NortelPensionsUK

Nortel Networks UK Pension Plan ('the Plan')

Transfer value factsheet

As you are below the Plan's Normal Retirement Age (for most members this is age 65) and are not currently receiving a pension, you can choose to transfer your Share of the Funds out of the Plan to an alternative authorised provider when the Plan exits PPF assessment. This could give you the opportunity to shape your income at retirement in a different way, to better suit your personal circumstances.

This factsheet sets out some important information to consider before choosing to transfer out of the Plan. You should also seek financial advice before making any decisions, and this is a requirement if your Plan Pension Value is greater than £30,000. Further information about this is given in this factsheet.

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. How does a Transfer Value work?

Instead of your Share of the Funds being used to buy a deferred pension or, where applicable, an early retirement pension from our chosen insurance provider, you can choose instead to transfer your Share of the Funds to another authorised provider so you can receive your pension benefits in a different way.

The amount that would be transferred to the other provider is known as a Transfer Value and this is equal to your available Share of the Funds. An estimate of your Transfer Value is included in your **Personal Statement.**

Please note that payment of any transfer amounts cannot be made until the Plan exits Pension Protection Fund (PPF) assessment. Therefore, the Transfer Value amount shown on your **Personal Statement** is not guaranteed and will be dependent upon a number of factors, including changes in market conditions and any additional recoveries received.

If you decide to take the Transfer Value option, an updated quote will be provided nearer to the date of payment. You will then have the opportunity to change your mind and receive a deferred pension instead.

If you decide to take the Transfer Value option, no further benefits would be provided to you (or any of your dependants) from the Plan or our chosen insurance provider. You would instead receive benefits from your chosen authorised pension provider.

2. Why do members of pension schemes transfer from Defined Benefit to Defined Contribution schemes?

There are two main types of pension people earn while they work – defined benefit and defined contribution.

In a defined benefit (DB) scheme, a member's pension is worked out using a formula based on their final salary and how long they were a member of the scheme.

Defined contribution (DC) schemes enable members to build up a pension pot while they work, and they can usually choose how to use this pot at retirement in a number of ways (see 5).

Typically, members who transfer their pensions from DB to DC schemes do so to access more flexibility on how they take their pension benefits.

3. What flexibilities could I have when I retire after transferring?

If you move your Share of the Funds to a DC arrangement, giving you a 'DC pot', you may be able to take advantage of the greater flexibilities that are available on retirement following the 'Pension Freedoms' that came into effect in April 2015.

Under current tax rules, you can take up to 25% of your DC pot as a tax-free cash lump sum at retirement, and then use the balance to take advantage of these flexibilities.

These flexibilities could include:

Buying a pension (you might hear this referred to as an Annuity)

You can use your DC pot to buy a pension at retirement, but you would be able to tailor your pension to better suit you. For example, you could buy a pension with an insurance company of your choice (rather than our chosen insurance provider) that:

- increases with RPI, or different levels of fixed increases, or is flat (it does not increase)
- does or does not have a spouse's pension payable after your death, or has a different level of pension payable to them on your death
- has a minimum guaranteed payment period even if you die before this period expires
- provides a higher pension if you have impaired health and are not expected to live as long as the average person e.g. if you are a smoker.

The amount of pension that you can buy at retirement with your DC pot will depend on a number of factors including investment performance, market conditions at the time of purchase, your age and health status.

Additional cash sum

Alternatively, you could choose to take more than 25% of your DC pot as a cash lump sum at retirement. If you decided to do this, under current tax rules, you would pay tax on any amount above 25% of your DC pot. This means you may end up paying significantly more tax because it could push you into a higher tax band and/or could affect any means-tested benefits you might otherwise be entitled to.

Remember: if you take your transfer value as cash, you will not have a regular income and once the cash has run out, you will have to find an alternative income in retirement.

Income drawdown

When you retire you could take your money a bit at a time, as you need it. This is called 'income drawdown'. Tax would be payable on any cash withdrawn (above the tax-free amount). The funds that you do not withdraw would remain invested. By keeping funds invested until you need them, they will have a chance to continue to grow – although remember that investments can go down as well as up, so you should be willing to take some investment risks and manage your investments. Drawdown can enable you to pass on your unused pension savings to your dependants (in some cases tax free).

