

Portcullis Pension Plan

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Introduction

Pensions literature rarely tops the reading list for anyone! We can fully understand why, so we have kept this booklet as short and simple as possible in the hope of persuading you to read on.

The booklet is divided into two parts. The first part gives a summary of how the Portcullis Pension Plan works, and the second part contains some technical information the law requires us to include.

Certain points need emphasis, and we have put these in boxes to make it easy for you to spot them.

Why reading this booklet is so important to you.....

For many people, retirement might seem a long way off – but time passes frighteningly quickly, and the day will come when you receive your final paypacket. To help you make the most of “the longest holiday” you will ever take, you need to start planning, and saving, as early as possible in your career.

This booklet explains how we will help you. By its nature, the booklet is a very simplified version of the full rules of the Portcullis Pension Plan, and you may have further questions. If you do, please don't wonder or worry in private. Just contact: Neil Crawley 0207 219 5973 email crawleyn@parliament.uk for immediate help and clarification.

This booklet is only a summary of the benefits provided by the Plan. The full terms of the Plan are set out in policy documents, which will prevail if there is any discrepancy between the policy document and this booklet. If you would like to inspect copies of the governing policy documents of the Portcullis Pension Plan please contact Neil Crawley

Members of the Plan are always subject to any Inland Revenue limits and restrictions, to any Government-imposed legislation which affects personal pension schemes, and to any administrative restrictions which affect the running of the Plan.

This booklet is based on the law as it stands at the time of writing (17th March 2003).

Definitions/Terms used in this booklet

We have tried to keep jargon to a minimum, but inevitably some technical terms will creep in. The meanings of these are given below.

Account

The individual “savings pot” into which contributions from the House (and you if you choose to contribute) are paid. Your Account is invested in accordance with your instructions. Like most investments, its value can go down as well as up.

Annuity

An annuity is basically a pension – a regular income bought by means of a cash lump sum.

House

The House of Commons.

(Although you are employed by a Member of Parliament, contributions to the Plan are made from a separate budget to the Members' allowances, which is administered via the Department of Finance & Administration.)

Dependant(s)

Your spouse and/or child(ren) and/or an adult to whom you are not legally married (this could be a same sex partner), but with whom you are financially interdependent.

Insurers

One or more of the insurance companies chosen to provide pension savings facilities for Plan members (currently AXA and Norwich Union).

Normal Retirement Age

Normal Retirement Age under the Plan is 65 for all members, but you may choose to draw your Plan pension before then (subject to government regulations).

Pensionable Salary

Pensionable Salary is the basic salary you are paid from the Staffing Allowance. Pensionable Salary is always subject to any restrictions imposed by legislation.

Plan

The Portcullis Pension Plan.

State Pension Age

Currently 65 for men and 60 for women. This will be equalised at 65, with the change being phased in over a period of 10 years. Women born before 6 April 1950 are not affected; women born after 5th 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.

Trustee

The Trustee is responsible for the distribution of any life assurance benefits if an employee dies in the House's employment. The Trustees are

- Archie Cameron, Department of Finance & Administration, and
- Neil Crawley, Department of Finance & Administration.

Part One

Heading for a financially secure future.....

Retirement has been called “the longest holiday you will ever take”. Like all holidays, it is even more enjoyable if you have adequate spending money!

Whatever your age, it makes sense to start planning as soon as possible. Being a member of a good employer-sponsored pension scheme is an excellent way to increase your chances of being financially comfortable in retirement, even if retirement currently seems a million miles away.

The Plan gives you the chance to save for your retirement with House help, rather than leaving you to “go it alone”.

What the Plan offers you

The Plan offers great value for money, coupled with flexibility.

