



## Northumbrian Water Pension Scheme

LIVING YOUR FUTURE

A photograph of two women, one with curly brown hair and one with dark wavy hair, both smiling and looking at a laptop screen. The woman on the left has her arm around the woman on the right. The image is partially covered by teal and green circular overlays.

# A guide to your retirement options

DECEMBER 2022

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# A Guide to your retirement options

Now that you are getting closer to retirement it is important to think about how you would like to take the benefits you have built up in the Scheme.

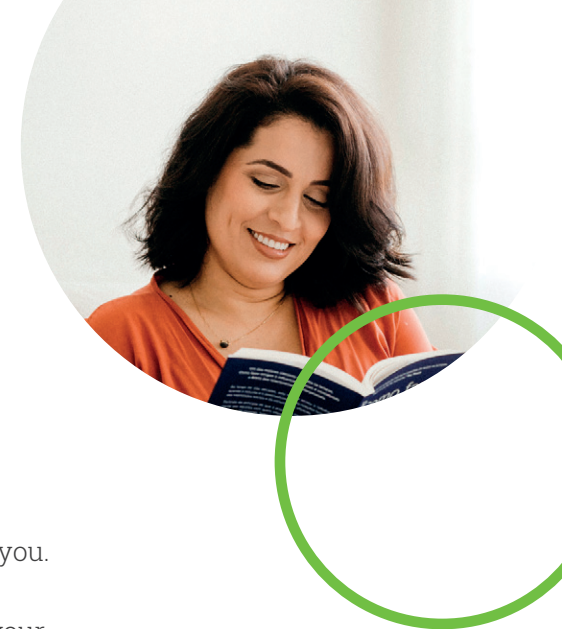
This guide, together with your retirement letter, will help you understand the different options that are available to you. This guide also:

- Sets out what you need to do if you want to start taking your Scheme benefits now.
- Provides details of the financial adviser that has been appointed to help you decide which option is right for you.

Details of what is included in the guide, and where, are shown in the contents to the left.

Care has been taken to ensure that this guide is accurate. If there is any conflict between it and the Trust Deed and Rules of the Northumbrian Water Pension Scheme, then the Trust Deed and Rules take precedence.

This guide has been prepared based on our understanding of tax and pensions law at **December 2022**. The laws may change and the benefits that you can take from the Scheme will be subject to the laws and the Scheme rules in force at the time.





# What do I need to do?

## READ YOUR RETIREMENT LETTER AND THIS GUIDE

## CALL THE FINANCIAL ADVISER HELPLINE

Wren Sterling have been appointed to provide you with independent financial advice. They can help you understand your retirement options and decide which one is right for you.

Please note that financial advice will only be paid for once by the Scheme, so think carefully about whether you are really ready to retire and now is the right time to take this advice.

You can call the financial adviser helpline on 0800 160 1974. We recommend you contact Wren Sterling at least two months before your intended retirement date to give you sufficient time to consider your options.

Speaking to Wren Sterling in no way obliges you to take your benefits now.



## DECIDE WHICH OPTION IS RIGHT FOR YOU

### TRANSFER OUT

Decide which of the options you wish to take.

Complete and return to Wren Sterling the forms that they provide.

### TAKE YOUR PENSION

Retire directly from the Scheme.

Complete the relevant enclosed forms and return them to **Hymans Robertson**.

### DO NOTHING

Your benefits stay in the Scheme until you choose to take them at a later date.

# Your retirement options

## OPTION 1: TRANSFER OPTION

You can transfer some or all of the value of your benefits to another pension arrangement.

For partial transfers the minimum amount that can be transferred is £100,000 and the minimum value of the benefits remaining in the Scheme after the partial transfer has been paid is £100,000.

If you transfer you can take up to a quarter of the amount transferred as a tax-free cash sum, which may be different from than the cash sum available in the Scheme.

You can choose what you do with the balance:

### REGULAR LUMP SUM PAYMENTS ('DRAWDOWN')

You could take your benefits as a series of cash lump sums at times that suit you. Income tax would be payable on any cash taken (above your tax-free amount).

This provides you with the flexibility to:

- Take different amounts of income each year.
- Pass on your unused pensions savings to your dependants (in some cases tax free).

