

pensions are changing...



make sure you are ready for April 2015.

25<sup>th</sup> February 2015



# agenda.



**10:00 – 10:25** Introduction

Do your employees need to rethink retirement?

Jonathan Watts-Lay, Director, WEALTH at work

**10:25 – 10:45** Kingfisher plc: The role of employers and trustees

Dermot Courtier, Head of Group Pensions, Kingfisher plc

**10:45 – 11:15** Step One: Helping employees understand the options available

Kevin O'Boyle, Group Head of Pensions & Benefits, BT

Jane Griffiths, Head of Corporate Relationships, WEALTH at work

**11:15 – 11:35**

Refreshment Break

# agenda.



**11:35 – 12:05** Step Two: Helping employees make the right decision with their pension pot

Step Three: Implementing retirement income options in the new world

Mark Hewitson, Head of Retirement Income Options, WEALTH at work

**12:05 – 12:25** United Utilities: The challenges and opportunities of transferring Defined Benefit to Defined Contribution pension schemes

Steven Robson FMPI, Head of Pensions, United Utilities

**12:25 – 13:00** Panel Discussion: Q&As

All speakers: Chaired by Jonathan Watts-Lay

**13:00 – 14:00**

Complimentary lunch

# twitter.

To ask Jonathan and the panel a question, or to comment on the topics discussed, please tweet us **@WEALTHatwork** using **#PensionChangesEvent**



To access the Wi-Fi, connect to The Shard – no password required.

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# do your employees need to rethink retirement?



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Jonathan Watts-Lay, Director, WEALTH at work

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# key considerations.



## The Budget introduced radical change...

Do what you want, when you want, as long as you're 55

- The end of 'compulsory' annuity purchase
- Access to 100% of your DC pension savings however you want it
- Transfer your DB scheme and do the same
- Marginal tax or no tax, but no death taxes or IHT

However:

- Flexibility increases complexity and transfers risk to scheme members
- Gov't recognised that current retirees are not confident, knowledgeable or empowered
- Introduced the Guidance Guarantee (Pension Wise); free, impartial, face-to-face/telephone guidance

# key considerations.



## Guidance Guarantee

Will the Guidance Guarantee work considering:

- Signposted by providers 4-6 months prior to stated retirement date
- Can sign-post but cannot direct individuals to a solution
- Not advice with the protections of advice – ‘consumers will be responsible for the decisions they make’

However:

- Better than nothing
- Can help those who do not get help via their employer
- Indication from Government is that this is a first step as planning needs to start much earlier

# key considerations.



## Pension Changes

- Options are welcomed but individuals need to understand them
- Most companies will not change occupational schemes in April to allow employees to execute new rules (functionality, cost, risk)
- Not just about pension – all assets and that of partners should be considered
- Individuals could be left in limbo – Pension Wise can only signpost and employers may not offer full options through the company scheme

# other considerations.



- Product proliferation will add to complexity
- Will advice be available to those with say less than £100k?
- How will employers support those who may want to consider transferring from DB to DC?
- Will this lead to issues? Such as:
  - Mis-buying (just look at the annuity market historically)
  - Many paying tax which could be avoided

# should trustees get involved?



## **What must Trustees do?**

- Obligation is to signpost!

## **What should Trustees do?**

- Support the delivery of tPR guidance and model retirement process

## **What can Trustees do?**

- Engage education and advice specialists and influence the employers

# the 3 important questions.



the perfect fit for every employee.



3 easy steps to pension flexibility.

The new pension rules come into force in April 2015 and bring a whole new world of choice on how to generate income in retirement. And it's not just about pensions - all savings will need to be taken into account (such as ISAs) if retirement income is to be properly considered.

We have a complete service offering to help ensure your employees are informed and can take appropriate action - not just at the point of retirement but in the years leading up to retirement and beyond.

<p><b>1. What do I need to know?</b></p> <p>Financial education can be delivered via many routes such as seminars, webinars or through online tools but the most important thing is it will be tailored to your employees based on the benefits you provide. It will help your employees understand the advantages and disadvantages of all the new retirement income options available. In other words, it explains to them what they need to know.</p>	<p><b>2. What is right for me?</b></p> <p>Individual guidance and support can be provided including a checklist and fully regulated advice. Questions can be answered such as, 'Should I retire now, delay retirement or work part time?' and 'How should I take my income?' Also, other considerations such as their partner's pension and savings can be taken into account.</p>	<p><b>3. How do I do it?</b></p> <p>We can then help them implement their chosen retirement income plan in line with their requirements whether that is selling some form of draw-down, buying an annuity or a combination of options. Many employees may need to make a series of decisions over time rather than a single choice at retirement and we can support them through this.</p>
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RETIREMENT INCOME OPTIONS SERVICE

**WEALTH at work**  
KNOWLEDGE | EXPERIENCE | OPPORTUNITY

## What do I need to know?

- What are the options available
- What are the advantages and disadvantages of those options

## What is right for me?

- Value of all assets – holistic decision
- Full retirement, delayed retirement or phased retirement

## How do I do it?

- DIY
- Advice
- Employer help

# what are the options?

- Take the cash!
- Drawdown
- Buy an annuity or hybrid 'product'



