House of Commons

Parliamentary Contributory Pension Fund (PCPF)

Members' E-Booklet – Ministerial Pension Sheme

August 2019

Version 4

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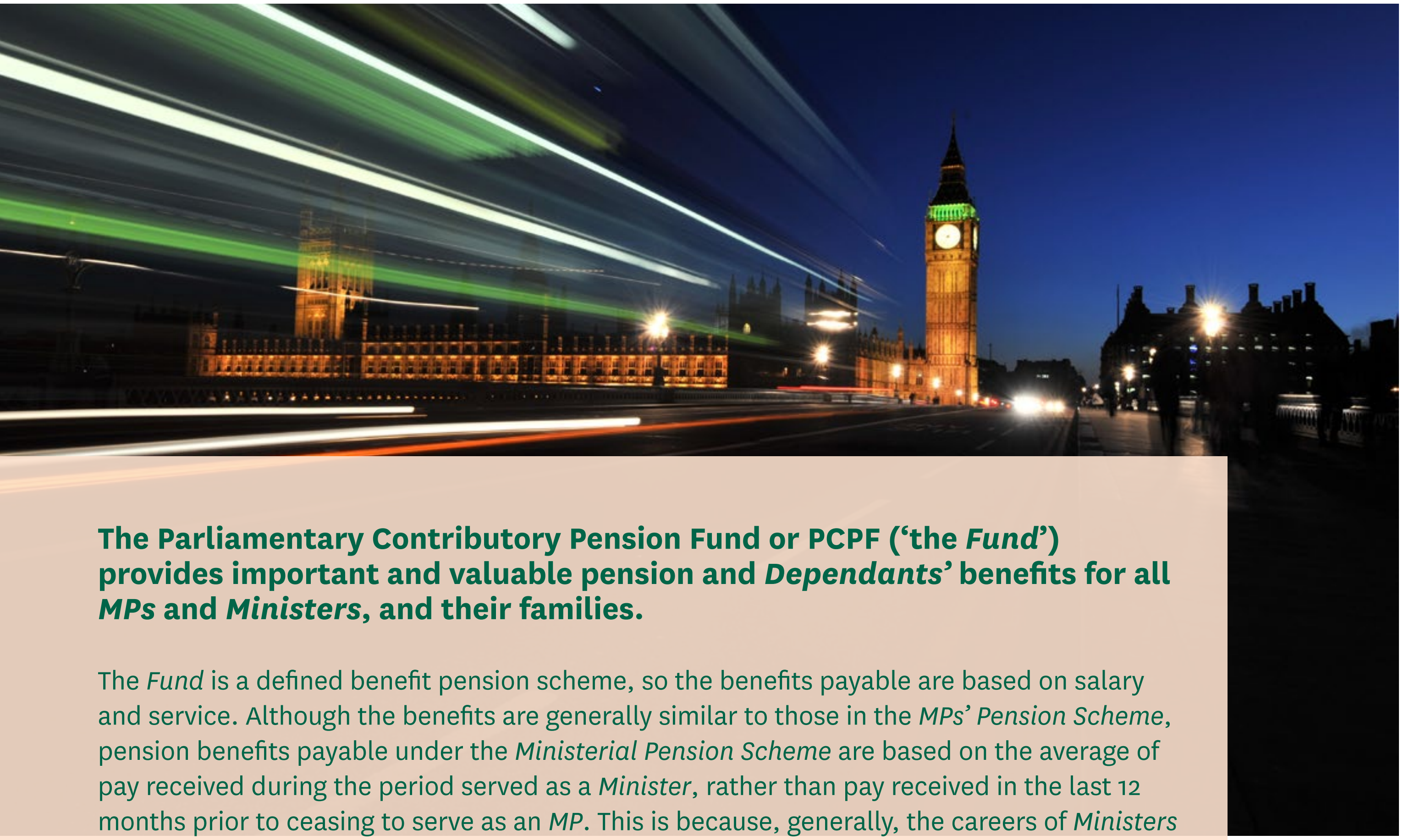
Introduction



The Parliamentary Contributory Pension Fund or PCPF ('the *Fund*') provides important and valuable pension and *Dependants'* benefits for all *MPs* and *Ministers*, and their families.

The *Fund* is a defined benefit pension scheme, so the benefits payable are based on salary and service. Although the benefits are generally similar to those in the *MPs' Pension Scheme*, pension benefits payable under the *Ministerial Pension Scheme* are based on the average of pay received during the period served as a *Minister*, rather than pay received in the last 12 months prior to ceasing to serve as an *MP*. This is because, generally, the careers of *Ministers* follow an unpredictable and fairly unusual salary pattern.

Ministers who sit in the House of Commons also build up pension benefits under the *MPs' Pension Scheme*.

Until 23 October 2011, the Fund was a statutory scheme, set up under the Parliamentary and Other Pensions Act 1987. The main governing Regulations were the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993.

The Rules of the PCPF relating to the Ministerial Pension Scheme are now set out in a scheme that is made by the Minister for the Civil Service (MCS) pursuant to its powers under the Constitutional Reform and Governance Act 2010. the Parliamentary Pensions (Consolidation and Amendment) Regulations became the initial scheme with effect from 24 October 2011.

This e-booklet is a guide to the *Ministerial Pension Scheme* and is relevant to all *Ministers*, whether sitting in the House of Commons or the House of Lords. It outlines the main benefits and explains how the *Fund* works.

If you are a member of the Supplementary Scheme (set by IPSA) for those MPs who serve as a paid Committee Chairman or the Chairman and Deputy Chairman of Ways and Means, you may refer to this booklet for details of the benefits payable as these currently operate on the same basis. However, please note the Supplementary Scheme is subject to future changes made by the Independent and Parliamentary Standards Authority (IPSA), and that contribution rates for members of the Supplementary Scheme are set out in the MPs Pension Scheme booklet.

The benefits outlined in this e-booklet are relevant to *Ministers* serving from May 2010. However, the benefits for serving *Ministers* can be changed at any time by the Minister for the Civil Service. Members will be notified of any subsequent changes. Also, some of the benefits for current *Ministers* may be unavailable to former members.

There is also a series of Information Sheets available, giving you further information on certain topics. Currently these include:

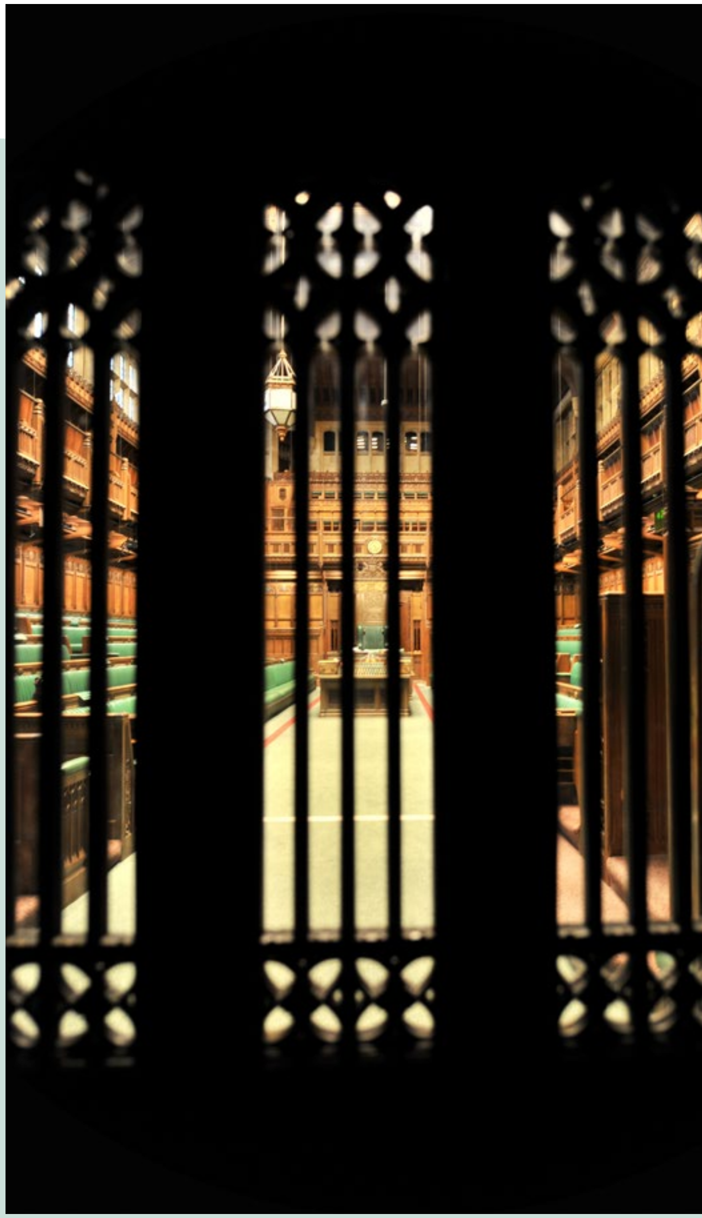
1. Added Years and Additional Voluntary Contributions (AVCs)
2. Divorce
3. Maximum Benefits
4. Tax limits (currently under review)
5. Sources of help and information on pensions

If you feel that there is a relevant topic that has not been covered in this e-booklet or in the Information Sheets, please contact the Pensions Unit. Further information on the *Fund* and your benefits can be obtained from the Pensions Unit or the administrators - for contact details **click here**. Wherever you see a page reference underlined, clicking on it will take you to that page.

