Pension Increases Factsheet
(for pension increases during payment)

This factsheet is for pensioners with benefits earned after April 1997

You currently receive a pension which increases each year in line with the rules of the Pension Protection Fund (PPF). However, in order to meet legal requirements, and unless you choose otherwise, when the Trustee secures your benefit with their chosen insurance provider, it will secure a pension that increases in payment at a different, likely higher, rate than is currently being paid. These increases only apply to pension that was earned after 5 April 1997.

However, we recognise that an increasing pension may not best suit all members’ needs. Therefore, you have the option to use your Share of the Funds to provide a pension that starts at a higher amount, but that does not increase in the future (a Higher Initial Pension With No Future Increases).

This factsheet sets out some important information about pension increases in the Plan to help you decide whether the default Pension With Annual Increases or a Higher Initial Pension With No Future Increases is right for you. Please read this alongside the Pension Factsheet and your Personal Statement which sets out illustrative figures for both types of pension. We recommend that you consider taking financial advice or guidance 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.

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As some or all of your pension was earned after 5 April 1997, to comply with legal requirements and unless you choose otherwise, we will secure a pension which increases in a certain way in payment. On this basis, your Pension With Annual Increases will increase in different ways depending on when it was earned, as follows:

- Pension earned before 6 April 1997 will not increase;
- Pension earned after 5 April 1997 and before 6 April 2005 will increase 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 line with RPI up to a maximum increase of 2.5% a year.

Any increases due will be applied in January each year. The increase in RPI will 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 currently get. This is because under PPF rules, pensions earned after 5 April 1997 currently increase in line with the change in the Consumer Prices Index (CPI) and are subject to certain lower or equivalent caps than those set out above.

The pension we secure with your Share of the Funds is therefore expected to increase at a faster rate than it would have done if the current PPF based increases had continued to apply. This means that the initial amount of annual pension that we can secure for you with your Share of the Funds may be less than the annual pension you are currently receiving – please check your Personal Statement.

Your default Pension With Annual Increases would be paid by our chosen insurance provider for the rest of your life with effect from when the Plan exits PPF assessment. Your Share of the Funds would be the same amount as the Pension With Annual Increases option, it would simply be used in a different way.

Please note that this option does not apply to any DC pension elements that you may have and, if you select a Higher Initial Pension With No Future Increases, your DC pension elements would continue to increase in payment as described in your Personal Statement.

### 3. Where can I find more detail on my pension options?

Please see your enclosed Personal Statement for an illustration of the different pension amounts payable under the two options:

- Pension With Annual Increases
- Higher Initial Pension With No Future Increases

### 4. What is inflation and why is it important?

Inflation means the increase in the general ‘cost of living’. When prices are increasing, you will need more money to pay for goods and services. The average cost of goods and services is nearly 3 times more than it was in 1987. This is why many pensions like yours increase over time, to provide some protection against increases in the cost of living. RPI and CPI are both ways of measuring inflation but use different calculation methods and include different goods and services.

The inflation increases that you would receive from our chosen insurance provider on pension earned after 5 April 1997 would give some protection to the value of your pension in terms of what you can buy with it. If you choose to exchange your future annual increases for a Higher Initial Pension With No Future Increases you would be able to buy more with your initial pension but as prices rise, the amount you would be able to buy in the future would reduce.

Inflation is unpredictable, and no-one knows what it will be in the future. For example, if a loaf of bread costs £1 today and you have £100, you could buy 100 loaves of bread today. But how many loaves would you be able to buy with £100 in the future?
If you choose to receive a Higher Initial Pension which would not increase in the future (the Higher Initial Pension With No Future Increases), it is possible there will be a time where this pension will be lower than what the Pension With Annual Increases would have been if you had not selected this option. This is called the cross-over age.

Similarly, there could be a point in the future when the total pension payments made to you under both options would be the same. This means that if you live beyond this point then you would have received more pension payments in total from the Pension With Annual Increases, than the Higher Initial Pension With No Future Increases. This is called the break-even age.

The diagram below is purely illustrative and its shape will be different depending on your age, the difference between your initial Pension With Annual Increases and Higher Initial Pension With No Future Increases figures and the actual rate of inflation.

The diagram shows how the Higher Initial Pension With No Future Increases pays more until the cross-over age, and the Pension With Annual Increases pays more from then on.

The cross-over and break-even ages will depend on different factors such as:

- the amount of pension you have earned that increases in line with inflation; and
- what inflation is in the future e.g. the higher inflation is, the sooner the cross-over and break-even ages will occur.

This means that it is difficult to predict what your actual cross-over or break-even ages will be and is why your Personal Statement includes illustrations of both figures under a number of different future inflation assumptions. To help you consider when you might be better or worse off, you should consider these in relation to how long you might live.