# individuals need to think differently.

- Life expectancy:
  - When do I want to retire?
  - When can I afford to retire?
- 'u' shaped income needs
- Financial decisions at retirement not 'one off' for many



# research findings.

## Of the employers surveyed:

- **23%** believe their employees are well equipped to understand the level of income they will get in retirement
- **58%** believe their employees are unaware of their retirement income options
- **88%** consider professional retirement planning including financial education crucial for their employees
- **40%** believe their employees will not know where to seek regulated financial advice from





**The Role of Employers & Trustees:  
How employers and Trustees can work  
together to address the pension changes**

# Who is Kingfisher plc?

- ⚙ Europe's largest home improvement retailer
- ⚙ 5 UK Operating Companies
- ⚙ Locations based in various parts of the UK
- ⚙ B&Q Stores: 360\*
- ⚙ Screwfix Stores: 371\*
- ⚙ Total UK employees: c36,000

Kingfisher



SCREWFIX



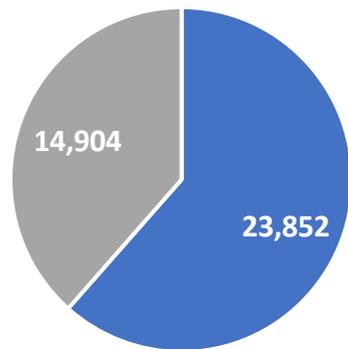
# Kingfisher Pension Scheme

The Kingfisher Pension Scheme consists of 2 sections. The final salary section (KPS-FS) and the money purchase section (KPS-MP).

- ⦿ The KPS-FS closed to future accrual on 30 June 2012.
- ⦿ All current employees and new employees can only contribute into the KPS-MP.
- ⦿ There are currently approx. 23,000 active members in the KPS-MP. And most of them are contributing at the minimum rate of 1%, with matching Company contributions of 2%.

# KPS FS section Assets Under Management

## Members



■ Deferred ■ Pensioners

- £3bn assets under management
- 23,852 deferred members
- 14,904 pensioners

# KPS MP section – assets under management and membership

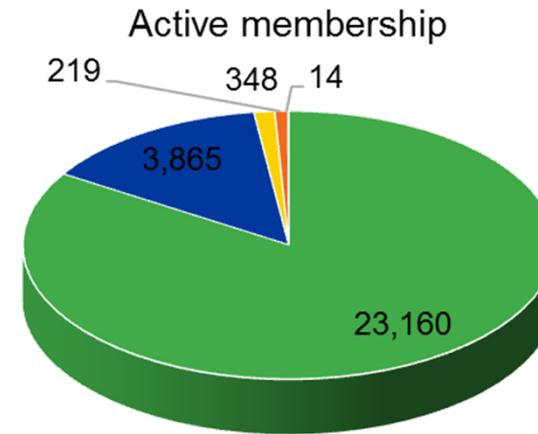
- £125m assets under management
- 23,160 - Total Active membership

- 18,818 - B&Q
- 3,865 - Screwfix
- 348 – KITS
- 219 – Kingfisher

- In total, 18,124 Employees Automatically Enrolled since 31 March 2013.

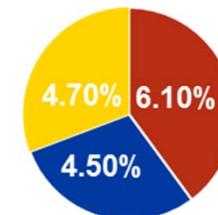
- Opt-out rates:
  - 6.1% for the year to 31 March 2014
  - 4.5% for Q2 2014
  - 4.3% for Q3 2014

- 71% of members contribute the AE minimum
- 11% of members maximise the company matching contributions



■ B&Q ■ Screwfix ■ KITS ■ Kingfisher ■ Kingfisher Future Homes

Opt-Out Rates



■ 2013 ■ 2Q/14 ■ 3Q/14

# KPS-MP

Member Contribution	Company Contribution	Total Contribution
1%	2%	3%
3%	3%	6%
4%	4%	8%
5%	5%	10%
6%	6%	12%
7%	10%	17%
8% and above	14%*	22% (+)

\* the maximum Company contribution is 14%

- ⦿ Death in Service cover of 4 x Salary for members (increase from standard 2x or 1x if not a member)
- ⦿ 2 ways to join – Voluntarily or Automatically through legislation
- ⦿ Contributions usually made via SMART Pensions (salary sacrifice arrangement)

# Step 1 – Talking to the Trustees

- ⚙️ A Trustee Knowledge and Understanding (TKU) day was organised to discuss the April 2015 changes.
- ⚙️ TKU days for us are open forums which encourage debate and questioning on an informal basis.
- ⚙️ Less formal environment encourages delegates to ask questions which they may feel reluctant to ask at a formal meeting. Often leads to a far wider and in depth debate.
- ⚙️ Background reading sent to all attendees so the foundation was there to build on during the day.
- ⚙️ Matrix of key decisions identified before the training day.
- ⚙️ Pension lawyers invited to provide legal guidance through the day.

# Talking to Trustees cont..

Each of the topics discussed was linked to a key decision.

- ⚙ This synchronised the debate and decision making process.
- ⚙ Majority of the decisions were at a high level = enabled Group Pensions to explore solutions best suited for the Scheme.

