YOUR WORKPLACE PENSION

GROUP PERSONAL PENSION

A guide to help you prepare for the retirement you want

SCOTTISH WIDOWS

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WELCOME TO YOUR SCOTTISH WIDOWS WORKPLACE PENSION

Everyone needs a plan for their retirement. This guide explains some of the benefits of being in your employer's workplace pension and why you should consider contributing. It also includes information about automatic enrolment, the State Pension and your investment options.

Throughout the guide you'll find Zappar links to some of our Pension Basic videos. If you would like to look at the full range of videos they can be found here **www.scottishwidows.co.uk/knowledge-centre/pension-basics/**

WHAT IS A PENSION?

WHY PAY INTO A WORKPLACE PENSION?

Becoming a member of your employer's workplace pension could be of life-long benefit for you, as your employer and the taxman will also pay in. Even if you leave your job, you can take your pension pot with you, including the payments your employer has made.

You don't have to retire or stop work before taking benefits from your workplace pension. You can normally start taking your benefits at any age from 55. However, the earlier you take any benefits, the less time your pension pot has the opportunity to grow. The longer you live, the more money you're likely to need. Most people retiring at 65 now will live to their mid-late 80s (based on current figures from the Office for National Statistics).

Don't assume it's too late for you to contribute. The chances are you could still have a lot to gain. Even a small pension pot is better than none at all – especially when your employer and the taxman are helping to pay for it. The longer you delay, the more you'd need to pay in to try and get the same size of pension pot.

If you want to give your workplace pension a boost, you can increase your payments or add lump sums to it at any time. You'll normally get UK tax relief on these payments too. You can read more about tax in the Key Features.

You will have been given details of how to start contributing by your employer or their adviser. Once you have started paying in, we will send you a welcome pack which will include your policy documents (including our terms and conditions which we call policy provisions) and a personal illustration. Every year we'll also send you a statement showing how much has been paid into your pension fund and what it's currently worth.

Most people retiring at 65 now will live to their mid-late 80s

WHAT IS AUTOMATIC ENROLMENT?

All employers are required by law to set up and enrol all eligible employees into a qualifying pension. Your employer will explain, in writing, exactly how automatic enrolment will affect you. Under automatic enrolment legislation a minimum payment is required, this is normally split between you and your employer. If you have been automatically enrolled into the scheme and you choose to opt-out, your employer will re-enrol you at least every three years. You can find more information on automatic enrolment at **www.gov.uk/workplace-pensions**

HOW MUCH WILL YOU HAVE TO CONTRIBUTE?

Under automatic enrolment, there is a minimum total contribution that must be paid into your workplace pension. The minimum contribution is a percentage of your qualifying earnings. The amount is set by the Government and is normally made up of the employee's contributions, the employer's contributions and tax relief.

The table below shows an example of the minimum contribution required:

Applicable dates	Employer pays		Employee pays		The Government adds tax relief* of		Total contribution over one year
From 6th April 2019	3%	+	4%	+	1%	=	8%

With your employer and the taxman also making contributions your pension has the chance to build up more quickly than if you were saving on your own.

We've based this example on the automatic enrolment minimum contributions from 6th April 2019. The employee pays in 4%, the employer pays in 3% and there is tax relief of 1%. This would be the minimum automatic enrolment contribution for someone with qualifying earnings of £24,000 each year. Your employer will confirm the contribution rates for your scheme.

YOUR EMPLOYER PAYS IN MONTHLY		YOU PAY INTO YOUR PENSION SCHEME MONTHLY		YOU GET TAX RELIEF MONTHLY OF		THE TOTAL PAID INTO YOUR PENSION MONTHLY
£60	+	£80	+	£20*	=	£160

*If you pay tax in Scotland or Wales the tax relief you will be entitled to will be at the Scottish or Welsh Rate of income tax, which may be different from the rest of the UK.

Pensions are a long-term investment. The retirement benefits you receive from your pension plan will depend on a number of factors, including the value of your plan when you decide to take your benefits, which isn't guaranteed and can go down as well as up. The value of your plan could fall below the amount(s) paid in. The tax treatment of your pension depends on your individual circumstances. Your circumstances and tax rules may change.

WHAT WILL I GET FROM THE STATE?

The age at which you first receive the State Pension will depend on your date of birth, but will increase gradually to 67 by 2028. So, many of us may have to work longer than we thought.

It is likely that the State Pension by itself will not be enough for you to live comfortably in retirement.

In April 2016, the government introduced a new State Pension system. How much you get will depend on the length of time you have paid in National Insurance Contributions during your working life.

Here are the amounts for the tax year 2020/21:

£175.20	£759.20	£9,110.40
Weekly amount	Monthly total	Yearly total

The amount you get may be higher or lower than the figures above. You can find out exactly how much money you can expect from your State Pension by contacting The Pension Service.

