



*The ITB Pension Funds*

# 2007 Section **(Open Fund) Member Booklet**

This booklet is only applicable to employees who have joined the 2007 Section of the ITB Pensions Funds (Open Fund). If you are not sure which section of the Open Fund you are eligible to join you should contact your Employer.

2007  
Section

**'ITB-Online': [www.itb-online.co.uk](http://www.itb-online.co.uk)**  
**'MyITB': [www.myitb.com](http://www.myitb.com)**

## Contact Us

You may obtain further information about the ITB Pension Funds and the benefits provided by the *Scheme* by any of the following methods:

On our information website 'ITB-Online': [www.itb-online.co.uk](http://www.itb-online.co.uk)

On our interactive modelling website 'MyITB': [www.myitb.com](http://www.myitb.com)

By e-mail on: [pensions@itb-online.co.uk](mailto:pensions@itb-online.co.uk)

By telephoning on **01923 471699** (when busy or when outside office hours an answer service will be available to enable a message to be left so that we can return your call).

By writing to: **The ITB Pension Funds, 23 King Street, Watford, Herts WD18 0BJ.**

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# Introduction

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## Welcome

Welcome to the ITB Pension Funds.

**This Booklet should be regarded as only a general guide to the 2007 Section of the Open Fund “the *Scheme*” and summarises the benefits of the *Scheme* as at the date shown at the bottom of the page. Every effort has been made to ensure accuracy in text and illustrations. However, the Trust Deed and Rules, the formal documents which govern the *Scheme* and which are amended from time to time, will prevail in the event of any discrepancy with this Booklet.**

Certain terms have special meanings and these are shown in *italics* throughout the Booklet and are defined in the Glossary at the back of this Booklet.

The 2007 Section was introduced with effect from 1 January 2007 and those Employers who have elected to provide 2007 Section benefits for their employees have done so at varying dates since then.

The *Scheme* is set up under a Trust Deed and Rules and is administered by the *Trustees*. The assets of the *Scheme* are separate from those of your *Employer* to provide the greatest possible security for your benefits and are invested by independent investment managers who are appointed by the *Trustees*.

Your *Employer* participates in the *Scheme* in order to provide life assurance and pension benefits for you and your spouse/civil partner, in addition to the benefits normally provided by the State.

As an active member of the *Scheme* you are currently contracted-out of *S2P*. The *Scheme* is able to do this because it satisfies a statutory test of benefit levels set out in legislation. Consequently, you currently pay a lower rate of National Insurance contributions and will not normally earn a pension under *S2P* whilst you are a member of the *Scheme* for as long as the *Trustees* continue to contract the *Scheme* out of *S2P*.

# Main Benefits of the Scheme

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The *Scheme* provides a range of benefits covering many situations. Pension benefits are based on your *Final Pensionable Salary* and the *Pensionable Service* you accumulate.

It follows that the more *Pensionable Service* you accumulate, the greater the amount of your eventual pension.

The main benefits that are available within the *Scheme* are:

- Lifetime pension of 1/80th of *Final Pensionable Salary* times *Pensionable Service*.
- Cash at retirement in exchange for part of your pension.
- Increases to pensions.
- Early Retirement options.
- Life Assurance lump sum and spouse's/civil partner's pensions if you die whilst an active member of the *Scheme*.
- Death in retirement spouse's or civil partner's pension.
- A deferred pension or transfer out or a refund of your contributions on leaving the *Scheme* before retirement.
- Additional Voluntary Contributions (AVC) options are currently available to further increase pension benefits.

# Joining

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## Eligibility

You can join if you:

- are employed in permanent employment by an *Employer* who participates in the *Scheme*, or you are employed in temporary or fixed term employment by an *Employer* who participates in the *Scheme* and your *Employer* has notified the *Trustees* that its temporary and fixed term employees will be eligible to join.

and

- are aged 18 but under age 60.

and

- have completed any qualifying period of service which your *Employer* may require you to complete.

The opportunity to join the *Scheme* exists within the first three months of being eligible.

## Late Entrant

If you do not join within the first three months of becoming eligible and you are under age 40 there may still be the opportunity to join as a '*Late Entrant*'. However, your application will be subject to your *Employers* and the *Trustees* discretion.

If you are accepted into membership you should note that the *Scheme* lump sum death benefit cover will not become applicable until you have completed 2 years *Pensionable Service*. You may therefore wish to consider making your own arrangements to provide additional life assurance cover in the interim period until the *Scheme* cover does become applicable to you.

If you do not join within the first 3 months of becoming eligible and are age 40 or over you will not normally have an opportunity to join the *Scheme*.

## How to Join

All you need to do to join the *Scheme* is complete the **Application Form** at the back of this Booklet and return it to your Personnel Department.

In addition, you are strongly recommended to complete the accompanying **Nomination Form**. This will assist the *Trustees* in the distribution of any lump sum benefits on your death. You can if you wish send this under confidential cover direct to the ITB Pension Funds' Office in Watford.

After joining you should keep the ITB Pension Funds' Office advised of any change of address or change in marital status. You should keep your Nomination Form up to date as your circumstances change.

## Transfers-in to the *Scheme*

The *Scheme* does not accept transfers-in.

# Costs of Membership

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## Your Contributions

Unless your Employer has advised you otherwise your gross contribution to the *Scheme* is normally:

6% of your *Pensionable Salary*

You can check your contribution rate by visiting our website: 'MyITB' [www.myitb.com](http://www.myitb.com)

If you are interested in joining the *Scheme*, your *Employer* should be able to confirm the contribution rate that would apply for you.

However, the net cost to you is considerably less than your gross contribution because you automatically receive tax relief through the payroll at the highest rate of tax you pay.

The cost is further reduced because you pay lower National Insurance contributions (because the *Scheme* is contracted-out of the State Second Pension or *S2P*). The National Insurance reduction is currently 1.6% of gross PAYE earnings between *LEL* and *UEL*.

Although your gross contributions are shown on your payslip, the effect of the allowances for tax relief and lower National Insurance contributions are automatically reflected in your Net Pay.

For part-timers contributions will be based on actual *Pensionable Salary* and not adjusted *Pensionable Salary* as referred to on page 26.

