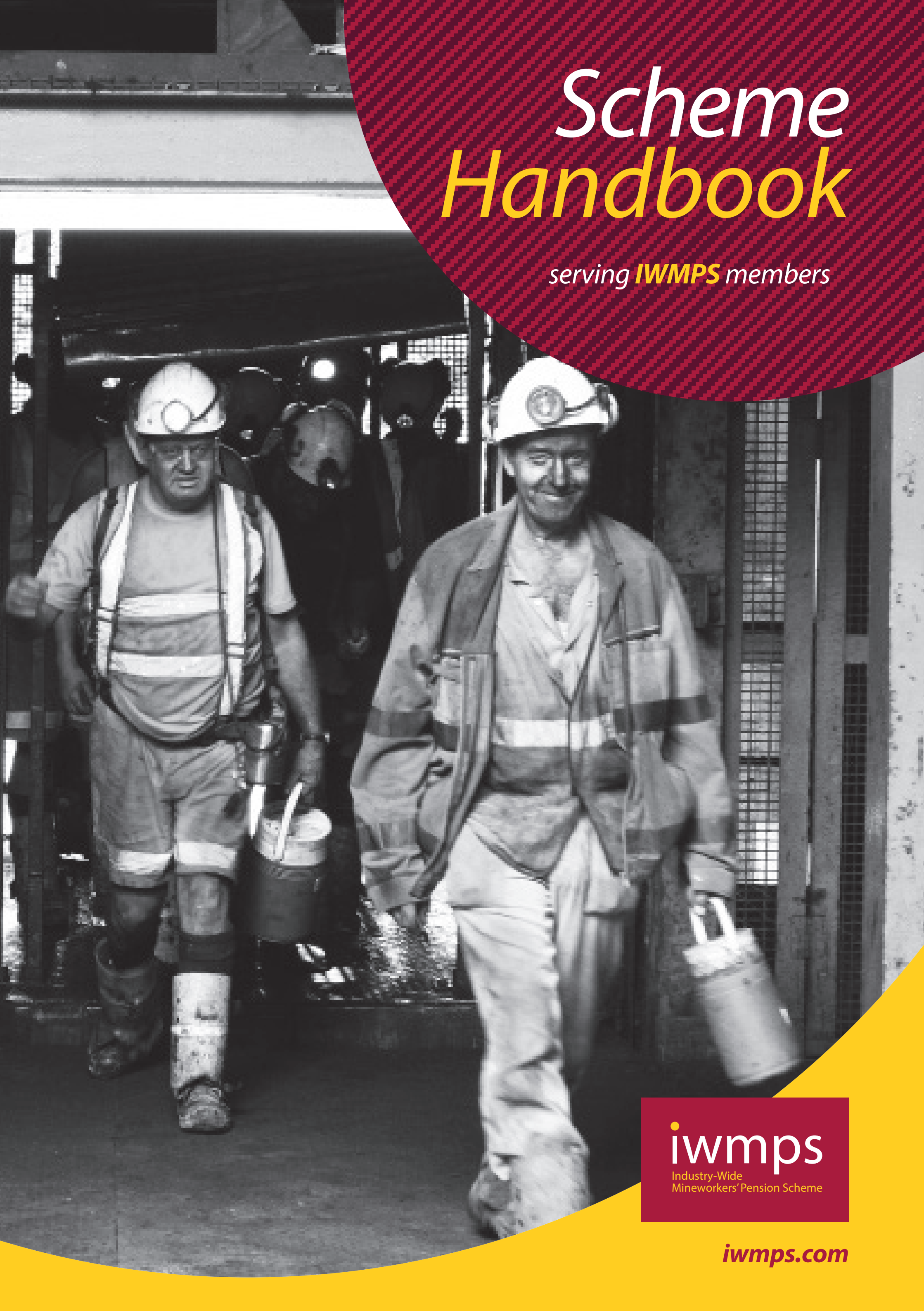
Scheme Handbook

*serving **IWMPS** members*



iwmps
Industry-Wide Mineworkers' Pension Scheme

iwmps.com

Contents

About the IWMPS	04
The Trustee	06
Key Features of the IWMPS	07
Membership of the iwmps	08
Contributions to the Scheme	10
Additional Voluntary Contributions	12
How is my pension calculated?	15
Flexible Retirement	17
Leaving the Scheme	19
Ill Health Retirement from Contributing Service	22
How to claim your iwmps pension	24
Once your pension is in payment	25
The IWMPS and State pensions	26
Transfers in to the Scheme	27
Transferring your IWMPS Benefits	30
Benefits on Death	33
Pensions Taxation	38
Pensions on Divorce	48
Scheme's Dispute Procedure	56
Useful Contact Information	58
Scheme Management	60

IWMPS
Introduction

This Handbook provides an overview of the Industry-wide Mineworkers' Pension Scheme (IWMPS/ the Scheme) as well as providing a summary of the main features. It replaces any earlier factsheets in respect of the Scheme.

This Handbook is intended only as a guide to the benefits and options available under the IWMPS Trust Deed & Rules. It is subject to amendment in the future in the light of changes to the Trust Deed & Rules and legislative and regulatory changes.

The Trust Deed & Rules of the Scheme set out its full provisions and override the terms of this Handbook in the event of any inconsistency. A copy of the Trust Deed & Rules is available from the Scheme's website or by contacting the Secretary.

This Handbook was produced in February 2022.

About the IWMPS

The Scheme provides retirement and death benefits for coal industry employees transferred to new employment as a consequence of the de-nationalisation of British Coal. It was established on 29 December 1994 under the Industry-Wide Mineworkers' Pension Scheme Regulations 1994, which created the Trust Deed and Rules. The Coal Industry Act 1994 and The Coal Industry (Protected Persons) Pensions Regulations 1994 set out the duties on employers and rights of members in this respect. The Scheme is a Registered Pension Scheme in accordance with Chapter 2, Part 4 of the Finance Act 2004. The Scheme is generally exempt from taxation on investment income and capital gains.

In accordance with the provisions of the Pensions Act 2014, the Scheme ceased to be contracted-out of any additional state pension from 6 April 2016. The Scheme was exempted from changes in rates to reflect the higher employer National Insurance rates under Section 24 (4) (a) of the Act and accompanying Regulations. Prior to 6 April 2016, the Scheme was a contracted-out scheme for the purposes of Part III of the Pension Schemes Act 1993, and a contracting-out certificate was issued to each participating employer by HMRC to cover the employment of members of the Scheme. This meant that members paid reduced rate National Insurance contributions whilst contracted-out. The Scheme was closed to new entrants from 1 April 2019. This was to ensure that the IWMPS remained exempt from Regulatory Authorisation as a Master Trust under the Occupational Pension Schemes (Master Trusts) Regulations 2018.

The assets of the Scheme are held separately from those of the participating employers and are controlled by the Committee of Management. The costs of administration and management are met by the Scheme, except where specified differently by a Schedule of Contributions. The Trust Deed and Rules require a separate Employer Section to be established for each employer or group of associated employers since the benefits payable in respect of the members of each Employer Section are to be funded solely by the contributions paid by and in respect of those members (plus investment returns). Several pooled funds have been established for investment management purposes. Each operates on a unitised basis so that the value attributable to each Employer Section is readily ascertainable by reference to the number of units held in each pooled fund. The contributions remitted to the Scheme by employers are invested each month after making deductions to meet benefit payments due, life insurance premiums and the Scheme's running costs in the following month. Investments are made in the relevant pooled fund(s) in accordance with the asset allocation policy for each Employer Section. The money invested buys units in each pooled fund at the prevailing unit rate as determined by the market value for that fund.

The legal documentation governing the operation of the IWMPS is the Trust Deed & Rules of the Scheme. The establishment of the Scheme and protection for members transferring from their former employment is covered in Schedule 5 of the Coal Industry Act 1994 and a set of Regulations made under that Act.

In common with most company pension schemes the IWMPS is established as a trust under which the assets of the Scheme are held separately from those of the sponsoring employers. The management of the Scheme is the responsibility of its trustee board, the Committee of Management, who are required to manage the Scheme in accordance with its Deed and Rules.

The Trustee

The Trustee of the Scheme is Industry-Wide Mineworkers' Pension Scheme Trustees Limited (the Trustee Company). The Articles of Association of the Trustee Company provide for the appointment of six directors. The directors form the Scheme's Committee of Management. Subject to the "Member-Nominated Director" requirements under legislation, three of the directors are appointed on behalf of the participating employers by the Industry-Wide Mineworkers' Pension Scheme Co-ordinator Limited and three are appointed currently by trade unions.

The powers of the Committee are conferred by the Memorandum and Articles of Association of the Trustee Company and by the Trust Deed and Rules of the Scheme.

Key Features of the IWMPS

Summary of key IWMPS benefits:

- A pension for members of 1/60th of earnings near to the date of leaving Scheme service per year of Contributing Service;
- The option for members to exchange part of their pension for a tax-free cash sum;
- A normal retirement age of 60;
- The option to take benefits from age 50, reduced to reflect the cost of early payment. Members who retire immediately on leaving their employment at age 59 or over, their benefits will not be reduced.
- For active members, subject to employer agreement, the option to take benefits from age 55, reduced to reflect the cost of early payment whilst remaining in Eligible Employment - i.e. members can continue working and take their IWMPS benefits. This is known as flexible retirement and requires accrual to cease;
- The option to continue to accrue benefits after age 60 for members who remain in Eligible Employment if they continue to pay contributions;
- Annual increases to pensions in payment. Subject to affordability of each employer section, pensions in payment will increase by the rise in the Retail Prices Index. Deferred pensions will increase annually in accordance with statutory minimum increases;
- The option for contributing members to increase their benefits by paying Additional Voluntary Contributions in to a separate money purchase arrangement and take advantage of increased pension flexibilities;
- Members in Contributing Service who have to leave work through ill health or an accident may be able to take their pension from the date of leaving without reduction;
- A pension on the death of a member for their spouse or civil partner, plus a cash sum may also be payable. The Trustee can award a pension to a person who was financially dependent on the member at the date of death if there is no spouse or civil partner.

Membership of the IWMPS

Who can join the IWMPS?

The IWMPS closed to new members from 1 April 2019.

There is provision within the Trust Deed & Rules to allow existing pensioners to re-join the Scheme. This provision is retained by the Trustee mainly to enable employer sections to continue to have a statutory employer in the event of corporate activity and restructures affecting sponsor employers. An employer wishing to obtain further information about this should contact the Secretary.

Prior to this, membership of the Scheme was available to:

1. Employees who were transferred to new employment as a consequence of the privatisation of British Coal or a subsidiary company of British Coal and were contributing to the Mineworkers' Pension Scheme (MPS) at the date of transfer;
2. Former members of the Industry-Wide Coal Staff Superannuation Scheme (IWCSSS) who were transferred employees and became eligible to join the IWMPS on being downgraded;
3. Former contributors to the MPS, the IWCSSS or the IWMPS who do not fall within either of the first two categories provided their employer already had employees in the Scheme.

Employees in categories one and two above have **Protected Person Status** which gives them automatic right to be members of the IWMPS. Employees in category three do not have **Protected Person Status** and have no automatic right to be members of the IWMPS. This category required employer consent to join the IWMPS.

What is Protected Person Status?

