A GUIDE TO THE EETPU PENSION SCHEME

DECEMBER 1997
PENSION AND OTHER RELATED BENEFITS

The EETPU Pension Fund commenced on 30 June 1970. Because it is formally approved by the Inland Revenue, under the Income and Corporation Taxes Act 1988, members receive tax relief on their contributions.

The Fund provides a comprehensive range of benefits including a retirement pension, a lump sum, death benefits, ill health cover and transfer values on changing employment.

Legislation changed in April 1988 and membership of the Fund can no longer be a condition of employment. Despite this it is the Union’s intention that the Fund should form an integral part of its employees’ terms and conditions of employment.

It should be noted that the death in service benefits are part of this Fund and therefore anyone choosing not to join this Fund, will not be covered for death in service benefits.

The operation of the Fund is governed by a formal Trust Deed and Rules, which are available for inspection on request. If this booklet is at variance with the formal documents, the latter will take precedence.
I. WHO CAN JOIN?

The Fund is open to all employees who are not within five years of normal pension age, when making application for membership. However, when an employee commences employment, within five years of normal pension age, and a transfer value is being brought from the Scheme of a previous employer, membership of the EETPU Fund may be offered. Employees who are eligible to join the EETPU Fund on commencing employment may decide not to do so and any current contributing members may decide to opt-out of membership of the Fund. Such employees may be able to (re)join the Fund at a later date at the discretion of the Pension Fund Management Committee. Any employees who opt-out of joining membership of the Fund will not accrue any pension benefits (nor will their dependants be entitled to any benefits on their death) whilst they are not a contributing member of the Fund.

II. WHAT IS NORMAL PENSIONABLE AGE?

The normal pensionable age for all employees is 65.

III. WHAT DOES THE SCHEME COST?

Members of the Fund pay 6 per cent of their salary, which is eligible for tax relief. The necessary adjustments for the tax relief are made at source, so there is no need to make any entries on your annual tax return.

As employee contributions are not sufficient to finance the benefits of the Fund, the balance of the costs are met by the Union. In determining its contribution rate the Union takes professional advice from its Actuary. The employers' contribution is considerably more than that paid by employee members. A member of the Fund cannot also be in a Personal Pension Plan. A member cannot dispose of benefits or use them as security for a loan.

IV. STATE BENEFITS

As a member of the Fund you do not lose all your rights to State Benefits. Since 6 April 1978 the State has provided a two-part pension, the Basic State Pension and an additional Earnings Related Pension. Both are payable from state pension age, which is 65 for all men, and for women retiring after 5 April 2020; age 60 for women retiring before 6 April 2010; and between ages 60 and 65 for women retiring between 2101 and 2020.

The Basic State Pension is a flat rate amount paid to everyone who has a full record of National Insurance Contributions. Members of the Fund and the Union contribute to the cost of the Basic State Pension by way of National Insurance contributions.

If you are a married man, and your wife is not entitled to a pension based on her own contributions, you will also receive the married couples allowance. The Government reviews the Basic State Pension and Married Couple’s Allowance in April each year.
The second part of the State Pension is paid through the State Earnings Related Pension Scheme (SERPS). The EETPU Pension Fund replaces this second tier of the State Pension Scheme. This is known as contracting out. Contracting out affects you in the following ways:

i) You pay lower National Insurance contributions and

ii) In relation to Fund membership up to 5 April 1997, you will receive a Guaranteed Minimum Pension (GMP) on retirement from the Fund. This GMP will be broadly equal to the pension you would have received had you remained contracted into the State Earnings Related Pension Scheme. Likewise, the pension payable to your spouse will not be less than the spouse’s GMP, which for a widow is 50 per cent of her husband’s GMP. For a widower this is 50 per cent of the wife’s GMP earned for service after 5 April 1988.

GMPs must be payable in pension form. This may mean that the option of an early retirement pension or of a cash lump sum may be restricted. You will be told if this applies to you when you reach retirement.

For all service after 5 April 1997, the Fund is no longer required to provide a GMP. Instead the Fund has to provide a certain minimum level of benefits for the membership as a whole. The Actuary to the Fund has certified that this requirement has been met by carrying out a ‘Reference Scheme Test’ and the Fund is now contracted-out on this basis. In practice, in most circumstances, it is expected that the benefits provided by the Fund will be significantly better than would otherwise have been expected from SERPS.

V. INCREASED BENEFITS

The Inland Revenue limits the amount of benefits that members can take from their Pension Scheme. Those who join the EETPU Fund, early in their career and expect to stay with the Union, may find that their normal Fund Benefits are close to the maximum the Revenue will allow. Those who are unlikely to complete a full pension career, can pay Additional Voluntary contributions (AVCs) to increase their benefits.

AVCs can be used to augment your own pension. If you were paying AVCs to the Fund before 8 April 1987 it may be possible to take the proceeds as a tax-free lump sum.

