

# NortelPensionsUK

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

### Winding-up Lump Sum Factsheet (for non-pensioners)

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.

As your Share of the Funds is expected to be less than £18,000, you are able to exchange your future pension for a one-off cash lump sum; this is known as a Winding-up Lump Sum.

This factsheet sets out some important information to consider before giving up your future pension and taking a Winding-up 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 Winding-up Lump Sum?

A Winding-up Lump Sum is a one-off cash lump sum that you could receive instead of regular payments of your pension in retirement and any dependant's pension payable on your death.

Shortly after the Plan exits Pension Protection Fund (PPF) assessment, the Winding-up Lump Sum would be paid. A quarter of your Winding-up Lump Sum would be tax-free, the remainder would be taxed like regular income. Please see section 6 for some important information on tax.

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

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

In addition, there would be no pension payable to any Eligible Dependants you have on your death (please see your **Option Letter** for further details).

## 2. Why can I take a Winding-up Lump Sum?

The process of moving from PPF assessment to securing benefits with our chosen insurer will lead to the Plan being wound up and it will eventually cease to exist. As part of this process, we are able to offer some members an opportunity to exchange their future pension for a single lump sum payment known as a Winding-up Lump Sum. Under UK law, the maximum amount that we can pay out as a Winding-up Lump Sum is currently £18,000.

## 3. Am I eligible to receive a Winding-up Lump Sum?

Under tax rules, you are only able to receive a Winding-up Lump Sum if you have some available Lifetime Allowance at the date it is paid (see section 4). If you do not think this will be the case, then you should not take this option as you would incur a significant tax charge.

The Lifetime Allowance is the limit set by HMRC on the total capital value of the pension benefits that can be paid to you from registered pension schemes, whether in the form of lump sums or pension income, without triggering an extra tax charge. The standard Lifetime Allowance is £1 million, but is due to increase to £1.03 million from 6 April 2018. You may have a higher personal Lifetime Allowance if you have previously applied for protection at a higher level.

## 4. Do I have available Lifetime Allowance?

In order to receive a Winding-up Lump Sum, you must have available Lifetime Allowance at the date the Winding-up Lump Sum is paid. Please note that your State Pension does not count towards your Lifetime Allowance.

You may have used up some, or all, of your Lifetime Allowance if you are in receipt of significant pensions and/or have taken a large lump sum from another pension arrangement.

Very broadly:

- If you have not taken any benefits from another pension arrangement, then you will have available Lifetime Allowance; or
- If the total pension you are due to receive from both the Plan and any other pension schemes when the Plan exits PPF assessment is less than £40,000 per year, then it is also very likely that you will have available Lifetime Allowance.

If, however, the total pension income you are due to receive when the Plan exits PPF assessment is around £40,000 or more, you will need to check whether you will have available Lifetime Allowance.

The rules for working out whether or not you will have available Lifetime Allowance when the Winding-up Lump Sum is paid depend on if (and when) you have started to receive any pension benefits. Broadly:

- If you have not started to receive any pension or lump sum benefits from any pension scheme, then you would not have used up any Lifetime Allowance.
- If you started to be paid any other pension or lump sum benefits, these will have used up a proportion of your Lifetime Allowance. Examples of how to check how much Lifetime Allowance you have used can be found on the Pensions Advisory Service website.

- If you started to receive a pension before 6 April 2006, then your pension scheme will not have provided this information to you. Instead you have to work out what proportion of your Lifetime Allowance has been used up by these pensions. You can work this out by multiplying by 25 the gross amount of pension (i.e. before tax) you expect to be receiving when the Winding-up Lump Sum is paid. This amount, as a proportion of £1.03 million, is the proportion of the Lifetime Allowance that will have been used up by these schemes.

<https://www.pensionsadvisoryservice.org.uk/about-pensions/saving-into-a-pension/pensions-and-tax/the-lifetime-allowance>

More information can be found on the Money Advice Service website at

<https://www.moneyadviceservice.org.uk/en/articles/the-lifetime-allowance-for-pension-savings>

## 5. What do I need to think about when considering taking the Winding-up Lump Sum?

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

Taking the lump sum means you effectively get your entire expected future pension as a single payment now rather than as a series of pension payments from retirement for the rest of your life. If you take the lump sum, neither you nor any Eligible Dependants will receive any future payment of benefits from the Plan or our chosen insurance provider. You may therefore wish to discuss this with any Eligible Dependants you have.

You should think about whether it is appropriate for you to give up this future source of income in retirement, which is guaranteed for life. You should also consider how long you expect to live. If you need the income you are currently due to receive, a pension in retirement may be more suitable. Please see your enclosed pension factsheets for further details on the other options available to you.

The 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 your mortgage or any outstanding loans you have.

However, three quarters of the lump sum you receive will count as taxable income for the tax year in which it is paid (which is expected to be the 2018/2019 tax year) and could move you into a higher tax band – see section 6. 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 now and in the future. For the avoidance of doubt, payment of this lump sum will not affect the amount of your State Pension.

## 6. Important information on tax

Three quarters of your Winding-up 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 Winding-up Lump Sum, for instance whether taking your benefit as a one-off lump sum might push you into a higher tax bracket in the 2018/2019 tax year. The amount illustrated in your **Personal Statement** is before any deduction of tax.

Tax will be deducted from the Winding-up Lump Sum by the Trustee before it is paid to you. We will pay the tax directly to HMRC on your behalf but, because we do not know your exact financial circumstances, it is possible we might pay too much or not enough.

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.

## 7. Will I be able to take a Winding-up Lump Sum in future?

No, you will not be able to take a Winding-up Lump Sum in future if you do not take it as part of the current Plan wind-up procedure.

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

If you have paid AVCs, your AVC fund would be surrendered and the value included in your Winding-up Lump Sum. No further benefits would then be payable in relation to your AVC fund.

## 9. 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**

If you would like to seek independent financial advice, 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.

## 10. How to take a Winding-up Lump Sum

Check your **Option Letter** and **Personal Statement** to see if the Winding-up Lump Sum is your default option. If it is, you need to complete and return your **Payment Form** in order for the Winding-up Lump Sum to be paid when the Plan exits PPF assessment. If we do not receive your **Payment Form**, your **Option Letter** will confirm which option will be secured for you instead.

If it is not your default option, please refer to your **Option Letter** and **Personal Statement** for instructions on how to choose a Winding-up Lump Sum. You will need to complete and return your **Option Form** in order for the Winding-up Lump Sum to be paid when the Plan exits PPF assessment.

## 11. How is my identification checked?

As part of our security procedures, before we are able to pay your Winding-up Lump Sum we will validate your name, address and other personal information supplied by you against appropriate third party databases. In performing these checks, information provided by you may be disclosed to a registered credit reference agency, which may keep a record of the search. This search is only done to confirm your identity and is not a credit check, so it will not affect your credit rating. Any personal information used will be treated securely and strictly in accordance with data protection legislation.

As a secondary check, we also require a copy of the relevant page of your passport showing your photograph and passport number. If you do not have a current passport, please send us your original birth certificate (and marriage certificate if relevant) and two original utilities bills in your name, dated in the last three months, so that we can verify your identity against the data we hold for you.

If you have changed your address in the last three years you will also need to confirm your previous address.

## 12. What happens if I die before a Winding-up Lump Sum is paid (if this is the option that applies to me)?

A Winding-up Lump Sum can only be paid if you are alive at the date of payment. If you have chosen a Winding-up Lump Sum (or it applies to you by default), but die before it is paid, then a Winding-up Lump Sum cannot be paid. Instead, any dependant's pensions will be calculated accordingly and we will write to your dependant with the details.