

April 2015

Your Retirement Options

Including purchasing a pension with your M Plan Retirement Account



“ This booklet has been designed to help you understand the options available to you including converting your M Plan Retirement Account into an annuity for your retirement. ”



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The information provided in this booklet should not be construed as financial advice. When deciding which type of retirement income is right for you, you will need to consider your overall financial situation and your expected financial needs.

Since April 2015 there are more options on what you can do with your pension savings. We recommend you get guidance or advice to help you with this decision. Pension wise is a new service from the government that offers free and impartial guidance. More information can be found at **www.pensionwise.gov.uk**. You could also consider taking independent financial advice.

I ABOUT THIS BOOKLET

This booklet has been designed to help you understand the options available to you including converting your M Plan Retirement Account into an annuity for your retirement.

An annuity is a pension which is paid to you by an insurance company that is completely independent of IBM.

INSIDE YOU CAN FIND DETAILS ABOUT:

- Annuity purchase – how to use your Retirement Account to buy a 'lifetime annuity' which will provide you with a pension for the rest of your life;
- Alternative pension options that you may wish to consider including the option of taking an Uncrystallised Funds Pension Lump Sum; and
- How Pensions Services can help you navigate the necessary steps.



FACT

Choosing what to do with your Retirement Account is an important decision, as it will affect the pension you receive for the rest of your life.

Please take the time to read this booklet in conjunction with other documentation sent to you by Pensions Services.

Need help?

Contact your Pensions Officer for assistance; details can be found on the Pensions Trust website, **www.smartpensionsuk.co.uk**.

Although your Pensions Officer will be happy to help you in any way they can, they can't give you any financial advice.

2 UNDERSTANDING YOUR ANNUITY OPTIONS

The amount of your pension will depend primarily on three main factors:

- 1 The value of your Retirement Account;
- 2 Your age, gender and other personal details; and
- 3 The options that you choose for your pension.

“There are several important decisions you will need to make.”

If you are thinking about starting to receive your pension, you can ask Pensions Services to provide you with details about your Retirement Account, how you can use it to buy a lifetime annuity and the process you will need to follow; this process is also explained on page 15. These details will be provided automatically six months before the following ages for:

- **M Plan joiners before 1 October 2006 – age 63**
- **M Plan joiners on or after 1 October 2006 – age 65**
- **DSL Defined Contribution members – age 65**

The information provided is important, so please read it carefully and ask your Pensions Officer about anything that isn't clear.

You have a number of options to choose from when deciding how to take a pension from your Retirement Account; purchasing a lifetime annuity is no longer the only choice. This booklet explains some of the various options currently available in the market.

There are several important decisions you will need to make including:

- **WHEN TO START RECEIVING YOUR PENSION**
You can start receiving your pension from any age after 55. If you are a current employee, you will need the consent of the Company to start receiving your pension.

- **WHAT SORT OF PRODUCT TO BUY**

For example, think about what you want from your pension:

- A pension just for you or do you want to provide a pension for a spouse* in the event of your death?
- Do you want your pension to increase in payment either by a fixed amount each year or in line with inflation, or would you prefer a higher initial pension that doesn't increase once in payment?
- Do you have impaired or ill health? You could be eligible for a higher pension if you have a health problem that threatens to shorten your life.
- Do you want to take a tax-free lump sum before buying an annuity? You can generally take up to 25% of the value of your Retirement Account as a tax-free lump sum under HMRC regulations.
- Would you like to consider a different option to a lifetime annuity?

** All references to a spouse in this booklet mean a legal spouse or civil partner; this does not necessarily include a partner, although this may fall within the definition of 'dependant' – please see page 7.*

- **WHERE TO BUY YOUR RETIREMENT BENEFITS FROM**

The IBM Pension Plan (the Plan) is not linked to any insurance company, so you will need to buy your annuity on the open market. To help you, Pensions Services has secured the services of Mercer who offer an annuity broking service for a fee deducted from your Retirement Account. If you don't want to use Mercer or you want a retirement product other than a standard lifetime annuity, you should consider using an Independent Financial Adviser to help you.

