

# Your guide to the Institute of Development Studies Pension & Savings Scheme (the Scheme)

**An easy reference guide to your pension**

April 2019





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# 01. Introduction

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Saving for retirement is all about aiming to give yourself a decent standard of living, to enable you to enjoy the things you'll have time for when you are no longer working.

The Institute of Development Studies Pension & Savings Scheme (the Scheme) offers you a tax-efficient way to save for your retirement. You contribute to your individual policy within the Scheme as much as you can realistically afford and then when you retire the funds that have built up will provide you with an income for the rest of your life.

One of the greatest benefits of this Scheme is the commitment of the Institute of Development Studies ('IDS') to contribute to your individual policy within the Scheme. These contributions along with your own personal contributions can help you achieve a significantly better income at retirement.

This reference guide provides important information regarding the Scheme. Please also refer to the AEGON Key Features document and other explanatory information included with this reference guide for further details of the Scheme.

You should retain this reference guide for future use.

## What is the Scheme?

The Scheme is a flexible way for you to save for your retirement and offers good value for money. You will have your own individual policy within the Scheme, set up in your name. The pension you receive when you retire will depend upon:

- the amount of money paid into your individual policy
- the investment of the money within your individual policy
- the terms for buying a pension when you decide to retire
- the annual management charge deducted from your individual policy.

## Who is the Scheme provider?

The Scheme provider is AEGON.

AEGON were chosen to operate the Scheme as they offered competitive terms, good financial strength, a wide selection of investment funds and a high level of service.

## What are the benefits of being a member of the Scheme?

Saving for your retirement is important. The Scheme offers you a number of advantages over other forms of saving including:

- You will benefit from valuable IDS pension contributions
- You will save income tax on the money you pay into your individual policy within the Scheme
- IDS has negotiated special terms with AEGON, so you benefit from low management charges which are the charges AEGON makes for investing and administering your pension pot.

# 01. Introduction cont.

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## **Are there any other advantages associated with membership of the Scheme?**

As a contributing member of the Scheme, whilst employed by IDS, you will also be included in group life assurance and income protection schemes, subject to the respective scheme rules and eligibility conditions.

In the event of your death, whilst a member of the Scheme and an employee of IDS, the group life assurance scheme will provide a lump sum payment to your beneficiary of five times your basic annual salary.

In addition, whilst a member of the Scheme and an employee of IDS, the income protection scheme provides 50% of your basic annual salary minus State benefits where applicable; after 52 weeks absence from work due to illness or injury and unable to do your own occupation; until such time as you return to work, leave service, you die or you reach 65 years old.

## **When will I become a member of the Scheme?**

If you are aged 22 or over, under the State Pension age and earning at least £10,000 per annum (2019/20) IDS will automatically enroll you into the Scheme with effect from the date you start working at IDS. IDS will issue you an automatic enrolment letter at the end of the month in which you are auto-enrolled.

## **What information will I receive once I am a member of the Scheme?**

AEGON, the Scheme provider, will send you an email to activate your account via Retiready and all your membership documents will be on your document store on Retiready.

## **Can I transfer other pension savings and benefits into the Scheme?**

Yes, although we strongly recommend you take independent financial advice before any transfer is made.

## 02. Contributions

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IDS will help you save for retirement by making valuable employer contributions to the Scheme. In addition, unless you are advised otherwise by IDS, your payments to the Scheme will be made on a Salary Exchange basis, which means you will pay less National Insurance (NI) than would otherwise be the case.

The Scheme is designed to be as flexible as possible and you will be able to change the amount you pay if your circumstances change.

### What is Salary Exchange?

Salary Exchange is a way to make your pension contributions which saves you National Insurance. Instead of making normal pension contributions, your gross salary is reduced and IDS makes an equivalent contribution to the Scheme on your behalf, which will be shown on your payslip.

Your original basic annual salary before your Salary Exchange, will be called your 'Basic Pay – Spinal Salary' and will still remain on your payslip for reference purposes.

### How much will IDS contribute?

You will automatically be enrolled into the Scheme paying 3% of your monthly notional pay and IDS will also contribute 10% of your monthly notional pay.

Upon becoming a member of the Scheme, you have the option to amend your contribution in accordance with the table below:

Your contribution	IDS contribution	Total contribution
3%	10%	13%
4%	10%	14%
5%	10%	15%
6% or more	12%	18%

Please note that you can choose to contribute more than 6% if you wish, but the maximum IDS contribution is 12%.

