

Parliamentary Contributory Pension Fund

Annual benefit statement notes

Annual Allowance (AA) and Lifetime Allowance (LTA)

Annual Allowance is the tax-free monetary limit on the amount of pension that an individual can build up during each tax year in pension schemes registered with HM Revenue & Customs under the Finance Act 2004. The Annual Allowance is capped at £40,000.00. However, you may have a reduced or tapered annual allowance of less than £40,000.00 if your total income from all sources plus pension savings from all arrangements over the 2020/21 tax year, takes your earnings to over £240,000. Further information on how to calculate your total income and tapered Annual Allowance can be found at www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance.

Please note we do not hold details of members' total income from all sources or pension savings from all arrangements on our system. As a result, a Pension Savings Statement will be automatically issued to members who exceed the £40,000.00 limit from pension built up within the PCPF scheme only, ahead of the regulatory deadline of 6 October 2021. Any contributions paid into any Defined Contribution pension arrangements (for example the PCPF AVC Scheme, a stakeholder or a personal pension outside the PCPF) will not be included in the Pension Savings Statement.

If you are concerned that you may be impacted by a reduced or tapered Annual Allowance, please contact us.

The Lifetime Allowance is the tax-free amount you can build up in all of your pension arrangements (excluding the State Pension). This is currently set at £1,073,100.00. On your annual benefit statement we give you an indication of how much of the LTA is currently used up by your PCPF pension. However, it is important to note that the actual final calculation of your benefits against the LTA is undertaken once your benefits come into payment. Any benefits you have taken from other pension schemes outside of the PCPF will also need to be taken into account for the LTA calculation.

Please be aware that if your Annual Allowance or Lifetime Allowance exceed the HMRC limits, you may be subject to additional tax charges. Tax is your personal responsibility and more information on both limits can be found at www.mypcpcfension.co.uk (on the homepage under 'Tax changes') or at www.gov.uk/tax-on-your-private-pension/lifetime-allowance

Final Salary section - general

Fund Earnings Cap

MPs who also serve as a Minister and who first contributed to the PCPF after 31 May 1989, have their total pensionable pay restricted by the Fund Earnings Cap. If your total salary (MP and Ministerial combined) exceeds this cap, your Ministerial pensionable salary and lump sum death



benefits will be restricted, and you will only be able to pay contributions on the restricted salary. For the year 2020/21, the Fund Earnings Cap was £170,400.

Retirement age

The normal retirement age in the Final Salary section is age 65. The earliest date that a Final Salary section pension can usually be paid is age 55.

Retained benefits

The benefits detailed in the Statement do not take into account any pensions you may be entitled to from other pension arrangements. The PCPF Final Salary section Rules do, however, require these pensions to be taken into account when calculating the maximum pension payable. As a result, the benefits detailed in the Statement may be restricted. Please contact the PCPF administrator for further information.

Transfers in and Added Years

If you have transferred-in benefits, or you paid Added Years contributions, these additional benefits will be calculated with reference to the accrual rate applicable to you at the time, in line with the Rules of the Scheme. . If you have paid Added Years contributions, your additional pensionable service is credited based on the contributions you have paid to the date of the Statement.

Dependant

A dependant is:

- Your legal spouse or registered civil partner, or
- Your partner, as nominated by you using the appropriate Trustee document and who, at the time of your death, fulfils the Trustees' criteria set out in the declaration.

Please note that:

- The dependant's pension may be reduced if your spouse or partner is more than 12 years younger than you.
- If you die on or after your 75th birthday, the total dependants' pensions payable are limited to no more than your pension at the date of your death.

Dependent children

A dependent child is any of your children, including a stepchild or adopted child, who is under age 17 (or under age 22 if continuing in full-time education), or is dependent on you due to disability at the time of your death.

MPs' Pension Scheme - Final Salary Section

IPSA introduced a new MPs' Pension Scheme on 7 May 2015, following the General Election. MPs with service prior to 7 May 2015 and were over 55 years old on 1 April 2013 were deemed to be fully protected against the changes and remained in the old scheme. MPs aged between 51 years and 6 months and 55 years 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.