3 ANNUITIES EXPLAINED

What is a lifetime annuity?

Your Retirement Account is paid to an insurance company to purchase an annuity which, in return, will pay you a pension for your lifetime. These payments will be subject to income tax.

The amount of pension you will receive depends on several factors, such as:

- The value of your Retirement Account after you have taken any tax-free lump sum (you can generally take up to 25% of your Retirement Account as a tax-free lump sum – this may be referred to as a Pension Commencement Lump Sum);
- Annuity rates offered by the insurance company (the rate used to convert your Retirement Account into a pension);
- The type of annuity you decide to buy;
- Age – the younger you are, the lower the pension, as it is assumed it will be paid for longer; and
- Health or lifestyle – you may receive a higher income if, for example, you are a smoker, have high cholesterol or are in poor health.

Where you live can also make a difference as some annuity providers will offer lower annuities if you live in a 'good' postcode area because you are expected to live longer.

“ There are a number of factors to think about to ensure you choose the right annuity and therefore get the right pension for you. ”

There are different types of annuity to suit different needs and circumstances. The basic types are:

SINGLE LIFE ANNUITY

A single life annuity provides a pension just for you; no spouse's pension is payable after your death. You might choose this option if you don't have a spouse, or if they have their own pension arrangements. Single life is usually less expensive than dual life, so you can expect the pension generated from a single life annuity to be higher than a dual life annuity (see below).

DUAL LIFE ANNUITY

A dual life annuity will pay you a pension until your death and your spouse a pension after your death (this is normally at a lower rate than you were receiving). If you choose a dual life annuity, you can choose an 'any spouse' or 'named spouse' option at the point of retirement:

- **Any spouse** – In the event of your death, any spouse who is entitled to a pension does not need to be specified at the time of setting up your annuity. An any spouse option will cost more to provide than the named spouse alternative.
- **Named spouse** – In the event of your death, a pension will only be payable to a spouse who you nominated to receive a spouse's pension at the time of setting up your annuity. You may also select this option if you do not have a spouse but have an adult dependant at the time of your retirement who you want to provide for (see page 7).
- **Any beneficiary** – Subject to new legislation.

LEVEL OR INCREASING ANNUITY

You can choose whether you want your pension to be 'level' or 'increasing'.

A **level annuity** pays the same pension throughout your life; it doesn't increase in payment. Initially you will receive a pension that is higher than you would receive from an increasing annuity.

An **increasing annuity** will start at a lower rate than a corresponding level annuity, but the pension paid will receive annual increases.

If you choose an increasing annuity, it can be at a fixed rate or inflation linked:

- **Fixed rate** – Your pension increases each year by an agreed fixed rate (e.g. 3% or 5%); or
- **Inflation linked** – Your pension is increased each year to reflect the change in inflation, up to an agreed maximum figure. The actual increase in your annuity will vary from year to year to match inflation, up to the agreed limit, to try and protect the buying power of your pension. This is known as Limited Price Indexation (LPI).
- **A flexible annuity** – Where income can increase or decrease over time.

Although you will initially receive a lower pension with an increasing annuity than with a level annuity, it will increase each year. It can take many years for an increasing annuity to pay out as much as a level annuity, but if you don't have an increasing annuity, even low levels of inflation can, over time, significantly reduce your standard of living.

WHO IS A DEPENDANT?

A dependant is someone with whom you are mutually dependent financially at the time of death. Evidence of dependency will be required by the insurance company. A person is a dependant if:

- He/she was your spouse or civil partner on your death; or
- He/she was your child who has reached age 23, and, in the opinion of the insurance company, was dependent on you at the date of your death because of physical or mental impairment; or
- He/she was neither your spouse nor civil partner on your death but, in the opinion of the insurance company, at the date of death:
 - Was financially dependent on you; or
 - His/her financial relationship with you was one of mutual dependence; or
 - Was dependent on you because of physical or mental impairment.

“Your pension income will be subject to Income Tax.”