Protected Person Status means that you have a statutory right to remain a member of the IWMPS and that your employer is obliged to participate in the Scheme. These rights are set out in The Coal Industry (Protected Persons) Pensions Regulations 1994.

The protection remains for as long as your **Eligible Employment** remains continuous. This includes in the event of a transfer of employment to a new employer as a result of a company merger, take-over or reconstruction (as long as there is continuity of employment). The implications of a transfer of employment are covered later in the Handbook.

Unless members choose to surrender the rights, they have an absolute entitlement to future service benefits in the IWMPS and their new employer is required to join the Scheme. Additionally, an employer cannot discontinue its participation in the IWMPS (other than on being liquidated) whilst there are current or former employees who are members of the Scheme and have protected rights.

Contributions to the Scheme

Member Contributions

Member contributions to the Scheme are 5.25% of your Earnings.

Earnings are broadly a member's total weekly pay including overtime payments, any bonuses, special payments etc.

If you participate in a 'salary sacrifice' arrangement operated by your employer, member contributions will be paid by your employer in accordance with the terms of your salary sacrifice arrangement.

Employer contributions

Employers pay the balance of contributions assessed as needed to meet the full cost of benefits. The rate payable by employers is different for each employer section and is agreed after each actuarial valuation and for all employers is substantially more than the rate paid by members. In addition, an employer may have to pay deficit contributions to eliminate a valuation deficit if an actuarial valuation shows the employer sub-fund has insufficient assets to cover the sub-fund's benefit liabilities at the date of the valuation. Employers are also required to pay the running costs of the Scheme.

What about National Insurance Contributions?

From 6 April 2016, you and your employer are required to pay the standard rate of National Insurance contributions. Until 5 April 2016, the IWMPS was contracted out of the State Scheme arrangements. This meant that both you and your employer paid the reduced contracted-out rate of National Insurance contributions and as a result, you will not have built-up any entitlement to a pension from the State Second Pension (S2P) or its predecessor, the State Earnings Related Pension Scheme (SERPS), in respect of your employment connected to the IWMPS.

For your contracted-out service in the IWMPS up to 5 April 1997 the Scheme must ensure that your benefits are not less than a specified minimum amount, known as the Guaranteed Minimum Pension (GMP). This is broadly equivalent to the SERPS benefit to which you would have been entitled had you not been contracted out. For contracted out service after April 1997 there is no specified minimum amount payable, but the IWMPS satisfies a statutory benefits reference test that ensures the Scheme's benefit provisions are at least as good as the S2P provisions. For most members IWMPS benefits will exceed those that would have been payable from S2P or SERPS.

Membership of the IWMPS does not affect entitlement to the State basic pension.

Employer contributions

The Scheme's **AVC arrangement** allows contributing members to make voluntary additional contributions in to a choice of investment funds managed by Aviva on behalf of the IWMPS Trustee.

AVCs are separate from the main Scheme assets and are fully segregated with each member having their own investment account and control over how they invest their contributions.

More information about the AVC arrangement can be found on page 12.

Additional Voluntary Contributions

Paying Additional Voluntary Contributions (AVCs) is, for most people, a tax efficient way of saving more for your retirement by building your own fund to top up your IWMPS benefits. Tax relief at your highest marginal rate will be added to your contributions, and investment returns are largely tax free. Pension freedoms introduced in April 2015 provide increased flexibility on how you use your AVC fund. This is covered below.

Employer contributions

Your normal contributions to the IWMPS are 5.25% of Earnings; with the contributions paid by your employer these go towards the cost of paying your IWMPS benefits – broadly 1/60th of your earnings on leaving employment per year of IWMPS service. If the IWMPS doesn't have enough money to pay those benefits, then the employer has to make up the shortfall.

AVCs work differently. There is no promised amount of benefit and there are no employer contributions. The AVC scheme operates on a 'money purchase' basis like personal pension plans. It's probably easiest to think of it as a savings scheme. You choose the amount you invest and you can stop making payments or change the amount you pay at any time.

The AVC scheme is separate from the main scheme, it is managed by Aviva on behalf of the IWMPS Trustee.

Where are my AVCs invested?

If you decide to pay AVCs they won't be invested with your normal IWMPS contributions. You will be able to choose where to invest them from some (though not all) of the very wide range of AVC funds managed by Aviva. Your AVCs will buy 'units' in the fund you choose to invest in – effectively giving you a fund of your own. The value of your AVC fund when you retire will depend on how much you have paid in and the investment returns your contributions have earned.

Your choice of fund or funds (you can invest in more than one) is likely to be determined to a large extent by the amount of investment risk you are prepared to take. Some operate on a similar basis to a conventional savings account in a bank or building society where you can't lose any of the money you pay in but where the investment return (i.e. the rate of interest) is likely to be very modest. Other funds invest with a higher level of risk e.g. in company shares (equities) where there is the potential for good long-term growth but where returns are likely to vary sharply over time and there is no guarantee that you will get all your money back. The With-Profits

Fund gives the prospect of a greater return than some funds but with less risk than direct exposure to equities by awarding guaranteed annual bonuses.

Information available from Aviva will tell you about all the funds, including a risk assessment.

Charges

Aviva will deduct an annual administration charge from your fund. The level of current charges applied to each fund can be found on the Aviva website.

What happens when I retire?

Currently, the Trustee's policy is that you can only access your AVC funds at the same time as you take your Scheme benefits.

Your AVC policy gives you additional choices. You can take your AVC funds as part of your pension commencement lump sum permitted under the Scheme, subject to HMRC limits. Further details of the cash available are set out below. In addition, you will receive information from Aviva about the options available to you for your AVC policy.

Alternatively, you may:

- Purchase an annuity with Aviva – the choices about the type of annuity will be provided prior to your retirement by Aviva,
- Purchase an annuity with another provider – this is called the 'Open Market Option',
- Subject to HMRC requirements, take your AVC fund as a one-off cash sum some of which (usually 25%) will be tax-free under current legislation, or
- Transfer your AVC arrangement outside the Scheme and use it for benefits from one or more other pension providers. You can transfer your AVC fund at any time, right up to retirement. Different pension providers will offer different options

for what you can do with your AVC benefits, including the option to buy an income for life (an annuity), or designating your fund to use for flexi-access drawdown or using it for multiple smaller cash sums, meaning you can keep your fund invested and dip into it as and when you like. The drawdown and multiple lump sum options are not available from the IWMPS Aviva AVC arrangement.

It is important to note that these different options have different features, charges and rates of payment. Additionally, there may be tax implications depending on what you choose to do with your AVC fund both in terms of the level of Income Tax payable and tax-relief available on future pension savings.

Please note that the value of your AVC fund may go down as well as up prior to your retirement and this will affect the value of the benefits your AVC fund provides.

What do I do next?

Having considered the above, if you think you might be interested in paying AVCs please consider taking independent financial advice to help make a decision about whether you should be saving more for retirement, whether paying AVCs is the best way to do that and, if so, how much to pay and which fund or funds to invest in.

Should you decide to proceed, please contact the IWMPS administrators in the first instance. You will need to complete an application form from Aviva and speak with your payroll office to discuss deduction from your pay.

How is my pension calculated?

Your IWMPS pension is a proportion of your Pensionable Earnings depending on the length of your Contributing Service. The proportion is 1/60th of Pensionable Earnings per year of Contributing Service.

Contributing Service is your total IWMPS service, including transferred-in service, up to a maximum of 40 years.

Pensionable Earnings is the weekly average of your best three consecutive years' earnings out of the last 13 tax years (i.e. each year ending 5 April). Earnings for the tax year in which you leave Contributing Service will also be taken into account if this gives the highest three years average, even if this is not a full year. Earnings may receive an adjustment for inflation before the three yearly averages are calculated.

Earnings are your total weekly pay including any overtime, bonuses, special payments etc.

Example

If you leave Contributing Service with Pensionable Earnings of £20,000 and with 15 years of Contributing Service your pension would be:

1/60 x £20,000 x 15 years
= £5,000 a year

This is the way your pension is calculated when you leave Contributing Service. If you leave at age 60 or over the pension is payable immediately. If you leave before age 60 the pension is retained in the Scheme as a deferred pension, or can be converted into a cash equivalent for transfer to another pension plan (however you should consider carefully and would be required to take advice before doing this).

There is more information about leaving Contributing Service later in this booklet.

If you were paying Additional Voluntary Contributions (AVCs) these would stop when you left Contributing Service. Benefits from your AVC fund would be paid when your IWMPS pension started. There is more information about AVCs on page 15.

Can I exchange Pension for Cash at Retirement?

When you take your pension you will have the option to exchange part of it for a cash sum which, under current tax law, is not subject to income tax. For every £1 of annual pension that you give up you will receive a cash sum of £9. This "commutation rate" is fixed in the IWMPS Rules. The maximum amount of pension you can exchange in this way in accordance with current tax law works out under the IWMPS Rules at approximately 3.82 x your pension.

Example

If your pension at retirement was £5,000 you would have the option to take a cash sum of any value of your choosing up to a maximum of £5,000 x 3.82 = £19,100.

If you took the maximum cash sum your pension would be reduced by £19,100/9 = £2,122. The pension payable would therefore be £5,000 - £2,122 = £2,878.

Is the Cash Commutation Rate Good Value?

Making the choice about your retirement must obviously be your personal decision based on your requirements during retirement. You should be aware that the lump sum option exchange rate is fixed in the Scheme Rules and it is not reviewed to take account of market conditions, interest rates or life expectancy.

Under present financial conditions, if you are considering taking a lump sum you should bear in mind that it is unlikely to represent value for money as an exchange of pension for cash.

You should also consider if exchanging pension for lump sum is in your best financial interests, or those of your dependants. You should think carefully about your long-term financial needs and those of your family – especially as you may be drawing a pension for decades to come. We strongly encourage you to take financial advice before deciding whether to take cash from the Scheme in lieu of pension income.

Please note that your decisions once made cannot be changed.

You can choose any amount of cash up to the maximum allowed.

Future pension increases and Dependant's pension will be based on the amount of annual pension taken after deducting the value of any cash sum.

Flexible Retirement

Taking your IWMPS pension without leaving employment

Flexible Retirement is available for active members who currently contribute to the Scheme.

As long as the company you work for agrees, you have the option of taking your pension without leaving the company's employment. The earliest age for taking pension without leaving the company's employment is currently 55.

Key features:

- Subject to obtaining the agreement of your employer you can take the option at any time after attaining age 55;
- Pension taken at or after age 60 will be your full earned pension at the date taken;
- Pension taken before age 60 will be your earned pension at the date taken reduced to reflect the cost of early payment. Please note that pension does not revert to the unreduced amount at age 60, the reduction applies for life. The amount of the reduction is based on the age you take your pension;
- You can exchange a proportion of your annual pension for a tax-free cash sum on the normal Scheme basis;
- Your membership of the Scheme as a contributing member will cease from the day before your pension starts, you will not accrue further benefits in the IWMPS in respect of your period of employment after that date;
- Your right to apply for an ill health retirement pension will cease;
- The Scheme's provision for paying a death in service cash sum will cease from the day before your pension starts. The benefits payable on death will be those applicable to pensioners;
- The protection you have under the Coal Industry (Protected Persons) Pensions Regulations 1994 will continue in respect of your employment up to the date you take your pension, but will not apply to employment after that date.

Think carefully...

