

### **Notional Service Purchase Scheme for Teachers – General Information**

**Guide to the provisions of the purchase of notional service scheme.**

**Teachers must consult the relevant [Circular 0129/2006](#) for the definitive rules.**

**What is the Notional Service Purchase Scheme?**

The Notional Service Purchase Scheme enables a teacher who will have less than 40 years pensionable service at 60 or 65\* years of age and who fulfils certain other conditions such as category of employment, to purchase additional pensionable service at full actuarial cost.

The Notional Service Purchase Contract entered into is based on the teacher working to age 60 or 65\*.

**What determines whether the reference age is 60 or 65\*?**

Teachers who have a minimum retirement age of 60 and a maximum retirement age of 65\* may consider purchasing purchase service by reference to either age provided they will be short of 40 years' service at age 60 or 65\*, as appropriate.

\*"New entrants" as defined in the Public Service Superannuation (Miscellaneous Provisions) Act 2004 may purchase service by reference to age 65\* **only**, as their minimum pension age is 65\*.

**What is the benefit in purchasing this service?**

The additional service purchased is treated as actual service in the calculation of pension and lump sum entitlements, including spouses' and children's benefits.

The purchase of notional service **does not** count towards eligibility for "55/35" Voluntary Retirement. Please see PCW Info 55/35 on [www.education.ie](http://www.education.ie)

**Is there a maximum amount of service which may be purchased?**

Yes, the table demonstrates the maximum service that may be purchased:

<b>Actual Reckonable Service (including transferred service but excluding purchased service) which the teacher will have if s/he remains in service until age 60 or 65*</b>	<b>Maximum Service which may be purchased</b>
20 Years or more	Difference between 40 years and reckonable service by age 60 or 65*
19 years	17 years
18 years	15 years
17 years	13 years
16 years	11 years
15 years	9 years
14 years	7 years
13 years	5 years
12 years	4 years
11 years	3 years
10 years	2 years
9 years	1 year

### **Is there a way to calculate an estimate of Notional Service Purchase cost?**

Please refer to Circular 0129/2006 and Actuarial tables 0129/2006. A simple calculation of the pensionable service which the teacher expects to have given from the time of first appointment, in a pensionable post, up to age 60 or 65\* will determine the number of years required to make up 40 years service. This figure, the age of the teacher salary and PRSI class, is used to determine the cost of purchase of service. The purchase rate depends on age of teacher at commencement of purchase and the quotation calculation is made the basis of the teachers' age at his/her next birthday following application. The Actuarial tables are required to determine the cost. A link to the Civil Service Pension Modeller is provided here also:

<http://www.cspensions.gov.ie>.

This modeller, which is designed for Civil Servants, may be a useful as a guide.

### **How is application made for Notional Service Purchase Quotation?**

Please print Application Form NSQ1 from [www.education.ie](http://www.education.ie), complete and return by post to Pension Unit, Department of Education and Skills, Cornamaddy, Athlone, County Westmeath.

If **Lump Sum** is the chosen method, the Quotation will be processed by Pension Section within six weeks after complete information is received. The Quotation will be valid for a period of three ( 3) months and the option must be exercised by enclosing a Bank Draft made payable to The Accountant, Department of Education and Skills, Cornamaddy, Athlone, County Westmeath with the completed Contract to be received within the three month timeline.

If **Periodic Deduction** is the chosen method, the Quotation will issue six (6) weeks prior to the teacher's next birthday and be valid for two months. To avail of the Quotation the Contract must be completed and returned to Pension Section to be received two weeks prior to the teacher's next birthday in order to facilitate periodic deduction arrangements.

Precise information regarding validity period and response time to avail of the terms quoted will be provided with each Quotation.

### **How is payment for this purchase made? –**

#### **Lump Sum or Periodic Deduction from salary - Purchase by Lump sum**

Teachers who choose to purchase notional service may do so by one lump sum at any time prior to retirement or by making one lump sum payment each year up to the year of retirement. Lump sum payment in year of retirement must be made at least six weeks before retirement date. The teacher has the option to choose how to make these payments and must indicate this choice in the Contract. A teacher who has an AVC or private pension scheme may opt to purchase notional service using the appropriate fund provided that this is clearly indicated in the application form. The fund may be transferred by electronic transfer at any time prior to retirement. A delay in fund transfer will delay payment of pension benefit and lump sum. Transfer of AVC fund is subject to stringent conditions and subject to receipt of completed Declaration form when signing Contract for Notional Service Purchase.

