

# Help with Retirement

Questions and answers to help you get started with retirement.

## 1. What notice do I need to give to put my pension into payment?

Don't underestimate how long it can take to set up pension payments and pay out benefits. The Plan's Administrator sends your Retirement Pack 6 months before your Normal Retirement Age (NRA) of 65.

This may seem a long time, but you will need time to investigate the options and decisions you need to make. You'll then need more time to complete the forms and processes to enable your pension payments to start.

### Do you have pensions with other employers?

Bear in mind you may also need to sort out other pensions as well. You may need to send documents to different pension schemes so it's important to start the process early.

## 2. How long does it take to put my pension into payment?

Once you have decided what pension and cash you wish to take (and at what date), it normally takes about 6 weeks from receiving your forms, for the Plan's Administrator to put your pension into payment. Although normally, tax-free cash would be paid more quickly.

### Timeline for retirement

Steps to retirement	Step 1	Step 2	Step 3	Step 4
Action	<b>Read your pack</b>	<p><b>Get guidance</b> from Pension Wise and The Pension Advisory Service.</p> <p>Consider <b>taking advice</b> on your options. See FAQ 5 for more about taking advice.</p> <p>Fact finds and reports from advisers can add an extra month to the process.</p>	<p><b>Check the paperwork you need.</b></p> <p>Usually we need a copy of the photo page of your passport.</p> <p>If you haven't got a passport, please contact the Plan's Administrator and they will tell you the other documents you can use.</p>	<p><b>Complete forms</b> and send any supporting documents.</p> <p>Pension payments are normally made at the first of the month or nearest working day</p>
How long should you allow?	1 month	2 to 3 months	1 week to 1 month	1 to 2 months for the Plan's Administrator to process

### 3. What do I need to do?

Read your statement which sets out:

- Pension at your chosen retirement date
- Tax-free cash. You can normally take up to 25% of the value of your pension tax free under current tax rules.
- Any Defined Contribution pension savings you may have under the Plan:
  - Aeroquip-Vickers Individual Member Account
  - A Money Purchase Account (if you were a member of the Eaton UK Retirement Benefits Plan before 1 January 1989)
  - Additional Voluntary Contributions you may have paid.

If you want to start the retirement process, then complete the forms in your pack and return them to the Plan's Administrator. You will also need to send a copy of the page of your current passport that shows your photo and passport number.

### 4. What if I do nothing?

If you do not return your forms, your retirement process won't start.

We need to know your payment details and personal information to ensure that we can pay your benefits accurately; until we have these, your pension will remain in the Plan.

Your retirement quotation is based on your Normal Retirement Date of age 65 (unless you've requested an early or late retirement quotation based on retiring at another date).

### 5. Can I talk to someone about my options?

Pensions are complex and sometimes it helps to talk through your options and have the chance to ask questions. If you have Defined Contribution benefits (Additional Voluntary Contributions, a Money Purchase Account or an Aeroquip-Vickers Individual Member Account) you can book a free guidance session with Pension Wise. This is a free and impartial Government-backed service set up to help savers over age 50 who want to consider their retirement options. Just go to [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk) to learn more.

Your pension could be your most valuable asset. A decision taken at retirement will shape your financial circumstances for the rest of your life. So, taking advice now is worth considering.

The Trustee and its advisers cannot provide financial advice, so please consult an Independent Financial Adviser (IFA) if you would like help. The only person or organisation who can give you advice is an IFA that's authorised and regulated by the Financial Conduct Authority.

To find an adviser, visit the Money Advice Service at [www.moneyadvice.org.uk/en/articles/choosing-a-financial-adviser](http://www.moneyadvice.org.uk/en/articles/choosing-a-financial-adviser) or [www.vouchedfor.co.uk](http://www.vouchedfor.co.uk) to find an adviser local to you.

Make sure the IFA you are dealing with is specifically experienced in giving advice on pensions.

## 6. How do I know whether I am recycling lump sums?

Your retirement statement contains a declaration regarding recycling lump sums. The form asks you to confirm that you do not intend to re-invest any of your tax-free cash into a pension.

The form lists the conditions you need to meet; tick the box that most closely matches your situation. We show this section to the right.

The rules are complex; The Pensions Advisory Service explains more at <https://www.pensionsadvisoryservice.org.uk/about-pensions/saving-into-a-pension/pensions-and-tax/pension-lump-sum-recycling>

We will use this information to work out whether you need to pay a tax recovery charge on your benefits from the Eaton UK Pension Plan. You must make sure that the information and copies of documents you give us are correct and up to date. If the information later turns out to be wrong, you will be responsible for paying any tax recovery charge to HM Revenue & Customs.

