Your retirement options

For members of the Boots Pension Scheme

Version 1 – October 2015

Welcome

Thinking of retiring soon? If so, you're in the right place.

As a member of the Boots Pension Scheme (the 'Scheme'), this guide takes you through your retirement options one by one. There's a lot to consider as you have a number of different choices so it's important you take the time to understand them and work out which one's right for you. This guide aims to help you make that decision.

Broadly, your options fall into two groups – those that apply within the Scheme and those that fall outside it. And that's how we've structured this guide.

From the menu bar on the right, simply click to jump to the section or option you're interested in. That said, we encourage you to read all of this guide so that you understand all of your options.

As you read through, you'll see that we've included 'people like me' examples. These put your options into context by using imaginary Scheme members, so you can see how different circumstances might affect your decision.

Inevitably, we've had to use some technical pension terms to explain things. These are marked in **bold** throughout and we've included a glossary at the back.

What's inside

Within the Scheme

You have a number of options for taking your benefits from within the Scheme. One advantage of these options is that, once you've made your decision, that's it – you can sit back and relax.

Early retirement

You can retire early (from age 55), provided that the Trustees agree to your request.

Safeguarded benefits

Your Scheme benefits are known as 'safeguarded benefits' meaning they will provide you with a stable retirement income. They are based on your salary and length of service, and the Company will pay into the Scheme whatever extra is needed to maintain your pension.

Don't forget!

Remember to factor in your State Pension entitlement when deciding what to do. You can find out your State Pension Age and get a State Pension forecast on the .

Within the Scheme

▾ Full standard pension with normal yearly increases

With this option, you take the maximum pension available to you from the benefits you've built up in the Scheme. We refer to this as the 'full standard pension'.

Your full standard pension would be paid each month into your bank or building society account for the rest of your life, as taxable income. After it starts, it would be increased each year to help protect its value against the rising cost of living.

(The way pensions increase each year is complicated because different parts fall under different rules.
Click to bring up a breakdown of
.)

Guaranteed pension

After it starts, your full standard pension would be guaranteed for five years. This means if you were to die in that time, the remaining balance of five years' worth of pension benefits may be payable to your nominated beneficiary at the discretion of the Trustees.

For example, if you retired on a pension of £7,500 a year and then died after six months, a lump sum of £33,750 may be payable to your nominated beneficiary at the discretion of the Trustees. This is worked out as 4.5 x £7,500 where 4.5 is the remaining number of years of guaranteed pension.

On your death

Your surviving spouse, civil partner or other dependant may receive a pension from the Scheme at the discretion of the Trustees. This would be 50% of the standard pension you were receiving. If the person is more than 10 years younger than you and the marriage took place less than 12 months prior to your death, the pension may be reduced.

Children's pensions of one-third of the spouse's pension payable could be payable to up to three eligible children up to age 18, or age 22 if in full-time education.

Important!

If you would like independent financial advice on your retirement options, you will need to speak with an independent financial adviser. You can take advice from the Company's appointed advisory firm, Workplace Solutions or speak to your own independent financial adviser.

Questions to ask yourself

Do I want the guarantee of an income for the rest of my life?

Do I have any other sources of retirement income which might affect my decision?

Within the Scheme

▼ Full standard pension with normal yearly increases
▼ People like me

What could taking the full standard pension look like?

Desmond

Des is 60 and wants to retire now so he can help look after his grandchildren. He built up 15 years' service in the Scheme. His salary at the date the Scheme closed (30 June 2010) was £25,000 a year.

Marianne

Marianne is 60 too and thinking about retiring. She was a Scheme member for 18 years and worked part-time (50% of full-time hours). Her full-time equivalent salary when the Scheme closed (30 June 2010) was £16,700 a year.

Des would receive a full standard pension of **£7,500 a year.**

This is calculated as 15/60 x £25,000 = £6,250.

We have then allowed for five years' revaluations (averaging out at around 3.7% a year in this case) which creates a total of £7,500.

Marianne would receive a full standard pension of **£3,000 a year**.

This is calculated at 18/60 x £16,700 x 0.5 = £2,505.

We have then allowed for five years' revaluations (averaging out at around 3.7% in this case) which creates a total of £3,000.

In both cases, their pension would be guaranteed for five years and receive normal yearly increases.

Within the Scheme

▾ Exchange some standard pension for cash

You can exchange some of your standard pension for an upfront lump sum which, under current laws, is paid tax-free.

The maximum lump sum you can take is 25% of the value of your Scheme benefits and you can choose to take any amount up to this level. Your standard pension would be lower depending on how much you take as a lump sum.

Your (reduced) standard pension would be paid each month into your bank or building society account for the rest of your life, as taxable income. After it starts, it would be increased each year to help protect its value against the rising cost of living.

Your (reduced) standard pension would increase in the same way as if you took the maximum standard pension. Click to bring up a breakdown of

Please be aware that exchanging, or 'commuting', pension for cash from within the Scheme may not offer you the best value for your benefits, and for example, may be less favourable than if you were to transfer out.

In some cases the amount of lump sum you can take will be lower as the reduced pension still has to be enough to cover any **GMP** that needs to be paid.

Guaranteed pension

Your (reduced) standard pension would be guaranteed for five years. This means if you were to die in that time, the remaining balance of five years' worth of pension benefits may be payable to your nominated beneficiary at the discretion of the Trustees.

For example, if you retired on a pension of £5,330 a year and then died after six months, a lump sum of £23,985 may be payable to your nominated beneficiary at the discretion of the Trustees. This is worked out as 4.5 x £5,330 where 4.5 is the remaining number of years of guaranteed pension.