If your earnings are less than the current *LEL* then you will not qualify for a reduction in National Insurance contributions. Furthermore if your actual earnings are less than your tax allowances, you will not receive tax relief on the contributions you make to the *Scheme*, or to *AVCs*.

## *Employer Contributions*

Your *Employer* is required to pay the balance of the cost of the *Scheme*. This is established by actuarial valuations carried out at least every three years.



## Your Contributions

### EXAMPLE ILLUSTRATION

	EXAMPLE £ PER MONTH
<i>Pensionable Salary</i>	£ 2,333
Your gross contribution @ 6% (see page 8)	£ 140
* <u>Less</u> tax relief @ 20% (Current rate for standard rate tax payer)	<u>£ 28</u>
	£ 112
Less National Insurance reduction Currently 1.6% of **earnings above £476 per month i.e (£2,333 - £476) x 1.6%	<u>£ 30</u>
Your net cost of membership is	<u>£ 82</u>

\* If you are a higher rate tax payer you will currently receive tax relief at 40%.

\*\* Current ceiling of £3,658 per month for the 2010/11 tax year.

# Costs of Membership

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## Additional Voluntary Contributions (AVCs)

In addition to the benefits you are building up as an active member of the *Scheme* you can currently pay extra pension contributions, known as Additional Voluntary Contributions (AVCs), to increase your eventual retirement pension benefits. In doing so you will receive full tax relief on your AVCs through the PAYE system, in the same way as you do for your standard contributions.

You can currently pay AVCs to the *Scheme* up to a maximum of 20% of your *Pensionable Salary* in any one *Scheme* year (1 April to 31 March), on a money purchase basis, and those AVCs will be invested in one or more of the several investment options on offer. This is on top of the standard contributions you pay to the *Scheme*. The *Trustees* of the *Scheme* can decide to change the maximum amount of AVCs they allow.

The benefits you earn from AVCs will stem from investing separately in special AVC funds set up by the *Trustees* and operated by registered AVC providers. At retirement your AVCs are used to provide additional pension or tax-free cash.

Additional information and AVC Application Forms can be found on our website: [www.itb-online.co.uk](http://www.itb-online.co.uk) or from the ITB Pension Funds Office, Watford.

**As an active member, you can also use our interactive website 'MyITB' ([www.myitb.com](http://www.myitb.com)) to model your ITB benefits together with AVC benefits that you pay, or might like to pay.**

## 10 Other Registered Pension Schemes

You can also join – and make contributions to – other registered pension schemes outside of the ITB Scheme's arrangements, such as a personal pension or a non-ITB AVC scheme, whilst remaining a member of the ITB Scheme. Across all your pension schemes you can make tax-free contributions of up to 100% of your earnings (or £3,600 if greater) in any one tax year (but see "The Annual Allowance" on page 35).

# Final Pensionable Salary

When you retire or otherwise leave Pensionable Service your Final Pensionable Salary will normally be the average of your six years Pensionable Salary immediately prior to your date of leaving service.

This will be worked out as follows:

## EXAMPLE ILLUSTRATION

<i>Pensionable Salary</i>	
- last complete year of service	£ 28,000
- in year prior	£ 27,000
- in year prior	£ 26,000
- in year prior	£ 25,000
- in year prior	£ 24,000
- in year prior	£ 23,000
Total	£ 153,000
Calculation:	£ 153,000 ÷ 6
Giving a <i>Final Pensionable Salary</i> of	<u>£ 25,500</u>

Note: Where *Pensionable Service* is less than 6 consecutive years the *Final Pensionable Salary* will be the average of your *Pensionable Salary* over your actual period of service.

# Benefits at Retirement

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On retirement you will normally be able to choose the form in which you take your benefits. You may choose either:

➤ A pension for life

or

➤ A reduced pension, payable for life, plus a cash lump sum.

**You will also receive your Basic State Pension entitlement payable from your State Pension Age, provided you have made sufficient National Insurance contributions.**

There are some further points you should note:

➤ Giving up pension for cash does not affect your spouse's/civil partner's pension.

➤ Under current legislation the cash lump sum is tax-free, provided it does not exceed the limit set out by HM Revenue and Customs.

➤ Your pension and any spouse's/civil partner's pension will currently increase automatically in line with inflation up to a maximum of 2.5% in any one year (or such other amount as prescribed by legislation).

➤ If you die within the first 5 years of your retirement, a lump sum will be paid to your dependants.

## 12 Payment of Your Pension

Pensions are paid monthly in arrears on the first of the month - direct to your bank or building society account.

If you are liable for tax, this will be deducted by the ITB Pension Funds under the PAYE system.

Your pension and any pension paid to your spouse or civil partner is payable for life and does not cease on remarriage or entering into a new civil partnership.

# Benefits at Retirement

## Your Pension at *Normal Retirement Date*

When you reach your *Normal Retirement Date*, your pension will be worked out as follows:

**$1/80 \times$  your Pensionable Service  $\times$  your Final Pensionable Salary**

### EXAMPLE ILLUSTRATION

<i>Final Pensionable Salary</i>	£ 25,500
<i>Pensionable Service</i>	29 years
Calculation	$\frac{29}{80} \times \text{£ } 25,500$
Giving a pension of	<b>£ 9,244pa</b>

## Your State Pension

Remember, that provided you have paid sufficient National Insurance contributions, you will receive your Basic State Pension entitlement payable from State Pension Age in addition to your *Scheme* pension. You can obtain a forecast of your State Pension Benefit by completing Form BR19, which can be obtained from your local Benefits Agency.

The current level of full Basic State Pension, for 2010/11, is £5,078 for a single pension and £8,120 for a couple.

# Benefits at Retirement

## Your Cash Lump Sum at *Normal Retirement Date*

As mentioned earlier, you may choose to have a reduced pension plus a cash lump sum.

Under present legislation this lump sum is completely free of tax.

The maximum lump sum is currently worked out as follows.

Broadly, the maximum tax-free lump sum available to you will be **4.4 x pension**

### EXAMPLE ILLUSTRATION

#### Cash Lump Sum

Pension before lump sum taken:	£ 9,244pa
Calculation:	4.4 x £9,244
Giving a maximum cash lump sum of approximately	<b>£ 40,673</b>

*(In practice however this maximum lump sum is worked out by the following formula:)*

$$\frac{\text{Pension} \times 13}{(0.15 \times 13) + 1}$$

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## Your pension after taking a cash lump sum at *Normal Retirement Date*

By taking a lump sum your pension is reduced. The reduction is currently: -

£1 of pension for every £13 of cash lump sum taken.

