House of Commons

Parliamentary Contributory Pension Fund (PCPF)
MPs' Pension Scheme (Final Salary Section)

Guide for Scheme members

August 2019
Version 5

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Introduction

The Parliamentary Contributory Pension Fund ('the *Fund*') provides an important and valuable benefit for MPs.

The *Fund* is a defined benefit pension scheme, which offers important benefits for you and your family. These include a pension based on your final earnings at retirement and the number of years you have been a member of the *Fund*.

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 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.

IPSA introduced a new MPs' Pension Scheme on 7 May 2015, following the General Election. All newly elected *MPs* entered into the new scheme. *MPs* serving prior to 7 May 2015 were deemed to be fully protected against the changes and remained in the old scheme if they were 10 years from retirement on 1 April 2013. *MPs* within 10 and 13.5 years of retirement on 1 April 2013 were given the option to continue in the existing scheme for a defined period, before moving into the new scheme. This is called partial transitional protection. All *MPs* will full or partial protection will continue to build up benefits in the old scheme now known as the Final Salary Section for as long as they have protection.

Please note, if you are re-elected please contact the administrators for clarification on your pension position.

If you have service as a *Minister* or *Office Holder*, you may also have service in other sections of the PCPF.

The benefits outlined in this e-booklet are relevant to *MPs* with benefits in the Final Salary Section.

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 Rules that govern the *Fund* will override this e-booklet if there is any discrepancy between the two.

With best wishes,
Your Trustees

Special terms

There are a number of technical terms used throughout 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.

For more information, please refer to HMRC (www.hmrc.gov.uk) or to the pension tax allowances leaflet on the PCPF website.

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 serving *MP* who is paying contributions to the Fund or whose contributions have ceased because they have reached the Maximum Benefits level.

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.

Final Pensionable Salary
Your basic salary as an *MP* in the 12 months preceding your retirement or date of leaving the *Fund*, if earlier.

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

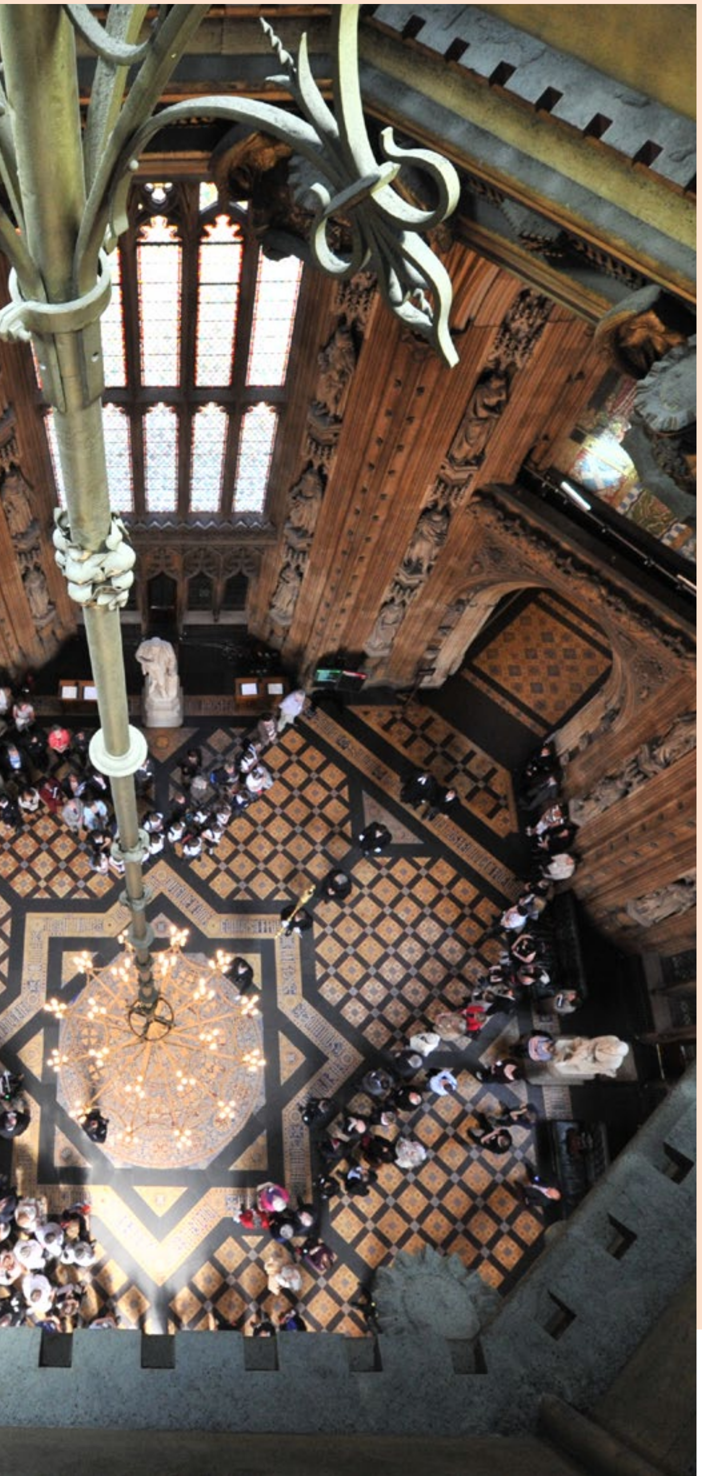
Fund Earnings Cap
The Fund Earnings Cap applies only to members who joined the *Fund* after 31 May 1989 (i.e. it does not apply to *MPs* who first contributed to the *Fund* prior to 1 June 1989) and is the maximum salary that can be taken into account when calculating pension contributions and benefits. It changes on 6 April each year. Please contact the administrator for details of the current Fund Earnings Cap. *Final Pensionable Salary* will be restricted to the Fund Earnings Cap. For the calculation of the lump sum payable on death in service, salary will similarly be restricted.

