redefining / standards

AXA UK Group Pension Scheme

Your Retirement Options

DB & DC

Click to begin ›

Contents

Introduction

Retiring and taking a pension is a big life change, and one that needs some thought and planning. This short guide will help you to think through the issues surrounding retirement, and show you the decisions you need to take to make the most of this new phase in your life.

1. Your DB retirement options

At retirement, you will have a range of possible options. The level of your benefits will depend on:

- your length of Pensionable Service;
- your Accrual Rate;
- your Final Pensionable Salary, and
- the revaluation that applies between the date you left the Scheme and the date you begin drawing your pension.

Cash option

With most pension schemes, you are currently permitted to take up to 25% of your DB benefit as a tax-free cash lump sum at retirement. Following the recent Budget announcement, there are new rules in consultation that, from April 2015, would permit you to take more than 25% as a cash lump sum (or indeed, a series of lump sums), however any amount over 25% will be subject to tax restrictions at your usual rate of tax.

Please note: if you wish to take up the total cash option, you will need to transfer your benefits out of the Scheme. For further details about transferring out of the Scheme, please contact Capita, our Scheme Administrator. Contact details are on page [x].

Additional Voluntary Contributions

If you have made AVCs at any point, you will be able to take these at the same time as withdrawing your pension, or at a later date if you wish.

Early or late retirement

The Normal Pension Date for the Scheme is 65, however this varies dependent on which Section of the Scheme you belong to, or the retirement date you have chosen. Please refer to your Member Booklet to find out the NPD that applies to your Section. If you choose to retire early – you are permitted to retire from the age of 55 – an early retirement factor will be applied to allow for the fact that you will be receiving your benefits for longer. Conversely, if you retire later than the Normal Pension Date of 65, a late retirement factor will be applied as you will receive the benefits over a shorter period of time.

Ill-health early retirement

With Trustee consent, you may retire at any time on grounds of ill health. The benefits you receive will depend on whether the Trustees decide that you are suffering from Incapacity or Total Incapacity.

If your health improves to the extent that, in the Trustees' opinion, you no longer qualify for a Total

Incapacity pension, the Trustees may reduce or suspend your pension until your Normal Pension Date. If this applies, you will be advised of the pension payable to you at your Normal Pension Date in the light of the benefits you have already received.

Go to section 2

2. Your DC retirement options

Your retirement income will come from your Scheme pension, any other pensions you may have with previous employers or that you have set up yourself, and your state pension and any other savings you may have. You will need to think about contacting all of these pension providers as you plan your retirement.

Your Scheme pension will depend on:

- the value of your Personal Account at retirement;
- when you retire, and
- the type of pension you buy.

With a DC pension, you use your retirement savings to buy an income for the rest of your life (known as an annuity) from an insurance company. This means that you have much more say in the kind of benefits you receive at retirement. This is an important decision that affects your income for the rest of your life, so make sure you take some time to consider your options.

This guide will take you through the different kinds of annuities available to you, as well as alternative options to buying a pension, as well as provide you with some questions to consider as you approach retirement.

Tax-free lump sum

Currently, the tax rules broadly allow you to take a quarter of your pension savings as a tax free cash sum rather than a taxable pension. If the Budget changes are applied in April 2015, you can take all your pensions savings in a single lump sum. However, any payment on top of your 25% tax free cash allowance would be taxed as income, so you may wish to consider the tax implications of taking a single lump sum especially if you have a large amount of pension savings.

Hargreaves Lansdown

The Company use Hargreaves Lansdown as our annuity brokers, to provide you with expert advice and assistance as you approach retirement.

They have created a number of explanatory videos which sit on their website. These include:

What is a pension (annuity)?
What is an escalating annuity?
What is a spouse pension?
What is a guarantee?

You are also able to use their annuity modeller, which will give you an indication of what you may receive in retirement (please note: this is not a promise or entitlement of benefits). [Insert screenshot of the annuity modeller log in – JM to provide].

Enhancing your annuity

Annuity rates are constantly changing, so to find the best annuity rate, you should take your time and look for the best option for you. The effects of health conditions can make a difference in the annuity that you're offered. Even relatively minor conditions such as high blood pressure or cholesterol may improve the rate you receive for your annuity. It is estimated that up to 40% of people could qualify for an enhancement because of ill health, or lifestyle factors, such as smoking.

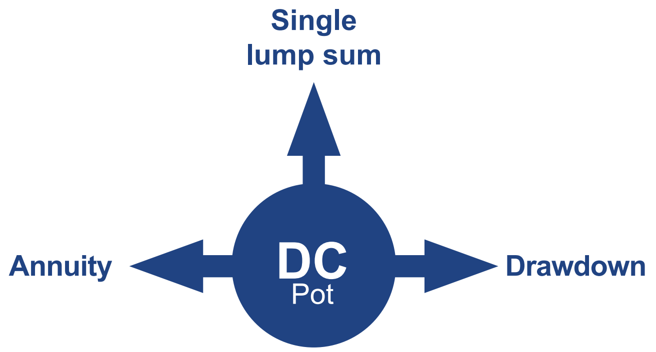
For more information on the different annuity options available to you, watch the videos or try using the annuity modeller on the Hargreaves Lansdown website. The Trustees have appointed Hargreaves Lansdowe to assist members regarding their DC fund when they are retiring.