# Step 2 – Talking to the Company

- ⦿ A workshop was organised with all the key HR Directors from the various operating companies.
- ⦿ Trustees were also invited to attend to answer any questions raised by the Company regarding principle decisions made at the TKU day.
- ⦿ The Company's Pension lawyers attended to provide legal guidance.
- ⦿ Similar format to the TKU day.
- ⦿ Brief overview of the changes coming up provided.
- ⦿ Key issues highlighted to Company representatives as to how it will impact current employees.
- ⦿ A summary matrix of the key decisions and next steps were presented such that Group Pensions could proceed.

# Step 3: Educating & Training In-House Pensions Team

- Series of training provided to the in-house pensions team.
- Training sessions produced internally as well as asking the Scheme's providers to provide training.
- In-house pensions team policies reviewed and updated.
- External DC Administrators processes and policy reviewed to ensure it meets Trustees' and Company's expectations and decisions.

# Step 4: Talking to the HR Population

Group Pensions attended a series of HR workshops talking through the key April 2015 changes and what impact it would have to Kingfisher Pension Scheme members.

## Key messages:

- ⦿ Provided sign-posting to further information.
- ⦿ Confirmed key next steps and communication timetable.
- ⦿ Reminded HR population of education programme to help employees understand the importance of saving for your future.

# Saving for Your Future

**We have launched this year's Saving for Your Future Campaign with the following material:**

- 4 new modules about Pension Investing, Self-select funds, the State Pension and the Kingfisher All Employee Share Plans
- Tent cards & Posters
- Last year's modules still available – Annuities, DIY Guide to Saving for you Future, Introduction to Pensions and the KPS-MP.
- Our new fun pensions app, 'Bolt to the Finish'



**This has been communicated through various channels with all the OPCOs.**



**The main message we are trying to promote this year is that even if someone can save just a little bit extra, it will help them save towards a future they want.**

Click centre of screen to play



step one: helping employees understand the options available.

Kevin O'Boyle, Group Head of Pensions & Benefits, BT  
Jane Griffiths, Head of Corporate Relationships, WEALTH at work

# agenda.

- What do I need to know?
- Building a successful financial education programme:
  - The employer's view
  - Building the programme
  - The employee's view

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the employer's view – BT.

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# the employers view - BT.

## The challenges

- An ever changing world where the pensions landscape is constantly changing, people living longer, greater freedom around income choices and age at which to retire makes it difficult for employees to understand the options they face. For BT:
  - The removal of default retirement age
  - Substantial changes made to the BT pension schemes
  - An ageing workforce with long service (c30,000 over age 50)

## Our responsibility

- We believe that our people should fully understand what is available to them at retirement and help them prepare for a secure financial future on leaving BT
- We strongly believe that financial education is good employer practice

# the employers view - BT.

## The objectives

- Focus on encouraging employees to take responsibility and begin to plan for their retirement
- 'Bust myths' such as "I've got to stay to 65" or "I must achieve 40 years service" and try to support employees to think more boldly about their futures
- Support communications about changes to the pension schemes, specifically encouraging employees to understand the implication of changes such as pensionable age, income options at retirement
- Provide employees within 15 years of normal pensionable age an opportunity to plan effectively for their retirement and set in place a realistic plan for the future
- Cover a wider brief than BT benefits and help people understand issues such as capital investment, tax efficiency and the availability of state benefits
- Provided by an organisation that is independent from BT and include the option of extended one-to-one financial planning

# the employers view - BT.

## The programme so far

- Programme initially launched 2009
  - More than 2600 seminars have been held in 45 key locations across the UK.
  - 29,000 BT Pension Scheme members aged over 45 have attended 'Planning for Retirement' seminars delivered by WEALTH at work.
  - The programme has resulted in over 6,000 employees retiring from BT with a further 1500 taking flexible retirement.

# the employers view - BT.

## The 2015 programme

- Our latest Financial Education programme launched in January 2015, building on the great success of previous programmes
- Invitations were sent to more than 19,000 employees who are within 15 years of the BT Normal Retirement Age
- Within 24 hours of the invitations arriving to employees, we received over 2000 registrations to attend
- A waitlist of 1800 members wanting to attend a seminar quickly developed
- Attendance rates are currently at 80%, resulting in an average attendance rate of 16 people per seminar

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building the programme:  
planning & delivery.

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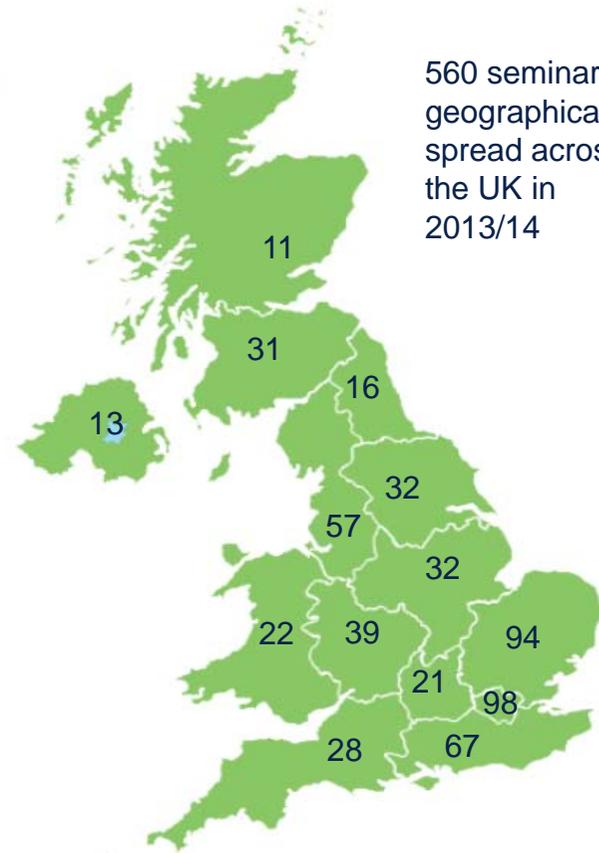
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# planning.