Guaranteed Minimum Pension (GMP)
Part of the pension benefits built up by *Pensionable Service* relating to service as an *MP* prior to 6 April 1997. Broadly, your GMP replaces the benefits you would otherwise have built up under the State Second Pension (S2P).

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 payableon 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.

For more information, please refer to HMRC (www.hmrc.gov.uk) or the pension tax allowances leaflet.

Special terms cont'd



Maximum Benefit
The *Fund's* rules limit the contributions a member can pay and the benefits which may be built up. Your *Fund* pension is limited to the greater of:

a) 1/60th of *Pensionable Salary* for each year of service (maximum 40 years), without taking into account *Retained Benefits*; and
b) the lower of:
- 2/3rds of *Pensionable Salary* less *Retained Benefits*; or
- 1/30th of *Pensionable Salary* for each year of service.

If you need further information about the maximum benefits, please contact Buck. Please note that the maximum limits apply separately to the Final Salary Section of the MPs' Pension Scheme and the *Ministerial Pension Scheme*.

Minister
A paid Minister who sits in either House, and holds a *Qualifying Office*. In relation to the PCPF a Minister is normally any paid Governmental position, plus some Opposition, Commons and Lords positions. Please contact Buck if you need a full list of *Ministers*.

Ministerial Pension Scheme
Individuals who are appointed to a *Qualifying Office* as a *Minister* or *Office Holder*, automatically build up additional benefits in the PCPF. These members enter the Ministerial Pension Scheme, which is a part of the Fund, (for as long as they are in office). This is in addition to your membership of the *MPs' Pension Scheme*.

Since 2015, there are two sections of the *Ministerial Pension Scheme*, the pre-2015 Section and the post-2015 Section. All *Ministers* appointed to office after the 2015 general election were entered into the Post-2015 Section, even if they remained in the Final Salary Section of the MPs' Pension Scheme.

However, *Office Holders*, enter the pre-2015 Section of the Ministerial Pension Scheme, so long as they are in the Final Salary Section of the MPs' Pension Scheme.

Members may also have deferred benefits built up in the Pre-2015 Section.

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

Normal Retirement Age
Your 65th birthday.

Office Holder
A paid Office Holder who sits in either House and holds a Qualifying Office. In relation to the PCPF an *Office Holder* is someone paid as a Select Committee Chair, or appointed to the Chair's panel, as well as the Chair and Deputy Chairs of Ways and Means.

If you are appointed to one of these positions, you will be entered in the *Ministerial Pension Scheme* in respect of your service as an *Office Holder*.

If you are in the Final Salary Section of the MPs' Pension Scheme and you are appointed to one of these positions, you will be entered in the Pre-2015 Section of the *Ministerial Pension Scheme* in respect of your service as an *Office Holder*.

If you are in the CARE Section of the MPs' Pension Scheme, you would build up additional *Office Holder* benefits within the MPs' Pension Scheme.

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

Pensionable Service
Years and days of membership of the *MP's* Pension Scheme (including any benefits you have transferred in from a previous pension arrangement – see **page 10**, and any 'Added Years' you have bought on which your *Fund* pension will be based.

Pensionable Ministerial Service
Years and days of membership of the *Ministerial Pension Scheme*.

Special terms cont'd

Qualifying Office
The offices that qualify for membership of the *Ministerial Pension Scheme* and the *MPs Pension Scheme*. Please contact Buck for details of which Offices qualify. Contact details are on **page 25**.

Qualifying Service
Years and days of continuous service as a *Contributing Member* of the *Fund*. This is normally the same as your actual period of membership of the *Fund*. If you have any service as a Member of the European Parliament, or another UK Parliament/assembly this may also count towards your *Qualifying Service* please let Buck know if this applies to you.

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 a serving *MP*;
- 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.

Rules
The Rules of the PCPF relating to the MPs' Pension Scheme and the Ministerial Pension Scheme 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.

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

State Pension Age
Currently 65 for men. Women born before 6 April 1950 have a State Pension Age of 60 and women born after 5 April 1955 have a State Pension Age of 65. Women born between these dates will have a State Pension Age (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 *MP*

- valuable life assurance cover if you die whilst a member of the *Fund*;
- pension benefits for your *Dependant(s)* if you die whilst a *Fund* member;
- 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
- a pension for your *Dependant(s)* when you die; plus
- annual increases to your pension.

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**);
- the Exchequer pays contributions towards your pension;
- a facility to boost your pension savings by paying Additional Voluntary Contributions (AVCs);
- the opportunity to transfer previous pension benefits into the *Fund*;
- lower National Insurance contributions;
- provisions for early retirement due to ill health.

The Rules governing the *Fund* contain limits on the Maximum Benefits a member can receive under the *Fund*. These limits take into account benefits you have built up in other pension arrangements prior to becoming an *MP*.

Joining the *Fund*

Eligibility

You automatically become a member of the *Fund* from the date you take your seat, unless you confirm in writing within three months of being elected or re-elected that you 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 the next General Election (or by-election) at which you are returned to the House. You must give notice in writing to rejoin the *Fund* within three months of that election.

Member contributions

You must pay contributions as a condition of membership of the *Fund*. These contribution rates are payable by MPs & Office Holders. Ministers will pay different contributions on their Ministerial Salaries and should refer to the Ministerial Pension Scheme Guide for Scheme members for rates.

When you join the *Fund*, you have the choice of whether to pay contributions at a rate of 13.75% (standard), 9.75% (middle) or 7.75% (lower) of *Pensionable Salary*.