On your death

Your surviving spouse, civil partner or other dependant may receive a pension from the Scheme, at the discretion of the Trustees, that's based on your full (not reduced) standard pension amount. If the person is more than 10 years younger than you and the marriage took place less than 12 months prior to your death, the pension may be reduced.

Children's pensions of one-third of the spouse's pension payable could be payable to up to three eligible children up to age 18, or age 22 if in full-time education.

Remember!

You can take less than the maximum 25% of your Scheme benefits as a lump sum. This would mean your standard pension would be reduced by less. Please contact the Pensions Team if you're interested in doing this.

Important!

If you would like independent financial advice on your retirement options, you will need to speak with an independent financial adviser. You can take advice from the Company's appointed advisory firm, Workplace Solutions or speak to your own independent financial adviser.

Questions to ask yourself

Do I want to celebrate my retirement by travelling or buying a new car?

Or could I pay off a debt with a tax-free lump sum?

Am I happy that I can financially support myself (and dependants) with a reduced pension?

Do I have any other sources of retirement income which might affect my decision?

Within the Scheme

▼ Exchange some standard pension for cash
▼ People like me

What could exchanging some standard pension for cash look like?

Desmond

Des is 60 and wants to retire now so he can help look after his grandchildren. He built up 15 years' service in the Scheme. His salary at the date the Scheme closed (30 June 2010) was £25,000 a year.

Taking the maximum tax-free cash sum available

- Des would receive a tax-free cash sum of **£35,537**. He would also receive a pension of **£5,330 a year**.

Taking 50% of the maximum tax-free cash sum available

- Des would receive a lower tax-free cash sum of **£17,768**. But he would receive a higher pension of **£6,415 a year**.

Marianne

Marianne is 60 too and thinking about retiring. She was a Scheme member for 18 years and worked part-time (50% of full-time hours). Her full-time equivalent salary when the Scheme closed (30 June 2010) was £16,700 a year.

Taking the maximum tax-free cash sum available

- Marianne would receive a tax-free cash sum of **£14,215**. She would also receive a pension of **£2,132 a year**.

Taking 50% of the maximum tax-free cash sum available

- Marianne would receive a lower tax-free cash sum of **£7,107**. But she would receive a higher pension of **£2,566 a year.**

In both cases, their reduced standard pension would be guaranteed for five years and receive normal yearly increases. Any spouse's or dependant's pension would be based on the full standard pension before any cash sum is taken.

Within the Scheme

▼ Exchange increases for a higher starting pension

This option allows you to take a higher starting pension in return for giving up certain future increases on your pension. This is known as a Pension Increase Exchange (PIE) offer. Whether you choose to take it up or not is entirely your decision.

Your 'PIE pension' would be higher than your 'standard pension' for the first few years of retirement, but lower in later years. In other words, more pension today, but less pension in later years compared to the standard pension options.

Your PIE pension would be paid each month into your bank or building society account for the rest of your life, as taxable income.

How does PIE work?

Some parts of your pension have to increase by law – but others do not have to. It's the increases on these elements of pension you give up with PIE. This increases your starting pension.

Put simply, you give up your right to future, non-statutory pension increases.

Please note: not all members are eligible for the PIE option. In particular, if you joined the Scheme after March 1997, it will probably not be possible to offer you the PIE option.

Guaranteed pension

Your PIE pension would be guaranteed for five years. This means if you were to die in that time, the remaining balance of five years' worth of pension benefits may be payable to your nominated beneficiary at the discretion of the Trustees.

For example, if you retired on a pension of £8,429 a year and then died after six months, a lump sum of £37,931 may be payable to your nominated beneficiary at the discretion of the Trustees. This is worked out as 4.5 x £8,429 where 4.5 is the remaining number of years of guaranteed pension.

On your death

Your surviving spouse, civil partner or other dependant may receive a pension, at the discretion of the Trustees, that's based on your PIE pension. This means that your spouse's starting pension would also be higher under the PIE option, with lower future increases. If the person is more than 10 years younger than you and the marriage took place less than 12 months prior to your death, the spouse's pension may be reduced.

Children's pensions of one-third of the spouse's pension payable could be payable to up to three eligible children up to age 18, or age 22 if in full-time education.

Exchange some PIE pension for cash

There is a further option to consider with the PIE offer. As with your standard pension options, you can exchange some of your PIE pension for an upfront lump sum, which under current laws is paid tax-free.

The maximum lump sum you can take is 25% of the value of your Scheme benefits and you can choose to take any amount up to this level. Your PIE pension will be lower depending on how much you take as a lump sum.

Remember: You can take less than the maximum 25% of your Scheme benefits as a lump sum. This would mean your PIE pension would be reduced by less.

On the next page we explain how the PIE offer works in a bit more detail.