### Current life expectancies

When looking at the impact of inflation on your benefits and your cross-over and break-even ages, you should consider how long you might live (your life expectancy). If you live longer than your break-even age, then you would receive less pension in total by taking the Higher Initial Pension With No Future Increases but you would receive more pension at an earlier age.

If you have an Eligible Dependant, then your decision will affect any pension payable to them (see 6 below) and you should bear in mind that they may outlive you. So your decision should also take into consideration their life expectancy. This is especially important if your Eligible Dependant has little or no income except their State Pension entitlement.

None of us knows how long we will live. Your current state of health may also be an important consideration. The link below takes you to the Office of National Statistics’ life expectancy calculator.

[https://visual.ons.gov.uk/how-long-will-my-pension-need-to-last/](https://visual.ons.gov.uk/how-long-will-my-pension-need-to-last/)

It is important to remember that these are averages, so some people will live beyond the ages shown and some will die before.

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The table below shows the number of loaves that £100 could buy in 10 or 20 years’ time based on different rates of future inflation in the cost of bread. These are only examples and inflation could be higher or lower than the range shown.

<table>
<thead>
<tr>
<th>Future inflation</th>
<th>1% a year</th>
<th>3% a year</th>
<th>5% a year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of loaves of bread you can buy with £100:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Today</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>In 10 years’ time</td>
<td>91</td>
<td>74</td>
<td>61</td>
</tr>
<tr>
<td>In 20 years’ time</td>
<td>82</td>
<td>55</td>
<td>38</td>
</tr>
</tbody>
</table>
6. How will this affect any Eligible Dependant pensions payable?

If you choose the Higher Initial Pension With No Future Increases, any surviving Eligible Dependant would also receive a non-increasing pension on your death. So the decision you make now will also affect the pension payable to an Eligible Dependant. Please see your Personal Statement if you are not sure whether a pension may be payable on your death.

If you have young children then it is worth remembering that if they are still in full-time education at the time of your death, they may be entitled to a Child’s Allowance. Choosing the Higher Initial Pension With No Future Increases will mean any Child’s Allowance will also be non-increasing.

Therefore, you should discuss your options with your dependants. If you choose the Higher Initial Pension With No Future Increases, and you currently have a spouse or civil partner, you should also ask them to sign the Option Form.

7. What are my future income and expenditure needs?

Whilst everyone’s experience will be unique, typically we spend more money in the early years of retirement. This could be for a variety of reasons: settlement of debt, a dream holiday or just because we have more leisure time.

As we move into mid-retirement, we tend to settle into a routine where we spend less. In later years, spending may need to increase to cover any additional health and care costs. However, how much you will be able to spend on this will depend on how much your retirement income is and what assets (such as property) you may own.

The graph below (known as the ‘smile curve’) is simply a typical example and may not be appropriate for your own personal circumstances, particularly if you retired a number of years ago. However, this may help you think about how you plan to spend your time and how that might affect your spending in the future. These are important issues to consider as you decide which option may better suit your needs.

When you consider how you are spending your money in retirement, you should also think about other forms of income you are receiving alongside this pension. This might include any State Pension, income from other occupational pensions/pension pots, investment income, property rental income etc.

Choosing a Higher Initial Pension With No Future Increases would mean you receive more of your pension earlier, which may better suit your circumstances when combined with other forms of income. Apart from the tax considerations outlined below, you should consider the impact an increase in pension may have on any means tested benefits you may be receiving – for example, Pension Credit, Housing Benefit, Universal Credit or Council Tax Reduction. For the avoidance of doubt, this option will not affect the amount of your State Pension.
8. What happens if I die after choosing a Higher Initial Pension With No Future Increases but before it comes into payment?

If you were to die after returning your Option Form but before your benefits are secured with our chosen insurance provider, then we would only give effect to your choice of a Higher Initial Pension With No Future Increases when calculating any survivor benefits if your spouse/civil partner had also signed the relevant Option Form.

Note that benefits payable in any interim period before the Plan exits the PPF assessment period would continue to be paid in accordance with PPF rules.

9. Important information on tax

Income tax

If you take a Higher Initial Pension With No Future Increases, the increase to your pension may result in you moving to a different tax band. You should therefore consider any impact this may have on your financial circumstances before taking this option.

Lifetime Allowance

As explained in the Pension Factsheet, the Lifetime Allowance is the limit set by HM Revenue and Customs (‘HRMC’) on the value of payments from all of your pension schemes (whether these are lump sums or retirement income) that you can build up over your lifetime without triggering an extra tax charge. The Lifetime Allowance does not apply to any spouse’s or dependant’s pension you are receiving (please see the other HMRC limits section below).