## OPTION 2: TAKE YOUR PENSION

You can retire directly from the Scheme and take a pension.

The pension is payable monthly for the remainder of your life. For most members the pension will increase each year, providing some protection against inflation. A pension would also be payable to any eligible dependants following your death.

You can exchange part of the pension for a tax-free cash lump sum (above any Scheme lump sum, if applicable).

Under this option your funds would be invested. You would need to manage your investments and take on some investment risk. You may also need to take, and meet the cost of, ongoing investment advice.

### BUY A PENSION FROM AN INSURANCE COMPANY

You can buy a pension (an 'annuity') that has the features in it that you want. For example, it:

- Starts at a higher amount but does not increase.
- Increases at a fixed rate or in line with inflation.
- Has no pension payable on your death.
- Is enhanced, providing a higher pension if you smoke or have health problems.

### A SINGLE CASH LUMP SUM

You could take all of your retirement income in one go (or split over several cash lump sums) rather than as a regular income over your lifetime.

A quarter would be tax free and the remainder would be subject to income tax. If you take this option you may end up paying significantly more tax because it could push you into a higher tax band and may affect any means-tested benefits you might receive.

An illustration of your benefits is provided in your retirement letter.

You can take your pension earlier than your Normal Retirement Age (which might need consent). If you were to do this your pension may be reduced as it may be paid for a longer period of time.

You may also be able to delay taking your benefits until after your Normal Retirement Age, in which case your pension will be increased as it may be paid for a shorter period of time.





## JIM'S STORY

Jim is 62, married to Sarah and has three grown up children. His Scheme pension would be the couple's main income in retirement. He wants to stop working soon. His main priorities are that his pension income provides some protection from inflation and Sarah will get a pension on his death.

### OUTCOME

Jim takes a pension and a tax-free cash lump sum from the Scheme.

Jim's Scheme pension will increase each year linked to inflation. If he dies first, Sarah would receive a pension for life.

## JAN'S STORY

Jan is 63 and a deferred member with a small pension. She is still working for another company and will get a pension from that employment.

She has some significant credit card debts.

Jan doesn't need any additional regular income at the moment as both she and her partner are still working. Her Scheme pension is only small and her main retirement income will come from her current employer's scheme.

### OUTCOME

Jan transfers her benefits and takes all of them immediately as a lump sum.

A quarter of the lump sum is payable tax free and the remainder is taxed. Jan uses the lump sum to pay off her credit card debts.



## FIONA'S STORY

Fiona is 65. Her husband, George, already receives a pension that will increase with inflation. Fiona would like to take the maximum tax free cash lump sum to help with the purchase of a small holiday cottage in Devon.

### OUTCOME

Fiona transfers her benefits and takes the maximum tax-free cash lump sum, which was higher than the tax-free cash sum from the Scheme. She buys a pension with the remainder.

The pension Fiona chooses will not increase in payment and will not provide a pension to George if she dies first, as this provides her with a higher initial pension.

Fiona is happy that, as a couple, they have enough protection from inflation from her husband's pension and their State pensions and that George will not need her spouse's pension, if she dies first.

If Fiona had any health issues, smoked or was overweight this may have further increased the pension that she could buy.

## SANJAY'S STORY

Sanjay is 55 and wants to start reducing the number of hours he works. He would like to take some tax-free cash to help his children get on the property ladder and, in the future, would like to pass on any unused pension savings to his children on his death.

### OUTCOME

Sanjay transfers to a drawdown arrangement.

This will allow Sanjay to take some money now to help his children get on the property ladder and the rest of the money he could keep invested whilst he is still working. He understands that, by doing so, he will be taking on some investment risk. Should Sanjay die before age 75, his pension savings could be passed on to his children tax free.

These are some examples of how different options might be suitable in different circumstances. They are illustrative only. The best option for you will depend on your particular circumstances and we strongly recommend you take financial advice about this.

# What things should I consider before making a decision?

There are a number of things you need to consider when making your retirement decision. It's important to take the time to consider how the different options might affect you, and any benefits payable on your death, before making a final decision.

Outlined below are some of the key things to consider. Wren Sterling will discuss these with you, as well as any other factors that are important to you.