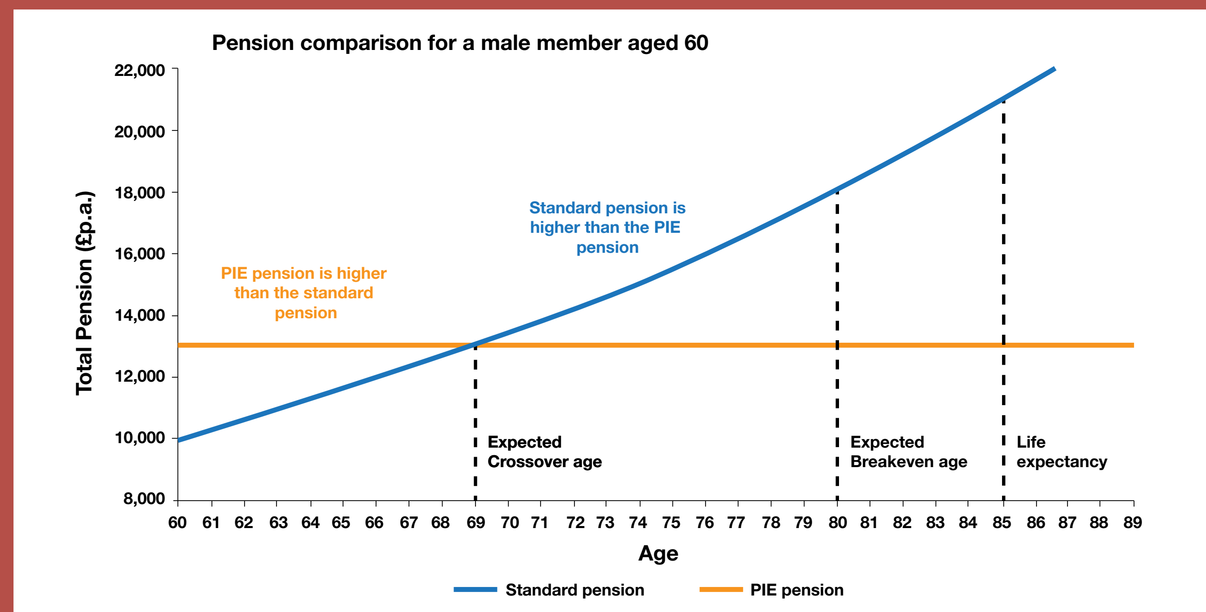
Important!

If you are considering taking up the PIE option, we strongly recommend you first take independent financial advice. The Company will pay for one free session with its appointed advisory firm, Workplace Solutions. Alternatively, you can speak to your own independent financial adviser, but you may need to pay for this advice.

Within the Scheme

▼ Exchange increases for a higher starting pension
▼ PIE in more detail

The chart shows how the PIE option works. Keep in mind that it's not personalised to your circumstances.



In this example, a member retiring at age 60 can choose:

EITHER

- A standard pension of £10,000 a year, which we have assumed will increase by 3% each year (in line with assumed inflation) for the rest of their life.

OR

- A PIE pension of £13,000 a year, but without non-statutory future increases.

You can see that in the early years, the PIE pension is higher than the standard pension up to a certain point (age 69 in the example). This is known as the estimated **crossover age**. This is when the standard pension catches up with the PIE pension (because the standard pension increases by a larger amount each year). From this point on, it is estimated that the standard pension will be higher each year than the PIE pension.

Looking further ahead, there will be a point where the standard and PIE pensions are estimated to have provided the same amount of money overall (age 80 in the example). This is called the estimated **break-even age**.

It's not possible to know your exact **crossover age** or **break-even age** because future inflation is unknown. However, when you ask for your retirement options statement, we'll provide you with two estimates based on two different expected levels of future inflation.

Within the Scheme

▼ Exchange increases for a higher starting pension
▼ PIE in more detail

Points which might affect your decision

- Under the PIE option, if you die within five years of retirement, the lump sum payable to your nominated beneficiaries would be higher than it would with a standard pension based on retirement at age 65 and under.
- Under the PIE option, any pension payable to your spouse, civil partner or dependant after your death would be higher initially, but increase more slowly than it would if you choose the standard pension.
- The longer you live in retirement, the more valuable future pension increases might be to you. Or, if you're in poor health, you may prefer to have a higher pension now.
- The PIE option increases your income in the early years so might increase the amount of income tax you pay. You should also be aware of the

.

You can read more about how the PIE option works in the 'More now or more later? Your PIE option explained' booklet.

Remember!

If you are considering taking up the PIE option, we strongly recommend you first take independent financial advice. The Company will pay for one free session with its appointed advisory firm, Workplace Solutions. Alternatively, you can speak to your own independent financial adviser, but you may need to pay for this advice.

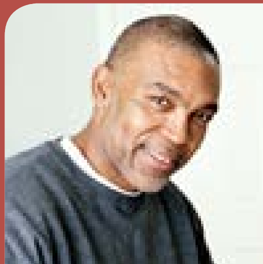
Within the Scheme

▼ Exchange increases for a higher starting pension
▼ People like me

What could exchanging increases for a higher starting pension look like?

Desmond

Des is 60 and wants to retire now so he can help look after his grandchildren. He built up 15 years' service in the Scheme. His salary at the date the Scheme closed (30 June 2010) was £25,000 a year.



Taking the maximum PIE pension available

By giving up his right to future, non-statutory pension increases, Des would receive a starting PIE pension of £8,429 a year (rather than £7,500 a year under the full standard pension option). So for the first few years, that's nearly £1,000 a year more than his full standard pension option. That said; his PIE pension would increase more slowly.

And what about exchanging some PIE pension for cash?

The maximum tax-free cash sum that Des could take under the PIE option is £37,703 (rather than £35,537 under the reduced standard pension option). This would mean he'd receive a PIE pension of £5,655 a year.

Des could take a lower cash sum to increase his PIE pension. For example, if he took half the maximum tax-free sum, this would give him £18,852 which would mean he'd receive a PIE pension of £7,042 a year.

Estimated cross over and break-even points

Based on inflation being 2.5% a year, Des's estimated **crossover point** is 10 years after his retirement - age 70. This is when his full standard pension would catch up with his PIE pension. His estimated **break-even point** is around 20 years after his retirement. This is when his full standard and PIE pension options are estimated to have provided the same amount overall.

