Transcript Points of Interest and Q&A Session on Pensions and USRF

BM Brendan Mulkern:

Good morning everyone.
My name is Brendan Mulkern and I'm here to present to you today on this University pensions briefing.
And in particular, university pensions briefing on the university scheme USRF, which many employees currently contribute to, I hope you find this briefing useful.

Pensions, of course, can sometimes be complex.
They can be complex often because of the terminology that sometimes used that like most organizations, like most businesses these days, many, many acronyms used within the Pensions world.

I've worked in Pensions since 1988 on a huge range of different pension schemes. My objective today is to try and present some what refer to as common questions on the USRF scheme. Things that we know members are interested in and questions that we know members have and we'll go through those common questions and I'll hopefully explain this in straightforward language, what the schemes provisions are about and what the important elements of the scheme are.

We've also now presented this session twice for staff and we've also gathered some of the questions that we've received during those live briefings so we'll include those at the end of this presentation and hopefully together that gives you a nice piece of ,set of information and slides on the benefits of being part of USRF and some of the common queries that people might have in relation to it.

I hope you find that useful.

(Slide 2 of presentation)

BM Brendan Mulkern:

These are the common questions we intend to cover.
First of all, what are the benefits of being a member of the USRF scheme within the university?

Can I change my contributions? Can I reduce them or increase them? Because often people want to change the level of contribution that they're paying during their membership of the scheme.

Where can I view my benefit details and how do I register online to be able to do that? It's important more than ever these days that people understand the kind of pension that they have and can see information about it. So, we'll talk about how you can do that and gain access to more information about your pension.

Then the common query that we received from staff is why does it show only employer contributions on the schedule of contributions that I see on a regular basis from the pension scheme provider, Royal London? We'll deal with that question because it comes up quite a lot and hopefully we can make things clear as to why you see contributions in a in a certain way.

Then how do I complete an expression of wish form and why is it important that I do? This is linked to the death benefits that are payable from the scheme, so we'll talk about filling in and keeping up to date your expression of wish.
I hope you find those common questions useful, and as I say, we'll also pick up some questions that we received during the live sessions which were delivered.

(Slide 3 of presentation)

BM Brendan Mulkern: Just by way of context, these slides nor this presentation does not represent guidance or formal advice to you. There may be circumstances when you want to take advice in relation to your pension. For example, when you reach retirement, there may be choices that you have available at that time, you may have built up by then, I hope significant pension pot and you might want help to be able to make the right choices for you as to how you want to use your pension pot in retirement.

You may be thinking about transferring, transferring perhaps money into USRF or to another pension destination. That can be another case when people might want help with the decisions that they're going to make.

You can get more information about financial advice, what it is, and whether you think you might need it, and how you would go about it. And that's available on the Money Helper page. Money Helper is a service that's funded by government. It's an impartial service that provides good independent Pensions information. So please do access the money helper service and in particular for example if you want financial advice and to see whether that's going to be useful to you in certain circumstances.

But I emphasize this presentation is not guidance or formal advice. We've of course also tried to make sure that the presentation is accurate, but in the event of any query regarding this material, then always the actual scheme publications themselves and the scheme rules which are available on request will be the principal source of reference.

(Slide 4 & 5 of presentation)

BM Brendan Mulkern: So what are the benefits of being a member of the USRF scheme? What are the advantages of paying in and being a contributing member?

Well, USRF is a pension scheme. It's a pension scheme operated by the university, so it's what's referred to as an occupational pension scheme. It's what's referred to, in particular as a group personal pension scheme and it's managed by Royal London.

Royal London is a big insurer that provide lots of workplace pension arrangements for people. I think there's over 25 million people now that pay into these kinds of workplace pensions and Royal London are very big provider of those pension ranges for many, many people. The arrangement, operated by Royal London and run by the University on your behalf. It's all overseen by what's referred to as an independent governance committee, and that independent Governance Committee is there to ,like a board of trustees really, they're there to make sure that the arrangement operates effectively for all the people that are members like you, to ensure that it offers value for money and in that way, it's looking at the charges and other costs that are associated with that policy with the arrangements and it looks, for example, how the investments are doing in relation to your money.

Remember, this pension scheme is it's referred to as a defined contribution type pension scheme, so it's dependent on the amount of your contributions and those contributions paid by your employer being paid in to accumulate a pension pot which will be used for you at retirement and the prime objective of course is to save as big a pension pot as you can during your working career with the university and to gain investment return and growth on that fund to then be used in Retirement to provide you with income and other benefits.

