1

A guide to your company pension and company stakeholder pension

AVIVA

Welcome

We're delighted that your employer has chosen Aviva to provide your company pension scheme.

We've put this guide together to help you understand your company pension scheme, and to give you some information about the benefits of having a pension plan.

We hope you find it useful.

Contents

How will this guide help me?

Right now, you're working hard. One day though, you'll retire and have lots more free time on your hands – what will you do with it?

You may already have some ideas about what you'd like to do but whatever plans you have, a few simple choices now could make a positive difference to your life in the future.

This guide will help you make those choices.

We've aimed to make the guide as easy as possible to understand but, from time to time, we include some technical details. When we do this, we'll highlight the words in **blue** and explain them in the jargon buster which can be found at the end of this guide.

Your company pension and company stakeholder pension with Aviva

You may already have a pension plan, or this may be the first time you've had the chance to start planning for the future.

Either way, by joining your company pension or company stakeholder pension scheme with Aviva, you're on your way to building up a pot of money to fund your retirement.

Who can join the plan?

Your employer will tell you if you're eligible to join the scheme. As far as we're concerned, you can join the plan if:

- You're **resident** in the UK, or
- You or your spouse/civil partner are working overseas for the UK Government:

You need to tell us if:

- You stop being **resident** in the UK, or
- You stop having earnings related to UK income tax, or
- You or your spouse/civil partner stop working for the UK Government overseas.

You should also tell us if you move or start working abroad as this may affect how much you can pay into your plan. We'll tell you more about this if and when it happens.

Pension Tracker

You can monitor and manage your Aviva pension plan online using our Pension Tracker.

It only takes a few minutes to register, simply visit http://www.aviva.co.uk./pensions-and-retirement/pension-tracker.html

Why do I need a pension plan?

Put simply, you need a pension plan to help you invest for the retirement you want.

The only problem is that most of us find it difficult to put money away for the future when there are so many things to pay for today. But the fact is, your quality of life in retirement depends on how much you can invest now.

Expenses in retirement

Some of your outgoings may reduce as you get older, particularly if you pay off your mortgage, or if your children leave home. But, unfortunately, some things just don't change:

- Water rates
- Phone bill
- Gas and electricity bills
- Council tax
- Food
- Petrol and car tax

You'll still have all these costs to pay when you've retired, and that's before you spend money on the nicer things in life, like holidays and going out.

Inflation

You probably don't need us to tell you that the cost of living keeps on rising. The money you have when you retire has to be able to cope with these rises. To show how things get more expensive over time we can look at inflation. Inflation is a way of comparing how the prices of things increase when the money you have to buy them stays the same:

	1991*	2001*	2012**
A dozen eggs	£1.18	£1.72	£2.50
500g bacon	£2.35	£3.43	£4.00 (for 600g)
250g cheddar cheese	86p	£1.28	£1.88

*Source - Office of National Statistics, Social Trends No. 40, 2010 edition.
**Cost of Tesco branded products January 2012

The State Pension

If you don't have a personal or company pension, the basic State Pension could be your main source of income when you retire (and you'll only get the full amount if you've paid enough National Insurance).

This means that you'd only receive a maximum basic state pension of £107.45 per week if you're single and you retired today; married couples would receive £171.85 per week (for the 2012/2013 tax year).

Due to changes in pension legislation, the younger you are, the longer you may have to wait until you retire:

- Between now and 2020 the State Pension age will gradually increase to 66.
- From 2020 to 2046 the State Pension age will gradually increase to 68 for both men and women (although this is subject to change as the Government have proposed to bring the increase to age 68 forward).

If you want to find out when you'll be able to claim your Basic State Pension, you can go to www.direct.gov.uk.

Other sources of income

You may also be eligible for other benefits, such as the State Second Pension, which is paid on top of the basic State Pension. Pension Credit is also available to those aged over 60, which tops up your guaranteed minimum weekly income. For the tax year 2012/13, this amounts to a minimum of £142.70 for a single person and £217.90 for a couple. However these benefits, and any other you may be eligible for, might not be able to give you the kind of retirement you want.

The age from which you can get Pension Credit is gradually increasing to 65 by April 2020.

We're living longer

It goes without saying that the fact we're generally living longer is a good thing; it means you can look forward to a longer retirement.

However, it also means that it's even more important to make sure you're prepared for retirement.

What can a pension plan do for me?

Strictly speaking, you don't actually have to have a pension plan but there are definitely some benefits if you do.