The amount of pension given up when taking a cash lump sum is worked out as follows:

**Cash lump sum ÷ 13 = Pension given up**

## Your Pension after taking a Cash Lump Sum at *Normal Retirement Date*

### EXAMPLE ILLUSTRATION

Gross pension **£ 9,244pa**

Maximum cash lump sum **£ 40,673 ÷ 13**

Pension given up of **£ 3,128pa**

Giving a reduced pension of approximately **9,244 - £3,128 = £6,116pa**

The pension options at retirement in this example are:

1) A pension of £ **£9,244pa**

**Or**

2) A reduced pension of £ **£6,116pa plus** a maximum cash lump sum of £ **40,673**

**Or**

3) A reduced pension plus a cash lump sum less than the maximum.

# Benefits at Retirement

## Your Pension on Early Retirement

You may retire and draw your pension at any time after attaining age 55 providing you have completed 5 years' *Qualifying Service*.

Your pension will be calculated in the same way as at *Normal Retirement Date* (see page 13) but using your *Pensionable Service* and *Final Pensionable Salary* at the date you retire.

The pension would then be reduced for each month that you retire before your *Normal Retirement Date*, (a part month counts as a whole month).

The reductions currently applying from *Normal Retirement Date* are as shown in the illustration below. They may be subject to change in the future:

### EXAMPLE ILLUSTRATION

Age at early retirement:	58 years
<i>Pensionable Service</i> to age 58:	23 years
<i>Final Pensionable Salary</i> :	£ 25,500pa
Calculation:	$\frac{23}{80} \times £ 25,500 = £ 7,331\text{pa}$
This is then multiplied by: (i.e. 7 years early – see Early Retirement Reduction table below)	69%
	$= £ 7,331\text{pa} \times 69\% \text{ (or } 0.69) = £ 5,059\text{pa}$
Giving an early retirement pension of	<b>£ 5,059pa</b>

Note: See also "Lifetime Allowance" on page 34.

**Early Retirement Reduction Table**

Complete years prior to normal retirement	% of accrued pension
1	94
2	89
3	84
4	80
5	76
6	72
7	69
8	66
9	63
10	60

(All factors may be subject to change in the future. Pensions are reduced for each month that you retire before your *Normal Retirement Date*; a part month counts as a whole month.)



## Your Cash Lump Sum on Early Retirement

At the time of your retirement you may choose to have a reduced pension plus a cash lump sum.

The cash lump sum is calculated in the same way as if you were retiring at *Normal Retirement Date* but using your pension at the date you retire (see page 14).

(See also “Lifetime Allowance”, page 34)

## Your Pension after taking a Cash Lump Sum on Early Retirement

By taking a cash lump sum your pension is reduced. The amount of the reduction will depend upon the amount of tax free cash that you take in exchange for pension. At any age the reduction is currently £1 per annum of pension for every £13 of cash lump sum taken.

# Protection in Retirement

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## Summary of Pension Benefits

- Increases to pensions.
- Your spouse/civil partner may receive a pension on your death.
- Your pension is payable for life but if you die within 5 years of retirement, a lump sum will be paid to your beneficiaries equal to the pension payments you would have received in the remainder of that 5 year period (see page 19).

## Pension Increases

Pension increases are granted on the first Monday of each new tax year (which begins on 6 April).

Pensions in payment are currently increased each year in line with the lower of the annual rise in inflation and 2.5%.

Increases to ITB pensions are based on the annual rise in inflation at the end of September of the previous year.

Note: If retiring straight from active service with your *Employer*, your first increase will only be a proportion of the full annual increase.

## Spouse's/Civil Partner's Pension

Provided that you had completed 2 years' *Qualifying Service* at the time you ceased active membership of the *Scheme*, your spouse/civil partner will become eligible to a pension from the *Scheme* as follows:

- a pension that it is equal to 50% of your full pension at the date of retirement, i.e. **ignoring** any reduction in your pension if you exchanged part of your pension for cash at retirement. This pension is then increased in line with any pensions increases awarded by the *Trustees* up to the date of your death.

If you marry/re-marry/enter into a registered civil partnership after leaving service and your spouse/civil partner is more than 5 years younger than you, a reduction will be made of 0.2% to the spouse's/civil partner's pension for each complete month in excess of 5 years. Moreover, in the case of a post leaving marriage or civil partnership your beneficiary will only become eligible for a pension if your marriage/civil partnership has been at least of one year's duration at the date of your death.

### EXAMPLE ILLUSTRATION

Your total <i>Scheme</i> pension before taking any cash lump sum	£ 9,244pa
	x 50%
	£ 4,622pa
<b>plus</b> the same percentage increases awarded to your pension whilst in payment, say, 15%	£ 694pa
Giving a total spouse's/civil partner's pension of	£ 5,316pa

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## Lump Sum Death Benefit

If you die within 5 years of retirement, a lump sum will be paid to your beneficiaries equal to the pension payments you would have received in the remainder of the 5 year period.

This is calculated as follows:

- 60 months less the number of monthly instalments actually paid to date of death **times**
- the gross monthly pension in payment at date of death.

This payment is made in addition to any spouse's/civil partner's pension that may be payable.

# Death in Service

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If you die whilst an active member of the *Scheme* the following benefits may be payable:

➤ a lump sum life assurance payment

**plus**

➤ a pension payable to your spouse/civil partner

## Lump Sum Life Assurance Payment

Payable to your beneficiaries the life assurance amount is equal to your *Pensionable Salary* at date of death (if you are a *Late Entrant* this life assurance cover will not become applicable until you have completed 2 years' *Pensionable Service*).

The beneficiaries of any lump sum that becomes payable on your death is at the absolute discretion of the *Trustees*. If you have not already completed a Nomination form it will assist the *Trustees* in deciding to whom the benefit should be paid if you were to complete the **Nomination Form** at the back of this Booklet and ensure that it is returned to the ITB Pension Funds' Office for safe keeping. The *Trustees* would take note of your wishes when considering who should receive the lump sum such as relatives, dependants and others. Please remember to complete a new form should your personal circumstances change.