Every effort has been made to ensure the accuracy of this e-booklet. However, it is intended only as a guide and is not a legal document. The legislation that governs the *Fund* will override this e-booklet if there is any discrepancy between the two.

With best wishes,
Brian Donohoe MP, Chairman
August 2012

Special terms



There are a number of technical terms used in this e-booklet. These terms, shown in *italics* throughout this e-booklet, are defined below.

Annual Allowance
The amount of pension that an individual can build up during each tax year without having to pay a tax charge in a pension scheme registered with HM Revenue & Customs under the Finance Act 2004. If the total of contributions paid to personal pension schemes and the PCPF Additional Voluntary Contribution scheme, when aggregated with the monetary value of the benefits built up under the PCPF and any other defined benefit scheme, are more than the Annual Allowance, the excess amount will be subject to a tax charge. From 2011/12, the Annual Allowance has been reduced to £50,000.

For more information, please refer to HMRC (www.hmrc.gov.uk) until **Information Sheet 4 – Tax limits** has been updated.

Children
Your dependent children are any of your children (including an adopted child or financially dependent stepchild) who are under the age of 17 (age 22 if continuing in full-time education) or who are dependent on you due to disability at the time of your death.

Contributing Member
A *Minister* or *Office-Holder* who is paying contributions to the *Fund*.

Dependant
Dependants can be:
- your legal spouse or registered civil partner;
- your partner – as nominated by you, using the appropriate document, and who at the time of your death fulfils the *Trustees'* criteria as set out in the declaration.

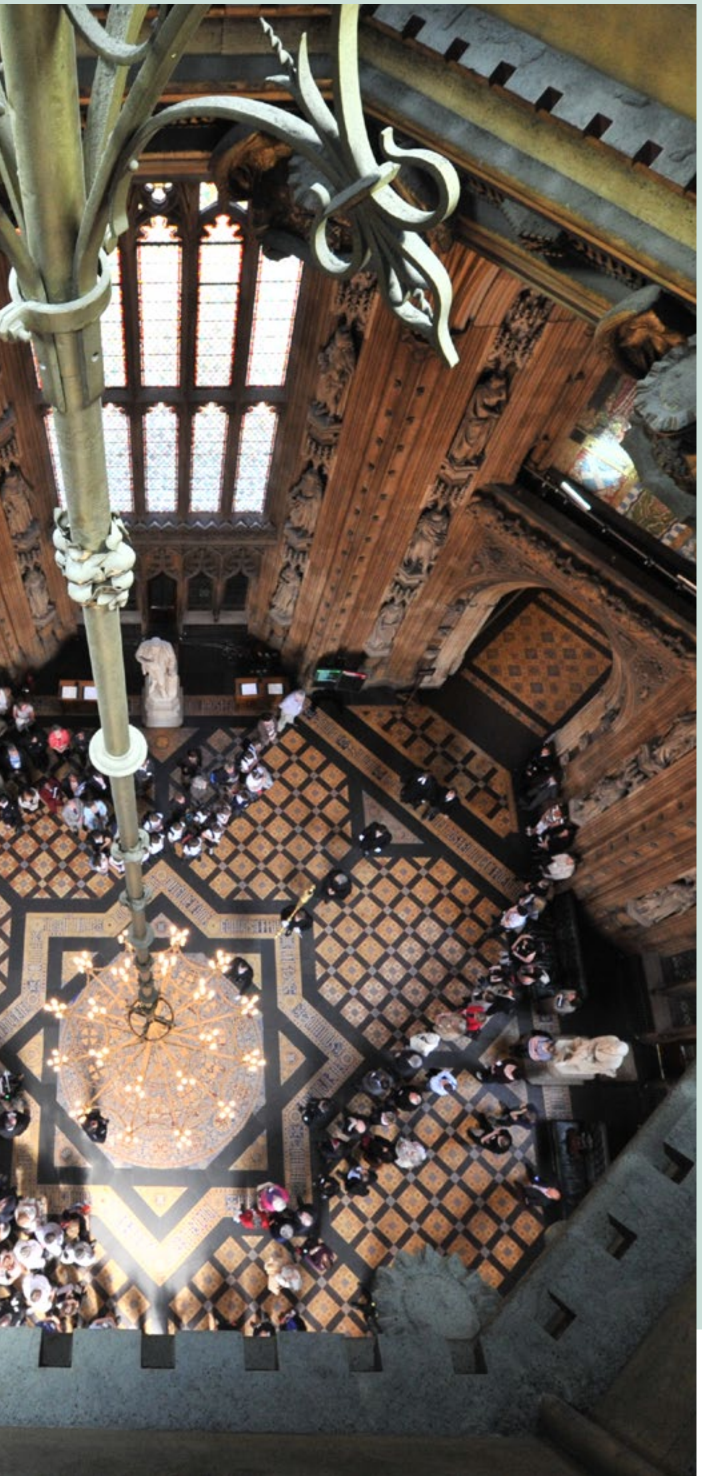
Fund
The Parliamentary Contributory Pension Fund, comprising the MPs Pension Scheme and the Ministerial Pension Scheme.

Fund Earnings Cap
The Fund Earnings Cap applies only to Ministers who first contributed to the *Fund* after 31 May 1989 (i.e. it does not apply to *Ministers* who first contributed to the *Fund* prior to 1 June 1989) and is the maximum salary that can be taken into account when calculating pension contributions and benefits. It changes on 6 April each year.

For *MPs* who also serve as a *Minister* and who first contributed to the *Fund* after 31 May 1989, it is the total of *MP's* and *Ministerial* pay which is restricted. For the tax year 2011/12 the Fund Earnings Cap is £128,600. *Pensionable Salary* will be restricted to the Fund Earnings Cap less, if applicable, any Pensionable Salary you have that is associated with the *MPs' Section*. For the calculation of the lump sum payable on death in service, salary will be similarly restricted.

Guaranteed Minimum Pension (GMP)
Part of the pension benefits built up by *Pensionable Service* relating to service as a *Minister* prior to 6 April 1997. Broadly, your GMP replaces the benefits you would otherwise have built up under the State Second Pension (S2P). For *MPs* who also served as a *Minister*, the GMP forms part of their *MP's* pension.

Special terms cont'd



Lifetime Allowance
This is the lifetime limit on the total value of your benefits from all pension arrangements that are registered with HM Revenue & Customs, which may be paid without attracting a tax surcharge.

When your benefits become payable (including lump sums payable on your death before retirement), if their value is over the limit, the excess amount will be subject to additional tax, unless the benefits at 5 April 2006 have been protected by registering with HMRC.

The Lifetime Allowance is £1.8 million for tax years 2010/11 and 2011/12, but will be reduced to £1.5 million from 2012/13.

For more information, please refer to HMRC (www.hmrc.gov.uk) until **Information Sheet 4 – Tax limits** has been updated.

Minister
A paid Minister or Office Holder who sits in either House and holds a *Qualifying Office*.

Ministerial Pension Scheme
The section of the *Fund* that *Ministers may choose to join while they are a serving Minister*.

MP
Abbreviation for Member of Parliament, used where it is necessary to distinguish between service as an MP and membership of the *Fund*.

MPs' Section
The section under which *MPs* build up pension benefits based on their salary and service as an *MP*.

Normal Retirement Age
Your 65th birthday.

Pensionable Salary
Basic salary you are entitled to as a *Minister* (even if you choose to draw a lesser amount).

Qualifying Offices
Chancellor of the Exchequer
Secretary of State
Lord President of the Council
Lord Privy Seal (Leader of the House of Lords)
Chancellor of the Duchy of Lancaster
Paymaster General
Chief Secretary to the Treasury
Parliamentary Secretary to the Treasury
Parliamentary Secretary other than to the Treasury
Minister of State
Any other Minister in charge of a public department of the Government
Leader of the House of Commons
Financial Secretary to the Treasury
Attorney General
Solicitor General
Advocate General for Scotland
Speaker of the House of Lords
Captain of the Honourable Corps
of Gentleman-at-Arms
Captain of the Queen's Bodyguard of the Yeoman of the Guard
Treasurer of Her Majesty's Household
Lord in Waiting
Comtroller of Her Majesty's Household
Vice-Chamberlain of Her Majesty's Household
Junior Lord of the Treasury
Chief Whip, House of Commons
Assistant Whip, House of Commons
Chief Whip, House of Lords
Leader of the Opposition in the House of Commons
Chief Opposition Whip of the House of Commons
Assistant Opposition Whip of the House of Commons
Leader of the Opposition in the House of Lords
Chief Opposition Whip of the House of Lords
Chairman and Deputy Chairman of Committees of the House of Lords

Special terms cont’d

Pensionable Service
Years and days of membership of the *Ministerial Section* of the *Fund* (including any benefits you have transferred in from a previous pension arrangement (see **page 11**) on which your *Fund* pension will be based.