For more information on the State Pension see
WWW.GOV.UK/NEW-STATE-PENSION

You can find out how to get a State Pension forecast online at
WWW.GOV.UK/CHECK-STATE-PENSION

PENSION FREEDOMS

In April 2015, the Government introduced Pension Freedoms, which changed the way you can use your pension pot. There are four options you can consider for your workplace pension. Each option normally allows you to take a lump sum of up to 25% of your pension pot tax free, from age 55. Any money taken over this is subject to income tax.

OPTION 1 – A GUARANTEED INCOME FOR LIFE – AN ANNUITY

If you choose an annuity, you will receive a regular taxable income for the rest of your life. There are a number of different types to choose from when the time comes, such as increasing annuities.

OPTION 2 – FLEXIBLE ACCESS TO YOUR PENSION

You can take your pension savings as and when you like, taking as much money as you want.

With flexible access to your pension, you could:

- Take your money in lump sums as and when you need it
- Leave the rest invested so it can potentially grow
- Pass on the money left when you die to family or loved ones

If any amounts you take and the charges deducted from your plan are more than any investment growth, the value of your plan will go down. This could reduce the amount that you can take in the future and the income from any annuity bought later.

OPTION 3 – TAKE ALL YOUR PENSION IN CASH

You can take your entire pension in cash from age 55, which will give you total control of your money. The first 25% will be tax free. The remaining 75% will be taxed at your highest marginal tax rate, and taking the money in this way could push you into a higher tax bracket.

Remember you will not have an ongoing income from your pension if you do this.

OPTION 4 – DEFER YOUR PENSION FOR LATER

You may not need the money yet, in which case you may consider leaving your pension pot invested so it continues to have the potential to grow. It'll give you the time to think about your pension options and you can plan how best to use it to provide for your future.

If you decide to leave your pension pot you could lose any guarantees that might only apply at your selected retirement age.

You don't have to use just one option. You can combine these options in many different ways to meet your own needs.

For more information on these options visit **scottishwidows.co.uk/retirement/retirement-explained/taking/pension-options**

WHAT ARE THE CHARGES?

Regular charges based on the value of your plan are deducted automatically. The amount deducted, the Total Annual Fund Charge (TAFC), depends on the type of payment made and your choice of investment fund(s).

Each investment fund has its own TAFC. Scottish Widows also offers access to a range of funds including specialist funds and multi-manager funds which tend to have higher TAFCs. The yearly rates of all these charges are expressed as percentages of fund values.

As an example, if your pension plan was valued at £10,000 throughout the year and the yearly charge of the fund it was invested in was 0.75%, the charge for that year would be £75.

You can use the **online charges sheet tool** to work out the fund charges for your pension. Speak to your employer or adviser to find out the TAFCs for the funds available to you.

EXAMPLE PENSION PLAN VALUE	YEARLY CHARGE
£10,000	£75

TRANSFERRING EXISTING PLANS

These days most people have a number of different jobs and collect a few different pension plans. With Scottish Widows, you can bring all of them together to make it easier to plan for your retirement. You may even be able to reduce your annual fund charges and improve the range of investment choices available to you. We can provide a pension transfer service for most transfer scenarios. By transferring, you might be gaining more convenience and additional features, but you might also be giving valuable things up. You can find out more about the pros and cons of transferring at the website below.

Please visit

SCOTTISHWIDOWS.CO.UK/TRANSFER

for more information about this service and for some things to consider before deciding to transfer.

HOW WILL MY PENSION FUND BE INVESTED?

If you are being automatically enrolled into your workplace pension scheme, your employer will have selected a default investment option for your first contribution. Your employer will provide you with details of this. In these circumstances, you will be able to choose from one of the following options only after the first contribution has been made.

You can:

Choose to stay

in the default investment option

Choose one approach

from our Pension Investment Approaches based on your feelings about risk, how you currently intend to take your benefits and the way you want your money to be invested, and then let us manage this through to your retirement

Be very 'hands-on'

and select from our collection of investment funds

ABOUT OUR RISK-BASED PENSION INVESTMENT APPROACH

Not everyone wants to be actively involved with picking investments and keeping a close eye on what's happening in the market. If this sounds like you, one of our specially designed Pension Investment Approaches may be just what you need. The differences between them are how much investment risk they take in trying to help your pension fund grow, how you currently intend to take your benefits and the way you want your money to be invested. All approaches aim to reduce the risk the closer you get to retirement, and help protect the final value of your pension fund. Although this has the effect of reducing the potential for growth, it aims to help protect the value of your plan during the run-up to your selected retirement date.

