



HOUSE OF COMMONS

Parliamentary Contributory Pension Fund

The new MPs' pension scheme

– what **YOU** need to know



The new pension schemes for MPs and Ministers will take effect from 8 May 2015, immediately after the General Election.

This booklet sets out the key facts about the new MPs' scheme, tells you what you need to think about and explains any actions you need to take.

Key facts about the new MPs' scheme

▶ Benefits provided on a 'career average revalued earnings' (CARE) basis*

▶ Scheme effective from 8 May 2015 (the day after the General Election)

▶ Full transitional protection for all MPs who were aged 55 and over on 1 April 2013, who will stay in the existing final salary scheme

▶ Partial transitional protection for MPs who were between 10 years and 13 years six months from retirement on 1 April 2013, who can choose to stay in the existing final salary scheme for a limited period before transferring to the new scheme

All the benefits you've built up in the existing final salary scheme are protected and will be linked to your future final salary (the average MP salary during your last 12 months of service). More on how your existing pension is protected can be found on page 4.

What about the Ministers' scheme?

Transitional protection does not apply to the Ministerial pension scheme, so all Ministers will join the new Ministerial pension scheme from 2015.

** This is a defined benefit scheme where benefits are based on earnings throughout your career, rather than just at the end of your career. Each year you build up an amount of pension based on your earnings for that year. To protect your accrued pension from inflation, it is revalued each year from the year of accrual to retirement age by reference to the Consumer Prices Index (CPI).*

New scheme design at a glance

An accrual rate of 1/51st of pensionable earnings, revalued annually in line with the Consumer Prices Index (CPI)

Just one level of pension contribution for all members: current estimate is 11.09% of pay, but the rate paid will vary in line with the costs of the scheme

Normal Pension Age equal to, and increasing in line with, State Pension Age

Spouses or partners eligible for a pension of 3/8ths of the member's pension, with child pensions also payable

Lump sum death benefit of two times salary plus refund of member contributions

Provision for 'cost neutral' early retirement reductions and late retirement increases to pensions

Options to retire early due to ill health

Option to buy added pension, pay Additional Voluntary Contributions (AVCs) or buy a reduction in pension age

Option to exchange same pension for a tax-free lump sum at a fixed rate of £12 of lump sum bought for £1 of pension

Comparison with existing final salary scheme

Choice of accrual rates: 1/40th, 1/50th or 1/60th

Matched by contribution rates of 13.75%, 9.75% or 7.75%

Normal Retirement Age of 65

Dependants receive 5/8ths of pension plus child pensions payable

Lump sum death benefit of four times salary

Reductions are 'cost neutral' and late retirement increases are not available

Ill health options available

Option of AVCs or Added Years (see page 6)

Age related factors used to calculate the amount of lump sum available

Your final salary benefits are fully protected

Once the new scheme comes into effect in May 2015, many MPs will find that they have two sets of PCPF benefit. As well as building up benefits in the new CARE scheme, these MPs will have final salary benefits that continue to be governed under the old rules and benefit from the following protections.

- ▶ Your final salary benefits will continue to be calculated with reference to your future final pensionable salary.
- ▶ On your death, your spouse/partner/civil partner will still receive 5/8ths of the value of your final salary pension (as well as a proportion of your CARE benefits).
- ▶ Any dependent children would receive pensions in respect of your final salary pension (as well as a proportion of your CARE benefits).
- ▶ If you are contributing to Added Years before you move into the CARE scheme, you can continue contributing to this contract while a member of the CARE scheme.
- ▶ Your final salary benefits are payable from age 65, as long as you are no longer a serving MP.
- ▶ On retirement you are able to exchange some of your final salary pension for a tax-free lump sum, using the age related factors from the old rules.

If you were aged 55 or over on 1 April 2013...

... you will stay in the existing final salary scheme for as long as you remain an MP.

You have full transitional protection and will not have the option to join the new scheme.

However, as explained to you in a recent letter, there are a few things you may wish to think about.