Marianne

Marianne is 60 too and thinking about retiring. She was a Scheme member for 18 years and worked part-time (50% of full-time hours). Her full-time equivalent salary when the Scheme closed (30 June 2010) was £16,700 a year.

Taking the maximum PIE pension available

By giving up her right to future, non-statutory pension increases, Marianne would receive a starting PIE pension of £3,186 a year (rather than £3,000 a year under the full standard pension option). However, her PIE pension would increase at a slower rate than her standard pension option.

And what about exchanging some PIE pension for cash?

The maximum tax-free cash sum that Marianne could take under the PIE option is £14,648 (rather than £14,215 under the reduced standard pension option). This would mean she'd receive a PIE pension of £2,197 a year.

If Marianne wants a cash sum and a higher PIE pension, she could, for example, take 50% of the maximum cash available. This would give her a tax-free sum of £7,324 and a PIE pension of £2,691 a year.

Estimated cross over and break-even points

Based on inflation being 2.5% a year, Marianne's estimated **crossover point** is age 70. This is when her full standard pension would catch up with her PIE pension. Her estimated **break-even point** is around 20 years after her retirement. This is when her full standard and PIE pension options are estimated to have provided the same amount overall.

Within the Scheme

▾ Cash only

If you're aged 55 or over and the total value of your Scheme benefits is less than £10,000, you can take it all as a one-off cash sum. This is known as having a 'small pot'. The technical term for taking a small pot as cash is trivial commutation.

This might be an option for you if you've had more than one employer during your career, and so have built up a number of pension pots (rather than one pot 'under one roof'). Or, you might have started saving for retirement later on in your career (perhaps because you have other means of a retirement income).

Whatever the reason, if you're eligible for **trivial commutation** and you decide to take your Scheme benefits all as cash, the first 25% would be paid tax-free; the rest would be taxed as income at your marginal rate.

When you ask for your retirement options statement, we'll include **trivial commutation** as an option if it applies to you.

Note: If the total value of all your pension savings across all the different pension arrangements you participate in is less than £30,000, you can take all of this as cash (with tax applied as outlined) as long as this is taken within a 12-month window starting with the date of the first **commutation** payment. If you think this applies to you and you're interested in doing this, you'll need to contact the individual pension arrangements in question.

Note that exchanging, or 'commuting', pension for cash from within the Scheme may not offer you the best value for your benefits, and for example, may not be sufficient to provide a similar level of income if you bought an annuity or invested the money elsewhere. Also, the amount of lump sum would be different if you were to transfer out.

Important!

If you would like independent financial advice on your retirement options, you will need to speak with an independent financial adviser. You can take advice from the Company's appointed advisory firm, Workplace Solutions or speak to your own independent financial adviser.

Questions to ask yourself

Do I have other pension pots from other periods of employment?

Can I afford to take all of my Scheme benefits as cash?

Do I have other sources of retirement income?

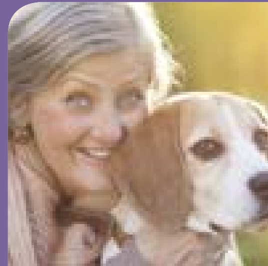
Within the Scheme

▼ Cash only
▼ People like me

What could the cash only option look like?

Faith

Faith is 60 and has contacted the Trustees for a retirement pack based on the two years she worked part-time for the Company. Faith had a job in the city early on in her career and then took a career break to raise her three children. She went on to have a number of different part-time jobs. She has two years' membership and her full-time equivalent salary at the date she left the Scheme was £15,000 a year.



The cash only option

The pension that Faith's Scheme benefits would provide is £300 a year, with a total value of £5,200.

Since Faith has other, more significant pension savings and her Scheme benefits are within the limit for **trivial commutation**, she decides that taking the cash is her best option. The first 25% of the lump sum is not liable to tax; the rest is liable to tax at her marginal rate.

Outside the Scheme

▼ Transfer out

You can consider other retirement options by converting your ‘safeguarded’ Scheme benefits into ‘flexible benefits’. To do this, you must transfer your benefits out of the Scheme and into a suitable alternative pension arrangement. This could be an existing personal pension plan or you could set up a new one.

It’s possible that the options you’ll have if you transfer out might provide you with benefits more appropriate for your circumstances, although there’s no guarantee of this. Examples of when transferring out might offer you better options include:

- If you have no dependants
- If you are in poor health
- If the value of your benefits is low
- If you have a long time to your intended retirement

Your retirement pack will include transferring out of the Scheme as one of your options. You can choose to request details of your **Cash Equivalent Transfer Value (CETV)**, which is the expected cost of providing your benefits in the Scheme (at the date of your request).

The **CETV** is valid for three months from the date of issue. If you delay making a decision on how to take your Scheme benefits beyond three months, you would need to request an updated **CETV** if you later decide you want to transfer out.

Click on the buttons below to find out more about each of your options if you transfer out.

Important!

If you convert your ‘safeguarded benefits’ into ‘flexible benefits’ by transferring out of the Scheme, it would be up to you to decide what to do with your flexible benefits.

You must take independent financial advice before transferring out if the value of your benefits is greater than £30,000. The Company will subsidise the cost of this advice if you use its appointed advisory firm Workplace Solutions to also advise you on the PIE option. Or you can use Workplace Solutions for advice on transferring out only and pay the full cost.

Alternatively, you can speak to your own choice of adviser, but you would need to cover the full cost.

Further support is available if you’re thinking of transferring out. You can access free , impartial guidance on your options online, over the phone or in person. Face-to-face appointments are held at your local Citizens Advice bureau; phone calls are with The Pensions Advisory Service. You can find out more at www.pensionwise.gov.uk. Note that this service is only relevant if you’re thinking of transferring out – it won’t know about your retirement options within the Scheme nor will it make personal recommendations.