Tax relief

It sounds almost too good to be true, but the Government will help you invest for your retirement. How is this possible? By giving you tax relief on the money you pay into your pension plan:

The amount you pay in	£80
The amount added by tax relief from the Government	£20
The total amount paid into your pension	£100

This is an example of how basic rate tax relief works at the moment, it's possible that it could change in the future as tax rules change.

Tax relief is currently allowed on your personal payments to all your plans up to £2,880 (which becomes £3,600 with tax relief), or 100% of your UK taxable earnings if greater. There is also an overall limit set by HMRC on the amount of your payments which will qualify for tax relief, for details of this see page 7. This plan won't accept payments from you that don't qualify for tax relief.

If you pay more than basic rate tax there are different rules, so it's best to speak to a financial adviser to get all the information you need.

To get more information on tax relief and how it affects you please go to www.direct.gov.uk.

Employer payments

If you're lucky, it might not be just the Government who's on hand to help you invest; your employer may also pay into your pension too.

Flexibility

You might think that having a pension plan means you have to pay money in every month. While that's good advice for a comfortable retirement, we understand that sometimes, it's easier said than done. That's why we let you pay in more or less money as your circumstances change.

Portability

Because your pension plan belongs to you, you can take your plan with you and carry on paying into it if you change jobs; this means it's there waiting if your new employer wants to pay into your plan.

Locked in

With a pension plan, your money is locked away until retirement, usually at least until age 55, so, even if you're tempted, there's no way you can spend it before you retire. This may sound like a bad thing, but the money you put away for retirement could have to last you a long time.

Why should I choose Aviva?

With Aviva you can rest assured that we'll take care of your pension plan from the day it starts to the day you retire.

We aim for superior long-term investment performance and, as the UK's largest insurance company, we have the strength to deliver. Along with millions of other customers, you can feel confident when you choose to invest with us.

Staying on track with Pension Tracker

Once you've started your pension, it's important to check on how well it's doing and here's where we can really help.

We'll keep in touch with you and let you know how your plan is doing, and you can always call us if you've got any questions.

Tel: 0800 068 6800
Lines open from:
8am-8pm Monday to Friday
9am-5pm Saturday
For our joint protection, telephone calls may be recorded and/or monitored.

But that's not all, our Pension Tracker gives you online control over your pension fund so you can access, monitor and change your plan whenever you want.

With Pension Tracker you can:

- Find the answers to the questions you've got about pensions.
- See how much your plan is worth.
- See how much your plan could be worth when you retire and the retirement income it could give you.
- See how much has been paid into your plan, including any payments made by your employer.
- Look at and, if your plan allows it, request a change to the funds you invest in.
- See how your investment choices affect the income you could have when you retire.

Pension Tracker is designed to make managing your pension plan simple and convenient, letting you really take control of your future.

Reaching retirement

There are a few important things you'll need to think about as you get closer to retirement.

Is your money invested wisely?

Are you going to use all of your **pension fund** to buy an income when you retire, or are you going to take a **tax free cash** lump sum?

Are you going to buy an **annuity** to give you an income for life, and if so, where from? Or, are you going to take your retirement income using **income drawdown**?

With so many things to consider, you'll be glad to know that we'll get in touch as you approach retirement to let you know what your options are.

Retirement and beyond

When you reach retirement we can still help you with your financial needs. Whether it's insurance, investments or life cover we'll always be here to help, so you can rely on us no matter what.

How much should I pay into my pension plan?

The easy answer is, it's up to you. The more difficult answer is, as much as you can afford.

The bigger your **pension fund**, the more income you're likely to get when you retire so, generally, the more you pay in the better. If you pay in as much as you can, for as long as you can, you're giving yourself the best chance to get the income you need in retirement.

Different funds carry a different level of investment risk, so it is important that you are happy with the way your money is invested. Remember that the value of your investments can go down as well as up and that your pension fund may not be worth the amount paid in. See our guide to investing in your company/company Stakeholder pension for more information.

Payment limits

The minimum payment to your company stakeholder pension is £20. For your company pension, if you want to make regular monthly payments you have to pay in at least £20 a month; for regular yearly payments you need to pay in at least £200 a year. You could also choose to make one-off payments of at least £500.

