

National Assembly for Wales
Members' Pension Scheme

Pensions handbook

April 2011



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales and holds the Welsh Government to account.

Your Pension Scheme benefits explained

As a Member of the National Assembly for Wales, you are entitled to become a Member of the National Assembly for Wales Members' Pension Scheme.

This is your guide to the valuable range of benefits to which you are entitled as a Member of the Scheme, but does not cover every aspect of the Pension Scheme. Full details of your benefit entitlements are set out in the rules of the National Assembly for Wales Members' Pension Scheme (the "Rules") and the status of the latter in the event of conflict with this guide is described in the introduction.

The information provided here is only a guide to the main aspects of the Pension Scheme. Detailed specific conditions may apply to individual cases and personal enquires should therefore be taken up with the Pensions team which is in Block A on the first floor, National Assembly for Wales, Cardiff Bay, Cardiff, CF99 1NA.

Please note that the Pensions team are unable to provide financial advice.



Contents

Introduction	03
Definition of terms	04
Membership of the Scheme – Transfer values – Opting out and back in	08
Paying for your benefits	10
Retirement benefits	11
Increasing your benefits	13
Death gratuity	14
Additional information	15

The National Assembly for Wales Members' Pension Scheme ("the Scheme") provides benefits for Members through the Scheme and for other paid Office Holders in the Assembly through an additional benefit arrangement.

The Scheme is based on the Parliamentary Contributory Pension Fund and is currently managed by a maximum of six Trustees, appointed by the Assembly. Every three years the Government Actuary will make an assessment of the Fund's general financial position.

As a Member of the Scheme, you will need to consider whether you wish to make a transfer to the Scheme of any pension benefits you have in the scheme of a former employer or in a personal pension plan to increase the benefits you will ultimately receive. You may also wish to increase your pension provision by purchasing added years. Information on these issues is given in this handbook.

In the case of buying added years of reckonable service by periodical payments over 3 or 4 years, you must act promptly after joining because the final decision about this aspect of the Scheme must be made within the first 12 months of membership. You may purchase added years of reckonable service by periodical payments to age 65 at any time.

The period during which the facility to purchase added years can be exercised is at the discretion of the Trustees. This is normally 12 months after the date of an election, but applications outside this period may be considered by trustees on an exceptional basis.

The Scheme is contracted out of the State Second Pension Scheme and you will therefore pay a lower rate of National Insurance Contribution.

The information in this handbook is an outline of the Rules of the National Assembly for Wales Members' Pension Scheme, but you should note these are for guidance purposes only. The full range of Scheme conditions are set out in the National Assembly for Wales Pension Scheme Arrangement of Rules which is available for viewing on the National Assembly for Wales website. If there are any inconsistencies or unintentional differences between this handbook and the Rules, it is the Rules that will prevail.

Definition of terms

A number of special terms are used in this handbook. They are necessary to enable the benefits provided by the Scheme to be described accurately.

Abated Pension may be paid on retirement after age 50 for Members who joined the Scheme prior to 06 April 2006. The level of abatement is determined by the Government Actuary and revised as appropriate from time to time. It is also possible for a former Member over the age of 50 to receive an immediate pension which will be subject to an actuarial reduction based on age and length of service. Due to changes in legislation, the earliest age at which a pension may be drawn in respect of Members who join the Scheme on or after 06 April 2006, is age 55. It may be possible in certain prescribed circumstances, for existing members of the Scheme as at 06 April 2006, to be able to preserve their right to retire from age 50.

Annual allowance is the amount of pension benefits that you are allowed to accrue in a registered pension scheme each tax year, which will have the benefit of tax relief. Any pension benefits accrued in excess of the annual allowance, will be subject to income tax at your marginal rate. The Annual Allowance is subject to change by overriding legislation annually or from time to time.

Annual increases

All pensions in payment are increased in April each year in line with the Pensions Increase (Review) which reflects the increase in the Consumer Prices Index.

Assignment of benefits

You are not allowed to assign any of your benefits. This means you cannot give anyone else the right to your entitlement from the Scheme.

Dependant child is any child who is dependant on you and who:

- is under 17 years of age;
- has not reached 23 years of age and is in full-time education;
- was at the time of your death wholly or mainly dependent on you due to bodily or mental infirmity (see Rules for full definition);
- was already conceived but not yet born at the time of the death of the deceased.