Qualifying Office
The Offices that qualify for membership of the *Ministerial Pension Scheme*. These are listed in the panel on **page 25**. Different rules apply to an individual who has held the Office of Prime Minister, Lord Chancellor or Speaker.

Retained Benefits
A pension entitlement you built up (whether or not the pension is already in payment) in another pension arrangement. This usually means benefits built up before you joined the *Fund*. This includes benefits from other occupational schemes, from personal pensions (including Stakeholder pensions), and/or from retirement annuity contracts.

The following do not count as Retained Benefits:

- State Pension benefits;
- any pension benefits you have transferred into the Fund (but because such benefits are already within the *Fund*, they automatically count towards the Maximum Benefit you can draw from the *Fund*;
- any pension entitlement built up from earnings from other employment you may hold while you are an *MP* or a *Minister*;
- any pension from Additional Voluntary Contributions (AVCs) paid to the AVC providers selected by the *Fund Trustees*;
- any pension you have paid into from your parliamentary earnings.

If you have any Retained Benefits, please complete the relevant form which is available on request from the administrators. (contact details are on **page 25**).

Rules
The Rules of the PCPF relating to the MPs Pension Scheme and the Supplementary Schme are now set out in a scheme that is made by the IPSA pursuant to its powers under the Constitutional Reform and Governance Act 2010. The Parliamentary Pensions (Consolidation and Amendment) Regulations became the initial scheme with effect from 24 October 2011.

State Pension Age
Currently age 65 for men and age 60 for women. Women born before 6 April 1950 have a State Pension Age of 60. Women born after 5 April 1955 have a State Pension Age of 65. Women born between these dates will have a State Pension A ge (based on their date of birth) of between 60 and 65.

Trustees
The Trustees are responsible for managing the *Fund* and have a duty to manage it in the best interests of all members. Eight of the Trustees are Member Nominated Trustees, one is appointed by IPSA and one appointed by MCS.

Your benefits at a glance

During your service as an *Minister*

- valuable life assurance cover if you die while contributing to the *Ministerial Pension Scheme*
- pension benefits for your *Dependant(s)* if you die while contributing to the *Ministerial Pension Scheme*;
- options to retire earlier or later than the *Fund's Normal Retirement Age* (65).

When you retire

- a pension for life; or
- a tax-free cash sum and a reduced pension for life; plus
- annual increases to your pension.

(Please note that if you are an *MP* as well as a *Minister*, your pension benefits from the *Ministerial Pension Scheme* can only be taken at the same time as you take your pension benefits from the *MPs' Pension Scheme*.)

If you leave

- you can either keep your pension in the *Fund* (known as a deferred pension) or transfer the value of your benefits to another pension scheme;
- you may be able to choose, as an alternative to the deferred pension or transfer option, to take a refund of your own contributions less statutory deductions, if you have completed less than two years service in the *Fund*.

Membership also means

- tax relief on your contributions (see **page 8**);
- lower National Insurance contributions for members who do not serve as an *MP*. *MPs* who also serve as a *Minister* pay lower National Insurance contributions on part of their *MP's* pay;
- the Exchequer pays contributions towards your pension;
- a facility to increase your pension by paying Additional Voluntary Contributions (AVCs);
- the opportunity to transfer previous pension benefits into the Fund;
- provision for early retirement due to ill health (but see note at the end of 'When you retire', above).

The Regulations governing the *Fund* contain limits on the Maximum Benefits a member of the *Ministerial Pension Scheme* can receive under the *Fund*. These limits take into account benefits, known as *Retained Benefits*, which you have built up in other pension arrangements prior to becoming a *Minister*.

Joining the *Fund*

Eligibility

The Rules set out the Offices which qualify for membership of the *Ministerial Pension Scheme*. Legislation would be required to amend the *Qualifying Offices* (see **page 6** for the current *Qualifying Offices*).

All *Ministers* automatically become members from the day of their appointment, unless they advise the *Trustees* in writing within 12 months that they do not wish to join.

You are free to opt out of the *Fund* at any time by giving notice in writing. If you opt out, you can only rejoin after your next appointment. You must give notice in writing to the *Trustees* of your request to rejoin the *Fund*, within 12 months of that appointment.

Currently, different arrangements apply to the Prime Minister, the Speaker of the House of Commons and the Lord Chancellor.

However, please note that in addition to the percentage shown above, since 1 April 2012, you will also need to pay an additional amount depending on the position held, as follows:

Ministerial Posistion Held	Additional contribution paid
Secretaries of State, Leader of the Opposition in the commons and Speaker in the house of Lords	2.4% points
Ministers of State, Government Chief Whip, Leader of the Opposition in the Lords, Chairman of Committees of the House of Lords and Deputy Chairman of Committees of the House of Lords	1.6% points
Parliamentary Under Secretaries, Government Whips and Opposition Whips.	1% point

Member contributions

You must pay contributions as a condition of membership of the *Fund*. Members who are not *MPs* will also pay lower National Insurance contributions because the *Fund* is contracted-out of the State Second Pension. As a result, the impact on your actual take-home pay is far less than the contribution percentages shown on the right. Tax relief is only available for those members under age 75 and National Insurance contributions cease when a member reaches *State Pension Age*.

If you are an *MP* as well as an *Minister* when you join the *Ministerial Pension Scheme*, your accrual rate will be the same as it is in the *MP's Pension Scheme*. If you are a *Minister* only, you have 3 months from the date of your appointment to choose your accrual rate. Please note that the default option is the 1/40th accrual rate.

Standard rate: 11.9% of *Pensionable Salary*
While you are paying this rate, your benefits accrue at 1/40th of *Pensionable Salary* for each year of membership.

Middle rate: 7.9% of *Pensionable Salary*
While you are paying this rate, your benefits accrue at 1/50th of *Pensionable Salary* for each year of membership.

Lower rate: 5.9% of *Pensionable Salary*
While you are paying this rate, your benefits accrue at 1/60th of *Pensionable Salary* for each year of membership.

Please note that if you are a Paid Select Committee Chair, a Member of the Chairman's Panel, or Chairman or Deputy Chairman of Ways and Means your contributions are set by IPSA, as such your contribution rates are set out in the MP's pensions scheme e-booklet.

Joining the *Fund* cont'd

If you choose not to draw your salary as a *Minister*, funds are still set aside to meet your contributions to the *Fund* unless you opt out.

Ministers who are not *MPs* must choose which rate they wish to pay. There is currently no further opportunity to change the decision. If a decision about the rate of contributions to pay is not made within three months of taking Office, contributions will automatically be deducted at the standard rate and this rate cannot be changed.

The *Fund* Rules place a limit on the maximum pension you can receive (inclusive of any *Retained Benefits* you have) upon retirement.

If you have *Retained Benefits*, please take financial advice before making your decision as to which rate of contribution to pay.

For more information, please see **Information Sheet 3 – Maximum Benefits.**

Exchequer contributions

The Exchequer pays the balance of the cost of providing the promised benefits, together with the costs of running the *Fund*. The Exchequer contribution rate is based on advice given by the *Fund* actuary, an independent professional adviser who makes regular assessments of the *Fund's* financial health. The Government Actuary's Department is the Fund's actuary.