## INFLATION

Inflation is a way of measuring the change in prices of goods and services. The Scheme pension provides some protection against the effects of inflation. If you transfer out, what protection your income has against inflation will depend on the option that you choose.

For example, depending on the cost of buying a pension from an insurance company, if you buy a pension that does not increase in payment then the starting amount of your pension might be higher than your pension from the Scheme. Therefore, if you take this option you may be able to buy more initially with your pension.

However, as prices rise, the amount you will be able to buy in the future will reduce as your pension income is not protected against inflation.

## LIFE EXPECTANCY

How long you and your spouse (or eligible adult dependant) expect to live is an important factor to bear in mind.

If you take the Scheme pension, or transfer and buy a pension, this will provide you with a guaranteed income for life.

If you take one of the other options you will need to think about how long your income will last. Your transfer value may seem like a big sum of money, but will it provide you with enough income for the rest of your life?

## WHAT MONEY YOU NEED IN RETIREMENT

You should consider your current and future sources of income and your likely outgoings.

Typically we spend more money in the early years of retirement. This could be for a number of reasons, for example to pay off debts, to take a dream holiday or do new things because we have more free time.

As we move further into retirement we tend to settle into a pattern where we spend less. However, your spending may need to increase to cover any additional health and care costs in the later years of retirement.

How much you will be able to spend will depend on how much your retirement income is and what other assets you have.





## BENEFITS PAYABLE ON YOUR DEATH

The Scheme would provide your eligible dependants with a pension if you die before them. If you transfer it will be up to you to decide if, or how, you provide for your dependants after your death. A transfer would allow you to change the amount of pension that is payable to your dependants when you die, to suit their needs.

Alternatively, if you transfer to a drawdown arrangement, this would give you the option to pass on your pension savings to your dependants (tax free if you die before age 75).

Before you make your decision, you should discuss these matters with your dependants.

## INVESTMENT RISK

Transferring to a drawdown arrangement will give you greater flexibility about how you receive your retirement income. However, you will not have a guaranteed income and you will need to decide how your funds are invested, so you will be taking on some investment risk. Wren Sterling can help you understand these risks and explain how to help manage them.

You should consider the impact that ongoing charges will have on your funds whilst they remain invested.

You will not have a guaranteed income and you will also need to decide when you take monies out, as there is a potential risk that your pension savings could run out before you die. Again, Wren Sterling can help you with these considerations.

In addition, you should think about how long you could live in retirement and what income you will have if your fund is used up.

## STATE BENEFITS (OTHER THAN THE STATE PENSION)

If you are currently in receipt of means-tested benefits you should discuss the implications of the different retirement options on these benefits with Wren Sterling.

## YOUR TAX POSITION

There could be tax implications from selecting certain options. For example, taking all your benefits as a lump sum or taking your benefits early if you are still working could push you into a higher tax band.

There are also pension tax allowances set by HMRC – called the Lifetime and Annual Allowances. These may affect you if you have built up a large amount of pension over your working life (Lifetime Allowance), or if you were to build up a large amount of pension in a single year (Annual Allowance).

If you take any pension savings as taxable cash, drawdown or through certain other flexible options available outside of the Scheme, your Annual Allowance in future years will reduce from £40,000 to £4,000.

Wren Sterling can help you if you think your tax position could be affected. In particular, if you have any form of Lifetime Allowance protection or want to continue to make future pension savings, you should discuss the implications of this with Wren Sterling.



# Helping you decide - Financial Advice

Decisions about retirement benefits are not taken every day, they are often once-in-a-lifetime decisions.

The Trustee has appointed Wren Sterling to provide you with impartial financial advice. They will help you understand your options and advise which one is best for you. If you live overseas, please see page 9. Wren Sterling are authorised and regulated by the Financial Conduct Authority. Although the Trustee has appointed Wren Sterling, the advice you receive will be completely impartial. Wren Sterling will be paid the same fee whichever option you decide to take. Any information you provide to Wren Sterling will be treated confidentially and will not be passed to the Trustee or the Company.

Please note that the Scheme will only pay once for you to take financial advice from Wren Sterling.