#### **Purchase by deduction from salary – known as periodic deduction**

Contributions are timed to commence on the person's birthday at any age up to 2 years before 60 or 65\* years of age in accordance with the terms of the Circular 0129/2006.

## General information re tax liability

The maximum amount of pension contributions in any one year on which a person is currently entitled to tax relief is related to age and is expressed as a percentage of gross income as follows:

<b>Age in year of pension contribution</b>	<b>Maximum contributions on which tax relief is allowed</b>
Up to 29 years of age	15% of remuneration
30 up to 39 years of age	20% of remuneration
40 up to 49 years of age	25% of remuneration
50 up to 54 years of age	30% of remuneration
55 up to 59 years of age	35% of remuneration
Over 60 years of age	40% of remuneration.

Tax relief for periodic purchase contributions is given at source through Payroll. However, for purchase by lump-sum option, tax relief must be claimed directly from the Revenue Commissioners. Please note that tax relief limits cover **all** superannuation contributions paid (including contributions under the Spouses' and Children's Pension Scheme).

It is advisable for teachers to clarify the up to date position with the Revenue Commissioners prior to embarking on a purchase option. Information related to tax provided in this Department's documentation is given with the caveat that all tax queries should be addressed to the Revenue Commissioners.

### **May a teacher retire before 60 or 65\* and avail of a Notional Service Purchase contract?**

Yes. However a teacher who retires/leaves service (before age 60 or 65\*, the age on which Contract to purchase service is based) or breaks the Contract by ceasing regular payments, will not have purchased the total service on which the Contract is based and will have reneged on the terms of the contract. Accordingly, actuarial reduction is required on the amount of service purchased to the retirement date.

### **What happens where a teacher enters a Notional Service Purchase Contract and then wishes to avail of unpaid leave (e.g. Career break, unpaid Maternity leave)**

Where the Contract is payment by periodic deduction from salary, the deduction ceases when salary ceases. The deduction will recommence **only** when the teacher returns to employment. It is open to the teacher to make up the shortfall on the Contract, caused by non-payment of deductions during the period of unpaid leave either by lump-sum **payment** within 6 months of returning to teach or by doubling the periodic deduction from salary for an appropriate period.

### **Notional Service Purchase Scheme to address pensionable service shortfall created by Career Break/Job Sharing Career Break**

A teacher considering career break may opt to purchase service for the period of career break through the Notional Service Purchase Scheme at full actuarial cost, based on notional service

lump-sum rates, or periodic deduction. There are two options in the lump sum payment method, for which the Contract must be in place prior to commencement of career break:

- (a) The total cost paid by lump sum prior to the commencement of the career break.
- (b) By quarterly instalments during the career break,

The alternative to (a) and (b) above is periodic deduction from fortnightly salary, commencing on the date of next birthday following return to teaching.

A teacher who already has a Notional Service Purchase Contract by periodic deduction which is suspended for the duration of the career break may take out a second Contract from the date of next birthday following return to teaching in order to make up the shortfall caused by the career break in addition to restarting the initial Notional Service Purchase Contract.

### **Job-sharing**

A teacher who has entered a Notional Service Purchase Contract and is considering job sharing must take into account how the Notional Service Purchase Contract operates and the implications of the job sharing on the Contract, **prior** to commencement of job sharing.

The Notional Service Purchase Contract calculation is based on wholetime salary at the date of purchase. If the teacher subsequently changes to a job sharing arrangement, the deduction will continue to be taken on the basis of the Contract, which is whole-time salary.

### **Reduction to 55 in Early Retirement Superannuation arrangements for teachers.**

A pension shall be payable to teachers on the common basic scale having attained the age of 55 and have not less than 35 years pensionable service.

This provision does not extend to teachers who are regarded as new entrants. Purchased service through the Notional Service Scheme or by way of Transfer from Private Pension Scheme are not eligible for inclusion in this provision.

### **Credit towards qualifying period of 35 years**

Pre service training periods for qualification of a teacher will be reckoned for the the purposes of achieving the 35 year threshold for retirement on the basis of 2 years for 4 years training and 1 year for 3 years training. Therefore the 35 year threshold will be reduced to 33 years on the basis of 4 years training and to 34 years on the basis of 3 years training. Job-sharing years are treated as full years for eligibility purposes only.

The actual pension and lump-sum is based on the number of pensionable years only and training years do not carry pensionable credits.

Pensions Unit  
Aug 2017.