Tax limits

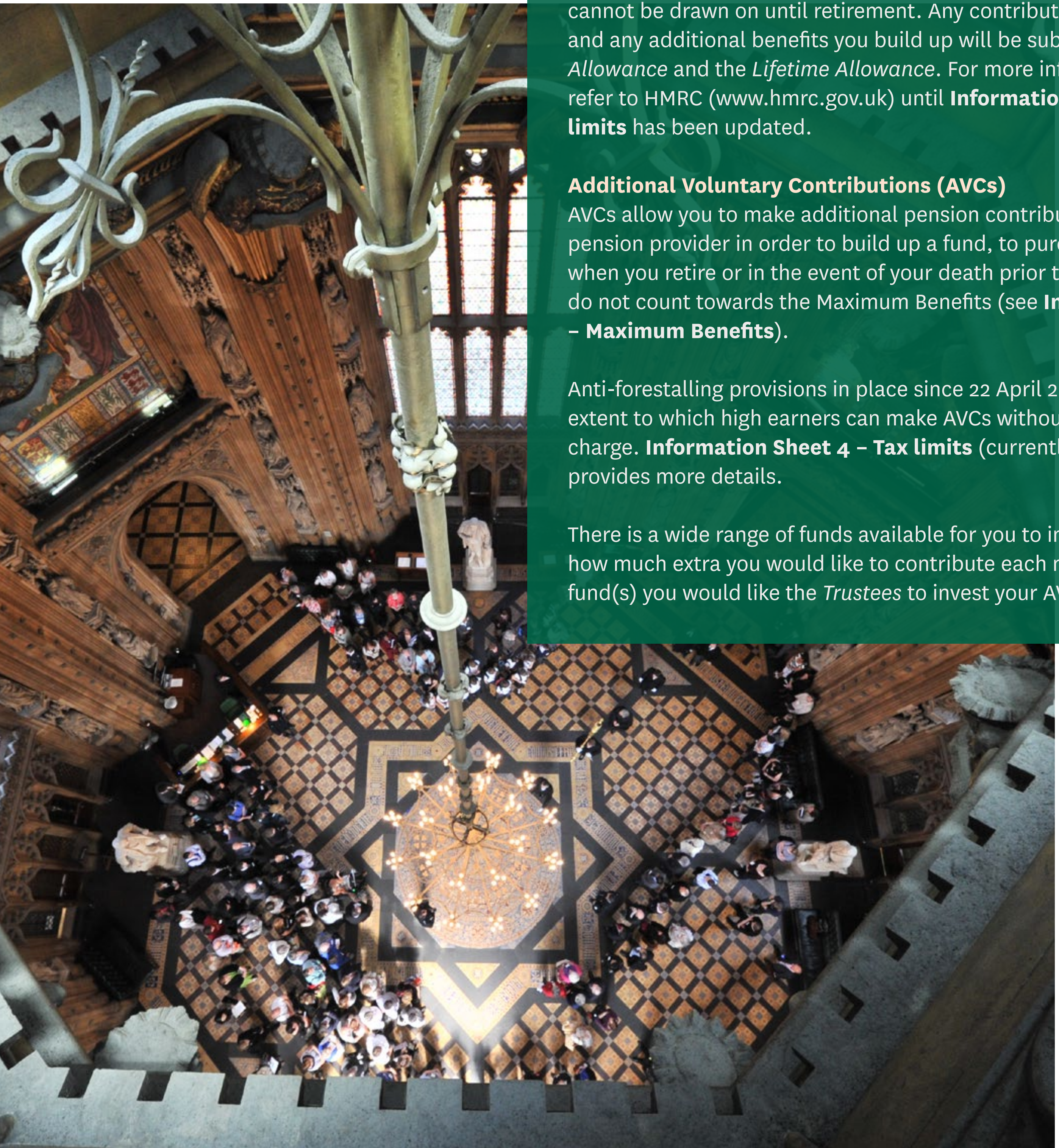
Your normal *Fund* contributions will receive tax relief. However, if the total of your pension contributions and the monetary value of pensions built up under defined benefit schemes exceeds the *Annual Allowance*, your contributions will be subject to a tax charge. The *Annual Allowance* will be £50,000 from 6 April 2011.

Once you reach age 75 you are no longer able to receive tax relief on your contributions. Please see the Late Retirement section on **page 13** for more information on working past *Normal Retirement Age*.

For more information on the taxation of pension contributions and benefits, please refer to HMRC (www.hmrc.gov.uk) until **Information Sheet 4 – Tax limits** has been updated.

Maximising your benefits

There are various ways in which you can increase your retirement benefits. The possible options are summarised here. Further details are contained in 'Information Sheet 1 – Additional Voluntary Contributions (AVCs)'.



Please remember that these options are long-term savings that cannot be drawn on until retirement. Any contributions you make and any additional benefits you build up will be subject to the *Annual Allowance* and the *Lifetime Allowance*. For more information, please refer to HMRC (www.hmrc.gov.uk) until **Information Sheet 4 – Tax limits** has been updated.

Additional Voluntary Contributions (AVCs)
AVCs allow you to make additional pension contributions to an external pension provider in order to build up a fund, to purchase extra benefits when you retire or in the event of your death prior to retirement. They do not count towards the Maximum Benefits (see **Information Sheet 3 – Maximum Benefits**).

Anti-forestalling provisions in place since 22 April 2009 may limit the extent to which high earners can make AVCs without attracting a tax charge. **Information Sheet 4 – Tax limits** (currently under review) provides more details.

There is a wide range of funds available for you to invest in. You decide how much extra you would like to contribute each month, and in which fund(s) you would like the *Trustees* to invest your AVCs.

You can vary the amount you contribute, change the fund(s) in which your AVCs are invested and stop or restart contributions at any time, provided that you are still contributing to the *Ministerial Pension Scheme*. The maximum contribution you can make in the form of AVCs is 100% of your *MP's* and *Ministerial* pay, less the contributions you are already paying into the *Fund*, any contributions paid through the *MPs' Pension Scheme* and any contributions to your personal pension scheme (if applicable) from your parliamentary pay.

However, following the reduction in the *Annual Allowance* to £50,000 from 2011/12, it is recommended that you liaise with the Pensions Unit about your tax position if you are currently paying AVCs or are thinking of doing so. When you retire, you can choose to take some of your AVC fund as a tax-free cash sum. The maximum tax-free cash sum you can take is 25% of the value of your AVC fund. The remainder will then be used to purchase an annuity with an insurance company of your choice.

Should you die before retirement, your AVCs will be used to provide an additional lump sum or a pension for your *Dependant(s)*.

Please refer to **Information Sheet 1 – Additional Voluntary Contributions (AVCs)** for further information.

Maximising your benefits cont'd

Other options available
Under the Finance Act 2004, it is now possible to contribute to a private pension arrangement while remaining a member of the *Fund*. You may wish, therefore, to consider other options before commencing AVC payments.

You can make your own personal pension arrangements, such as a Stakeholder scheme, with pension providers such as banks, building societies or insurance companies. Stakeholder pensionsare individual retirement savings accounts that are independent of occupational pension funds. Stakeholder arrangements offer you the facility to help boost your retirement benefits.

These arrangements can be used in conjunction with, or as an alternative to, AVCs.

Before making any decision to pay contributions to a personal pension arrangement, please consider carefully the relative merits of that arrangement and the *Fund* AVC arrangement.

If you are in any doubt, you should seek independent financial advice. Please see Further information – What if I need advice? on **page 24**.

Transfers into the Fund
You can transfer the value of pension benefits, in respect of employment or self-employment prior to becoming a *Minister*, into the *Ministerial Pension Scheme* from:

- another occupational pension scheme;
- a personal pension (including a Stakeholder scheme);
- a retirement annuity contract.

If you wish to transfer in pension rights, you must do so prior to age 64. You must have made no contributions to those arrangements after your appointment or reappointment, or 6 April 2006, whichever date is later. However, this restriction does not apply to occupational pension schemes.

The amount of money available for transfer to the *Fund* will determine the service credit (the additional *Pensionable Service*, in years and days) that the *Trustees* are prepared to offer in return for the transfer.

You are not able to transfer in benefits from UK pension schemes that are not classed as a 'registered pension scheme', or from overseas pension arrangements. The *Fund* also cannot accept transfers of pension benefits credited to you as the result of a divorce settlement.

Benefits when you retire

If you are a *Minister* who has never been an *MP*, you can only draw your pension if you have ceased to be a *Minister*. If you subsequently become a *Minister* again and you draw a salary, the *Fund* pension being paid to you will be suspended until such time as you subsequently cease to serve as a *Minister*. However, you may recommence payment of contributions and build up further benefits.

If you are a *Minister* who is also an *MP*, you can only draw your benefits once you have ceased to be a *Minister* and an *MP*, are not standing for reelection and have reached age 65 (unless you take early retirement). If you subsequently become an *MP*, your entire pension under the *Fund* will be suspended until you step down as an *MP*. You may be able to build up further pension during this period.

If you subsequently appointed as a *Minister* but do not take a seat in the House of Commons:

- you can continue to receive your *MP's* pension but any *Ministerial Pension Scheme* pension will be abated if your *Ministerial Section* pension plus your salary as a *Minister* exceeds the salary paid to an *MP* at that time. The abatement will cease when you step down as a *Minister*;
- you can contribute to the *Ministerial Pension Scheme* to build up further benefits, which will be payable when you cease to serve as a *Minister*;
- you can choose to aggregate any *Ministerial* pension not yet in payment with the pension from your current *Ministerial* service. However, please see **page 22** if you are reappointed.

Your pension at *Normal Retirement Age*

For each year of service as a *Minister*, the contributions you paid are compared to the contributions that would have been paid by an *MP* as a member of the *MPs'* Section to give a contribution factor. For these purposes a year runs from each 1 April.