Further copies of the Nomination Form are available from the ITB Pension Funds Office, or from the Funds' website [www.itb-online.co.uk](http://www.itb-online.co.uk).

## Spouse's/Civil Partner's Pension

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If you are married or in a civil partnership at the time of your death, and have completed at least two years' *Qualifying Service*, your spouse/civil partner will receive the following benefits:

➤ a pension equal to 50% of your pension accrued at date of death.

# Leaving the Scheme

If you leave or opt out of the *Scheme* before you reach your *Normal Retirement Date*, what happens to your pension benefits will depend on your length of *Qualifying Service*.

## Less than 3 months' *Qualifying Service*

You will receive a **refund of your contributions**, less certain deductions.

## Over 3 months' but less than 2 years' *Qualifying Service*

Your choice is:

- a **refund of your contributions**, less certain deductions; or
- a **transfer out of your pension benefits** to another registered pension scheme. (You must exercise this option within 3 months of being notified of your rights.)

## 2 or more years' *Qualifying Service*

You will be granted a **Deferred Pension**. Your Deferred Pension can either:

- remain in the *Scheme* where it will currently revalue in line with the rise in inflation (up to a maximum of 5% per year compound, or such other amount as prescribed by legislation). Your benefits will become payable if:
  - you die before your pension is paid
  - you apply for payment of an early retirement pension (subject to being aged 55 or over and having accrued at least 5 years' *Qualifying Service*)
  - you reach your *Normal Retirement Date*

or

- be transferred out to another registered pension scheme.

**These options are described in greater detail on the pages that follow:**

# Leaving the Scheme

## Taking a Refund of Your Contributions

A refund of your contributions is only available if you have less than 2 years' *Qualifying Service*.

A refund will be your own contributions, **less** your share of the cost of buying you back into *S2P* (formerly SERPS), **less** a tax charge\*.

The *Trustees* will buy back your *S2P* benefit for you by the way of a payment to the State. The State will then provide you with a full *S2P* pension relating to your period of membership of the *Scheme*.

Please note that a refund will leave you with no further benefits in the *Scheme*.

A refund is worked out as follows:

**Your total contributions less your share of the cost of buying you back into *S2P*, less tax\*.**

### EXAMPLE ILLUSTRATION

Your total <i>Scheme</i> contributions (say)	£	870
Less your share of the cost of buying you back into <i>S2P</i> , for example	£	260
	£	610
Less tax, currently at 20%	£	122
Giving a net refund of	£	488

Note: If you have paid AVCs and you have less than 2 years' *Qualifying Service* the value of your AVC contributions will also be available as a refund, less tax\*.

\* Tax is currently deducted at 20% on the first £10,800 of contributions (including AVCs) and at 40% on contributions (including AVCs) over £10,800.

## A Transfer Out of your Pension Benefits

You can arrange for your scheme pension benefits to be transferred to another registered pension scheme, for example, your new employer's pension scheme, a personal pension or a Stakeholder pension. The transfer payment will be equal to the cash value of your pension benefits (based on market conditions at the time of the transfer) and is called the Cash Equivalent Transfer Value (CETV).

Please note the following in relation to transferring your pension benefits:

- Members with over 3 months' but less than 2 years' *Qualifying Service* (and therefore not entitled to a Deferred Pension) must apply for a transfer within 3 months of being notified of their rights.
- Any transfer out is subject to the receiving scheme being willing and able to accept the transfer value.
- You will not be allowed to transfer your benefits within 12 months of your *Normal Retirement Date*.
- You have a statutory right to request a statement of transfer value once every twelve months.
- On completion of a transfer out you will give up all benefits you may have been entitled to under the *Scheme*.
- You are recommended to take independent professional advice when considering a transfer out.

## Deferred Pension

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If you leave the *Scheme* with 2 or more years' of *Qualifying Service* you will be granted a Deferred Pension. Your Deferred Pension is calculated as follows:

### EXAMPLE ILLUSTRATION

<i>Final Pensionable Salary</i>	£ 25,500
<i>Pensionable Service</i>	10 years
Calculation	$\frac{10}{80} \times £ 25,500$

Giving a pension of **£ 3,188pa** at date of leaving

# Leaving the Scheme

## Deferred Pension (*cont.*)

You can either leave your Deferred Pension in the *Scheme* or can arrange a transfer value of these benefits to another registered pension scheme. (See page 23).

A Deferred Pension will become payable at your *Normal Retirement Date* (see page 25 for early payment of a deferred pension).

Your Deferred Pension provides the following benefits:

## Revaluation and Pension Increases

Under the current arrangements your pension will be revalued, on your retirement, over the period since you left the *Scheme* as follows:

Pension accrued before 6 April 2009 will be revalued in line with the lower of the accumulated rise in inflation and 5% pa. Pension accrued after 6 April 2009 will be revalued in line with the lower of the rise in inflation and 2.5% pa (or such other amount as prescribed by legislation).

## Death before Retirement

If you die after leaving the *Scheme* with a Deferred Pension but before you start to receive your pension your dependants may be entitled to the following benefits:

### Spouse's / Civil Partner's Pension

If you were married to your spouse or you had a registered civil partner at the time you left the *Scheme* and you had completed at least 2 years' *Qualifying Service*, a Spouse's / Civil Partner's Pension would be payable, calculated as follows:

- an amount equal to 50% of your Deferred Pension revalued from the date you left the *Scheme* up to the date of your death, in the way described under Revaluation and Pension Increases above.

(If you marry/re-marry/enter into a registered civil partnership after leaving service and your spouse/civil partner is more than 5 years younger than you a reduction of 0.2% to the spouse's/civil partner's pension for each complete month in excess of 5 years will be made. Moreover, in case of post-leaving marriages/civil partnerships, a spouse/civil partner will only become eligible for a pension if your marriage/civil partnership has been at least of one year's duration at the date of your death and you are not judicially separated.)



## Death before Retirement (*cont.*)

### Lump Sum Life Assurance

A lump sum benefit is payable to your beneficiaries. The beneficiaries of this lump sum are decided by the *Trustees* in their absolute discretion. However, please see the note on a 'Nomination Form' on page 20.

