



PENSION
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1967 Section Deferred Members Frequently Asked Questions

October 2018

Welcome

This leaflet is for members of the 1967 Rules Section of the ICI Pension Fund who are no longer building up benefits in the Fund but have yet to start taking their pension.

It includes information on topics such as the pension increases applicable to your pension before and after you retire, and explains some of the key terms you will find when you access information about your pension on the Fund's online portal (ePA).

More information on your pension benefits and pension-specific terms used in this document can be found in your Fund handbook and jargon buster, which you can download from www.icipensionfund.org.uk.

Can you explain why and how my pension is broken down on ePA and the different terms used?

Fund Pension	<p>This is the total pension you are due to receive from the Fund, excluding any Supplementary (temporary top up) pension. It includes any Guaranteed Minimum Pension (GMP) and any increases which have been applied since you became a deferred member.</p> <p>You should note that legislation and the Fund rules affect different parts of your Fund Pension in different ways, depending on the period in which you were earning benefits in the Fund.</p> <p><i>For example:</i></p> <p>If you have Pensionable Service between 6 April 1975 and 5 April 1997, you will have a Guaranteed Minimum Pension (or GMP) for service between those dates. This is because the Fund, along with many other pension schemes, was 'contracted out' of the additional State Pension. This meant that the sponsoring employer and the members of the Fund paid lower National Insurance contributions than they would have done otherwise. In return, members gave up part of their entitlement to additional State Pension, and the Fund committed to pay them benefits of at least a minimum level. This minimum level is the GMP. (For more information on contracting out and GMP, see your Pension Fund Jargon Buster.)</p> <p>More information about GMP is included in the following pages.</p>
State Pension Element	<p>This column will appear if you are eligible to receive a 'Supplementary Pension' (a temporary top up pension). It shows the amount of pension that will normally be payable from Normal Retirement Age (although there may be exceptions to this) until you reach State Pension Age or age 65 if earlier.</p>

Special Benefit

This is a column which will only show on ePA if you joined the Fund before 1986 and are eligible to become a 'Special Category member'. In this case, it lists the benefits payable in retirement if you choose to be treated as a 'Special Category Member'.

Before 1986 female members were paid a higher pension than men because, unlike male members, their spouses were not entitled to a widower's pension. This difference in treatment was addressed by giving women the option to either:

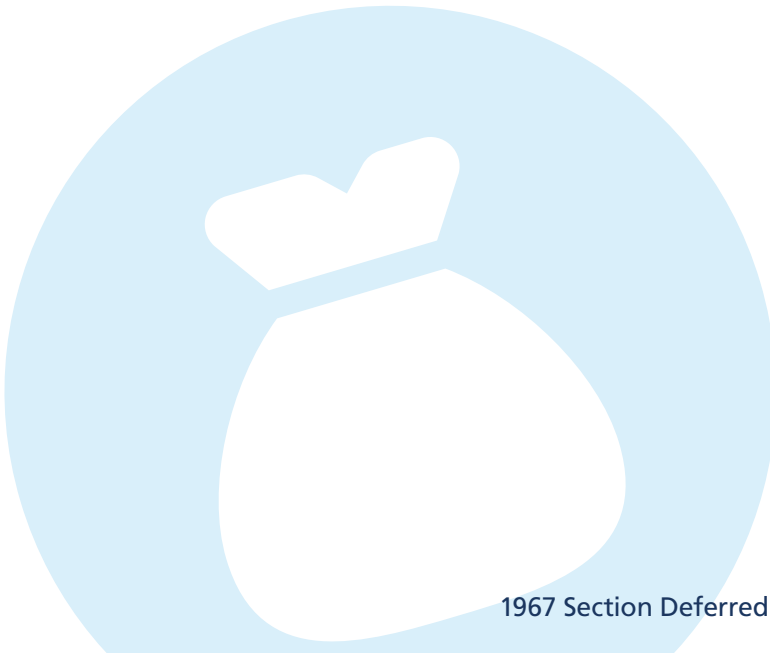
- a) be treated in the same way as men (i.e. to receive a lower pension with a guaranteed spouse's pension payable on death); or
- b) keep their higher rate of pension with no guaranteed spouse's pension payable from the Fund on their death (although certain minimum statutory death benefits may be payable).

