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Final-salary pension schemes

Your deferred pension

Your pension is now frozen and is being held in this scheme waiting for you to get to retirement.

What happens now?

When you leave a final-salary pension scheme like this, your benefits get frozen. This is called ‘preservation’ or ‘deferment’. Your pension is worked out and fixed at the date you leave the pension scheme and then, in most cases, it increases every year in line with prices to make sure its value doesn’t drop.

Unless you decide to move it, your pension **will stay in this scheme**, until you get to your normal retirement date. The scheme will then pay a pension to you direct for the rest of your life. In most cases you can give up part of your pension (usually 25%) and take a tax-free lump sum instead. If you are eligible for this option, this will be confirmed to you when your pension is due to start.

Now that you have stopped building up a pension in this scheme, the value of your pension is fixed. Although this might go up every year in line with prices, no other changes take place. Because of this you will no longer get a benefit statement from us every year.

What you need to do

You need to tell us if you get married, move home or change your name. It’s important you keep in touch with us as we will need to write to you when you get to your normal retirement date so that we can pay you your pension.

Abbreviations and definitions

AVCs: Additional voluntary contributions.

CPI: Consumer Price Index.

Deferred and preserved: Frozen pension.

Leaving date: Date on which you left or stopped building up pension.

Normal retirement date: The date from which you can take benefits from the scheme without a reduction being made for early payment.

Revaluation: The yearly increases applied from your leaving date.

RPI: Retail Price Index.

If you choose to do nothing, your pension will stay frozen within this pension scheme.

Your options

Option 1 | Do nothing

You can leave your pension where it is (in this scheme) and do nothing. The pension will, in most cases, increase every year in line with prices and then, when you get to retirement, the scheme will pay you a pension for the rest of your life.

Option 2 | Move it

You have the option to transfer to another pension scheme at any time up to one year before your normal retirement date. You can sometimes transfer after this date but you will need to contact us to find out if this option is available to you. You should speak to an independent financial adviser if you want to investigate this option. We can't tell you if a transfer is the right option or if it will benefit you.

Option 3 | Take it early

If you are over age 55, you can sometimes start to have the pension early. This might include giving up part of the pension for a tax-free lump sum. The further you are away from your normal retirement date, the more the pension will be reduced. The law currently states that it is only people over age 55 who have this option - this is currently the same for all UK pension schemes although could change.

Cashing in

The law currently doesn't allow you to exchange all of your pension for a one-off lump sum if you are below age 55. Because of the special tax exemptions that the Government gives to pension schemes, they limit what can be done with the pension if you have paid into it for more than two years. This includes not being able to give the pension up in exchange for a lump sum.

Only in some very special circumstances, such as if you're seriously ill or have a very small pension and are over age 60 (or age 55 from April 2015), can you cash the pension in. If not, you must use it to provide you with an income when you retire.

From April 2015 the Government is changing the rules on allowing people to access all of their pension as a lump sum. This means that you might be able to cash-in this pension if you are over age 55 and move it to another pension arrangement. You should speak to a financial adviser if this is something you want to explore further.

The only change to your pension is a yearly increase in line with prices.

Changes to your pension

Your pension has now been worked out and fixed - you can't build up any new pension in this scheme. So that this pension keeps its original value, it will (in most cases) increase each year between your leaving and retirement dates. The increase is designed to match price rises. We call this revaluation. The minimum increases for this are set by the Government.

The actual increases applied to your pension depend on when you built up the pension and whether any of it relates to you being contracted out of the State Second Pension. Broadly speaking most pension schemes give minimum revaluation in line with the Consumer Price Index up to 2.5% a year. You will need to see your scheme's membership booklet for more details of the exact increases applied. Please ask us for a copy if you don't have a membership booklet.

Unfortunately we can't tell you exactly what your pension will be worth when you get to your normal retirement date as we don't know what will happen to prices.

How we revalue your pension

The Government publish the factors used to revalue pensions. The factors are applied based on the whole period from your leaving date to your retirement date and not on a year-by-year basis. This is one of the reasons why we don't give members who have a frozen pension a statement each year.

Example

Mrs Jones left her pension scheme in 2013 with a fixed pension of £5,400 a year. Mrs Jones reaches age 65 in 2027 so her future pension depends on what happens to price increases over the next 14 years.

If we assume a 1% increase in prices for each year, her pension in 2027 would be worth £6,207 a year.

If we assume a 1.5% increase in prices for each year, her pension in 2027 would be worth £6,651 a year.

If we assume a 2.5% increase in prices for each year, her pension in 2027 would be worth £7,630 a year.

Six months before you get to your normal retirement date we will write to you setting out your retirement options.

When you get to retirement

As long as you have told us your current home address you don't need to do anything. About six months before you get to your normal retirement date we will write to you setting out your retirement options, including details of a tax-free cash lump sum if you are eligible.

When you receive this pack you will need to fill in an options form and send it back to us. This form tells us which option you would like to take, and gives us details of where to pay your pension. When we have set up your pension we will pay you a regular amount (normally monthly) direct into your bank account. This will be paid to you after taking off income tax. You don't pay any National Insurance contributions on your pension income.

Between now and retirement

You need to tell us if you get married, move home or change your name. It's important you keep in touch as we will need to write to you when you get to your normal retirement date so that we can pay you your pension.

Six months before retirement

We will automatically write to you setting out the pension you can get along with giving you the option to exchange part of the pension for a lump sum if you are eligible.

Early retirement

The current minimum age for retirement is 55. This is set by the Government.

Some schemes allow members to start taking their pensions from age 55 but the pension will be reduced to offset the longer period over which it will be paid. The further you are away from your normal retirement date, the more your pension will be reduced for being paid early.

Contact us if you want to see whether you can afford to start taking your pension early and to check if the scheme's rules allow it. The rules and factors used to work out early retirement change often, so any future early retirement projections won't be guaranteed.

If you need more help on what to do then we recommend getting in touch with these agencies.

Advice, guidance and support

Independent financial advice

Independent financial advisers (IFAs) are the only type of financial advisers who can choose from all the products available in the market, making sure you get the right product for your needs. The trustees cannot offer you this service as it is regulated by the Financial Conduct Authority. You can find your own IFA using Unbiased's free and confidential online search facility.

Online

unbiased.co.uk

By email

contact@unbiased.co.uk

By phone

020 7294 3682

Monday to Friday: 9am to 5pm

Money Advice Service

The Money Advice Service is an independent service, set up by the Government to help people make the most of their money. They give free, unbiased money advice to everyone across the UK – online, over the phone and face-to-face.

Get in touch with the Money Advice Service in the following ways.

Online

moneyadviceservice.org.uk

By email

enquiries@moneyadviceservice.org.uk

By phone

0300 500 5000

Monday to Friday: 8am to 8pm

Pensions Advisory Service

The Pensions Advisory Service (TPAS) is an independent organisation that provides free information, advice and guidance on the whole range of company, personal and stakeholder schemes. They can also help you understand how State Pension issues affect other pensions you may have.

Get in touch with a TPAS adviser in the following ways.

Online

pensionsadvisoryservice.org.uk

By phone

0845 601 2923

Monday to Friday: 9am to 5pm

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Keep in touch

It's important that you tell us about any change to your address or marital status. Do this by getting in touch with us in one of the following ways.

By email:

admin@premiercompanies.co.uk

By phone:

0800 122 3200 / 020 8663 5850

Online:

premiercompanies.co.uk

In writing:

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PO Box 108
BLYTH
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