The lump sum payable is the greater of:

- a refund of your own contributions, plus interest
- or
- a proportion of your *Pensionable Salary* at date of leaving, worked out as follows:

$$\frac{\text{Actual Pensionable Service}}{\text{Total prospective Pensionable Service to Normal Retirement Date}} \times \text{Pensionable Salary}$$

However, if you were admitted into the *Scheme* as a *Late Entrant* and die with less than 2 years *Pensionable Service*, after excluding any transferred service, the lump sum payable is a refund of your own contributions, plus interest.

The lump sum is paid tax free under current legislation.

Note: If you have paid AVCs these will be included in the value of the lump sum.

## Early Retirement

You may apply for early payment of your Deferred Pension at any time from age 55 onwards, provided you have accrued 5 years *Qualifying Service* (or if your *Qualifying Service* plus the time since you left active service is at least 5 years). If you draw your benefits before your *Normal Retirement Date* your pension will be revalued to the date of your actual retirement in line with the annual rise in inflation up to a maximum of 5% pa compound, or such other amount as prescribed by legislation. It will then be reduced as set out on page 17 to reflect the earlier payment date.

Once in payment your pension will continue to increase in line with inflation up to maximum of 2.5% pa in any one year (or such other amount as prescribed by legislation).

# Other Information

## Part-timers

If you work less than your *Employer's* standard weekly hours, it is necessary to convert your part-time working into a full-time equivalent before working out your pension benefits.

To do this it is first necessary to establish:

- Your weekly part-time contractual hours "Your Hours"
- Your *Employer's* standard weekly full-time hours "Standard Hours"

Your *Pensionable Service* and *Pensionable Salary* are then adjusted as follows:

***Pensionable Service (Adjusted):***

$$= \text{Your } \textit{Pensionable Service} \times \text{Your Hours} \div \text{Standard Hours}$$

***Pensionable Salary (Adjusted):***

$$= \text{Your } \textit{Pensionable Salary} \times \text{Standard Hours} \div \text{Your Hours}$$

In all other respects, your benefits are calculated in the same way as under the normal provisions of the *Scheme* but based upon your adjusted *Pensionable Service* and adjusted *Final Pensionable Salary*.

### ILLUSTRATION

Actual Hours Worked	21 per week
Standard Hours	35 per week
<i>Pensionable Salary</i>	£ 8,500pa
<i>Pensionable Service</i>	10 years
Adjusted <i>Pensionable Service</i> is worked out as follows:	10 years x 21 hours ÷ 35 hours = 6 years
Adjusted <i>Pensionable Salary</i> is worked out as follows:	£ 8,500 x 35 hours ÷ 21 hours = £ 14,167

Your contributions to the *Scheme* will be a percentage of your actual part-time *Pensionable Salary* and not adjusted *Pensionable Salary* as referred to above.

## Pension Sharing on Divorce

In December 2000 the Government introduced regulations which, in the event of divorce, allow the Courts to split or share pension rights between a member and his/her ex-spouse. This legislation also extends to Civil Partnerships. This will be applicable to a member if divorce proceedings commenced on or after 1 December 2000 and the Courts issue a Pension Sharing Order. Your ex-spouse/civil partner will receive a Pension Credit that equates to a proportion of the cash equivalent transfer value of your *Scheme* entitlement, which will be paid to a suitable pension arrangement of their choice. Your benefits will be reduced accordingly.

As there are other methods available by which the Courts may share the assets, including pension rights of divorcing couples, pension sharing may not necessarily apply to all divorce proceedings that commence on or after 1 December 2000. However if you believe that pension sharing applies to your personal circumstances or your legal adviser requests details of your pension rights you should bring the matter to the attention of the ITB Pension Funds' Office who will advise of the appropriate scale of charges relating to the provision of certain information.

## Benefit Statements

An Annual Benefit Statement is available to you. This shows details of your benefits earned, benefits on death and a projection of benefits if you continue in service to *Normal Retirement Date*. A separate AVC benefit statement will also be provided if you pay AVCs into one of the special AVC accounts set up with one of the *Scheme's* AVC providers.

Whether an Active Member or a Deferred Member you can produce your own up-to-date benefit statement on our pension modelling website 'MyITB': [www.myitb.com](http://www.myitb.com).

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## Trustees' Annual Report to Members

The *Trustees'* produce a report each year. This includes the audited accounts of the *Scheme*, Auditor's Report and Actuarial Statement which appears in full on the *Schemes'* website [www.itb-online.co.uk](http://www.itb-online.co.uk). Copies are also available from the Funds' Office.

## Maternity/Adoption Leave

If you are absent from work on Maternity Leave or Adoption Leave, membership of the *Scheme* continues on the following basis provided that you have given proper notice of your intention to return to work:

- your *Scheme* contributions will change at the time you go on Maternity Leave/Adoption Leave so that your contributions will be calculated as a percentage of the Maternity Pay/Adoption Pay you are actually receiving (if any in the case of Maternity Leave).
- if you pay AVCs these will cease at the time you go on Maternity Leave/Adoption Leave unless you tell us that you wish to continue making them.
- during your period of Ordinary Maternity Leave/Ordinary Adoption Leave you will continue in *Pensionable Service* (whether or not you receive Maternity Pay in the case of Maternity Leave). Your *Pensionable Service* may also continue during periods of paid Additional Maternity Leave/Additional Adoption Leave, providing you continue to pay contributions. However, if your Additional Maternity Leave/Additional Adoption Leave is unpaid there will be a break in your *Pensionable Service*. On returning to work you will resume the accrual of *Pensionable Service*, but you will not have the option to pay contributions for any period of unpaid leave.
- Should you die while on Maternity Leave or Adoption Leave, a lump sum death in service benefit would be paid as described on page 20.

## Other Family Leave

If you are absent during any period of Parental Leave or Paternity Leave for which you are paid by your Employer, membership of the *Scheme* continues on the following basis:

- Your *Scheme* contributions will change at the time you go on Parental, Paternity or other family leave when your contributions will be calculated as a percentage of the pay you actually receive during that absence.
- If you pay AVCs these will cease at the time you go on leave unless you tell us that you wish to continue making them.
- Should you die while on paid Paternity Leave a lump sum death benefit would be paid (as described on page 20).
- Should you die while on Parental Leave, a lump sum death benefit would be paid (as described on page 20) provided you continued to pay contributions to the *Scheme*.