Subject to any terms in your contract of employment to the contrary, IDS reserves the right to vary the rate of contribution in the future. Any employer contributions payable will cease should you leave IDS.

## 02. Contributions cont.

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### Who should I contact if I wish to change my contribution?

If you wish to change your contribution in future, you will need to complete a contribution change form. This can be downloaded at [Policy & Forms](#) for you to complete and send to HR.

### Example – Basic Rate Taxpayer earning £20,000

If your basic annual salary is £20,000 a year and you choose a Salary Exchange of 3% (£600) under the Scheme, your taxable income becomes £19,400. The reduction in your take home pay after your Salary Exchange would be £34 per month calculated as follows:

Annual Salary Exchange	£600
<hr/>	
Less income tax saving	(£120)
Less National Insurance saving	(£72)
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Total amount of your contribution to be invested	£600
<hr/>	
Net yearly cost	£408
<hr/>	
Net monthly cost	£34
<hr/>	

The example below shows the cost to you if you decide to opt out of Salary Exchange. Therefore any personal contributions you make will be collected from your salary net of basic rate tax.

Annual deduction from net pay	£480
<hr/>	
Scheme provider reclaims an amount equal to basic rate tax	£120
<hr/>	
Total amount of your contribution to be invested	£800
<hr/>	
Net Monthly cost	£40
<hr/>	

**Please note: these examples are for illustration purposes and assumes entitlement to the full personal allowance and no other additional elements of pay or deductions. Personal allowances, income tax and National Insurance rates are based on the 2019/20 tax year.**

### How will Salary Exchange affect future pay reviews?

Future pay rises will be based on your Notional Salary (your basic annual salary before your Salary Exchange contribution).

## What salary will be used if I need a mortgage or loan reference?

IDS will quote your Notional Salary (your basic annual salary before your Salary Exchange contribution).

## Will Salary Exchange affect the amount of income tax that I pay?

Salary Exchange will enable you to effectively receive full tax relief on pension contributions at the time your salary is paid. If you pay tax above the basic rate of 20%, you will not need to claim higher rate tax relief from HMRC through Self-Assessment, as would be the case with normal contributions to a Group Personal Pension. The amount of tax relief is the same, but Salary Exchange saves you the trouble of having to make a claim for the higher rate relief.

However, if you earn less than the Personal Allowance (the level at which you start to pay income tax) of £12,500 per annum for 2019/20, Salary Exchange may not be appropriate for you, because you will not get tax relief on your contributions. If this applies the Firm will allow you the option to pay normal contributions instead, which will automatically attract tax relief at 20%.

## Will my State benefits be affected?

When you participate in Salary Exchange, you save on National Insurance contributions. For most employees paying less National Insurance contributions will not materially affect your State benefit entitlements.

However, if you are earning less than £6,136 a year, your benefit entitlements may be affected and if this applies the Firm will allow you the option to pay normal contributions instead.

The State Pension is paid at a flat rate and is dependent on the number of years of National Insurance contributions paid, not on the actual level of National Insurance contributions paid. As a result your State Pension entitlements from that date may not be impacted at all by taking part in a Salary Exchange arrangement.

It is not possible to sacrifice pay from statutory maternity pay ('SMP'), statutory paternity pay ('SPP') or statutory adoption pay ('SAP'). Therefore, although you may continue to participate in SMART Pensions during periods of maternity, paternity and adoption leave, the amount sacrificed cannot bring your annual salary below the level of SMP/SAP/SPP. This also applies to employees in receipt of enhanced SMP/SPP/SAP (please refer to Section 5.6 of this booklet for further details of the maternity provisions).

## How does Salary Exchange affect tax credits?

Salary Exchange will reduce your salary, which may have a beneficial effect on working tax credits and child tax credits, as these are typically calculated on your earnings. If you are in receipt of these benefits, you are advised to speak to the tax credits helpline on 0845-300-3900, or refer to the following website for further guidance:

<http://www.taxcredits.inlandrevenue.gov.uk/qualify/WhatAreTaxCredits.aspx>

## What happens if I am on maternity, paternity or adoption leave?

If you are away from work on maternity, paternity or adoption leave, your membership and benefits under the Scheme will continue.



## 03. Investment and charges

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### Where will the contributions be invested?

Initially, on automatic enrolment, your contributions will be invested in the Scheme's default fund, AEGON's Growth Tracker (Flexible Target) Fund. If you do not wish to invest in the default fund selected, then you can choose an alternative fund(s) at any time after your automatic enrolment into the Scheme, free of charge. You may switch to an alternative fund (s) more than once. Please note that some funds have higher charges than the Scheme's default fund.