As you may know, following legal challenges, the Treasury has accepted that offering transitional protection to some members and not others was discriminatory. They are committed to amending all public service schemes which contained this discrimination and in July 2020 issued a public consultation on how to do this. However, IPSA, not the Government, are responsible for setting the rules of the PCPF. IPSA have confirmed their intention to make reparations, which may broadly be in line with the Government's approach. The final remedy is not expected to be confirmed until end of 2021 and the Trustees will continue to communicate with all affected members as and when more information is known.

Calculation of your pension

For each year of Pensionable Service, you will normally receive a pension of either 1/40th, 1/50th or 1/60th of your Final Pensionable Salary (this is the salary payable 12 months immediately prior to when you cease to serve as an MP), depending on the contribution you paid. If you paid the Standard contribution (13.75%) you will accrue 1/40th, Middle-rate contributors (9.75%) will accrue 1/50th and Lower-rate contributors (7.75%) will accrue 1/60th. The Final Pensionable Salary used for the 2021 Statement was the salary payable from 6 April 2020 to 5 April 2021.

Dependant

If you die while contributing to the Final Salary Section, your dependant is normally entitled to a pension of 5/8ths of your pension from the MPs' Pension Scheme.

Dependent children

If you have one dependent child, a pension of 1/4 of the PCPF pension is payable (or 3/16ths each if there are two dependent children, or 5/16ths paid to each child, up to a maximum of two children, if there is no surviving parent).

Lump-sum death benefits

If you die before you stop serving as an MP, a lump sum may be payable at the discretion of the Trustees. If you are an active member of the final salary section, this is calculated as four times your annual Pensionable Salary. If you have been paying AVCs, the current value of these may also be payable as a lump sum. The lump sum may be restricted if you are subject to the Fund Earnings cap or you are limited by the Lifetime Allowance. If you are over 75, death benefits cannot be paid as a lump sum. Further details are included in the MPs' Pension Scheme Final Salary section member booklet available on the website.

Ministerial Pension Scheme (Pre 2015 Section)

Your Pre 2015 section pension includes any benefits as an Office Holder or Minister up to 8 May 2015, and any pension benefits as an Office Holder since 9 May 2015 whilst eligible to remain a contributing member in the Final Salary Section of the MPs' Pension Scheme.



Calculation of your pension

While you are contributing to the Section, each year 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. An example of how this is calculated is included in the Ministerial Pension Scheme member booklet, available on the website.

If you have preserved benefits in this section, your pension increases in line with inflation, from the date you cease contributing to this section up to the date of your annual Statement (provided that more than one complete Scheme year has passed since your last contribution).

Lump-sum death benefits

If you die while you are a Contributing Member of the Ministerial Pension Scheme (Pre 2015 section), a lump sum may be payable at the discretion of the Trustees. This is calculated as four times your Pensionable Salary as an Office Holder. This is in addition to any payments based on your membership of the MPs' pension scheme). If you have been paying AVCs, the current value of these may also be payable as a lump sum. The lump sum may be restricted if you are subject to the Fund Earnings cap or you are limited by the Lifetime Allowance. If you are over 75, death benefits cannot be paid as a lump sum. Further details are included in the Ministerial Pension Scheme (Pre 2015) member booklet available on the website.

CARE section - general

Retirement age

This is the greater of age 65 and your State Pension Age (SPA). This is the age from which you may take your pension benefits without early retirement reductions (subject to any purchased Effective Pension Age). Please note that your SPA may change in the future. You can find details of yours at www.gov.uk/state-pension-age. The earliest date that a CARE Section pension can be paid is usually age 55.

Effective Pension Age

Your Normal Retirement Age (NRA) is the greater of age 65 and your State Pension Age (SPA). If you choose to take your benefits before your NRA they would be reduced to reflect their early payment. If your SPA is over age 65, you could reduce your NRA by up to three years, by paying additional contributions to the Scheme to buy a lower Effective Pension Age (EPA), provided this does not reduce your NRA to below 65. If you have made EPA contributions to reduce your NRA this will be taken into account in your benefits calculated at retirement.

Transfers in

If you have transferred-in benefits from another pension arrangement, the extra CARE credits that this would have bought are included in this Statement.



Added Pension

If you have bought any Added Pension to increase your overall future benefits, this is included in this Statement

Lump-sum death benefits

If you die whilst you are an active member of one of the CARE Schemes, the Trustees have a discretion to pay one or both of the following lump sum benefits in respect of each CARE section that you were actively contributing to at the time of your death:

- two times your pensionable salary (at the time of death); and
- the contributions which you have paid to each of the Schemes, with interest.