You need to think carefully about the implications of taking this option, particularly if you are under age 60, and you should consider taking independent financial advice. Once you have started to draw your pension you will not be able to change your mind. Your pension will be taxable.

Also, your IWMPS pension when you do leave work will be less than it would be if you did not take this option since it will have been reduced for early payment and no further benefits will have been earned in the IWMPS. To match the benefits you would earn in the IWMPS would require you to pay contributions into another pension plan.

You will also be giving up death in service benefits, unless you arrange insurance cover as a replacement for your spouse or civil partner / dependants.

Working beyond age 60

The normal retirement age in the IWMPS is age 60. However, the following three options are available to you if you continue in your current employment after age 60:

Option 1 – you can take your pension as explained above;

Option 2 – you can continue to contribute to the Scheme to build up more benefits;

Option 3 – you can stop paying contributions but leave your pension in the Scheme.

Under option 2 you can continue paying contributions to the IWMPS to build up additional benefits in the Scheme (your employer will also pay its contributions whilst you remain a contributor). When you take your pension it will be calculated as normal, but will include your contributing service after age 60. You will continue to qualify for death in service benefits whilst you remain a contributor. Your pension will be paid when you leave employment or from an earlier date of your choosing if you decide you want to take your pension before you stop working. Taking this option does not require the agreement of your employer.

Under option 3 you can stop paying contributions but leave your benefits in the IWMPS. Your benefits will be calculated at age 60 and will be paid when you leave employment, or at age 65 if sooner. In addition to any normal pension increases, if your retirement is deferred by at least one complete year after age 60, a late retirement addition will be added to your pension when it starts. You will continue to qualify for death in service benefits during this period. Taking this option does not require the agreement of your employer.

The IWMPS administration office will write to you about these options, and your option to retire from work with an immediate pension, a few months before your 60th birthday.

Leaving the Scheme

You will be a deferred pensioner if you cease to be a contributor to the IWMPS because you leave employment before reaching age 59 or choose to opt out of the Scheme before reaching the Scheme's Normal Retirement Age (NRA) of 60.

There are three options available to you on leaving Contributing Service and during the period you are a deferred pensioner:

- leave your benefits in the Scheme until you reach age 60;
- take your benefits before age 60 with a reduction for early payment;
- transfer your benefits to another pension arrangement.

Keeping your benefits in the Scheme

If you choose to leave your benefits in the Scheme, you will have a deferred pension held in the Scheme until you retire.

Deferred benefits are calculated in the same way as normal retirement benefits, based on 1/60th of your Pensionable Earnings per year of Contributing Service at the date you left service.

Will my Deferred Pension Increase?

Your deferred pension is increased each year in accordance with statutory requirements.

If you were a contributing member of the IWMPS before April 1997 then you will have an entitlement to a Guaranteed Minimum Pension (GMP). The GMP part of your IWMPS pension will increase each year in line with the increase in national average earnings.

The remainder of your pension (or all of it if you have no GMP entitlement) will increase annually in line with increases in the Index of Consumer Prices up to a maximum of 5% a year for Contributing Service up to 5 April 2009 and up to a maximum of 2.5% a year for Contributing Service from 6 April 2009.

If you have a deferred pension as a consequence of being made redundant age 50 or over, your deferred pension might increase by more than this – up to the annual increase in the Index of Retail Prices if certified as affordable in your former employer section of the IWMPS by the Scheme Actuary.

You can ask for an update on the value of your deferred benefits at any time by contacting the administration office.

The Scheme's administrators will write to you at least three months before Normal Retirement Age with your benefit options.

If you choose to leave your benefits in the Scheme, you can change your mind later and apply for early payment of your pension or consider a transfer-out of the Scheme.

Taking your pension before age 60

You can take your pension at any time after age 50 with a reduction to reflect the cost of early payment.

The benefits payable are based on your pension at date of leaving Contributing Service, revalued to date of retirement and then reduced to account for the period of early payment.

Please note that if you take your pension early the reduction for early payment is for life i.e. your pension does not increase to its full level on reaching age 60.

Current Early Retirement Factors

The factors below are the current early retirement factors for illustration only. However, these factors are subject to change and are provided as a guide based on whole years. The factors used will be based on a member's age at the date of retirement in complete years and whole months.

Years Early	Factor
1	0.948
3	0.854
5	0.773
10	0.611

Example

If a member decides to retire early at the age of 50 years – an early retirement factor would be applied to the revalued pension as at the date of retirement. Currently the early retirement factor for a member retiring at age 50 is 0.611.

Member's pension at retirement: revalued pension x 0.611. So, if the unreduced pension at date of retirement was £112.00 pw, the reduced pension would be £112.00 x 0.611 = £68.43 pw.

Additional voluntary contributions

If you were paying Additional Voluntary Contributions (AVCs) these will cease when you leave Contributing Service. Your AVC fund will become a deferred fund until your main Scheme benefits become payable or you transfer benefits to another pension arrangement. There is more information about the arrangements for AVCs on page 12.

Transferring your benefits to another pension arrangement:

You can elect to transfer benefits to another pension arrangement on leaving Contributing Service or at any time whilst you are a deferred pensioner up to age 59.

The amunt to be transferred is calculated by the Scheme's Actuary on a 'cash equivalent' basis – this is broadly the amount of money that the Scheme would need at the date of the transfer in order to pay your benefits in the IWMPS at retirement, including RPI increases. The amount to be transferred may have to be reduced if your employer section of the IWMPS is less than 100% funded on the Scheme Specific Funding valuation basis at the date of the transfer.

Further details about transfers are provided on page 30.

Ill Health Retirement from Contributing Service

Special provisions for the early payment of pension apply if you have to retire through ill health having completed at least 5 years' Qualifying Service (including service in the Mineworkers' Pension Scheme) in the Scheme.

The decision as to whether a member qualifies for ill health retirement rests with the Scheme Medical Advisor who is appointed by the IWMPS Committee of Management and having the approval of the IWMPS Employers. The Scheme Medical Advisor must in accordance with HMRC requirements be a qualified medical person.

The Scheme Medical Advisor is independent from the Trustee and the employer.

What are the Criteria for Ill Health Retirement?

If the Scheme's Medical Advisor (SMA) is satisfied that you are likely to be permanently incapable of any full-time work that your employer could reasonably assign, you will qualify for an immediate ill health pension from the Scheme which is payable from the day after your employment ceases.

A pension is only payable if the SMA determines that on the balance of probability the member is permanently incapable of undertaking any duties his employer may reasonably assign. "Permanently" in this context means at least until age 60 (normal pension age for members of the IWMPS).

The SMA is asked to determine whether, on the balance of probability, the member:

a) is able to undertake his most recent occupation, or is expected to become able to undertake her most recent occupation before age 60;

b) is so incapacitated that he is unable and likely to remain unable to undertake his most recent occupation but able, or likely to become able, to undertake alternative duties;

c) is so incapacitated that he is unable and likely to remain unable to undertake his most recent occupation or any other duties that his employer is able to offer.

A determination at a) will mean the member does not qualify for an ill health pension. A determination at c) will mean that an ill health pension will be paid for life from the date the member leaves employment. A determination at b) will mean that an ill health pension will only be paid if the employer is unable to assign alternative duties.

What are the Benefits Payable on Ill Health Retirement?

Your ill health pension will be calculated based on your Pensionable Earnings at the date of retirement and your actual years of Contributing Service. There is no reduction applied for early payment due to ill health.

If you qualify for ill health retirement benefits, it is necessary to leave your employment in order to receive the retirement benefits. This is a matter between the employer/employee to agree the date the member leaves employment. The ill health retirement benefits will be payable from the following day.

The award of an ill health retirement pension from the IWMPS would also trigger the payment of any MPS deferred benefits.

Applying for Ill Health Retirement

A member must be in Contributing Service and not be under formal notice of redundancy in order to submit a claim for ill health retirement from Contributing Service. If at any point during the application process a member is served notice of redundancy or is made redundant the application is likely to be stopped.

Firstly, the employer needs to sit down with the member and complete an Application form and Job Functional Assessment form. It is important that the employer and applicant agree the information on which the member is assessed. The application will not proceed until the Job Functional Assessment forms are agreed by both parties to avoid any disputes at a later date.

It is essential that the job description and job functional assessment form should be based on the job the member is actually contracted for the time of his/her ill health application - and not re-allocated work if the employer has already put the member on alternative duties.

A medical examination will then be arranged and in most cases GP notes will be requested. On receipt of the medical report from the doctor who performed the examination and the GP notes, the SMA will review the whole case and then decide.

Right to Appeal

The member has the right to appeal against the SMA's decision - if this does happen another medical will be undertaken by an Independent Consultant (IC) and s/he provides the final decision, which over rules the SMA's decision. The IC decides on the case and his decision is final.

It should be noted that the Employer also has a right to appeal the SMA's decision, though this is very rare.

Serious Ill Health Lump Sum

As long as benefits have not gone into payment, it might be possible to convert into a lump sum on the grounds of serious ill-health at any age, providing that certain conditions are met and that at the time the benefits are taken the scheme administrator has received evidence from a registered medical practitioner that the life expectancy of the member is less than a year.

How to claim your IWMPS pension

The administration office will contact members at least three months before they attain age 60 to start the retirement process. It is very important to keep the Scheme updated with your current address details.

Alternatively, members can contact the Scheme at anytime to discuss their retirement application or obtain an estimate of benefits.

Members wishing to take their pension early on a reduced basis (from age 50 or age 55 for flexible retirement) will need to contact the administration office.

The administration office will provide you with a statement showing the benefits available to you at your retirement date.

You will be asked to complete the Scheme's application forms in order to proceed with your retirement application. There is also a declaration statement for you to confirm that any benefits paid to you will be within HMRC tax approved limits and a checklist to ensure that you complete all relevant sections and return any documents the Scheme requires.

Certificates

Before the administration office can pay you any pension or lump sum benefits, they need to verify your date of birth and identity. Information will be provided at the time of the claim but essentially, the administrators require to see two separate documents to provide proof of your date of birth, name and address.

They will not be able to pay you any benefits until they receive all requested documentation. This may also include the following certificates, where appropriate:

- A spouse, civil partner or dependant's birth certificate;
- A marriage certificate or civil partnership certificate.

How to Contact the Scheme Administration Office

IWMPS
Hymans Robertson
20 Waterloo Street
Glasgow
G2 6DB

Telephone: 0141 566 7677
Email: iwmpsadmin@hymans.co.uk

Once your pension is in payment

Taxation

Pension payments are subject to income tax and the IWMPS will apply the tax code provided by HM Revenue and

Customs (HMRC) to your pension and any tax payable will be deducted from your pension. If you have any queries about the tax code that is applied to your pension, or about the level of tax you are paying, you should contact HMRC at:

HMRC, Customer Enquiry Centre,
Merseyside Tax District, Regian House,
James Street, Liverpool, L75 1AA.
Telephone: 0845 3021459

Remember to quote reference no. 120/KB05424

Payslips

If you pay tax on your pension you will receive a payslip every month. Your payslip will show you your total pension, the amount of tax deducted and your net pension that will be paid into your bank account.

Change of address

Must be provided to the administrator in writing or by email.

Change of Bank Details

Must be provided in writing or members can call the administration office and they will issue a payment mandate to their home address.