Benefits include:

- House contributions to the Plan of 10% of your Pensionable Salary. They are not subject to tax or National Insurance
- a wide choice of investment options
- an Account which builds up in a highly tax efficient way
- you keep the full value of your Account (including the House’s contributions) if you leave the House, and can normally continue to contribute to your Account even after leaving the House. You will continue to benefit from the special charging rates offered to Plan members even after you have left the House
- a pension for life when you retire
- life assurance of 1 x Pensionable Salary

You may choose:

- to make contributions to the Plan to boost your benefits still further (please see page 8 for details of the maximum contributions which can be made to your Account), in which case you will receive tax relief on these
- to receive part of your Account as a tax-free lump sum at retirement
- to buy a pension for a Dependant, which will come into payment if they outlive you
- the age at which you retire - from age 50 onwards (possibly earlier if you are in ill health).

About the Plan

The Plan is a group Stakeholder pension. Stakeholder pensions are a special, relatively new type of personal pension. They have much lower running costs and charges than older-style personal pensions, and generally offer better terms (e.g. there are no penalties for stopping and then restarting contributions).

Like the older-style personal pensions, Stakeholder pensions give individuals the chance to have their own pension plan, which is “portable” – they can take it from job to job if they change employers.

The Plan is managed and run for the House by the Insurers. As a 'group' Stakeholder pension, the Insurers have offered Plan members a particularly favourable deal on running costs and charges. The only charges made are based on fund values: AXA charge 0.5% of the fund each year & Norwich Union 0.4%.

How the Plan works

From the time you join the Plan, the House will pay monthly contributions of 10% of your Pensionable Salary.

It may be possible to backdate House contributions if you did not take up the 10% payment when you first became employed by a Member of Parliament and were paid from the Staffing Allowance. Please contact Neil Crawley if you would like to discuss this.

These contributions are put into your Account. The Insurers put the money to work on your behalf. You can choose from a range of funds in which to invest – e.g. stocks and shares – or take the default 'lifestyle' option.

At retirement, your Account is converted to cash. Up to a quarter can be taken immediately as a tax-free cash lump sum. The remainder can be used to buy an Annuity, either from the Insurers, or from another pension provider of your choice if they offer a better deal. There are other options available and we would strongly recommend that you take proper independent financial advice before choosing the sort of Annuity and/or Annuity provider you would like, or to explore the other available options.

The benefits you actually receive from the Plan will depend on how much is in your account, your health at retirement, the type of benefits you decide upon, and the cost of buying them at the time of your retirement.

State benefits

When you reach State Pension Age, you may be entitled to the flat-rate Basic State Pension, and/or benefits from the State Additional Pension (the State Second Pension, or its forerunner, the State Earnings Related Pension). If so, these benefits are payable in addition to your Plan benefits, unless you wish to buy your own alternative to the State Additional Pension. Please see page 12 for more details.

Eligibility

You may join the Plan and benefit from the 10% House contribution if you are employed by a serving Member of Parliament [who has sworn the Oath of Allegiance] and you are paid from the Staffing Allowance. The upper age for entry is 74 although life cover ceases once you attain the age of 65, even if you are still in employment.

Part-time and full-time employees who fall into the above category are equally welcome to join and share the advantages of membership.

Joining the Plan

Applications forms are enclosed with this booklet.

Your membership will start from the first day of the month next following receipt by Payroll of the correctly and fully completed form.

Each insurer will then write to you at home. Norwich Union do not need your signature, but will send you the policy documentation, an illustration and key features, which you then have 28 days to change or rescind. AXA will send you a prepopulated proposal which you have to check, sign & return within 30 days.

If you are currently contributing to a personal pension.....

You may continue to contribute to this instead of the Plan if you wish. It may be possible for you to contribute to an existing personal pension and to the Plan, provided the *total* of your contributions to all your personal pensions, plus the House's contribution to the Plan, do not exceed the limits given in this booklet.

Transferring in benefits from a previous pension arrangement

You may be able to transfer in the value of pension benefits you have built up elsewhere – either in a previous employer's pension scheme, or in a personal pension.

Please ask Neil Crawley for further details.

House contributions

House contributions stop if you:

- cease to be employed by a serving Member of Parliament and paid from the Staffing Allowance;
- die;
- reach age 75

If you choose to make your own contributions to the Plan.....

