

National Assembly for Wales
Financial Services

**The National Assembly for
Wales Members' Pension
Scheme**

Guide for Members

Cynlliad
Cenedlaethol
Cymru

National
Assembly for
Wales



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.

National Assembly for Wales

Members' Career Average Pension Scheme

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Introduction

This guide is intended for Members who joined the Assembly before 6 May 2016 who were under age 55 on 1 April 2012

There are different guides for Members who joined the Assembly before 6 May 2016 and were over age 55 on 1 April 2012, and for those who joined the Assembly on or after 6 May 2016. The new Assembly Members' Career Average Revalued Earnings (CARE) Pension Scheme comes into effect from 6 May 2016.

The new National Assembly for Wales Members' Pension Scheme ("the Scheme") is a Career Average Revalued Earnings (CARE) Scheme which came into effect from 6 May 2016.

This is a type of defined benefit pension scheme. Your pension is based on your earnings throughout your membership and length of time that you are a member of the CARE Scheme.

The Scheme is managed by a Pensions Board known as the Trustees. The Board comprises two representatives nominated by current and previous Assembly Members, two representatives appointed by the Assembly Commission and a professional Independent Trustee to act as Chair. The Pensions Board meet at least three times a year and members will be sent a newsletter periodically, updating them on the work of the Board.

Benefits payable to members under the rules of the Scheme are paid from the Pension Fund. The Pension Fund is made up of member and Assembly Commission contributions and the returns received on the Fund's investments. The Pension Fund, as is required by law, is held entirely separately from the assets of the Assembly and is looked after by the Trustees on behalf of the beneficiaries.

Every three years the Government Actuary will make an assessment of the Fund's financial position. This enables the Trustees to assess the financial health of the Scheme.

The small print

This is your guide to the valuable range of benefits to which you are entitled as a member of the Scheme, it does not cover every aspect of the Scheme.

Full details of the Scheme are set out in the National Assembly for Wales Members' Pension Scheme Arrangement of Rules which is available for viewing on the National Assembly for Wales website .

If there are any inconsistencies between this handbook and the Rules, it is the Rules that will prevail.

Your Final Salary benefits are fully protected:

You will have two parts to your pension:

- Your pre May 2016 pension which is a Final Salary pension and will be calculated based on your service in the Scheme up to 5 May 2016, and;
- Your post 6 May 2016 pension which is a CARE pension and will be based on your service in the Scheme on or after 6 May 2016.

The Final Salary element of your pension will be protected in the following ways:

- ❖ Your Final Salary pension will continue to be calculated based on your final salary on the first occasion you come to leave the Scheme, so it will increase in line with future salary increases.
- ❖ If you were to die while an active member of the Scheme, your spouse/partner's pension would be calculated as 5/8th of the value of your Final Salary pension plus half of the CARE pension that you would have built up if you had stayed in the Scheme until Normal Retirement Age. Plus pensions for any dependent children.

- ❖ Your Final Salary pension will be payable unreduced from age 65 if you leave the Assembly at or before that age.
- ❖ Under the new Scheme only service up to the 5th May 2016 will count as qualifying service for the “Rule of 80” early retirement provisions. Therefore, members who have at least 15 years’ service at 6 May 2016, who choose to have their pension paid early, will have their Final Salary pension reduced based on their qualifying service to 6 May 2016 and their age when they take their pension.
- ❖ Any reduction for early payment of the CARE element of the pension will be based on the age the pension is taken and the member’s Normal Retirement Age.
- ❖ For all other members, the reduction for early payment applied to both their Final Salary and CARE pensions will be based on their age when they take their pension and the Normal Retirement ages in the two schemes.

How the CARE Scheme works

Each year you will build up a pension of 1/50th of your salary for that year. This means that your benefits are based on your salary throughout your membership.

For example, if you earn £64,000 a year then the pension you build up each year would be £1,280 per year.

If you are an Office Holder you will earn an additional Office Holder CARE pension of 1/50th of the Office Holder salary you earn each year.

Transfers in from other pension schemes are not accepted and there is no facility to buy added pension or added years.

Revaluation

The pension you build up each year will be increased (known as revaluation) at a rate determined each year by Treasury order. This is currently in line with the change in the Consumer Price Index (CPI).

How the CARE Scheme works

The table below shows how the pension builds up each year and how the revaluation is applied. The total amount of pension that will have built up by the end of five years including the revaluation, is shown at the end of the table.

Year	Salary	Pension at start of year	Pension built up in year	Increase applied to pension	Revalued pension at end of year
1	£64,000		£1,280	£38	£1,318
2	£64,000	£1,318	£1,280	£78	£2,676
3	£64,000	£2,676	£1,280	£119	£4,075
4	£64,000	£4,075	£1,280	£161	£5,516
5	£64,000	£5,516	£1,280	£204	£7,000
Total CARE pension at the end of the five years = £7,000					

The example above assumes revaluation at the rate of 3% a year and that the salary payable each year is £64,000 and does not increase over the period illustrated.