Your benefits will build up at different levels depending on which rate you choose:

Standard rate: 13.75% of *Pensionable Salary*
While you are paying this rate, your benefits build up at 1/40th of *Pensionable Salary* for each year of membership.

Middle rate: 9.75% of *Pensionable Salary*
While you are paying this rate, your benefits build up at 1/50th of *Pensionable Salary* for each year of membership.

Lower rate: 7.75% of *Pensionable Salary*
While you are paying this rate, your benefits build up at 1/60th of *Pensionable Salary* for each year of membership.

Please note that member contribution rates have changed from time to time during the life of the *Fund*. You may have paid contributions at a different rate in previous years.

You must choose which rate you wish to pay when you join the *Fund*. If you do not choose a contribution rate within three months of being elected, you will automatically pay contributions at the standard rate and this cannot be changed.

Please take independent financial advice before you make a decision on your rate of contribution. You cannot switch between contribution rates while you are a member.

Your contributions to the *Fund* will stop if you build up sufficient *Pensionable Service* in the *Fund* to qualify for the *Maximum Benefits* that can be provided from the *Fund*. *Retained Benefits* are not taken into account when working out whether your contributions should stop due to you reaching the *Maximum Benefits* level, but *Retained Benefits* are taken into account at retirement when calculating the *Maximum Benefits* permitted under the *Fund*. Therefore, if you have a large *Retained Benefit* that you do not transfer into the Fund, and elect to pay contributions at the standard or middle rate, there may be a period when you are paying contributions for which you do not build up any further pension.

Exchequer contributions

The Exchequer contributes the balance of cost of providing the promised benefits together with the costs of running the *Fund*.

The contribution rate paid by the Exchequer is based on advice given by the *Fund's* 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.

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 12** 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) or the pension tax allowances leaflet.

Maximising your benefits

You can choose to increase your retirement benefits. The possible options are summarised below.

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) or the pension tax allowances leaflet.

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. They do not count towards the *Maximum Benefits*.

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 re-start contributions at any time, provided that you are still contributing to the *Fund*. The maximum contribution you can make in the form of AVCs is 100% of your *MP's* salary and *Ministerial/office-holder* pay, less the contributions you are already paying into the Fund and to your personal pension scheme (if applicable) from your parliamentary pay.

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 can be taken in a number of ways including: purchasing an annuity, getting an adjustable income (Flexi Access Drawdown), taking cash in chunks (Uncrystallised Funds Pension Lump Sum), cashing in the whole pot in one go or a mixture of any of the above options. Other than the 25% tax-free element, the remainder of pension income is taxed at marginal income tax rates. Members should take advice about which options are best for their personal circumstances.

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

Other options available
Under the Finance Act 2004, it is possible to contribute to a private pension arrangement whilst 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 pensions are individual retirement savings accounts that are independent of company 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 (**page 26**).

Maximising your benefits cont'd

Transfers into the *Fund*

You can transfer the value of pension benefits, in respect of employment or self-employment prior to becoming an *MP*, into the *Fund* from:

- another occupational pension scheme;
- a personal pension (including a Stakeholder);
- 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 election (or re-election), 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) the Trustees are prepared to offer in return for the transfer.

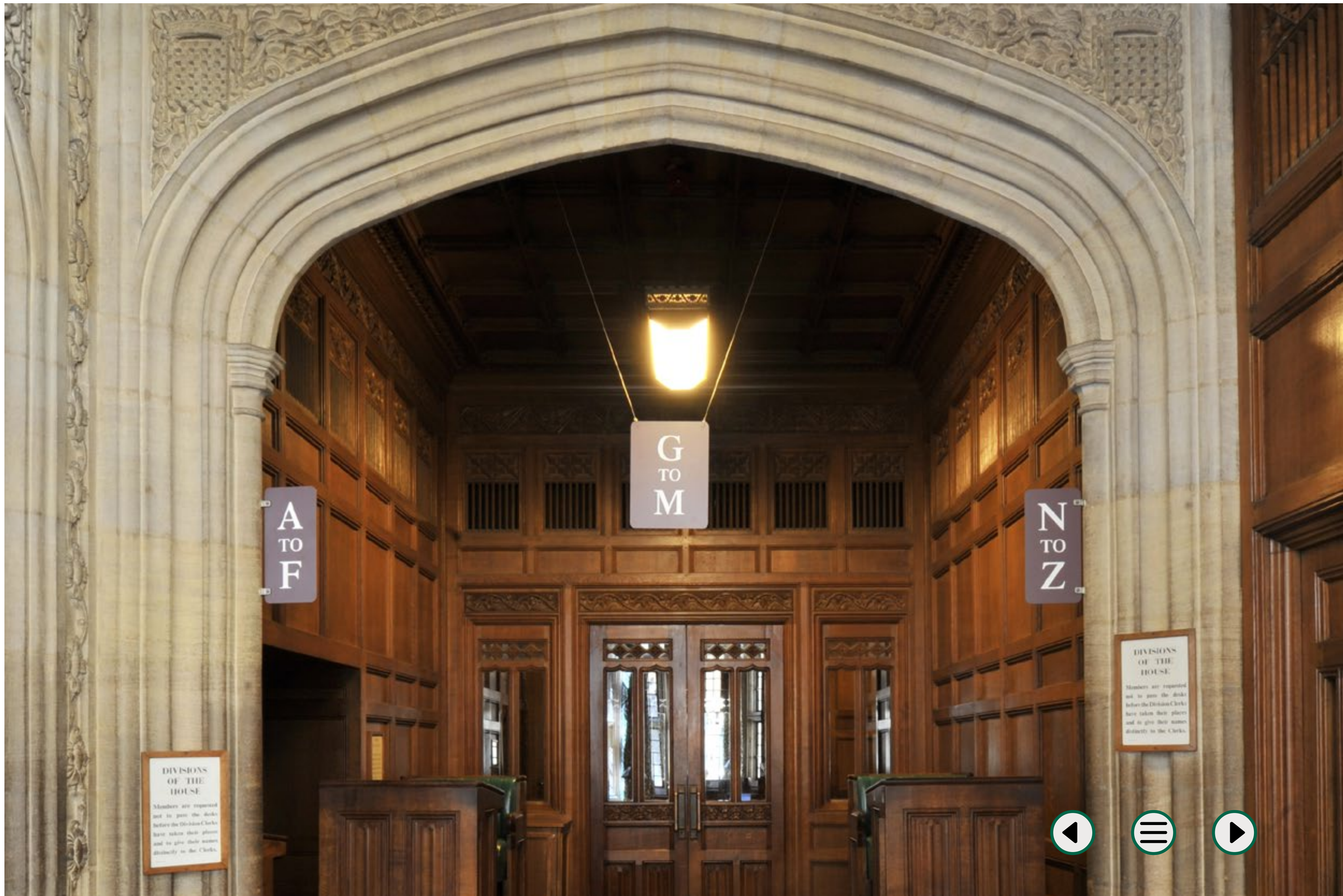
You are not able to transfer in benefits from UK schemes that are not classed as a 'registered pension scheme' or from overseas pension arrangements. The *Fund* also cannot accept transfers of pension benefits credited to you as the result of a divorce settlement.