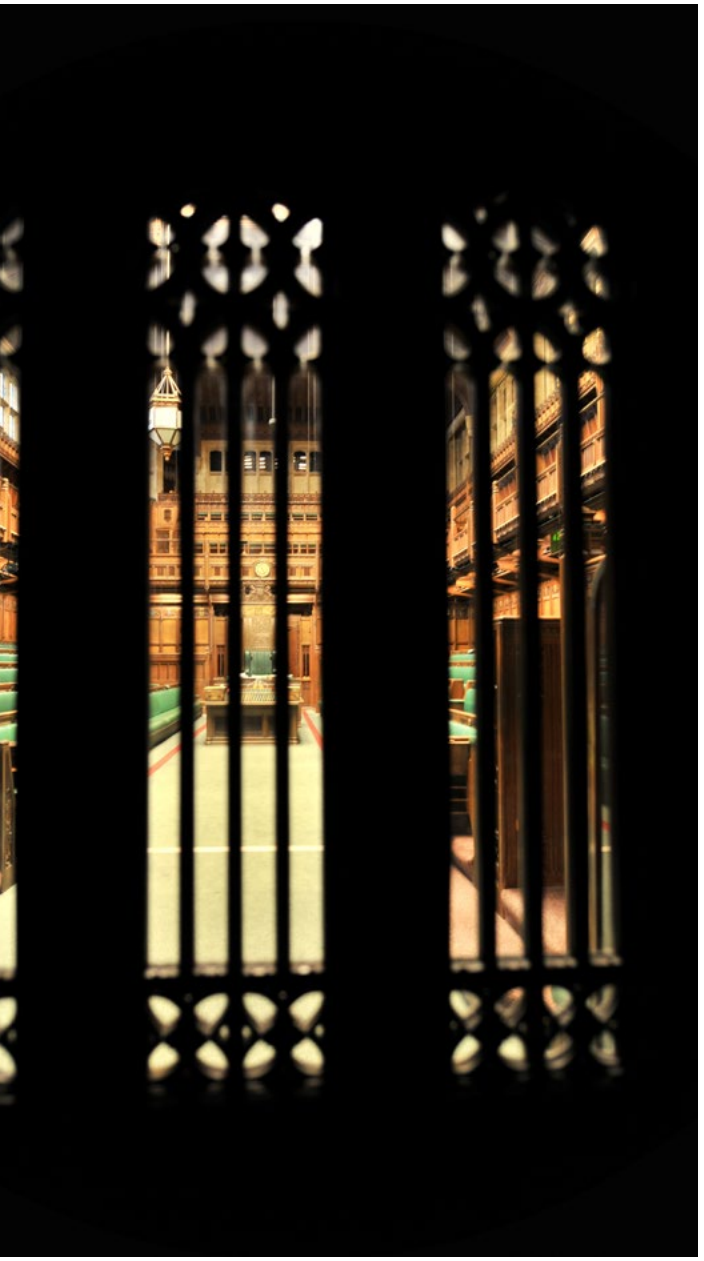
At retirement, all the contribution factors are added together and multiplied by the basic annual salary applying to an *MP* during the last 12 months of your service as a *Minister*, to calculate the pension payable.

From the table below, the total contribution factor is (0.593 x 4 = 2.372).

Assuming a 1/40th accrual rate, the *Ministerial* pension = 2.372÷40 x £64,500 = £3,824.85 a year.

Example				
	Year 1	Year 2	Year 3	Year 4
MP's salary	£60,675	£62,000	£63,240	£64,500
MP's contributions (1)	£7,220.32	£7,378	£7,525.56	£7,675.50
Ministerial salary	£36,000	£36,775	£37,500	£38,250
Ministerial contributions (2)	£4,284	£4,376.22	£4,462.50	£4,551.75
Contribution factor (2÷1)	0.593	0.593	0.593	0.593

Benefits when you retire cont'd



Any pension earned as an *MP* would be paid in addition to this amount. However, if you have substantial pension benefits due to you from other occupational schemes or private pensions, your *Fund* benefits may have to be cut back to ensure that you do not breach the *Fund* limit. See **Information Sheet 3 – Maximum Benefits** for more details.

Tax-free lump sum

When you retire, you can choose to exchange part of your *Ministerial Pension Scheme* for a tax-free cash sum. The maximum tax-free cash sum you can take is 25% of the capital value of your *Ministerial Section* pension.

If you registered for primary or enhanced protection with HM Revenue & Customs before 5 April 2009, you may be entitled to a lump sum in excess of 25%. Please contact the Pensions Unit if you think this applies to you.

Under the Finance Act 2004, it is not possible for a member of a pension scheme who is over 75 to take part of their pension as a tax-free lump sum. Please see the Late retirement section on the right for more information regarding working past *Normal Retirement Age*.

Tax relief limits

Your pension benefits are subject to the *Lifetime Allowance*, which is the tax-free limit on the total value of your pension savings from all sources.

When your pension comes into payment, its value will be checked against the *Lifetime Allowance* (taking into account other pensions you are receiving). If the total monetary value of all your pensions exceeds the *Lifetime Allowance*, the excess will be subject to an additional tax charge of 25% if it is taken as a pension and 55% if taken as a cash sum.

More detail can be found in **Information Sheet 4 – Tax limits** which is currently under review following the June 2010 Budget.

Early Retirement

You may be able to retire any time from age 55 onwards. In order to qualify for early retirement you must have ceased to serve as an *MP* and/or a *Minister* and not intend to stand for election as an *MP*. Your pension will be reduced to take account of the fact that it is likely to be in payment for a longer period.

If you retire early, your pension will be calculated in the same way as at *Normal Retirement Age*, but based on your contribution factor for each year of service and the basic annual salary applying to an *MP* at the time you ceased to be a *Minister*, less any reduction for early payment. You may be able to exchange part of your pension for a tax-free lump sum.

Late Retirement

If you remain as a *Minister* after the age of 65, your contributions to the *Fund* continue, and you will build up further *Pensionable Service* under the *Fund*, up to the Maximum Benefit limit. Your death in service benefit (see **page 16**) will remain in force, up to age 75, while you are contributing.

Alternatively, you may decide to stop contributing to the *Fund* while remaining as a *Minister*. If so, you will no longer be eligible for the death in service lump sum payment of four times *Pensionable Salary*, and any retirement pension will be based on the pension calculated at the date you ceased to pay contributions, revalued in line with price inflation to the date you start to draw the pension.

In either case, your *GMP* may come into payment before you leave Office. See **page 21** for further information.

Benefits after age 75

Under the Finance Act 2004, pension fund members whose benefits are paid after age 75 are not permitted to take part of their pension as a lump sum.

Due to tax legislations, members who continue to contribute to a pension scheme after age 75 do not receive tax relief on their contributions. In addition, if a member dies aged 75 or over, the Rules governing the PCPF do not permit the death benefit of four times salary to be paid as a lump sum. Death benefits payable in the event of a serving member over the age of 75 are very complicated and it is recommended you speak to the administrators if you wish to discuss your position further.

If you continue to be a member of the *Fund* until age 75 you will be given the choice before your 75th birthday to either:

- continue to contribute to the *Fund* with all the tax consequences; or
- elect to receive payment of your benefits. However this option is only available if you cease to serve as a *Minister* on the day before your 75th birthday; or
- elect to take the tax-free lump sum and have the reduced pension, in excess of the *Guaranteed Minimum Pension*, suspended until you cease to serve as a *Minister*. The suspended pension would be increased in line with the increase in price inflation between your 75th birthday and the date from which your pension comes into payment.

If you wish to elect to cease your contributions to the *Fund*, you must give the Pensions Unit at least six months' notice prior to the day before you reach the age of 75.

If you are in receipt of a pension from the *Fund* and die over the age of 75, various *Dependant's* benefits are payable.

Ill health benefits

In order to apply to the *Trustees* for an ill health pension, you must be under age 65 and intending to stand down as an *MP* and/or *Minister* for reasons of ill health. An application must include medical evidence and the *Trustees* may request that you attend a medical examination.

In order to qualify for an ill health pension the *Trustees* must be satisfied that:

- you do not intend to seek re-election to the House of Commons or accept any future *Ministerial* position which qualifies for pension under the *Fund*;
- you have ceased to be an *MP* or a *Minister* as a direct consequence of your ill health;
- your ill health means that you are permanently incapable of performing adequately the duties of an *MP*.

You must satisfy all of these requirements that apply to your own circumstances before the *Trustees* can award an ill health pension. The usual minimum retirement age of 55 does not apply when taking ill health retirement.

The pension payable under the *Ministerial Pension Scheme* is that earned to the date you ceased to pay contributions, without any reduction for retirement before age 65.

