

# NortelPensionsUK

## Nortel Networks UK Pension Plan ('the Plan')

### Cash Lump Sum Factsheet

You are currently in receipt of a dependant's pension which is calculated by reference to the rules of the Pension Protection Fund (PPF). This is a monthly pension payable for life, which is eligible for increases in respect of any pension earned after 5 April 1997.

As we take steps to secure pension benefits for all members with our chosen insurance provider, each member will be allocated a Share of the Funds.

Your Share of the Funds is expected to be less than £30,000 which means you are able to exchange your pension for a one-off **Cash Lump Sum** and stop receiving your pension. Technically, this is known as a Trivial Commutation Lump Sum Death Benefit but for simplicity we will continue to refer to it as a **Cash Lump Sum** throughout this factsheet.

This factsheet sets out some important information to consider before giving up your pension and taking a Cash Lump Sum instead. This should be read in conjunction with your **Option Letter** and **Personal Statement**.

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

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## 1. What is a Cash Lump Sum?

It is a one-off cash payment that you could receive instead of all future payments of your dependant's pension.

The pension you currently receive would continue until the Plan exits PPF assessment. Shortly after the Plan exits PPF assessment, your pension would stop and the Cash Lump Sum would be paid. This would be taxed like regular income. Please see section 4 for some important information on tax.

Your Cash Lump Sum payment would include our best estimate, at that point, of your share of all additional recoveries that we expect the Plan to receive (including future recoveries not then received). The Cash Lump Sum illustration in your **Personal Statement** includes our current best estimate of all additional recoveries.

Once the Cash Lump Sum is paid, you would no longer be entitled to any further payments from the Plan or our chosen insurance provider.

## 2. Why can I take a Cash Lump Sum?

The Trustee is currently in the process of moving from PPF assessment to securing benefits with our chosen insurance provider. As part of this process the Trustee is offering some members, like you, a Cash Lump Sum. Under UK law, the maximum amount that we can pay out as a Cash Lump Sum for individuals in receipt of a dependant's pension is currently £30,000.

## 3. What do I need to think about when considering taking the Cash Lump Sum?

Taking your benefits as a Cash Lump Sum may not be right for everyone, so you will need to think about whether this is appropriate for you.

Taking the Cash Lump Sum means you effectively get your entire expected future pension as a single payment now rather than as a series of pension payments over the remainder of your life.

You should think about whether it is appropriate for you to give up your current monthly pension income which is guaranteed for life. You should also consider how long you expect to live. If you need the security of the ongoing income you are currently receiving, a **Pension** may be more suitable. Please see the **Pension** factsheet for further details.

The Cash Lump Sum you receive can be used for anything you wish. For example, you might consider putting the money into another investment or using the money to meet other financial commitments you may have such as any outstanding loans.

However, the Cash Lump Sum you receive could move you into a higher tax band – see section 4.

Before you make your decision, you should also consider the impact this payment may have on any means-tested benefits (e.g. Pension Credit, Housing Benefit, Universal Credit or Council Tax Reduction) you may be receiving both immediately and in the future. For the avoidance of doubt, payment of this Cash Lump Sum will not affect the amount of your State Pension.

## 4. Important information on tax

Your Cash Lump Sum will be treated as taxable pension income in the tax year that you receive it. You should therefore consider any impact this may have on your personal circumstances before taking the Cash Lump Sum, for instance, whether taking your benefit as a Cash Lump Sum might push you into a higher tax bracket in the 2018/19 tax year. The amount illustrated in your **Personal Statement** is before any deduction of tax.

Tax will be deducted from the Cash Lump Sum by the Trustee before it is paid to you. You will be taxed using the same tax code we use to tax your current pension payments under the PAYE system. This may mean we will deduct too much tax for the 2018/19 tax year since we do not know your overall financial circumstances.

Shortly after payment, we will issue you with a payslip and P45 form which will include details of the tax deducted. After 5 April 2019, HMRC will check if you have paid the correct amount of tax in the normal way, and if not, they will make the necessary adjustments. However, if you think you may have paid too much tax you can apply to HMRC for a tax refund before the end of the tax year.

## 5. Will I be able to take a Cash Lump Sum in future?

It is possible our chosen insurance provider may allow you to take a Cash Lump Sum in exchange for your monthly pension payments in the future. However, they are not obliged to do so, and the terms they offer may be different.

## 6. Help and support

We understand you may want to seek further help and support before making any decisions. Therefore, we recommend you read any other factsheets included in your pack before making any decisions. You may also want to refer to the following services:

- **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](http://www.vouchedfor.co.uk),

[www.unbiased.co.uk](http://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.

## 7. How to take a Cash Lump Sum

Please check your **Option Letter** and **Personal Statement** to see if the Cash Lump Sum is your default option. If it is, then you do not need to do anything and we will pay the Cash Lump Sum to the bank or building society account used for your monthly Plan pension payments when the Plan exits PPF assessment.

If it is not your default option, please refer to your **Option Letter** and **Personal Statement** for instructions on how to choose a Cash Lump Sum.

## 8. What happens if I die before a Cash Lump Sum is paid (if this is the option that applies to me)?

A Cash Lump Sum can only be paid if you are alive at the date of payment. If you have chosen a Cash Lump Sum (or it applies to you by default) and you die before it is paid, then a Cash Lump Sum cannot be paid. No further benefits would then be paid by either the Trustee or our chosen insurance provider.

