

# Your Defined Contribution pension – Frequently Asked Questions

This document is intended to answer frequently asked questions in relation to the potential impact of financial market fluctuations on your Defined Contribution (“DC”) pension scheme benefits. It has been prepared in our capacity as pension scheme administrators and Defined Contribution (“DC”) consultants in conjunction with our clients.

We are not qualified to provide financial advice and nothing in this document should be construed as providing financial or investment advice to you. The information below is not tailored to your specific circumstances and we recommend that you seek financial advice, from an Independent Financial Advisor (“IFA”), before taking any decisions about your retirement/pension benefits. You can find a financial advisor in your area at <https://www.unbiased.co.uk/> and you can check an Independent Financial Advisor (“IFA”) is regulated by accessing <https://register.fca.org.uk/s/>. You can also receive free financial guidance from Money helper at <https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise/>.

For the avoidance of doubt Hymans Robertson LLP cannot provide financial advice to any pension scheme members.

## 1.1 What is a Defined Contribution Pension Scheme?

This can be either a workplace pension or a personal pension. This provides retirement benefits which are based on how much an individual (and their employer) puts into the scheme, plus the return on those investments, and any charges applied.

## 1.2 What is a lifestyle strategy?

A lifestyle strategy is an investment option for members who prefer not to manage their Defined Contribution pension scheme investments themselves. It works by moving your investments gradually (and automatically) from funds that offer growth, to funds which are designed to be lower risk and help protect your investments, as you approach your selected retirement age.

It does not guarantee a particular level of benefit – that will depend on several things such as how much you and your employer contribute, how well your investments perform, the associated charges and the age at which you retire.

You can adapt your lifestyle option to fit with how you want to take your savings at retirement, options include:

- **Taking all your money as cash at retirement** - the first 25% (that’s £25 out of every £100) will be tax free. The rest will be subject to tax.
- **Buying a lifetime income** – you can buy a pension for life from an insurance company (an “annuity”) and take some tax-free cash.
- **Taking your money as flexible income over time** – take part of your retirement savings each year as income to help pay for your retirement, again with some tax-free cash. You may need to transfer your benefits out of the scheme/plan to take this option.

Choosing how to take your pension is a very important decision and it is recommended that you take advice from a regulated financial adviser before you do so. You can find a financial advisor in your area at <https://www.unbiased.co.uk/> or you can obtain free guidance from the Money helper service (<https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise/>).

### 1.3 What is a self-select strategy?

With a self-select strategy you can choose funds yourself from the range available through your pension scheme. Your investments will remain in your chosen funds until you choose to move them. There is no automatic switching of your investments as you approach retirement, so you will need to actively manage your investments. Self-Select is sometimes known as freestyle investing.

### 1.4 I have heard all about lifestyle, how can I tell whether I am investing in that?

Lifestyle is likely to be the scheme/plan default investment strategy, if you did not make an investment decision when you first began your pension saving. Your annual benefit statement should tell you which funds you are currently invested in, or you can check by logging onto the scheme/plan website or contacting the scheme/plan administration team.

### 1.5 The value of my pension savings has significantly reduced, what should I do?

The following information is relevant if you are invested in the default lifestyle strategy. If you have chosen to invest your savings outside the default lifestyle option, you may wish to review how your chosen investments are performing by logging on to your pension scheme/plan website.

It is important to remember that pension savings are for the long-term and that most members invest their pension savings, as a default, in lifestyle strategies.

#### If your retirement is not in the near future

Retirement may be a long way away for you. It is worth bearing in mind that your pension savings are designed to be long term investments (plus 5 years to retirement age) and, when markets have fallen in the past (e.g. as a result of the 2008 recession) they have recovered over time. As you would expect, we do need to point out that we cannot predict how long this recovery may take or how markets may behave in the future, and you should be aware that past performance is no guarantee of future performance. If you want to understand more about how pension schemes and how investments work, you can receive free guidance at <https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise>.

We recommend that you speak to a regulated Independent Financial Advisor (“IFA”). You can find a financial advisor in your area at <https://www.unbiased.co.uk/> should you wish to discuss your specific circumstances. You should always ensure that an Independent Financial Advisor (“IFA”) is regulated by the Financial Conduct Authority (“FCA”) before instructing them. You can check this by accessing <https://register.fca.org.uk/s/>.