**Recycling of lump sums**  
 For an explanation of 'recycling' please refer to the following website:  
<http://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/pnm133810>

Please tick the boxes below if you have ticked Option 2 in the benefit decision box in Section C above and any of these boxes apply to you.

Please also complete this box if you have ticked the open market option in Section C but intend to take a lump sum from this Plan.

Once you have ticked a box, there is no need to go any further, as recycling will not apply.

- The total of all the tax-free lump sums I will have received in the past 12 months up to and including => from all my pension arrangements (including the tax-free lump sum from this Plan) is less than £7,500.
- I confirm that I am not intending to pay (or have paid on my behalf) additional contributions (above my usual amount) of more than 30% of the tax-free lump sum I will receive from this Plan. This takes into account any additional contributions paid in the current tax year, the previous two tax years and those I intend to pay in the next two tax years.
- I confirm that over the same five year period, as a result of being able to receive the tax-free lump sum from this Plan, I am not intending to pay (or have paid on my behalf) cumulative additional contributions exceeding 30% of my usual amount of contributions.

If none of the statements above apply to you, you should contact a registered financial adviser for help and then write and let us know what you intend to do.

The Plan's Administrator must ask this question to follow pension tax rules.

## 7. What's Scheme-specific protection?

If you were a member of one of the Plans that is now part of the Eaton UK Pension Plan before 6 April 2006\* you may be able to take more tax-free cash than the usual 25% of the value of your Plan benefits. This depends on the previous Plan's rules and you will be informed if this is the case for you.

In this situation your higher tax-free cash entitlement earned up to 2006 is 'protected' so that you're no worse off. This is why Scheme-specific protection is mentioned on your statement.

\*6 April 2006 was the date for some big pension tax changes that simplified the rules.

## 8. What is Fixed Protection?

Fixed Protection is designed to protect the pension savings you had made when the Government reduced the Lifetime Allowance. As the Lifetime Allowance is more than £1 million this is only likely to be relevant for members who have quite high pension savings already.

You may have applied for Fixed Protection at the time the Government previously reduced the Lifetime Allowance. However, the only Fixed Protection you can now apply for is Fixed Protection 2016 which would enable you to measure your benefits against the Lifetime Allowance of £1.25 million in place at April 2016 (instead of the current Lifetime Allowance).

In general, you will lose Fixed Protection 2016 if you made any pension savings after April 2016 (contributions to a defined contribution arrangement or benefits earned in a defined benefit arrangement) so this option is not available for any current in-service Plan members.

When the Plan's Administrator is setting up your pension, they need to know if you have Fixed Protection in place so that they can record, tax and pay your benefits correctly.

## 9. Can I provide extra benefits for my family?

The Plan provides the following benefits for your family if you die after you retire:

- The balance of your first 5 years' pension, paid as a lump sum to your beneficiaries or estate as the Trustee decides (if you die within 5 years of retirement).
- A pension of 50% of your pension to your Spouse (if you do not have a Spouse the Trustee can, at its discretion, pay a pension to another dependant).
- In some circumstances, pensions to any dependent children

There is an option to use some of your pension benefits to provide more pension for your Spouse or Dependand. If you are interested in this option, you should ask for details from your HR Department before you retire.

For more details see the Plan booklet at <http://www.eatonukpensionplan.co.uk/documents/eaton-uk-pension-plan-booklet.pdf>

## 10. Where can I find out more on my options?

Here are some useful links to help you with your retirement planning.

### State pensions

- [www.gov.uk/state-pension-age](http://www.gov.uk/state-pension-age)
- [www.gov.uk/statepension](http://www.gov.uk/statepension)

### Getting financial advice

- [www.vouchedfor.co.uk](http://www.vouchedfor.co.uk)
- [www.unbiased.co.uk](http://www.unbiased.co.uk)
- [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)

### Other helpful sites

- [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)
- [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

These FAQs are intended to be a helpful summary of the benefits payable; different benefits may be payable in some circumstances. The full rules governing the Plan are set out in the Trust Deed and Rules which will always override this summary.

## Useful terms

### Annual Allowance

The Annual Allowance is the limit on the amount of pension savings you can build up tax efficiently each year. The standard Annual Allowance is £40,000. For higher earners the Annual Allowance can be as low as £4,000.

