

# Your retirement and beyond

Harmsworth Pension Scheme

This guide will help you **choose** the most **suitable options** from the company pension scheme.

## Flexible retirement

You don't have to stop work to start taking your pension. If you are aged 55 or over, you may retire from the scheme whilst continuing to work for the company. If you choose this option you must take all your benefits from the scheme.

Your employment will become non-pensionable and you will not be able to continue to take part in the scheme. You will earn no more pension benefits or receive any pension allowance and will no longer be covered for death or ill-health benefits as if you were still paying into the scheme.

## Benefits built up before April 2011

The benefits you earned before 1 April 2011 are treated differently to those built up on or after this date. These are shown separately on page 6 of this guide.

We will try to maximise your retirement income. Usually this means that we will use your retirement account as the first source for providing any tax-free cash you choose to take, before converting any of your pre-April 2011 benefits into cash.

## Your decisions

You now have some decisions to make. Have a look at the information we have sent you. We have included a retirement statement showing your options. Please make sure you read the accompanying notes.

1. **Taking tax-free cash** – You have a one-off opportunity to convert some of your benefits into tax-free cash so you need to decide if you want to do this.
2. **Using your retirement account to buy an annuity** – Your retirement account is made up of your credit account and any AVCs paid into your AVC account.

You can use your retirement account to buy an annuity (an income) from a provider or you may be able to take all or part of it as tax-free cash. If you decide to buy an annuity, you need to choose the type of annuity you want to take from your retirement account.

Alternatively, if you have £5,000 or less available from your retirement account to buy an annuity, you can take it as a pension which we will pay from the scheme.

3. **Bridging pension** – Decide if you want to take a bridging pension. This option only applies if you built up pre-April 2011 benefits.

The following sections give more details about these options.

# 1. Taking tax-free cash

The first decision you need to make is whether to convert part of your benefits into tax-free cash. The maximum amount of cash you can take is shown on your retirement options statement enclosed with this guide.

“The cash is tax-free, but any pension you take is taxable.”

The issues to consider are:

- How much income you'll need in retirement. Taking tax-free cash is attractive, but it does mean you will get a lower pension.
- We have shown the maximum tax-free cash available on your retirement options statement. You may take less than this. If you do, the amount of pension you get will go up.
- The cash might be useful now or later on, for house repairs or a holiday of a lifetime for example.
- Taking the cash and investing it in a savings account is unlikely to replace the income you converted into cash.

If you decide to convert part of your pension into tax-free cash you can choose to have this paid straight into your bank/building society account.

# 2. Using your retirement account to buy an annuity

You can use your retirement account to buy an annuity (an income) from an insurance company of your choice.

Alternatively, if the amount available from your retirement account to buy an annuity is below a level determined by the scheme trustees from time to time (currently £5,000) you can elect to convert it to a pension which we will pay from the scheme. This will be on the same basis as detailed in the 'Benefits built up before April 2011' section on page 6, although the trustees can change the basis at any time. If you choose this option, you can ignore the rest of this section.

We will help you to find the most competitive annuity on the market that meets your needs by using a leading independent financial advice firm. However, you will be free to take your own independent financial advice if you prefer.

**We have to pay all your benefits at the same time so we won't be able to pay out any tax-free cash or pre-April 2011 pension until your annuity has been set up. It could take a month or so to do this, so please make sure that you reply quickly to any requests for information.**

The amount of income you'll receive at retirement depends on:

- The value of your retirement account.
- The amount of tax-free cash you take.
- Your age and that of your dependant (you will get a higher income the older you are).
- The options you choose such as the rate at which the annuity increases in payment (the less options you choose, the higher your income will be).
- Your health and lifestyle (you may get a higher income if you are a smoker, have high cholesterol or are in poor health).
- Where you live and your occupation.
- Economic conditions and general life expectancy at the time you take your benefits.

## Choosing your annuity options

The types of annuity you can buy are flexible and you will be able to choose from a number of options to suit your circumstances. The most common options are:

**A flat annuity** – This pays out the same amount of income throughout your life. In other words, it does not increase in line with inflation. You will get more money to start with than you would from an increasing annuity, but it will buy you less in the future because of inflation.

**An increasing annuity** – this will normally start at a lower rate and will gradually build up. With an increasing annuity there are two main choices:

**Fixed rate** – your income increases each year by an agreed fixed rate (for example 3% or 5%); and

**Inflation-linked** – your income is adjusted each year to reflect the changes in the cost of living. The actual increase in your annuity will vary from year to year to match inflation, so the buying power of your pension will stay the same.

Although you will get less money with an increasing annuity than with a flat annuity, it will increase each year but it could take a while for the increasing annuity to catch up with the flat annuity. However, if you don't have an increasing annuity, even low levels of inflation could, over time, significantly reduce your standard of living.

We have quoted an inflation-linked annuity on your retirement options statement, but you can choose flat or fixed rate if you prefer.

**Single life** – an annuity just for you if either you don't have a spouse or partner, or they have their own pension arrangements; and

**Joint life** – an annuity that will pay out to you and then your spouse or partner after your death (normally at a reduced rate such as half or two-thirds your pension).

