Fenner
Inspiring solutions

RETIREMENT PLAN NEWSLETTER

NEW CHOICES - FOR MEMBERS OF THE FENNER RETIREMENT PLAN

Issue 3
June 2015

Welcome

Welcome to the newsletter for members of the Fenner Retirement Plan (the Plan). The purpose of this mid-year newsletter is to:

- update you about the Government changes to pension arrangements
- share what we know, so far, about what Standard Life will offer with regard to these changes
- remind you of the benefits offered by the Plan
- encourage you to think about your own retirement planning

Contents

Changes to the state pension

The new State Pension will come into effect if you reach State Pension age on or after 6 April 2016. The new State Pension is a flat rate pension. The full pension for those who have worked for at least 35 years will be no less than £151.25 per week, the actual amount will be set in autumn 2015.

Your National Insurance record is used to calculate your new State Pension. You'll usually need 10 qualifying years to get any new State Pension and will have needed to work and pay NI contributions for a total of 35 years to get the full pension (currently it is 30 years).

State Pension age is also changing and depending on when you are born is increasing from 60 to 67 years for women and 65 to 67 years for men. There are plans to increase State Pension age to 68 years for people born after April 1978.

To find out at what age you will be eligible to receive the new State Pension and how much you are likely to be paid, go to **www.gov.uk/calculate-state-pension**

Please note:

The purpose of this newsletter is to provide information on some of the changes recently introduced by the Government. This is general information but it does not contain all the information that you will need to make a decision about your pension. We strongly advise you to take independent financial advice before committing your pension funds. There may be a cost to receiving this advice, which you will need to pay, but we believe it is worth the small investment to optimise your future retirement.

You can find an independent financial advisor near to you by visiting www.unbiased.co.uk

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Reforms to Pension Plans

The Chancellor announced significant changes to the pension landscape as part of his 2014 Budget. These changes include giving members of Defined Contribution ("DC") schemes, just like our Plan, more flexibility in how they use their pension savings at retirement.

All of the changes announced were in force by April 2015. This newsletter explains the changes and what they may mean for you.

The current system

You and the Company contribute every month to your retirement account within the Fenner Retirement Plan. The Government also helps you save by providing you with tax relief on pension contributions. To help your savings grow, you choose where to invest your account from a range of investment options.

Before the Budget announcement, the choices at retirement (for most members) were limited. You could either:

- Use your entire retirement account to buy an annuity (a kind of insurance policy which pays a guaranteed income for life);

or

- Take up to 25% of your retirement account as a tax free cash lump sum and use the balance to buy a smaller annuity.

Additional options were available to members with very small and very large retirement accounts.

What did the budget change?

From April 2015 you will have a great deal more choice over how you use the savings within your pension scheme. From this date, the options described on the following two pages are legally allowed in the wider pensions market, but please note not all are available directly from the Fenner Retirement Plan which is part of the Standard Life Master Trust.

Please note:

Investment values are not guaranteed. The values can go down as well as up.

New flexible options

1. Take a single cash lump sum

Subject to scheme rules, after the age of 55 years you can withdraw all your savings from any defined contribution scheme as a single cash lump sum. Normally 25% of the lump sum payment will be tax free with the rest subject to income tax. The advantages of this arrangement are that you have complete flexibility to spend or invest your money as you see fit. However, if you spend the money too quickly or invest the money unwisely you may run out of savings before you die. This may not be a particularly tax efficient way of using your pension savings. If you draw all your savings in a single tax year this income will be added to any other earnings in that tax year and you might pay tax at a higher rate.

Advantages

- You have complete flexibility to spend or invest your money as you see fit
- You may no longer need to make a decision about how you invest your pension savings

Disadvantages

- If you spend the money too quickly or invest it unwisely you may run out of savings before you die
- If you withdraw a large sum in one go it might push you into a higher income tax bracket
- You might find 'emergency tax' has been deducted and you have over paid tax which you have to claim back
- There may be administrative charges; these might be different if you make arrangements to take the lump sum over the phone or online
- When you die any cash investments you hold outside of a pension will form part of your estate and potentially be subject to inheritance tax

Options within Fenner Retirement Plan

Having taken independent financial advice, if you decide to take this option you cannot currently do so directly from the Fenner Retirement Plan (part of the Standard Life Master Trust). However, Standard Life would give you the option of transferring your savings into the Standard Life Active Money Personal pension plan. In this arrangement you can take a single cash lump sum.