You can choose between one of our Pension Investment Approaches or one of our Premier Pension Investment Approaches. Our Premier Pension Investment Approaches are slightly more expensive but aim to provide better potential growth.

WHAT'S SPECIAL ABOUT THESE APPROACHES?

They take into account the fact that investments need to do different jobs for your workplace pension at different times. They aim to grow your pension fund as much as possible, whilst matching the level of investment risk you've chosen and gradually switching depending on how you currently intend to take your benefits. You can find out more about this in the Pension Investment Approaches Guide and the Premier Lifestyling Options Guide.

HOW DO WE DECIDE WHICH INVESTMENTS TO USE?

That's easy. Everything is decided in advance, based on rigorous investment testing. Instead of switching investments in reaction to what's happening day to day in the stockmarket, we invest according to the approach you've selected and how close you are to your selected retirement date. When designing and reviewing our Pension Investment Approaches, we put a huge range of investments under the microscope. This enables us to:

- Rule out unsuitable ones – too risky or not enough potential growing power
- Select types we feel are right for Scottish Widows workplace pensions
- Identify what we believe are the best investment combinations for people with different ideas about risk and intentions of how they plan to use their pension pot.

WANT MORE INFORMATION?

Please read our Pension Investment Approaches Guide for more information and also our Premier Lifestyling Options Guide, which explains the Premier Pension Investment Approaches. For more information on our fund aims and risks, please refer to our Pension Funds Investor's Guide.

Our Investment Decision Tool is a quick questionnaire to show you which of our Pension Investment Approaches may suit you best. It can be found at **www.scottishwidows.co.uk/idt**

WANT TO TAKE A MORE HANDS-ON APPROACH TO INVESTING YOUR WORKPLACE PENSION?

YOUR OTHER OPTION

If you decide to invest in our investment funds instead of using the default investment option or our Pension Investment Approaches, you will be responsible for choosing funds that suit your own attitude to risk. You can invest in up to 10 of them at one time (but there may be restrictions on the amount you can invest in some funds). Currently, switches between them are free.

The investment funds have been placed into our different risk approach ratings to help make your investment choice easier. You can find out more about them in our Pension Funds Investor's Guide.

Our Fund factsheets can give you information on current fund prices.

WITH-PROFITS FUND

You may be able to invest in the with-profits fund depending on how your scheme was set up. The funds available to invest in by schemes have been reviewed and the with-profits fund may no longer be available within your scheme. Your employer will be able to provide you with further information.

IS BEING 'HANDS-ON' RIGHT FOR YOU?

Have you done something like this before? If you're not confident about making the right moves at the right time, you may want a financial adviser to help you.

Most of the investment funds have been placed into our different risk approach ratings to help you choose – but you'll be responsible for deciding when and where to invest and if/when to switch.

OUR SELF INVESTMENT OPTION

Additional investment choices are available through the Self Investment Option. This allows members to set up a personal pension plan through our Retirement Account product alongside their group pension plan and to invest directly in a wide range of investments.

This option is designed for experienced investors and you should speak to a financial adviser if you are unsure whether it is suitable for you.

Please contact your adviser or employer for more details.

Please remember, if you go down this route:

- You should **regularly review your choice** to decide whether it's still right for you. If you decide it isn't, you will have to ask us to switch to another fund (or funds) as we won't automatically do this for you
- Some of the funds may have a **higher yearly charge** compared to those used for the Pension Investment Approaches. Please contact us for details of the charges for each fund
- We may **change the selection of funds** we make available at any time.

CHANGING YOUR INVESTMENT CHOICE LATER ON

Whatever investment choice you make at the start, you're free to change your mind and switch to something else later on.

Switching is currently free and you can:

- ✓ Ask to do it at any time
- ✓ Move from investment funds into one of our Pension Investment Approaches, or from an approach into one or more investment funds
- ✓ Move from one Pension Investment Approach to another
- ✓ Spread your workplace pension in up to 10 investment funds at once.

But you can't invest:

- ✗ In more than one Pension Investment Approach at a time, or
- ✗ In both investment funds and a Pension Investment Approach at the same time.

Please Note:

We may delay the date of the switch. The period of the delay will be not more than six months if the units to be cancelled include units which relate to a fund which holds directly or indirectly assets in the form of real or heritable property. It will not be more than one month in all other cases.

WILL MY PENSION FUND GO UP AND DOWN IN VALUE?

Yes, ups and downs are part and parcel of investing.

But over the longer term the aim of our investment funds and the Pension Investment Approaches is to achieve long-term growth.

Whatever you decide, remember that the value of the investment is not guaranteed and may go up and down depending on investment performance (and currency exchange rates where a fund invests overseas). The value can fall below the amounts paid in.