## Step 1. Select a region

Please select the most suitable region by clicking on the map, or the name in the list below.

- North Scotland
- South Scotland
- North East
- North West
- Yorkshire
- Northern Ireland
- Wales
- West Midlands
- East Midlands
- Eastern
- Thames Valley
- London
- South East
- The South



# how we deliver - invitations.

The screenshot shows a website interface for BT Pension Scheme members. At the top left is the BT logo, and to its right is the text 'Sharing your retirement'. Below this is a horizontal bar with a blue-to-yellow gradient. Two tablet devices are displayed side-by-side, each showing a seminar option. The left tablet shows a 'Loading...' screen over a photo of a couple on a beach. Below it is a progress bar and the title 'Planning for Retirement - Getting on Track'. The right tablet shows a similar photo with a back arrow in the top left corner. Below it is a progress bar and the title 'Planning for Retirement - Fitness Check'. Each section contains a list of questions and a link to book the seminar. At the bottom right of the page is the 'WEALTH at work' logo with the tagline 'KNOWLEDGE | EXPERIENCE | OPPORTUNITY'.

**BT** Sharing your retirement

**Planning for Retirement - Getting on Track**  
This seminar is designed for those BT Pension Scheme members who are thinking of retiring in the longer-term and would like answers to questions such as:

- How much income might I need?
- How long might I need the money for?
- What do my finances look like today?
- What do I spend my money on?
- Could I reduce what I spend to save more money?
- What can I expect from the State?
- What might my BT pension be?
- How can I improve my retirement benefits?
- Where are my current savings and investments?
- Could I find more suitable ways to save for my future?
- Could tax efficiency help me?
- How can I use my BT share schemes to plan for my retirement?

If retirement is more than 3 years away, then to help you make the right decisions for your financial future click [here](#) to book your place.

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**Planning for Retirement - Fitness Check**  
This seminar is designed for those BT Pension Scheme members who are thinking seriously about retiring or drawing their pension benefits within the next three years and would like answers to questions such as:

- When should I retire?
- What will I do with my time?
- Can I afford to do what I want?
- How much income can I live on?
- How much will my BT pension be?
- How can I improve my retirement benefits?
- What will I get from the state?
- What can I do with my BT shares?
- Will my money keep pace with inflation?
- How should I invest any savings?
- How can tax efficiency help me?

If you would like to retire in less than 3 years then this is the session for you. To help you make the right decisions for your financial future, click [here](#) to book your place.

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- Personalised invitations are emailed directly to the employee
- Employee then self selects the seminar most appropriate based on their needs and planned retirement date
- If the employee is planning to retire in more than 3 years, they would select the 'Planning for retirement – Getting on track' seminar
- If the employee is planning to retire in 3 years or less, they would select the 'Planning for retirement – Fitness Check' seminar

# how we deliver – the education.

## BT benefits

- Pension schemes
- Share schemes
- Death in service

## Long term income planning

- Sources of income
- How and when to draw benefits

## Tax efficiency

- Income Tax
- National Insurance
- Capital Gains Tax
- Estate Planning

## Maximising pension benefits

- AVC's
- Salary Sacrifice
- Early Reduction Factors

## Financial independence

- Changing costs in retirement
- Replacement income in retirement

## Saving & investing

- Right investment choices
- Setting the right goals

## Lifestyle

- Life expectancy
- Income needs
- Plans for the future

## State Benefits

- State Pension Age
- Flat Rate Pension
- S2P



# how we deliver – the website.

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our company. | our services. | education centre. | contact us.

**sharing your retirement.**  
The Planning for Retirement Seminars will provide you with information that will help you make the right decisions for your financial future.  
[Book your place now!](#)

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**your to-do list.**  
With so many different financial decisions to consider, retirement planning has never been more important.  
[Find out more...](#)

**your seminar.**  
The Planning for your Retirement seminars can help you make the right decisions for your financial future.  
[Find out more...](#)

**your newsletter.**  
Understand your investment options and get all the help and knowledge you need to make the right financial decisions for your future.  
[Find out more...](#)

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Keep up-to-date with the latest news and updates from **my wealth**.

**Market Update**  
The latest news and industry insights from our team of Investment Management experts.

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If you would like to receive our latest email communications, please fill in your details to keep in touch.

**Twitter**  
For the latest market updates, news and information, follow us and join the conversation!

- The BT Financial Education microsite supports the seminar delivery programme with additional key resources
- Visitors to the site can;
  - Watch educational webcasts
  - Access bespoke BT newsletters
  - Review seminar slide content at their leisure
  - Book 1:1 meeting

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the employee's view.

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# feedback.