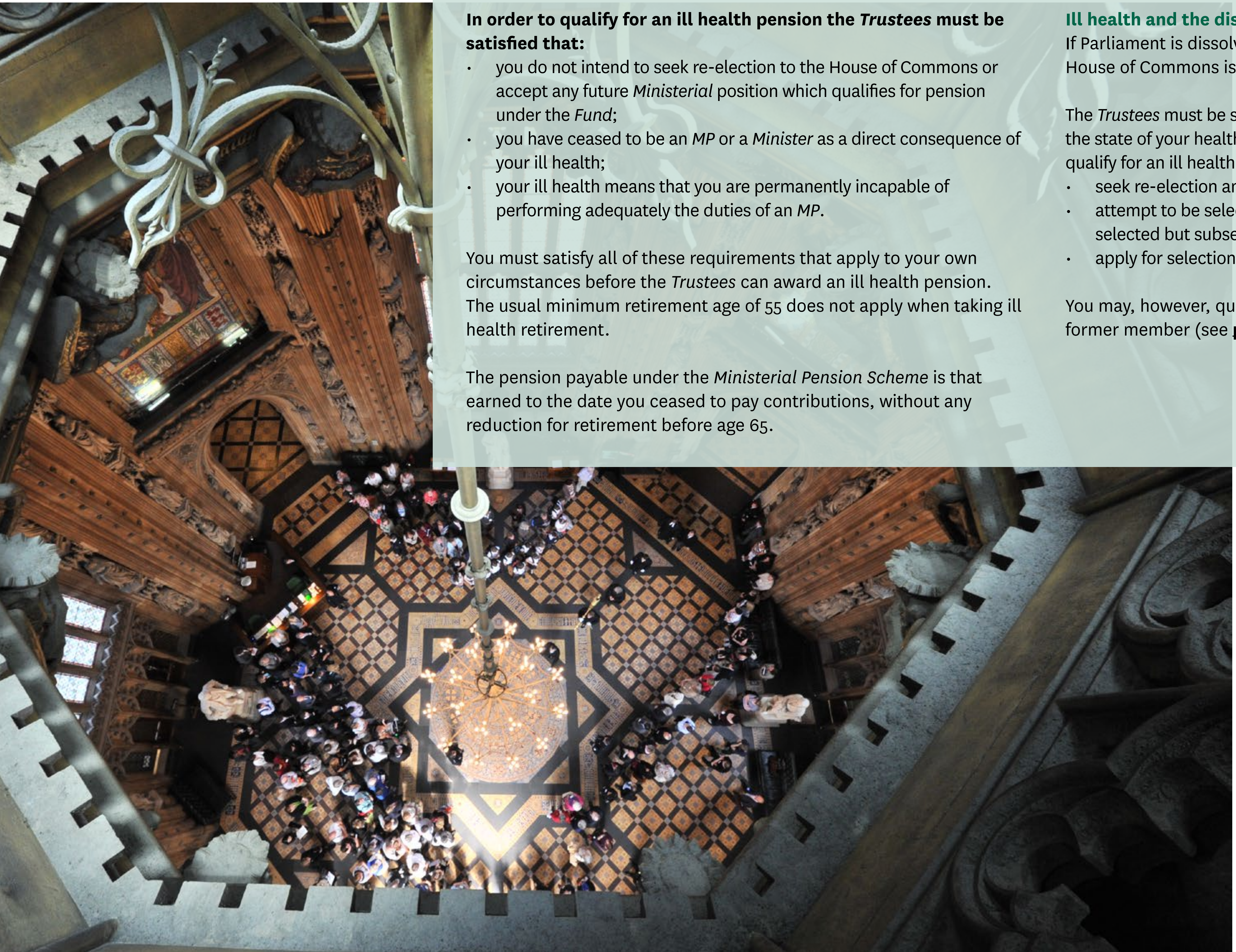
Ill health and the dissolution of Parliament

If Parliament is dissolved, the situation for a *Minister* sitting in the House of Commons is as follows.

The *Trustees* must be satisfied that you did not seek re-election because of the state of your health. However, you cannot, at the time of dissolution, qualify for an ill health pension as a *Contributing Member*, if you:

- seek re-election and fail;
- attempt to be selected by your party for re-election (unless you were selected but subsequently de-selected on ill health grounds); or
- apply for selection but are not selected.

You may, however, qualify for payment of an ill health pension as a former member (see **page 20**).



Benefits if you die while a *Contributing Member*

The *Fund* not only helps you to save for retirement, but also makes financial provision for your family if you die whilst you are a *Contributing Member*.

In the event of your death whilst contributing to the *Fund*, the following benefits may be payable:

- a lump sum;
- a pension for your *Dependant(s)*;
- a pension for your *Children* (maximum of two *Children* receiving a pension at any one time).

Lump sum death benefits

If you die while you are a *Contributing Member*, a lump sum is payable at the discretion of the *Trustees* of four times *Pensionable Salary* as a *Minister.* (This is in addition to any payments based on your *MP's* salary.) If you started contributing to the Fund after 31 May 1989, the total *Pensionable Salary* is restricted to the *Fund Earnings Cap*.

If you have been paying AVCs, the current value of these is also payable as a tax-free lump sum (subject to the total lump sum benefits from all your pension arrangements not exceeding the *Lifetime Allowance*).

If you are over age 75, death benefits cannot be paid as a lump sum. Please see **page 14** for more information on the payment of benefits after age 75.

Dependant's pension

In addition to any lump sum, a *Dependant's* pension will be payable of 5/8ths of the pension you have built up in the *Ministerial Pension Scheme*. The pension will not take into account any potential future service you may have had as a *Minister*, but is paid in addition to any benefits from the *MPs' Pension Scheme*.

However, if you were elected after 3 November 2004 and:

- your adult *Dependant* is more than 12 years younger than you, the *Dependant's* pension will be reduced. This reduction is to allow for the likely cost to the *Fund* of paying the pension for a longer period.
- you marry shortly before you die, the *Dependant's* pension may also be reduced. The *Trustees* have discretion to make this decision.
- there is no surviving spouse or civil partner, a *Dependant's* pension will be paid only if you have nominated a partner (see **page 17**).

Benefits if you die while a Contributing Member cont'd

Children's pensions

A pension (allowance) is also payable to each of your dependent *Children* up to a maximum of two at any one time. The allowance to each child is 3/16ths of the pension built up (if over age 65) or, if under age 65, 3/16ths of the pension you would have received if you had retired at age 65, based on your *Pensionable Salary* at the time of your death (or 4/16ths if you have just one dependent child), and is payable until the child ceases to qualify as a dependent child.

If you have more than two dependent *Children*, the *Trustees* will decide which Children will be the recipients. If one or both of the chosen recipients cease to qualify for a *Children's* pension, the *Trustees* may award a *Children's* pension to any other *Children* who may qualify.

Children's pensions are increased to 5/16ths where there is no surviving parent at the time of your death.

The importance of your Nomination Form

Any lump sum payable on your death will be paid by the *Trustees* to whoever you have nominated in your most recent Nomination Form. If you have not made a valid nomination, the payment will be made to your personal representatives and may therefore be subject to inheritance tax.

Please ensure that you complete and return a Nomination Form. Remember, if your personal circumstances change (for example marriage, divorce or children), you should complete a new Nomination Form. If you nominate your spouse or civil partner but subsequently divorce, your nomination will be invalid.

A copy of the Nomination Form is available from the administrators of the *Fund* (see **page 25** for contact details).

Please note that if you are a *Minister* sitting in the House of Commons, any Nomination Form that you complete in respect of the *MPs'* Section automatically covers your death benefits under the *Ministerial Section* of the *Fund*.

Nominating a *Dependant*

If you are not married or do not have a civil partner, you may be able to nominate your partner to receive a pension. The form that you need to complete (which is different from the Nomination Form described above) is available from the administrators of the *Fund* – see **page 25** for contact details.

Benefits on death after you retire

Death after retirement

Upon death after your pension has started, a *Dependant's* pension of 5/8ths of your *Ministerial* pension at retirement (before any exchange for a tax-free lump sum or reduction for early retirement) is payable in addition to any benefits from the *MPs' Pension Scheme*. Please note that if you die after your 75th birthday, the *Dependant's* pension cannot exceed the pension paid to you at the time of your death.

If your *Dependant* is more than 12 years younger than you and you were appointed/reappointed after 3 November 2004, the pension may be reduced. This reduction is to allow for the likely cost to the *Fund* of paying the pension for a longer period.

If you marry shortly before you die and you were appointed/reappointed after 3 November 2004, the *Dependant's* pension may also be reduced. The *Trustees* have the discretion to make this decision. If there is no surviving spouse or civil partner, a Dependant's pension will only be paid if you have nominated another *Dependant* (see **page 17**).

Children's pensions may also be payable if you have dependent *Children* at the time of your death. These are calculated as described on **page 17**.

Five year guarantee

Your pension is guaranteed for five years after you retire. If you die before age 75 and within five years of retiring, the balance of your pension payments to the end of that period will be paid as monthly payments to your *Dependant(s)* or estate. The *Dependant's* pension will start at the end of the five-year period.

Please see the Benefits after age 75 section on **page 14** for information regarding death benefits payable on death after age 75.

If no *Dependant's* pension is payable

Should no *Dependant's* pension or *Children's* pension be payable upon your death, a lump sum may be payable to your estate, at the discretion of the *Trustees*.

Benefits if you cease to be a *Contributing Member*

Your benefits on leaving depend uponx the length of your *Pensionable Service*.

Two or more years' *Pensionable Service*

If you have completed more than two years' *Pensionable Service*, you have the option to retain your pension (known as a deferred pension) in the *Fund* until retirement, or transfer the value of your benefits to another pension arrangement (see **page 20**).

Less than two years' *Pensionable Service*

If you have completed less than two years' Pensionable Service (including service in the *MPs' Pension Scheme*) in the *Fund*, you can choose, as an alternative to a deferred pension in the *Fund* or a transfer out of the Fund, to take a refund payment equal to your contributions paid, less tax and less a deduction to reinstate you in the State Second Pension scheme. Interest will be added to this refund.

Once you receive a cash refund, all your rights under the *Fund* will be extinguished. However, if you subsequently return to service in the House or are reappointed as a *Minister*, you have the option to repay the cash refund and your rights under the *Fund* will be reinstated. You normally have to do this within three months of returning to service or taking Office.

Deferred pension

If you choose to leave your pension benefits in the *Fund*, they will be held for you until you retire. Your deferred pension is calculated in the same way as on **page 12**, but based on your service to the date that you cease to be a *Minister*.