In addition, if you have accessed any money purchase benefits from any scheme flexibly, (you will have been informed if this is the case) your Money Purchase Annual Allowance (for any future money purchase contributions) is reduced to £4,000.

### Annuity

An annuity is a retirement income product that pays an income for an agreed period or until death. You would buy an annuity from an insurance company.

There are different types of annuity; they can increase, or be fixed, they can provide a spouse's pension or can provide an income only for you, and so on. Annuity rates vary and depend on your age and health as well as where you live.

### Additional Voluntary Contributions

Additional Voluntary Contributions (AVCs) enable you to pay extra money into your pension. You can choose how much to pay in and how often.

AVCs are tax efficient; they also benefit from National Insurance savings in the same way as your other contributions to the Plan. They are subject to the same rules about how and when you can withdraw them.

Find out more about AVCs at the Plan's website at <http://www.eatonukpensionplan.co.uk/eukpp/saving-more-for-retirement.aspx> or in the Plan booklet.

### Child

The Plan defines a dependent child as a member's child who is under age 18 (or under age 23\* if still in full-time education), or who is dependent on the member because of physical or mental impairment.

\*Age 21 for former Eaton Pension Plan members.

### **Defined Contribution benefits**

Defined Contribution benefits are a pot of money that you pay into, rather like a savings account or ISA. Typically you have a choice over how to invest a Defined Contribution account.

At retirement you can use DC benefits as you wish on one or more of; draw down (take money as and when you need), a cash lump sum, or to buy an annuity. Please note you may need to transfer your benefits out of the Plan to access some DC options and some restrictions also apply to Aeroquip-Vickers Individual Member Accounts (IMAs).

#### **Individual Member Accounts**

If you worked for Aeroquip-Vickers, the Trustee has to provide a minimum level of pension linked to the Guaranteed Minimum Pension (GMP) regardless of the value of your IMA.

This valuable guarantee restricts when and how you can put your IMA benefit into payment.

### **Defined Benefit pension**

A Defined Benefit pension is a promise to pay an income, based on salary and length of service. Defined Benefit pensions are valuable to members because they are backed by the Company, which takes the risk.

Your Plan pension is a Defined Benefit. It is run by a separate legal entity, the Trustee, who looks after the Plan Pension on behalf of all its members.

The Plan's assets are kept separate from those of the Company and are used to pay pensions when they fall due.

Ensuring that the Plan has sufficient assets to cover its liabilities is the Trustee's main role, and it enlists the help and support of specialist advisers and experts to support them in this.

### **Dependant**

The Plan defines a dependant as your Spouse, Child or someone who is, in the opinion of the Trustee, financially dependent on you.

### **Guaranteed Minimum Pension**

Between April 1978 and April 1997 members of UK-based occupational pension schemes, including the Plans that are now part of the current Plan, could contract out of the state pension and instead built up a pension at least as valuable as the Guaranteed Minimum Pension (GMP) as part of their pension benefits under the historic Plans.

Contracting out in this way means that members who built up pension between these dates have a guaranteed income from the Plan for that period of service.

### **Lifetime Allowance**

The Lifetime Allowance is the maximum value of retirement savings you can build up during your working career tax efficiently. It is £1,073,100 until April 2026.

All your pension savings are included in this, including pensions provided from your employer's plan (like this Plan), or transferred from a previous employer's plan, AVCs, or any personal pension savings you have made.

You can work out the value of your Plan benefits for this purpose by taking 20 times your annual pension (before any reduction for tax-free cash) and adding any savings in your AVCs, MPA or IMA.

Most members' benefits are much lower than the Lifetime Allowance, but the Plan's Administrator will tell you how much of your Lifetime Allowance you have used from this Plan whenever you bring benefits into payment.

### **Lump Sum**

You are normally able to take up to 25% of the value of your total pension benefits as tax-free cash at retirement, but a lower amount may be available in some cases to ensure that the Trustee can pay you at least your Guaranteed Minimum Pension required by the Government. If you have some Defined Contribution benefits, these can be used to fund this portion of your retirement income, potentially leaving you with more Plan pension.

Some members can take a higher amount if they have a protected cash lump sum (see FAQ 7).

### **Normal Retirement Age**

The age when you'd normally start to receive your benefits from the Plan is age 65.

### **Spouse**

The Plan defines a spouse as your legal wife, husband (including same-sex wives and husbands) or civil partner.