The AEGON Growth Tracker (Flexible Target) is aimed at individuals who want to keep their options open at retirement. It uses a two-stage investment process. In the early years (the growth stage) it aims to grow savings over the long term by investing mainly in global equities (company shares) with the remainder (around 25%) in UK bonds (a blend of UK corporate, UK index linked and conventional government bonds). It's designed to track the markets it invests in, so performance should be similar to those markets.

In the 6 years from your selected retirement age (age 65 unless you have elected a different retirement age and have changed it online with AEGON) the '**Flexible Target**' Glidepath gradually moves your fund and ongoing contributions into less risky investments. It will also move part of your investment into cash in the final two years to cater for your maximum tax-free cash entitlement, currently 25% of your pension pot. AEGON regularly review their workplace target funds and may change them if they believe it's in the best interests of investors.

You should consider carefully whether the Scheme's Default fund is appropriate to you and, if you choose to remain in this option, it is important you notify AEGON if you change your selected retirement age. You should also reconsider your decision as you approach retirement.

### What other options do I have?

Members will have access to AEGON's full AEGON Retirement Choices (ARC) platform fund range including over 300 insured funds

In addition, AEGON can offer members a Self-Invested Pension Plan (SIPP) option providing more financially sophisticated investors with an even wider range of investment options including over 4000 mutual/(OEIC)/Unit Trusts (UT), Discretionary Management Services (DMS), Exchange-Traded Funds, plus individual FTSE 350 shares. This option has additional charges based on individual investment choices.

Once AEGON has set up your policy, you can register online to check on your funds and select alternative funds (including SIPP option) at <https://www.aegon.co.uk/Login.html> (search under AEGON Retirement Choices or ARC) or by calling their helpline on 03456 081680 between 9am and 5pm, Monday to Friday. If you call the helpline you will need your AEGON policy number.

It is important that you pay close attention to the performance of your funds and investment options and you review your decisions regularly.

### What are the charges?

The charge applied to the Scheme for the default option will be 0.48% i.e. a platform charge for the ARC platform of 0.43% p.a. and 0.05% for the default fund. This amounts to 48p per year for each £100 of fund in your individual policy. Other investment options may have different charges and details are provided in your AEGON information.

Additional charges apply to the SIPP if you choose this option and are added to the platform charge of 0.43%.

In association with the Premier Benefit Solutions, IDS has negotiated these terms to ensure they are amongst the most competitive available.

You would be very unlikely to benefit from these terms if you were to take out an individual policy separately from this Scheme.

### **Are there any risks?**

The figures within any illustrations provided by AEGON are only examples and are not guaranteed.

- What you will get back depends on how your investments grow and on the tax treatment of the investment.
- Your retirement fund could be more or less than that illustrated.
- Your pension income will also depend on interest and annuity rates at the time you retire.
- This investment is intended as a long-term investment and under current HMRC practice it is not normally possible to access the fund(s) prior to the age of 55.

The value of your fund can go down as well as up and the value will depend on how much you save, the charges you pay and the rate at which your investment grows.

All statements concerning the tax treatment of products and their benefits are based on current tax law and HMRC's practice. Levels and bases of tax relief are subject to change.

# 04. Benefits

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## Selected retirement age

The Scheme's selected retirement age is 65. However, you may choose to start receiving your pension benefits at any time from age 55.

You can also choose an alternative selected retirement age, by contacting AEGON. Please note it is important for you to choose your own selected retirement age (if not age 65) so that AEGON know which age you are planning to take your benefits and also for the default investment strategy to target the correct retirement age for you.

## What are the benefits?

The level of your benefits at retirement will depend on the value of your fund in the Scheme, your age and the type of retirement benefits you choose when you retire.

The following summarises the main options available:

- **A tax free cash sum and a guaranteed income for life (an Annuity)** - up to 25% of your pension savings can be taken as a tax free cash sum and you'll also receive an income for life (your annuity). This income will be taxed.
- **Take it all as cash** - In addition to the 25% tax free cash sum, you can take your remaining pension savings as cash, but this amount will be taxed as income, so you may have to pay tax on it.
- **Flexible access** - You can take part of your pension savings whenever you like and leave the rest invested. Again, you may have to pay tax on the amount you choose to take.
- **A combination of the above**

Please note that if you do flexibly access your pension savings and still wish to make further contributions that these may be restricted. Known as the Money Purchase Annual Allowance (MPAA), the MPAA in the tax year 2019/20 is currently £4,000.