Alternatively, you could do a combination of tax free cash sum, pension, additional cash lump sum and income drawdown.

4. If I transfer, what happens to my benefits before I retire?

If you transfer your benefits to an authorised DC pension provider, you will have choices about how to invest your money before retirement. However, you will take on the investment risk. Depending on how your investments perform, your money could go up or down between the time you transfer it out of the Plan and the time you use it at retirement.

There may be restrictions on when you can take your benefits (i.e. you normally have to have reached age 55, under current legislation). If you have a Minimum Pension Age of age 50 (please see your **Personal Statement**) you should speak to a financial adviser about whether, on transfer, you would still be able to access your benefits from age 50 and any restrictions that might then apply.

5. Where can I transfer to?

You can transfer your Share of the Funds to a registered pension arrangement, such as an authorised DC arrangement of your choice provided it is willing and able to accept your transfer (e.g. a pension policy with an insurance company, your employer's scheme (if applicable), or a personal pension).

For those members that take advice through LEBC, they also have arrangements in place with selected pension providers that can accept transfers from Plan members (see 9).

Further information can be provided from LEBC regarding the fund charges and the range of investment funds available through these providers. If you take advice from LEBC, they will recommend where you should initially invest your funds.

Please note that, depending on your circumstances, you may also want to take, and meet the cost of, ongoing investment advice. LEBC, or your own financial adviser, will explain whether this would apply to you. Taking advice from LEBC in relation to your transfer, does not commit you to take any ongoing investment advice from LEBC, unless you agree to this.

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

If you have AVCs, these will be included in the Transfer Value amount and would be transferred to your chosen authorised provider, unless you select otherwise.

You can, however, choose to transfer your AVCs to one or more different providers and leave the rest of your pension in the Plan to be secured with our chosen insurance provider. Different pension providers offer different options in relation to what you can do with your AVCs and these options have different features, rates of payment, charges and tax implications.

7. What else do I need to consider?

One of the main risks of transferring your benefits out of the Plan to an alternative DC pension arrangement is if the amount of money in your pension pot when you decide to retire is less than expected because of poor investment returns. This means you have less money to provide your income in retirement.

There are other risks to consider, some of which may depend on the choices you make at retirement. Some things to think about are as follows, but you should discuss your choices fully with a financial adviser before making any decisions.

Investment - risk and choices

Transferring your benefits is likely to expose you to more investment risk than if a pension is secured for you at the outset with our chosen insurance provider. This is because the amount of the deferred pension payable by the insurance provider at your retirement is pre-determined, and does not depend on future investment returns. If you transfer to a DC scheme then the investment risk is yours and you will not know what your DC pot will buy when you choose to retire.

While your funds remain invested, you should also consider the effect that ongoing charges and investment advice will have on the value of your funds.

Life expectancy

Your Transfer Value may seem like a big sum of money, but will it provide you with enough income when you retire for the rest of your life? Your current health status may also be a consideration.

If a pension is secured for you with our chosen insurance provider or you transfer and buy a pension with another authorised provider at retirement, this will provide you with a guaranteed income for life.

If you take a Transfer Value and take your benefits through a drawdown arrangement, you would need to think about how long your income may last, as there is a risk that your pension savings could run out before you die. You should think about how long you might live in retirement and what other income you would have if your fund is used up.

State benefits (other than the State Pension)

If you are currently in receipt of means-tested benefits, you should discuss the implications of the different options with a financial adviser.

Benefits payable on your death

If you do not transfer, the benefits secured with our chosen insurer provider may provide for a pension to be payable to an Eligible Dependant and Eligible Children if you die before them. See your **Personal Statement** for more information.

If you transfer, it would be up to you to decide if, and how, you would provide for your dependants on your death. A transfer would give you more choice over the amount of pension that is payable to your dependants when you die in retirement, to suit their needs. Alternatively, if you take your retirement benefits through a drawdown arrangement, this could give you the opportunity to pass on your unused pension savings to your dependants (which, under current tax rules, could be tax-free if you die before age 75).

