

Preparing for 6 April 2015

Are you ready for Question Time?

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Background



- The new flexible pension regime will come into effect on 6 April 2015
 - There is already extensive press coverage of the changes
- In understanding the changes it is important to distinguish between Defined Benefits (DB) and Defined Contribution (DC) style pension arrangements:
 - The majority of the benefits under the NEC Staff Pension Scheme (UK) are DB benefits (also known as “Final Salary”)
 - However, any Additional Voluntary Contributions (AVCs) in the Scheme are classified as DC benefits
 - Benefits under the NEC DC arrangement with BlackRock are DC benefits
 - Personal pensions, group personal pensions and Stakeholder arrangements are DC benefits

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What are the changes?



Radical changes affecting pension savings announced in the March 2014 Budget will come into effect on 6 April 2015. The majority of the changes will apply to members with Defined Contribution (DC) pension savings; however there are changes for members with Defined Benefit (DB) pension rights too.

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What are the changes - DC?



You will have complete freedom in what you do with any savings within a Defined Contribution scheme when you draw your benefits.

You will still normally be able to take 25% of your pension pot as a tax-free cash sum, but you will no longer have to buy a pension with the rest. You will still be able to buy a pension if you wish, but instead you could choose to take all of your pension savings as a cash sum or withdraw money from your pension savings over time (known as drawdown). Normal income tax rules will generally apply to any money taken out above the 25% tax-free amount.

If you prefer the certainty of income offered by an annuity contract, new rules will allow pension providers to offer more flexible pension products. For example, you may be able to buy a pension that provides a variable or decreasing income amount over time, rather than an increasing or level amount each year (as presently). The options available to you will depend on the products that are developed by pension providers.

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What are the changes - DC?



If you access your Defined Contribution savings as a single payment 25% is usually tax free, with the balance subject to income tax.

If you choose to drawdown your pension savings over time, the tax on any lump sum death benefit paid will reduce, from April 2015 onwards, to nil if death occurs before age 75 or 45% (or marginal income tax rate from 2016/17 if government plans go ahead) on deaths after age 75.

Pension Wise is a free and impartial guidance service, launched by the Government <https://www.pensionwise.gov.uk/> or alternatively guidance will be available from the Citizens Advice Bureau and the Pensions Advisory Service.

The service aims to explain your retirement options for taking your Defined Contribution scheme pension savings

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What are the changes - DB?



If you are a member of a Defined Benefit scheme, you will be able to access the same freedom in drawing your pension savings but, as things currently stand, you would first need to transfer your savings to a Defined Contribution scheme.

From April 2015 if you are eligible to draw your benefits and either:

- the value of your pension in a scheme is worth no more than £10,000; or
- your total pension savings from all sources (excluding State pensions) are worth no more than £30,000

you may be able to take your entire pot as a cash sum, without having to transfer out. 25% of the payment is normally tax free and income tax is payable on the balance.

Frequently asked questions?

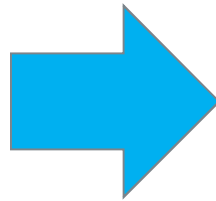




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Are you ready for Question time – DB benefits?

I want to take all my DB benefits from the NEC Scheme as a cash lump sum or as flexible drawdown?

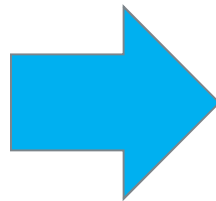


On retirement you may currently commute part of your DB pension (up to 25%) into a cash lump sum. Generally, unless your benefits are relatively small (see answer below) the option to convert all your DB pension to cash is not currently permitted by legislation under the Scheme.

The greater flexibilities available from 6 April 2015 generally only apply to DC pension savings. Therefore, in order to take all your DB benefits as cash you will need to transfer to an external provider offering access to these payments.

In addition you will need to take (and pay for) independent financial advice before taking a transfer of your DB benefits if they are valued at £30,000 or more. Note too that charges are likely to be applied by these providers to process payment.

Should I take a transfer of my DB pension so I can access a cash sum or as flexible drawdown?



Neither we or the Trustee of the Scheme or Employer are able to provide you financial advice.

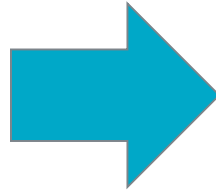
If you are unsure of the right option you should take advice, and from April 2015 you will be required to do so if the transfer value of your DB pension is over £30,000.

The following website can be used to find a financial advisor:
www.unbiased.co.uk

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Are you ready for Question time – DB benefits?