This definition can include: stepchildren, adopted and illegitimate children and relevant children meaning children of the deceased, or of any wife or husband of the deceased. Relevant children also include children conceived within a long term stable relationship.

Early Pension

For those Members who joined the Scheme before 01 April 2007 a pension may be paid without abatement from age 60 provided that reckonable service as a Member of the Assembly is not less than 20 years (or from 61 with 19 years service and from age 62 with 18 years service and so on until age 64 with 16 years service).

Service as a Member of Parliament (MP) or Member of the European Parliament (MEP) can be counted towards the length of service for the purpose of establishing eligibility for an early pension to the extent that such service is not concurrent with service as an Assembly Member.

Guaranteed Minimum Pension is the minimum pension the Scheme is obliged to provide in respect of reckonable service before 06 April 1997 as a result of contracting-out of the State Earnings-Related Pension Scheme. It is guaranteed to be at least as much as the pension that would have built up in the State Earnings-Related Pension Scheme. Although you joined the Scheme after 06 April 1997, it is relevant if you have transferred in benefits from other schemes where benefits have accrued prior to that date.

Lifetime allowance is the limit on the amount of tax-relieved pension saving that you can have. You may pay additional tax if you accrue benefits in excess of the amount that is set by the Treasury from time to time.

Office Holders

The Offices are currently:

- Presiding Officer;
- Deputy Presiding Officer;
- First Minister;
- Welsh Ministers;
- leader of the largest political group without an executive role (or leader of the largest party not represented in the Assembly Cabinet);
- Chairs of Committees established under Standing Order 16;
- Deputy Welsh Ministers;
- Counsel General;
- leaders of political groups without an executive role (other than the largest of those groups);
- Government Chief Whip;
- members of the Assembly Commission (other than the Presiding Officer; and
- Opposition Chief Whip (if that person also holds the office of Business Manager of the political group in question)

Participant/participating Member is a person making contributions to the Scheme deducted from his or her salary or who is not paying contributions because they have reached the 2/3 limit.

Pension age is when a person ceases to be a Member of the National Assembly and has attained the age of 65 years.

Permitted maximum is the maximum level of pay that may count in determining pension benefits and contributions. The permitted maximum for any tax year means the amount determined by the Trustees that tax year. For 2011/2012 the permitted maximum is £123,600.

Reckonable service is the service which counts towards your pension. A service credit resulting from a transfer of pension rights from a previous pension scheme into the Scheme increases your reckonable service. You can also purchase added years of service credit to increase your pension benefits. If you choose to draw less than your full salary entitlement your reckonable service will be pro-rated to reflect that both you and the employer have paid lower contributions.

Scheme limit on contributions payable

A Member's total pension contributions to the Scheme cannot exceed 20 per cent of a Member's ordinary salary in any tax year, subject to the permitted maximum.

State Pension age is the age at which pensions are payable from the State. This is currently age 65 for men, and over the ten-year period from 2010 to 2020 State Pension age is due to be equalised from age 60 to age 65 for women. In 2020 the State Pension age will rise to 66.

Terminal salary is the amount of the Member's ordinary salary received in the last twelve months prior to leaving or retiring.

Widow/widower/civil partner/partner is the person to whom you are legally married or in a civil partnership when you die or a partner of either sex in a stable long term relationship who is financially dependent or inter-dependent upon you.

In the case of a partner the Scheme Rules require that the partner was cohabiting with the Member for at least 12 months prior to the Member's death, was nominated by the Member at least six months prior to the date of death of the Member and has provided proof of financial dependency or inter-dependency for at least the 12 month period prior to the death of the Member.

A former wife, husband or partner is not eligible to receive a widow/widower's/partner's pension.

How to join

You need do nothing to join the Scheme as it is assumed that you are a Member of the Scheme from the date of the election. The Scheme is not mandatory but you have to make a positive decision to opt out. You will need to inform the Trustees in writing if you wish to exercise this option. If you decide to opt out of the Scheme, you should think carefully about making alternative pension provision and where appropriate take financial advice on your individual circumstances.

On joining the Scheme, you will automatically accrue benefits at the rate of one fortieth of salary per year of service or part year of service. If you wish to accrue benefits on the basis of one fiftieth of salary per year of service, part year of service, you have three months from the date you are first elected to notify the Trustees of your decision (please see **Paying for your benefits** for details of the contributions).