PAYMENT FREQUENCY

Pension payments can be made monthly, quarterly, half-yearly or annually and instalments can be paid either in advance or in arrears.

PROPORTIONAL PAYMENTS

If payments are to be made in arrears, they can be either with or without proportion. When you die, annuities 'with proportion' will pay out a proportionate instalment that reflects the period from the last payment date to the date of death. Annuities 'without proportion' would have no further payments made after the last payment date (other than any spouse's benefit payable).

“ The more options you add to your annuity, the lower your pension is likely to be. ”

ANNUITY ADD-ONS

You can also add some extras to your pension:

Guarantee

You can guarantee your pension to be paid for a specific number of years (usually five or ten) so if you die within that time, the pension will continue to be paid to your spouse or someone who is financially dependent on you, until the guarantee period ends. For example, if you chose a ten year guarantee period and died after six years, the insurance company would pay the full annuity as income for a further four years. If there is no one eligible to receive the continuing payments, they can be paid into your estate and distributed in line with the instructions in your will.

Alternatively, if you die before the guaranteed amount of annuity has been paid, the balance can be paid as a lump sum. This is an Annuity Protection Lump Sum death benefit. There is a special lump sum death benefits tax charge due on the payment of this lump sum. This is currently 55% and is paid by the insurance company who will deduct the payments from the lump sum before it is paid.

If you chose an annuity without any guarantees then no lump sum death benefits, or continuing instalments for the balance of the guarantee period, will be paid to your beneficiaries.

The cost of providing a five year guarantee is generally inexpensive. If you would like a guarantee period of longer than ten years you will need to confirm this before you choose an annuity.

Overlap

If you add a guarantee to your annuity and subsequently die within the guarantee period, your spouse's benefit (where applicable) can be paid either with or without overlap:

- **With overlap** – A spouse's pension would be payable immediately after your death along with the remaining instalments from the guarantee period on your annuity.
- **Without overlap** – A spouse's pension would not begin until the end of the guarantee period; however, the remaining instalments of your annuity would be payable.

If your pension is guaranteed for more than five years, it must be set up without overlap.

These annuity add-ons do have a cost and this may mean that you receive a lower pension if they are included.

ENHANCED AND IMPAIRED-LIFE ANNUITIES

You may be able to receive an enhanced annuity if, for example, you are overweight or smoke. If you have a medical condition that threatens to shorten your lifespan, you may be eligible for an impaired-life annuity that pays a higher than normal pension. In addition, some insurance companies may offer better rates to people who have been in certain occupations; these are generally of a manual nature.

Enhanced or impaired-life annuities may be available to anyone with one or more lifestyle or medical conditions, including:

- **Smoking**
- **Obesity**
- **Diabetes**
- **Heart disease, angina, stroke**
- **Lung disease**
- **High blood pressure**
- **High cholesterol**
- **Kidney, bladder or liver complaints**
- **Cancer, leukaemia, Hodgkin's disease**
- **Multiple sclerosis, dementia, Parkinson's disease**

A report from your doctor and/or a full medical examination may be required before the annuity can be set up; this could result in a delay before payment of your pension commences. Whilst the process for obtaining an impaired-life annuity can take longer than an ordinary annuity, the potential increase in pension can be substantial.

Insurance companies may impose restrictions about the add-ons that you can choose if you have an enhanced or impaired-life annuity, e.g. a spouse's pension will only be quoted on a five year guarantee without overlap basis.

If you want to be considered for an enhanced or impaired-life annuity, you will need to complete the Mercer Medical Application form which can be downloaded from the IBM Pensions Trust website (under 'Forms') or obtained hardcopy from Pensions Services.



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ALTERNATIVES TO A LIFETIME ANNUITY

You don't have to buy a standard lifetime annuity. There are alternative pension products for you to consider. The Mercer annuity broking service won't be able to assist if you opt for any of the alternatives and you would need to purchase the products independently.

If you do decide to choose your own annuity independently, you are strongly advised to seek the advice of an Independent Financial Adviser (IFA). Companies selling pensions and annuities must be regulated by the Financial Services Authority and you will find useful information about this on the website **www.moneyadvice.service.org.uk**. If you don't have an IFA, you can find one on the professional advice website, **www.unbiased.co.uk***.