If you retired on or before 13 January 2009

HMRC applies a limit on the increase that can be applied to a pension in payment (see the Pension Factsheet for more details of the test that is used). If you choose the Higher Initial Pension With No Future Increases, this test would be based on your higher initial pension. If your revised pension, when the Plan exits PPF assessment, is higher than this limit then part of your Lifetime Allowance will be used up. If this takes your benefits above the Lifetime Allowance limit, an additional tax charge will be due.

We will provide confirmation of any amount of the Lifetime Allowance that your revised pension is estimated to use up closer to when the Plan exits PPF assessment. If this applies to you, we will also provide a Lifetime Allowance form for you to complete to confirm what, if any, Lifetime Allowance you have available. You will need to return this form before any increase in your pension can be put into payment. Please note that if your revised pension takes you above your Lifetime Allowance, an additional tax charge will be due. If you think this could affect you and your decision, please contact LEBC, your own financial adviser or the Plan Administrator for further details.

If you retired on or after 14 January 2009

HMRC will apply a limit to the increase in your existing pension in payment. If this limit is exceeded, part of your Lifetime Allowance will be used up.

If your benefits were restricted in accordance with PPF rules, when the Plan exits PPF assessment, you may become entitled to an additional amount of pension that the Plan is able to provide in excess of your PPF Plan Value benefits. In practical terms, this is treated as if it is a new pension. This additional element of pension will also need to be tested against the Lifetime Allowance.

If you choose the Higher Initial Pension With No Future Increases, these tests would be based on your higher initial pension.

We will provide confirmation of any amount of the Lifetime Allowance that your revised pension is estimated to use up closer to when the Plan exits PPF assessment. If this applies to you, we will also provide a Lifetime Allowance form for you to complete to confirm what, if any, Lifetime Allowance you have available. You will need to return this form before any increase in your pension can be put into payment. Please note that if your revised pension takes you above your Lifetime Allowance, an additional tax charge will be due. If you think this could affect you and your decision, please contact LEBC, your own financial adviser or the Plan Administrator for further details.
LEBC is a national firm of financial advisers who are experienced in assisting people with pension issues and choices. They also have detailed knowledge of the Plan and the benefits it provides to you. They therefore understand the issues that you need to consider when making a decision. If you opt for financial advice, LEBC will also make a recommendation as to which option you should choose. The Trustee chose LEBC following a selection process which was based on a number of criteria, including experience, expertise and professionalism.

LEBC will be able to talk you through your options so you can make an informed decision as to which option you wish to take. You can have any trusted party join you when speaking to LEBC, for example, a trusted adviser or other family members.

Speaking to LEBC will not commit you in any way to taking up any particular option and you do not have to follow the advice that they give you.

However, you should think carefully if you are considering taking the Higher Initial Pension With No Future Increases if you are advised that it is not in your interests to do so. Please discuss this with your financial adviser to ensure you understand the risks of not following their advice.

If you have previously notified the Plan Administrator that you do not want your information to be shared with LEBC, you will not be able to access this support, including the helpline. However, if you now want advice from LEBC, for example, a trusted adviser or other family members. Speaking to LEBC will not commit you in any way to taking up any particular option and you do not have to follow the advice that they give you.

What is the difference between financial advice and financial guidance?

**Financial advice**
Their advice will consider your personal circumstances and needs and recommend an option for you.

**Financial guidance**
Financial guidance will consider your personal circumstances and needs but will not provide a recommendation.

LEBC are not able to provide financial advice for members living outside the EEA, but they will be able to offer you financial guidance.
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:


  There are also free guides you can download here: [https://moneyadviceservice.org.uk/en/articles/free-printed-guides](https://moneyadviceservice.org.uk/en/articles/free-printed-guides)

- **Impartial financial advisers**

  If you do not wish to use LEBC you are entitled to appoint your own impartial financial adviser. A list of advisers can be found at [www.vouchedfor.co.uk](http://www.vouchedfor.co.uk), [www.unbiased.co.uk](http://www.unbiased.co.uk) or [https://directory.moneyadviceservice.org.uk](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 FCA. You can check online at [fca.org.uk/register](http://fca.org.uk/register).

11. How to choose a Higher Initial Pension With No Future Increases

Please complete and return the **Option Form** enclosed with your **Personal Statement** if you decide that a **Higher Initial Pension With No Future Increases** is your preferred option.

12. What if I change my mind?

You have two weeks from the date you sign your **Option Form** to change your mind. If you change your mind, you need to write to (or email) the Plan Administrator within this two week period. Please include your name, member reference and contact details (phone number/email). You should also state that the reason for writing is to confirm that you have changed your mind and you wish to accept the **Pension With Annual Increases** instead.