Benefits on death

Payment of your pension will cease with effect from the date of your death. Your next-of-kin, or other person administering your estate, should inform the administration office who will make arrangements for your pension to stop and determine whether any further benefits are payable to your dependants and/or estate. Death benefits are covered in detail on page 33.

The IWMPS and State pensions

Following changes to the State Pension from 6 April 2016, the Scheme ceased to be contracted-out of any additional state pension arrangements.

Prior to 6 April 2016, the Scheme was a contracted-out of the State Second Pension (S2P) and its predecessor the State Earnings Related Pension Scheme (SERPS). This meant that when you were in Contributing Service you and your employer paid the lower 'contracted out' rate of National Insurance contributions. This means for the period of contracted out service, you will not have a full entitlement to a pension from S2P or SERPS.

The IWMPS satisfies the statutory tests for the minimum level of benefits that contracted out schemes must provide. For most members IWMPS benefits will exceed those that would have been payable from S2P or SERPS.

For Scheme service prior to 6 April 1997 your IWMPS pension when you reach State pension age has to be at least equal to a Guaranteed Minimum Pension (GMP). This is broadly equivalent to the SERPS pension you would have earned had you not been contracted out.

The IWMPS administrators will check the amount of GMP due when you reach age 65 for males and 60 for females. In the unlikely event that your IWMPS pension is lower than the revalued GMP amount, your IWMPS benefits would be increased to match your GMP amount from your 65th birthday for males or 60th birthday for females.

For service after 6 April 1997 the IWMPS satisfies a statutory benefits reference scheme test which contracted out pension schemes must meet to ensure that benefits are broadly equivalent or better than those from SERPS and the S2P, but there is no requirement to pay a minimum amount of pension.

Transfers in to the Scheme

The Scheme is now closed to new members, and the Trustee does not allow transfers into the Scheme from other pension schemes, except from the Industry-Wide Coal Staff Superannuation Scheme.

There are special arrangements under which members who transfer employment to a new employer which has a separate employer section in the Scheme can opt to transfer benefits from their previous employer section to their new employer's section on a service-for-service basis. This is explained later.

Membership of the IWMPS following a change in Employer

There are instances where a member's employment is transferred to a new employer as a result of a company merger, take-over or reconstruction (as long as there is continuity of Eligible Employment). In such circumstances, you have the right to remain in the IWMPS and your new employer is obliged to participate in the Scheme.

It is usual for the new employer to contact the IWMPS Trustee about future participation in the Scheme but due to the nature of such transactions; this is not always the case, which can result in delays in the payment of future contributions and uncertainties around your membership.

If you are involved in a possible transfer of your employment due to corporate restructure, members are encouraged to contact the Secretary to discuss their position, especially if membership of the IWMPS has not been mentioned in the transfer discussions with you. Please also consider alerting your current and or future employer to your membership of the Scheme. Members have a valuable right to remain in the Scheme and the sooner a future employer is made aware of its obligations,

- the simpler the transfer of your pension arrangements.

Please be assured, the Secretary and Trustee will treat any discussions with members or employers, including possible future employers as strictly confidential.

What happens when I transfer my employment?

The Scheme is a fully-segregated multi-employer pension scheme which means it is divided into separate sections for each employer or employer group participating in the Scheme. The benefits due to the members are paid from the section in which the benefits are held. There is no cross-subsidy of benefits, so if a member transfers to a new employer, unless the new employer is a participating employer in the same section, a new employer section would be established.

From the date of the transfer of employment benefits would start to accrue from zero in the new section of the Scheme. This means you would have a deferred benefit in your former employer's section based on your earnings up to the date of your transfer of employment.

Can I transfer my benefits to my new employer's section?

Yes, under the Trust Deed & Rules, a member has the option available until your Scheme benefits go into payment to choose to transfer your Contributing Service in your former employer's section into the new section. This is known as an Internal Transfer Payment.

What happens if I elect to transfer previous service to my new employer's section?

If you elect to transfer, then your Contributing Service with your former employer (including any service credit arising from a previous transfer-in) would be added to your Contributing Service accruing in your new section. An appropriate "Internal Transfer Payment" would be made into the new section. The value of the assets to be transferred is a matter for the two employers and does not affect the benefits you receive after the transfer. You would then be treated as if all your service in the Scheme had been in the current section of the Scheme and the whole of your pension entitlement would be based on your final earnings with your latest employer.

What happens if I elect not to transfer to my new employer's section?

If you elect not to take a transfer, you will have separate pension entitlements in each section of the Scheme. Your pension entitlement in respect of each period of employment will be calculated separately based on your Pensionable Earnings and Contributing Service with each employer.

Issues to Consider

There are factors to consider when you are considering whether to request an Internal Transfer Payment. The Trustee is unable to advise members on whether to take a transfer or not, but there are some points it is recommended members consider before making their decision. These include the rounding-up provisions within the Scheme Rules, your earnings with your new employer, and employer covenant. These issues would be explained in more detail at the time of an offer to transfer.

Transferring your IWMPS Benefits

Members have a right in certain circumstances to take a transfer of their IWMPS benefits and move them into another HMRC approved retirement arrangement.

The right to take a transfer applies to deferred members who have not taken their benefits:

(a) in respect of AVCs (and any other defined contribution benefits) without an age limit; and

(b) in respect of your main defined benefits under the Scheme up to age 59.

Members can exercise their rights in respect of different categories of benefits separately, but can only exercise the right in respect of all benefits within that category.

Outside of these circumstances, members can request a transfer but have no legal right to one. A transfer can proceed, but only with the approval of the Trustee and your former Employer.

Members are able to transfer their IWMPS benefits to either another approved HMRC arrangement such as an individual pension arrangement with an insurance or financial company or to another occupational pension arrangement. The Scheme's administrators will be able to tell you if it is possible to transfer to a certain type of arrangement.

AVCs

Members who have paid AVCs will have a separate defined contribution entitlement which under current law can be transferred to another HMRC approved arrangement up to the point of retirement. It can be transferred to a different arrangement to your main Scheme benefits. Broadly, the value of your AVC fund at the point of transfer will be the amount transferred.

Transfer Amount

In relation to your main defined benefits, the amount to be transferred is calculated by the Scheme Actuary using a range of assumptions agreed with the Trustee. This is broadly the amount of money that the Scheme would need at the date of transfer in order to pay your benefits including future increases. This is known as the Cash Equivalent Transfer Value (CETV).

CETVs vary depending on market conditions and adjustments to interest rates, therefore a transfer quote is only valid for three months from the date of calculation (which is in line with legislation). If you decide to proceed with the transfer outside of the three-month window, your quotation will be recalculated and may be subject to change. You may be charged for the recalculation – see opposite.

Depending on funding levels for your employer section, the Trustee, on the advice of the Scheme Actuary may have to reduce the CETV payable in order to protect assets for remaining members. In these circumstances, you will be informed if your CETV has been reduced and an approximate timescale when it is anticipated that full funding will be obtained should you wish to defer taking a CETV. In the event that a member takes a reduced CETV from the Scheme, there is no future top-up of the CETV payment in the event that the section becomes fully funded.

Obtaining A Quote

If you would like to consider a transfer, you can obtain a quote by contacting the Scheme administrators. A member who has made an application for a transfer value quote does not have a statutory right to make a further request within the next 12 months or, for defined benefits, within a year of their Normal Retirement Date.

The Trustee may choose to allow a further request to be made, although it reserves the right to make a charge for a new quotation.

Proceeding with a Transfer

A CETV quote is guaranteed for three months from the date of calculation and if a member decides to proceed with payment within the guarantee period, no recalculation is required.

There are specific statutory requirements which must be fulfilled before the Trustee is able to release the payment, and these will be explained in the information provided with the quotation. This includes confirmation that you have sought financial advice, as, unless the unreduced Transfer Value is below £30,000, you must obtain financial advice before proceeding with a transfer to a money purchase (defined contribution) arrangement. The advice will explain the benefits you are giving up when compared to any future options and will be based on your personal circumstances. It is a member's responsibility to obtain the necessary advice from an authorised advisor.

Neither the Trustee nor its administrators can give regulated financial advice.

Getting Financial Advice

The Trustee has appointed a specialist company to provide active or deferred members with financial advice regarding the retirement/transfer options available. The Scheme will pay for one piece of advice and contribute 50% towards any further advice sought. Please contact the administration office for details.

You can locate alternative advisers via unbiased.co.uk

You can obtain further information from the following agencies which may assist you in making any decision to transfer to an alternative arrangement:

The Financial Conduct Authority (FCA)

Telephone: 0800 111 6768 or 0300 500 8082

MoneyHelper (Part of the Money and Pensions Service)

Telephone: 0800 011 3797
Website:
www.moneyhelper.org.uk

Be Aware of Pensions Scams

Anyone can be the victim of a pension scam, no matter how savvy they think they are. It's important that everyone can spot the warning signs.

Scammers try to persuade pension savers to transfer their entire pension savings, or to release funds from it, by making attractive sounding promises they have no intention of keeping. Be aware of being cold-called or pressured into making quick decisions about taking a transfer.

Individuals can end up not only losing their retirement savings but having incurred large tax payments too.

If you are thinking about taking a transfer, you are urged to take time to read the information on the Pensions Regulator's site regarding scams please visit the below to avoid pension scams.

www.thepensionsregulator.gov.uk/en/pension-scams

Benefits on Death

Informing the Scheme of the death

The IWMPS administration office should be informed by letter or telephone of the death of a member or other person in receipt of a pension as soon as is practicable. The information they need is:

- the full name and address of the deceased member;
- their Scheme membership number or National Insurance number, if this information cannot be found, we should be able to find the record from other data;
- the deceased member's date of birth;
- the date of death;
- the name of the next of kin or person administering the estate and their relationship to the deceased member; and
- the address to which correspondence should be sent.

The Scheme will write to the next of kin or the person dealing with the deceased member's affairs to let them know what, if any, further information is required. It is usual practice to ask for the death certificate to be provided. If a Dependant or child's pension is being claimed, marriage and birth certificates of the prospective beneficiaries will be required if they have not been provided previously. For security reasons the original, rather than copies of certificates are required, which will be returned promptly. Further details about the documentation required will be provided at the time of a claim by the administration office.

Stopping a Scheme pension already in payment

Pensions are paid every four weeks - two weeks in arrears and two weeks in advance. The entitlement to pension from the Scheme ceases on the day of death, so, following notification of the death of a pensioner the Scheme will make arrangements to stop paying the pension from the day following the date of death.

Where possible, the payment of pension will be stopped, and any balance of pension due will be paid to the member's estate (less a deduction for tax if the member paid tax on their pension).

If however the payment has been paid before the notification of death has been received, there will be an overpayment of pension. The Trustee generally does not recover the overpayment for the part payment period in which the death occurred. However, if the notification is not received in time to stop the

pension payment for the following period or beyond, then the Trustee is obliged to recover the overpayment. Recovery of the overpayment is from the member's estate or any individual who received the overpayment.

Dependants' pensions

Dependants' pensions may be payable on the death of a contributing member (death in service), pensioner or deferred pensioner (a person who has left the Scheme but is not yet able to take their pension). Please note that in this context 'pensioner' means a former contributor of the Scheme; no further benefits are payable following the death of a dependant.

A pension is payable for life to the spouse of a Scheme member.