** IBM Pensions Trust does not recommend any sites or companies listed on the results pages provided by www.unbiased.co.uk and cannot be held responsible for the content of any external sites.*

If you buy your retirement product through an Independent Financial Adviser, you should make sure that:

- ✓ **Your adviser understands your current and future financial needs and you inform them of any specific circumstances.**
- ✓ **You fully understand the proposal they make, including associated costs and risks.**
- ✓ **You read the key details they provide and ask questions if anything is unclear.**

ALTERNATIVE OPTIONS**Small Pots**

You can take your Retirement Account as a cash lump sum if the total value of your IBM Retirement Account is less than £10,000.

If you are eligible for a Small Pot payment, 75% of the value of your Retirement Account will be taxed as Basic Rate but the 25% balance will not be taxed.

Uncrystallised Funds Pension Lump Sum (UFPLS)

You can now take your whole Retirement Account as a lump sum payment.

75% of the value of your Retirement Account will be taxed as income and the 25% balance will not be taxed.

Please note that if you decide to take a UFPLS (of over £10,000) your Annual Allowance may be restricted.



“ Neither unit-linked nor With-profit annuities are suitable for members who need certainty of income in retirement. ”



NON-STANDARD ANNUITIES

Investment-linked annuities

An investment-linked annuity continues to invest your Retirement Account after retirement. The income you receive is based on the performance of the funds or investments that you select. As a result, the income can increase or decrease depending on investment performance and, for this reason, this type of annuity is more suitable for those who can afford to take a degree of investment risk and cope with fluctuations in their pension income.

Investment-linked annuities can be either unit-linked or With-profits:

- **Unit-linked annuities** invest your Retirement Account in units in investment funds and your income is linked to the performance of the funds. You can usually choose the types of fund to invest in, e.g. medium or higher risk managed funds or tracker funds which usually have lower charges. Your income in retirement will vary – up as well as down – and you should select a fund or funds which reflect your attitude to risk, reward and volatility.
- **With-profit annuities** invest your Retirement Account in an insurance company's With-profits fund. Your income is directly linked to the performance of the fund. It is generally received in two parts – a starting income and bonuses.

The starting income is often low and, unless investment conditions are very poor, you will usually receive at least this much income; some providers may even guarantee a minimum level of income.

Bonuses are usually announced by the insurance company annually but are not guaranteed. They can be a 'reversionary bonus', which is usually paid each year for as long as the annuity is in payment or a 'special bonus', which may be paid for a year or more.

The amount of the bonus depends on a number of factors including investment performance, the financial strength of the fund and the amount the insurance company assesses it can afford to pay.

With an investment-linked annuity, you may be able to convert to a traditional annuity:

- **Fixed-term annuities** provide a guaranteed income for a set number of years. At the end of the guarantee period there would be a maturity payout which you could re-invest.
- **Flexible annuities** allow you to vary the level of income you take, but they contain an investment element which adds to the complexity of this type of annuity.

One of the advantages of flexible annuities is that they offer a wider choice of investment options. They combine the advantages of an income for life with some of the advantages of Drawdown (see page 12). The disadvantage of flexible annuities is that future annuity payments may be lower than expected if investment returns are poor.

The income from a flexible annuity is not guaranteed and may fall as well as rise. This means that they are more risky than standard annuities.

You can use a flexible annuity to provide for your dependants and beneficiaries.

FLEXI-ACCESS DRAWDOWN (UNSECURED PENSION)

Drawdown is a popular alternative to buying a lifetime annuity. Drawdown is not available in the M Plan so if you want to use Drawdown, you will need to transfer your Retirement Account to a new provider.

Under Drawdown, you can take a taxable income while leaving the remainder of your fund invested for potential further growth. You can choose from a range of investments and you can still buy an annuity at any point.

You can normally take up to 25% of your fund as a tax-free lump sum at the outset. The value of the fund or the income levels available from it cannot be guaranteed and may go down as well as up.