If you do access your pension savings, you should notify Aegon so your circumstances can be noted. If you fail to notify them and continue to make contributions, you could find yourself liable to a fine as well as tax to pay.

Before your selected retirement age you will receive full details of your options. The choices can be complex, so it is recommended that you seek independent financial advice on the best option based on your circumstances.

## What state benefits are payable?

In addition to benefits from the Scheme, you will remain entitled to any State benefits, such as the new State Pension (£168.60 a week for a single person for the tax year 2019/20). You will usually need to have 10 qualifying years on your National Insurance record to get any new State Pension. You will need 35 qualifying years to get the full new State Pension if you do not have a National Insurance record before 6 April 2016. You may get more than the new State Pension if you build up enough NI contributions towards the Additional State Pension. You can obtain a State Pension forecast from:

<https://www.tax.service.gov.uk/checkmystatepension>

## What benefits are payable on death before retirement?

From the Scheme – if you were to die before receiving any pension benefits, the full value of the fund

in your individual policy would be paid to your dependents or your estate.

You are strongly encouraged to complete and return the death benefits nomination form, enclosed with your membership documents that AEGON will post direct to your home address, to provide AEGON with an indication as to whom you would like benefits to be paid in the event of your death.

### **What benefits are payable on death after retirement?**

If you die after starting to receive pension benefits, any further benefit/pension payments will depend on the choices you made at retirement. For example, the pension could continue until the end of any guaranteed period, if one was chosen when the pension was set up. And/or a pension could be paid to your spouse or dependents, if this option was selected.

### **What happens on leaving IDS?**

IDS will no longer pay employer contributions once you leave its employment. There are a number of options available to you including continuing to contribute to the Scheme, or stopping contributions and leaving your fund in your individual policy fund invested until retirement. Alternatively, you may transfer your fund in your individual policy to another approved pension. Full details of the available options will be given at the time.

### **What happens if I decide I no longer wish to be a member and stop making contributions into the Scheme in the future?**

IDS will no longer pay employer contributions once you leave the Scheme. You may leave your fund in your individual policy invested until retirement or you may transfer your fund in your individual policy to another approved pension. Full details of the available options will be provided by AEGON after leaving.

Please note that if you stop making contributions and leave the Scheme, you will be automatically enrolled back into the Scheme at a later date (usually every three years) if you are still working for IDS aged 22 or over, under State Pension age and earning at least £10,000 per annum (2019/20).

If you wish, you may opt back into the Scheme within the period before which you are automatically enrolled again.

# 05. Life Assurance Scheme

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IDS also provides Life Assurance benefits under the Premier Life Master Trust - IDS Group (the 'Life Assurance Scheme'), which is a separate arrangement established under Trust. This is provided and paid for separately by IDS under a life assurance policy.

## What benefits are payable?

As a contributing member of the Scheme, in the event of your death whilst an employee of IDS, a lump sum of five times your notional pay (notional pay is your pre-salary exchange pay) is provided.

Please note that in limited circumstances you may be required to provide evidence of good health to be entitled to the full benefit. Restrictions may also be imposed on individual employees by the life assurance company, and you will be notified if any such restrictions apply to you.

## Who pays for the cost of the benefits?

IDS pays the full cost of this benefit to the life assurance company, in addition to any pension contributions that IDS pays to AEGON.

## How are death benefits paid?

The Trustee of the Life Assurance Scheme will decide who will receive the benefit and may pay it to one or more of your dependents, your relations, your estate and/or any other person or organisation you have named to them in writing by completing an Expression of Wish Form. The payment will usually be made as a lump sum.

Payment of the lump sum death benefit is tax free up to your remaining Lifetime Allowance. The Lifetime Allowance is set by the Government and is £1,055,000 for the 2019/20 tax year. If you have already received retirement benefits these will have used part (or all) of your Lifetime Allowance. Any lump sum death benefits paid from other Registered schemes will also count against your Lifetime Allowance. Any excess over your remaining Lifetime Allowance will be taxed at 55% and this tax is payable by the recipient.

## How do I nominate a beneficiary?

It is important that you notify the Trustee of the Life Assurance Scheme of the person(s) you would like to benefit in the event of your death. Please indicate your wishes by completing the 'Premier Life Master Trust - IDS Group – Expression of Wish Form' included in this pack.