Your contributions are deducted from your net pay (your pay after deductions for tax and National Insurance). The Insurers claim basic rate tax (currently 22%) from the Inland Revenue, and add this direct to your Account.

If you are a higher rate taxpayer, you can claim further tax relief. You can do this by completing a special form (available from the Insurers) and returning it to your Tax Office. Alternatively, you can claim the higher rate relief via your annual tax return.

You may also be able to make one-off lump sum payments, provided these are within the maximum limits shown overleaf. If you wish to do so, please send a cheque direct to the Insurers with details of your name, policy number and investment instructions.

The maximum amount which can be paid to the Plan in any one year is related to your age at the start of the tax year.

These limits apply to your contributions and the House's contributions added together*. Current limits as a percentage of your earnings in the tax year are:

Age at the start of the tax year	Maximum contributions as a percentage of gross pay
under 35	17.5%
36-45	20%
46-50	25%
51-55	30%
56-60	35%
61-74	40%

or £3,600 per year if greater than any of the above.

*If you are currently contributing to another personal pension in respect of your House earnings, these contributions must be taken into account when working out your maximum contributions. If in doubt, please contact Neil Crawley

Investment choices

There are separate leaflets from the Insurers giving details of the funds in which you can choose to invest, and the relevant charges. Copies are enclosed with this booklet, as is a leaflet we have prepared, giving some general considerations you need to keep in mind.

Keeping track of how your Account is performing

If you have access to the Internet, you can monitor the value of your Account whenever you wish. Details about how to access this facility will be given to you at the time you join the Plan, together with a personal password.

Alternatively, please contact the insurers using the contact details in the summaries that will have been given to you.

Your benefits

The retirement benefits you actually receive from the Plan will be affected by a number of factors. These include:

- how much has been paid into your Account
- the investment return on your Account. The higher the investment returns, the more cash that will be available to provide your benefits. Bear in mind that the value of your Account can go down as well as up
- your age when you draw your Plan benefits. Generally, the younger you are when you do this, the lower the pension you can buy with your Account. This is because your pension is likely to be paid over a longer period
- the cost of buying a pension. The amount of pension your Account will buy depends on market conditions at the time you retire and the average length of time you are expected to live at that time

- the choices you make about the form in which you take your benefits. Taking part of your Account as a tax-free cash lump, or providing a Dependant's pension, will mean that your own pension starts at a lower level than would otherwise have been the case

Birth and marriage certificates

You will need to produce your birth certificate, and (if you are married) your marriage certificate and your spouse's birth certificate before any retirement benefits can be paid. If benefits are to be paid to anyone other than your spouse, sight of the Dependant's birth certificate will also be required.

In the event of your death, Archie Cameron or Neil Crawley will need to have sight of the death certificate.

Choices at retirement

The starting level of your pension

If you choose an Annuity which is "level" (does not increase as the years go by), and is payable only during your own lifetime, this will give you the highest immediate level of pension.

This might appear attractive, but if you have a Dependant, or are worried about inflation eating away at the purchasing power of your pension, you may wish to consider alternatives – but remember these will reduce the level at which your own pension comes into payment.

Pension increases

You may choose a pension which increases each year – either in line with price inflation, or at a fixed percentage.

Dependant's pension

The Plan does not automatically provide a pension for your (named) Dependant. If you wish to make provision for such a pension, to come into payment when you die (assuming your named Dependant outlives you), you must make this choice at the time you retire. You can specify the percentage of your pension which should be paid, within limits permitted by the Inland Revenue.

'Guarantee' period

You may choose a 'guarantee' period of up to 10 years, and nominate someone to be the beneficiary of any such guarantee. If you die within the guarantee period, your pension will be paid to your nominee until the end of that period. Such payments would be at the rate which would have been payable if you had survived until then.

At the end of the guarantee period:

- if you had not made provision for a Dependant's pension at the time you retired, your pension will stop; or
- if you did provide for a Dependant's pension, this will come into payment in line with the Annuity you bought when you retired.