Don’t forget!

Remember to factor in your State Pension entitlement when deciding what to do. You can find out your State Pension Age and get a State Pension forecast on the .

Outside the Scheme

▶ Transfer out ▼ Annuity

If you transfer out, you can shop around and use your CETV to buy different types of pension via an annuity.

This is known as the open market option. Put simply, it allows you to look for the best pension deal available for your circumstances. It's a bit like shopping around for the best deal on your car insurance – except that this is about your income for the rest of your life, so it's important that you take and get all the help that you can before you make a decision.

With a choice of **annuities**, it's possible that you could buy a pension better suited to you compared with the pension the Scheme would provide. (Although there's no guarantee of this.)

The level of pension an **annuity** will provide you with will depend on a number of things:

- The value of your **CETV**
- The **annuity** provider
- The type of **annuity**
- The rates on offer at the time
- Your personal circumstances including your age, health and lifestyle
- Whether you choose to take an upfront lump sum (see next page)

Deciding on the right type of annuity

There are two main types of **annuity**. Click on the names below to read a description of each.

In addition, there are features that you might be able to 'add on' which may suit your circumstances. Click on the names below to find out more.

You can see that there's plenty to think about if you decide you want to buy an **annuity** from the open market. It's important that you take the time to understand your options so that you make a choice you're happy with.

Outside the Scheme

▶ Transfer out ▼ Annuity

Taking a lump sum and an annuity

Just as you can if you take a pension from within the Scheme, if you transfer out and shop around for an **annuity**, you can take up to 25% of the value of your **CETV** as an upfront lump sum. Under current laws, the lump sum would be paid tax-free.

The pension from your chosen **annuity** would be lower depending on how much you take as a lump sum. For example, if you take the maximum 25% of your **CETV** as a lump sum, your income from an **annuity** will be lower than if you only take a lump sum that's 10% of the value of your **CETV**.

Tips for shopping around

- When comparing the market, you might want to compare the same types of **annuity**. Check the small print of quotes you get – often, they're valid for a limited time, and they may include a 'cooling-off' period during which time you can change your mind.
- Be sure to provide full details of your financial circumstances to your financial adviser so that they can advise you appropriately. Include details of any other pension savings you have, and any other sources of income you'll have in retirement. Indeed, it may be that your adviser is best-placed to research **annuity** rates on your behalf.

Remember!

You must take independent financial advice before transferring out if the value of your benefits is greater than £30,000. You can use the Company's appointed advisory firm, Workplace Solutions, or speak to your own choice of adviser.

Further support is available if you're thinking of transferring out. You can access free , impartial guidance on your options online, over the phone or in person. Face-to-face appointments are held at your local Citizens Advice bureau; phone calls are with The Pensions Advisory Service. You can find out more at www.pensionwise.gov.uk. Note that this service is only relevant if you're thinking of transferring out – it won't know about your retirement options within the Scheme nor will it make personal recommendations.

Questions to ask yourself – and your financial adviser

Do I want Boots to provide my pension or someone else to provide it?

What type of **annuity** is most appropriate for me?

How much lower will my pension be if I take the maximum lump sum available?

Are there any one-off or ongoing charges I should be aware of?

Outside the Scheme

▶ Transfer out ▼ Annuity
▼ People like me

What could transferring out and the open market annuity option look like?

Desmond

Des is 60 and wants to retire now so he can help look after his grandchildren. He built up 15 years' service in the Scheme. His salary at the date the Scheme closed (30 June 2010) was £25,000 a year.

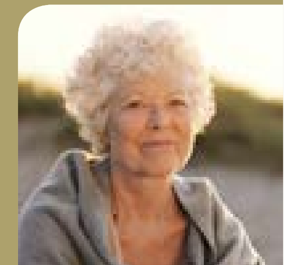
Taking a transfer value
Des's **CETV** is £165,000. He could use this transfer value to shop around for an **annuity** that suits his needs.

Choosing the right annuity
Des takes financial advice about transferring out and is given the following **annuity** options:

- Single life level
  Comparing the market means that Des can buy an **annuity** that would provide him with an income of £8,500 a year. This won't increase and it won't provide a spouse or dependant's pension after his death.
- Single life increasing
  The best increasing **annuity** available would provide Des with a pension of £5,200 a year. This is a lot lower than the level **annuity** option above, but his pension will increase with inflation each year. (The difference in pension increases between a level and increasing **annuity** is similar to how the standard pension increases at a quicker rate than the PIE pension.)
- Joint life level
  If Des wants a fixed income that will provide his surviving spouse, civil partner or dependant with a pension, the best option will provide a pension of £7,900 a year. This won't increase, but his surviving spouse, civil partner or dependant will receive 50% of this pension after his death.
- Joint life increasing
  If Des wants pension increases and a pension for his surviving spouse, civil partner or dependant, he can buy an **annuity** that will provide a yearly pension of £4,500.
- Impaired single life
  If Des is suffering from a health condition that's likely to shorten his life expectancy, he can buy an **annuity** that's worth £9,500 a year. However, this won't increase or provide a pension to his surviving spouse, civil partner or dependant.

Marianne

Marianne is 60 too and thinking about retiring. She was a Scheme member for 18 years and worked part-time (50% of full-time hours). Her full-time equivalent salary when the Scheme closed (30 June 2010) was £18,000 a year.



Taking a transfer value
Marianne's **CETV** is £66,000. Let's see what income this would get her dependent on the type of **annuity**.