"Spouse" means a person of the opposite or same sex and who is legally married to the deceased at the date of death or the legally registered civil partner of the deceased at the date of death.

The Trustee has a discretionary power to pay the pension normally payable to a spouse to an alternative beneficiary. This could be someone who was dependant on the member at their date of death or who had the care and maintenance of the member's child or children at their date of death. If a claim is made for an alternative beneficiary's pension, the Trustee will require evidence of financial dependency from the claimant to help them make their decision. The Trustee has the power to split the pension if there is more than one beneficiary and to review and stop payment.

In the event that a spouse/alternative beneficiary becomes entitled to more than one dependant's pension from the IWMPS, only the highest of the pensions will be payable.

The benefits payable are explained below.

Pension payable on death in service

A pension of 2/3rds of the member's pension based on the member's Contributing Service and Pensionable Earnings at date of death is payable.

Pension payable on the death of a pensioner

A pension of 2/3rds of the member's pension at death (ignoring any adjustment for the levelling option or reduction for early payment) is payable.

Pension payable on the death of a deferred pensioner

A pension of 2/3rds of the member's revalued deferred pension at death is payable.

Children's pensions

Flat rate children's pensions are payable in respect of any child of the deceased under the age 16 at the date of death, or under age 21 and in full time education. The pension will stop at the earlier of the cessation of their full-time education or his/her 21st birthday.

If a child of the member is disabled and incapable of self support (as certified by the Scheme's Medical Adviser) and was financially dependent on the member at the date of death, the pension may be payable for life.

If a child is entitled to a pension from the Mineworkers' Pension Scheme (MPS), no children's pension would be payable from the IWMPS.

The Trustee has a discretionary power to pay the pension normally payable to a spouse to an alternative beneficiary.

Death in service

A cash sum is payable which is equal to the greater of either:

- two years' of the member's Pensionable Earnings, or
- 156 x the weekly pension which would have been payable if the member retired the day before their death

less any cash sum payable as a right from the MPS. Please note there is no reduction in respect of a cash sum paid by the MPS where it results from a commutation of a dependant's pension.

Death of a pensioner

Scheme pensions are guaranteed for a five-year period, therefore, if a pensioner dies within five years of their pension starting, the balance of pension due for that period (based on the rate of pension in payment at the date of death) is paid as a cash sum.

Death of a deferred pensioner

A cash sum is payable which is equal to 156 x the weekly pension which would have been payable if the member retired the day before their death, less any cash sum payable as a right from the MPS. Please note there is no reduction in respect of a cash sum paid by the MPS where it results from a commutation of a dependant's pension.

Payment of cash sums

The IWMPS Trustee has a discretionary power to decide the person or persons to whom any death benefit lump sum should be paid, or whether payment should be to the deceased member's estate. Unless the member has made a written expression of wish nominating the person or persons he/she would like to receive any death benefit lump sum, it is usual for the death benefit lump sum to be paid to the member's spouse or to an alternative beneficiary, if they are in receipt of a dependant's pension from the Scheme.

If the Scheme member had made a nomination as to whom any death benefit lump sum should be paid, the trustees will usually pay in accordance with member's wishes, though they are not bound to do so. It is important that members keep their nomination up to date to reflect any changes in their circumstances.

A nomination can be revoked or varied by writing to the Scheme Secretary care of the administration office (contact details can be found on the back page).

If the lump sum is paid to a person or persons rather than to the deceased member's estate, under current law, because the payment is being made at the discretion of the Trustee, the lump sum will not count as part of the member's estate for inheritance tax purposes.

If the payment of a lump sum is to be made for the benefit of a child under the age of 18, the Scheme will establish a trust fund for the child. It is usual to appoint a parent / family member and a local professional person to act as trustees.

If there is no one in receipt of a dependant's pension to whom the lump sum can be paid, then the lump sum will be paid in accordance with the provisions of the Scheme summarised in the table opposite:

Amount Payable	Requirements for Payment
Less than £5,000	On production of a Grant of Probate or Letters of Administration (Confirmation document in Scotland), payment will be made as directed. *Or* If Letters of Administration or a Grant of Probate are not being obtained, payment may be made to the Relatives or Dependants of the deceased at the discretion of the trustee.
£5,000 and over	A Grant of Probate or Letters of Administration (Confirmation document in Scotland) must be obtained and payment will be made as directed.

Please note payment made to the estate could be subject to inheritance tax, depending on the total value of the member's estate.

Tax on Death Benefits

Lump sum death benefits are generally not taxable, subject to certain conditions which are explained in the section about pensions taxation from page 38.

Spouses' and dependants' pensions are income and therefore subject to income tax at the recipient's marginal rate.

Pensions Taxation

Please note: Information about the tax rules governing pensions and how pension contributions and pension benefits are treated are based on current legislation and are subject to change, so cannot be relied upon to remain the same at a future retirement.

The IWMPS is a registered pension scheme for tax purposes under Part 4 Chapter 2 of the Finance Act 2004. This means that the Scheme must meet strict criteria about both the benefit it provides and a number of administration requirements. Various tax concessions are available in exchange for meeting these criteria, namely:

- members of the Scheme qualify for tax relief on their contributions;
- the Scheme's investment income is largely exempt from tax;
- cash lump sums on retirement and death, not exceeding the Lifetime Allowance, are payable free of tax; but
- pension payments are subject to income tax.

In brief this means:

- Tax relief on member contributions – members benefit from tax relief at their highest marginal rate as contributions to the IWMPS are deducted from gross salary. Alternatively, contributions may be paid by your employer via a salary sacrifice facility, in which case they will not be subject to income tax or National Insurance.
- Tax-free lump sum - members can choose to take a lump sum up to 25% of the value of IWMPS benefits on retirement. The lump sum will be tax free providing that it does not exceed the member's Lifetime Allowance.
- A lump sum benefit may be payable in the event of a member's death. The lump sum will be tax free providing that it does not exceed the deceased member's unused Lifetime Allowance.
- Pensions in payment - pensions in payment are subject to income tax. Income tax will be deducted from your pension in payment under the Pay as You Earn (PAYE) arrangements in accordance with your personal tax code, as notified by HM Revenue and Customs (HMRC).

Tax Allowances

Pensions tax law provides allowances up to which benefits can be accrued without incurring a tax charge. Benefits accrued over the allowances will be subject to tax. The two allowances are:

- **Annual Allowance –** this is the annual amount that you can accrue under HMRC approved pension arrangements and benefit from tax relief. This includes savings made by someone else on your behalf.
- **Lifetime Allowance –** this is the total amount of retirement savings that can be accrued without incurring an additional tax charge.

Please note, the information provided is based on the tax allowances in place from 6 April 2020. Current allowances as well as those in place for previous tax years can be obtained at:

www.gov.uk/tax-on-your-private-pension

Annual Allowance

The standard Annual Allowance is £40,000.

An individual may have a lower Annual Allowance in certain circumstances which are summarised below. Members are urged to seek their own financial advice if they believe that they may be subject to a lower Annual Allowance, as it is an individual's responsibility to declare on their Self-Assessment return any tax charge.

Money Purchase Annual Allowance

The Money Purchase Annual Allowance of £4,000 p.a. will apply if an individual flexibly accesses money purchase funds after April 2015.

Tapered Annual Allowance for High Income Individuals

Individuals with an "adjusted income" (broadly all taxable income including employer and employee pension contributions) for a tax year above £240,000 will usually have their Annual Allowance for that tax year reduced on a tapered basis (a 'reduced Annual Allowance').

The Annual Allowance is reduced by £1 for every £2 of income above £240,000, subject to a minimum reduced Annual Allowance of £4,000.

Where the reduction would otherwise take an individual's Tapered Annual Allowance below £4,000 for the tax year, their reduced Annual Allowance for that year is set at £4,000.

Members who may be affected by the Tapered Annual Allowance should contact the Scheme's administration office in the first instance and are urged to seek further financial advice as the income on which the Annual Allowance is assessed is a complex area.

How is the Annual Allowance Tested?

An individual's pension savings are measured for each "pension input period" which is the tax year. This will be done for each pension arrangement where benefits have been accrued during the tax year. If pension savings are more than the Annual Allowance, you may be liable to a tax charge.

Your Pension Savings in the IWMPS

This applies to active members who are accruing future benefits. The value is determined by HMRC, broadly the value of the increase in your benefits over the pension input period (allowing for CPI inflation on the opening value). The IWMPS can only measure contributions against the Annual Allowance based on your IWMPS savings. Members are responsible for considering any other pension arrangements where contributions have been made during the tax-year.

Carry Forward Tax Relief

If your pension savings are more than the Annual Allowance, you may be able to use unused Annual Allowance from previous years to offset against the excess pension savings. Individuals can carry forward unused allowance from the previous 3 tax years.

If your pension savings are more than your Annual Allowance for the tax year, and you do not have unused Annual Allowances from the 3 previous tax years to cover the difference, you will be liable for tax on the excess. What to do in this circumstance is covered below.

The Annual Allowance also applies in the same way to any annual increases in deferred pensions, except that it applies only to the amount of any increase in excess of RPI (or 5% in any year that RPI is more than 5%).

Annual Allowance Tax Charge

There will be a tax charge on the excess pension savings which will be taxed at the individual's marginal rate.

HMRC do not take into account any pension savings made in a tax year in which an individual dies or becomes entitled to those pension savings due to severe ill-health and would not count towards the Annual Allowance.

How is the Annual Allowance Tax Charge Paid?

If a member of the IWMPS has pension savings of more than the Annual Allowance, they will be notified by the Scheme's administrators who will issue a Pension Savings Statement. This Statement will only be in relation to the IWMPS and will state the amount of pension savings and unused relief – based on the IWMPS only. This information will be required for completion of a Self-Assessment tax return. HMRC must be notified by 31 January following the end of the tax-year in which the Annual Allowance was exceeded.

The Scheme will also inform HMRC that a Pension Savings Statement has been issued.

Members are responsible for determining whether a tax charge is payable based on all pension savings made during the year and after any unused tax relief has been offset. If the tax charge is more than £2,000 as a result of pension savings in the Scheme, the member can ask the Scheme to pay all or part of the tax charge (insofar as it accrual under the Scheme). This is referred to as "Scheme Pays". Alternatively, the member can settle the tax charge from personal income.

IWMPS – Scheme Pays

In order to use Scheme Pays in the IWMPS:

- members must have a tax charge of over £2,000 and
- the value of their IWMPS savings in the tax-year must have exceeded the Annual Allowance.

Additionally, an irrevocable election must be made and the IWMPS must be informed before 31 July following the tax year for which the tax charge applies. For example, if the tax charge is for the 2019/20 tax year, the IWMPS must be informed by 31 July 2021. From the point of election, the member and the Scheme become jointly and severally liable for the tax charge. If a member is considering taking their benefits and has incurred a tax charge, you must notify the Scheme if intending to use Scheme Pays before benefits are taken.

In return for paying the Annual Allowance Tax Charge, a member's IWMPS benefits will be reduced to reflect the cost of paying the tax.

The IWMPS Trustee has agreed a policy whereby the adjustment to a member's benefits under Scheme Pays is calculated using the Scheme's Cash Equivalent Transfer Value basis.

A pension debit is calculated which is applied uniformly across the member's whole pension. If a member has AVCs under the Scheme, they would be required to be used initially to meet the tax charge.

The tax charge will be paid by the Scheme to HMRC.

