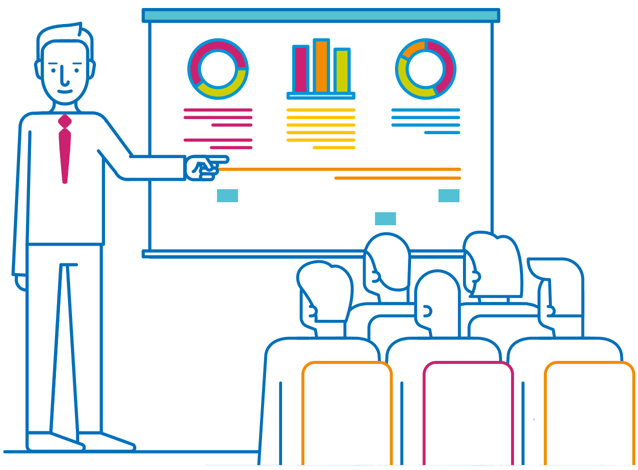
ALTERNATIVE OPTIONS FOR TAKING YOUR BENEFITS OUTSIDE THE GROUP

You have flexibility over how you access your pension benefits. Instead of taking a pension from the Group, you can access other options by transferring your benefits out of the Group to other approved pension arrangements.

Cash lump sum

- You can take up to 25% of the value of your transfer as a tax-free lump sum.
- You can also take your whole transfer value as cash in one go if you wish. However, 75% of the amount you withdraw is taxable income, so there is a strong chance your tax rate would go up. Therefore, for most members, taking the whole amount as cash might not be attractive.



Guaranteed income (annuity)

You can use all or part of your transfer value to buy an annuity from an insurance company or other provider. An annuity is an insurance product that pays you a regular income for the rest of your life (in a similar way to your Group pension), but you can customise it to suit your individual needs.

- You can choose whether your income stays the same throughout your retirement or increases over time.
- You can decide what benefits it provides to your dependants (for example, whether a lump sum is paid or whether your spouse receives a pension after your death).
- You could potentially get a higher income if you qualify for an enhanced annuity (as a result of having a health condition or being, for example, a smoker).
- Different providers charge different amounts for the same amount of income – so it pays to shop around.
- Once your annuity has been set up, it cannot be changed.

Flexible income (drawdown/ flexi-access)

You can transfer your benefits from the Group to a provider that allows you to receive a flexible income.

- You can keep your transfer payment invested as a ‘pension pot’, to access at a later date.
- You can use the money as you need it – draw out regular amounts, monthly or annually, or lump sums, as and when you want.
- You can choose to receive 25% of each payment as tax-free cash or take a 25% tax-free lump sum at the outset.
- You can leave any remaining funds you do not use to your estate. If you die before age 75, then the money in your pot is usually paid out income-tax-free to the people you nominate. If you die after age 75, income tax would usually be payable on what your beneficiaries receive.
- You will need to choose funds to invest in. Investment choice is key – you will need to keep your funds under regular review to ensure they continue to meet your long-term retirement income needs. Many providers offer a default fund which reduces the investment choices you need to make.
- If too much money is taken too quickly, or if the investments perform poorly, the amount of income available to you could fall drastically or even run out. On average, people aged 55 today will live to their mid-to-late 80s. In addition, increases in the cost of living may mean you have to take out more income than expected.
- As with many investments, the value of your pension pot can go up or down. Charges will apply and can affect the value of your investments and the money you receive.
- Taking a flexible income may result in a restriction on any future pension contributions you can make (or have made for you). If you are contributing to another pension arrangement, then you should consider this.

In the event of your death

You may be able to pass on your benefits to your loved ones after your death if this suits your circumstances – it’s your choice. The options available will depend on the choices you make.

Deciding whether to take a transfer value from a defined benefit pension scheme like the Group is a significant decision. In recognition of this, current legislation states that anyone who wants to take a transfer of £30,000 or more must obtain appropriate, independent financial advice before the payment can be made. Funded advice is available to eligible Group members to help you make informed decisions.

It is important to understand all your options and what they might mean for you. Knowing if a transfer value is right for you will very much depend on your personal circumstances.

If you are considering transferring your pension, you need to be aware of **pension scams**.