There are also limits set by HM Revenue & Customs in addition to those detailed in the 'Tax Relief' section on page 5:

- Annual allowance

  There's an overall limit on pension payments paid by you or on your behalf each year, called the Annual Allowance. This is £50,000 in the tax year 2012/2013, and it is not expected to be reviewed until the 2016/17 tax year. If total payments from you or your employer or a third party, to all your pension plans are above the Annual Allowance, you may be subject to an annual allowance tax charge on the excess.

- Lifetime allowance

  When you decide to take your benefits, the total benefit amount is reviewed against your lifetime allowance. If your total benefits exceed your lifetime allowance when you take them, you will be taxed on the amounts over that limit.

  The standard lifetime allowance for the 2012/13 tax year is £1.5 million, and it is expected to remain at this level until at least the 2015/16 tax year.

Existing pensions

If you've already got a pension plan with another company you may be able to take the money out and pay it into your plan with us. This can be a big decision to make so it's best to get financial advice to make sure you're doing the right thing. If you do decide to transfer an existing pension to your plan with us, you need to pay in at least £500 (this minimum amount doesn't apply for a stakeholder pension).

Pension Tracker

Not sure you're paying in enough?

To see what's going in, go to the Payments section.

Make sure you know who's paying what into your plan. You'll be able to see what you, your employer and the taxman are paying in.

Use the 'What if' calculator to see what difference increasing your payment would make.

How should I invest my pension payments?

When it comes to investing hard-earned money, we understand that everyone is different.

When it comes to making investment decisions you could be confident or uncomfortable; you could be at ease taking risk with your money or just the thought of it could fill you with dread.

So we have a range of different investment options for you to choose from, all with one thing in common: that you get to decide what happens to your pension fund. You can ask us to look after your money in a way that suits you.

Investment options

You can decide whether you want to make all your investment decisions yourself.

You can decide to use funds that we've chosen.

You can choose to follow an investment approach set by your employer. It's up to you.

More information

You can find all the information you need on investing your money in our guide to investing in your company/company Stakeholder pension.

Once you've taken out your plan, you can also visit Pension Tracker to check that the decisions you've made are still right for you.

Pension Tracker

Want to check how your money's being invested?

To see where the money is going, visit the Investment section.

Understand what type of investments you have, their value, how they've performed and what your investment style is.

Don't think the investments you have are right? Use Pension Tracker to see if there's another investment that could suit you better.

Pension Tracker

Think a few tweaks are needed?

First, get some financial advice to make sure the changes you're planning are right for you.

Then you can use Pension Tracker to make your request to the changes you want right away, online.

Choose to change the funds you invest in or the payments you make. It's quick and easy to manage your pension fund so you know exactly where you stand.

What happens to my pension fund if…?

I can’t make my payments

Because we offer the flexibility of payment holidays you’ve got the chance to take a break from making your pension payments if you need to. So if you’re taking a break from work, or if you’re going through some financial difficulty, you don’t need to worry.

You should know that we’ll still take charges even if you’re not making your payments, or if no payments are being made to your plan. This means that your **pension fund** won’t grow as much as it would if you carried on making payments; it could reduce in value if the charges we take are more than the growth in the funds you invest in.

I die

If you die before you’ve taken all the **benefits** from your **pension fund**, your family may get a lump sum or an income. You can request an expression of wishes form from us so that you can tell us who you'd like to receive any lump sum that's available.

I change my job

Your pension plan belongs to you so if you change jobs, it moves with you. This means you, and your new employer, could carry on making payments into it.

What happens when I retire?

When you come to retire you use the money in your **pension fund** to provide yourself with a retirement income. This means you'll have some difficult decisions to make but, don't worry, we'll be with you every step of the way.

Final pension fund value

Knowing exactly what your **pension fund** value will be when you retire is almost impossible; however it is possible to have a good idea of what you're going to get. The best way to do this is to keep an eye on your plan and how it's performing.

Here's how we can help:

- To start with, we'll give you an illustration which includes examples of how your **pension fund** may grow, based on how much you're paying, fund performance and when you expect to retire.
- Then, each year, we'll send you a statement. This will show you what's been paid into your plan and how much it's worth. We'll also show what your fund could be worth in the future.
- On top of this, we have Pension Tracker which can give you even more detail, whenever you need it.

Please remember that the value of your investments can go down as well as up and that your pension fund may be worth less than the amount that has been paid in.

Retirement options

When you retire you can normally take up to 25% of your **pension fund** in cash without paying any tax.

You'll then need to decide how you want to use the rest of your fund; you can buy an **annuity** or invest in an **income drawdown** plan.