Members wishing to use the Scheme Pays facility should contact the Scheme's administration office for further information and the Scheme mandate.

If the tax charge in respect of the IWMPS is less than £2,000, the IWMPS will consider a request but there is no obligation for a Scheme to pay HMRC in these circumstances. Whether the tax is paid by the Scheme or the member where it is less than £2,000, the deadline for payment is sooner. For example, if the tax is in respect of the 2019/20 tax year, the deadline for payment is 31 January 2021.

Members using Scheme Pays or voluntary Scheme Pays are responsible for informing HMRC of their decision via Self-Assessment or they may be liable to additional late payment penalties.

Pension Saving Statements

As mentioned above, a Pension Savings Statement is issued automatically by the IWMPS to those members whose pension savings are more than the Annual Allowance in the Scheme. Members who do not receive a Pension Savings Statement automatically may request a Statement from the Scheme administration office.

Lifetime Allowance

This allowance applies to the total value of benefits from all your registered schemes (excluding State pension), not just IWMPS. Your benefits will be tested against the Lifetime Allowance at specific points, including at the time benefits are put into payment.

The value of the Lifetime Allowance from 6 April 2020 is £1,073,100, and will increase each tax year in line with CPI.

Lifetime Allowance Charge

If the value of your benefits exceeds the Lifetime Allowance you will have to pay a tax penalty on the excess (known as the Lifetime Allowance Charge) of 25% if taken as a pension or 55% if taken as a lump sum.

If the value of your Scheme benefits is more than the available Lifetime Allowance at the point your benefits are awarded, the Scheme will inform you of the amount of Lifetime Allowance Charge based on how your Scheme benefits are to be paid.

Before your benefits are awarded, the Scheme will pay the tax charge to HMRC and recoup this money by making a deduction from the benefits payable to reflect the tax paid. The Trustee has agreed to use the Scheme's Cash Equivalent Transfer basis to reduce pensions in order to meet the Lifetime Allowance Charge. In such cases the Scheme Actuary would calculate an appropriate factor to apply the reduction.

How do I know how much of my Lifetime Allowance has been used?

If on 6 April 2006 (when the Lifetime Allowance was introduced) you were already receiving your pension from the IWMPS, and from all of your other private pension arrangements, it will not be necessary to work out how much of your Lifetime Allowance has been used up.

You will need to know how much of your Lifetime Allowance has been used up if at 6 April 2006 you still had to draw your IWMPS pension or your pension from any other private pension arrangement. When you come to retire, the Scheme will tell you how much of your Lifetime Allowance has been used up by your IWMPS benefits at retirement. An estimated amount is included on the annual personal benefit statement provided to contributing members.

Valuation of benefits

To work out the proportion of your Lifetime Allowance used up by your IWMPS benefits you need to convert your IWMPS pension into a capital sum. You do this using standard factors set by the HMRC which apply to all defined benefit schemes.

Contributing & Deferred Members

If you are a contributing member or deferred member of the IWMPS, you can work out the capital value of your IWMPS benefits for comparison with the Lifetime Allowance by multiplying the current value of your pension (before any cash commutation) by 20.

Example

Assuming that your IWMPS pension has not yet started and amounts to £10,000 p.a. then its value for these purposes is £200,000 (£10,000 x 20). Your IWMPS Pension has "used up" 18.64% of the Lifetime Allowance (based on a Lifetime Allowance of £1,073,100 (tax year 2020/21)). That would mean that you could still receive additional benefits from other registered pension schemes totalling up to 81.36% of the Lifetime Allowance in value before you would be liable for a Lifetime Allowance Charge when you take your benefits.

Pensioner Members

If your pension from the IWMPS is in payment you may need to provide details of how much of your Lifetime Allowance has been used up, for example, to another pension arrangement.

If your pension was in payment before 6 April 2006, you can work out its value for comparison with the Lifetime Allowance by multiplying your annual pension at 6 April 2006 by 25. If you drew your pension on or after 6 April 2006, the administration office will have provided you with details of the Lifetime Allowance used up by your IWMPS pension in your award letter.

Keeping you informed

The Scheme will notify pensioner and contributing members each year of the proportion of the Lifetime Allowance taken up by their IWMPS benefits in the following way:

- Pensioners will be notified on the P60 issued at the end of the tax year;
- Contributing members will be notified on their annual personal benefit statement.

If you are a deferred member, the Scheme will not notify you automatically. The Scheme's administration office can provide you with the proportion of the Lifetime Allowance taken up by your IWMPS pension on request, if you need this information.

What you will need to do

- If you have more than one pension arrangement you will need to keep your IWMPS benefit statement or P60, as you may need to prove to the administrators of each scheme that you have "unused" allowance to avoid paying additional tax.
- You should consider the possibility that the total value of your benefits from all your registered pension schemes might exceed the Lifetime Allowance. In most cases it will not, but there will be exceptions where people have accrued significant pension benefits. You may need separate financial advice in order to form a view on this, mainly because it is not always easy to predict the likely value of benefits that have not yet started to be paid.
- If you are confident that the total value of your benefits from all your registered pension arrangements will be lower than the Lifetime Allowance you need do nothing. However, you should take care to ensure that you can prove you have not used up all of your Lifetime Allowance as other pension schemes may deduct tax if they cannot verify the overall tax position.

Protection of your Lifetime Allowance

The Lifetime Allowance used to be higher than its current level. At points when the Lifetime Allowance was reduced, the Government introduced ways in which individuals could protect their pension savings if they were concerned that the value of their pension savings would exceed the reduced Lifetime Allowance because of pre-existing savings. This is a complex area, and should you be affected, it is recommended that you seek independent financial advice.

Members with a "protected" Lifetime Allowance will have been provided with HMRC reference numbers which should be provided to the Scheme to ensure your benefits are tested against your correct entitlement.

Recycling of Tax-Free Lump Sums

An individual might pay significantly greater contributions as part of their normal retirement planning which is allowable by HMRC. However, HMRC will consider the funding of increased contributions in certain circumstances such as the recycling of a pension retirement cash sum. This involves using that lump sum as the means to immediately increase contributions significantly to a registered pension scheme. Under HMRC Rules, an individual may be subject to a tax charge based on the value of the retirement cash sum if it is deemed to be "recycled". Independent financial advice should be sought if you intend to increase contributions prior to retirement.

Taxation of Death Benefits

Payment of lump sum death benefits to a charity or when payable as life cover (death-in-service benefits) are exempt from tax.

Other authorised lump sum death benefits are generally not taxable if they do not exceed the deceased member's remaining Lifetime Allowance and the deceased member died before age 75 and the benefit is payable within two years of the Scheme being notified of the death.

If the deceased member was over age 75 at death or the benefit is being paid outside of the two-year window, the lump sum is taxable. The lump sum will be treated as income and the recipient will be liable to Income Tax.

If the value of the death benefit lump sum exceeds the remaining Lifetime Allowance, the excess will be subject to a 55% tax charge.

Spouses' and dependants' pensions are income and therefore subject to income tax at the recipient's marginal rate. The Scheme administrators will be provided with a tax-code by HMRC.

Tax Details

Pension payments are subject to income tax and the IWMPS will apply the tax code provided by HM Revenue and Customs (HMRC) to your pension and any tax payable will be deducted from your pension. If you have any queries about the tax code that is applied to your pension, or about the level of tax you are paying, you should contact HMRC at:

HMRC, Customer Enquiry Centre,
Merseyside Tax District, Regian House,
James Street, Liverpool, L75 1AA.
Telephone: 0845 3021459

HMRC Reference for the IWMPS is 120/KB05424 which you will need to quote.

Further information

Please note that neither the Trustee's Office nor the administrators can provide any financial or tax planning advice. We recommend you speak to an independent financial adviser or tax specialist if you need any financial advice.

Pensions on Divorce

In reaching a financial settlement, courts are required to consider the value of the pension rights of each spouse or partner on divorce. This can result in part or all of a member's pension rights in a particular arrangement being "shared" with their ex-spouse. This is known as pension sharing and will be triggered by a court order.

There are other ways in which pension rights can be used as part of a financial agreement on divorce, usually by division of other marital assets or earmarking whereby an element of a member's benefits are paid to the ex-spouse. The practice of earmarking is used rarely following the introduction of pension sharing in 2000.

For simplicity it is assumed here that the IWMPS member is male and his former spouse is female. The same position applies in reverse, or you are a same sex couple in a civil partnership, so this be interpreted accordingly.

Putting a value on pension rights

The courts will value the pension rights of one or both parties by using the "cash equivalent" transfer value (CETV). This is the same value as would apply if a member transferred his accumulated pension rights to another scheme or arrangement. The Scheme can provide a valuation on this basis to a member who has not yet retired, on request, or to his solicitor or his wife's solicitors provided authorisation from the member is given in writing. The Scheme would normally charge for a valuation being carried out more than once in any twelve-month period, so for illustration purposes the solicitor may be content with a valuation issued within the last year.

Members who have already retired do not have a legal right to a transfer valuation, so the calculation has to be specially commissioned. In these circumstances the Scheme would also make a charge for providing a valuation for the court.

When asked to provide a valuation, the administrators will do so as quickly as possible, but in any event within the statutory timescale of 21 days. If a court order is obtained requiring the Scheme to provide the information more quickly, we shall use our best endeavours to do so.

Where the member's employer section of the Scheme is less than 100% funded on the Scheme's valuation basis, the Trustee will reduce the CETV to reflect the actual benefits that the Scheme is able to pay. We will notify you if the CETV provided has been reduced – your solicitor and / or the court may take this into account when dividing the pension rights.

The funding position of the employer section may recover, so it is up to the parties concerned and / or their solicitors to decide whether to advise the former spouse to take a reduced CETV, or to retain the pension credit benefit in the Scheme, with the option to transfer out if and when a full CETV is available.

It is our understanding that Scottish Courts only tend to consider the value of pensions built up during the marriage period. If for example a member had 10 years' service with IWMPS but was only married for 5 of them, a Scottish Court would use the same valuation basis as an English one, but would only regard the 5 years' worth of pension accumulated during marriage in working out a settlement. This is not necessarily the case, we understand, in other parts of the UK.

Ways that pension rights can be divided

There are essentially three ways a court can deal with the division of pension rights when a couple divorce or separate:

- The value can be **"offset"** against the value of other assets owned jointly. For example, in dividing other property values into two, a larger part of the share could be allocated to the party with lesser or no pension rights. Solicitors will have a view on whether this is an equitable distribution of property in the circumstances, as tangible property and assets are quite different from pension income, current or yet to come. Clearly if both parties have good size pensions then the value of one may come close to offsetting the value of the other without much impact on the division of other joint assets.
- Part of one party's pension could be **"earmarked"** for their former spouse, by placing an order over the benefits to come into effect when the member retires, (or immediately if already retired), or dies. So, for example, the court could order that 40% of benefits due to come into payment in 5 years is earmarked for the member's former spouse. When the member draws his benefits, 40% of any lump

sum payable goes to the member's former spouse, and in England and Wales 40% of the pension then payable could be directed to her bank account (Scottish Law does not generally permit pension income to be earmarked, only lump sums payable on retirement or death).

- Part of one party's pension value could be transferred to a pension in their former spouse's own name. This procedure is known as **"pension sharing"**; if the former spouse is of pensionable age then pension income can start straight away and will be paid for life. If she is younger at the date of divorce, then the fund is set aside to provide a pension from her retirement date.