Female members who chose option b) are 'Special Category members'.

Special Category membership was extended to male members who joined the Fund before 1986 and had Pensionable Service after 17 May 1990, due to equality legislation. A male member can now choose to take a higher pension in return for giving up rights to a spouse's pension payable after his death, although this applies in respect of service after 17 May 1990 only and excludes any spouse's pension required to be paid by law.

More information on the benefits earned by Special Category members can be found in your Handbook which is available to view online at www.icipensionfund.org.uk.

Please note that the figures shown on ePA may not reflect the exact pension you will receive when you retire. This is because there are a number of checks which the Fund must carry out before your pension is put into payment in order to ensure that it is paid in accordance with the Fund Rules and applicable law. For example, if you take your benefits before you reach your Normal Pension Age these figures may be reduced to reflect the fact that they are being paid early.



How does my pension increase each year, before I start taking it?

When you leave Pensionable Service you become a 'Deferred member' until you start drawing your pension. Your pension is calculated based on your Final Pensionable Pay and your Pensionable Service at your date of leaving. Part or all of your pension is then increased in November each year until your pension starts to be paid, to help protect it against the effects of inflation, as outlined below:

a. Your total pension, excluding any Supplementary Pension (before you reach your GMP age):

On 1 November each year, your total pension will be increased in line with the Retail Prices Index, up to a maximum annual increase of 5%.

If you became a Deferred member before 1 November 2008, then higher increases may have been awarded before that date.

The figures you will see on ePA will reflect these annual increases.

Did you leave the Fund on or after 1 January 1986?

If you left Pensionable Service on or after 1 January 1986, legal minimum increases may apply to different parts of your pension, depending on when you joined the Fund and when you became a Deferred member. In most cases, the Fund's annual increases in line with the Retail Prices Index (RPI) up to 5%, are expected to give you a greater overall pension than applying the minimum increases set out in legislation.

To ensure this is the case, we will carry out a check when you retire, and if the statutory minimum increases would have given you more, your pension will be increased accordingly.

b. Your Supplementary Pension (the temporary pension normally paid to eligible members between Normal Retirement Age and age 65):

Any Supplementary Pension earned after 5 April 1997 will increase in line with the RPI up to a maximum annual increase of 5% a year. Any pension earned before this date will not increase in this way whilst you are a Deferred member, but will instead receive statutory minimum increases which are applied at the point you take your benefits.

If you need to know more about the higher level of increases applied before November 2008 or the statutory minimum increases used during the checking process at retirement, please read the technical details section on page 6.

Can I delay taking my pension beyond my Normal Retirement Age? What impact will this have on my pension?

Yes, subject to the Trustee's agreement, you can delay taking your pension beyond your Normal Retirement Age (sometimes called 'late retirement'). Then, when you start taking your pension, it will be increased (by an amount decided by the Trustee with advice from the Fund's actuary) to reflect the shorter length of time it is expected to be payable.

This means that the overall value of your pension benefit will not change, but you will receive a larger pension for a shorter period than would otherwise have been expected. To understand how this may affect your benefits in monetary terms, you should ask for a retirement illustration before making a final decision.

If you have already decided to delay your retirement, your deferred pension history shown on ePA will not reflect this late retirement increase.

Can I start taking my pension before Normal Retirement Age? What impact will this have on my pension?

If you are able to take early retirement, your pension will be reduced to reflect the longer length of time it is expected to be payable. This means that the overall value of your pension benefit will not change, but you will receive a smaller pension for a longer period than would otherwise have been the case. To understand how this may affect your benefits in monetary terms, you should ask for a retirement illustration before making a final decision.