- ▶ Currently the scheme rules allow you to buy **added years** of service in the final salary scheme by paying up to an extra 10% of salary on top of your normal pension contribution. You can continue to do this as long as you are under age 64 when the contract begins. **Added years** contracts end on your 65th birthday.
- ▶ If you have other pension benefits that you built up before you became an MP and you are under age 64, you may be able to **transfer in** those benefits to the final salary scheme in exchange for additional years and days of service. From 8 May 2015 the 64 age requirement will be removed so you can transfer in at any age.
- ▶ It continues to remain possible to transfer your PCPF benefits to another pension arrangement. But transfers out will be subject to safeguards put in place by overriding pensions legislation for public sector schemes. Please note that the option to transfer out is not available for members who are over age 65 when they leave Parliament, as the scheme rules require immediate payment of your pension benefits.

If you wish to consider buying added years or transferring in a previous pension policy, please contact RPMI, the scheme administrators. **We would also strongly recommend that you take independent financial advice if you wish to consider any of these options - see page 12.**

If you were aged between 51 years six months and 55 years on 1 April 2013...

... you can choose either to stay in the existing final salary scheme for a limited period before transferring, or to transfer to the new CARE scheme on 8 May 2015. If you have pension benefits built up before you became an MP, this might affect your decision. Please complete the retained benefit form enclosed with this booklet and return it to RPMI.

RPMI, the scheme administrators, cannot provide calculations on benefits available from the new scheme until May 2015, so you will have three months from the date of the election to decide whether to remain in the final salary scheme for your protection period. RPMI will write to you during this time, to help you make your decision. In the meantime, as explained to you in a recent letter, there are a few things you may wish to think about.

- ▶ Currently you can buy **added years** of service in the final salary scheme. If you already have an added years contract before you enter the new scheme, this can continue after you do so, but after the move you will not be able to begin a new contract. However, in the new CARE scheme you will be able to buy **added pension**. This is similar to added years, but rather than buying extra years of service (tied to final salary) you would be buying a specific amount of pension that is payable on retirement.
- ▶ If you have other pension benefits that you built up before you became an MP, you may be able to **transfer in** those benefits to the final salary scheme in exchange for additional years and days of service while you remain in that scheme. Once in the new CARE scheme, future transfers would be to that scheme and are likely to be capped. From 8 May 2015 the 64 age requirement will be removed so you can transfer in at any age.
- ▶ It continues to remain possible to transfer your PCPF benefits to another pension arrangement. But transfers out will be subject to safeguards put in place by overriding pensions legislation for public sector schemes. Please note that the option to transfer out is not available for members who are over age 65 when they leave Parliament, as the scheme rules require immediate payment of your pension benefits.

If you were younger than 51 years and six months on 1 April 2013...

... you will automatically move into the new CARE scheme for future service from 8 May 2015 if you are re-elected.

Although your benefits in the existing final salary scheme will be protected, certain options that you currently have under that scheme will not be available after the election and others may be stopped in the future, as explained to you in a recent letter.



- ▶ Currently the scheme rules allow you to buy **added years** of service in the final salary scheme. Added years contracts end on your 65th birthday. You can begin paying into an added years contract while you are still a member of the final salary scheme and any contracts that have started before 7 May 2015 will continue but you will not be able to begin a new contract after the move. The new CARE scheme will include an option to buy **added pension**. This is similar to added years, but rather than buying extra years of service (tied to final salary) you would be buying a specific amount of pension that is payable on retirement.
- ▶ If you have other pension benefits that you built up before you became an MP, you may be able to **transfer in** those benefits to the final salary scheme in exchange for additional years and days of service while you remain in that scheme. Once in the new CARE scheme, future transfers would be to that scheme and are likely to be capped. From 8 May 2015 the 64 age requirement will be removed so you can transfer in at any age.
- ▶ It continues to remain possible to transfer your PCPF benefits to another pension arrangement. But transfers out will be subject to safeguards put in place by overriding pensions legislation for public sector schemes. Please note that the option to transfer out is not available for members who are over age 65 when they leave Parliament, as the scheme rules require immediate payment of your pension benefits.

Frequently asked questions

Will I be paying more for my pension?

That depends on whether you will be joining the new CARE scheme and which contribution rate you are paying in the existing final salary scheme – 7.75%, 9.75% or 13.75% of pay. Everyone in the CARE scheme will contribute the same amount. This will be 11.09% of pay, but may change in the future.