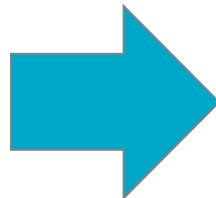
Why do I need an IFA? I thought I was eligible for free government advice?



The new government guidance service is in relation to DC pension savings only.

For more information about DB pensions you can contact the Pensions Advisory Service at <http://www.pensionsadvisoryservice.org.uk/>, however they will not be able to provide you with the Independent Financial Advice required to transfer your DB pension.

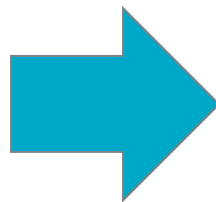
Where should I transfer to, in order to cash in my pension?



We are not able to provide you with any advice, and an IFA should be able to assist you with this.

As the option to access your entire savings as a cash sum (or as flexible drawdown) in this way is only just becoming available, it may mean that the number of external providers offering this service is initially limited and charges may be marginally higher, until the marketplace develops more fully.

I retired just before the changes were announced. Can I now take my benefits as a cash lump sum?



No. Transfer values from the Scheme are only available for members who have not yet started to draw their benefits.

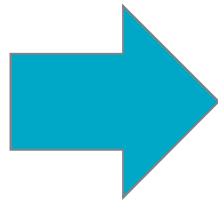
However, if the value of your pension is relatively small you may be able to take a one off cash sum under the trivial commutation rules, as the limits for trivial payments have been increased.

(In the 2015 Budget the government also announced a consultation on allowing individuals to 'cash in' annuities they have purchased. It is not anticipated that this would apply to benefits in the Scheme)

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Are you ready for Question time – DB benefits?

My DB benefits are small; can I receive a trivial commutation lump sum?

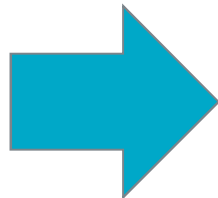


This depends on various conditions including the size of your pension and your age.

Subject to certain conditions if the value of your DB pension is less than £10,000 you will be able to take your benefits as a lump sum (with up to 25% available tax free if your benefits are not yet in payment).

Or, if the combined value of your pension savings from all sources (excluding state pensions) is less than £30,000, subject to certain conditions, you may be able to take your NEC Scheme benefits as a lump sum (with up to 25% available tax free if your benefits are not yet in payment).

I currently receive a pension following the death of my spouse, can I cash this in?

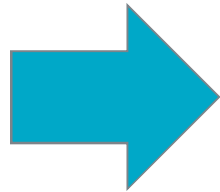


If the value of your pension is determined to be less than £30,000, then subject to certain conditions, you may be able to take your pension as a lump sum. You should contact the Scheme administrator for further details.

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Are you ready for Question time – AVCs?

I have some DC AVCs in the Scheme – can I cash these out?

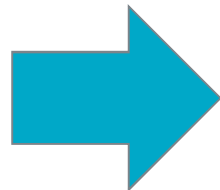


Under the Scheme you may already use your DC AVCs to the maximum extent possible instead of giving up part of your DB pension, to provide a tax free cash lump sum.

Any AVCs remaining, after the tax free cash sum has been taken, would currently be used to buy an annuity. If the size of your AVC fund is too small to purchase any annuity with an external provider, the pension will be secured within the Scheme.

The Scheme has decided not to make the full (taxable) cash out option available directly from the Scheme, however you would have the ability to separately transfer your DC funds out of the Scheme to another provider to access this flexible payment.

Can I take my DC AVCs out of the Scheme over several years?



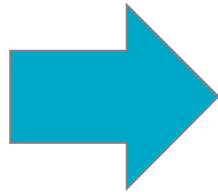
The Scheme will not be offering a flexible drawdown facility for your DC AVC funds. Should you wish to access this option you would have the ability to separately transfer your AVC funds out of the Scheme to another provider to access this flexible payment.

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Are you ready for Question time – AVCs?



Can I transfer my DC AVCs from the Scheme and leave my DB pension behind?



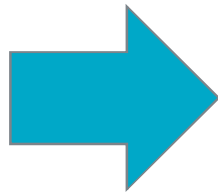
Yes. From April 2015 this option will be available to you (subject to certain conditions).

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Are you ready for Question time – advice?



I understand I am eligible for free government advice about my pensions – where can I access this?



The Government has established a free and impartial guidance service called Pension Wise. This will assist people with decisions regarding their DC pension savings, but will not provide recommendations or advice. The service can be accessed at <https://www.pensionwise.gov.uk/>

For more information about DB pensions you can contact the Pensions Advisory Service at <http://www.pensionsadvisoryservice.org.uk/>



The PENSIONS Advisory Service



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