NortelPensionsUK

Nortel Networks UK Pension Plan ('the Plan')

Pension Factsheet

The purpose of this factsheet is to give you information about the pension that would be secured for you with our chosen insurance provider when the Plan exits PPF assessment, unless you choose an alternative option.

Your initial pension would reflect what can be purchased from our chosen insurance provider with your Share of the Funds.

You would be able to exchange some of your pension entitlement for a tax-free cash lump sum. If you have any pension that was earned after 5 April 1997, you also have the option to choose a higher starting pension that does not increase in the future instead of a pension that increases in payment.

This factsheet sets out some important information about what a pension could mean for you and what you might want to consider when deciding whether a pension when the Plan exits PPF assessment is right for you. Please read this alongside your other factsheets and your **Personal Statement**, which sets out illustrative figures for the options available to you. You may also wish to consider taking independent financial advice before making any decisions.

Please refer to the **Glossary Factsheet** for an explanation of any terms used in this factsheet which are unfamiliar to you.

Contents

1. What would happen if I took the pension option from when the Plan exits PPF assessment?

As you are, or will be, over Normal Pension Age when the Plan exits PPF assessment (the age from which you can take your benefits without reduction for early payment) then unless you select an alternative option, a pension would be secured for you with our chosen insurance provider based on your Share of the Funds.

This pension would be payable from when the Plan exits PPF assessment. It would be paid for the rest of your life and would be taxed like any other earned income.

Your **Personal Statement** provides an estimate of the pension you would receive, and gives details of any other options available to you.

2. Taking a tax-free cash lump sum

Under current legislation, you can take up to a quarter of the value of your pension as a tax-free cash lump sum in exchange for giving up some of your pension.

If you complete the retirement paperwork by the given deadline, the terms on which you exchange pension for cash would be determined by the Plan and the tax-free cash lump sum would be paid by the Plan immediately before your pension is secured with our chosen insurance provider. The amount of tax-free cash that could be paid from the Plan immediately before the Plan exits PPF assessment is expected to be greater than would be available if you claim your pension at a later date. Please see section 7 for more information.

3. How would my pension increase in payment?

If some or all of your pension entitlement was earned after 5 April 1997, to meet legal requirements, unless you choose otherwise, we will secure a pension which increases in different ways depending on when it was earned, as follows:

- Pension earned before 6 April 1997 will not increase in payment;
- Pension earned after 5 April 1997 and before 6 April 2005 will increase in payment in line with the Retail Prices Index ('RPI') up to a maximum increase of **5%** a year; and
- Pension earned after 5 April 2005 will increase in payment in line with RPI up to a maximum increase of **2.5%** a year.

Any increases due would be applied in January each year. The increase in RPI would be measured over the year to the previous September. If RPI is negative (i.e. prices have fallen) then your pension will not reduce.

This is different from the increases you would have been entitled to in the PPF. Under PPF rules, pension earned after 5 April 1997 is increased in line with the change in the Consumer Prices Index (CPI) and is subject to certain lower or equivalent caps than those set out above.

If all of your pension was earned before 6 April 1997, it will not increase in payment. This is the same position as under PPF rules.

4. Can I choose a pension which does not increase?

If you have pension earned after 5 April 1997, then instead of receiving the pension increases described in section 3 above, you may be able to choose instead to receive a higher initial pension that does not increase in payment. If this option is available to you, your **Personal Statement** will give more information on this option.

If all of your pension was earned before 6 April 1997, then the pension we secure for you will not increase in any event.

5. What dependant's pension would be secured under the pension option?

On your death, a pension may be payable to an Eligible Dependant. Please see your **Personal Statement** for confirmation if this applies to you. If your **Personal Statement** shows that this applies to you:

- If your pension comes into payment when the Plan exits PPF assessment, a surviving Eligible Dependant would receive half of the pension you were receiving at the date of your death.

- If your retirement is processed by our chosen insurance provider after the Plan exits PPF assessment, a surviving Eligible Dependant would receive half of the pension you were receiving at the date of your death ignoring any reduction made to your pension in exchange for a tax-free cash lump sum.

Please note that there may be a reduction to this pension payable if your Eligible Dependant is more than 10 years younger than you.

6. What Children's Allowances would be secured?

A pension may be payable to an Eligible Child on your death.

The pension payable to an Eligible Child is 50% of the pension that is or would be payable to an Eligible Dependant, provided there are no more than two Eligible Children. If there are more than two Eligible Children, then each Eligible Child's pension will be reduced accordingly.

The pension payable to an Eligible Child can be doubled if there is no pension payable to an Eligible Dependant.

7. What are the main differences if my retirement is processed before the Plan exits PPF assessment compared to if it is processed at a later date?