The current value of any Additional Voluntary Contributions may also be payable.

If you die after reaching age 75, the benefits may be subject to reduction or adjustment to reflect tax charges and requirements. Further details are included in the member booklets available on the website.

Dependant

If you die in service, your dependant is normally entitled to a pension from the CARE Section(s). The amount of that pension will be 37.5% of the pension you had built up immediately before your date of death (not including any Added Pension that you may have purchased to increase your pension only) with no early retirement factors applied. This may be subject to some enhancement depending on the circumstances of your death. A dependant is:

- Your spouse (including a same sex spouse) or registered civil partner, or
- Your partner, as nominated by you using the appropriate Trustee document and who, at the time of your death, fulfils the Trustees' criteria set out in the declaration.

Please note that:

- The dependant's pension may be reduced if your spouse or partner is more than 12 years younger than you.
- If you die on or after your 75th birthday, the total dependants' pensions payable are limited to no more than your pension at the date of your death.

Dependent children

If you have one dependent child, and a dependant's pension is payable, the child will receive 80% of the dependant's pension. If there is more than one child, the amount of pension will be calculated by multiplying 80% of the dependant's pension by two and then dividing this amount by the number of children. Each child will then receive this percentage.

A dependent child is any of your children, including a step-child, adopted child or illegitimate child, who is under 18 (or under age 23 if continuing in full-time education or vocational training), or is dependent on you due to disability at the time of your death.

MPs' Pension Scheme CARE Section

IPSA introduced a new MPs' Pension Scheme on 7 May 2015, following the General Election. Since this date, all newly elected MPs are entered into the MPs' Pension Scheme CARE Section.



Calculation of your pension

For each year in which you made a pension contribution to the MPs' Pension Scheme CARE Section, you will build up CARE credits of 1/51st (approximately 1.96%) of your Pensionable Salary for that year. While you are contributing to the PCPF, your CARE credits will be revalued on each 1 April in line with the Consumer Prices Index. Your pension entitlement at your Normal Retirement Date is the total of all your revalued CARE credits. Examples of how the revaluation works can be found in the Member guide, which is available at www.mypcphpension.co.uk.

Ministerial Pension Scheme (Post 2015 section)

Since 8 May 2015, all holders of a Qualifying Ministerial Office, are entered into the Ministerial Pension Scheme – Post 2015 section.

Calculation of your pension

For each year in which you made a pension contribution to the Ministerial Pension Scheme, you will build up CARE credits of 1.775% (approximately 1/56th) of your Pensionable Salary for that year. While you are contributing to the Scheme, your CARE credits will be revalued on each 1 April in line with the Consumer Prices Index. Your pension entitlement at your Normal Retirement Date is the total of all your revalued CARE credits.

If you are a preserved member of the Ministerial Pension Scheme, your pension will increase in line with inflation from when your contributions stopped up to the date of the Statement (provided that more than one complete Scheme year has passed since your last contribution). Examples of how the revaluation works can be found in the Member guide, which is available at www.mypcphpension.co.uk.

MP Office Holder CARE Section

Since 8 May 2015, Office Holders that are not eligible to join the Post 2015 Section of the Ministerial Pension Scheme as an Office Holder, will join the MPs' Pension Scheme, CARE Section for Office Holders. This includes those who hold the following offices: Chairman and Deputy Chairman of Ways and Means, Chairman and Deputy Chairman of Committees of the House of Lords, Paid Select Committee Chairman and Member of Chairman's Panel.

Calculation of your pension

For each year in which you made a pension contribution to the MP Office Holder CARE section, you will build up CARE credits of 1/51st (approximately 1.96%) of your Pensionable Salary for that year. While you are contributing to the PCPF, your CARE credits will be revalued on each 1 April in line with the Consumer Prices Index. Your pension entitlement at your Normal Retirement Date is the total of all your revalued CARE credits.

If you are a preserved member of MP Office Holder CARE section, your pension will increase in line with inflation from when your contributions stopped up to the date of the Statement (provided that more than one complete Scheme year has passed since your last contribution). Examples of how the revaluation works can be found in the Member guide, which is available at www.mypcphpension.co.uk.