Please note charges within the Active Money Personal Pension plan may be higher than in the Fenner Retirement Plan; you may be charged additional administration fees if you make the transfer on the phone rather than online. You can also shop around and transfer your money to a similar arrangement with a different provider other than Standard Life. Charges may apply.

2. Use income drawdown

At any time after the minimum pension age, currently age 55, you can designate your savings for income drawdown or flexible drawdown. In this circumstance you "drawdown" or get paid directly an income from your pension pot without buying an annuity. Normally you can take up to 25% of your fund value as tax free cash, any further drawdown will be subject to income tax. The remainder of your funds are left invested in your chosen pension policy.

Advantages

- You can withdraw the amounts of money you need each year to live on
- You can minimise your tax position by withdrawing tax efficient amounts each year
- Leave some money after your death to your family, subject to inheritance tax rules in place at the time
- Leave as much as you can to continue to be invested and hopefully grow

Disadvantages

- If you spend the money too quickly you may run out of savings before you die
- If you withdraw a large sum in one go it might push you into a higher income tax bracket
- You might find 'emergency tax' has been deducted and you have over paid tax which you have to claim back
- There may be administrative charges; these might be different if you make arrangements to take the lump sum over the phone or online
- There is a risk that your investments will lose value if investment conditions are poor

Options within Fenner Retirement Plan

Having taken independent financial advice, if you decide to take this option you cannot currently do so directly from the Fenner Retirement Plan which is invested in the 'Standard Life Master Trust'. However, Standard Life would give you the option of transferring your savings into the Standard Life Active Money Personal pension plan. In this arrangement you can use income drawdown.

Please note charges within Active Money Personal Pension may be higher than in the Standard Life Master Trust; you may be charged additional administration fees if you make the transfer on the phone rather than online. You can also shop around and transfer your money to a similar arrangement with a different provider other than Standard Life. Charges may apply.

New flexible options

3. Take irregular cash lump sums

With this option you can take some or all of your pension savings by taking one or more irregular cash lump sums. In this case you do not take one tax free lump sum amount, instead over the age of 55 years you choose when and how much of your savings you want to take. 25% of each withdrawal taken is tax free. The remaining 75% will be subject to income tax. The rest of your savings will continue to be invested within your chosen pension policy.

Advantages

- You can withdraw the amounts of money you need each year to live on
- You can maximise your tax position by withdrawing tax efficient amounts each year
- Leave some money after your death to your family, subject to inheritance tax rules in place at the time
- Leave as much as you can to continue to be invested and hopefully grow

Disadvantages

- If you spend the money too quickly you may run out of savings before you die
- If you withdraw a large sum in one go it might push you into a higher income tax bracket
- You might find 'emergency tax' has been deducted and you have over paid tax which you have to claim back
- There may be administrative charges; these might be different if you make arrangements to take the lump sum over the phone or online
- There is a risk that your investments will lose value if investment conditions are poor

Options within Fenner Retirement Plan

Having taken independent financial advice, if you decide to take this option you cannot currently do so directly from the Fenner Retirement Plan, invested in the Standard Life Master Trust. However, Standard Life would give you the option of transferring your savings into the Standard Life Active Money Personal pension plan. In this arrangement you can take irregular cash lump sums.

Please note charges within the Active Money Personal Pension plan may be higher than in the Fenner Retirement Plan; you may be charged additional administration fees if you make the transfer on the phone rather than online. You can also shop around and transfer your money to a similar arrangement with a different provider other than Standard Life. Charges may apply.