A deferred pension will be increased in line with price inflation for the period between you leaving *Pensionable Service* and retirement.

You may elect to receive your deferred pension before age 65, but your pension will be reduced to take account of the fact that it is likely to be in payment for a longer period.

Ill health

A deferred pensioner under the age of 65, who has retired from 'gainful' work because of ill health, may apply to the *Trustees* for an ill health pension.

The *Trustees* must be satisfied that:

- the applicant does not intend to seek election to the House of Commons and/or to accept any future offer of a *Qualifying Office*;
- the applicant's retirement from gainful work was a direct consequence of their ill health. (Gainful work means work under a contract of employment, or as a *Minister,* or as a self-employed person engaged in a business or profession, from which the member concerned gains the whole or a substantial part of their income);
- the applicant's ill health is such as would prevent them from adequately performing the duties of an *MP*.

If the *Trustees* grant you an ill health pension, your pension will be based on your pension at the time you ceased to contribute to the *Fund*, increased in line with price inflation since that time.

Benefits if you cease to be a Contributing Member cont'd

Death benefits

If you die before retirement, the *Fund* will pay:

- a *Dependant's* pension equal to 5/8ths of your *Ministerial Section* deferred pension at the date of your death (including any inflationary increases as described on **page 19** under Deferred pension); and
- a pension will also be payable to each of your dependent *Children* (maximum of two). The allowance to each child will be 3/16ths of your deferred pension at the date of your death (including any inflationary increases as described on **page 19** under Deferred pension) or 4/16ths of your deferred pension if you have one dependent child. This may be increased to 5/16ths for each child if there is no surviving parent at the time of your death.

If neither a *Dependant's* pension nor a *Children's* pension is payable, your contributions to the *Fund* (with interest) and AVCs will be paid to your estate as a lump sum.

Transfer payment

As an alternative to retaining your benefits in the *Fund*, you can apply to transfer the cash equivalent value of your deferred pension to another pension arrangement.

The transfer payment is calculated in accordance with instructions provided by the *Fund* actuary and is the current cash value of your deferred pension. The cash equivalents of deferred pensions take account of guaranteed increases to pensions both in deferment and payment, and are guaranteed for three months from the date of calculation. The *Trustees* cannot give you advice on whether it is in your interests to make such a transfer. However, it is recommended that you take independent financial advice before taking such a decision (see **page 24**).

If you would like details of your current transfer value, please write to the administrators of the *Fund* (contact details are on **page 25**). Please note that the Trustees are not obliged to provide you with more than one statement in any 12 month period. Further statements will be provided if required, but there will be a charge of £250 for each statement after the first in any 12 month period.

The option to transfer will remain open to you until you reach age 64, or, if later, six months after you cease to serve as a *Minister* or, in some circumstances, up to age 65.

How pensions are paid and increased

Pensions are paid in monthly instalments, starting on the 15th of the month following your retirement. They continue for the rest of your life.

Pensions paid from the *Fund*, whether to you or to your *Dependant(s)*, will increase each April as described in the following sections.

Increases to pensions in payment for those with *Pensionable Service* between 1978 and 1997

Minister only

Your pension comprises two parts:

- the *Guaranteed Minimum Pension (GMP)*. An entitlement which broadly replaces the benefits you would otherwise have built up between 6 April 1978 and 5 April 1997 under the State Second Pension (S2P); and
- the excess over the *GMP*.

Any benefits you have transferred into the Fund that cover the period 6 April 1978 to 5 April 1997, may also include a *GMP* element.

Your whole pension is increased in line with the increase in price inflation to 30 September preceding the date at which the increase is applied, but not all of this increase is actually paid by the *Fund*. The responsibility for the *GMP* element is shared between the *Fund* and the State. The *Fund* pays the whole of the increase on the excess over the *GMP*. For *GMPs* earned before 6 April 1988, the Government normally has responsibility for the full increase applied to the *GMP*. For *GMPs* earned after 5 April 1988, the *Fund* will normally pay price inflation increases up to a maximum of 3% a year, with the Government normally responsible for increases in excess of 3% a year.

In certain exceptional circumstances, the *Fund* will pay the full increase due on the pension, even if there is a *GMP* element.

GMPs normally come into payment at the age of 65 for men and 60 for women, even if your *Fund* pension has not come into payment. If you continue as a *Minister* after having reached this age, payment of your *GMP* will be automatically deferred for up to five years. After the initial, automatic five years' deferment has passed, your *GMP* can, with your consent, be suspended for any further period as long as you remain in service as a *Minister*.

If payment of the *GMP* is deferred, it is given an uplift to compensate for the fact that it is being paid late. The uplift will not increase the amount of pension you actually receive at retirement, but will increase the proportion of your pension that is the *GMP* element.

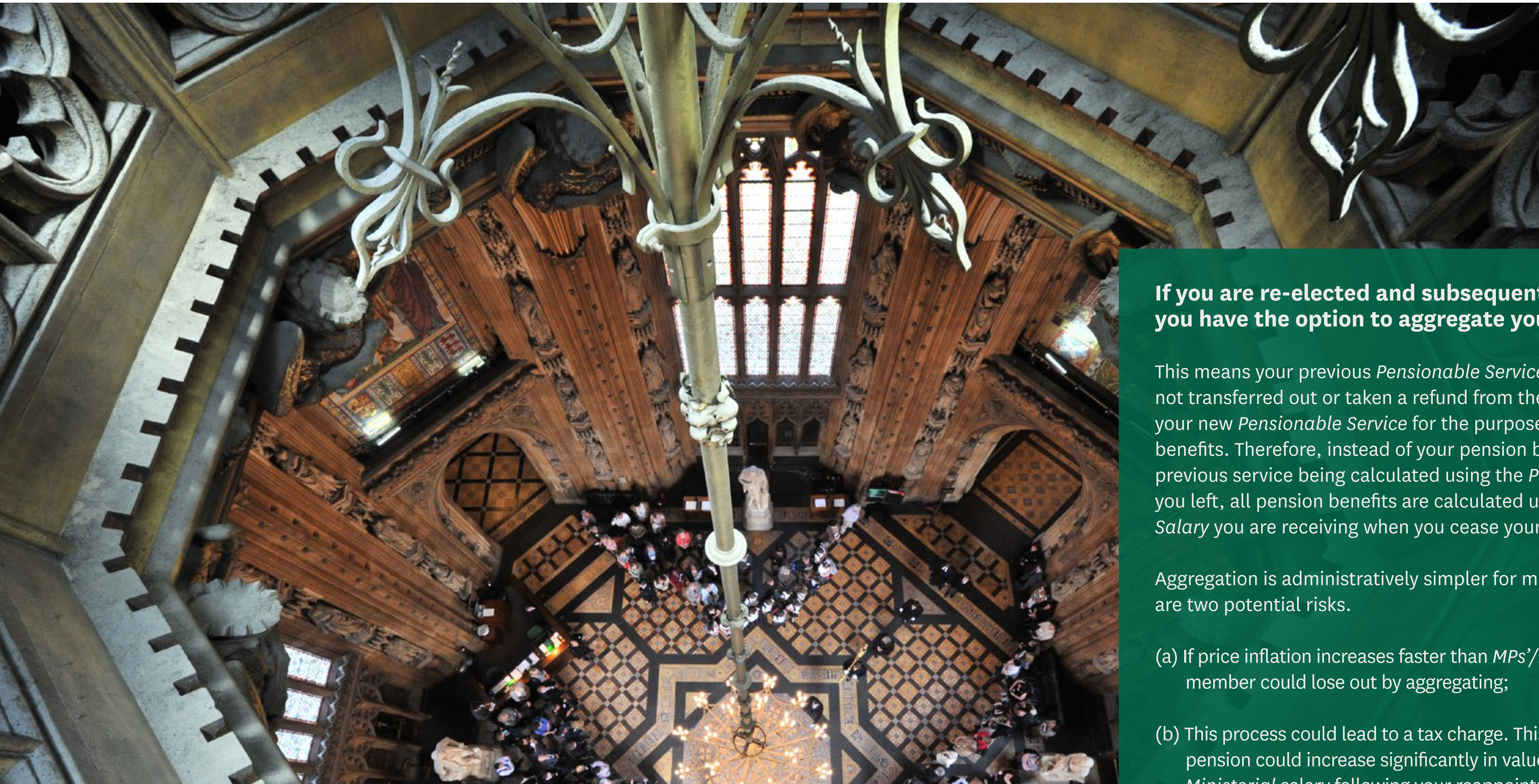
Minister sitting in the House of Commons

Pensions will be increased as described above, except that as you are also a member of the *MPs' Section* and are contracted-out by virtue of your membership of that section, you will not have any *GMP* entitlement under the *Ministerial Section*, even if you have pre-1997 membership of the *Ministerial Section*.

Pension built up entirely after April 1997

If you did not join the *Fund* until after 5 April 1997 and have not transferred any benefits into the *Fund* that include a *GMP* element, you will not have any *GMP*. The whole of your pension will be increased in line with the rise in price inflation to 30 September preceding the date at which the increase is applied.