**your feedback.**

Thank you for attending today, we hope you found the content interesting. At WEALTH at work we constantly strive to improve our education and we couldn't do this without your feedback. Please take a couple of minutes to answer the questions below honestly. Do be assured that your answers will be kept confidential and not be shared with your employer in a format which identifies you.

**Session review**

Employer / Line of business: \_\_\_\_\_ Title of session: \_\_\_\_\_  
 Location: \_\_\_\_\_ Date: dd mm yy Time: \_\_\_\_\_ am/pm

Please circle the most appropriate rating to complete the statements on a scale of 1 to 5 with 1 being the lowest or most negative, and 5 being the highest or most positive response

My knowledge of today's subject prior to attending today	1	2	3	4	5
My knowledge of today's subject following this session today	1	2	3	4	5
The presenter(s) general financial knowledge and presentation skills	1	2	3	4	5
The presenter(s) knowledge of my company benefits	1	2	3	4	5
Today's session was interesting	1	2	3	4	5
The content was easy to follow and understand	1	2	3	4	5
The session covered sufficient detail of the subject	1	2	3	4	5
The session met the objectives identified before the event	1	2	3	4	5
I would recommend this session to a colleague	1	2	3	4	5
I will take specific financial actions as a result of attending today	1	2	3	4	5

General comments and/or suggested improvements: \_\_\_\_\_

**Next steps**

Please tick all that apply:

1. I would like a meeting with a my wealth adviser, please contact me to arrange an appointment.  Yes  No  
 If yes, when would you like the meeting? Please insert preferred date. dd mm yy

2. I would like to receive further information about my wealth products and services from time to time  Yes  No

3. I would like to receive a brochure on my wealth products and services  Yes  No

My preferred method of contact is: Post  Telephone  Email  No preference

If you have answered YES to any of the above and selected your preferred contact method, please complete the following contact details using BLOCK CAPITALS and ink:

Title \_\_\_\_\_ First name \_\_\_\_\_ Surname \_\_\_\_\_  
 Address \_\_\_\_\_ Daytime telephone number \_\_\_\_\_  
 \_\_\_\_\_ Evening telephone number \_\_\_\_\_  
 \_\_\_\_\_ Postcode \_\_\_\_\_ Mobile telephone number \_\_\_\_\_  
 Email \_\_\_\_\_

I understand that WEALTH at work is solely responsible for all meetings arranged with my wealth above and any subsequent advice

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- Feedback is collated from all attendees at the end of seminars.
- Attendees are asked to complete 10 questions, exploring ;
  - Whether their knowledge levels have improved following attendance
  - How well the content was delivered
  - How well the session met their prior objectives
  - Their intention to take action following the seminar
  - The ease with which the content was able to be followed
  - Whether they would recommend the session to a colleague

# the employee's view.

		2013/14	Score
Questions		Average	Description
Q1	My Knowledge of today's subject prior to attending today	2.35	1 = very poor
Q2	My knowledge of today's subject following this session?	4.39	2 = poor
Q3	The presenter(s) general financial knowledge and presentation skills?	4.83	3 = average
Q4	The presenter(s) corporate specific knowledge?	4.86	4 = good
Q5	Today's session was interesting	4.80	5 = excellent
Q6	The content was easy to follow and understand	4.50	1 = strongly disagree
Q7	The session covered sufficient detail of the subject	4.60	2 = disagree
Q8	The session met the objectives identified before the event	4.74	3 = neutral
Q9	I would recommend this session to a colleague	4.87	4 = agree
Q10	I will take specific financial actions as a result of attending today	4.66	5 = strongly agree

- Feedback has been overwhelmingly positive, demonstrating real value to the attendees.
- The combined feedback taken from 8000 attendees in the 2013/14 programme categorically confirms the intent to which people will take a direct action as a result of the education seminar.

# the employee's view.

- “Mind blowing, a great help”
- “Excellent course recommend to my colleagues”
- “The session will prompt me to focus on my plans, which I was ignoring rather.”
- “An invaluable session at my stage in my career”
- “Allowed me to start planning now and execute near the retirement time”
- “The best morning of my BT career, very useful”
- “Before today I was sleepwalking to retirement”
- “Perfect timing and I am more confident about retiring now”
- “Most useful presentation ever provided by BT”
- “Excellent will now go back and do something about my finances”
- “This has been very useful lots of good information and a must for everyone looking for a comfortable retirement”
- “Excellent session lots of homework to do before leaving BT”

# the outcomes.

- From October 2013 – June 2014 8,000 BT employees attended a ‘Planning for Retirement’ seminar
- 69% of all attendees proactively sought further, individual advice and guidance
- This equated to more than 5,500 BT employees, which shows that with the **right education**, at the **right time**, people will **take action**, and will take an active interest in their future retirement
- It is at this critical point that people then need to understand, and identify ‘what is right for me?’



refreshment break.

Don't forget to tweet your questions to  
@WEALTHatwork using #PensionChangesEvent



step two: helping employees  
make the right decision with  
their pension pot.