4. Purchase an annuity to provide a guaranteed income for life

If you wish at any time after reaching the age of 55 years, you can use your retirement income to buy a guaranteed pension income for the rest of your life. You can buy flat rate or index linked to inflation. You can also provide an income for your partner or spouse for the rest of their life. You can take the 25% tax free lump sum and purchase an annuity with the remaining funds or you can use the whole of your savings to purchase an annuity.

If you are looking to buy an annuity it is always advisable to shop around to ensure that you get the best possible quote. There can be significant differences in the annuity rates offered by different providers and depending on the options you choose.

Advantages

- You secure a guaranteed amount for the rest of your life to live on, no matter how long you live
- You do not need to worry about pension investments or what charges you are paying
- You can buy financial protection for your spouse or partner
- You can choose this option in combination with other options described, perhaps to ensure monthly bills are covered

Disadvantages

- This is a one off decision; if your circumstances change you cannot change your decision
- You will no longer have the flexibility to draw down large amounts of money in future if you need it
- If you die soon after retirement you may not get the full value of your pension savings

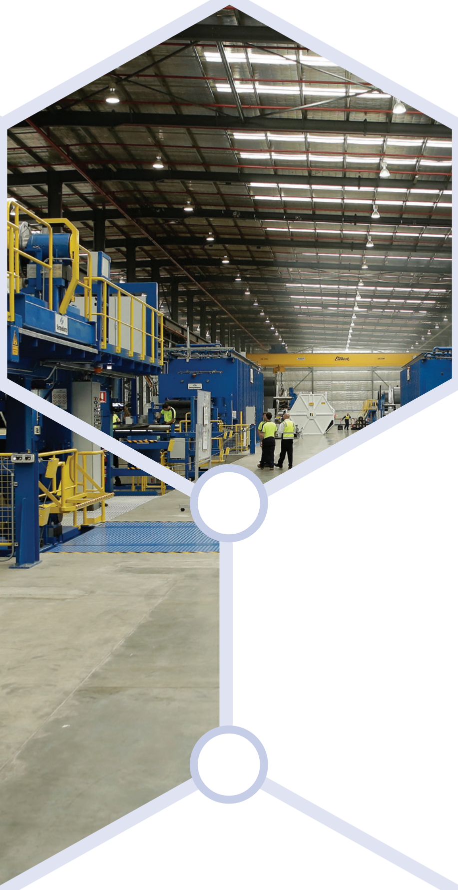
Options within Fenner Retirement Plan

Having taken independent financial advice, if you decide to take this option you can currently buy an annuity directly from the Fenner Retirement Plan invested with Standard Life.

You can, of course, shop around for the best annuity deal for you and purchase your annuity from an alternative provider.

Combining Options

Before making any decisions on what to do with your retirement saving please take note:
It is also possible, again having taken independent financial advice, to combine some of the options described above. For example you might decide to use income drawdown for some years and then when you are older purchase an annuity with the reminder of your pension pot.



Some further things to consider

Age 55+?

If you are aged 55 or over and you decide to 'opt-out' of the Fenner Retirement Plan and take advantage of one of the options detailed, but continue to work for Fenner, you will be Auto-Enrolled into the Plan, in line with the legislation requirements.

Lifetime Allowance and Annual Allowance

There have also been reductions in the Lifetime and Annual allowances. If you think you may be affected or would like to know more about this please contact Sharon Cairney, UK Pensions & Reward Manager.

Pension Scams - Warning

Changes to pension rules have left many people confused and have led to an increase in pension scams in the UK.

These scams have included:

One-off Pension Investment

If you are offered a 'free pension review' 'one-off pension investment' or 'pension loan' be very suspicious. In many cases once you have transferred your pension pot you will not be able to get it back or see any returns. You are likely to get a big tax bill as well.

Pension Liberation

Sometimes called early pension release, these schemes promise that they can give you access to your pension pot before the minimum retirement age.

This is a scam as it is not allowed under the pension rules and you face not only losing your pension pot, but also incurring a large tax charge for breaking the Revenue and Customs rules.