Earmarking (or "Attachment") Orders

An earmarking order requires the Scheme to pay benefits to the former spouse, in the proportion specified by the Court, when they become due. If the order specifies that a lump sum is payable if the member died before retirement, it will be paid. However, if the order is silent on that point, no benefits are payable to the former spouse if the member does not survive to retirement.

On the member's retirement, the earmarked proportion of the lump sum and/or pension will be paid to the former spouse. It is important that the former spouse keeps the Scheme informed of her address and bank details if these change. If pension income is earmarked (under English law), then the relevant proportion of the pension will be paid until the earliest of the member's death, or the former spouse's remarriage or death.

Special considerations with Earmarking:

- The member with the pension rights will pay tax on all of the income including the part that is earmarked. Therefore, a 50% split of the pension in retirement will not necessarily mean that both parties receive the same amount. It is possible that the Solicitor might recommend a different split to take account of this difference in net pension after tax.
- Earmarking is often criticised because it does not provide opportunity for a "clean break", which is recognised as an aim of divorce proceedings. The former spouse has to remain in touch with the Scheme, but more importantly, she retains no control over when payment is made, or any options as to payment (such as exercising a lump sum option). If the former spouse is younger than the member, she could find the pension stops on the member's death just as she is entering old age, arguably when the need for the pension is at its greatest.

These issues could be overcome with sound financial planning, but the parties may wish to discuss them with their solicitor. It is our understanding that if there is a change of circumstances after the order has been served, the parties can return to court to seek a variation of the terms of the original order, but a solicitor is best placed to advise you on that point.

What the former spouse must do when an earmarking order is in place:

- Keep the Scheme administrator updated with
    - Her address details
    - Her bank details
- Tell the Scheme if she marries again

Pension Sharing Orders

A pension sharing order is served by the Court on the Scheme's Trustee. If the terms relating to the pension scheme can be accepted, the Scheme will implement the order within four months of receiving all relevant information and costs.

In accordance with the order, a percentage of the member's pension value (as determined by the CETV) is effectively transferred from the member to his former spouse.

His pension is then reduced by the percentage in the court order – this is the pension debit.

The former spouse then receives her share of the value awarded by the court – this is called the pension credit.

The credit must be used to provide pension benefits. The former spouse must take the cash value and transfer it to her own existing pension plan – including that of her own employer if she is a member of such a scheme and they are prepared to accept it. It could alternatively be transferred to a new personal pension plan or stakeholder scheme. If the former

spouse is over the minimum normal pension age which is currently 55, she may be able to draw pension straight away, although if it is taken substantially before normal retirement age it will be reduced.

If the CETV used to determine the value of the pension credit was reduced because the relevant employer section of the Scheme was underfunded, the former spouse has the option to take a transfer (based on her reduced CETV share) or retain the pension credit in the Scheme.

If the credit is retained in the Scheme the former spouse will become a member of the Scheme in her own right (as a pension credit member), as a pensioner (if over retirement age) or as a "deferred" member, if under that age – a member whose pension is being preserved for later payment.

- Pensions will be payable from age 60 or such earlier age as is permitted under the law subject to reduction by a factor determined by the Scheme's Actuary.
- If the pension was shared before the member retired, then the former spouse will normally be entitled to take part of her pension as a cash sum. This is not permitted if the pension that was shared was already in payment at the date of the pension sharing order.
- The pension will be increased annually in line with the increase in the Retail Prices Index (RPI), subject to this being deemed affordable (by the Scheme's Actuary) by the respective employer section. If it is not deemed affordable, the statutory minimum increases will be applied.
- If the pension credit is retained in the Scheme, the credit member will acquire the same rights as other Scheme members to:
    - Receive regular communications from the Scheme, including newsletters and statements
    - Use the disputes resolution procedure in the event of a complaint

The option to keep the credit in the Scheme is only available to those with a reduced CETV so as to avoid former spouses being penalised due to the relevant employer section's negative funding position. If the funding position of the employer section improves, the former spouse can choose to transfer the credit from the Scheme to another pension arrangement at any time up to the year before she reaches Scheme pension age (60). She can, of course, choose to transfer the credit to another pension arrangement even if the funding position does not improve.

Where the credit is retained in the Scheme, benefits will be calculated based on the age of the former spouse on entry to the Scheme as a pension credit member. It is important to note that she will not receive the equivalent percentage of her former husband's pension – the transfer value is used to "purchase" benefits in the same way as if the former spouse had transferred in her own pension value to the Scheme. We can provide a quotation of what the Scheme will offer as an internal transfer so the former spouse can decide what is best, with advice from her Solicitor.

The member himself, after the order has been implemented, can build up further pension savings to make good the reduction, provided he is under age 75 (this can only be done through the Scheme if you are in active employment). On retirement, the pension accrued up to leaving IWMPS active membership will be reduced by the relevant proportion in the original pension sharing order.

Special Considerations with Pension Sharing

- Pension Sharing does represent a "clean break" as compared to earmarking, but it is irrevocable. Once a pension has been shared, it does not revert to the member on the death of the former spouse or her remarriage.
- Generally, you must transfer the pension credit to another scheme or arrangement where it will provide benefits on retirement. It may also provide benefits to your dependants, or a new spouse, on death.
- If you are offered a reduced CETV due to the Scheme's funding position, the Trustee may allow you to retain the pension credit in the Scheme. No benefits would be payable to your dependants, or a new spouse, on death.

Taxation

- Each party is responsible for their own PAYE tax on their pension when it has been shared.

- When assessing the pension credit against the Lifetime Allowance (the overall limit on an individual's tax relievable retirement savings) for the purposes of determining any Lifetime Allowance Charge, it will need to be added to the pension from any other arrangements such as a personal pension or employer's plan. If the member had already retired at the time of divorce, or the credit was awarded before 6 April 2006, you may wish to check the tax position with an independent financial adviser if your benefits are likely to exceed the Lifetime Allowance.

- The pension debit does not count towards the member's own Lifetime Allowance, and so further saving is not restricted for tax purposes by the pension share. However, the issues pertaining to pensions taxation can be complicated, especially when either or both parties has a number of pension arrangements, so specialist financial advice may be needed to ensure advantage of the appropriate tax concessions is taken.

The Court Order

The Trustee has a right to see a court order in draft and raise an appeal if there is any aspect of the order with which it is not possible to comply. Correcting court orders can be expensive and time consuming, so we recommend that the Scheme is consulted on the drafting of the order in advance. We will try to be as helpful as we can in assisting with the production of an order that will be practical to comply with.

Charges

As stated above, the Scheme has to make a charge for the provision of specific divorce information and for the complex process of implementing a court order. The Scheme's administrators will not generally begin work or accept a court order without payment of the appropriate charges as set out in the Schedule of Charges which is available from the administration office and will be provided as part of a divorce enquiry.

How to contact the IWMPS

For more information about pensions and divorce, please contact the Scheme's administration office:

IWMPS
Hymans Robertson
20 Waterloo Street
Glasgow
G2 6DB

Telephone: 0141 566 7677
Email: iwmpsadmin@hymans.co.uk

Scheme's Dispute Procedure

What is the Internal Dispute Resolution Procedure for?

The Trustee of the Industry-Wide Mineworkers' Pension Scheme (IWMPS) have set up this procedure in case you have a complaint or grievance about the IWMPS or your benefits from the Scheme which has not (or cannot) be resolved by the administrators, in which case you can apply to have it looked into directly by the Trustee.

Who is it for?

The IWMPS Internal Dispute Resolution Procedure can be used by any IWMPS contributing member, pensioner or deferred pensioner. It is also available to any prospective members of the Scheme, to pension credit members and also to the spouse, child or other dependant of a member who has died.

Anyone who used to be in these groups may also still use the procedure, but must apply within six months of ceasing to be in the group. If the person applying is under 18, or is for some other reason incapable of acting on their own behalf, the application can be made by a member of their family or by another suitable person.

How does it work?

In the first instance you should try to resolve any complaint with the Scheme Administrators, who are currently a company called Hymans Robertson. They deal with the Scheme on a day-to-day basis and are best placed to enable you to resolve any difficulties.

If the administrators are unable to resolve your complaint, you can then use this procedure to make a formal complaint to the Scheme Secretary of the IWMPS at The Trustees Office. This is the first stage of the dispute procedure. The Scheme Secretary will look at the facts and make a decision on your complaint on behalf of the IWMPS Trustee.

A Complaint Form is available from the Scheme administration office or the Scheme website. Once complete, you should send it to the Scheme Secretary along with any supporting evidence. You should receive a decision within two months of submitting your complaint, but more complex issues may take a little longer.

If you are not satisfied with the Scheme Secretary's decision at the first stage you can ask the IWMPS Trustee to reconsider your complaint at the second stage of the procedure. You must apply for your complaint to be dealt with under the second stage within six months of the first stage decision and give a statement of the reasons why you are dissatisfied with that decision.

The Trustee's aim is always to respond to appeals in a reasonable timescale and will always let you know its decision within no more than fifteen working days after it has reached it. In practice, it tries to reach a decision within two months of an appeal. This is not always possible, however, and in any case where the Trustee cannot give its decision within two months, it will write to you setting out reasons for the delay and an expected date for giving its decision.

What happens if I am still not satisfied?

If you are not satisfied for any reason with the Trustee's decision at the Second Stage of the IWMPS Internal Dispute Resolution procedure you can ask the Pensions Ombudsman to investigate.

You can also contact the Pensions Ombudsman office if you need help raising your concerns, or just to discuss a potential complaint using its Early Resolution Service. You can also contact the Pensions Advisory Service for guidance, which is part of the Money and Pensions Service. Details are given over the page.

If you wish to use the services of the Pensions Ombudsman, you can contact them at: The Pensions Ombudsman, 10 South Colonnade, Canary Wharf, London E14 4PU

t. 0800 917 4487

Website:
www.pensions-ombudsman.org.uk

Useful Contact Information

The Scheme's administrators, Hymans Robertson will help you with questions about your Scheme benefits; they can be contacted using the details below:

IWMPS
Hymans Robertson
20 Waterloo Street
Glasgow
G2 6DB

t. 0141 566 7677
Email: iwmpsadmin@hymans.co.uk

If you have any questions specifically about Trustee policy, please contact the Scheme Secretary who deals with matters on behalf of the IWMPS Trustee Board. The Secretary can be contacted at:

The Trustees Office
Mexborough Business Centre
College Road
Mexborough, S64 9JP

Email: admin@ttol.co.uk

MoneyHelper
Money and Pensions Service
120 Holborn
London
EC1N 2TD

t. 0800 011 3797
www.moneyhelper.org.uk

Listed below are details for other organisations which may be helpful for any general pensions queries.

If you have lost track of other occupational or personal pension arrangements you may have, you can use the Government's Pension Tracing Service. You need the name of an employer or a pension provider to use the service. Please note, the service will provide you with contact details to help search for a pension – it will not tell you whether you have a pension, or what its value is.

Pension Tracing Service
t. 0800 731 0193

Further information can be found at
Find Pension contact details – GOV.UK

There is general information about planning your retirement income available from the GOV.UK website using the above link which includes the option to check your State pension.

General advice about money and pensions to help with making financial decisions and to help with retirement planning are available from the following organisations set-up by the Government.