Arranging a transfer of benefits from a previous arrangement

If you have pension benefits in a previous employer's scheme or in a personal plan, you may transfer them into the Scheme. You must apply to transfer these benefits in writing.

In most cases (and subject to the Trustees' approval) transfer payments can be received from other pension schemes when you join the Scheme and similar payments can be made to other schemes when you leave the Assembly or the Scheme. You should note that the Trustees have discretion to refuse a transfer if it is deemed to be insufficient to cover the cost of your guaranteed minimum pension.

Opting out for Assembly Members

You can opt-out of the Scheme at any time.

As a new Member you have three months, from the date of your election to the Assembly, to exercise your option, if a refund of contributions is required. The refund will be backdated to the date of the election. Notice to opt-out must be in writing to the Trustees.

If you decide to leave the Scheme at any other future date, your decision will take effect from whatever date the Trustees shall determine to be the earliest practicable date after that on which they receive written notification.

Opting out for Office Holders

As an Office Holder who is a participating Member of the Scheme you have the right not to be a participating Office Holder in the Scheme. You must give the Trustees written notice of your intention to opt-out not more than 12 months after your appointment to the Office. The effective opt-out date will be start date of the tenure of office. Any contributions deducted during that period will be refunded.

If you decide to opt-out at a later date then the effective date will be decided by the Trustees based on the most practicable date after receiving written notice.

Opportunities for Assembly Members to rejoin at a later date

As an Assembly Member who has opted-out you may apply to rejoin the Scheme if re-elected at an election. Notification of your intention to opt back in must be made in writing to the Trustees within three months of your election. The effective opt-in date will be the date of the election.

Opportunities for office holders to rejoin at a later date

As an Office Holder who is a participating Member of the Scheme you may apply to rejoin the Office Holder element of the Scheme as of the date of a new period of tenure in a qualifying office. You must give written notice to the Trustees within 12 months of your appointment to that office.

Paying for your benefits

Members' contributions

As a participant in the Scheme you are required to pay a contribution from your Assembly salary; the Assembly makes an "Employer's" contribution. Contribution rates are reviewed from time to time normally following a review of the Fund by the Government Actuaries.

The current rate of a Member's contribution is 10 per cent of pensionable salary for fortieths accrual or 6 per cent for fiftieths accrual – the contributions qualify for tax relief.

These contributions are deducted from your pay before tax is calculated, so you will automatically receive full income tax relief at the highest rate you pay. In addition, as the Assembly Scheme is contracted-out of the State Second Pension, you will pay lower National Insurance Contributions.

In a limited number of circumstances, your tax relief may be limited by the Annual Allowance which is set by HMRC each year.

All contributions (yours and those made by the Assembly) are invested for growth by an Investment Fund Manager, appointed by the Trustees.

Example Members' contributions.

A member's rate of pay is £53,852 per annum.

Pension Scheme contributions at 10 per cent	£5,385.20 (a)
Income tax relief (40p in the £ assumed)	£2,154.08 (b)
Net Contribution (real cost to you) (a) – (b)	£3,231.12

Special arrangements for Office Holders

Details of these arrangements will be sent to Office Holders on first taking up office. Contributions are also at the rate of 10 per cent of salary (or 6 per cent of salary) and there is similarly an "Employer's" contribution.

Benefits are calculated by means of a complicated formula which produces a pension based on 1/40th (or 1/50th) of Office Holder's salary.

Retirement benefits

When you retire, you will receive an annual pension. The amount will depend on your terminal salary and length of Reckonable Service and your chosen fortieths or fiftieths accrual rate.

The maximum pension available at age 65 is $\frac{2}{3}$ of the final salary.

Example Pension

Your terminal salary is £53,852 and reckonable service is four years.

Your pension is calculated as follows:

£53,852 x 4 = **£5,385.20pa**

40 (accrual rate)

In a limited number of circumstances, your pension may in effect be restricted by the Lifetime Allowance which is laid down annually by HMRC. You will be notified near retirement if such restrictions apply in your case.

Commutation for a lump sum

If you are entitled to receive a pension you may commute part of the pension into a tax free lump sum and receive a residual/reduced pension. You must exercise this option by giving written notice to the Trustees before the first instalment of your pension is paid.

The amount of the maximum lump sum permitted is broadly 25 per cent of the capitalised value of your annual pension entitlement. Detailed information will be provided to you at the time of retirement, but if you require more information please contact the Pensions team.

