NortelPensionsUK

Nortel Networks UK Pension Plan ('the Plan')

Early Retirement Pension Factsheet

The purpose of this factsheet is to give you information about an option to take early retirement and put your pension into payment with effect from when the Plan exits PPF assessment. This would mean that your initial pension would fully 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 an early retirement pension could mean for you and what you might want to consider when deciding whether early retirement 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 all 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 is an early retirement pension?

You would get an early retirement pension if you choose to retire when the Plan exits PPF assessment. You would receive an immediate pension from our chosen insurance provider at that point, based on your Share of the Funds.

This pension would then be payable for the rest of your life and would be taxed like any other earned income.

If you choose this option, you would retire earlier than your Normal Pension Age. Therefore your pension would be reduced to take account of the fact it is expected to be paid for longer. Your **Personal Statement** shows illustrative figures for this option.

You should note that if you choose not to retire early at this time, you may be able to take early retirement at a later point from our chosen insurance provider. In this case, the early retirement terms applied to your pension will be determined by our chosen insurance provider at that time, and will be different from the estimated figures provided now.

2. Taking a tax-free cash lump sum

If you choose this **Early Retirement option,** 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. 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. Please see section 7 for more information.

The figures in your **Personal Statement** show the maximum amount of tax-free cash lump sum you can opt to take from the Plan under this **Early Retirement option,** based on current legislation. You may also take a lower tax-free cash lump sum, which would mean giving up less pension, so you would have a higher starting pension. If you are interested in this alternative, please contact the Plan Administrator.

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 show an option called **Early Retirement Pension With No Increases In Payment,** in which case you should also read the **Pension Increases factsheet** enclosed, which gives 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 Early Retirement 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, a surviving Eligible Dependant would receive half of the pension you were receiving at the date of your death.

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 between taking the Early Retirement option and retiring after a deferred pension has been secured for me?

The amount of tax-free cash that could be paid from the Plan under the early retirement option is expected to be greater than would be available if you retire shortly after a deferred pension is secured for you with our chosen insurance provider. Conversely, any pension payable to an Eligible Dependant under the early retirement option is expected to be lower than under the deferred pension option even if you take the same level of tax-free cash.

This is because, under **the early retirement option,** any tax-free cash lump sum you take would be calculated and paid by the Plan before your remaining pension is secured with our chosen insurance provider. This lump sum would be calculated by converting part of your total pension entitlement (i.e. including any pension payable to an Eligible Dependant on your death) into a cash lump sum using Plan terms.

Conversely, under the **deferred pension option,** when you put your pension into payment at a later date, any tax-free cash lump sum would be calculated by converting part of only your own pension entitlement into a cash lump sum using the insurance provider's terms. This means that any pension payable to an Eligible Dependant on your death in retirement would not be reduced as a result of your decision to take tax-free cash.

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.** Your AVC fund would be used to secure benefits with our chosen insurance provider. Therefore, your estimated early retirement benefits include the estimated additional benefits that could be secured from your AVC fund.

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.

If you take your AVCs before your Normal Pension Age, the value of your AVC fund is likely to be lower than if you accessed it at a later date.

If you have defined contribution savings, such as AVCs, 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 this 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 early retirement pension will need to be tested against the Lifetime Allowance when it comes into payment. We will provide confirmation of the amount of the Lifetime Allowance that is used when your early retirement pension comes into payment. Please also see the Pension Increases Factsheet for more information about how any decision you make about the type of pension you choose could affect the amount of Lifetime Allowance that is used up by your early retirement pension.

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 choose the Early Retirement option

Please refer to the information in your **Personal Statement** on how to choose an **Early Retirement Pension** if you decide this is your preferred option. You should then complete and return the **Early Retirement Pension Option Form** by the deadline provided including your requirements for a tax-free cash lump sum and, where applicable, pension increases.

Once we have received your completed **Option Form** there will be various other forms that will need to be completed and these will be sent to you after you return your **Option Form** in order that your pension can start to be paid when the Plan exits PPF assessment.

If you do not complete the additional early retirement paperwork by the deadline provided, we will not be able to process your **Early Retirement Pension** and will instead secure the default **deferred pension option** with our chosen insurance provider. You would subsequently be able to choose to take early retirement through the insurance provider, but on our chosen insurance provider's terms so the amounts payable are likely to be different.

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.**