Retirement age

You don't have to retire at 65, you can choose when you want to retire.

You can take your pension with us at any time between age 55 and 75. Just tell us when you take out your plan and, if you change your mind, all you need to do is let us know.

Phased retirement

If you want to carry on working you don't have to take all your **benefits** at once. Taking part of your **pension fund** this way is known as phased retirement.

You should know that there are risks associated with phased retirement. For example, the value of your **pension fund** could decrease or future **annuity** rates could be lower. What's more, we'll still take charges even if you've stopped paying into your pension plan.

As ever, when the time comes, you really should get financial advice before you make any big decisions about your retirement.

Pension Tracker

What about when you retire?

The Retirement Planner will tell you what to expect.

Get a preview of what you might get on the day you retire. Don't like what you see? Use the 'What if' calculator to see how decisions you make can affect what you might get at retirement. Look at changing your retirement age, where your pension fund is invested or increasing your payments and see what happens…

What do I need to do next?

If you've decided that you'd like to join the scheme, you need to read our guide to investing in your company/company Stakeholder pension. It will take you through the options you have for investing your money.

You should also read the 'Key features' for more detailed information on the plan.

Once you've decided how you want to invest your payments, you can ask your employer for an application form. When you've filled it in, hand it back to your employer and we'll set up your plan and send out your policy documents. You need to read through these and keep them in a safe place for future reference.

You should also fill in the expression of wishes form and send it to us so we know what you'd like to happen to your money if you die.

As we'll collect your payments automatically, you'll be glad to know that there's nothing else for you to do.

Pension Tracker

Something unclear?

Lisa – your virtual online guide – is always on hand.

Instead of just telling you, we actually show you how to use the site. Using everyday language instead of jargon, Lisa gives you a complete tour of the site, and more detailed explanations of what you can do in each section.

Essential tips and tools

If you want to look at your finances in general then you'll find lots of useful features, calculators and helpful information on pensions and finances, including an interactive budget planner which lets you take a good hard look at where your money is going each month.

Other useful information

If you want more information on your company pension scheme it's best to speak to your employer. If you want to contact us directly then get in touch using the details below.

Aviva

0845 900 0817

Lines open from:
9am – 5pm, Monday to Friday

Aviva
PO Box 520
Surrey Street
Norwich NR1 3WG

www.aviva.co.uk

If you need advice on whether this pension plan is suitable for you, we recommend that you speak to a financial adviser.

Useful websites

The Pensions Advisory Service

This is an independent site which will give you information and guidance on pensions.

www.pensionsadvisoryservice.org.uk

Directgov

This is the Government's site for all public services. It includes a section on pensions and retirement planning.

www.direct.gov.uk

Unbiased

If you don't already have a financial adviser, this website will help you find one in your area.

www.unbiased.co.uk

Aviva

Our website will give you all the information you need about our products and services.

www.aviva.co.uk

Pension Tracker

This is our online service to help you manage your pension and your retirement planning.

www.aviva.co.uk/pensions-and-retirement/pension-tracker

Jargon buster

Annuity	You can use the money from your **pension fund** to buy an annuity. An annuity will give you a regular income for the rest of your life. You can choose from different types of annuity depending on how you want to receive your income. For example, an income that increases each year or an income that is paid to your dependants after you die.
Basic state pension	This is an amount paid by the Government to everyone who has made enough National Insurance contributions (known as "qualifying years"). At the moment, the number of qualifying years is 30.
Benefits	These are the payments that you receive from your **pension fund** when you retire.
Funds	The collection of assets (e.g. company shares, Government bonds, property) that your money is invested in.
Income Drawdown	This is a way of taking regular income payments from your **pension fund** whilst you leave it invested for potential growth in the future.
Pension fund	This is a term given to the pot of money you build up in your pension plan.
Pension scheme	Your pension plan is held in the Aviva Personal Pension Scheme or the Aviva Stakeholder Pension Scheme.
Resident	You're likely to be classed as 'resident' if you live in the UK all or most of the time. If you're not sure, please speak to your local tax office.
State Second Pension (S2P)	From 6 April 2002, the S2P replaced the State Earnings Related Pension Scheme (SERPS). This is an additional state pension, paid on top of the basic State Pension for people who've paid enough National Insurance.
Tax free cash	This can also be known as the pension commencement lump sum. When you decide to take your pension benefits, you can normally take up to 25% of your **pension fund** as a cash sum without having to pay tax.

Notes

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