Mark Hewitson, Head of Retirement Income Options, WEALTH at work

# good retirement income outcomes.

## Our approach

- Our journey will start with seminars and encounter guidance and advice along the way
- The type of journey you go on will make a big difference to the end that you reach
- A relaxed journey or a last minute dash – you decide

# asking for help.

Between 2012 and 2014 the numbers asking for more help after a seminar increased from **40%** to a peak of **70%**

Q. Why?

A. A financial event with personal impact happens

# advice or guidance?

- Guidance is useful for telling you what you can and can't do
- Advice tells you what you should do
- Advice offers you protection....against yourself!

# workplace guidance: clinics.

- Clinics are 1:1 guidance conversations
- 30-45 minutes in the workplace
- By experienced financial services team members
- A range of issues e.g. company specific pension questions, LTA issues, pension transfer options, retirement income options

# personal guidance: cash drawdown plan.

- Cash only drawdown administration offer
- Accessed via a guidance helpline – speak to someone before you make a decision
- Fixed set up fee and annual admin charge
- Aimed at smaller cash pots who want mitigate taxes over 2-3 years

# regulated financial advice.

- Advisers are authorised and regulated by the FCA
- Financial plan agreed in writing prior to any retirement decisions being actioned
- All relevant saving and investments taken into account
- 'Try before you buy' – fees only on implementation
- Ongoing support

# but watch out...

- Pensions are not bank accounts, despite the headlines
- Transferring your DB (or DC) scheme could be costly
- DIY drawdown; run out of money, pay the 'wrong' tax, pension fraud
- Tax glorious tax – when £10k is really £8500
- Guidance isn't advice – really



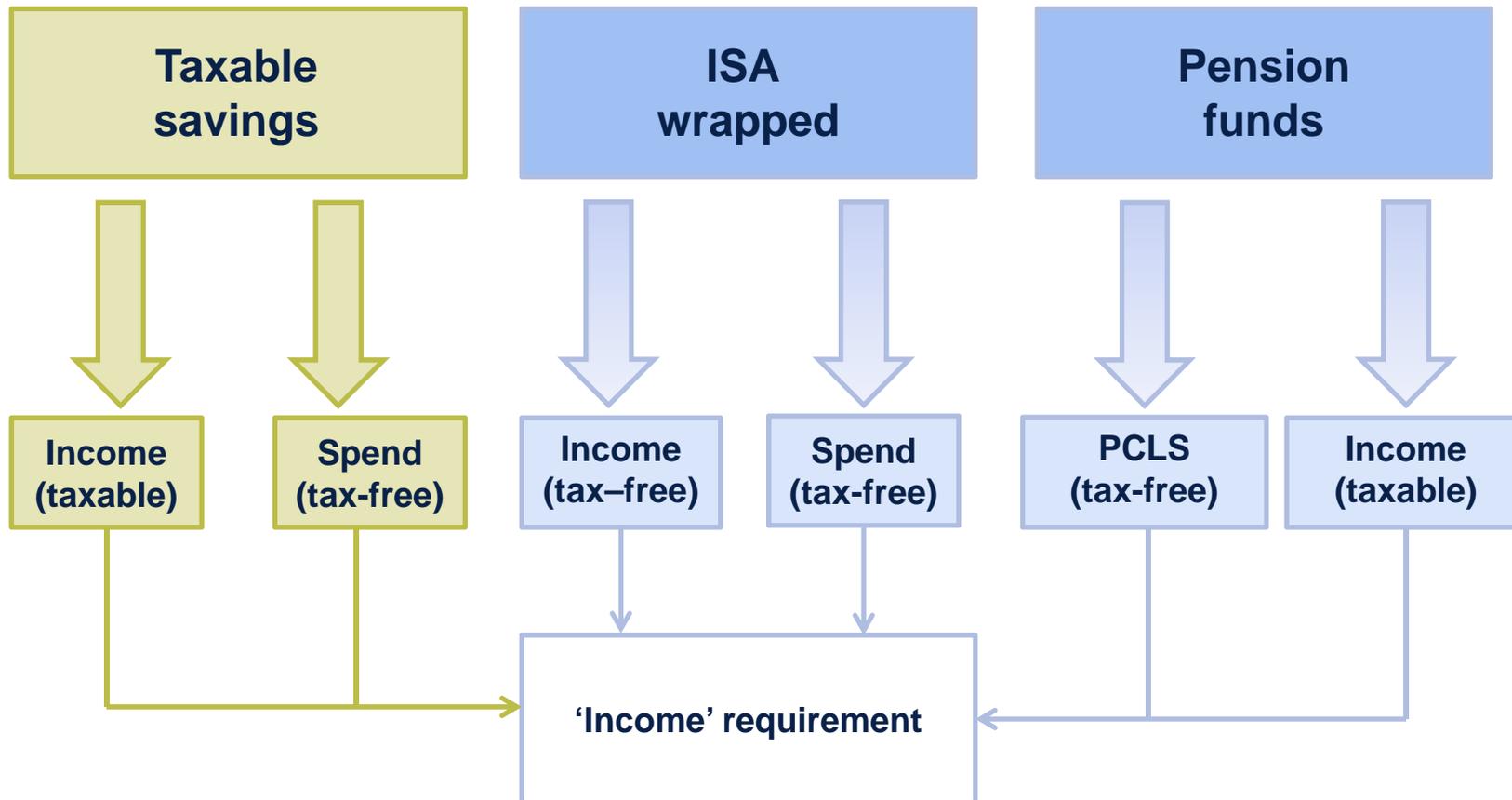
step three: implementing  
retirement income options  
in the new world.



