TO TRANSFER YOUR DEFINED BENEFIT (FINAL SALARY) PENSION OR NOT?

This document provides a general overview of the points you need to be aware of before deciding whether to seek independent financial advice in respect of your Defined Benefits (safeguarded benefits).

The Financial Conduct Authority which regulates the Financial Services Industry considers that:

'It is unlikely to be in the best interest of most consumers to transfer Defined Benefit Pensions as they provide valuable guaranteed income.'

FEATURES OF DEFINED BENEFIT SCHEMES

- The scheme rules will specify your normal retirement age, but it may be possible to apply for early retirement from age 55, depending on the scheme rules.
- The scheme rules may allow you to defer your retirement beyond normal retirement age up to age 75.
- Once you decide to take your benefits your income is guaranteed for the rest of your life.
- Your pension will usually increase in payment, subject to the scheme rules, and may be linked to the rise in Consumer Price Index or Retail Price Index.
- A pension can be provided to a spouse, partner or dependant in the event of your death. The definition of spouse, partner or dependant will be based upon scheme rules.
- The spouse, partner or dependant's pension may also increase in payment, following your death and can be linked to Consumer Price Index or Retail Price Index rises.
- If you do not have a spouse, partner or dependant that meets the definition in the scheme rules, the pension will cease on your death.
- There is no flexibility to change your pension income once it is in payment.
- It is simple to understand – you receive a monthly income when you start to draw your pension.
- If you are in good health, an index linked pension could be very valuable as you will expect to enjoy a long retirement.
- It is usually possible to receive a tax-free lump sum by giving up some of your scheme pension.
- You are not exposed to any investment risk as your benefits are guaranteed.
- You are not responsible for any charges as the full cost of running the scheme is borne by your Employer.
- There is no chance that you will run out of money as your pension only ceases on your death. Remember that a spouse, partner or dependant's pension may then be payable.
- There are limited tax planning opportunities in respect of how and when you take income.
- In the event of the Employer becoming insolvent, the Pension Protection Fund (PPF) has been established to pay compensation to members of Defined Benefit Schemes. Prior to the normal

retirement date, your pension is guaranteed up to 90% (subject to certain limits) by the PPF. Once at retirement your pension is 100% guaranteed.

FEATURES OF PERSONAL ARRANGEMENTS

- You have control of your pension fund and no longer have any connection to the Employer or Trustees.
- You assume all the investment risk in respect of your personal pension fund. The value of your investment can fall as well as rise.
- You assume responsibility for all of the pension provider and investment fund costs which will be deducted from the value of your pension fund.
- Your pension affairs will be more complex so you will need to take financial and investment decisions throughout the life of your pension arrangement.
- If you choose to receive financial advice, you will usually incur an initial advice fee and an ongoing advice fee. These fees can be deducted from your pension fund or paid directly by you.
- You can access your benefits at any time from age 55, without incurring an early retirement penalty.
- Currently you may receive 25% of the fund value as a tax-free lump sum. This can be taken at outset of the plan (providing you are over age 55) or in varying lump sums at different times until the 25% is exhausted.
- You can vary your income to fit in with other income that you may have and thereby take income in the most tax efficient way.
- You can purchase an annuity (guaranteed income) with all or part of your pension fund at any time.
- If you do not live a long time in retirement, your fund can pass to nominated beneficiaries who do not have to meet the definition of a spouse, partner or financial dependant.
- If you take high income withdrawals, or if investment performance is poor, you may run out of money.