The actual amount of pension built up at the end of the period would reflect the actual salary received each year

(including any Office Holder salary that may be payable) and the actual rate of revaluation that is applied each year.

You can continue to build up your pension in this way until age 75.

Contributions

The cost of providing the benefits from the Scheme is shared between the Commission and the Scheme members.

As a member of the Scheme you are required to pay a contribution from your salary; the Assembly makes an “Employer’s” contribution. Contribution rates are reviewed from time to time, normally following the triennial review of the Fund by the Government Actuary.

The member contribution rate for the Scheme is currently 10.5% of salary.

Contributions to the Scheme are currently subject to full tax relief at your highest rate of income tax up to age 75. You will receive this tax relief automatically in your pay.

If you are an Officer Holder you will pay member contributions on both your Assembly Member's salary and your Office Holder's salary.

Example Members' Contributions

A member's rate of pay is £64,000 per year.

Pension Scheme contributions at 10.5% = £6,720 (a)

Income tax relief (40p in the £ assumed) = £2,688 (b)

Net Contribution (real cost to you) (a) - (b) = £4,032

Leaving the Scheme

There are a number of options open to you if you leave the Scheme before retirement you have two options to choose from:

Option 1:

You can leave the pension you have built up in the Scheme. This is known as a deferred pension. It will be increased each year in line with inflation (currently the Consumer Price Index) until you decide to start receiving it.

A deferred pension is payable unreduced from the Scheme's Normal Retirement Age. However it can be paid early from age 55 (50 if you joined the Scheme before 6 April 2006) and would then be subject to a reduction for early payment. It may be possible for your pension to be paid earlier if you are suffering from ill health.

If you were to die before taking the pension the benefits described on page 23 will be payable.

Leaving the Scheme

Option 2:

You could transfer the value of your pension to another approved pension scheme. The ‘cash equivalent transfer value’ of your pension is calculated using factors provided by the Scheme actuary.

You may be required to provide evidence of having taken independent financial advice before taking this option.

Retirement Benefits

When you retire, you will receive an annual pension. The maximum pension available at Normal Retirement Age is two thirds of Final Salary.

Depending on the value of your pension savings, you may be affected by the Lifetime Allowance when you come to retire. This is a limit Her Majesty's Revenue and Customs (HMRC) place on the value of the pension and lump sum benefits that you can build up across all your pension savings before a tax charge applies. The limit is £1 million from April 2016. This is equivalent to an annual pension of £50,000 a year from a defined benefit pension scheme. The Lifetime Allowance is due to increase in line with the Consumer Price Index from 2018–19 onwards.

You will be notified near retirement if this applies in your case, though please note it will also depend on any other pension benefits you have built up prior to joining the Scheme.

Commutation for a lump sum

You can currently choose to exchange part of the pension for a tax free lump sum and receive a 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% of the capitalised value of your annual pension entitlement. HMRC limits the amount of tax free cash that can be taken.

Detailed information will be provided to you at the time of retirement, but if you require more information please contact the Pensions Team.

Normal Retirement Age

Normal Retirement Age, the age at which you can take all your pension without reduction for early payment, is linked to your State Pension Age (or 65, whichever is higher) and will rise if your State Pension Age rises.

Early Retirement

You can apply to the Trustees to have your pension paid early provided you have:

- reached Normal Minimum Pension Age, currently age 55 (50 if you joined the Scheme before 6 April 2006),
- are no longer serving as an Assembly Member

If you take your pension early it will be reduced for early payment because it will be in payment for longer.

The amount of the reduction will depend on the age at which you take your pension and your Normal Retirement Age. The earlier you take your pension the larger the reduction for early payment.

III 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 an Assembly Member, due to ill health. If the Trustees are satisfied in that regard, following medical advice, you would receive an immediate pension based on either a Tier 1 or Tier 2 ill health pension.

A Tier 1 pension is payable where the medical evidence supports the fact that an individual is not prevented from undertaking other gainful work but is permanently not able to adequately perform the duties as an Assembly Member. The Tier 1 ill health pension payable is the pension built up at the point of retirement without reduction for early payment.

A Tier 2 pension is payable where the medical evidence supports the fact that an individual is prevented from undertaking any other gainful work and is permanently not able to adequately perform the duties as an Assembly Member.

The Tier 2 ill health pension payable is the pension built up at the point of retirement with an enhancement as if you had remained an active member of the Scheme until Normal Retirement Age (subject to the maximum 2/3rds limit).

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, and the pension will be reduced for early payment.

Death in Service

Cash Lump Sum

Were you to die in service as a participating member before reaching age 75, the Trustees may pay a lump sum gratuity equal to two times your salary (including your Office Holder salary if you were an Office Holder at the time of your death), or a refund of your contributions with interest if higher, 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. ***Please note that the Trustees will take into account your nomination but are not legally bound by it.*** A nomination form is included in your welcome pack or can be downloaded from the **Members pension's intranet** site, copies can also be obtained from the Pensions Team. It is important that you keep your nomination under regular review and update it if your personal circumstances change.