Choosing the right annuity
Marianne also takes financial advice about transferring out. At the time of her appointment, the best open market **annuity** options are:

- Single life level
  This would provide her with a pension of £3,400 a year. This won't increase and it won't provide a spouse or dependant's pension after her death.
- Single life increasing
  This would provide Marianne with a pension of £2,100 a year. This would increase with inflation each year and so protect against the rising cost of living.
- Joint life level
  The best option here will provide a pension of £3,100 a year. This won't increase, but will provide an income for her husband or other dependant after her death.
- Joint life increasing
  If Marianne wants pension increases and financial security for her husband or other dependant, she can buy an **annuity** that will provide a yearly pension of £1,800.
- Impaired single life
  Alternatively, if Marianne qualifies for an impaired **annuity**, she can buy an **annuity** that pays a pension of £3,800 a year.

Outside the Scheme

▶ Transfer out ▼ **Drawdown**

If you transfer out, you can pay your CETV into an alternative drawdown arrangement, such as a personal pension plan. This will give you the flexibility to take what you want from your fund whenever you want. In other words, it will be entirely up to you to draw down (i.e. withdraw) funds.

Remaining invested

A key consideration with **drawdown** is that you leave the balance of your fund invested. This offers the potential for it to continue to grow in value and so provide you with additional financial support. So you'll need to think about how you invest your fund.

You would need to be comfortable keeping a close eye on your investments and making regular investment decisions. How your fund is invested in a **drawdown** arrangement is crucial and you may want to consider a mix of investments – to balance the potential for growth with the security of your fund.

Lower-risk investments are likely to be suitable to protect any money you're about to take out whereas higher-risk investments are more likely to provide growth. You may want to move from higher-risk funds to lower-risk funds as time goes by if you are to reduce the potential for any sudden fall in the market affecting too much of your fund at the point it is needed.

One of the aims of **drawdown** is for investment growth to offset some of the income you take out, so that the value of your fund doesn't shrink too much over time. However, there is no guarantee this will happen.

As with all investments, it's important to be aware that performance cannot be guaranteed. The value of your fund could go down as well as up.

If you're unsure how to invest your fund, you might want to consider taking independent financial advice. See for help with how to find an IFA.

Managing your money

Drawdown puts you in full control of your retirement income so it's important that you're happy managing your money and deciding how much and when to take money from your fund. Would you take a regular monthly income or take a lump sum less frequently and budget accordingly?

Clearly, the more you take out in the early years, the less you'll have later on. So if you take too much out (regardless of how your investments perform) you might not have enough money to support you in later life. If you decide to take the **drawdown** option, you should be aware of this risk. On the other hand, if you have other sources of retirement income, this might not be a concern.

Taking a lump sum with drawdown

Just as you can if you buy an **annuity**, you can take advantage of the tax-free cash limit with **drawdown**.

You can:

- either take up to 25% of your **CETV** as a tax-free lump sum and transfer the remainder to a **drawdown** arrangement – the additional income you take would be taxed at your marginal rate;
- or transfer all of your **CETV** to a **drawdown** arrangement and take income from your fund over time. The first 25% of each amount would be tax-free (under current law) while the rest would be taxed at your marginal rate.

Outside the Scheme

▶ Transfer out ▼ **Drawdown**

Changing your mind

Drawdown puts you in control, allowing you to tailor your retirement income as you need it. If, after a few years of **drawdown**, you want the security of a guaranteed retirement income, you can explore the open market option then, and buy a suitable **annuity** at this later date.

Remember!

You must take independent financial advice before transferring out if the value of your benefits is greater than £30,000. You can use the Company's appointed advisory firm, Workplace Solutions, or speak to your own choice of adviser.

Further support is available if you're thinking of transferring out. You can access free , impartial guidance on your options online, over the phone or in person. Face-to-face appointments are held at your local Citizens Advice bureau; phone calls are with The Pensions Advisory Service. You can find out more at www.pensionwise.gov.uk. Note that this service is only relevant if you're thinking of transferring out – it won't know about your retirement options within the Scheme nor will it make personal recommendations.

Questions to ask yourself – and your financial adviser

Do I feel confident managing my own retirement fund?

How do I go about selecting a **drawdown** arrangement?

What kind of investment return can I expect based on my attitude to risk?

Are there any costs or charges I should be aware of?

Outside the Scheme

▶ Transfer out ▼ Drawdown
▼ People like me

What could transferring out and the drawdown option look like?

Desmond

Des is 60 and wants to retire now so he can help look after his grandchildren. He built up 15 years' service in the Scheme. His salary at the date the Scheme closed (30 June 2010) was £25,000 a year.

Taking a transfer value
Des's **CETV** is £165,000. He can transfer this into a **drawdown** arrangement and manage his own retirement income.

Using drawdown
Let's assume Des decides to take the maximum tax-free cash sum first – that's £41,250. This leaves him with a total fund of £123,750 for **drawdown**.

If we assume that the investment return on his fund is 4% a year, and that Des decides to **drawdown** £7,500 for his first year in retirement and increase this by £200 each year, we can work out how long his fund will last.

Year 1 of **drawdown** would look like this:

Total fund at start of year 1	£123,750
Less drawdown of £7,500	£116,250
Plus 4% investment return, so total fund at end of year 1	£120,900

By year 10 of drawdown Des's fund total would look like this:

Total fund at start of year 10	£95,389
Less drawdown of £9,300	£86,089
Plus 4% investment return, so total fund at end of year 10	£89,533

On this basis, Des's **drawdown** fund would run out in year 26, when he's aged 86. Whether he continues to draw down an income until his fund runs out is up to him. He might consider buying an **annuity** well before his fund runs out so that he has the security of a guaranteed income for the rest of his life. Alternatively, he might draw down less in later years so that his fund lasts longer, or he might rely on the State Pension and any other pension savings he has.