Not everyone can take their benefits before Normal Retirement Age. Before agreeing to a member taking early retirement, the Trustee must make sure that when a member reaches GMP age (currently age 65 for men and age 60 for women) the amount payable is at least as much as their GMP. If the amount that would be payable after reduction for early payment would not cover the GMP, it will not be possible to pay the pension early.

How will my pension increase in payment?

After you have started taking your pension income, part or all of your pension will be increased every year to help it keep pace with inflation. Different increases may apply to different parts of your pension and may be applied at different times of the year as outlined to the right:

a. Increases to your Guaranteed Minimum Pension (GMP)

You may have a GMP if you earned benefits in the Fund before 6 April 1997. Before you reach GMP age (currently age 60 if you are a woman or 65 if you are a man), your whole pension will increase as outlined in 'b' which follows.

After GMP age (which is when your GMP becomes payable), increases to your GMP are applied in April each year as follows:

- GMP built up before 6 April 1988 is not increased by the Fund.
- GMP built up from 6 April 1988 to 5 April 1997 is increased by the Fund in line with increases in the Consumer Prices Index (CPI), up to a maximum of 3% a year.

b. Increases to the balance of your pension (excluding any GMP or Supplementary Pension)

The rest of your pension will typically increase in line with increases in the Retail Prices Index, up to a maximum increase of 5% a year.

If, when you retire, you exchange some of your pension for a tax-free lump sum, increases will typically be applied to the pension you are actually receiving.

c. Increases to your Supplementary Pension

No increases are paid on any part of your Supplementary Pension earned before 6 April 1997, whilst in payment. Any part of your Supplementary Pension earned on or after 6 April 1997 will increase in line with increases in the Retail Prices Index, up to a maximum increase of 5% a year.

Increases applied by the Fund to your pension, excluding any GMP in payment, will be applied to your November pay. When we make this increase, we will send you a document confirming the amount of the increase and how the increase was calculated.

What if I am only entitled to a GMP?

If all of your Pensionable Service occurred in the period between 6 April 1978 and 5 April 1997, your pension may consist only of GMP. This will generally be the case if you have a lower level of pension which is only sufficient to meet the GMP requirement. If your pension is made up of GMP only, your Post-1988 GMP (to the extent applicable) will be increased in line with statutory requirements. Any GMP built up before 6 April 1988 will not be increased.

Technical details

1. Checking statutory minimum increases to pensions in deferment

When you retire, we check to see whether the pension increases the Fund has been applying since you left service (increases of this type are known as 'revaluation'), will give you a pension that is at least as much as it would have been had statutory increases been applied. For these purposes, the part of your pension that will become your GMP and the excess above that amount are increased separately.

a. Your GMP

This must be increased by a statutory fixed rate, which depends on your service and the date on which you became a Deferred member, between the date you left the Fund and currently age 65 for men or 60 for women.

b. Any pension in addition to your GMP

Any increases are applied for each complete year since leaving the Fund as follows:

- If you became a Deferred member before 1 January 1986 there is no requirement to apply any revaluation to the pension in excess of the GMP;
- If you became a Deferred member on or after 1 January 1986 and before 1 January 1991:
 - There is no requirement to increase any pension in excess of GMP built up before 1 January 1985; and
 - Any excess pension built up on or after 1 January 1985 must be increased in line with statutory revaluation requirements.
- If you became a Deferred member on or after 1 January 1991, any pension in excess of your GMP must be increased in line with statutory revaluation requirements.

2. Further checks to your pension

When you start taking your benefits, or at GMP age (currently age 60 for women and 65 for men) if you retired earlier, further checks are carried out in accordance with legislative requirements.

The first is a check to ensure that your pension in payment will meet the minimum GMP requirement and so is at least equal to the amount of any GMP plus any statutory GMP increases that the Fund is required to apply by law at your GMP age.

In addition, if you left Pensionable Service on or after 1 January 1985, a second check is carried out to ensure that any pension in excess of the GMP has not been used to provide the statutory GMP increases (This is a complicated test known as 'anti-franking', which is explained further in the example on the right).