You can also choose whether you want your single or joint life annuity to be flat or increasing. A single life annuity will give you a much higher income than a joint life because the insurance company will not be expecting to continue paying the annuity for as long.

We have quoted a joint-life annuity on your retirement options statement, but you can choose single life if you prefer.

**A guarantee period** – You can guarantee your annuity for a specific number of years (usually five or ten) so it continues to pay the income for that time even if you die before then. The income is usually paid to your partner or another dependant.

We have quoted a guarantee period of five years on your retirement options statement, but you can choose a different or no guarantee period if you prefer.

**Enhanced and impaired-life annuities** – You could be entitled to a higher annuity due to your health. You may be eligible for an enhanced retirement income if:

- you or your partner are a smoker.
- you or your partner suffer from any health conditions. Even relatively minor conditions such as high blood pressure can sometimes result in an enhancement.
- you have had any serious conditions in the past, such as having a heart attack or cancer some years ago.

**Always let us know whether you may be eligible for this option.**

**Frequency** – You can usually choose to have your income paid every month, every three months, every six months or once a year.

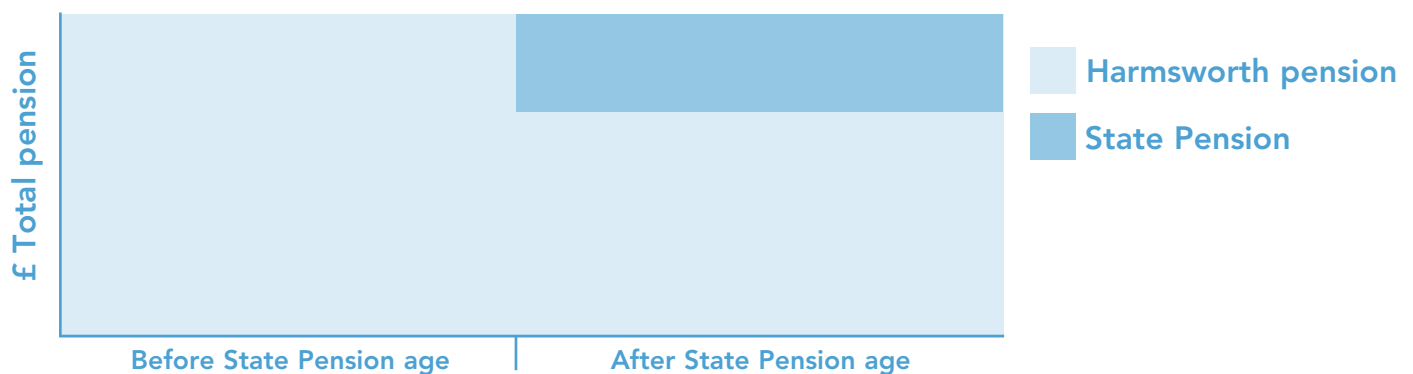
### 3. Bridging pension

A bridging pension is only available if you have built up benefits before 1 April 2011.

State Pensions are paid in addition to your company pension. If you are retiring before you receive your basic State Pension, other than on ill-health grounds, you could consider a bridging pension. A bridging pension gives you a bigger pension from the scheme before your State Pension starts and a smaller pension afterwards.

The chart below illustrates how the bridging pension works.

Using the example below, we will pay you a bigger pension up to your State Pension age. Then when you start to receive your State Pension we will reduce your company pension.



- The value of the company pension you will receive is the same regardless of whether or not you choose the bridging pension.
- If you choose the bridging pension, the amount that your pension is increased by each year will be higher in the early years than in later years. This is because we will reduce your scheme pension when you reach State Pension age.
- The bridging pension shown on your retirement options statement is a current amount. The amount we will reduce your pension by when your State Pension starts will be higher than that shown because your pension is increased each year.
- We have based your bridging pension solely on your National Insurance record whilst working for DMGT. This accurately reflects the basic State Pension to which you would be entitled for this period.
- The bridging pension is not available if you have retired due to ill health.
- Please note that an annual allowance applies to any increase in your scheme benefits during the year. The annual allowance from 6 April 2011 is the lower of £50,000 or 100% of your earnings. If your increase in benefits is higher than the annual allowance you will be taxed on the extra at your marginal rate of income tax. Taking the bridging pension could breach the annual allowance, resulting in a tax charge.

# Benefits built up before April 2011

## Pension features

Unlike an annuity you may buy from an insurance company using your retirement account, there are no options for you to choose from with regards to the pension available from your pre-April 2011 benefits. The features of your pension are in line with the scheme rules:

**Pension payments** – We will pay your pension monthly, in advance, directly into the bank/building society account shown on your retirement decision and bank details forms. After we have taken tax off, your net pension will be in your account on or before the first day of each month.

**Tax** – DMGT Pensions will pay your pension instead of your payroll department. We will tax your pension through PAYE, just like your salary has been, although you will not have to pay National Insurance contributions.

If you have any queries about tax please contact your Inspector of Taxes at:

HM Revenue and Customs  
Pay as You Earn  
PO Box 1970  
Liverpool  
L75 1WX

Tel: 0845 300 0627

If you are calling from abroad: +44 135 535 9022

You will need to provide your National Insurance number and quote reference LP22/846/FSN1P.