Marianne

Marianne is 60 too and thinking about retiring. She was a Scheme member for 18 years and worked part-time (50% of full-time hours). Her full-time equivalent salary when the Scheme closed (30 June 2010) was £16,700 a year.

Taking a transfer value
Marianne's **CETV** is £66,000. She can transfer this into a **drawdown** arrangement and manage her own retirement income.

Using drawdown
Let's suppose Marianne chooses not to take a tax-free cash sum; that the investment return on her fund is 3% each year; and that she draws down £3,000 each year.

By year 10 of **drawdown** her fund total would look like this:

Total fund at start of year 1	£66,000
Less drawdown of £3,000	£63,000
Plus 3% investment return, so total fund at end of year 1	£64,890

On this basis, Marianne's drawdown fund would run out in year 35, when she's aged 95. Whether she continues to drawdown an income until her fund runs out is up to her.

Total fund at start of year 10	£54,723
Less drawdown of £3,000	£51,723
Plus 3% investment return, so total fund at end of year 10	£53,275

Outside the Scheme

▶ **Transfer out** ▼ Cash

If you transfer out, you can take all of your CETV as an immediate cash lump sum.

The first 25% would be tax-free (under current law). The remaining 75% would be treated as taxable income for the tax year.

You should be aware that the amount of cash you take might increase your marginal tax rate.

This may not be your best option unless the value of your Scheme benefits is relatively small.

If you are considering this option, you should fully understand the possible tax implications. You should also think about how you will support yourself financially throughout your retirement.

Remember!

You must take independent financial advice before transferring out if the value of your benefits is greater than £30,000. You can use the Company's appointed advisory firm, Workplace Solutions, or speak to your own choice of adviser.

Further support is available if you're thinking of transferring out. You can access free , impartial guidance on your options online, over the phone or in person. Face-to-face appointments are held at your local Citizens Advice bureau; phone calls are with The Pensions Advisory Service. You can find out more at www.pensionwise.gov.uk. Note that this service is only relevant if you're thinking of transferring out – it won't know about your retirement options within the Scheme nor will it make personal recommendations.

Questions to ask yourself – and your financial adviser

What would I do with the cash lump sum?

Would taking all my Scheme benefits as cash affect my marginal tax rate?

Do I have other sources of retirement income?

How would taking all my benefits as cash affect my retirement income?

Outside the Scheme

▶ **Transfer out** ▼ Cash
▼ People like me

What could transferring out and taking it all as cash look like?

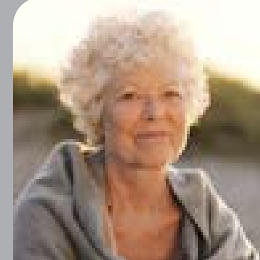
Desmond

Des is 60 and wants to retire now so he can help look after his grandchildren. He built up 15 years' service in the Scheme. His salary at the date the Scheme closed (30 June 2010) was £25,000 a year.

Taking a transfer value as cash
Des's **CETV** is £165,000. He can take all of this as cash in one go if he wants to. The first 25% would be paid tax-free – that's £41,250. The rest – £123,750 – would be taxed as income.

Marianne

Marianne is 60 too and thinking about retiring. She was a Scheme member for 18 years and worked part-time (50% of full-time hours). Her full-time equivalent salary when the Scheme closed (30 June 2010) was £16,700 a year.



Taking a transfer value as cash
Marianne's **CETV** is £66,000. If she takes this all as cash, £16,500 would be paid tax-free (the maximum 25%) and the rest would be taxed as income.

General information

▼ Your pension and tax

Certain tax 'limits' apply to pension benefits (excluding the State Pension) and you should keep these in mind when you're deciding how to take your Scheme benefits. If your pension benefits exceed either of the allowances, you'll face a tax charge on the excess.

Annual Allowance

The Annual Allowance is the maximum amount of pension savings that can be built up in all your pension schemes each year that can benefit from favourable tax treatment. The Annual Allowance is currently £40,000 a year, though a lower threshold could apply if you have previously accessed 'defined contribution' (DC) pension benefits.

Note also that the Annual Allowance will be reduced from 6 April 2016 for individuals with 'adjusted income' of more than £150,000. (Adjusted income is your annual earnings plus the value of your pension savings for the year.)

The Annual Allowance is not an issue if you are retiring and choosing the full standard pension, a reduced standard pension or transfer out of the Scheme.

If you think you might be affected by the Annual Allowance you should speak to an

Lifetime Allowance

The Lifetime Allowance is the total amount of your lifetime pension savings that you can build up over your working lifetime and that benefit from favourable tax treatment (excluding the State Pension). For the 2015/16 tax year, the standard Lifetime Allowance (which applies to most people) is £1.25 million (this is the value of a pension of approximately £62,500 each year). The Lifetime Allowance is due to be reduced to £1 million from April 2016.

Once you've confirmed how you want to take your Scheme benefits, we'll confirm the percentage of the Lifetime Allowance they use up.

If your total percentage of pension benefits is greater than the Lifetime Allowance, you'll need to pay additional tax (unless you've previously agreed a higher Lifetime Allowance with HMRC – if this is the case, please contact the Pensions Team for your own figures).

If you choose the PIE pension (either with or without a lump sum), it will be tested against these tax allowances. The Lifetime Allowance is more likely to be an issue if you choose the PIE pension due to the increase in your starting pension.