Added Years

Prior to 8 May 2015 it was possible to boost your retirement savings by taking out an Added Years contract.

If you are paying monthly Added Years contributions, it is expected that you will continue to pay these until you reach age 65, complete the four year or five year period, leave the House, or opt out of the *Fund*, whichever is the earlier*. As the monthly contributions are calculated as a percentage of your *Pensionable Salary*, the amount you pay will increase every time your *Pensionable Salary* increases. If you leave the *Fund* before you have paid all the monthly contributions due or choose to cease payments, you will be credited with the appropriate proportion of the extra *Pensionable Service* you were buying.

If you have any questions about your added years contract, or wish to cease added years payments, please contact the administrators.



Benefits when you retire

Pension benefits can be taken from *Normal Retirement Age*. However, you can only draw your pension once you have ceased to be paid as an *MP* or *Office Holder* and do not hold a *Qualifying Office* as a paid *Minister*.

If you later change your mind and are re-elected, your pension will be suspended until you subsequently step down as an *MP*. You may be able to build up further pension during this period. This is known as abatement.

If you subsequently join the House of Lords and become a paid *Minister* you can:

- continue to draw your *MP's* Section pension. Any previous *Ministerial* pension in payment may be abated if your *Ministerial* pension plus your *Ministerial* salary exceeds an *MP's* salary;
- if you wish, contribute to the *Ministerial Pension Scheme* to build up further benefits, which will be payable when you cease to hold such Office. If you were previously a *Minister*, you can choose to aggregate any *Ministerial* pension not yet in payment with the pension from your current *Ministerial* service.

Your pension at *Normal Retirement Age*

Your pension at *Normal Retirement Age* will be based on your length of *Pensionable Service* and your *Final Pensionable Salary*. For each year of Pensionable Service, you will normally receive a pension of 1/40th, 1/50th or 1/60th of your *Final Pensionable Salary*, depending on your contribution rate. However, if you have substantial benefits due to you from other company schemes or private pensions (*Retained Benefits*), your Fund benefits may have to be cut back to ensure you do not breach *Maximum Benefits*.

Tax-free lump sum

When you retire, you can choose to exchange part of your pension for a tax-free lump sum. The amount of PCPF pension that can be commuted into tax-free cash is subject to the limits set out in the PCPF rules and is calculated using factors set by the Scheme's Actuary.

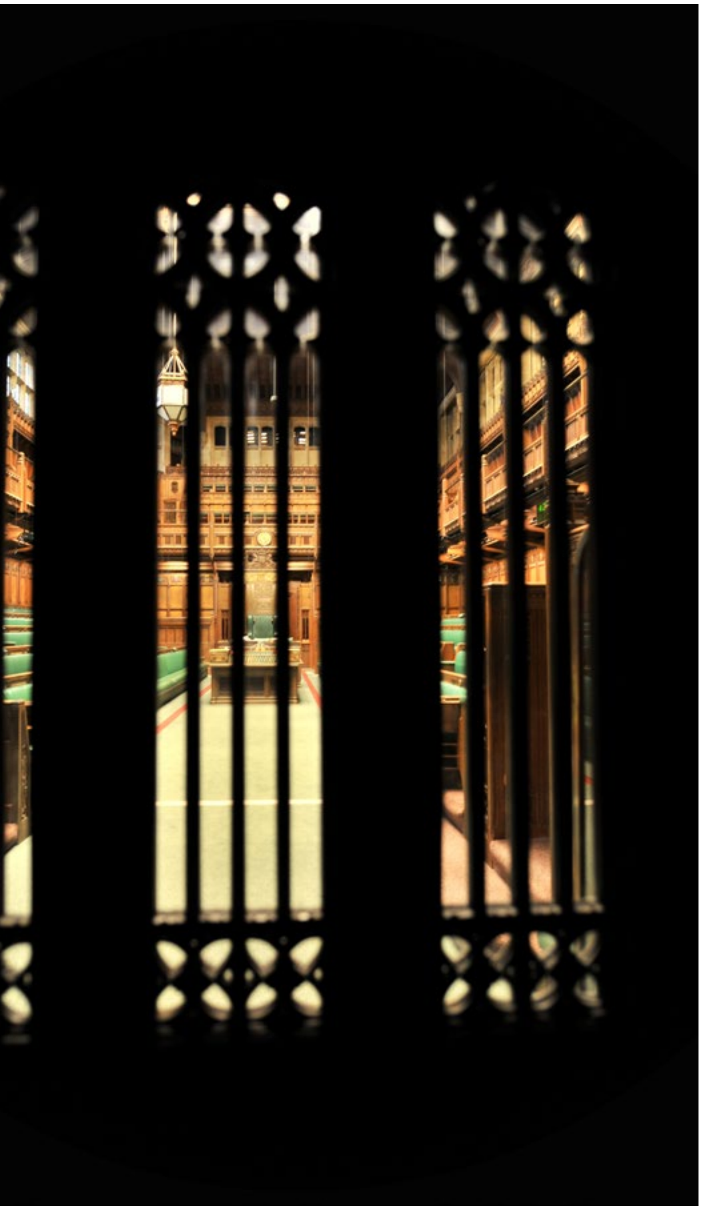
The Finance Act 2004 sets an overriding limit on the amount of tax-free cash that can be taken from a pension scheme, this is 25% of the capital value of the pension. In very limited circumstances, a lump sum in excess of the 25% limit may be available. In order that the administrators of the PCPF can check if you are entitled to a higher tax-free cash sum, please send them details of your pension benefits built up to 5 April 2006 under any other pension schemes.