Death benefits

If you die before age 75 any payment to dependents/beneficiaries will be paid tax free, either as income or a lump sum. If you die after age 75 a lump sum payment can still be made but will be taxed at 45%. Income will be taxed at the recipients marginal rate.

TRANSFER

You don't have to purchase an annuity; you can transfer the whole of your Retirement Account to another HMRC registered pension scheme for re-investment. Please note that if you have a 'protected' tax-free lump sum ("scheme specific lump sum protection") under the Plan Rules this will be lost on transfer. Once protection is lost, you will only be entitled to a maximum of 25% of your fund as a tax-free lump sum.

DEFERMENT

You can leave your Retirement Account invested within the Plan until a later date.

“ Some of the alternative options may only be suitable for members with a large Retirement Account or who have an income from other sources and are prepared to take some risk with their pension. ”

REMEMBER

With one of the alternative options, any fund that remains invested will hopefully grow sufficiently to cover the charges (and other factors that may have an impact on the value of your fund) caused by the delay in purchasing a lifetime annuity and receiving an income in the interim. With the balance of the fund remaining invested, there is also a risk that returns will be lower than expected and the value of your fund may fall. This could mean that you receive a lower income in future.

In short, with these arrangements, the underlying fund value remains volatile and does not 'crystallise' in the same way as an annuity does. In addition, charges tend to be higher for these types of arrangements and therefore you may need to consider a higher risk investment strategy to keep the income levels sufficient.

Make sure you are comfortable with the risks of choosing one of the alternatives to a standard annuity.

5 HOW PENSIONS SERVICES CAN HELP YOU

When you are considering taking your pension, Pensions Services will provide you with an estimate of the value of your Retirement Account, along with some generic illustrations. These will detail a number of different annuity options based on market rates available at the time. These illustrations will provide details of annuities both with and without taking any tax-free lump sum, along with details of any UFPLS or small pot payment available.

The illustrations will help you to understand the range of options available and how the different options will affect the amount of pension you receive. The illustrations cannot be guaranteed because the value of your Retirement Account and/or the cost of annuities will fluctuate before your pension is set up.

The Trustee has arranged for an independent company, Mercer, to assist you, if required, on the purchase of an annuity by using their annuity broking service. Mercer is independent of IBM and will charge a fee for selecting and arranging your annuity. The fee will be deducted from your Retirement Account when your annuity is set up. The fee structure will be confirmed in your initial letter and illustrations from Pensions Services. At this point you are under no obligation to proceed with an annuity purchase.

Once you have received your illustrations, you should carefully consider which type of annuity you need, such as single or dual life, increasing or flat. You may decide to opt for an alternative pension product or seek independent advice. You should advise Pensions Services of this by returning your option form.

If you choose to use the Mercer annuity broking service, you should complete your option forms and return them to Pensions Services as soon as possible. This will help to ensure your pension is paid quickly and may help to avoid backdating charges.

Once you have returned your paperwork, you are authorising Pensions Services and Mercer to proceed with purchasing an annuity on your behalf. Pensions Services, who act as the administrators of the Plan, will deal with the correspondence with Mercer directly.



MERCER'S ROLE

Mercer will search the market to find the best annuity rate available and will begin the annuity purchase process. You should note that you will not be sent a range of quotes to choose from, as Mercer will make this selection for you. Mercer's choice of insurance company (the annuity provider) will be confirmed to you once Pensions Services have sent your retirement funds to the insurance company. At this point, Pensions Services will confirm when any tax-free lump sum you have chosen will be paid into your bank account.

Mercer aims to find the best quote available from an insurance company on its list of approved annuity providers. Mercer regularly reviews, amongst other things, an insurance company's regulatory solvency position, total assets under management, market share and new business growth. Some insurance companies do not meet all of the criteria but are still considered as suitable providers. You will be advised if the insurance company chosen has not met all the criteria.