Under current legislation AVCs qualify for tax relief at your highest marginal tax rate. Moreover, your AVCs will be invested in a Fund which, unlike many other investment vehicles, is largely free of tax. You should note however that any dividends received from investments held in stocks and shares have already been taxed prior to receipt by the Trustees, and this tax is not recoverable. The extent to which your AVCs qualify for tax relief may change in the future and you should be aware that the extent to which you benefit from any relief will depend on your personal circumstances.
Generally the maximum you may pay is 15 per cent of taxable earnings in any year including your Fund contributions.

AVCs are normally paid on a regular monthly basis by deduction from salary but you may if you wish start, stop or alter your AVCs in any month and one-off payments are also possible so long as the total paid in the tax year is within Revenue limits.

The Trustees have arranged for your AVCs to be invested in a separate personal with-profits account with The Equitable Life Assurance Society. If you wish to receive further details about setting up AVCs please contact the Trustees at the address given at the end of this booklet.

VI. BENEFITS

Members’ pensions are based on a formula which has three components. These are as follows:–

i) length of pensionable service
ii) final pensionable salary
iii) overall rate –

Pensionable service is the number of complete years that you are a member of the Fund, with a part year of three months or more counting as a full year. Final Pensionable Salary is the annual salary being paid to you at the date of your retirement. The accrual rate is 2 per cent per annum.

These mean that your pension will be 2 per cent of your final pensionable salary for each year of pensionable service. Within limits designated by the Inland Revenue it is possible to exchange part of your pension for a tax free lump sum. Details will be provided near to your retirement date.

VII. PENSION PAYMENTS

These will be made direct to your bank account on, or about the 15th of each month, for that calendar month. They are paid through a payroll system, taxed at source, and a P60 will be issued, in accordance with legislation, at the end of each tax year.

VIII. PENSION INCREASES

The pension you earn for service before April 1997 will be reviewed annually and although no advance guarantees can be given, it is the hope of the Union and the Pension Fund Management Committee, that annual increases will be provided. The pension you earn for service after April 1997 will be guaranteed to increase in line with inflation up to 5 per cent each year.
The part of your pension that relates to your GMP will be increased by the State in line with price increases. The Fund will provide the first 3 per cent of these increases on the GMP earned after 6 April 1998.

IX. DEATH OF A PENSIONER

If a pensioner dies before they have received 60 monthly payments of the pension and no spouse’s pension is payable, an amount equal to the difference between 60 monthly payments and the pension which they have already drawn is paid as a lump sum to their dependants or estate. If the member is survived by a spouse, a pension equal to half that to which the member was entitled at the time of death will be paid for the remainder of the spouse’s life or until they remarry. If the remarriage of a widow takes place after her 60th birthday or a widower after his 65th birthday, an appropriate guaranteed minimum pension (GMP) will continue. Where the surviving spouse is more than ten years younger than the fund member, the Pension will be reduced.

X. EARLY RETIREMENT

After the completion of five years’ service, members of the Fund may retire at any time after their 55th birthday with the approval of the employer. The pension payable would be based on their pensionable salary and pensionable service at the date of their actual retirement. The lump sum death in service benefit (see Note 12) will be maintained at the salary paid at date of early retirement, until the member’s normal pensionable age of 65. An officer member of the Fund, who is subject to election, may draw an immediate pension if they fail to gain re-election at any time after their 50th birthday.

Early retirement can take place at any time when it is due to ill health or disability. The pension payable would be based on salary and service at the date of actual retirement. The Trustees of the Fund have discretion to bring short service benefits into early payments on the grounds of infirmity or incapacity.

XI. LONG TERM DISABILITY

There is a Scheme which covers all full time permanent employees who are not within one year of their normal pensionable age. The payment of the benefit will begin when an employee has been absent from work for 26 weeks because of sickness or injury. The benefit will be 50 per cent of salary and will be paid through the PAYE system and therefore will be subject to the deduction of Income Tax, National Insurance and Pension Fund Contributions.

XII. DEATH IN SERVICE

All members of the Fund are covered by an Insurance Policy which provides a lump sum Death Benefit of four times the employee’s salary at the date of death. In order to take maximum advantage of the appropriate Revenue regulations, the payment is made at the absolute discretion of the trustees. However they may be guided by the members ‘expression of wish’ shown on a
nomination form. The forms can be obtained from the salary section of the accounts department, and should be kept up to date when circumstances change.

In addition to the lump sum Death Benefit, a pension may be payable to a surviving spouse. The amount of this pension will be equal to half the pension which the Fund members would have earned had they retired on the date of death. The pension calculations will take into account service which would have been completed had the member survived until normal pensionable age. Where the surviving spouse is more than ten years younger than the Fund member, the pension will be reduced. The spouse’s pension will cease on remarriage unless the remarriage takes place after 60 years of age (women) or 65 (men) in which case an appropriate GMP will continue to be paid.