## Temporary Absence (other than Family Leave)

### **Scheme Contributions:**

- will normally continue to be based on your *Pensionable Salary* prior to your temporary absence, or subsequent *Pensionable Salary* figure if it changes during your absence as advised to you by your *Employer*.

### **Lump Sum Death Benefits:**

- will continue based on your *Pensionable Salary* immediately prior to your temporary absence.

## Late Retirement

You may with the agreement of your *Employer* defer your retirement and continue in employment after your *Normal Retirement Date*. In these circumstances your pension will be calculated in the same way as at *Normal Retirement Date* (see page 13) but using your *Pensionable Service* and *Final Pensionable Salary* at the date you retire.

## Benefits are Non-assignable

Your *Scheme* benefits cannot be assigned to any other person or used as security for a loan. Any attempt to do so will result in loss of benefit.

## Trust Deed and Rules

This Member Booklet should be regarded as only a summarised general guide to the *Scheme*. It does not fully represent the detailed Rules of the *Scheme*. In the event of any discrepancy between this Booklet and the Trust Deed and Rules which formally govern the *Scheme*, the latter will prevail. (A copy of the Trust Deed and Rules is available from the ITB Pension Office Watford, or for inspection at your Personnel Department).

## Amendment and Termination

Although your *Employer* has every intention of continuing the *Scheme*, there can never be a guarantee to this effect.

An *Employer* has the right to opt out of participation in the *Scheme* at any time. In the event of this happening the *Employer* is required to give members written notice of its intention and must if required by the *Trustees* make good any deficit which exists at that time.

There is legislation in place aimed at providing safeguards should the *Scheme* be discontinued with insufficient assets to meet its obligations. In the event that this occurs, any shortfall (calculated on the basis set out in the legislation) would be a debt on the *Employers*. The assets of the *Scheme* are held separately from the *Employers* under the provisions of the Trust Deed and Rules.

## Internal Dispute Resolution

The Pensions Act 1995 (as amended by the Pensions Act 2004) requires that all pension schemes have a formal internal dispute resolution procedure in place allowing members, prospective members, beneficiaries and contingent beneficiaries an avenue for complaint.

It is hoped that Members and beneficiaries will always be pleased with the service provided by the ITB Pension Funds' Office and that no one has reason to complain. However, in the unlikely event that a complaint arises and a member of the Funds' staff fails to provide a satisfactory answer, then a copy of the formal Internal Disputes Resolution procedure is available upon request to: The Director, The ITB Pension Funds, 23 King Street, Watford, WD18 0BJ.

## The Pensions Advisory Service (TPAS)

The Pensions Advisory Service (TPAS) is an independent non-profit organisation that provides free information, advice and guidance on the whole spectrum of pensions covering State, occupational, personal and stakeholder schemes.

TPAS is commonly used by members and beneficiaries to help resolve a pensions query or any difficulty which they have failed to resolve with the trustees of their pension scheme, which may be before or during an official disputes procedure.

TPAS address is: 11 Belgrave Road, London SW1V 1RB;  
website: [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk), or telephone hotline: 0845 601 2923.

## The Pensions Ombudsman

If you are unable to resolve your dispute using the Internal Dispute Resolution procedure, and normally only after having sought the assistance of TPAS, an application can be made to the Pensions Ombudsman for adjudication.

The Pensions Ombudsman's role and powers have been decided by Parliament, and he is appointed by the Secretary of State for Work and Pensions. He is completely independent and is available to investigate and determine any complaints or disputes of fact or law in relation to an occupational pension scheme. He does not charge for his services.

The Pensions Ombudsman's decision is final and binding on all the parties to the complaint or dispute. It can be enforced in the Courts. His decision can only be changed by appealing to the appropriate court on a point of law.

The Pensions Ombudsman's address is also: 11 Belgrave Road, London, SW1V 1RB  
or website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

## The Pensions Regulator

The Pensions Regulator is the UK regulator of work-based pension schemes. Under the Pensions Act 2004, the Pensions Regulator's objectives are to protect the benefits of members, promote good administration and to reduce the risk of situations arising that may lead to claims for compensation from the Pension Protection Fund.

The address for the Pensions Regulator is Napier House, Trafalgar Place, Brighton BN1 4DW or website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

## Pension Tracing Service

If you think you may have an old pension, but are not sure of the details, the Pension Tracing Service can usually help by tracing it for you. The Pension Tracing Service (part of the Department for Work and Pensions) has access to a database of over 200,000 occupational and personal pension schemes and can be used, free of charge, to search for a scheme.

If you would like the Pension Tracing Service to trace a pension scheme for you visit their website which is part of the Pension Service website: [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk) or call 0845 6002 537 to trace a pension over the phone. Alternatively, you may write to them at: Pension Tracing Service, The Pension Service, Tyneview Park, Whitley Road, Newcastle upon Tyne, NE98 1BA

## HM Revenue & Customs Registration

The ITB Pension Funds is a Registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004. (HM Revenue & Customs Reference No. SF49/1669)



## Data Protection Act 1998

The *Trustees* record and hold data in connection with the provision of benefits under the *Scheme* rules.

In accordance with the requirements of the Data Protection Act 1998, the *Trustees* have been registered as Data Controllers for the ITB Pension Funds. The *Trustees* will ensure that anyone processing data on their behalf complies with the 1998 Act.

In completing the Application Form to join the *Scheme* you will consent to the processing of your personal data in line with the legitimate purposes of the *Scheme* and provision of any additional information the *Trustees* require from you.

You have the right of access to your relevant personal data records and in accordance with the terms of the 1998 Act this is currently subject to a nominal fee. If you wish to exercise this right at any time you should contact the ITB Pension Funds Office with your request.

Following your payment of the appropriate fee the Funds Office then has a forty day period to supply the relevant personal data.

## Independent Financial Advice

The ITB Pension Funds Trustees or the Funds' Office are not allowed to give you financial or investment advice about your pension benefits. So to get impartial financial advice you should contact an Independent Financial Adviser (IFA).

You can find a local IFA by calling 0800 0853250 or by visiting [www.unbiased.co.uk](http://www.unbiased.co.uk)

## The Lifetime Allowance (LTA)

Since 6 April 2006 pension schemes have no longer had to restrict the level of benefits paid to members. Instead the value of your benefits from all pension arrangements you belong to are measured against a new Lifetime Allowance (LTA) at the point that they come into payment. This will include your pension from the ITB Scheme including any AVCs, plus any personal pensions or any pensions you still have from previous employers' schemes. The State pension is excluded from the Lifetime Allowance calculations.