#### If you are closer to retirement but still have at least a few years to go

You should consider the time that you have left between now and retirement. If you are still making contributions to your pension savings, you may be considering saving more if you are concerned about staying on track with your retirement goals. We recommend that you speak to an Independent Financial Advisor (“IFA”) about your particular circumstances before making any financial decisions. You should always ensure that an Independent Financial Advisor (“IFA”) is regulated by the Financial Conduct Authority (“FCA”) before instructing them. You can check this by accessing <https://register.fca.org.uk/s/>.

If you are invested in the default lifestyle option, then as you near retirement, your savings are automatically switched into lower risk funds compared to those you were previously investing in, to help insulate your pension savings from market movements.

### **If you are close to your planned retirement age**

If you are invested in the default lifestyle option, then your investments have been gradually moving to lower risk funds as you approach retirement, and so your pension savings could be less impacted by what is happening in the financial markets, however, there are no guarantees.

Should you wish to consider your current investment funds, an explanation about how the investments work and more information on the funds the scheme/plan offers can be found on the scheme/plan website or by contacting the scheme/plan administration team.

If you wish to change your investments, you can do this by logging into your scheme/plan website or by contacting the scheme/plan administration team. Please note that should you opt to change your pension funds, the investment switch will not be executed on the same day. The change will be carried out within 2 to 3 working days, but can sometimes take longer depending on the types of funds you have chosen to invest in. It may also take up to 10 working days to be visible on the scheme/plan website, therefore the value could go up as well as down from any illustration you may have received. To discuss your specific situation (including possible options on and before retirement and whether to change your investments) we strongly recommend that you contact a regulated Independent Financial Advisor (“IFA”). You can find a financial advisor in your area at

<https://www.unbiased.co.uk/>

### **1.6 I did not select lifestyle, should I change anything?**

We cannot provide financial advice, but you should speak to a regulated financial adviser before taking any decisions in respect of your pension benefits. You can find a financial advisor in your area at <https://www.unbiased.co.uk/>. You should always ensure that an Independent Financial Advisor (“IFA”) is regulated by the Financial Conduct Authority (“FCA”) before instructing them. You can check this by accessing <https://register.fca.org.uk/s/>.

Please note that should you opt to change your pension funds; the investment switch will not be executed on the same day and your money may be affected by market movements.

### **1.7 I am planning to retire this year, what shall I do?**

We recommend that you seek financial advice ahead of your retirement date to discuss possible options before making any financial decisions about your retirement. You can find a financial advisor in your area at <https://www.unbiased.co.uk/>. You should always ensure that an Independent Financial Advisor (“IFA”) is regulated by the Financial Conduct Authority (“FCA”) before instructing them. You can check this by accessing <https://register.fca.org.uk/s/>. You can also receive free financial guidance from Money helper at <https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise>.

### **1.8 I have received a letter with my retirement options, what should I do?**

It is possible that the value of your pension savings has changed since you received the letter. You should log onto the scheme/plan website which will provide your current fund value or you can also contact your scheme/plan administration team. Even though you have received a quotation, it is not too late to change your mind and plan to retire at a later stage if that is more beneficial to you, unless you have returned your completed retirement option form to the scheme/plan administrator who has started to disinvest your funds. We recommend that you seek financial advice to discuss possible options on and before retirement.

You can find a financial adviser at <https://www.unbiased.co.uk/>. You should always ensure that an Independent Financial Advisor (“IFA”) is regulated by the Financial Conduct Authority (“FCA”) before instructing them. You can check this by accessing <https://register.fca.org.uk/s/>. You can also receive free financial guidance from Money helper at <https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise>.

### 1.9 I am having financial troubles; can I opt out of my pension arrangement and take the money out or reduce my contributions?

We understand that many people are finding their personal finances are under strain. However, if you have material financial difficulties, you may be able to either reduce your contributions to the auto-enrolment minimum or opt out altogether for a temporary period and stop paying contributions. If you do this, your employer will also stop paying their contributions into your pension savings and you may not be covered for the same level of death in service benefits. However before doing so you should speak to an Independent Financial Advisor (“IFA”). You can find a financial adviser at <https://www.unbiased.co.uk/>.

If you require to opt out or reduce your contributions, please speak to your Human Resources or payroll team to establish what your options are and the potential implications, and to request the appropriate form to complete if you decide to proceed. We recommend that you seek financial advice before deciding whether to opt out or reduce your pension contributions. You should always ensure that an Independent Financial Advisor (“IFA”) is regulated by the Financial Conduct Authority (“FCA”) before instructing them. You can check this by accessing <https://register.fca.org.uk/s/>. **We strongly recommend that you ensure that you check what the full implications are of opting out or reducing your pension contributions before doing so.**

### Cashing in your pension under age 55

If you are under the age of 55, which is currently the minimum pension age you can take your benefits in this scheme/plan, and are struggling with financial difficulties, you may be tempted to cash in your pension. Please be aware that if you release or unlock money from your pension pot, your pension provider will notify HMRC and you may have to pay a significant tax bill on the money you take out in addition to fees to the companies offering this service. The firms offering this type of service are not always regulated by the Financial Conduct Authority (“FCA”) and while doing this is not illegal, it is advisable that you seek financial advice before making this important decision.