DC, defined contribution type pension arrangements can be really attractive. They can be flexible for people as they move through their career, things like change in the level of contribution that you pay in that can be really flexible and useful during an individual's working career and you have good choices at retirement for how you want to use your pension pot.

And importantly, remember your employer pays in as well as you make in your own contributions into USRF, and they pay in, by the way, far more than most employers will pay into their workplace pension scheme. There is actually a legal minimum contribution which employers are required to pay into workplace pensions in the UK and the contribution payable by the university is far in excess of the minimum contribution required upon employers, so it's a good level a retirement pension scheme that you're able to be part of with USRF.

And as I mentioned, whilst it is about you building up a fund of money, a pension pot to be used in retirement, the scheme provides things like death and other protections along the way.

(Slide 6 of presentation)

BM Brendan Mulkern:

The scheme has low charges. We talked a little bit or just referred a little bit to the independent management committee looking over the scheme and making sure that it operates effectively, well a crucial element of that is that the running costs of the scheme are low and the university has worked hard with Royal London to make sure that there is a low annual management charge and all members of USRF will pay an annual management charge of 0.4% of the assets that you have under management, the value of your pension pot, that's far lower than many people who are members pension schemes. The general maximum contribution which can be charged to large scale pension arrangements in the UK is 0.75% annual management charge, at 0.4% that's a far lower annual management charge that applies to your pension saving, and that's a huge advantage of being a Member- A) with a large insurer, but also with an employee like the university that's been able to secure a significant reduction from the standard 0.75% annual management charge, which applies.

I saw something the other day that said that most people generate a pension pot of around £200,000 or £250,000 somewhere in that range of pension pot during their working career. The difference between somebody having an annual management charge on those pension savings of 0.75 compared to 0.4 can be as much as £70,000. So, it's hugely important that you have a pension arrangement with a low annual management charge because that means that more of your contributions is going towards your pension saving.

You can choose to make your own investment choices, so if you have particular preferences for how your pension fund money is invested, you can elect for those options to apply, and you can use the Royal London Portal to access your specific details and choose the particular funds in which you would like your money to be invested. Now most people don't do that, and there is therefore a default investment option and the default investment option set by the university working with Royal London to choose the most appropriate one for the group of people that participate in USRF. Generally speaking, the default moves money as people moves closer to retirement. The further away from retirement that an individual is, then generally the more you would want your money in what's referred to as growth assets, things like equities because they are the things over the long term that are more likely to generate higher returns for you on your pension pot. But you probably don't want your money to be in the majority invested in equities close to retirement because they can be more volatile from in their month-to-month day-to-day value. You want something closer to Retirement where your investments are more predictable in value, even though you may get lower returns during that period immediately before retirement. But the important thing then is security with the amount of that pension value. So the default fund does all of that for you. It looks at your target retirement age, the age that you've indicated is the likely time that you're going to retire, or it will work that out if you haven't done that from your date of birth. And in the default fund, it will automatically adjust the level of investments during your working life, during your membership in USRF. So that's all done for you and that's the attraction of a default investment option.

So take a look at this if you're interested and you do want to actually select your own investments, then you can do that, but the vast majority of people who participate in any DC workplace pension scheme actually chooses the default option set by The University and run by the insurer, in this case, Royal London.

So what happens when you get to Retirement? Well, you've got choices.

As I mentioned as to how you would like to use your pension pot. You can if you wish, for example choose to use your pension pot to buy a pension regular income, they actually call it an annuity for people who are using their defined contribution pension pot, that's regular lifetime income payable for the rest of your life. Often it can be inflation proofed. You can choose it to be inflation proofed or not, and you can choose for example that it has a spouse’s pension so that something would be payable to your spouse from that annuity in the event of your earlier death. Those are elements that you can choose to attach to your annuity. That's the traditional way to use a pension pot, and many people still use some, perhaps of their pension pot to buy in annuity. By the way, you can mix and match these choices so put some of your money, for example in an annuity and some in the other choices that are that are presented.

The second option is to take immediate or periodic cash. Traditionally, people took cash when they retired and they took 25% and you're entitled to do this 25% of your pension pot tax free at that point of retirement, and you can still do that. That’s taking immediate tax free cash, but there is something called “UFPLS” now and that's been there in more recent changes to the tax laws affecting pension schemes. And this means that you can, if you wish, take periodic cash from your pension fund over a future period. So you may in year one decide to take some periodic cash and then again in year three and then again in year six as you move into Retirement, each time you take that periodic cash, 25% can be tax free and you will pay taxes at the marginal rate on the remainder of your withdrawal. UFPLS can be quite attractive for people who want to use their pension fund not to buy an annuity and to buy that lifetime income, but instead to use it as something to draw upon future points during their Retirement this could. This could suit for example, somebody is going to get regular income from another source and they may want to use this particular pension fund to draw upon as cash and a periodic points during their retirement.