Go to section 1 Go to section 3

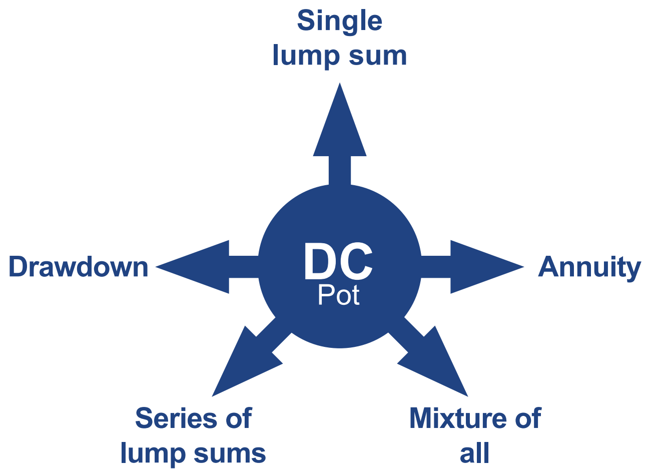
3. Are there alternative options to an annuity?

As you will receive a DB pension at retirement, you may not be as heavily reliant on your DC pension to provide a retirement income. There are alternative options than just purchasing an annuity with your DC Personal Account which offer you more flexibility, and we have outlined some of these below.
The Budget in March 2014 proposed changes to the way people can take money from a pension scheme, providing individuals with more flexibility with their retirement income. The changes are currently in consultation, to hopefully take effect from April 2015. Here is a summary of the key changes:

Current options



Options from April 2015



Income drawdown

Income drawdown is the main alternative to a secure annuity income. It is more flexible than an annuity but is also more complex and higher risk. Instead of exchanging your pension pot for the secure lifetime income of an annuity, income drawdown allows you to draw a variable income directly from your pension pot. You choose where to invest and your income will rise and fall depending on your investment's performance. There are also greater options for passing funds on when you die. Income drawdown starts when you have taken the allowable tax free lump sum from your Personal Account (usually 25%). There are two types of drawdown to choose from:

- **Flexible:** Anyone who can prove they have guaranteed pension earnings of £12,000 or more can use Flexible Income Drawdown which removes the maxi mum amount on the income you can take. In fact, there are no income limits at all and you can drawdown as much income as you like, when you like. However, the more income you take early on means there will be less available for the future. This option provides total control of your investments which will be subject to the markets performance, which can in turn affect the amount you'll be able to withdraw in the future. This option is not available to everyone and certain criteria must be met before selecting it. Note that any income is subject to the highest rate of tax.
- **Capped:** This allows you to withdraw an annual income between zero and a maximum, based on the initial fund value, your age at the time of retirement and the current rates set by the Government. The maximum limit is reviewed every 3 years until age 75 and yearly thereafter.

When considering taken income drawdown, we strongly recommend you seek financial advice from an independent financial advisor. An IFA local to you can be found at www.unbiased.co.uk

There are some helpful videos regarding Income Drawdown on the Hargreaves Lansdown website. Click here to view.

A series of lump sums

Rather than just one lump sum, you could take your remaining pension in series of lump sums. This would give you the freedom of having a yearly cash payment but allow you to make the most of any tax allowances.

Go to section 2 Go to section 4

4. Summary

There are plenty of options for you in retirement but this can mean a lot of decision-making. Here are some of the key things you need to consider:

What level of income do you need in retirement? When you reach retirement, your outgoings probably won't be as high as they currently are – your mortgage may be paid off - and your monthly budget could look very different. However, you may be looking to use retirement to treat yourself with more holidays than usual or even helping out your family financially. To help you plan how your retirement might look, try using our new Plan It tool. It's a simple budget planner, which breaks your retirement budget planning in to easy sections and provides an estimate of how much you might need in retirement, based on your plans.

When do you want to retire? When you retire is a key factor in the size of your Personal Account and therefore your level of income when you retire. If you retire early, your Personal Account may be smaller and need to last you longer. However if you continue to work past the Scheme's Normal Retirement Age of 65, your Personal Account will be larger when you retire and you will receive a better rate as it will not be expected to be paid out for as long as if you had retired at age 65 or earlier

What kind of annuity do you want? Use Hargreaves Lansdown's annuity modeller to see what may be the best annuity option for you. We strongly recommend that you speak to an independent financial adviser when deciding on purchasing an annuity.

Is an annuity the right option for you? If you think you'd like more flexibility in retirement, consider one of the Income Drawdown options on page [x].

Go to section 3 Go to section 5

5. Contacts and information

Helpful tools

Take a look at our interactive toolkit on the website. Try the Contribution Calculator to see how much your current contributions will provide you in retirement or our Plan It tool to see what your budget at retirement might look like. There's even a Pension Pop Quiz…how much do you already know about pensions?

Our DB Self-Service tool

Helpful websites

There are several websites and organisations that provide free helpful information on financial matters.

For more information on state benefits, pensions, legal issues and tax, go to: www.gov.uk

You might also find that HMRC's website is useful for more technical tax queries: www.hmrc.gov.uk

The Money Advice Service is an independent service set up by the government. This website contains a number of useful budgeting tools and calculators to help with financial planning.

Money Saving Expert is a commercial site that has lots of information and a forum where other members of the public may help with your queries:

To find an independent financial adviser in your area (who will charge for advice) go to www.unbiased.co.uk

Contacts

Specific pension and benefits queries

If you have any queries about your DB pension or benefits, you can contact the Scheme Administrator, Capita:

Capita
2 Cutlers Gate
Sheffield
S4 7TL

If you have any queries about your DC pension or benefits, you can contact Hargreaves Lansdown:

Helpdesk: 0117 314 1795