Please note this is in addition to the AEGON Death Benefits Nomination form that you need to complete for the return of the Scheme fund value.

If you wish to change your nomination(s) in future, you will need to complete new forms. The Premier Life Master Trust - IDS Group – Expression of Wish form can be obtained from Jo O'Reilly for you to complete and send to Jo once completed. Please contact AEGON for a Death Benefits Nomination form for the Scheme itself.

# 05. Life Assurance Scheme cont.

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## What do I do if I have a dispute about the life assurance benefit?

Disputes about the Life Assurance Scheme are resolved through an internal procedure. For details please contact the Human Resources Department:

Jo O'Reilly  
Senior HR Officer  
T +44 1273 915631  
E [HR@ids.ac.uk](mailto:HR@ids.ac.uk)

Members and dependents may apply to The Pensions Advisory Service ('TPAS') if they have questions about their benefits, which have not been resolved with the Trustees. TPAS can be contacted at 11 Belgrave Road, London, SW1V 1RB (T 0800 011 3797).

If TPAS is unable to help, the Pensions Ombudsman has powers to investigate any complaints and settle disputes relating to the Scheme (unless formal legal proceedings have started). Reference must normally be made within 3 years of the event. The Pensions Ombudsman can be contacted at 10 South Colonnade, Canary Wharf, E14 4PU (T 0800 917 4487).

## Will the life assurance benefit ever change?

IDS intends to continue the Life Assurance Scheme, but reserves the right to change or stop it at any time.

## Is there anything else I need to know about the life assurance benefit?

This is a summary of the Life Assurance Scheme, which is set up by a Declaration of Trust and Rules, which legally govern members' rights. Copies of these documents can be examined on request; please contact Jo Reilly if you would like to see a copy. If there is any conflict between the Rules and this booklet, the Rules will prevail.

# 06. Further information

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Please refer to the AEGON Key Features and explanatory information included in this pack for further details of the Scheme.

You may also find the following websites useful:

[www.moneymadeclear.org.uk](http://www.moneymadeclear.org.uk) - this is not a correct link– from the UK's Consumer Financial Education Body established by the Financial Conduct Authority

[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk) – The Pensions Advisory Service (TPAS) is an independent non-profit organisation that provides free information, advice and guidance on the whole spectrum of pensions, including state, company, personal and stakeholder schemes.

## Who should I contact if I need help?

If you should have any queries or if you are in any doubt about the suitability of the Scheme you can contact IDS's advisers Premier Benefit Solutions Limited, who are authorised and regulated by the Financial Conduct Authority, and they will be happy to provide assistance. Their contact details are as follows:

Premier Benefit Solutions  
Limited, 11th Floor  
AMP House  
Dingwall Road  
Croydon, CRO 2LX  
T 0800 122 3210  
E [idsps@premiercompanies.co.uk](mailto:idsps@premiercompanies.co.uk)

You will not receive advice or a recommendation from Premier Benefit Solutions unless you specifically request it. Should there be a fee involved, Premier Benefit Solutions will let you know before any advice is given because, although IDS pays Premier Benefit Solutions as the Scheme consultant, IDS does not pay for members to receive financial advice. Alternatively, you can contact another organisation at your own expense.

Premier Benefit Solutions will not be remunerated by AEGON by the payment of commission.

For IDS pension administration queries, please contact:

Jo O'Reilly  
Senior HR Officer  
T +44 1273 915631  
E [HR@ids.ac.uk](mailto:HR@ids.ac.uk)

## 06. Further information cont.

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### Who should I contact if I have a query about my individual policy in the Scheme?

For general enquires about your individual policy within the Scheme, you can contact AEGON directly. The contact details are as follows:

AEGON  
Edinburgh Park  
Edinburgh  
EH12 9SE  
T 03456 081680  
E [clientservices@aegon-arc.co.uk](mailto:clientservices@aegon-arc.co.uk)

### Can I manage my individual policy in the Scheme online?

AEGON offer a comprehensive range of online tools to help you manage your individual policy in the Scheme, including:

- Check and update your personal details, including any change to your selected retirement age. Please note that the default retirement age of 65, which you can change if desired.
- See how much your fund is worth
- Estimate what your pension might be at different ages
- Review your individual policy history, including how much has been paid in
- Check the price and performance of your fund(s)
- Change your fund choices.

Details of how to access these services will be provided by AEGON with your Scheme documents.



# 07. Notes

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