The LTA was initially set at £1.5m from the 2006/07 tax year, increasing annually to £1.8m from the 2010/11 tax year. However, as a result of a further change in legislation, the LTA will be reduced to £1.5m from 6 April 2012.

Pensions are valued in the following way for measurement against the Lifetime Allowance:

Pensions commencing after 5 April 2006	20 x Annual Pension
Lump Sums and Money Purchase Funds taken after 5 April 2006	Face Value
Pensions in Payment before 6 April 2006	25 x Annual Pension*

\*The higher factor is because under the HMRC regulations it is assumed that, in most cases, a tax-free lump sum will have been taken.

As the LTA has been set at a high level, very few people are likely to be affected by it. If your ITB benefits push you over the LTA, you will have to take the excess as a lump sum when you retire, which would be taxed at the rate of 55%. It is your responsibility to let the Funds' Office know of all your pension arrangements to help with the LTA calculation when you retire.

Please contact the Funds' Office for help with the Lifetime Allowance (LTA).

## The Annual Allowance (AA)

The Annual Allowance (AA) is the maximum tax-free increase in the value of your pension benefits that is allowed in the Pensions Input Period (PIP). The AA for the 2010/11 tax year was £255,000. Following a change in regulations the AA is reduced to £50,000 commencing April 2011.

If the AA is exceeded in any particular year, there is a stand-alone tax charge on you.

For members of pension schemes like the ITB Pension Funds, which are defined benefit schemes, the method of valuing benefits for annual allowance purposes, will from the 2011/12 tax year, be a fixed rate multiplier of 16 – as opposed to the previous multiplier of 10 – meaning that a £1,000 increase in annual pension benefit is now treated as being worth £16,000, instead of £10,000. Broadly speaking, annual increases in pension benefits are measured by comparing the value of the pension which would have been payable at the start, and end of the year of the Pensions Input period.

In the case of Money Purchase Contributions, they are taken at face value when, for example, they are paid by a Member/Employer into Additional Voluntary Contributions (AVCs) or Personal Pension Plans.

When you are a member of more than one pension arrangement, the calculations can become more complicated.

The Funds' Office will be providing active members with the amount of their Annual Allowance utilised for the Scheme Year on their benefit statements and also when they leave or retire from Pensionable Service. Similarly, if you pay AVCs to one or more of the ITB Funds' AVC arrangements, then the amount of your AVCs paid in the year will also be provided, as these will also form part of the AA.

### Pensions Input Period (PIP)

Every registered pension scheme has to have a PIP, which determines the time period used to measure the benefit accrued by a pension scheme member for tax purposes. The Trustees have determined that the PIP for the ITB Pension Fund will be 1 April to 31 March, in line with the Scheme year.



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# Application Form

## SIDE 1. To be completed by *Employee* (and returned to Personnel Department)

Title: Mr/Mrs/Miss/Ms/other: \_\_\_\_\_ Surname: \_\_\_\_\_

Forenames: \_\_\_\_\_ Sex: Male/Female\*

Date of Birth: \_\_\_\_\_ Birth Certificate/Passport attached? YES/NO\*

(Delete as Applicable – Must Be Original Copy)

Marital Status: \_\_\_\_\_ Marriage Certificate attached? YES/NO\*

(Delete as Applicable – Must Be Original Copy)

Address: \_\_\_\_\_

\_\_\_\_\_

Postcode: \_\_\_\_\_

Email: \_\_\_\_\_

(Your email address is not passed onto any third parties. It is required to setup your personal login to our 'MyITB' website – see Glossary for details on 'MyITB')

I hereby apply for membership of the *Scheme* and I declare that to the best of my knowledge and belief the particulars given by me are true. I agree to be bound in all respects by the *Scheme* Rules for the time being in force, and I agree to produce evidence of age as required and to the deduction of the appropriate contributions from my salary.

I recognise that the *Trustees* may process data, which relates to me during the course of my membership of the *Scheme* in order to carry out their functions as *Trustees* of the *Scheme*. I agree that the *Trustees* may record and hold such data and make it available to third parties in the ordinary course of those functions. I understand that the *Trustees* and any such third party will comply with the underlying principles of the Data Protection Act 1998.

Also are you applying to join more than 3 months after you first became eligible? YES/NO\*

(if "yes" you are a 'Late Entrant' Applicant – see below)

### Late Entrant joining outside the first 3 months of becoming eligible for membership

I acknowledge that, as I did not join within the first three months of becoming eligible that agreement to my becoming a member of the *Scheme* will be at the discretion of my *Employer* and the *Trustees*. If I become a member of the *Scheme* the lump sum death benefit will not become applicable to me until I have completed 2 years' *Pensionable Service*. Also, my membership of the *Scheme* will not commence until formal notification of acceptance of my membership has been provided to my *Employer* by the ITB Pension Funds' Office.

I have read and accept the terms outlined above.

Employee's Signature: \_\_\_\_\_

Date: \_\_\_\_\_

ONCE YOU HAVE COMPLETED YOUR SECTION ABOVE PLEASE PASS THE WHOLE FORM TO YOUR *EMPLOYER* FOR THEM TO COMPLETE SIDE 2 OVERLEAF.