We recommend that you discuss all the options available to you with any spouse or dependants before proceeding, because your decision affects them too. If you take advice from LEBC, they can join you on the call with your financial adviser if you would like them to.

Your tax position

How you choose to use your Share of the Funds will have tax implications. For example, taking all your benefits as a lump sum or taking your benefits early if you are still working could push you into a higher tax band.

There are also pension tax allowances set by HMRC – called the Lifetime and Annual Allowances. These may affect you if you have built up a large amount of pension over your working life (Lifetime Allowance), or if you contribute a large amount of pension in a single year (Annual Allowance).

If you take any pension savings as taxable cash or as drawdown, your Annual Allowance in future years will reduce from £40,000 to £4,000 under current tax rules.

A financial adviser can help you if you think your tax position could be affected.

8. Can I take a Transfer Value in the future?

Depending on how old you are when the Plan exits PPF assessment, you might be able to take a Transfer Value in the future. However, any future transfer opportunities would then be subject to the insurer's own terms. If you choose not to take the Transfer Value at this stage, your benefits will be secured with our chosen insurance provider. Please note that this option will not be available in the future if a pension, which is payable from when the Plan exits PPF assessment, is secured for you.

9. Taking financial advice

If your Plan Pension Value is greater than £30,000, you will need to take financial advice before you are able to transfer your benefits. Please see your **Personal Statement** to see if this applies to you. You might want to consider talking to a financial adviser even if your Transfer Value is less than this amount, particularly as it may be difficult to find a provider to accept your transfer if you cannot demonstrate that you have taken financial advice.

Accordingly, we have entered into an arrangement with a company of Financial Conduct Authority (FCA)-registered financial advisers, LEBC (www.lebc-group.com). LEBC are a national firm of financial advisers who are experienced in assisting people with pension issues and choices. The final selection of LEBC by the Trustee was based on a number of criteria, including experience, expertise and professionalism.

LEBC have a detailed knowledge of the Plan and the benefits that would otherwise be secured for you. They therefore understand the issues that you need to consider when making a decision. LEBC will be able to talk you through your options so you can make an informed decision as to which option you wish to take. Their advice will consider your personal circumstances and needs and recommend an option for you. You can have any trusted party join you when speaking to LEBC, for example a trusted adviser or other family members.

LEBC are able to provide you with tailored impartial financial advice at a reduced fixed fee rate. Please note you would need to pay the cost of this advice which is £714, (i.e. £595 plus VAT) prior to starting the advice process. If you would like to have an initial conversation with someone regarding the Transfer Value option, before deciding whether or not to take advice, we have arranged for LEBC to provide a member helpline which gives general non-personalised information about these options at no cost to you.

If, following the advice process, you decide to transfer out you would also need to pay an additional charge to LEBC of £90, (i.e. £75 including VAT), in relation to the processing of this transfer.

Speaking to LEBC will not commit you in any way to taking up any particular option and you do not have to follow the advice that they give you. However, if you wish to transfer against LEBC's recommendation and LEBC believe that such a decision would cause you irrevocable financial harm, they would be unable to process your transfer.

You can contact LEBC on

- Freephone: **0800 9177652**
- Landline (in case of mobile or overseas): **0113 8231339**

from Monday to Friday (except public holidays) between 9am and 5pm, or by email to **nortel@lebc-tra.com** to arrange a call back.

What if I live outside the European Economic Area (EEA)?

LEBC are not able to provide financial advice for members living outside of the live outside of the EEA. If you live outside of the EEA, you will need to find your own financial adviser if you wish to take advice.

What to expect if you contact LEBC

Unless you previously asked us not to, your details will have been provided to LEBC by the Plan Administrator. If you contact them, please have your information to hand, in particular your Member Reference number (see the first page of your Option Letter) and your National Insurance number as you will need this for identification purposes.

If you decide to take advice, you will need to sign a letter of engagement with LEBC Group Ltd and pay the advice fee, as discussed above, prior to starting the advice process.

During your advice call, the adviser will ask a series of questions so that they can understand your circumstances and discuss your options. Following the call, the adviser will issue you with a report which summarises your discussion and provides you with a recommendation. They will also advise you of the next steps and if you are transferring, provide the required ‘Advice Statement’ for the Trustee and necessary forms for you to complete.