SECURITY OF YOUR ANNUITY

Mercer cannot guarantee an insurance company's financial solvency. However, all insurance companies are regulated by the Financial Conduct Authority (FCA). It is the FCA that set the standards that insurance companies must meet. They will take action against firms if they fail to meet the required standards.

Annuities are covered by the Financial Services Compensation Scheme. This scheme currently provides compensation for at least 90% of the value attributed to the policy in the event that an insurance company becomes insolvent.

POINTS TO CONSIDER

- ✓ Consider using the illustrations provided by Pensions Services as a guide to what's available and shop around.
- ✓ If you return your forms indicating that you would like to proceed with the purchase of an annuity and change your mind prior to the actual purchase, a charge will be made by Mercer to cover their expenses; this will be deducted from your Retirement Account. The amount of the charge is half the fee included in the letter from Pensions Services.
- ✓ The FCA provide online annuity tables at www.moneyadvice.service.org.uk where you can compare features and costs of lifetime annuities based on the value of your Retirement Account.

Here's a flowchart to help you understand the process if you decide to use the Mercer annuity broking service:

CURRENT EMPLOYEES

DEFERRED MEMBERS

Notification for annuity purchase options received.

Pensions Services will provide non-guaranteed illustrations for a variety of options based on the current value of your Retirement Account (if your retirement date has been confirmed, this will be after any final contributions have been invested).

Pensions Services will provide non-guaranteed illustrations for a variety of options based on the current value of your Retirement Account.

If you want to proceed, return the completed paperwork advising what options you require for your annuity and include any certificates that have been requested.

Once Pensions Services have received confirmation that you want to purchase an annuity using the Mercer broking service, your Retirement Account will be switched into The Money Fund to avoid any fluctuations in the value caused by volatility in the markets.

Pensions Services will pass details of your requirements and other information on to Mercer.

Mercer will search the market and select the best annuity available from a suitable insurance company (see page 14) based on your chosen options. This normally takes seven to ten working days, although an impaired-life annuity will take slightly longer. Mercer will send details of your annuity and insurance company to Pensions Services who will proceed with the purchase. If you change your mind at this point, Mercer will charge half the standard fee*.

Once your Retirement Account has been disinvested, your tax-free lump sum (where applicable) will be paid and the balance of your Retirement Account will be passed to the insurance company to set up the annuity.

You will receive a letter from Pensions Services that will provide you with details regarding payment of both your pension and any tax-free lump sum you requested. You will also receive details of the annuity chosen by Mercer, including any caveats where applicable. A list of the other insurance companies Mercer received quotations from will be included for your reference.

The rate from the chosen insurance company will be guaranteed, provided you return the additional form(s) (where appropriate) before the quoted deadline. If the form(s) are returned after the deadline, this may affect the annuity rate you receive. Your annuity will be based on the final balance of your Retirement Account, less fees. The final figure could therefore be lower (or higher) than the figure shown in Mercer's letter.

You have the right to change your mind and cancel the annuity. Your letter will inform you when you must cancel by. If you decide to cancel, you should advise Pensions Services immediately. You must also complete and return any cancellation form provided by the insurance company. You will return any tax-free lump sum you have received and your fee will not be refunded*.

Also, you may have to return any payments made by the insurance company.

Your Retirement Account will be reinstated in the Plan but any investment loss will be taken by you.

The insurance company will make the initial payment of your pension. **This can take up to eight weeks.** The annuity is normally backdated to your chosen retirement date but the insurance company may impose a charge or reduce the amount of annuity paid for doing this.

* Please note that if you decide at a future point to re-start the process, you will be charged a further fee by Mercer. The original fee will not be refunded.

MERCER ILLUSTRATIONS

The illustrations provided by Mercer via Pensions Services will show you the following options:

- With and without spouse's pensions
- Different levels of increases

In addition, the illustrations will assume the following unless you indicate on your pension documentation that you require an alternative option:

- Pensions are guaranteed for five years
- Pensions are paid monthly in advance
- Spouse's pensions are on an 'any spouse' basis
- Spouse's pensions are payable 'with overlap'
- For a dual life pension, it is assumed that your spouse is three years younger than you (if you are male) or three years older than you (if you are female).