# Application Form

## SIDE 2. To be completed by *Employer* (and returned to ITB Pensions Office, Watford)

Title: Mr/Mrs/Miss/Ms/other: \_\_\_\_\_ Surname: \_\_\_\_\_

Forenames: \_\_\_\_\_

Employed by: \_\_\_\_\_

at: \_\_\_\_\_

National Insurance No: \_\_\_\_\_

Pensionable Salary: \_\_\_\_\_ per annum

Part-time/Full-time employee? \_\_\_\_\_

If Part-time, show Full-time equivalent salary: £ \_\_\_\_\_ per annum

Contractual Hours per week: \_\_\_\_\_ Standard Hours per week: \_\_\_\_\_

Monthly Contributions: \_\_\_\_\_

Date Joined Company: \_\_\_\_\_

Date *Scheme* membership to start: \_\_\_\_\_

Is the applicant a 'Late Entrant' AND aged 40 or over? YES/NO\*

*If yes, please refer to [www.itb-online.co.uk](http://www.itb-online.co.uk) and the procedure for 'Joining the Scheme – Late Entrant aged 40 or over' – before submitting the application.*

A copy of the applicant's birth certificate or passport is attached (which must be certified as a true copy of the original and dated by the applicant's line manager or higher)

Nomination Form attached: YES/NO\*

Signed on behalf of Employer: \_\_\_\_\_

(Authorised Officer)

Print Name and Title: \_\_\_\_\_

Date: \_\_\_\_\_

\*Delete as appropriate

**Pension Office use only**  
**Received - Date Stamp**

**Input**  
**Checked**

## ITB PENSION FUNDS

# Nomination Form - Lump Sum Death Benefit

To be completed by **Employee/Member/Pensioner** (and returned to ITB Pension Funds Office, 23 King Street, Watford WD18 0BJ)

In the event of my death I should like the *Trustees* to consider paying any lump sum payable under the *Scheme* rules to the following:

Full Name	Address	Relationship to member	Share (Percentage)
1.			
2.			

(must total 100%)

In the event that he/she/they predecease me I should like the *Trustees* to consider paying any lump sum payable under the *Scheme* rules to the following:

Full Name	Address	Relationship to member	Share (Percentage)

(must total 100%)

I fully understand that my wishes are in no way binding on the *Trustees* and I may, at any time, revoke or revise this nomination by completing another Nomination Form. Moreover, if I join/joined the *Scheme* outside the 3 month eligibility period and have been accepted into membership as a 'Late Entrant' I acknowledge that a lump sum death benefit will not become applicable until I have completed 2 years *Pensionable Service*.

I give my consent for the *Trustees* of the *Scheme* to record and hold this data on my file until such a time as it is superceded.

If you wish to expand on why you wish the *Trustees* to consider payment of part or all of the lump sum benefit in a certain way you can provide details, in confidence, on the reverse of this form.

I also acknowledge that the *Trustees* may process data which relates to me during the course of my membership of the *Scheme* in order to carry out their functions as *Trustees* of the *Scheme*. I agree that the *Trustees* may record and hold such data and make it available to third parties in the ordinary course of those functions. I understand that the *Trustees* and any such third party will comply with the underlying principles of the Data Protection Act 1998.

Full Name ..... Signature .....

Private Address .....

Company ..... Date .....

**This form is invalid if not signed.**

Please return the completed form to the ITB Pension Funds Office, 23 King Street, Watford, Herts WD18 0BJ, for safekeeping. The *Trustees* will take note of your wishes when considering who should receive the lump sum, such as relatives, dependants and others.

Continue overleaf if required

The ITB Pension Funds

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**Nominees continued.**

Full Name	Address	Relationship to member	Share (Percentage)
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NOMINATION  
FORM

(must total 100%)



## **Active Member**

A member of the *Scheme* who is employed by a participating *Employer* and who is currently building-up service within the *Scheme*, whilst paying member contributions.

## **AVCs**

Additional Voluntary Contributions. These are additional contributions that you can make to the *Scheme's* AVC arrangements.

## **Deferred Member**

Also known as a Deferred Pensioner or Preserved Pensioner/Member. A member of the *Scheme* who previously built-up service in the *Scheme* and who either after leaving service with their *Employer* or opting-out of the *Scheme* was granted a Deferred Pension. A *Deferred Member* cannot continue to contribute to the *Scheme*.

## **Employer**

An Industrial Training Board, or a Successor Body to an Industrial Training Board that participates in and sponsors the *Scheme*.

## **Final Pensionable Salary**

Is the salary on which your benefits are calculated. It is:

- your average *Pensionable Salary* in 6 consecutive years ending on *Normal Retirement Date*, or date of exit if earlier.  
(Where *Pensionable Service* is less than 6 consecutive years then *Final Pensionable Salary* will be the average of your *Pensionable Salary* over your actual period of service).

## **Late Entrant**

An employee who does not join the *Scheme* within the first 3 months of becoming eligible.

## **LEL and UEL**

The Lower Earnings Limit and Upper Earnings Limit. These amounts are determined by Government each year with effect from 6th April for the purpose of National Insurance contributions and the calculation of *S2P* benefit. The *LEL* and *UEL* for the tax year beginning 6 April 2009 are £4,940 pa (£412 per month) and £43,888 pa (£3658 per month).

## **MyITB – [www.myitb.com](http://www.myitb.com)**

'MyITB' is the interactive, pension modelling website for members of the ITB Pension Funds. The site is protected by a secure login system and allows members to project their pension and cash lump sum at retirement, produce online benefit statements and advise of changes to their personal details.

## **Normal Entrant**

Any member who joined the *Scheme* within the first 3 months of becoming eligible (i.e. any member who is **not a Late Entrant**)

## **Normal Retirement Date**

The last day of the month in which you attain age 65.

## **Pensionable Salary**

Is the salary on which you pay contributions and is your annual rate of salary or wage, excluding overtime and any other fluctuating payments.

## **Pensionable Service**

Years and complete days of service you complete whilst a member of the *Scheme*, and making contributions.

## **Qualifying Service**

Establishes qualification for certain benefits from the *Scheme*.

## **Scheme**

The 2007 Section of the ITB Pension Funds (Open Fund) for New Benefit members.

## **S2P**

The State Second Pension (*S2P*) is the second tier of the State pension. Prior to 6 April 2002 it was known as SERPS (State Earnings Related Pension Scheme). Whilst you are an *Active Member* of the *Scheme* you are contracted-out of *S2P*. (See also *LEL* & *UEL*).

## **Trustees**

Details of the current *Trustees* and the way they are nominated are advised to members in the *Trustees' Report* made available to members and pensioners on an annual basis.

The *Trustees Report* is available on the Funds' website [www.itb-online.co.uk](http://www.itb-online.co.uk).

**Further financial terminology together with definitions appear in the 'Glossary' on the Schemes website [www.itb-online.co.uk](http://www.itb-online.co.uk).**

**Visit us on the web**  
**'ITB-Online': [www.itb-online.co.uk](http://www.itb-online.co.uk)**  
**'MyITB': [www.myitb.com](http://www.myitb.com)**

**1 February 2012**