# putting it into practice.

- No one size fits all retirement
- Full access to pension funds means a more 'holistic' approach is sensible
- What will you be using to create an income in retirement?

# retirement income options.



# flexible income - some guidelines.

- Match withdrawal methods to your personal tax position
- Use **taxable** withdrawals/income where there are available personal allowances
- Use **tax free** withdrawals to provide any excess
- Take into account long term cash flow
- Prevent the accidental higher rate taxpayer
- Aim for the right income, not the wrong tax

# example - Mark, aged 60.



- DB pension £8,000 p.a.
- MP pension fund £300,000
- Cash Reserve £10,000
- ISAs £50,000
- Retiring April 2015

## **Objectives:**

Would like to generate an initial annual income of £20,000 p.a. net which increases annually by inflation.

This example is for illustration purposes only and does not relate to any particular individual and should not be relied upon.

# example - Mark, aged 60.



## Assumptions:

- Inflation 2.5%
- Returns 3.5% net of charges
- ISA income 5%

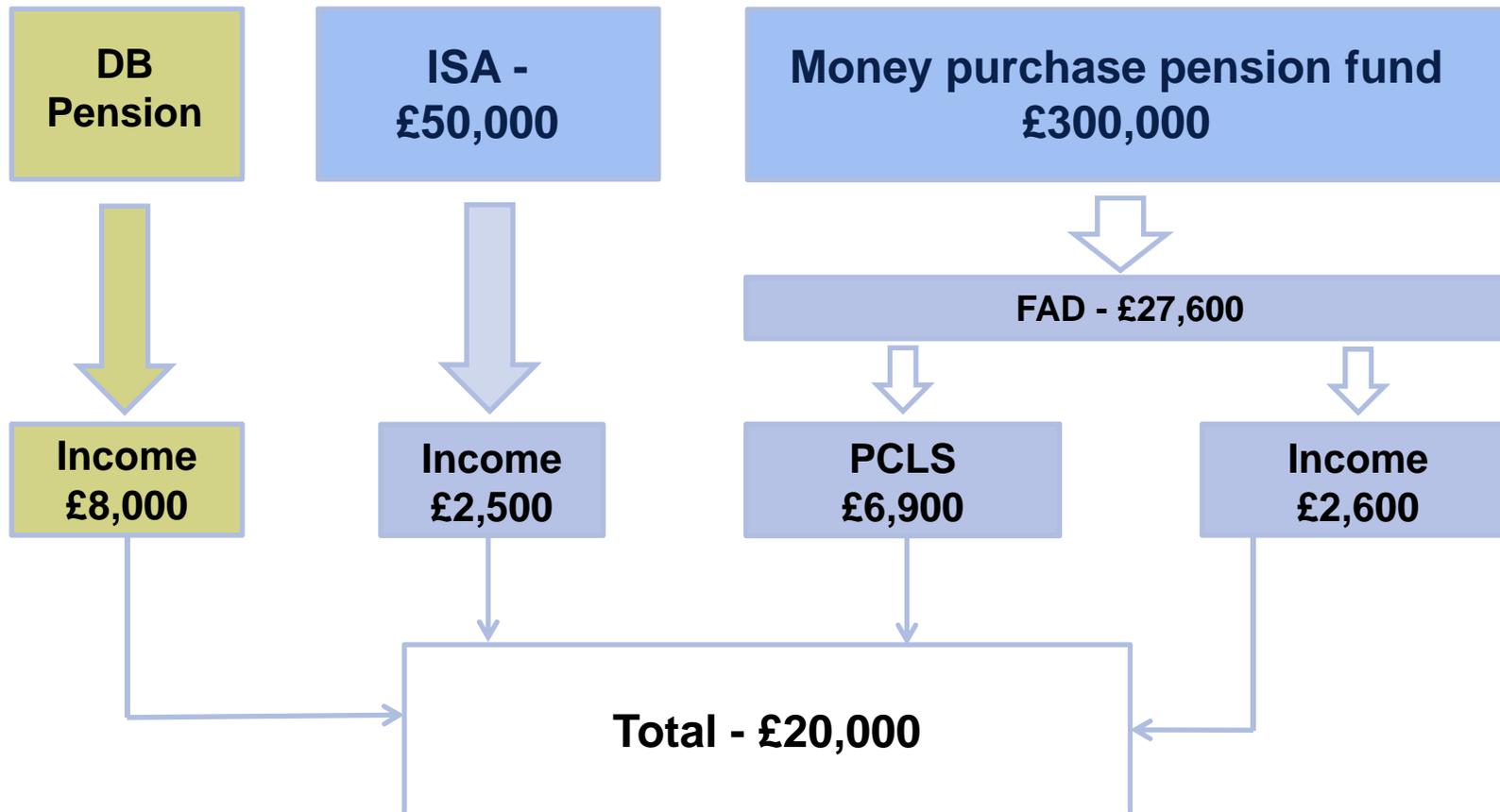
## Solution:

- Retain cash reserve
- Draw ISA income
- Enter flexi-access drawdown (FAD)

This example is for illustration purposes only and does not relate to any particular individual and should not be relied upon.