XIII. EARLY LEAVER BENEFITS

Those who leave the Fund, before completing two years’ membership will be entitled to a refund of their own contributions, subject to certain statutory deductions. Anyone who has completed two or more years’ service at the time their membership of the Fund ceases, is entitled to a deferred pension. This will be based on their pensionable service and pensionable salary at the time Fund membership ceases, although the pension will subsequently be subject to increases both before, and after pensionable age.

A transfer of your pension rights may be made to a new employer’s pension scheme, to an approved insurance company, or to a personal pension plan of your own choice. If you wish to investigate this option you will be provided with a statement of the guaranteed cash equivalent (the term for the transfer value you are entitled to under statute) quoting the transfer value which would be payable, and giving instructions on how to go about exercising the option. Requests for guaranteed cash equivalents can only be made once every 12 months and if you wish to go ahead with the transfer you will be required to reply within three months of the date the quotation is given. Further details will be provided on request.

Members in active service are entitled to request an estimate of their cash equivalent once a year. This would be calculated assuming pensionable service were to cease at the date the calculation is carried out.

If you are interested in transferring or obtaining an estimate of the transfer of value which would be available you should contact the salary section, at head office, in the first instance.

The Trustee has decided that, in the interests of the financial security of the benefits promised by the Fund and on the advice of the actuary, transfer values will not include the value of any additional benefits that would be likely to be paid if the current custom of granting further increases, which is subject to the discretion of the employer/trustees, were to continue. The Fund is only obliged by law to provide one transfer value quote per member every twelve months.
The transfer value is calculated in accordance with instructions provided by the Fund actuary and is the current value of your deferred benefits. The transfer value is calculated by discounting the expected future benefits payments at an assumed rate of interest, this being advised by the actuary. The calculation takes into account the rate at which the deferred benefits will increase both before and after the benefit becomes payable. It also takes into account the probability of each benefit payment being made, this being dependent on your, and your dependants', expected life span.

XIV. TRANSFER VALUES

At the discretion of the Management Committee the Fund may accept transfer payments from other Funds. The benefits that will be offered, in return for transfer, will be calculated by the Scheme’s Actuary.

XV. CONTRIBUTION LIMITS

The Inland Revenue sets limits on contributions payable to a Pension Fund. The current limit is 15 per cent of total earnings, which includes contributions direct to the EETPU Fund and additional voluntary contributions.

The Revenue also restricts the amount of pension that can be paid to two thirds of an employees' final pensionable salary. Any Fund members who have completed 35 years of membership, will only pay a contribution of six per cent of the difference, between their actual salary and that which they were receiving on completion of 33 years' contributory membership.

XVI. INTERNAL DISPUTES PROCEDURE

The Fund has, in accordance with the Pensions Act 1995 an internal procedure for resolving any disputes which may arise. This is in two stages, as follows:

a) In the first instance you must address your complaint to:
A. Cunningham, Accountant, AEEU, Hayes Court, West Common Road, Bromley, Kent BR2 7AU. In normal circumstances you will receive a full response within two months.

b) If you are dissatisfied with the response in 16(a) you will be entitled to refer the matter to the Trustee, (see below) within six months of receiving it. The Trustee will then reply directly to you, where possible, within two months.

It is hoped that all disputes will be sorted out by this procedure, however if this is not possible you can contact either OPAS or the pensions ombudsman, details of whom are given below.
XVII. REGULATORY BODIES

The following organisations are able to intervene in the running of Pension Funds where Trustees, Employers or Professional Advisers have failed in their duties.

OPRA – Invicta House, Trafalgar Street, Brighton, East Sussex BN1 42W.
OPAS – 11 Belgrave Road, London, SW1V 1RB
Pensions Ombudsman – 11 Belgrave Road, London SW1V 1RB

XVIII. OTHER INFORMATION

The Trustee of the Fund is Electrical, Electronic, Telecommunications and Plumbing Union Pension Fund Company Ltd. Directors of this company sit on the Management Committee, with elected representatives of the Executive Council, full-time officials and staff. The Management Committee receives an actuarial valuation and considers other issues that affect the Fund's future development.

It is the Union's intention that a good quality Pension Fund should be available to all of its employees. However, it reserves the right to amend or terminate the Fund at any time. Benefits accrued at that time will be fully received to the extent that the Fund resources permit.

The assets of the Fund are invested by professional investment managers and the Fund is valued at least every three years by qualified actuaries. The Fund produces accounts every year which are audited by professional accountants.

Members of the Fund are entitled to see a copy of the Trust Deed and Rules, at any reasonable time. All members will receive an Annual Report and Accounts and Individual Benefit Statements. Further information is available on request, to the following:

The Trustees of the EETPU Pension Fund
Hayes Court, West Common Road, Hayes, Bromley, Kent BR2 7AU
Tel: 0181 462 7755 Fax: 0181 315 8234