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 **page 12** 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 may be 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 details can be found in the pension tax allowances leaflet.

Benefits when you retire cont'd



Early Retirement

You may be able to retire at any age from 55 onwards. In order to qualify for early retirement you must have ceased to serve as an *MP* or a *Minister/office-holder*.

Your pension will be reduced to take account of the fact that it is likely to be paid for a longer period. However, if you were elected before 4 November 2004 and have (or will have) completed 15 or more years' *Qualifying Service* before 6 May 2010 (the 'cut off date'), a more generous early retirement reduction will be applied to the service built up to the 'cut off date'.

Please note that if you complied with the 'rule of 80' before the 'cut off date', then the early retirement reduction will not be applied to service built up to the 'cut off date'.

If you retire early, your pension will be calculated in the same way as at *Normal Retirement Age* but based on your *Final Pensionable Salary* and *Pensionable Service* at your actual date of retirement, less any reduction for early payment. You may also opt to exchange part of your pension for a tax-free lump sum.

Upon retirement, the *Trustees* must ensure that the pension payable does not exceed the maximum pension payable in accordance with the Rules governing the *Fund*.

The maximum pension payable takes into account pensions built up prior to being elected an *MP* (known as *Retained Benefits*). Where a member draws their pension before age 65, it is the pension built up to date of retirement (not the early retirement pension) that is tested against the *Maximum Benefits* limit.

Late Retirement

If you remain as an *MP* between the ages of 65 and 75, and have not built up the maximum possible benefit within the *Fund*:

- your contributions to the *Fund* may continue, and you can build up further *Pensionable Service* under the *Fund* until you have built up the maximum pension. Your death in service benefit (see **page 16**) will remain in force while you are contributing; or
- alternatively, you may decide to stop contributing to the *Fund*. If so, you will no longer be eligible for the death in service lump sum payment of four times salary, and your pension will be based on the pay you received in the 12 months prior to ceasing to contribute (revalued in line with price inflation from the time you stop contributing to the time you start to draw the pension).

If you remain as an *MP* between the ages of 65 and 75, and have already built up the maximum possible benefit within the *Fund* prior to age 65, you will pay no further contributions but you will continue to be covered for death in service benefits, unless you formally opt out.

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.

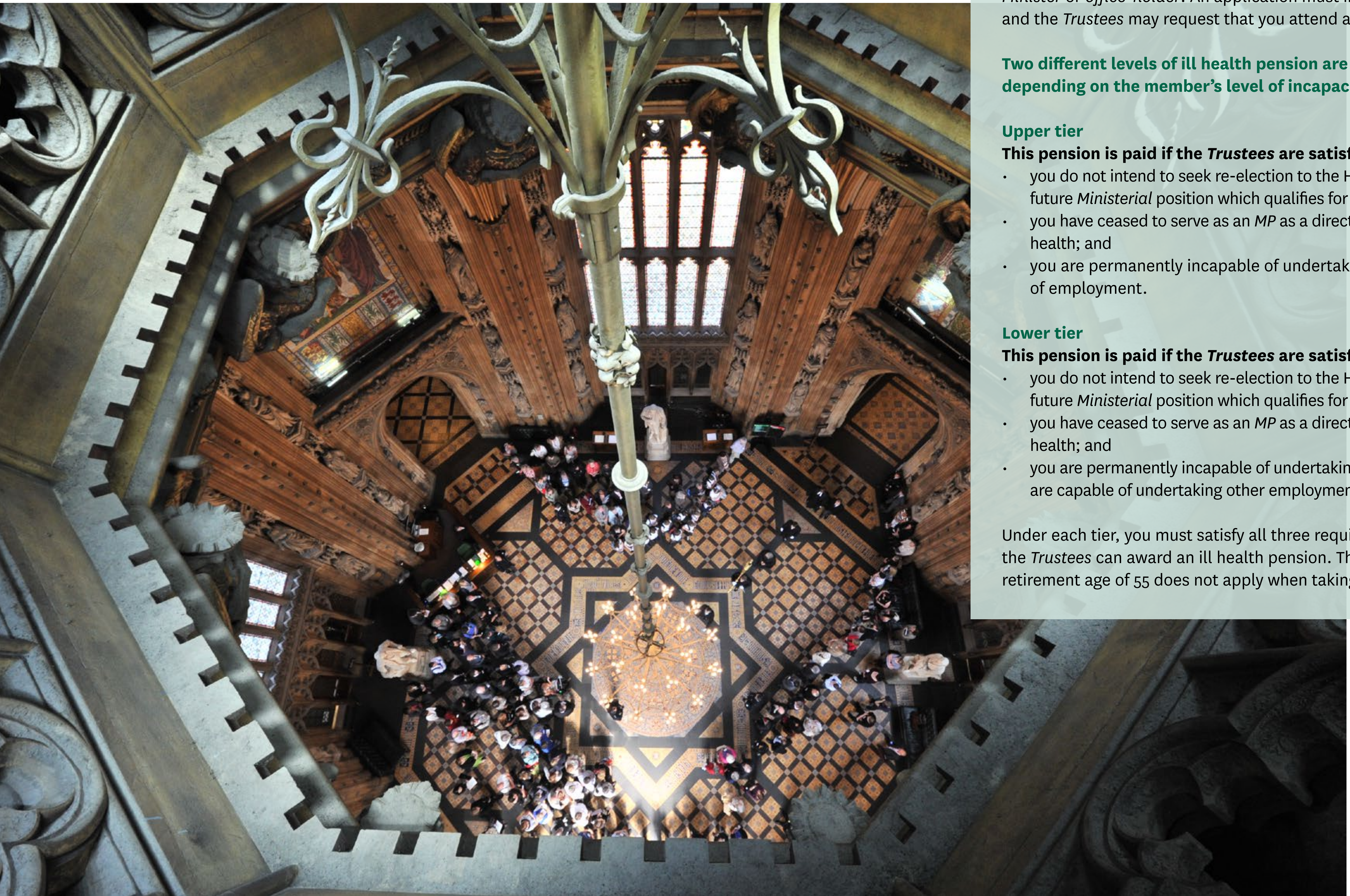
If you continue to be a member of the *Fund* until age 75 you will be given the choice before your 75th birthday to either:

- 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 an *MP* 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 an *MP*. 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 PCPF Secretariat 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



Ill health Retirement

In order to apply for an ill health pension, you must cease to serve as an *MP* before age 65, not be a candidate for election and not be a *Minister* or *office-holder*. An application must include medical evidence and the *Trustees* may request that you attend a medical examination.

Two different levels of ill health pension are payable to *MPs*, depending on the member's level of incapacity.

Upper tier

This pension is paid if the *Trustees* are satisfied that:

- you do not intend to seek re-election to the House or accept any future *Ministerial* position which qualifies for pension under the *Fund*;
- you have ceased to serve as an *MP* as a direct consequence of your ill health; and
- you are permanently incapable of undertaking any form of employment.

Lower tier

This pension is paid if the *Trustees* are satisfied that:

- you do not intend to seek re-election to the House or accept any future *Ministerial* position which qualifies for pension under the *Fund*;
- you have ceased to serve as an *MP* as a direct consequence of your ill health; and
- you are permanently incapable of undertaking the duties of an *MP*, but are capable of undertaking other employment.

Under each tier, you must satisfy all three requirements before the *Trustees* can award an ill health pension. The usual minimum retirement age of 55 does not apply when taking ill health retirement.

Ill health benefits cont'd

Calculation of pension
Depending on whether you are awarded the lower or upper tier of pension, your pension will be calculated as follows.

Upper tier
The pension will be based on your *Final Pensionable Salary* at the time you cease to serve as an *MP*. Your *Pensionable Service* will be enhanced (without cost to you) so that your ill health pension is based on the *Pensionable Service* you could have completed had you remained a *Contributing Member* until your 65th birthday (including any Added Years you had agreed to purchase). If you qualify for a State Incapacity Benefit, this will be paid in addition to your *Fund* pension.

Lower tier
Your pension will be based on actual, rather than enhanced, service.

Members who have a pension entitlement under the *Ministerial pension scheme (with pre 2015 and post 2015 Section)* will have this pension, built up to date of retirement, paid in addition to their *MP's* pension.

The *Trustees* have the power to periodically review ill health pensions that have been granted, to see whether continued payment is still appropriate.

Ill health and dissolution of Parliament
If Parliament is dissolved the situation regarding ill health retirement is as follows.

Where you:

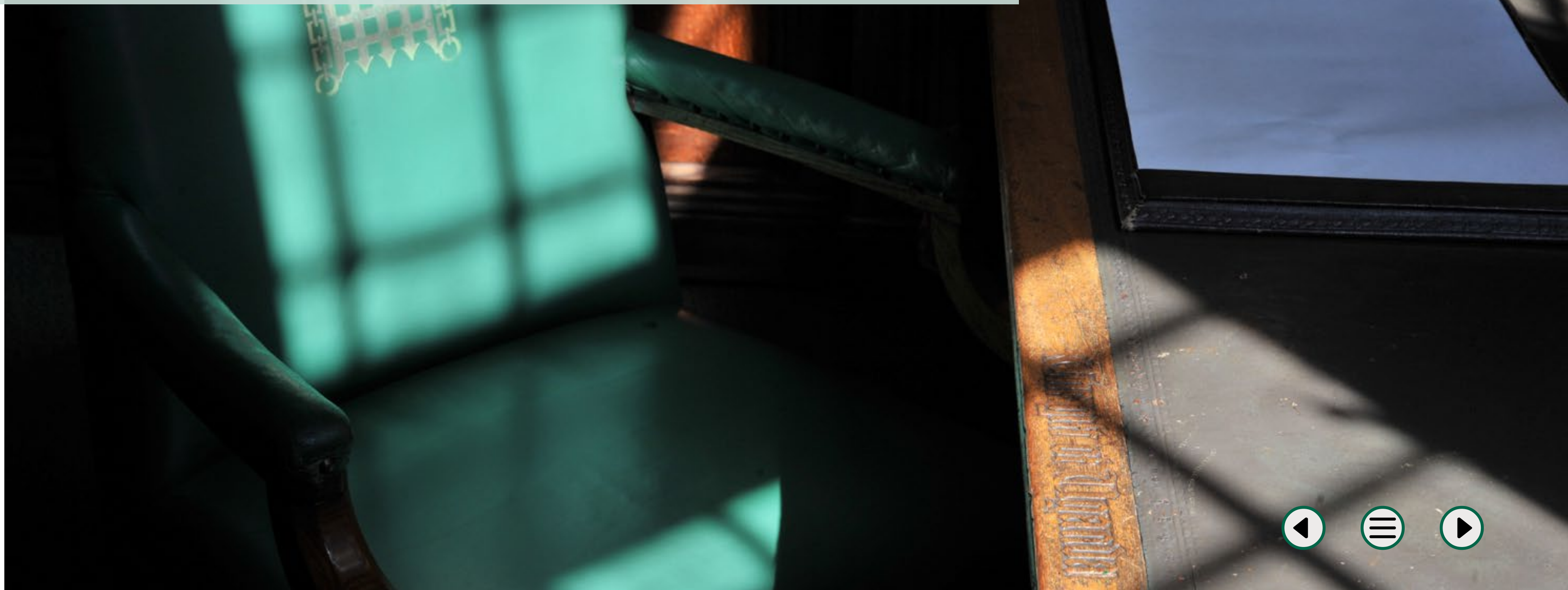
- cease to serve as an *MP* at the dissolution of Parliament;
- do not seek re-election; and
- apply for an ill health pension

