March 2016

PENSION FUND

State Pension Changes

As you may be aware, significant changes are being made to State Pensions and some of these will have an impact on some members of the ICI Pension Fund ('the Fund').

The vast majority of members, particularly those over State Pension Age (SPA), will see very little difference to their pensions.

We have produced this leaflet to give you information about what is changing, how the changes affect members of the Fund and how the State Pension interacts with the Fund. As these changes are complex, the leaflet only provides a high level summary. For more detailed information on the State Pension changes, please see the section at the end headed 'Where can I get more information'.

Fundamentals of the State Pension

Most people will be entitled to some form of State Pension. The amount of this pension will depend on a number of factors but primarily the National Insurance Contributions (NICs) that you have built up during your working life or, in some circumstances, when you are not working (for example when bringing up children).

When can you claim your State Pension?

The earliest you can claim your State Pension is at your SPA. Previously the SPA was age 60 for women and age 65 for men. This has changed radically with the SPA rising to 65 for women between 2010 and 2018, and gradually to age 68 for both men and women by 2046 with further plans to increase the SPA in the future.

Your SPA will therefore depend on your date of birth.

For detailed information about the SPA, please visit **https://www.gov.uk/state-pension-age**.

This section of the leaflet explains how the current State Pension works.

What is the current State Pension?

If you have already reached your State Pension Age (SPA) – or are due to reach your SPA before 6 April 2016 – you will receive the current State Pension, which is made up of:

- the Basic State Pension; and
- the Additional State Pension.

Basic State Pension

The Basic State Pension (BSP) is not based on your earnings but on your National Insurance record. To get the full BSP, you need to have paid National Insurance or received credits for 30 years. If you have less than 30 years' credit, you will receive a lower BSP based on the number of years of contributions or credits you have. You only need one qualifying year to get some BSP.

The most you can currently get as a BSP is £115.95 per week.

Currently, the BSP increases each year by the highest of:

- the growth in earnings in the UK;
- the growth in prices in the UK; or
- 2.5%.

This is known as the 'triple lock'.

Additional State Pension

The Additional State Pension (ASP) is made up of:

- State Earnings-Related Pension (SERPS);
- State Second Pension (S2P); and
- Graduated Retirement Benefit.

SERPS (which was replaced by S2P in 2002) and S2P pensions are earnings-linked and relate to service from 6 April 1978 to 5 April 2002 and 6 April 2002 to 5 April 2016 respectively.

If you were working before April 1975, you may also have a Graduated Retirement Benefit, which is based on the graduated contributions you paid between April 1961 and April 1975.

What you get depends on your earnings and National Insurance Contributions (NICs). ASP increases each year with inflation.

Here we explain how the State Pension interacts with the Fund.

What is contracting-out?

From 6 April 1978, occupational pension schemes were given an option to contract-out of the ASP, meaning that both the employee and employer paid lower-rate NICs and, as a result, the employee would not receive the SERPS and S2P element of his/her State Pension. The pension scheme then had an obligation to provide members with a minimum level of pension.

This minimum pension requirement has changed over time.

Currently, in order to contract-out, schemes must provide members with a minimum level of pension based on a notional reference scheme. Previously, this minimum pension requirement was satisfied by providing a Guaranteed Minimum Pension (GMP) or by providing benefits based on minimum contributions and investment returns.

If you joined the Fund on or after 6 April 1997 you will not have a GMP and the questions 'What is a Guaranteed Minimum Pension?' and 'How is GMP currently increased once it starts to be paid?' will not be relevant to you.

What is a Guaranteed Minimum Pension (GMP)?

From 6 April 1978 to 5 April 1997, contracted-out schemes had to provide members with a GMP to reflect the SERPS/S2P element of the State Pension that the employee was giving up. GMPs are payable at the point the member reaches age 60 (for females) and 65 (for males), otherwise known as 'GMP age'.

We explain below the changes that are being made to State Pensions.

How is GMP currently increased once it starts to be paid?

GMP is usually made up of two parts: GMP built up before 6 April 1988 and GMP built up between 6 April 1988 and 5 April 1997.

In accordance with its legal obligations, the Fund provides increases on GMPs earned between 6 April 1988 and 5 April 1997, in April each year. This is currently calculated based on the change in the Consumer Prices Index (CPI), up to a maximum of 3%.

The Fund does not provide increases on any GMP earned before 6 April 1988 or increases above 3% on any GMP earned between 6 April 1988 and 5 April 1997. Currently the Government assesses the GMP deduction that is applied to an individual's State Pension on an annual basis. As the Government increases State pensions by full CPI before it makes this deduction, the result is that the Government is currently paying the increases that the Fund does not provide, on an amount broadly equivalent to the GMP. The Government will continue to provide these increases for anyone who reaches State Pension Age (SPA) before 6 April 2016.

If you reach SPA on or after 6 April 2016, the Government will no longer provide these notional GMP increases.

How is the State Pension changing?

The State Pension will change for people who reach SPA on or after 6 April 2016. The existing two-tier system is to be replaced by a single-tier system. If you are a woman born on or after 6 April 1953 or a man born on or after 6 April 1951, you will get the new State Pension. If you've already started to build up State Pension under the current system, this will be converted into an amount under the new State Pension.

To qualify for any new State Pension, you will need at least 10 qualifying years on your National Insurance record. You will need at least 35 qualifying years to get the full new State Pension and you will receive a proportionate amount of the full new State Pension if you have between 10 and 34 qualifying years.

The full weekly amount of the new State Pension will be £155.65 per week.

In the new State Pension, people like you who have been a member of a contracted-out pension scheme, will not get the full amount of the new State Pension despite having the maximum 35 qualifying years. This is because you were contracted-out of the ASP and paid reduced NICs and built up benefits in this Fund instead.

For more information on the new State Pension go to **https://www.gov.uk/yourstatepension**.

You can apply for a statement of your State Pension entitlement online or by phone or post. You'll find details about how to do this at **https://www.gov.uk/check-state-pension**.

Where can I get more information?

The Pensions Advisory Service

This free service can give you information and guidance about pensions.
Visit **http://www.pensionsadvisoryservice.org.uk**.

The Money Advice Service

This service provides free and impartial general advice about all areas of financial planning, including pensions. Visit **https://www.moneyadviceservice.org.uk/en**.

The Government has also provided information online:

https://www.gov.uk/yourstatepension

https://www.gov.uk/government/collections/state-pension-toolkit

https://www.gov.uk/government/publications/new-state-pension-handouts

These help to explain the new State Pension

Contact details

If you have any question about your ICI pension please contact the Fund Administrator, Willis Towers Watson at:

Email: ici@towerswatson.com

Phone: 0800 916 8021(from 09:00 – 17:00, Monday to Friday, not bank holidays)

Write to: ICIPF, PO Box 545, Redhill, Surrey, RH1 1YX

Online: www.icipensionfund.org.uk

Please remember to include your National Insurance number when writing to or emailing the administration team, or have it to hand when phoning them – they'll need it to confirm your identity.

Please note that Willis Towers Watson will not be able to answer questions about your State Pension entitlement.