Please also note that:

- If you choose a dual life pension (on a named spouse basis) and the age difference between you and your spouse is more than three years, this may adversely affect the actual annuity payable. If this is the case, you should highlight this on your option form when you send it to Pensions Services.

- Some insurance companies push rates downwards or upwards at certain fund (Retirement Account) sizes. Mercer believes that any deviation in rates across these fund size boundaries is fairly marginal because competition from other companies will keep the rates fairly steady. The one exception to this is rates for funds at the £5,000 level, as many insurance companies will not quote for funds below £5,000. This may be even more significant if you have any relevant medical or lifestyle (e.g. smoker) conditions that qualify you for an enhanced annuity rate. Therefore, if the balance of your Retirement Account is just below £5,000, you may wish to consider reducing the amount of tax-free lump sum you take to increase the balance to £5,000. This will give you the chance of getting a higher annuity rate.

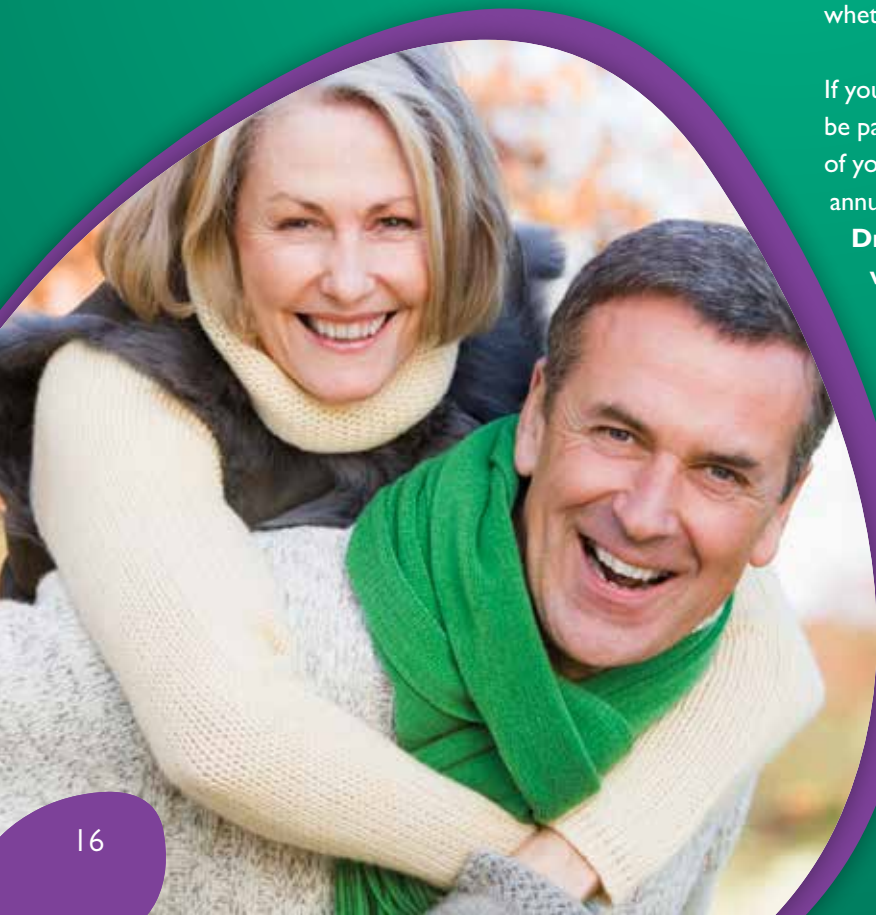
CHOOSING YOUR ANNUITY

You don't have to use Mercer to buy your annuity; you can shop around to purchase an annuity or other retirement income product independently. If you decide to do this, you are strongly advised to seek independent financial advice.

Using a provider other than Mercer may involve set-up and investment charges on investments. You may pay a fee to an adviser or the insurance company may pay commission to him/her, so getting advice should not affect the amount you pay for the annuity but you should check whether you have to pay the adviser any added charges.