you must satisfy the *Trustees* that you did not seek re-election because of your state of health.

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 cannot, at the time of dissolution, qualify for an ill health pension as a *Contributing Member*. You may, however, qualify for payment of an ill health pension as a former member, although the pension payable will not take into account your potential service to age 65.



Benefits if you die while a *Contributing Member*

The *Fund* not only helps you save for retirement, but it also makes financial provisions for your family if you die whilst 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 whilst you are a *Contributing Member*, a lump sum is payable at the discretion of the *Trustees* as follows:

- Serving *MP*: four times annual Pensionable Salary;
- Serving *MP* and *Minister/office-holder*: a payment in respect of your *Pensionable Salary* as an *MP* plus additional benefits in relation to your Ministers' or office-holders salary. Please refer separately to the relevant member guides for further details. If you started contributing to the Fund after 31 May 1989, the total 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 75, death benefits cannot be paid as a lump sum. Please see page 13 for more information on the payment of benefits after age 75.

Dependant's pension

In addition to the lump sum, a *Dependant's* pension is payable of 5/8ths of the pension built up (if over age 65) or, if under age 65, 5/8ths 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. The pension will not take into account any future service you may have had as a *Minister*, but will include any Added Years you had purchased.

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.

Benefits if you die while a Contributing Member cont'd

- 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**).

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.

Special arrangements

Special arrangements apply for the first three months after your death. If, for that period, the total amount of the pensions paid to your *Dependant(s)* is less than the basic salary of an *MP* at the time of your death, the *Dependant(s)* pension will be increased so that the total benefits your *Dependant(s)* receive(s) from the Fund is the same amount as an *MP's* salary.

The importance of your Death Benefit Nomination form

Any lump sum payable on your death will be paid by the *Trustees* to whoever you have nominated in your most recent Death Benefit 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 Death Benefit Nomination form. Remember, if your personal circumstances change, for example marriage, divorce or children, you should complete a new Death Benefit Nomination form. If you nominate your spouse or civil partner, but subsequently divorce, your nomination will be invalid.

A copy of the Death Benefit Nomination form is available from the administrators of the *Fund* (see **page 25**).

Nominating a *Dependant*

If you are not married or do not have a civil partner, you can nominate your partner to receive a pension. The form that you need to complete (which is different from the Death Benefit 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 pension at retirement (before any exchange for a taxfree lump sum or reduction for early retirement) is payable. Please note however, 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 elected/re-elected after 3 November 2004, the pension may be reduced. This reduction aims to allow for the likely cost to the *Fund* of paying the pension for a longer period.

If you marry shortly before you die, the *Dependant's* pension may also be reduced. The Trustees have 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 a partner (see **page 4**).

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** under the heading *Children's* pensions but based on your pension at the time of your death.

Five year guarantee

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

Please see Benefits – after age 75 section on **page 13** 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*.

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

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.

On 6 April 2016 the government introduced the new State Pension. Because the mechanism in the old State Pension for providing full indexation of *GMPs*, is not part of the new State Pension, the Government had to consider how to deliver on commitments by previous governments that public service pensions would be fully indexed. In March 2016, it announced that those reaching State Pension age between 6 April 2016 and 6 December 2018 would receive a fully-indexed public service pension for life. Later it was announced that the solution would be extended for a further two years and four months, covering members of public service schemes with a *GMP* who reach SPA on or after 6 December 2018 and before 6 April 2021. During this period, the Government would "investigate the possibility of an alternative long-term methodology, known as conversion."

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 an *MP* 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 an *MP*.

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.

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.

Benefits if you cease to be a *Contributing Member*

Your benefits on leaving depend upon 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 21**).

Less than two years' *Pensionable Service*

If you have completed less than two years' *Pensionable Service*, 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.

Deferred pension

If you choose to leave your pension benefits in the *Fund* they can be held for you until you retire. Your deferred pension is calculated in the same way as described on **page 11**, but based on your *Final Pensionable Salary* and *Pensionable Service* on the date you leave.

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

You may elect to receive your deferred pension before age 65, but your pension built up to the date of retirement 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 or to accept any future offer of *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 the holder of an office, 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, and their ill health is such as would prevent them from adequately performing the duties of a member of the House of Commons.