TAX

WHEN YOU PAY INTO YOUR PENSION

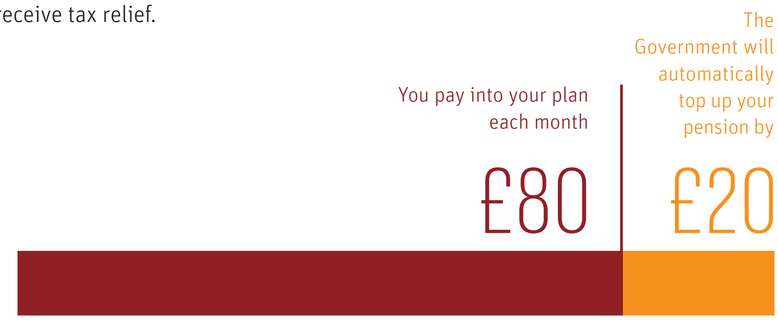
The Government will normally give you tax relief that helps increase the value of your plan.

We'll add basic rate tax relief to the regular and single payments you make. Your tax relief depends on your main place of residence as advised by HMRC for the current tax year. If the basic rate of tax is 20%*, for every £80 you pay into your plan each month, the Government will automatically top up your pension with an additional £20.

Each year, tax relief is available on payments which don't exceed your relevant UK earnings, or £3,600 if higher. If you're a higher or additional rate taxpayer, you can claim additional tax relief via your self-assessment tax return. Any payments you make which are not eligible for tax relief will be refunded.

You do not get tax relief on any employer contributions or transfer payments. Any contributions paid through Salary Exchange will be shown as employer contributions and will therefore not receive tax relief.

The Government sets an Annual Allowance on the amount that can be paid into all your pensions without incurring a tax charge, including those paid on your behalf, for example by your employer. The Annual Allowance is £40,000 for 2020/21. If your taxable income is more than £200,000 and over £240,000 including employer and net pay pension contributions, you will have a lower annual allowance limit. This is called the Tapered Annual Allowance. Your annual allowance will be reduced by £1 for every £2 of income above £240,000, up to a maximum reduction of £36,000. Please speak to your financial adviser for more details. If you have flexibly accessed a pension with us or another provider you could be restricted to the much lower Money Purchase Annual Allowance. You can check your pension annual allowance at **www.tax.service.gov.uk/paac** You will be told about this when you flexibly access your pension. The value of the tax benefits of a personal pension depend on your personal circumstances. Both your circumstances and tax rules may change in the future.



WHEN TAKING YOUR PENSION

You can take a lump sum of up to 25% tax free. Once you've had your tax-free lump sum, any money taken from your pension pot is added to any other income you get in the tax year you take it. This includes paid work, taxable income from additional pension pots and your State Pension. If at the end of the tax year, you've either under or overpaid on tax, it's your responsibility to sort it out with HM Revenue & Customs (HMRC).

Your personal allowance is the amount of income you can receive in a tax year before you start paying income tax. The standard personal allowance for the tax year 2020/21 is £12,500.

If you have an annuity, HMRC usually gives your pension provider your tax code. Your provider will then take off the tax you need to pay from your payments before they're paid to you.

The tax treatment depends on your individual circumstances. Your circumstances and tax rules may change in the future.

Our pension investment funds are generally free of UK income and capital gains tax. However if any tax is deducted at source from dividends we can't reclaim it. Tax rules can change.

The tax benefits referred to in this booklet are based on Scottish Widows' understanding of HM Revenue & Customs practices and UK law at the date of publication.

*If you pay tax in Scotland or Wales the tax relief you will be entitled to will be at the Scottish or Welsh Rate of income tax, which may be different from the rest of the UK.

NEED FINANCIAL ADVICE?

Scottish Widows has not provided you with advice.

If you’re not sure if this product is suitable for you, or if you’re not confident about deciding how to invest, a financial adviser may be able to help you. You can:

- Use your own adviser, if you have one
- Speak to your employer’s workplace pension adviser, if they have one
- Find a UK adviser in your local area, at **www.unbiased.co.uk** The website is run by the body responsible for promoting professional financial advice in the UK, so you can be sure everyone listed is fully qualified and regulated
- Visit the Money Advice Service website **www.moneyadviceservice.org.uk** this contains free, clear, unbiased advice to help you manage your money.

We hope this guide answers all your questions, but if not, please speak to the financial adviser for this workplace pension or your own financial adviser.

Within this guide we have referenced some tools and literature that will help you make decisions about your workplace pension. To find all of these visit

WWW.SCOTTISHWIDOWS.CO.UK/JOINING

After reading this literature, we recommend that you either save or print a copy and keep this safe for future reference. If you don't have internet access or would prefer a paper copy of this information, please call

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