If you require a tax-free lump sum at retirement, it will be paid to you by Pensions Services before the balance of your Retirement Account is transferred to the annuity provider. **Please note that if you choose a Drawdown option, your Retirement Account will have to be transferred to your chosen provider and any tax-free lump sum will be paid by them.**

As you approach purchasing your annuity, you should consider switching into less volatile investments to protect your Retirement Account. If you are not using Mercer to purchase your annuity, your Retirement Account won't be switched into The Money Fund unless you instruct Pensions Services to do so.



6 GETTING THE BEST PENSION FOR YOU

- ✓ Decide on what options you require for your pension and that they fit with your personal circumstances.

For example, do you:

- Need to provide a pension for your spouse or partner on your death?
 - Want your pension to keep pace with inflation?
 - Want a guarantee period so that your pension continues to be paid to someone if you were to die shortly after it commences?
- ✓ Decide how much tax-free cash you want to take. Generally up to 25% of your Retirement Account can be taken as a tax-free lump sum, although some members have a 'protected' tax-free lump sum ("scheme specific lump sum protection") under the Plan which is higher. This can be attractive but taking tax-free cash will reduce the amount that is available to purchase an annuity or other retirement product.
 - ✓ Are you a smoker or do you have a medical condition that could reduce your life expectancy? If so, you may qualify for an impaired-life or enhanced annuity.
 - ✓ Do you need to be sure that you will receive a minimum income for life or are you prepared to take an element of risk? If you are, one of the alternative options available may be appropriate, depending on the size of your Retirement Account.
 - ✓ If you choose one of the alternatives to a lifetime annuity, consider where your fund remains invested, as it can go up or down in value (this will affect the level of your income in the future).
 - ✓ Consider taking independent financial advice; it is strongly recommended but you don't have to.

FACT

You need to think very carefully about what to do with your Retirement Account. Once you have bought a lifetime annuity you can't change your mind.

Useful information on retirement options is available from The Money and Pensions Service (MPS).

MPS was launched in April 2019 and combines the functions of three respected bodies of financial guidance: The Pensions Advisory Service (TPAS), the Money Advice Service and Pension Wise.

You are still able to access all of the information and helpful tools from the three previous functions listed above by visiting the MPS website, www.moneyandpensionsservice.org.uk.

7 USEFUL CONTACTS

If you have any questions, queries or problems that haven't been answered in this booklet or on our website, www.smartpensionsuk.co.uk, please contact us and we will be pleased to help.

Remember, we can't give any financial advice so for guidance on your finances you will need to speak to an Independent Financial Adviser.

If you have a general query or don't know who to contact, the Pensions Helpdesk will be happy to assist. The email address and telephone number are shown below.



WRITE TO...

Pensions Services

IBM United Kingdom Pensions Trust Limited
Mailpoint CIA
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USEFUL EXTERNAL CONTACTS

Department for Work and Pensions

For information about pensions and pensioner benefits, including planning for the future, about to retire or already retired and State Pension information and advice.

0845 606 0265

Textphone: 0845 606 0285

To trace pensions you've lost track of:
0845 600 2537

www.direct.gov.uk

The Financial Conduct Authority (FCA)

The FCA Money Advice Service website contains a wealth of information and downloadable booklets on retirement and retirement options; you can also find comparison tables on products to help you compare annuities, savings and investments.

www.moneyadvice.service.org.uk

IFA Promotion Limited

For a list of Independent Financial Advisers in your area.

www.unbiased.co.uk

IBM Pensions Trust does not recommend any sites or companies listed on the results pages provided by www.unbiased.co.uk and cannot be held responsible for the content of any external sites.

The Pensions Advisory Service (TPAS)

TPAS is an independent non-profit organisation that provides free information, advice and guidance on all aspects of pensions.

0845 601 2923

www.pensionsadvisoryservice.org.uk

The Pensions Regulator

An independent organisation that regulates work-based pension schemes.

www.thepensionsregulator.gov.uk

Pension wise

A government service offering free and impartial guidance.

www.pensionwise.gov.uk





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