## WHAT HAPPENS WHEN I CALL WREN STERLING?



You will be put through to their booking team. They will need your password and pension reference number (which are included in your retirement letter) and date of birth. By calling Wren Sterling and giving them your password, you also agree to the sharing of your retirement letter and personal data with them. They will be able to answer any initial queries and will book you a telephone appointment with one of their Independent Financial Advisers (IFA).



The Independent Financial Adviser will ask you questions so that they can understand your personal circumstances. This will involve going through a 'fact find' and it is important that you give the adviser accurate information so that they can advise you properly.



The adviser will produce a recommendation report covering which option is for you and, if applicable, provide the relevant forms.



A follow up call will be arranged with the adviser to explain the recommendation and to help you complete any forms. If you want to transfer but are not recommended to do so by the IFA, you should read the information on page 10.



If you need more support or help with completing your forms please contact Wren Sterling.





# Helping you decide - Financial Advice continued...

## DO I NEED TO TAKE FINANCIAL ADVICE?

If you want to transfer and the amount of your transfer value is greater than £30,000 the Trustee is required by law to check that you have received appropriate independent advice before allowing you to transfer.

## CAN I USE MY OWN FINANCIAL ADVISER?

Yes, of course, but you will need to pay for this yourself.

You should only use a financial adviser who is authorised to provide financial advice by the Financial Conduct Authority.

If you decide to use your own financial adviser, please contact **Hymans Robertson** to let them know the address and contact details of your adviser. **Hymans** will then provide your pension information and any additional forms that would need to be returned.

You can find details of independent financial advisers from the Money Advice Service [directory.moneyadviceservice.org.uk/en](https://directory.moneyadviceservice.org.uk/en) or [www.unbiased.co.uk](https://www.unbiased.co.uk)

## DO I HAVE TO FOLLOW WREN STERLING'S ADVICE?

You do not have to take any of the options even if Wren Sterling recommends that you do so.

You should think carefully if you are considering taking an option even though Wren Sterling has advised it is not in your interests to do so. Please discuss this fully with Wren Sterling so that they can ensure you understand the risks of not following their advice.

Please note that if Wren Sterling do not recommend you transfer your benefits, but you still want to proceed, they may not be able to help process your transfer and you would then need to make alternative arrangements.

## I HAVE PREVIOUSLY RECEIVED FINANCIAL ADVICE FROM WREN STERLING, PAID FOR BY THE SCHEME? CAN I RECEIVE PAID FOR FINANCIAL ADVICE AGAIN?

Wren Sterling would be able to give you advice again but you would need to meet the cost. The Trustee has negotiated preferential rates for members with Wren Sterling.

Please contact Wren Sterling for details of their charges.

## WHAT IF I LIVE OUTSIDE OF THE UK?

If you normally live outside of the UK (or are abroad at the time of contacting Wren Sterling) Wren Sterling are unable to provide you with advice on your retirement decisions as they are not qualified to give advice on overseas tax.







### HOW WERE WREN STERLING CHOSEN?

The Trustee chose Wren Sterling following a thorough selection process. The final selection was based on a number of criteria, including Wren Sterling's expertise and experience in this particular area.

### WILL I HAVE TO PAY TAX ON THE COST OF THE ADVICE I RECEIVE?

Only if you have been employed by Northumbrian Water or VLS at some stage during the tax year in which you take advice. When you speak to Wren Sterling they will let you know if this affects you. They will also give you an idea of the potential cost and give you the option to continue with the advice or not.



### IF I WANT TO TRANSFER OUT, WHAT EVIDENCE DO I NEED TO SHOW THAT I HAVE TAKEN ADVICE?

If you take advice from Wren Sterling they will be able to provide this evidence.

If you use your own adviser, they should give you a statement to pass to the Trustee which confirms:

- That advice has been provided which was specific to the option that you have chosen.
- That the adviser is authorised to give regulated advice.
- The reference number of the adviser or the firm of advisers.
- Your name, and the Scheme name (Northumbrian Water Pension Scheme).

Before paying your transfer value the Trustee will check that they are satisfied with the information provided.

Unless you tell them otherwise the Trustee will assume that the purpose of your transfer is to allow you to access your Scheme benefits more flexibly.