If you are over age 55, we recommend that you seek financial advice about taking your pension savings earlier than planned. You can find a financial adviser at <https://www.unbiased.co.uk/>.

The minimum pension age is increasing from age 55 to age 57 from 6 April 2028.

### 1.10 Can I re-join the scheme if I have opted out?

You should contact your Human Resources team to establish the options available to you if you wish to temporarily opt out for a short period and re-join later.

### 1.11 I recently received a transfer value quotation. What should I do now?

We recommend that you speak to a financial adviser before taking any decisions about transferring your benefits. You can find a financial adviser at <https://www.unbiased.co.uk/>. You should always ensure that an Independent Financial Advisor (“IFA”) is regulated by the Financial Conduct Authority (“FCA”) before instructing them. You can check this by accessing <https://register.fca.org.uk/s/>. You can also receive free financial guidance from Money helper at <https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise>.

Please note that since this quotation was provided, the financial markets may have changed. You should log onto the scheme/plan website which will provide your current fund value or contact your scheme/plan administration team.

As you consider your next step, you should be mindful of pension scammers (further details and resources are referenced below).

### 1.12 Someone has suggested that I transfer my pension fund to their product. What should I do?

#### The importance of being aware of pension fraud risks.

Some key things to remember, especially in these uncertain times, are:

- If you access your pension savings before the minimum pension age of 55, you will be liable for a large tax bill (55% of the money you have taken out). The minimum pension age will rise to age 57 with effect from 6 April 2028.
- The companies offering early access may not be regulated by the Financial Conduct Authority (“FCA”). You should always check an Independent Financial Advisor (“IFA”) is regulated by the FCA before instructing them. You can do this by accessing <https://register.fca.org.uk/s/>.
- You should also be wary of any companies offering this service as this could be a potential pension scam. Scammers often operate by taking all or a “cut” of your pension savings.
- For most people, even if you are over 55, your pension savings require to last you for the rest of your life so getting the right type of financial advice from a registered adviser is important.
- If an offer looks too good to be true, it probably is.

#### Scamsmart

‘Scamsmart’ is a campaign set up by the Financial Conduct Authority (“FCA”) to help pension scheme members like you avoid pension and investment scams. Visit <https://www.fca.org.uk/scamsmart> for further information and to check an investment or pension opportunity you may have been offered. A summary of this information can be found in their pension scams leaflet.

#### Money Helper

The Money Helper website, is free and backed by the Government has some useful information on pension scams and wider pensions and money information that might be able to help you at this challenging time.

<https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise/?source=pw>

### 1.13 What will happen to my Defined Contribution (“DC”) pension if I were to die?

If you were to pass away before retirement, the Trustee, considering your wishes, will pay the value of your pension savings to a person/group of persons seen as the most appropriate beneficiary/beneficiaries. It is important that you let the Trustee know your wishes by completing the Expression of Wish or Pension Beneficiary Nomination form on the scheme/plan website. You can also contact the scheme/plan administration team for a copy of the form.

### 1.14 I recently received a benefit statement which included the value of my pensions savings at the statement date. Is it possible to get a current fund value?

You should log onto the scheme/plan website which will provide your current fund value. Alternatively, you can contact the scheme/plan administration team.

**1.15 I recently received a benefit statement which included an illustration of my pension in retirement. Will this be much lower now?**

As you will note from your benefit statement, this has been produced for illustration purposes only. The illustration considers the current value of your pension savings, and the amount of future contributions you and your employer are expected to pay into your savings (if contributing) and the typical expected future investment return. If you are still contributing, and are not close to retirement, the impact on your pension illustration may be lessened. You can get a revised illustration by using the Pension Planner on the scheme/plan website or by requesting this information from your scheme/plan administration team. We also recommend that you seek financial advice from a regulated Independent Financial Advisor (“IFA”) before making any financial decisions about your future. You can find a financial adviser at <https://www.unbiased.co.uk/>.

**1.16 I have not previously logged into pensionsWEB or PRISM, can you tell me how to do this**

You should contact your pension administrator who will help you to register, their contact details can be found in the accompanying correspondence and in the Contact Us pages of the scheme/plan website.