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

Death benefits

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

- a *Dependant's* pension equal to 5/8ths of your deferred pension

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

at the date of your death (including any inflationary increases as described above); 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 above) or 4/16ths of your deferred pension if you have one dependent child. This may be increased to 5/16ths for each child where 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.

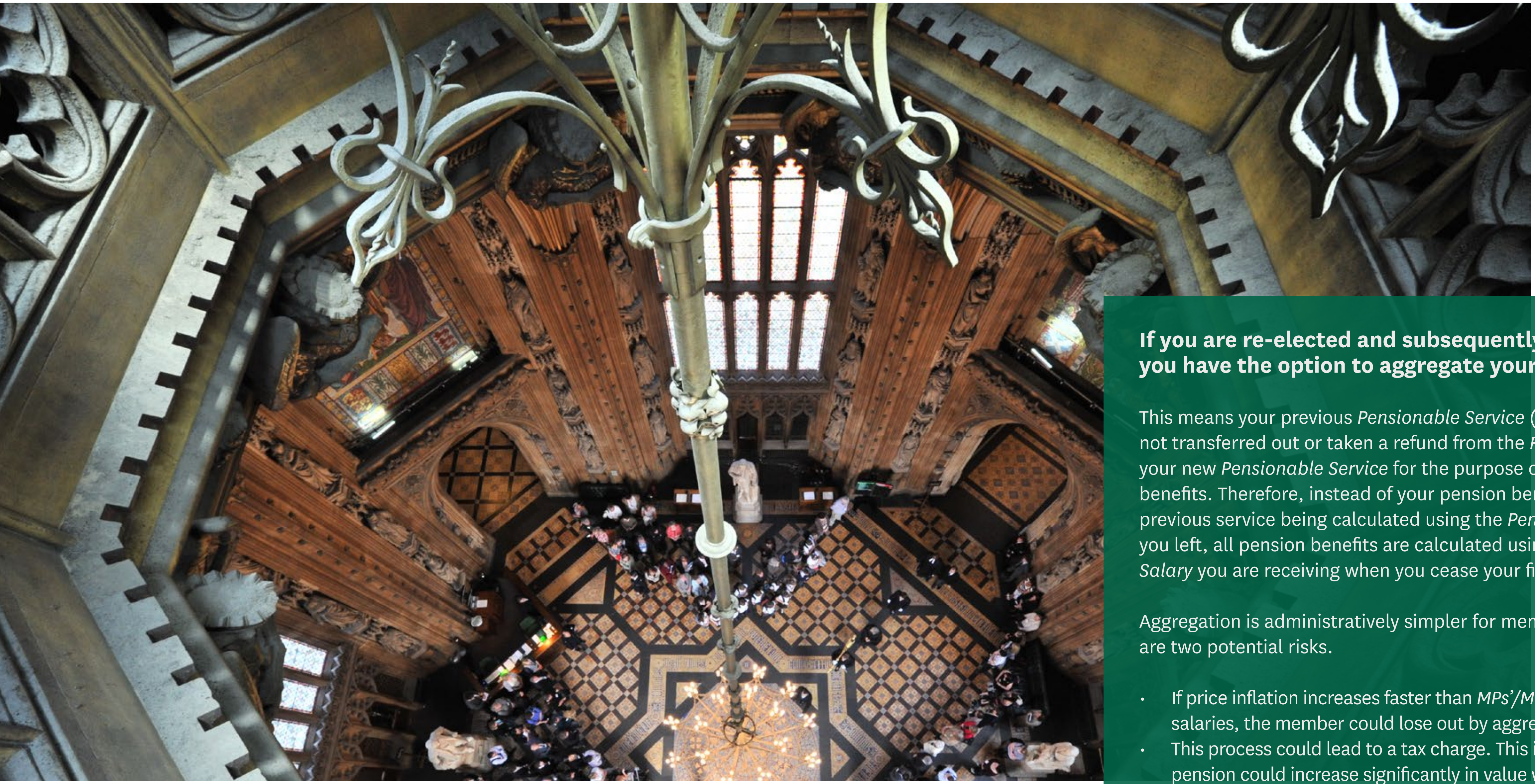
The transfer payment is calculated in accordance with instructions provided by the *Fund* Actuary and is the current cash value of your deferred pension. The cash equivalents of deferred pensions take account of guaranteed increases to pensions both in deferment and in payment and are guaranteed for 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.

If you would like details of your current transfer value, please write to the administrators of the *Fund* (see **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 may be a charge for each statement 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 leave the House or cease to hold a *Qualifying Office*.

If you are re-elected 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.

- If price inflation increases faster than *MPs'/Ministers'/office-holders'* salaries, the member could lose out by aggregating.
- This process could lead to a tax charge. This is because your deferred pension could increase significantly in value when calculated on your *MP's* salary following your re-election. 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.

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 PCPF Secretariat. The PCPF Secretariat 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, visit the IFA Promotions website at www.unbiased.co.uk.

What if I have a complaint?
If you have a complaint relating to the *Fund*, you should contact the PCPF Secretariat, 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 PCPF Secretariat.

At any time during the disputes procedure, you may refer the complaint to The Pensions Advisory Service or the Pensions Ombudsman.

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. Please contact the administrators if you need more information about how your pension will be treated on divorce.

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 have a legitimate interest in holding and processing information about you as it is needed for us to properly administer the Scheme and to calculate and pay benefits. We also keep information in order to comply with our obligations towards members under the Scheme, as well as under relevant legislation. Personal data relating to the Scheme is held on paper and on computer systems and is processed and stored in accordance with our Data Protection Policy. You can learn more about how we handle your data on the GDPR page on the Scheme website.

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:

PCPF Secretariat Finance, Portfolio and Performance
House of Commons
London SW1A 0AA

Telephone 020 7219 2743
Email pensionsmp@parliament.uk

House of Commons