If you are reappointed after a break in *Pensionable Service*



If you are re-elected and subsequently rejoin the *Fund* you have the option to aggregate your pension.

This means your previous *Pensionable Service* (provided that you had not transferred out or taken a refund from the *Fund*) will be added to your new *Pensionable Service* for the purpose of calculating pension benefits. Therefore, instead of your pension benefits in respect of previous service being calculated using the *Pensionable Salary* when you left, all pension benefits are calculated using the *Pensionable Salary* you are receiving when you cease your final term of Office.

Aggregation is administratively simpler for members. However, there are two potential risks.

(a) If price inflation increases faster than *MPs'/Ministers'* salaries, the member could lose out by aggregating;

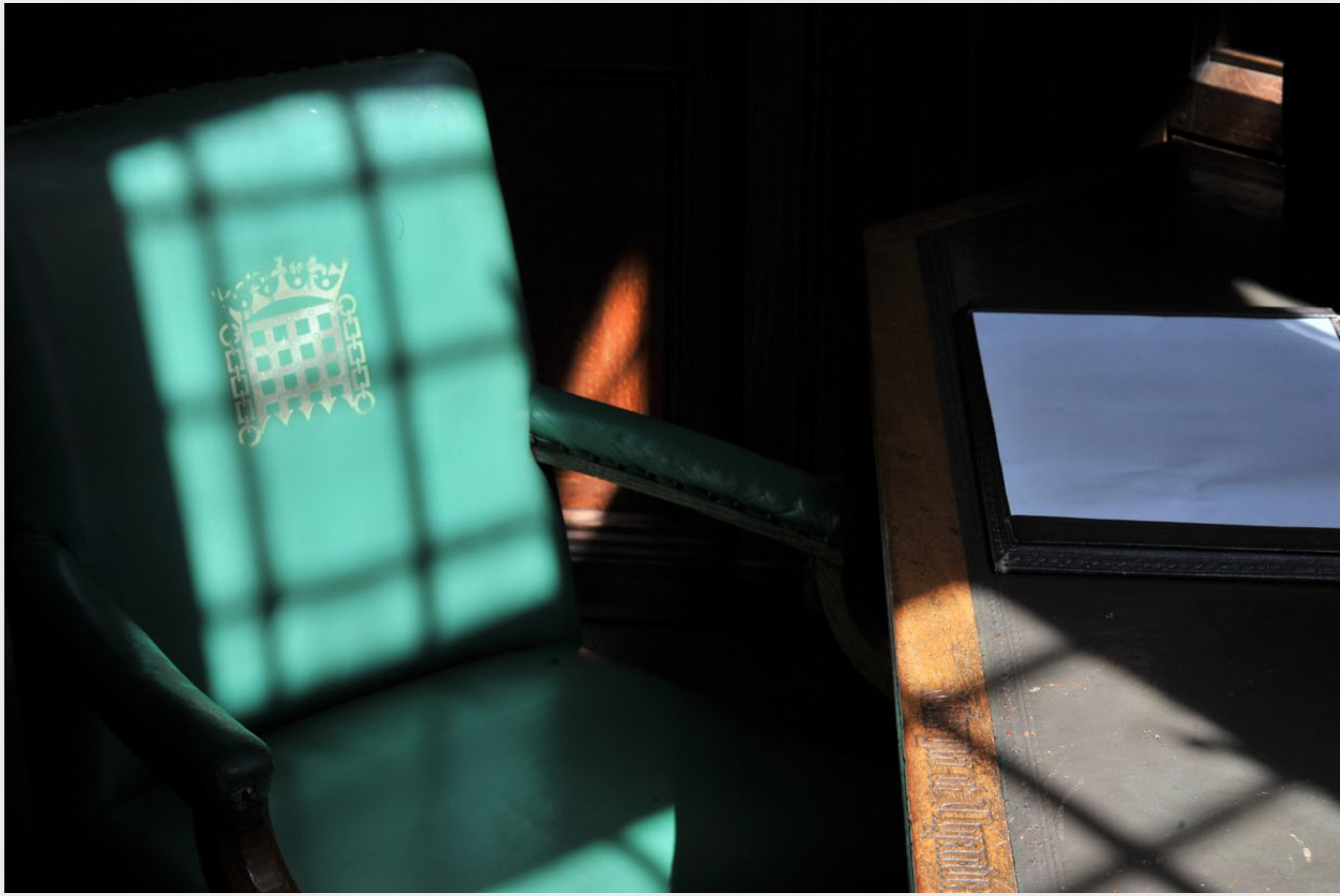
(b) This process could lead to a tax charge. This is because your deferred pension could increase significantly in value when calculated on your *Ministerial* salary following your reappointment.

If this increase results in the monetary value of all your pension entitlements exceeding the *Annual Allowance* (see **page 4**) there will be a tax charge on the excess over the *Annual Allowance*.

In order to avoid these risks, the *Fund* now offers you the option to choose not to aggregate your pension on re-election. If you do not make a decision within six months, your pensions will be aggregated. It is recommended that you seek independent financial advice before you make your decision.

The *Fund* and State Pensions

The State pension scheme is made up of two parts – the Basic State Pension and the State Second Pension (S2P), an earnings-related scheme (previously the State Earnings-Related Pension Scheme or SERPS)..



The Basic State Pension

Provided you have paid the required National Insurance contributions during your working life, you will receive a Basic State Pension. The pension is a fixed amount set by the Government and is currently increased each year in line with price inflation. It is paid from *State Pension Age*.

You cannot opt out of the Basic State Pension.

The State Second Pension (S2P)

S2P is linked to your earnings and is paid from *State Pension Age*. It is based on the average of the earnings on which you pay National Insurance contributions (called band earnings). Any S2P payments are currently increased in line with price inflation.

The *Fund* is contracted out of S2P. This means that, for the period of your membership, you will not build up any entitlement to S2P benefits. Instead, you and the Exchequer (your notional employer) pay reduced National Insurance contributions on part of your pay and, in return, the *Fund* is required to provide benefits that will be at least the same as, or better than, those which you might have received from S2P.

Ministers who serve as *MPs* are contracted out of S2P via the *MPs' Pension Scheme*.

Further information

Where can I get more information?
For general information about the *Fund*, or if you have a query about anything contained in this e-booklet, please contact the administrators of the *Fund* at the address on **page 25**.

Alternatively, you can discuss any issues relating to your pension with a member of staff from the House of Commons Pensions Unit. The Pensions Unit can be contacted as shown on **page 25**.

Your annual benefit statement
Each year, the *Trustees* send you a statement containing details of the current value of your benefits.

What if I need advice?
The *Trustees* are not permitted to give you any form of financial advice. For a list of independent financial advisers in your area, call IFA Promotions on **0800 0853250** or visit their website at **www.unbiased.co.uk**.

For more information on pension organisations that can help you, please see **Information Sheet 5 – Sources of help and information on pensions**.

What if I have a complaint?
If you have a complaint relating to the *Fund*, you should contact the Pensions Unit, who will always try to provide a prompt and accurate response. If the matter cannot be resolved informally, the *Fund* has a formal Disputes Resolution Procedure and details are available from the Pensions Unit.

At any time during the disputes procedure, you may refer the complaint to The Pensions Advisory Service or the Pensions Ombudsman. See **Information Sheet 5 – Sources of help and information on pensions** for further details.

What if I get divorced or dissolve a civil partnership?
Pension rights are always taken into account as part of your assets when the Court is arranging a divorce settlement or a dissolution order of a civil partnership. The *Trustees* must comply with any order made by the Court in divorce or dissolution proceedings and the order may affect your benefit rights under the *Fund*, including any benefits payable on your death. See **Information Sheet 2 – Divorce** for further information.

Assigning your *Fund* benefits
Your *Fund* benefits are strictly personal and cannot be assigned to any other person or used as security for a loan.

Data Protection Act 1998
The *Trustees*, the Secretariat and their advisers, and the administrators of the *Fund*, will process personal data in relation to you in order to administer the *Fund*. This may include sensitive data (as defined in the Data Protection Act 1988). In accordance with the Data Protection Act 1998, all information concerning Fund members and their *Dependant(s)* will be treated by the *Trustees* and their advisers as confidential. If you wish to inspect any data that is held about you, please contact the administrators of the *Fund* (contact details are on **page 25**).

Trustees' Report and Accounts
Each year, the *Trustees* produce independently audited accounts. You can request a copy of this from the Pensions Unit. A summary annual report (the PCPF Annual Review), which includes an abbreviated version of the accounts, is issued to members each year.

Your contacts

Please send all requests for information about your pension entitlement to the 'third party' organisation which has been appointed by the *Trustees* to administer the Parliamentary Contributory Pension Fund:

PCPF Administration Team
Parliamentary Contributory Pension Fund
Buck (Bristol)
PO Box 319
Mitcheldean GL14 9BF

Email
PCPF@buck.com

Telephone
0330 123 0634

Website
www.myPCPFpension.co.uk

If you require a meeting to discuss your pension please contact:

Pensions Unit
House of Commons
London SW1A 0AA

Telephone 020 7219 2106
Fax 020 7219 2554
Email pensionsmp@parliament.uk

House of Commons