Unique Investment Opportunity

Another scam is a fraudster offering you a unique investment opportunity that must be accessed urgently. Again, the likely outcome is that you will lose your pension funds.

This is not an exhaustive list; be very careful and take independent advice before handing over your pension pot to anyone else.

More information is available at
www.pensionadvisoryservice.org.uk/pension-problems

Retirement planning advice and guidance

Although you will have a great deal more choice over how you take your retirement savings from the Fenner Retirement Plan, it is very important that you make the right choices. If you make the wrong choice it could cost you a lot of money and result in you having insufficient funds to provide a comfortable retirement.

Research has shown that people often underestimate how long they will live. On average, people retiring at the age of 65 years today are expected to live on average for around 22 years. This means that half are expected to live longer than that. Many people will live into their 90s and a small but growing population will live to be over 100. Therefore it is really important that you think carefully about your future and how best to use your retirement funds.

You can find an impartial financial adviser to help you make these decisions by visiting **www.unbiased.co.uk** or visit the Government's free financial guidance service called Pension Wise at **www.pensionwise.gov.uk**

You can also get information on the Fenner Retirement Plan from Fenner benefits website, go to www.fennerbenefits.co.uk

and

www.standardlife.co.uk/c1/accounts-and-services/retirement-products.page

Your pension, your way

You can access your pension details at:

Web:
www.standardlife.co.uk and select the online servicing and apps. You will need to register to use this service.

On your smartphone:
Search for The Standard Life app at either

Download on the App Store   Google Apps

Benefits of the Fenner Retirement Plan

Fenner Retirement Plan - Pension

All employees under the age of 75 have the opportunity to join the Fenner Retirement Plan. This is a Defined Contribution pension plan where both you and the Company pay contributions to help you save for your retirement. The contributions are invested with Standard Life and, when you come to retire, the contributions plus any investment growth can be used to provide a retirement income.

You can choose the level of contributions you make and the Company will match these up to 8%. By contributing to the Plan, you will also reduce your tax and National Insurance contributions. The default contribution rate is 6%, but you can choose to pay from a minimum of 2% (this will increase to 3% in 2017 and 4% in 2018, in line with auto-enrolment legislation).

Group Life Assurance

Up to the state pension age, if you die in service the Company will pay a lump sum to your dependents of 2 x your annual pensionable salary. If you join the Plan, this will increase to 4 x annual pensionable salary. The cost of this life assurance is paid by the Company. You can also choose to increase the cover by a further 2 x salary, at your own cost.

Income Protection

Up to State Pension age, if you are unable to work, for more than 52 weeks, due to illness or injury and you are a member of the Plan, and your claim is accepted, you will benefit from income protection insurance where you will receive 50% of your pay, plus contributions (subject to a certain maximums) to your pension Plan for up to 5 years. Again the cost of this insurance is paid by the Company and you can choose to cover more of your salary at your own cost.

Employee Assistant Programme

The EAP provide four key services: Employee Care, Health Portal, Bereavement Services and Best Doctors.

Full details can be found at:
www.fennerbenefits.co.uk

Please note:

This document aims to provide information about the recent changes in pensions. This does not consitute financial advice.

Independent financial advice should always be sought prior to making any major financial decisions.

Further Information

General financial information
www.moneysavingexpert.com
www.moneyadvice.org.uk

How the pension changes affect you
www.pensionadvice.gov.uk
www.standardlife.co.uk/c1/accounts-and-services/retirement-products.page

Contact us

For information on your benefits, please contact your local HR/payroll department, using the following details:

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John Smith - Precision.UKpensions@fennerprecision.com

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Lucy Hutton - Hampton.UKpensions@hallite.com

Nicky Rose - pensions.leeds@cdiproducts.com

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Sharon Cairney - UK Pensions and Reward Manager is available on **sharon.cairney@fenner.com** and regularly visits sites to hold surgeries. All employees are welcome to meet Sharon, just make an appointment through your local pensions contact. Details of her next visit can be found on the Notice Boards.

Alternatively please visit the Standard Life website
www.standardlifepensions.com/fenner