Another variation of that is something called income drawdown, which is now becoming increasingly popular with people who've got DC funds. And this is where you say that you would like regular income, but what you're going to do is draw down from your pot over a period of normally set by reference to a number of years. So you might say that for the first 15 years of my Retirement, I'm going to take regular income from my fund, and I know that after that 15 year period, I'm going to have exhausted the pension pot that I have. But it's important to you to draw this income during that 15 year period knowing that perhaps once you've exhausted this particular pension pot, you'll have another pension pot to draw upon. Or perhaps something like state pension, which you will fall back upon when you actually have exhausted this income drawdown in.

I emphasise you can choose different options here and you can allocate half of your money for one purpose and half of your money for another option. But you can see this gives you a lot more flexibility than just being advised that you have a lifetime pension to draw on the lifetime pension fee or £200,000 pension pot is £10,000 per annum or £8000 per annum or whatever the figure is, that might not suit you to have regular lifetime income, and you may want to different mix of cash and having the ability to draw down over a set period.

This will all be presented to you at the point that you approach retirement, and as I mentioned, you can use services like money helper to guide you through the information and the choices and to help you to make the best, the best choice and option for you.

You can transfer in previous funds into USRF and if you want to do this, you can inquire by contacting the university pensions team and the link is there. I saw something the other day which showed that an individual on average has 10 different sets of pension rights during their working career.

So you may have pension rights that perhaps you've earned in another pension scheme that are separate to the pension that you're now building up within USRF. Well, you can investigate a transfer of those funds into USRF.

It isn't always advantageous to transfer. It will depend, for example on your previous pension rights, the nature of the previous pension rights that you have. Are they from another defined contribution pension scheme, for example? Or are they from a DB, defined benefit type pension fund and your choices and your kind of decision may well be different depending on the nature of those previous pension funds that you have, but there can be many other considerations as to whether, you should or should not transfer.

You can at least start to make an inquiry if you wish to kind of consolidate and bring your pensions together and do that by contacting the university's pensions team.

(Slide 7 & 8 of presentation)

BM Brendan Mulkern:

The next common question can I reduce or increase my contributions? That's a really important question as I mentioned, for people who might want to vary the amount that they pay. Well, the good news is the contribution structure is relatively straightforward within USRF in that employer will pay a 10% contribution, 10% of your salary they will commit to your pension in membership of USRF.

Now the standard contribution for members for employees is 6%, but you can pay more than 6% if you choose, choose to put more into your pension fund and you can contact the pensions team if you want to increase your contributions above that 6% level. Remember, the more that you put into the pension, the more that you're going to save to your future workplace pension outcome. And of course, all of this is getting tax relief on the contributions that you're paying in and tax free growth. So it can be a really tax efficient way to increase the amount of benefits that you receive at retirement and many, many people, for example, want to make up for lost time. They're maybe not always paid into a pension scheme, but now they want to put more money in to save for that future Retirement.

So you can pay more than the standard contribution of 6% into the scheme. You can pay less if for a period of time, say you wanted to pay a lower contribution than 6%, then you could pay the table here highlights 4, 2 or even 0 for a period of time. Well remaining a member of the USRF scheme, but you've elected to bring your contributions down to 0%, but still receiving that 10% employer contribution.

Now of course that will affect your eventual retirement outcome and the size of the pension pot that you will build up. But nevertheless there is flexibility to reduce the contribution from the standard 6% if you so wish. And again, you would contact the pensions team if you wanted to change your contribution.

The main thing is this flexibility and that flexibility to still also have your employer contribution of 10% going into your pension pot. For those who are looking to pay higher contribution, there's no limit really to the contributions that you can make. Although tax relief and that's the important thing you want to pay contributions with tax relief, those contributions will be tax relief are limited to the higher of 100% of your taxable pay. So minimum of £3600 that somebody will always get. So if you if you're on a very low salary less than £3600, you'll always know you could pay a pension contribution of up to £3600 and get tax relief even if you pay was lower than that.
But generally, for most people, say for example on a full time salary, you know that you could pay up to 100% of that salary and gain tax relief on contributions, if you wanted to put a huge amount into pension saving during a period of your USRF membership.

(Slide 9 & 10 of presentation)

BM Brendan Mulkern: Where can I view my benefit details and how do I register online? So I mentioned earlier this is the importance really of engaging with your pension details, checking that they're all correct and that they have up to date details for you.

Well, Royal London provides all new members with the welcome pack. So you should have received a welcome pack when you became a member of USRF and this will contain the information and importantly your policy details that will allow you to log in to your online account.