Mineworkers' Pension Scheme
PO Box 555
Stead House
Darlington
DL1 9YT

t. 0333 222 0077

Scheme Management

In common with most UK company pension schemes the IWMPS is a trust fund managed by a trustee board. In the IWMPS the trustee board takes the form of a Committee of Management whose six members are the directors of Industry Wide Mineworkers' Pension Scheme Trustees Ltd (the "Trustee"). Three of the six members of the Committee are appointed by the trade unions that have traditionally represented coal industry employees, and three are appointed by the Industry Wide Mineworkers' Pension Scheme Co-ordinator Company Limited which acts for the participating employers in the Scheme. One of these three is appointed as Chairman by the Co-ordinator. All directors have duties under trust law to act in the best interests of the members of the Scheme, irrespective of how they were appointed.

The Committee of Management has overall responsibility for running the Scheme. Its duties are to manage the IWMPS in accordance with its Deed and Rules and to comply with pensions law and other law that affects the operation of company pension schemes. The primary duty of the Committee is to pay the benefits promised in the Rules to those entitled to receive them. In conjunction with that duty its primary business objective is to seek to ensure that each employer section is sufficiently well funded to pay the benefits promised.

Scheme structure

The IWMPS Trust Deed and Rules require a separate employer section to be established for each employer or group of associated employers since the benefits payable in respect of the members of each employer fund are to be funded solely by the contributions paid in respect of those members (together with investment returns). The assets and liabilities of each employer section are separate from the assets of the employer and separate from the assets of the other employer sections.

Several pooled funds have been established for investment management purposes. Each operates on a unitised basis so that the value attributable to each employer fund is readily ascertainable by reference to the number of units held in each pooled fund. The contributions remitted to the Scheme by employers are invested each month after making deductions to meet benefit payments due, life insurance premiums and the Scheme's running costs in the following month. Investments are made in the relevant pooled fund(s) in accordance with the asset allocation policy for each employer fund. The money invested buys units in each pooled fund at the prevailing unit rate as determined by the market value for that fund.

The funding objective

The primary objective of the Trustee is to ensure there are sufficient assets in each employer's section to pay the promised benefits. Employers are required to make up any shortfall in the funding of a section over a reasonable time period. In certain circumstances, such as on the insolvency of an employer, the shortfall may become due as a debt from an employer, and if the employer is not able to pay off the debt, then the employer's section of the IWMPS will have to be wound up with insufficient assets to pay benefits. Controlling funding to try to ensure that the value of the assets keeps pace with the value of the liability to pay benefits is therefore a primary concern for the Trustee. To do this the Trustee relies heavily on the Scheme Actuary to assess the value of the liabilities and to advise on the rate of contributions the employer should be asked to pay. Investment professionals will advise the Trustee on the investment strategy adopted by the Trustee, such as to the type of assets to be held.

Reviewing the funding position

There is a periodic review of the funding position at least once every three years when the Actuary carries out an actuarial valuation of each employer section. The key element of the actuarial valuation is to assess the value of the benefit liabilities. The benefit liability of each section is broadly the current value of all the expected future payment of pension and lump sum benefits to members and their dependants (earned up to the date of the valuation in respect of contributing members). The total for each year of benefit payments is discounted by an assumed annual rate of investment return in order to arrive at an estimate of the amount needed at the date of the valuation to meet the cost of paying the benefits in the year they fall due. This assessment depends crucially on the assumptions made by the Actuary about how long members and their dependants will live, the future rate of return on the assets in which the employer section is invested, and for members in contributing service, the rate at which earnings will increase

above price inflation. There will also be assumptions made regarding the likely ongoing ability of the employer to support the section, and a level of prudence is built into the calculations.

If the valuation shows that the value of the assets in an employer section are less than the liabilities, the Trustee has to reach agreement with the employer on a deficit recovery period – the length of time the employer is to be allowed to eliminate the deficit by paying deficit contributions. Clearly the quicker funding is restored to the 100% level the better, but in negotiating with employers the Trustee has to strike a balance between ensuring deficit contributions are paid at as high a level as can be afforded and against pressing for a rate that could jeopardise the employer's business.

In addition to reviewing the position in respect of benefits earned up to the valuation date, the Actuary also advises on the rate of 'normal' contributions which employers should be asked to pay on top of those paid by contributing members, to meet the cost of the benefits those members accrue after the valuation date. These normal contributions are expressed as a percentage of pensionable pay and are payable in addition to any deficit contributions.

After each valuation cycle, once agreement has been reached with the employer, members will receive a Summary Funding Statement which will report on the funding position for your employer section. The latest Funding Statement can be obtained from the administration office.

Setting investment strategy

Following each valuation, the Trustee considers any changes that should be made to the investment strategy for each employer section. The strategy is set out in its Statement of Investment Principles, a document which the Trustee is obliged to produce by law, and to maintain as changes occur. Members are welcome to request a copy of the Statement at any time.

The Scheme's investments comprise a number of different asset classes, with for example, stocks and shares selected for long term growth potential, and bonds and cash selected for security and to cover the need for short term liquidity requirements like paying pensions.

As the Scheme matures, and more members become deferred and pensioner members, with less active employees still contributing, it is expected that the investment strategy will move generally to a base of assets which carry progressively less risk. This is to help ensure that pensions can continue to be paid long into the future, maybe when there is no longer a supporting employer involved any more. During members' working lifetimes, the liability to meet the costs of their pensions rises in line with their earnings, so real growth assets (designed to outperform inflation over the longer term) make a suitable match for these benefits. Once retired, pensions are linked to prices, so stability and security with indexation to match price increases becomes more important.

Employer insolvency

Almost all members of the IWMPS have statutory protection from the Coal Industry (Protected Persons) Pensions Regulations 1994. One of the protections is that an employer cannot arbitrarily reduce future rights or choose to close and wind up its section of the Scheme. But regulations cannot give protection against the possibility of an employer becoming insolvent.

If an employer does become insolvent then the first thing that will happen is that any contributing members of that employer will lose their jobs and will become deferred pensioners in their employer section of the IWMPS. Usually the Trustee will then have to start the process of 'winding up' that employer section. Winding up means using the assets of the employer section to buy pension annuities from an insurance company, with the aim of paying the same benefits as promised by the IWMPS. Unfortunately, as we explain below, the employer section may not have sufficient assets to do that.

The 'normal' valuation of each employer section, the one outlined in the sections on funding above, is carried out by the Actuary on the assumption that the employer section of the Scheme will continue. The Scheme invests principally in a mix of UK and overseas equities and in bonds. Returns on equity investments are less certain and much more volatile than returns from bonds, but over the longer term they are expected to produce higher returns than bonds. So, the amount of money assessed as being needed to pay benefits, when allowance is made for the higher expected return from equities, is less than it would be if the Actuary assumed an employer section was 100% invested in bonds. If an employer section was wound up the insurance company which had taken on the liabilities would minimise its investment risk by investing wholly in bonds. This would require a bigger fund than the Actuary had assessed was necessary on the normal valuation basis. It would also have to be bigger in order to provide a profit margin for the insurance company and to cover the addition to its reserves that the insurance company would be legally obliged to make.

As a consequence, only those employer sections substantially overfunded

(i.e. in surplus) on the normal valuation basis would have sufficient assets to secure the benefits promised to members if their section had to be wound up. If there are insufficient assets to secure the promised benefits with an insurance company, then benefits have to be reduced to a level that can be afforded. The priority order in which benefits must be secured is determined by law. Historically, pensions in payment were given the highest priority and it is this which has led to the much publicised position where, in the past, deferred pensioners in some pension schemes have lost all their benefits. There are, however, safeguards to prevent this happening and these are outlined in the following:

Employer liability

If an employer section of the Scheme is being wound up and doesn't have enough money to secure the promised benefits with an insurance company, The Protected Persons Regulations (and from 2005, pensions law in general) require the employer to make up the shortfall. In practice, this is likely to be of little value since an insolvent employer will probably have few, if any, assets which the Scheme can claim. However, where the employer is a wholly owned subsidiary of another company, then under the Protected Persons Regulations the same obligation is placed on the parent company. So there would be scope in those circumstances for a successful claim against the parent company of an insolvent participating employer.

Pension Protection Fund

The most significant safeguard is the Government's Pension Protection Fund (PPF) which provides protection for members of pension schemes whose employer becomes insolvent. If a scheme (in our case, an employer section of the IWMPS) has insufficient assets to secure benefits with an insurance company, then the assets could be transferred to the PPF which will assume responsibility for the payment of pensions (referred to as "compensation").

The level of compensation depends on a member's age and status at the date the employer section started the PPF entry process. In broad terms, if a member was over normal pension age (60 in the IWMPS), they will receive their full rate of pension. However if the member was under normal pension age, they will receive only 90% of their accrued benefits subject to a cap. In both cases, the PPF will can generally be expected to pay lower increases to pensions in payment than would be the case under the Scheme. The downside to this is that schemes have to pay a levy each year to help fund the PPF.

Further information about the PPF can be obtained from their website by visiting: ***www.ppf.co.uk/our-members***

Managing the risks

Although the PPF will not pay out 100% of the promised benefits, its establishment has greatly improved the protection for members of an underfunded employer section in the event of employer insolvency.

The risk that there would be insufficient assets to pay benefits in full if an employer did become insolvent cannot be ruled out, but the Trustee seeks to minimise the risk that employer sections are not adequately funded through the investment strategy it adopts and through its approach to funding as outlined above.

The Trustee also monitors the strength of the employers and reacts to any changes in the strength of their businesses which it becomes aware of. Where the Trustee may be concerned that the employer's ability or willingness to pay has been worsened (for example if it takes over another company, or is itself taken over) then it takes professional advice as to the further steps that might be taken to ensure the security of benefits in the Scheme. Help and support may be available from the Pensions Regulator at such a time.

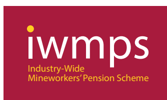
One Member Sections

Under current legislation, members of one-member sections are excluded from eligibility for the Pension Protection Fund and also fall outside the Pension Regulator's remit. This is because each employer section in the Scheme is treated as a separate pension arrangement.

This means that if a sponsoring employer of a one-member section becomes insolvent, there is a very real likelihood that the member will receive much reduced benefits. Once the funds in their section have been exhausted, unless additional funds were available from a parent company of the sponsor, pension payments would cease. Currently, the IWMPS Trustee have no recourse to obtain compensation from the PPF for members if the section becomes unsupported.

The IWMPS Trustee believes this is wrong and whilst it appears to be due to a flaw in the legislation, it leaves members of one-member sections vulnerable.

The IWMPS Trustee is trying to seek a change to the legislation or to obtain some form of specific protection for members of one-member section from the Government and to that end has been in correspondence with the DWP to highlight the issue. Sadly, to date, the Trustee's efforts have not prompted a change, but they continue to press for a change as far as they are able.



Please note that the information in this publication is based only on an interpretation of the Scheme's Rules, and is not intended to be a definitive statement of your entitlement to specific benefits from the Scheme. Some employer sections of the Scheme differ from others in certain respects, and not all employer sections necessarily adhere to the descriptions of benefits or policies described here. This newsletter is current at the point of writing, though its contents are subject to change. The Scheme's Trust Deed and Rules will override the information provided in the newsletter in the event of inconsistency.