If you choose the standard pension (either with or without a lump sum) it will be tested against the Lifetime Allowance.

General information

▼ Taking advice

Independent financial advice

With so much to think about, you may decide that you want some expert advice.

If you're considering the PIE option

We strongly recommend you take independent advice before proceeding.

- The Company has appointed a specialist firm of independent financial advisers (IFAs) – Workplace Solutions – to help you understand the PIE option. The Company will pay for this advice if you choose to speak to Workplace Solutions. Note that you can only take advantage of this free advice once.
- Alternatively, you can speak to your own independent financial adviser, but you would need to cover the full cost.

Taking advice doesn't commit you to taking the PIE option or to taking your pension at this time. It's entirely your decision when and how you take your benefits.

If you're considering transferring out of the Scheme

We strongly recommend you take independent advice first and you must do so if the value of your benefits is greater than £30,000.

The law does not allow anyone at the Company or anyone associated with the Scheme to give you financial advice about your retirement. If you want advice on how to take your Scheme benefits, you'll need to speak with an independent financial adviser (IFA).

You can take advice from the Company's appointed advisory firm, Workplace Solutions, or speak with your own choice of adviser.

Beware!

Please be aware of potential pension scams, which are on the increase in the UK. You can find out more about this threat on the Pension Regulator's website.

Remember!

However you choose to take advice, it doesn't commit you to taking the PIE option, to transferring out or to taking your pension at this time. It's entirely your decision when and how you take your benefits.

Free guidance

You can also access free guidance on your retirement options outside of the Scheme.

or call **0300 330 1001**

This service has been set up by the Government. The site features all sorts of useful information, from how to shop around for the best annuity to pension scams to be aware of. A number of information guides are on the website and you can register to arrange a phone call or face-to-face appointment. The service won't cost you a penny. But keep in mind that it won't recommend which option you should choose.

Alternatively, if for example, you decide to take the standard pension and you're comfortable with your decision, you may choose not to take advice.

General information

▼ Next steps and contact points

Next steps

Once you've asked for details of your retirement options, we'll send you a personalised retirement statement. This will take you through your choices one by one.

It will include actual amounts for every option for taking your benefits from the Scheme, and the option to request your **CETV** if you want to consider transferring out.

We will include a Retirement Decision Form which you'll need to fill in and return.

Important! Receipt of your personalised retirement letter does not obligate you to retire. You can choose to defer taking your Scheme benefits if you are still in employment. You will not need to take any action if you decide to do this.

Contact points

The Pensions Team is on hand if you have a query.

Pensions Team

Phone: 0115 959 1670

Email: group.pensions@boots.co.uk

Write to: Alliance Boots Pensions
Nottingham
NG90 7GP

Workplace Solutions

If you want to use the Company's appointed advisory firm to give you independent financial advice, get in contact using the details below.

Phone: 01332 220 777

Email: info@ukwps.com

Website: www.ukwps.com

General information

▼ Useful organisations

Pension Wise

This is the free guidance service provided by the Government. You can arrange a phone call or face-to-face meeting if you would like help understanding your retirement options outside of the Scheme.

The Money Advice Service

This is an independent service set up by the Government to help people make the most of their money. It provides a range of information on financial planning and saving, including information about obtaining financial advice.

Unbiased

Unbiased provides contact details for independent financial advisers. You can find details of an IFA near you by entering your postcode into the search engine.

Financial Conduct Authority

If you're considering using your own financial adviser, you should check that they are qualified and authorised. You can check whether they are registered online or by phone.

www.gov.uk

The Government's website includes lots of information on pensions and retirement. You can get a forecast of your State Pension entitlement from here, and try to find any lost pension pots you might have via the Pension Tracing Service.

The Pensions Advisory Service (TPAS)

This is an independent, non-profit organisation that provides free information and guidance on all types of pensions, including State, occupational and personal.

The Pensions Regulator

The Pensions Regulator is the UK watchdog of workplace pension schemes. It works with trustees, employers and pension experts to give guidance on best practice, and has the power to intervene in the way schemes are run.

Special terms

Annuity
A type of insurance policy that pays a guaranteed income for the rest of your life.

Break-even age
Under the PIE offer, the estimated age at which the PIE pension and standard pension are expected to provide the same amount of income overall.

CETV
Cash Equivalent Transfer Value. The cash amount needed to provide your total Scheme benefits at your Normal Retirement Date, based on the date of your request.

CPI
Consumer Prices Index. A measure of inflation that is published every month. It refers to the average, weighted increase in a range of goods and services including food and transport costs.

Crossover age
Under the PIE offer, the estimated age at which the value of the standard pension catches up with the PIE pension.

Drawdown
A specialist type of pension arrangement which allows you to take an income whenever you want.

GMP
When you built up benefits in the Scheme, it was 'contracted out' of the earnings-related part of the Scheme. This means that the Scheme took on responsibility for providing some of the benefits that the State would otherwise have provided. This part of your pension is known as the Guaranteed Minimum Pension, or GMP. The Scheme is responsible for increasing any GMP you earned between 1988 and 1997, up to 3% a year, but the Scheme doesn't provide increases on any GMP built up before then.

Normal Retirement Date
The Scheme's default retirement date for members, which is your 65th birthday. You can apply to draw your pension between age 55 and 75. Contact the Pensions Team to find out more.

RPI
Retail Prices Index. A measure of inflation that is published every month. It refers to the average, weighted increase in a range of goods and services, similar to those referred to with the CPI, but including housing costs.

Trivial commutation
The technical term for taking all benefits from a pension scheme as cash provided you meet certain conditions.