Their advice will not cover any other pension arrangements that you may have but these benefits will be taken into consideration during the advice process.

If you have previously notified the Plan Administrator that you do not want your information to be shared with LEBC, you won’t be able to access this support. However, if you now want advice from LEBC, you can seek it privately; but you won’t be able to access the preferential terms described above. If you would like to receive alternative independent financial advice, please see the section below.

Can you appoint your own financial adviser?

You can appoint your own financial adviser but, if you are thinking of this, you should make sure that any financial adviser you are intending to use is authorised by the FCA to advise on pension transfers and that you understand how and what the adviser will charge you for that advice. Be very careful of direct approaches or cold calls that you get from anyone wanting to talk to you about your transfer option. See also the FCA’s ScamSmart website at www.fca.org.uk/scamsmart.

If you decide to take a transfer, you have to confirm to the Plan Trustee that you have received advice from an FCA-registered financial adviser.

If you would like to appoint your own financial adviser, you can find out about FCA-registered financial advisers in your area by visiting www.vouchedfor.co.uk, www.unbiased.co.uk or at https://directory.moneyadviceservice.org.uk/en.

Please note that the costs of this advice are likely to be higher than those indicated above. Please allow sufficient time to take your own financial advice within the option period. If you wish to take the Transfer Value option your completed forms, which are available from the Plan Administrator, must be returned by the deadline specified in your **Option Letter.**

What evidence do I need to provide to show that I have taken advice on transfer?

If you need to take financial advice (see your **Personal Statement**) the Trustee of the Plan is required by law to check that you have received appropriate independent advice before allowing you to transfer your benefits out of the Plan. If you decide to transfer you must provide the Trustee with evidence that you have received such advice within three months of the date the Transfer Value was provided.

If you take advice from LEBC they will be able to provide this evidence.

If you use your own adviser, who is authorised to provide regulated advice, they should give you a statement to pass to the Trustee which confirms:

- That advice has been provided which was specific to the option that you have chosen
- That the adviser is authorised to give regulated advice
- The reference number of the adviser or the firm of advisers
- Your name, and the Plan’s full name (Nortel Networks UK Pension Plan).

Before paying your Transfer Value the Trustee will check that they are satisfied with the information provided. Unless you tell them otherwise, the Trustee will assume that the purpose of your transfer is to allow you to access your Plan benefits more flexibly.

10. Pension Liberation Scams

If you are considering taking a transfer, it is important you take care to protect yourself against pension liberation scams – there are ‘unregulated’ providers who may suggest that members transfer their pension benefits in exchange for seemingly tempting investment opportunities and/or cash. You could lose most or all of your pension savings as a result of tax charges, fees and losses on fake or unsuitable investments.

For more information see: **http://www.thepensionsregulator.gov.uk/individuals/dangers-of-pension-scams.aspx**. If you believe you have been approached with such an offer, you should contact Action Fraud on 0300 123 2040.

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

11. How to choose the Transfer Value option

If you would like to transfer your benefits to an alternative pension arrangement you must first complete the Transfer Value **Option Form** before the deadline set out in your **Option Letter**. The Transfer Value option will not be available to you as part of this exercise after this date. The **Option Form**, as well as some additional forms to formalise the transfer, will be provided by LEBC as part of the advice process or are available from the Plan Administrator if you are using your own IFA.

If you select the Transfer Value option, we will write to you nearer to the point of payment with an updated Transfer Value illustration and you will have a short period to change your mind and choose not to proceed with the Transfer Value option. LEBC will be available to provide you with additional support during this period, so it is important to keep them up to date with any changes in your circumstances.

If you were to change your mind, please see your **Personal Statement** for any other options that you have regarding the benefit that would then be secured for you.

12. What happens if select the Transfer Value option but then I die before it is paid?

Transfer Value payments cannot be made until the Plan exits PPF assessment. A Transfer Value can only be paid if you are alive at the date of payment. If you have chosen the Transfer Value option, and you die before it is paid, then a Transfer Value cannot be paid. In such circumstances, a pension may be payable to your Eligible Dependant.