



Northern Ireland Assembly

Assembly Members' Pension Scheme (NI) 2008 Notice of Amendment

ISSUE 1

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"This is an important change and will have financial implications for you. Please read this notice carefully".

1. Important change to the pension accrual

This is an important change and will have financial implications for you. Please read this leaflet carefully.

Background

On 30 June 2008, the Northern Ireland Assembly resolved to give the Assembly Commission the power to make changes to the Assembly Members' Pension Scheme (AMPS).

The Commission exercised this power on 2 April 2009, accepting the Pension Trustees recommendation to make an important change to the pension accrual rate.

What is the pension accrual rate?

The pension accrual rate is the rate at which you build up pension benefits. Members of the AMPS build up pension benefits at a rate of 1/50th of final salary for each year of service in the Scheme. Members currently contribute 6% of their pay, before tax, towards their pension. Based on current MLA salary (£43,101 per annum) this equates to £215 per month, £2,586 per annum. The consolidated fund contributes the balance of the cost.

What has changed?

At their meeting on 2 April 2009 the Assembly Commission has amended the Scheme by increasing the accrual rate to 1/40th of final salary for each year of service, with effect from the 1 April 2009. This will not affect the value of the pension you have already built up in the scheme, but from 1 April 2009 you will build up pension benefits more quickly.

However this will result in members contributing at a higher rate towards their pension. As from 1 April 2009 members will contribute at a rate of 11.5% of their pay, before tax, towards their pension. Based on current MLA salary (£43,101 per annum) members personal contribution will be equivalent to £413 per month, £4,956 per annum. The consolidated fund will continue to contribute the balance of the cost.

2. What happens next?

Although the change is effective from 1 April 2009 members do have a number of options to consider.

All members will automatically move to the higher pension accrual rate (and personal contribution rate) with effect from 1 April 2009. However this will not be actioned until May salaries, with arrears i.e. additional 5.5%, being deducted for April.

Do I have a choice?

“Before making a decision about your pension preference, you might want to consider taking independent financial advice”.

Members do however have the choice to “opt-out” of the new arrangement. Should you decide to “opt out” it will result in your contribution rate remaining at the current 6% and your accrual rate remaining at 1/50th of final salary for each year of service in the Scheme. **However you must inform the Assembly’s Pensions Section by Monday 11th May if you wish to opt out, and do not wish to have the increased personal contribution deducted from your May salary.**

You do however have a further period of time to consider your options. Should you decide to “opt out” within 3 months i.e. by 1 August 2009, any additional contributions deducted from your salary from 1 April 2009 will be refunded.

Should you decide after 1 August 2009 to “opt out”, your contribution will be reduced with immediate effect, but we will not be able to refund the additional contributions you have made from 1 April 2009.

Should you decide to “opt out” of the new arrangement you should complete the attached opt-out form provided with this guidance.

3. What difference will this make to my pension?

The value of your pension at retirement is dependent on a number of factors but we have given you a simple example of how the different accrual rates work in practice:

Example 1

A Member elected in March 2007 joined the pension scheme from this date and moves to the higher accrual rate on 1 April 2009. The Member is re-elected for a further two mandates (2011 – 15 & 2015 - 19) and chooses to leave the Assembly in 2019. For the purpose of the example we assume that final pensionable salary is £43,101. Pension is calculated as accrual rate x service x salary.

Accrual Rate	Service	Final Salary	Pension (per annum)	Member contributions
1/50 th	2 years (March 2007 – March 2009)	£43,101	£1,724	£5,172 (6% x £43,101 x 2 years)
1/40 th	10 years (April 2009 – March 2019)	£43,101	£10,775	£49,566 (11.5% x £43,101 x 10 years)
Total	12 years	£43,101	£12,499	£54,738

Example 2

If the Member in example 1 decided to remain at the lower accrual rate the calculation would be as follows:

Accrual Rate	Service	Final Salary	Pension (per annum)	Member contributions
1/50 th	12 years (March 2007 – March 2019)	£43,101	£10,344	£31,032 (6% x £43,101 x 12 years)
Total	12 years	£43,101	£10,344	£31,032

In both cases a lump sum is available by giving up some of your pension.

4. How will I be affected?

Can I receive advice?

The Assembly Pension Section cannot advise you which option is better for you. Before making a decision about your pension preference, you should consider taking independent financial advice.

I'm an Office Holder, will this affect me?

If you are an office holder you also currently contribute 6% of your office holders' salary towards your pension. When you retire your pension will consist of two elements – the first in respect of your members' service and the second in respect of your office holders' service. If you choose to remain at the higher accrual rate, you will pay increased contributions on **both** your member's and office holder's salary.

I contribute to the AVC scheme, will I be affected?

You will automatically default to the higher accrual rate from 1 April 2009. The amount you contribute to AVC's will not be affected by the accrual rate change. However, as you are already contributing an additional proportion of your salary each month you may wish to consult a financial adviser to assist you in making the most appropriate decision for you.

"Read this leaflet carefully, consider taking independent financial advice".

5. Summary

- The pension accrual rate is changing to 1/40ths from 1 April 2009.
- As a result Members' personal contributions will increase from 6% to 11.5% of pay from 1 April 2009.
- This is an automatic change but you do not have to stay at the higher rate, you can revert to the lower accrual rate and contribution rate of 6%.

What do I need to do now?

- Read this leaflet carefully.
- Consider taking independent financial advice.
- If you wish to revert to the lower accrual rate of 1/50ths, paying 6% contributions, you should complete the 'opt-out' form and return it to the Pensions Section before 11 May 2009 and ultimately 1 August 2009.

Contact Us

If you require further information or clarification please contact us:

Louise Anderson Tel: 9052 5558
Louise.Anderson@niassembly.gov.uk
Harry Clarke Tel: 9052 4778
Harry.Clarke@niassembly.gov.uk

Pensions Section

Assembly Personnel Office
Annexe C, Dundonald House
Belfast
BT4 3SF

Please note that the Pensions Section is prevented by the Financial Services Act from giving financial advice. If you require financial advice you should consult an independent financial adviser.