What happens to my pension benefits from the final salary scheme if I claim my CARE pension at my CARE Normal Pension Age (NPA)?

Your final salary pension will come into payment at age 65, as long as you are no longer a serving MP. Your final salary benefits will continue to be based on the rules of that scheme. Your CARE benefits are payable unreduced from your State Pension Age, which may be later than age 65.

My current State Pension Age is 66. Will my Normal Pension Age (NPA) in CARE be the same?

Yes, but if your State Pension Age changes, your NPA will also change. You can work out your State Pension Age here: www.gov.uk/calculate-state-pension

If I retire later than my CARE Normal Pension Age (NPA), will my CARE pension be increased?

Yes – a late payment addition will be added to the CARE pension you have built up to take account of you retiring later than your NPA. However there are no late retirement uplifts applied to your final salary benefits.

Can I still choose to exchange some of my pension for a lump sum?

Yes – there is an option to exchange some of your annual pension in the new scheme for a lump sum. This would mean giving up £1 of annual pension for £12 of lump sum, subject to HMRC limits.

Will I be able to take my final salary pension benefits without standing down from Parliament?

No, this is not possible under the rules of the scheme.

What will happen to my added years contracts when I move into the CARE scheme?

You will be able to continue paying for your added years contract as you are now, until the contract end date is reached. If you cancel your added years contract, you will not be able to restart it at a later date. The added years you buy will be included in the calculation of your final salary scheme pension benefits when you leave or retire.

Why should I choose to move into the CARE scheme early if I have partial transitional protection?

Some members have 'retained benefits'. These are pension benefits members have built up prior to becoming an MP, that haven't been transferred into the PCPF. Under the final salary scheme, maximum pensions are limited to 2/3rds final salary less the value of any retained benefits. If a member might have their pension restricted due to retained benefits, it might be better for them to enter the new CARE scheme early, as there are no retained benefit restrictions in the new scheme.

If you have retained benefits and would like to work out how these might affect your PCPF pension, please complete the form enclosed with this booklet and forward to RPMI (details on page 12.)

Case study example

Name:	A N Other
Date of birth:	1960
Service:	2005 – 2025
In final salary scheme:	2005 – 2015 accrual 1/40ths

In CARE scheme: **2015 – 2025
accrual 1/51st**

The new CARE scheme also introduces a facility to pay additional contributions to reduce your pension age to age 65, to bring it in line with your final salary scheme.