Dependants' pensions

Were you to die in service as a participating member and you had a surviving Spouse, Civil Partner or a Partner (whether the same or opposite sex), a Surviving Adult Dependant's Pension would be payable.

A Partner means a person of either sex who:

- was co-habiting with you at the date of your death and had been co-habiting with you for at least twelve months,
- had been nominated by you in writing at least six months before your death as the person whom you wished a Partner's pension to be payable, and
- was in the opinion of the Trustees either financially dependent or interdependent with you for at least twelve months.

A form to nominate who you want to receive this benefit is included in your welcome pack or can be downloaded from the **Members' pension's intranet**.

For the first three months following death, the total of the Surviving Adult Dependant's Pension and any Children's Pensions payable would be equal to the Assembly Member Salary. After the end of this three month period, the Surviving Adult Dependant's Pension would be half of your pension enhanced as if you had remained an active member of the Scheme until Normal Retirement Age (subject to the maximum 2/3rds limit).

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.

The Child's pension would be equal to:

- where there is one Relevant Child, a sum equal to one quarter of your pension (enhanced as described above) or,
- if there is more than one Relevant Child, a sum equal to three-eighths of your pension (enhanced as described above).

Children's pensions may be increased if there is no Surviving Adult Dependent.

Adult Dependent and Children's pensions would also be payable in respect of your Final Salary benefits as described on page 4 above.

Death after retirement

In these circumstances the total of the Surviving Adult Dependant's Pension and any Children's Pensions payable would for the first three months be at the same rate as the pension that was payable to you immediately before your death. In some cases this will be at the discretion of the Trustees.

This would be followed by a Surviving Adult Dependant's Pension equal to half of your pension entitlement at the date of your death (based on your full pension before any amount you exchanged for a tax free lump sum and ignoring any reduction for early payment).

In addition, if you were to die within five years of first becoming entitled to receive a pension and were under age 75 at the date of your death, the total of the Adult Dependant's Pension and any Children's Pensions would for the remainder of the five year period be equal to the pension payments you would have received had you survived.

It is important that you keep your nominations up to date to ensure that your benefits are paid as swiftly as possible.

Death in deferment

In these circumstances your Spouse/Civil Partner/Partner would receive a pension equal to half of the pension that you would have been entitled to receive if it had come into payment immediately before your death.

Adult Dependent and Children's pensions would also be payable in respect of your Final Salary benefits.

Opting out for Assembly Members /Office Holders

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

As a new member/ office holder 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.

Opportunities for Assembly Members/ Office Holders to re-join at a later date

As an Assembly Member who has opted-out you may apply to re-join 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.

Additional information

The Annual Allowance

The Annual Allowance is a limit on the amount by which your pension can increase in a tax year without incurring a tax charge. The amount of the Annual Allowance is set each year by the Government. If the value of your pension savings increases by more than the Annual Allowance, you may be liable to pay tax.

A tapered Annual Allowance has been introduced for those with an ‘adjusted income’ over £150,000. This will reduce the Annual Allowance on a sliding scale to as low as £10,000 for those with an ‘adjusted income’ over £210,000. Anyone with a taxable income over £110,000 is potentially affected by the new tapered Annual Allowance.

Data Protection

The Trustee has to keep and process data relating to you for legal, personnel, administrative and management purposes. This may include the processing of any sensitive personal data (as defined in the Data Protection Act 1998) in relation to your membership of the Scheme, including, as appropriate information about your physical or mental health or condition and in order to comply with legal requirements and obligations to third parties.

The Trustees may make such information available to a third party who provides products or services to the Trustees (such as medical, other professional advisers and payroll administrators), regulatory authorities and as may be required by law in order to administer the Scheme and put in place appropriate insurance. This may include the transfer of such information to any third party outside the European Economic Area in order to further the Trustees' obligations in respect of the Scheme. Appropriate measures are taken to protect your personal data.

Assignment

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

State Pension

In addition to the pension you receive from the Scheme, you will also receive a State Pension. Since 6 April 2016, there has been a new State Pension for people reaching State Pension Age on or after this date. If you reached State Pension Age before 6 April 2016 you will be receiving the previous State Pension.

The pension you receive from the State will be paid in addition to any pension you receive from the Assembly Members' Pension Scheme.

Further information on State benefits, including how to obtain a forecast of what your State Pension might be, can be found at www.gov.uk/state-pension-statement.

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 Chair 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: 0300 123 1047).

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: 020 7630 2200).

The Pensions Regulator

The Pensions Regulator is able to intervene in the running of pension schemes, where trustees, employers or professional advisers have failed in their duties.

The Pensions Regulator can be contacted at:

Napier House, Trafalgar Place, Brighton BN1 4DW (0345 600 7060)

How to find out more

If you need more information please contact us:

Liz Calder, **Liz.Calder@assembly.wales** 0300 200 6528
Donna Davies, **Donna.Davies@assembly.wales** 0300 200 6523.

Or visit the **Members pension intranet** site.