These checks may result in a further increase being made to your pension from GMP age.

Anti-franking example:

At Jack's GMP age (age 65), his Total Pension in the Fund, including any increases applied since leaving, is £14,000 a year. This includes his Guaranteed Minimum Pension (GMP), which was calculated at £4,000 a year when he became a Deferred member.

Jack's GMP must be increased at GMP age, in accordance with legislation. The Fund must ensure that any increase applied is paid on top of the benefits he has earned. (An anti-franking check is carried out to ensure this is the case.)

Therefore, in Jack's case, if the increases to his GMP come to £1,000, making his GMP £5,000, his total pension at retirement would be £15,000 and not £14,000, as illustrated below:

Pension at GMP age before increases to GMP are applied:




Pension at GMP age with increases to GMP calculated:



Pension at GMP age with increases to GMP after anti-franking checks:



-  GMP
-  Increase to GMP
-  Pension from the fund in excess of GMP

3. Pension increases applied between the date you became a Deferred member and November 2008

Until 1 November 2008, a discretionary higher rate of revaluation was applied to certain parts of your deferred pension as follows:

- Any notional GMP* was increased at a fixed rate published by the Government.
- Any pension in excess of your GMP was increased by RPI using that year's July RPI figure subject to a maximum annual increase of 5%.
- Other discretionary increases may also have been applied.

4. Pension increases and equality legislation

Equality legislation requires pensions to be the same for men and women in respect of any period of Pensionable Service after 17 May 1990. Previously, the Fund had different Normal Retirement Ages for male and female members - age 62 for men and 60 for women. As a result of equality legislation, this was changed so that everyone had the same Normal Retirement Age of 62.

To ensure members were not worse off as a result of this change, and to conform to equality legislation, the Fund agreed the following for members who were in Pensionable Service before 1 November 1993:

- Women could still draw their benefits from age 60, and these would not be reduced for early payment.
- Men could draw their benefits from the age of 60 and any benefits earned after 17 May 1990 would not be reduced for early payment.

Continued overleaf...

* This is the amount of your Fund pension used to provide your GMP.



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This meant that male members with Pensionable Service before and after 17 May 1990 effectively had two different Normal Retirement Ages:

1. 62 for benefits earned before 17 May 1990
2. 60 for benefits earned on or after 17 May 1990.

How the Fund addresses this issue, depends upon when the member became a Deferred member:

If you are a male with Pensionable Service before 1993 and you became a Deferred member before 5 June 2014:

When you became a Deferred member, the Trustees applied an increase to any benefits earned after 17 May 1990. This means that all your benefits are calculated based on a 'Normal Retirement Age' of 62 and, if you take your pension earlier than age 62, a reduction will be applied to all of your benefits. This is because the initial increase that was applied at the date you left Pensionable Service will cancel out the subsequent reduction in respect of the post 1990 Pensionable Service so that the net effect is that there is no reduction to your post 1990 pension.

If you are a male with Pensionable Service before 1993 and you became a Deferred member on or after 5 June 2014:

Any early retirement reduction would be applied as follows:

- benefits earned before 17 May 1990 are reduced if you choose to retire before age 62.
- benefits earned after 17 May 1990 are only reduced if you choose to retire before age 60.

Please note: While we have taken every effort to ensure that the information in this leaflet is accurate, in the event that there is any difference between this information and the Trust Deed and Rules, the Trust Deed and Rules take priority.

If you wish to seek financial advice about any aspect of your pension, you can find qualified and registered financial advisers in your area on the following websites:

www.unbiased.co.uk and click on 'I'm looking for a Financial Adviser'.

www.fca.org.uk and click on the Financial Services Register under the 'Firms' tab.

Make sure your adviser is registered with the Financial Conduct Authority – go to www.fca.org.uk to be sure.

You should always check whether an independent financial adviser will charge you for any services they offer, and agree any fees with them beforehand.