

Pension news for the
Defined contribution section

Life after work



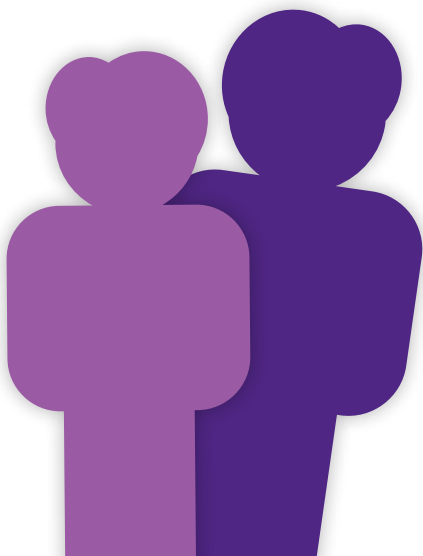
The Budget Changes Freedom and Choice in Pensions

New pension options for when you get to retirement

In his 2014 Budget Statement, the Chancellor announced some radical changes to the way pensions can be paid at retirement. These are different to any pension proposals made in the March 2015 budget recently. We are writing to you now about the 2014 changes as they have only just been finalised by the government.

What happens when I get to retirement?

When you get to retirement, the money built up for you in the Defined Contribution (DC) section, your “pot”, is transferred out of our pension scheme and used to buy you a pension income for life (an “annuity”) with an insurance company. The Company pays for a specialist annuity broker, Hargreaves Landsdown, to give you advice and set up your annuity (but you can do this yourself if you want to). Before the annuity is set up you can take up to 25% of your pot out as tax free cash if you want to.



electricity
north west

Bringing energy to your door

What are the changes from April 2015 and how will they affect me?



Where can I go for advice?

The Government has announced that all DC members will have access to good quality, free and impartial advice, known as "Pension Wise". This will be available at www.pensionwise.gov.uk and also via telephone from The Pensions Advisory Service or face to face at the Citizens Advice Bureau.

For all our members, on top of this, Hargreaves Lansdown will be available to help you when you get to retirement. Hargreaves Lansdown will, in any case, contact you before your expected retirement date to discuss your options (including the new flexibilities) and the cost of this advice will be paid for by the Company.

We told you in the annual newsletter last year about the rise in pension scams. Unfortunately, there is likely to be another rise in the number of unscrupulous operators trying to take advantage of the new pensions rules. While the Government has made it illegal for anyone to imitate Pension Wise, we would urge you to please be vigilant if you take any advice and remember that it is only The Pensions Advisory Service and the Citizens Advice Bureau that will provide the Government's free "Pension Wise" service.

Up until now members of DC pension schemes have only had a couple of annuity options at retirement.

- buy a pension income (an "annuity") from an insurance company, or
- take something called "income drawdown"

After 6 April 2015, you won't have to use your pot in this way if you don't want to. Instead you'll have some new options. You'll be able to;

- 1 Take your whole pension pot as cash. 25% will be tax free and the other 75% will be taxed as income.
- 2 Take a series of smaller cash payments, with 25% of each cash payment being tax free and the rest taxed as income.
- 3 Take 25% as a tax free cash payment and leave the rest to pay you a flexible annual income over future years. This is known as "income drawdown"
- 4 And as before... take 25% of the pot as a tax free cash payment and use the rest to buy an annuity with an insurance company - a more regular income for life.

If you do opt for 1, 2 or 3 above any new pension savings that you or the Company make will be limited to £10,000 each year (to get tax relief).

What else was announced in the 2014 Budget?

- The "small pots" limit has been increased to £10,000, tax free, from age 55 (subject to a few conditions).
- Changes were announced to the pensions "death tax", (which applies to pension funds that are passed on to others after death). Broadly speaking:
 - The tax is set to decrease from 55% to 45% from April (and is expected to switch to the marginal income tax rate from April 2016).
 - There are new circumstances under which your pension pot can be passed on after your death on a tax free basis.

We have deliberately kept this update brief and avoided a lot of detail and jargon as we know it's complicated. These flexibilities really only affect people thinking about retirement and when you get to that point there is more help and information available.

Further sources of help

The Pensions Advisory Service
www.pensionsadvisoryservice.org.uk
Tel: 0300 123 1047

The Money Advice Service
www.moneyadviceservice.org.uk
Tel: 0300 500 5000

Pension wise
Free, impartial advice provided under the Government's "guidance guarantee" for Defined Contribution Scheme members
www.gov.uk/pensionwise

Citizens Advice Bureau
www.citizensadvice.org.uk
Tel: 03444 111 444
You can also contact the Electricity North West pension team at pensionsandreward@enwl.co.uk

electricity north west

Bringing energy to your door

Electricity North West Limited, 304 Bridgewater Place, Birchwood, Park, Warrington WA3 6XG
01925 846999 • www.enwl.co.uk
Registered in England and Wales • Registered Number 2366616