The tax position when your pension comes into payment.....

Income tax will be deducted from your pension, although not National Insurance (this is not payable on income from a Stakeholder pension). The net amount will be paid directly to your bank or building society account in monthly instalments (or, if the pension is very small, quarterly).

Early retirement

You may take your Plan benefits at any age from 50 onwards. You may be able to receive your benefits at an earlier age if you become so ill that you will never be able to work again. You will have the same options, as described above, subject to any limits imposed by the Inland Revenue.

Early retirement, for whatever reason, generally means a smaller pension because:

- fewer contributions will be credited to your Account than if contributions had continued to your normal retirement age
- your Account will have built up investment returns over a shorter period
- your pension is likely to be paid for longer than if you retired at your normal retirement age

Benefits on death

Benefits on death in service before retirement

If you die while you are still employed by a serving Member of Parliament and your salary is paid from the Staffing Allowance, the following will be payable:

- a refund of the whole value of your Account
plus
- a lump sum of 1 x Pensionable Salary from the separate life assurance policy ([the House] pays the premiums for this).

Why your Nomination Form is so important

When paying the life assurance lump sum, the Trustee will always take account of your wishes (although they are not bound by these), provided you have notified them beforehand. This approach means that, under current legislation, the lump sum can be paid free of tax.

The Insurers also need to know how you wish your Account to be treated.

Please complete the confidential Nomination Form[s] enclosed with this booklet. As and when your circumstances change, do remember to complete new Nomination Forms so that the Trustee and the Insurers can be sure they have up-to-date information.

Death after retirement

As mentioned earlier in this booklet, there are no automatic benefits for your survivors.

The House life assurance ceases when you stop being employed by a serving Member of Parliament and paid out of the Staffing Allowance (or when you reach age 65, if this is earlier).

Any pension benefits payable on your death after retirement will depend on the choices you made at the time you retired.

Leaving the Plan before retirement

You can leave the Plan at any time, even if you are still employed by a serving Member of Parliament and paid out of the Staffing Allowance. To do so, please give one month's notice in writing to Neil Crawley . If you do opt out of the Plan:

- no further House contributions will be made to your Account
- your life assurance cover will cease
- you will be able to transfer the funds accumulated to another pension arrangement of your own choice, or leave them where they are.

If you later change your mind and wish to rejoin the Plan, you may do so by following the procedure headed "Joining the Plan" on page 6 of this booklet. However, no life cover will be provided unless you provide satisfactory evidence of good health (at your own expense).

The State Pension Scheme

The State scheme has two parts:

- the Basic Pension (commonly known as the "old age pension");
- the Additional Pension. This was the State Earnings Related Pension Scheme until April 2002, and is now the State Second Pension.

The Basic Pension

Everyone who has paid sufficient National Insurance contributions will receive the basic pension. For the 2002/03 tax year this is a maximum of £75.50 a week for a single person and £120.70 for a married couple.

The State Earnings Related Pension (SERPS) and the State Second Pension (S2P)

SERPS started in April 1978, and was replaced in April 2002 by S2P. The amounts you receive under either arrangement will vary according to your age and salary.

You can obtain a forecast of your expected State pension benefits by sending off to the Benefits Agency (or completing online) a form BR19 available at website <https://secure.dss.gov.uk/br19/> or by telephoning them on 0191 218 7588.

Should you "contract out" of S2P?

If you are under State Pension Age, you build up benefits under S2P as well as the Plan, unless you opt out of S2P by means of a personal pension (either the Plan, or an existing personal pension if you have one).

If you do opt out, you and your employer continue to pay the standard rate of National Insurance contributions. The State will pay an age-related refund (a "rebate") into the personal pension you have nominated to receive the rebate. This process is called "contracting out". The technical term for the personal pension you nominate to receive the rebate is "appropriate" (but please note "appropriate" does not necessarily imply it is "suitable" for you to contract out!). Rebates can only be paid to one appropriate personal pension at any point in time, but you can change your choice of appropriate personal pension if you wish.