# Your questions answered

## **CAN I TAKE MY PENSION NOW EVEN IF I AM STILL WORKING OR HAVEN'T RETIRED YET?**

Yes. You should think about how this would affect you from a tax perspective.

## **WHAT IF I'VE GOT MORE THAN ONE PENSION IN THE SCHEME?**

You will get separate letters about each pension and you can make a different decision, if you want, about each.

## **HOW ARE PENSIONS TAXED?**

Pensions are taxed in the same way as earnings.

You pay tax at your marginal tax rate, which will depend on the amount of income you receive from all sources. Unlike earnings you do not pay National Insurance contributions on your pension.

## **WHAT STATE BENEFITS WILL I RECEIVE IN ADDITION TO MY SCHEME BENEFITS?**

You will receive a State Pension payable from your State Pension Age, which depends on when you were born.

Find out more at [www.gov.uk/calculate-state-pension](https://www.gov.uk/calculate-state-pension)

## **I ONLY HAVE A SMALL PENSION. WHAT CAN I DO WITH IT?**

If you have total benefits worth less than £30,000 from all your pension arrangements you may be able to take your entire pension as a one-off lump sum.

It this could apply to you details will be included in your retirement letter.





### **WHY IS MY TRANSFER VALUE QUOTATION NOT GUARANTEED?**

We are unable to provide a guaranteed transfer value to active members, as an accurate value of benefits cannot be calculated until final pay details are available.

Your transfer value would then need to be recalculated. The revised amount could be higher or lower than previously quoted, due to, for example, changes in market conditions and final pay details.

### **MY STATEMENT IS MORE THAN THREE MONTHS OLD – IS MY TRANSFER VALUE QUOTATION STILL VALID?**

If you have been provided with a guaranteed transfer quotation, it expires after three months. If you return your forms after the Guarantee Expiry Date shown on your Transfer Option statement your transfer value will need to be re-calculated. The revised amount could be higher or lower than previously quoted, due to for example changes in market conditions.

### **WILL TRANSFERRING OUT AFFECT ANY OF MY OTHER SCHEME BENEFITS?**

If you transfer out, you and your dependants will no longer be entitled to any benefits from the Scheme.



# Your questions answered continued...

## IF I WERE TO TRANSFER, DO I NEED TO BE CAREFUL WHERE I TRANSFER TO?

You should be aware that individuals are being approached by 'unregulated' providers suggesting that they transfer their pension benefits in exchange for seemingly tempting investment opportunities and/or cash. This type of offer could be a scam.

You could lose most or all of your pension savings as a result of tax charges, scammers' fees and losses on fake or unsuitable investments.

For information see: [https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/16423\\_pensions\\_consumer\\_leaflet\\_screen.ashx](https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/16423_pensions_consumer_leaflet_screen.ashx)

If you believe you have been approached with such an offer, contact Action Fraud on **0300 123 2040**.

Wren Sterling will advise you on where to transfer so as to avoid 'unregulated' providers and scams.

## CAN I CHANGE MY MIND LATER?

There is a two week cooling off period from the date you sign your relevant forms, during which time you can contact Wren Sterling or **Hymans Robertson** and change your decision. After this point, your decision will be final.

If you change your mind having already transferred out, the Trustee is unable to reinstate your pension and you may incur costs to find an alternative home for your funds.

## WHAT IF SOMETHING GOES WRONG OR I HAVE A COMPLAINT?

We hope your retirement process runs smoothly. However, if you do have an issue or complaint, which Wren Sterling is unable to resolve, please contact **Hymans** on **0141227 9800** and they will let you know what to do next.



## WHAT IF I HAVE DIFFICULTY USING THE PHONE?

Special arrangements can be made with Wren Sterling. Please contact Wren Sterling by emailing them on **NWPS@wrensterling.com** or you can write to them at the address shown on the back cover.



## Contact details for the financial adviser helpline

☎ Call 0800 160 1974 between 9am and 5pm Monday to Friday (excluding bank holidays).

@ Or you can email [NWPS@wrensterling.com](mailto:NWPS@wrensterling.com)

Or you can write to:

✉ NWPS RTO  
Wren Sterling  
Castle Marina Road  
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NG7 1TN