They now have an app, don't they all these days where you can use that app, download it in order to access the Royal London website and access the pension scheme information through your secure login.

Now, if for any reason you've not got your welcome pack, for example, you're unsure of your policy details, then again, please contact the pensions team at the university and they can help you to get that information and start to access your Royal London pension detail.

And what you'll be able to see there, of course, is what the current size, for example is of your pension pot, how much pension pot have you built up? Do they have the current details for you? So they can send the information about the pension scheme if there are changes this information annually about the pension scheme that you should receive and read, they'll check that you've got all of those details and that they can contact you. So please do that and stay up to date with your pension and see how that pension grows over your time of membership in USRF.

(Slide 11 & 12 of presentation)

BM Brendan Mulkern:

This is a real common question that the pensions team receives from members. Why does it show only employer contributions in my contribution schedule which I see in my Royal London account when of course I'm a member of USRF and I pay contributions. Well, hopefully we can illustrate this.

I hope you can see this, but the left-hand graphic shows a list of pension scheme contributions made by the member.
Then the contributions that are gained from tax relief remember that important tax advantage that people gain when they pay their pension contribution, then the employer contribution and the total of course is shown in this column. The important thing is it's the oldest pay period at the bottom, rising to the more recent pay periods. Normally during the first months, the first three months in particular of an individual's employment and membership of USRF, the member

will pay a contribution. They'll gain tax relief on their contributions, as is normal, and the employer will pay the contribution.

Things are straightforward in terms of contributions being made individually by the member and by and by the employer.
What changes often in month 4 is that salary sacrifice is then automatically applied for individuals. And that's when salary sacrifices a facility that the university offers where you can actually make an additional National Insurance contribution saving. But the way that salary sacrifice works is that the employer, the university, pays the whole of their contribution and your contribution too.

They make the entirety of the pension contribution to Royal London. They've made an adjustment to your salary for the fact that the university is going to be paying your contribution as well from month 4, but it means that in effect there's no longer any direct member contribution being paid. That's why that column of member contributions actually changes, but instead the university's paying your pension contribution on your behalf. And the advantage, as I mentioned of salary sacrifice is that you will gain a reduction in National Insurance contribution as well the university, from the point that the salary sacrifice arrangement exists. Salary sacrifice is very common these days across higher education across many, many employers. They give people the chance to make some National Insurance saving on things like this pension contributions, one of the most popular salary sacrifice arrangements, and the university operates that from month four.

If you're not in salary sacrifice, you can elect for it. And again, please be in touch with the university's pensions team and they can ensure you've got the form and paperwork to be able to elect to be in the salary sacrifice arrangement. But it does create this query where member contributions appear to cease, but from month 4 they are of course being paid by the employer ordinarily under their salary sacrifice arrangement.

(Slide 12 & 13 of presentation)

BM Brendan Mulkern:

How do I complete an expression of wish form and why is it important that I do?

As I mentioned, this expression of wish arrangement is in relation to the death benefits that are payable by the scheme and by the university.

One thing that's usually important for people who are members of pension schemes is to provide for circumstances where they die before they reach retirement, and members of these schemes, members of any pension scheme, want to know that there will be some proceeds in the event that they don't actually get to draw their benefits but suffer an earlier death.

Well, the scheme provides a very generous level of death benefits in the event of your death before normal retirement date whilst you're in membership of USRF, there's a death benefit payable of five times your annual pensionable salary, and you would also, and your recipients, will also receive the value of your pension pot that you currently have invested with Royal London.

So both of those lump sum amounts are payable as entitlements in the event of your death, and they're normally payable to your nominated beneficiary or beneficiaries. There can be multiple and this is where the expression of wish form comes in. Because what the expression of wish form does is it allows you to nominate who you wish to receive any lump sum death benefits in the event of your death. Royal London would decide on the recipients, decide on the payment of your pension pot that you've built up. The university would decide on the recipient of your five times annual pensionable pay figure.

So it's important, therefore, that you fill in this form to indicate what your wishes are, and it's important to keep it up to date, so that in the event of your death, the trustees and the people in in scheme managers within Royal London and the university see what you're up to date choices would be. It's important because there can be pay benefits on a tax advantage basis when they see an up-to-date form, they have the ability to pay to a clearly nominated individual. That means the payment doesn't form part of your estate and it doesn’t potentially fall subject to inheritance tax, isn't subject to whether you have left a will or not. This is quite separate to all of that arrangement is payable under the what's referred to as the discretionary trusts of these two arrangements.

