always will be a D1 PRSI payer.

5. Readiness for retirement

Whilst not rejecting all the attributes of a traditional retirement, people's expectations of retirement have notably changed. Many retirees today feel vital, healthy and young, reflecting a whole new mind-set for people in their golden years if 'golden years' is even the appropriate phrase now. Most teachers and lecturers look forward to the choice it brings and the independence of choosing how to spend their time whether it's relaxing in the garden on a sunny day, volunteering, going back to college, travelling etc. With this change in expectation and lifestyle comes more financial demands and new emotional needs. And so it makes sense that you should self-assess your readiness for this new and long chapter.

What ultimately steers you in your decision on whether or not to retire should be YOUR financial and emotional readiness and not media or Government rush announcements that may or may not be advantageous for you individually.

The information provided in this article was courtesy of Ivan Ahern, Director, Cornmarket Group Financial Services Ltd. who holds nearly twenty years experience in advising Public Sector employees on pensions.

Stay or go?

Many teachers and lecturers who were not contemplating retirement are considering whether they should bring their retirement forward to 2011/2012. With a fast approaching deadline, where can you get advice?

Emergency Retirement Seminars

Are you wondering if you are financially prepared to retire or would you like to know what your financial status post-retirement would be? The TUI is running exclusive workshops nationwide for TUI members thinking of retiring in the near future.

The workshops will address:

- Your current financial circumstances
- Your likely financial status post-retirement
- Your plans and goals for retirement
- Social Welfare benefits relating to pension entitlements
- Advice on how to best manage your money in retirement.

And don't forget to bring your Payslip or P60. Sophisticated software calculators will be available on the day to tell you what it means for your income if you retire before or after February 2012.

Places are limited so please contact the TUI on (01) 492 2588 to find out dates, venues, times, etc.