Ask one of the Insurers (or your own financial adviser/other insurer of your choice) for more details if you think you might be interested in this. Make sure you understand what you are giving up and what you might receive in the future before you decide. You should particularly note that the Government currently prescribes the format that your pension must take - in particular, a dependant's pension must be purchased, even if there is no prospect of one being paid!

Part Two

General information

Tax and Social Security

The Plan is approved by the Inland Revenue under Chapter IV of Part XIV of the Income and Corporation Taxes Act 1988. Approval gives certain tax exemptions and advantages, as long as contributions remain within limits set by the Inland Revenue.

Data Protection Act 1998

In order to run the Plan properly the House, the Trustee and the Insurers hold certain personal information about each Plan member. This information includes your name, address and date of birth, and other information needed to calculate Plan contributions and/or benefits for you and your Dependants. This information is only available to the House, the Insurers and the relevant professional advisers. It can only be used by them to calculate contributions and provide benefits, and for the efficient running of the Plan.

If any relevant information about you (such as your address or marital status) changes while you are still employed by a serving Member of Parliament, please let Neil Crawley know. If the information changes after you have left the Plan, please let the Insurers know. It is important that all records stay accurate and up to date so that your benefits can be paid promptly when they become due.

Divorce

Please note that if you divorce, the court must take into account the value of your pension benefits (and those of your spouse) when considering a fair financial settlement for both parties.

This does *not* mean that the court will *automatically* allocate a proportion of your Plan benefits to your ex-spouse. It is a possibility, and the court has certain powers in this respect. Your solicitor will be able to give you more information.

Absence (including maternity and family leave)

If you are temporarily absent for any reason, the House contributions will be based on the pay you actually receive from the Staffing Allowance. If you are not receiving any such pay, no contributions will be made on your behalf during the period of unpaid absence.

Life cover will continue as long as you are in receipt of a salary from the Staffing Allowance. It will cease automatically if you confirm in writing that you do not intend to return to work, or if you fail to return to work when the periods of Ordinary and Additional Maternity leave cease.

Plan Registration

Details of the Plan have been forwarded to the Registrar of Occupational and Personal Pension Schemes. If in the future you should wish to contact the Registrar (for example, if you move and lose touch with the Insurers), you can write to:

The Registrar of Pension Schemes
PO Box 1NN
Newcastle-upon-Tyne
NE99 1NN

Resolving any pension problems

Any queries or problems relating to the Plan should, in the first instance, be referred to Neil Crawley who will always try to provide a prompt and accurate response.

If the matter cannot be resolved to your satisfaction, you may approach OPAS or the Pensions Ombudsman for help and guidance.

The Pensions Advisory Service (OPAS)

OPAS is available to assist you with any pensions-related problems, and to answer general queries.

OPAS can be contacted at:

11 Belgrave Road
London SW1V 1RB

Telephone: 0845 601 2923
Fax: 020 7233 8016

OPAS is available to assist at **any** stage, but will not normally intervene until you have first raised your complaint in writing with the House and/or the Insurers.

The Pensions Ombudsman

The Pensions Ombudsman may investigate and determine (come to a judgement) about certain complaints of maladministration relating to personal pensions, including Stakeholder pensions.

The Pensions Ombudsman can be contacted at:

11 Belgrave Road
London SW1V 1RB

Telephone: 020 7834 9144
Fax: 020 7821 0065

Please note that the Ombudsman will normally expect you to have approached OPAS before contacting his office.

Telephone: 01273 627600
Fax: 01273 627630

Benefit Statements

Each year, you will be sent a personal statement of your individual benefits. You will continue to receive an annual statement (even if you have left the service of the Member of Parliament who employed you) until you draw your benefits from the Plan, or until you transfer them to another pension arrangement.

Address for queries and enquiries

If you require information about any aspect of the Plan, please contact:

Neil Crawley: -

Email: crawleyn@parliament.uk

Telephone: 0207 219 5973