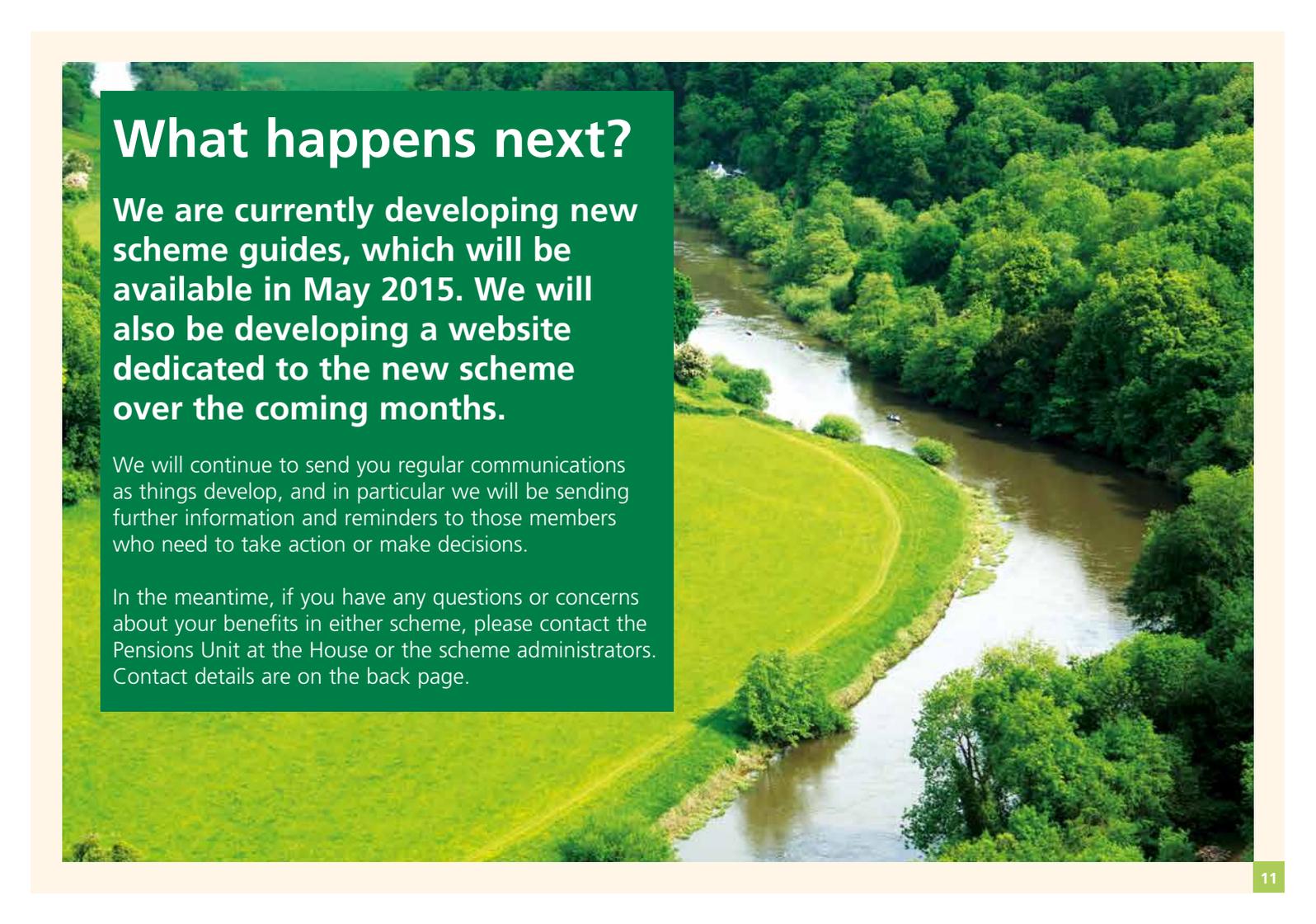
Retires: **2025 at age 65**

State Pension Age: **66**

Pension	Final salary (paid from age 65)	CARE (paid from age 66)	Total (if paid from age 65 – includes an early retirement reduction to member's CARE pension)
Pension	£19,456.50	£16,026.00	£34,681.00
Spouse's pension (payable on death)	£12,160.00	£6,010.00	£18,170.00
Children's pension (paid each to two children, if eligible under scheme rules)	£3,648.00	£4,808.00	£8,456.00

This example is for illustrative purposes only. Personal CARE estimates are not available at this time. If your final salary and CARE pensions are payable at different ages, you can have them paid separately at the different ages, or paid together with CARE reduced for early payment.

Assumptions: Salaries increase by 1.5% pa. CPI is 2.6% each year. Early retirement reduction of 5% included in the total figure above, as CARE benefits are being paid one year early. Actual salary increases, rates of CPI, and early retirement factors will differ from those used in the example above.

An aerial photograph of a river winding through a lush green landscape. The river flows from the top left towards the bottom right, curving around a grassy bank. The surrounding area is densely forested with vibrant green trees, and there are patches of open grassy fields along the riverbanks. The overall scene is bright and verdant, suggesting a healthy natural environment.

What happens next?

We are currently developing new scheme guides, which will be available in May 2015. We will also be developing a website dedicated to the new scheme over the coming months.

We will continue to send you regular communications as things develop, and in particular we will be sending further information and reminders to those members who need to take action or make decisions.

In the meantime, if you have any questions or concerns about your benefits in either scheme, please contact the Pensions Unit at the House or the scheme administrators. Contact details are on the back page.

Financial advice

The Trustees, the scheme administrators and staff in the Pensions Unit cannot provide financial advice and it is impossible for us to state whether any of the options in this booklet would be financially beneficial to you given your personal circumstances. We recommend that you take advice from an independent financial adviser (IFA). You can find an IFA near you by visiting www.unbiased.co.uk.

Contacts

Pensions Unit

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Considering buying added years or transferring in a previous pension?

If so, please contact RPMI. We would also strongly recommend that you speak to an IFA – see the panel above.



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