# flexible income drawdown.

Mark – income requirement - £20,000 p.a. net



# tax calculation.

*£8,000 DB pension (taxable)+  
£2,600 FAD (taxable)  
= £10,600*

*£6,900 FAD PCLS tax-free  
£2,500 ISA Income tax-free  
= £9,400*

*Net income  
£10,600 + £9,400  
= £20,000  
NO TAX PAYABLE*

Personal allowance for 2015/16 - £10,600

# later years.

**Year 20 – age 80 Income requirement £32,772**

**DB Pension  
£13,109 p.a.**

**State Pension  
£11,177 p.a.**

**ISAs  
£50,000**

**Pension  
(vested)  
£376,252**

- Tax-free cash available until circa Year 16
- No income tax payable until circa Year 6
- Net gains in pension fund value from Year 6 onwards
- At age 80 pension value circa £376,252

# the 3 important questions.

the perfect fit for every employee.



3 easy steps to pension flexibility.

The new pension rules come into force in April 2015, and bring a whole new world of choice on how to generate income in retirement. And it's not just about pensions - all savings will need to be taken into account (such as ISAs) if retirement income is to be properly considered.

We have a complete service offering to help ensure your employees are informed and can take appropriate action - not just at the point of retirement but in the years leading up to retirement and beyond.

<p><b>1. What do I need to know?</b></p> <p>Financial education can be delivered via many routes such as seminars, webinars or through online tools but the most important thing is it will be tailored to your employees based on the benefits you provide. It will help your employees understand the advantages and disadvantages of all the new retirement income options available. In other words, it explains to them what they need to know!</p>	<p><b>2. What is right for me?</b></p> <p>Individual guidance and support can be provided including a holistic and fully regulated advice. Questions can be answered such as, 'Should I retire now, delay retirement or work part time?' and 'How should I take my income?' Also, other considerations such as their partner's pension and savings can be taken into account.</p>	<p><b>3. How do I do it?</b></p> <p>We can then help them implement their chosen retirement income plan in line with their requirements whether that is taking some form of drawdown, buying an annuity or a combination of options. Many employees may want to make a series of decisions over time rather than a single choice at retirement and we can support them through this.</p>
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RETIREMENT INCOME OPTIONS SERVICE

**WEALTH at work**  
KNOWLEDGE | EXPERIENCE | OPPORTUNITY

## What do I need to know?

- What are the options available
- What are the advantages and disadvantages of those options

## What is right for me?

- Value of all assets – holistic decision
- Full retirement, delayed retirement or phased retirement

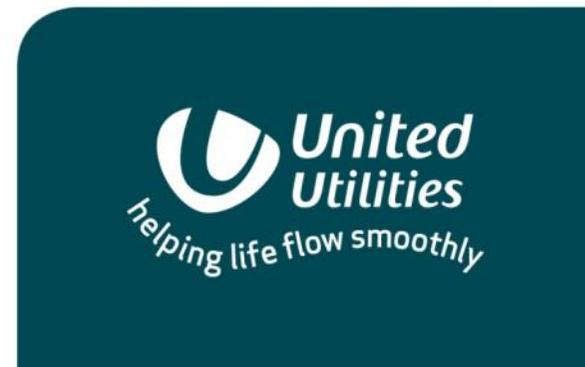
## How do I do it?

- DIY
- Advice
- Employer help

# The challenges and opportunities of transferring Defined Benefit to Defined Contribution pension schemes

helping life flow smoothly  
helping life flow smoothly  
helping life flow smoothly  
helping life flow smoothly  
**helping life flow smoothly**  
helping life flow smoothly  
helping life flow smoothly  
helping life flow smoothly  
helping life flow smoothly

Steven Robson FMPI,  
Head of Pensions



# Agenda

- Company point of view
- Member point of view
- Middle ground
- Communications

## Company Considerations

- Ability to remove liabilities at an acceptable price
- Reduces risks (longevity, inflation, investment, interest rate)
- One-off exercise or at retirement? Impact on commutation factors?
- Is selection against the scheme an issue?
- Advice, cost of exercise, reputation risk (link to scams?)
- Smaller pots (£30k rule, deferred members)

# Member Considerations

- Flexible retirement is here - transfer to DC can accommodate this
- Blinded by “cash”. It is meant for retirement!
- Is flexibility important?
  - Lump sum
  - Health issues and life expectancy
  - Single vs married
  - Value of inflation link
- Ability to manage spending over unknown timeframe with unknown fund amounts (same as drawdown debate)
- Cost of advice

## A Middle Ground? Partial Transfers

### Company

- Reduce liability at acceptable cost
- Limits reputation risk
- Advice and costs still an issue
- Complicates administration and retirement process

### Member

- Choose regular income and transfer the balance
- Gives safety net of regular income and cash lump sum to be accessed as required
- Can complicate and confuse retirement options and process

## Summary

- Likely that DB to DC transfers will become more frequent
- Better for Company to be in control and ahead of the demand
- Make considered and appropriate decisions on:-
  - Transfer terms
  - Whether to allow partial transfers?
  - One-off exercises or upon request
  - Impact on commutations factors
  - Communication to members on issues and process
  - Who pays for the mandatory advice?
  - Administration process



# panel discussion: Q&As.





thank you.

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