“Any cash you take at retirement is totally tax-free and does not need to be declared on your tax return.”

## Pension increases

Once we start paying your pension, we will increase it on 1 April each year by the retail prices index up to 5%.

These increases will not apply to your guaranteed minimum pension (GMP) which is increased as required by law when you reach age 60 (females) and 65 (males).

The State is responsible for any further increases to your GMP that may apply and it will pay these to you with your basic State Pension.

## Pension increase letter

We will send you a letter each March showing the amount your pension has increased by. The letter shows how your pension is split and, depending on your situation, different rates of increase could be applied to different parts of your pension.

The letter will also show the percentage of the lifetime allowance used up by your company pension. You will need this figure if you decide to take a pension from another pension scheme.

## Death benefits

If you die, your next of kin should notify DMGT Pensions on 020 7395 7272 immediately to avoid any overpayment of pension, which we will reclaim.

We will ask your next of kin to send in the original death certificate and if a survivor's pension is to be paid, the original birth, marriage/civil partnership certificates. We may also need to see any will and possibly the funeral expense account depending on the circumstances.

When we receive the above documents, we will let your next of kin know the death benefits that are payable.

## Bereavement grant

If you were in the Plus section (or in pensionable service before 1 July 2005 in the Standard section) your dependants may also receive a bereavement grant, currently £1,750, to help with funeral costs.

*The bereavement grant is not available to ex-members of the BUP Pension Fund.*

## Five year guarantee

If you die within five years of retirement, we will pay any unpaid pension instalments for the remainder of that period as a tax-free cash amount to your partner or dependants.

## Adult dependant's pension

We will pay a pension to your spouse or civil partner for the rest of their life. This will be half of the pre-April 2011 pension you have built up at the time of your death assuming you did not take a bridging pension or convert any of your pension into tax-free cash when you retired.

If your spouse or civil partner has been living apart from you for more than five years, they will only be entitled to a limited pension or possibly no pension at all.

In circumstances where we do not pay a spouse's or civil partner's pension, the trustees may pay an equivalent pension (less any limited pension payable as described above) to a person who has been validly nominated and who depends on you financially or with whom you share living expenses. We strongly advise you let us know if you have adult dependants that fall into this category. You can ask us for an expression of wish form for this purpose or find one at [www.dmgtpensions.co.uk](http://www.dmgtpensions.co.uk).

The pension payable to an adult dependant may be payable for a specified period and may be terminated by the trustees in certain circumstances.

If your spouse, civil partner or adult dependant is more than 10 years younger than you, we may reduce the amount of pension that we pay.

## Children's pension

We will also pay one-eighth of your pre-April 2011 pension built up at the time of your death for each dependent child for up to four children, as long as they are under age 18 (21 if they are in full time education) or for the rest of their life if they are disabled.

*This benefit does not apply to former members of the BUP Pension Fund.*

If we do not pay a pension to an adult, we will double the children's pension and pay it for up to four children.

## Next steps

Please complete the retirement decision and bank details forms. Unfortunately we cannot start processing your benefits until we receive these forms.

You have been asked to state the percentage of the lifetime allowance you will be using up on the form. If your DMGT Pension will be the first or only pension that you will receive you should state "0%" on the form.

If you are already receiving other pensions, apart from State Pensions, then you should have been told the percentage of the lifetime allowance you have used up. If you have not been given this information, you should contact the administrator and ask for the 'percentage of the lifetime allowance already used'.

You need to do this for all pensions you are receiving (apart from State Pensions) and add the figures together.

We will contact you to arrange to provide you with quotes to buy your annuity using your retirement account (if this applies). We must pay all your benefits at the same time and we won't be able to pay out any tax-free cash or pre-April 2011 pension until your annuity has been set up. It could take a month or so to do this, so please make sure that you reply quickly to any requests for information.

## More information

### Choosing who you want to receive the death benefits

You should let us know who you want to get any cash amount or pension should you die before taking your benefits.

You can do this by completing an expression of wish form, which we will give you automatically when you join the scheme or retire.

The trustees will decide who to pay the benefits to. Although the expression of wish form is not binding on the trustees they will normally take your wishes into account. However, they may consider that there are special reasons for selecting other beneficiaries. This process ensures that the cash death benefit can be paid free of tax.

It is important to keep your form up to date to avoid any complications. If your wishes change, you can get a new expression of wish form from us or at [www.dmgtpensions.co.uk](http://www.dmgtpensions.co.uk).

### Finding out more

If you need help before making your decision please contact DMGT Pensions on 020 7395 7272 or send an email to [enquiries@dmgtpensions.com](mailto:enquiries@dmgtpensions.com).

You may also find some interesting information on our website [www.dmgtpensions.co.uk](http://www.dmgtpensions.co.uk).

### Legal documentation

This document aims to give you an accurate guide to the benefits presently available to you. However, it is not a legal document. The scheme is governed by rules, containing extra conditions which can be amended from time to time. If there is any difference between the information in this guide and the information in the rules, the rules will apply.

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