The amount of tax-free cash that could be paid from the Plan if you complete the retirement paperwork before the Plan exits PPF assessment is expected to be greater than would be available if you claim your pension at a later date. However, any pension payable to an Eligible Dependant if you retire when the Plan exits PPF assessment (and take a tax-free cash sum on Plan terms) would be expected to be lower than if you claim your pension at a later date from our chosen insurance provider.

This is because the Plan would calculate the tax-free cash lump sum payable to you by reducing both your pension entitlement and any pension payable to an Eligible Dependant on your death. This means a larger tax-free cash sum can be paid, but any Eligible Dependant's pension payable on your death would be calculated by reference to your reduced pension.

Whereas if you don't claim your pension until after the Plan exits PPF assessment, the insurer will calculate any tax-free cash lump sum by reducing your pension only (and not any Eligible Dependant's pension that might be payable on your death) using the insurance provider's terms that apply at that date. This means that any pension payable to an Eligible Dependant on your death in retirement would be calculated ignoring any reduction that was made to your pension as a result of your decision to take a tax-free cash sum.

If your pension is processed after the Plan exits PPF assessment, your pension would still be payable from that date and our chosen insurance provider would make a backdated payment to you representing the payments due between when the Plan exits PPF assessment and when you begin to receive your pension.

8. What if I have Additional Voluntary Contributions (AVCs)?

If you have paid AVCs the options available to you are set out in your **Personal Statement**. If you complete the retirement paperwork by the deadline given you will have the option for your AVC fund to be used to secure benefits with our chosen insurance provider.

You can, instead, choose to purchase a pension with your AVC provider or transfer them to another arrangement. Please contact the Plan Administrator within one month of the date of your **Option Letter** if you are interested in either of these options.

Unless you take one of the actions described above, the current intention is that your AVC fund would be secured separately from your main Plan benefits and further details would be provided nearer to when the Plan exits PPF assessment.

If you have AVCs (or any other defined contribution savings), you may receive guidance from Pension Wise to help you understand your options in relation to your AVCs. Pension Wise is a service provided by the Government that will offer free and impartial guidance. You can arrange a guidance session online, by phone or face to face. Phone appointments are provided by The Pensions Advisory service while face-to-face meetings take place at some Citizens Advice offices.

To find out more go to www.pensionwise.gov.uk or call 0800 138 3944.

9. Important information on tax

Income tax

Pension income is taxed like any other earned income under the PAYE system. Therefore, if you choose a pension option you should consider the impact that the additional income may have on your tax liability going forward.

Lifetime allowance tax

The Lifetime Allowance is the limit set by HMRC on the value of payments from all of your pension schemes (whether these are lump sums or retirement income) that can be made without triggering an extra tax charge. The current Lifetime Allowance is £1 million. It is expected to increase to £1.03 million from 6 April 2018. However, if you have previously applied for protection you may have a higher personal Lifetime Allowance.

Your pension will need to be tested against the Lifetime Allowance when it comes into payment. Confirmation of the amount of the Lifetime Allowance that is used would be provided when your pension comes into payment.

The rules around this are very complex, therefore if you would like to discuss your individual circumstances, you should discuss this with a financial adviser.

10. How to ensure your pension is paid from when the Plan exits PPF assessment

Please refer to the information in your **Personal Statement** on how to ensure your **Pension** is paid from when the Plan exits PPF assessment. Depending on the options available to you, you must either contact the Plan Administrator or return the **Pension Option Form**. Additional retirement paperwork would then be provided which you would need to complete and return by the deadline included with your paperwork.

If you do not complete the additional retirement paperwork by the deadline provided, we will not be able to process your **Pension** on the Plan's terms and will instead secure the default **Pension** with our chosen insurance provider. You would subsequently need to contact them in order to arrange the necessary paperwork to be completed with them before your pension could be put into payment.

11. Other sources of information and support

If you wish to use alternative sources of information, the following are also available to you:

- **The Money Advice Service guide**

The Money Advice Service has a section dedicated to pensions and retirement found here:

https://www.moneyadviceservice.org.uk/en/categories/pensions-and-retirement.

There are also free guides you can download here: **https://moneyadviceservice.org.uk/en/articles/free-printed-guides**

- **Impartial financial advisers**

You may also want to consider taking financial advice before making any decision. A list of advisers can be found at
www.vouchedfor.co.uk,
www.unbiased.co.uk or
https://directory.moneyadviceservice.org.uk

Please note, the Trustee will not make any payment towards the cost of any financial advice or guidance.

Always make sure that anyone giving you financial advice is approved and registered with the Financial Conduct Authority (FCA). You can check online at **fca.org.uk/register.**