Reckonable service

The maximum length of reckonable service that can count towards your pension is 26 and $\frac{2}{3}$ years (or 33 and $\frac{1}{3}$ years if fiftieths accrual).

Ill health retirement

In order to receive ill health retirement benefits you would have to satisfy the Trustees that you were prevented from continuing to adequately perform your duties as a Member of the Assembly, due to ill health. If the Trustees are satisfied in that regard, following medical advice, you would receive an immediate pension. The pension entitlement would be calculated with service enhanced to age 65 (subject to the maximum $\frac{2}{3}$ limit). You would not receive an enhancement if you leave on medical grounds after the age of 65.

A former Scheme Member with a deferred pension who because of ill health has retired from gainful work, can apply to the Trustees for immediate payment of his deferred pension plus accrued pension increases. There will be no enhancement of service on the former Member's pension entitlement.

State Pension

Once you reach State Pension age, the State Basic Pension will become payable, provided you have sufficient National Insurance Contributions, in addition to your Assembly Pension.

Increasing your benefits

You may wish to increase your pension benefits payable at retirement. You may do so (subject to your meeting certain criteria, including being in good health), by purchasing added years of service credit if you cannot attain the maximum level of benefits payable under the Scheme Rules.

Tax relief is available on contributions paid towards an added years contract. However, you should note that the total amount of contributions you can make in any tax year to the Scheme (which includes those made to purchase added years) cannot exceed 20 per cent of a Member's ordinary salary.

The Trustees are able to refuse applications for added years purchase, where the Scheme's maximum pension limit may be exceeded as a result.

A contract to purchase added years is irrevocable.

Pensioners cannot buy additional benefits.

If you wish to purchase added benefits, please contact the Pensions team.

Death gratuity

Death in service

Were you to die in service as a participating Member then a lump sum gratuity equal to four times your Assembly salary would be payable to your nominated beneficiary or beneficiaries. You may nominate an individual, individuals, an institution or a trust. If a valid nomination does not exist the death gratuity would form part of your estate. A nomination form is included in your welcome pack, but further copies can be obtained from the Pensions yeam. It is important that you keep your nomination under regular review and update it if your personal circumstances change.

If you had a surviving spouse, civil partner or a partner in a long term stable relationship a widow's/widower's/civil partner/partner's pension would be payable. This would be equal to $\frac{5}{8}$ of your Member's pension. The pension payable may be enhanced at the discretion of the Trustees.

Children's pensions are also payable for the benefit of any relevant child who is under 17 years of age or is under 23 years of age and is in full time education or undergoing full time training.

Death after retirement

In these circumstances your widow/widower/civil partner/partner would receive an amount at the rate of your Member's pension for the first three months, in some cases this will be at the discretion of the Trustees, followed by an annual rate of pension equal to $\frac{5}{8}$ ths of your uncommuted pension entitlement.

If you were to die within five years of first becoming entitled to receive a pension your widow/widower's/civil partner/partner's pension will be at the same rate as your pension entitlement until the end of the five year period. Thereafter the pension would be at a rate of $\frac{5}{8}$ of your Member's pension. Children's pensions may also be payable.

Disclosure of information and disputes

If you have any concerns about the way in which the Scheme is being administered you should in the first instance raise the matter with the Pensions Team who will approach the Chairman of the Trustees.

If you have a dispute in connection with the Scheme which you have been unable to resolve informally, you should follow the Internal Dispute Resolution Procedure, which will be made available to you on request, by the Pensions team.

If you have failed to resolve a dispute under the Internal Dispute Resolution Procedure, you may wish to raise the issue with the Pensions Advisory Service which is available to assist members and beneficiaries of the Scheme in connection with any difficulties which cannot be resolved internally.

The address of The Pensions Advisory Service is 11 Belgrave Road, London, SW1V 1RB (Tel: 0845 601 2923).

If the matter remains unresolved, it may be referred to the Pensions Ombudsman who can investigate and determine any complaint of fact or law in relation to an occupational pension scheme.

The address of the Pensions Ombudsman is 11 Belgrave Road, London, SW1V 1RB (Tel: 0207 834 9144).

In accordance with current legislation the Scheme is ultimately governed by the Pensions Regulator who is able to intervene in the running of pension schemes, if required.

The address of the Pensions Regulator should you wish to contact them is Napier House, Trafalgar Place, Brighton BN1 4DW (Tel: 0870 606 3636).