Now we only have a very small proportion of Members who filled in an expression of wish. It’s a concern for the university that not many people have done this well there's a real emphasis now for you to do this. Fill in these forms because you can imagine it can get very difficult if an individual has not completed indicated what their wishes are and death occurs, and in many cases the university and Royal London may instead actually choose to make payment through the actual estate, and that might not be the most tax advantage way to actually deal with money that's due to your beneficiaries.

So please do fill in the forms and it means that both Royal London and the university are up to date with your intentions, and you can do that through clicking on the two links there and filling in the forms and sending them off appropriately.

(Slide 15 of presentation)

BM Brendan Mulkern: Just one or two supplementary slides here.

First of all, on tax relief and salary sacrifice, these are two big advantages of being a member of a scheme like USRF and I've talked a little bit about salary sacrifice. It gives you an advantage by choosing to pay your pension contribution. Elections that the employer, the university pays your pension contributions on your behalf and the benefit is by gaining a reduction in your National Insurance contribution. If you want more information then there is a salary sacrifice web page established by the university and you can find more information about salary sacrifice there. You know it's a reduction in your National Insurance contribution and therefore it's normally something that's hugely attractive to members and there could be good reason to choose it if you're not already in salary sacrifice.

(Slide 16 of presentation)

BM Brendan Mulkern:

We also want to alert people to the increasing risk of pension scams.

These are unfortunately on the rise and we would always advise people to be extremely wary should people approach you about potentially transferring or moving your pension, they can often be advertised with quite attractive features, for example that you can draw your pension at any point from age 50.

Well, if you're in an approved UK pension scheme, you cannot access your pension benefits before age 55 under UK Pensions law, by the way, that minimum pension age of 55 is increasing to 57 from 2028. So anything that suggests you can get your pension before 55 is not, according to UK Pensions law, and it's either operating from some kind of overseas territory or perhaps is offering you a product which is not a pension that happens to maybe somehow bridge between the day when benefits have been paid and when you would ordinarily be able to access the under UK Pensions law often unfortunately, these things sound too good to be true. And they usually are. These are often fraudulent destinations and individuals can end up by losing parts or even the whole of the valuable pension saving. And we'd encourage you to stay well away from any of these Pensions offers and pension scams which are operating.

If you see them, then we would ask you to alert the university pensions team. They've got a duty to see these and alert people like the Pensions Regulator, should they exist so that they can stamp out these approaches that people receive to move their pension.
There are also places like action fraud where people can report an approach that's been made to them to transfer their pension benefits.

Unfortunately, too many people are losing their pension rights, often attracted by guaranteed investment returns, access before 55, for example. They're incredibly risky. Do not put your pension at risk through any of these scams and please do alert the universities pensions team and action fraud, if indeed you receive any approach along these lines.

(Slide 17 of presentation)

BM Brendan Mulkern: And finally, Money Helper.
I talked about money helper being a good source of information for people. Incredibly good plain language about Pensions choices and options. In fact, if you're over 50, you can also talk to somebody from the money helper line to talk through the Pensions choices that you might want to consider.

So please take a look at money helper you know, it's impartial, you know that the information there has been vetted, they're not trying to offer you any kind of commercial product. Money helper can be really helpful for people who want to better understand their pension, so there's some links there and contact numbers if you're if you're interested in finding out more about your pension, maybe having somewhere to go to ask questions.

OK Cearah, maybe I'll hand back to you and then we have some further Q&A that we had during the during the live sessions.

CW Cearah Wurdeman: Yes, thanks very much, Brendan.
So just some more of the general questions that came up in our live sessions. One question that was asked is what would happen to your benefits if you haven't completed an expression of wish form and nominated beneficiaries to receive any lump sums due?

BM Brendan Mulkern:

Yes, thanks, Cearah.

Well, the trustees or the scheme managers will normally still want to pay a lump sum death benefit under the schemes discretionary trust. They would want to pay it in the most tax advantage way, so they will gather information on the beneficiaries to see who is the likely intended recipient of those benefits following an individual's death.

If the situation appears straightforward, then the scheme managers may well be willing to still make payment to death benefit under discretionary trust.

So there still will be the advantage, a bit not falling part of the estate for example.

But if the trustees are not certain about that, and there's an absence of an expression of wish which indicates what the intentions are of the deceased individual, then the trustees may then choose not to make a payment under the discretionary trust, in which case it would be payable to the estate and then it would be subject to any intention set out in the will, or if there's no will under the general intestacy laws and that's potentially where something could fall into a tax situation, if the overall assets of the estate are sufficiently large, umm, it can make things tricky.

Basically, for the trustees and scheme managers, they have a real authority to be able to pay the payment when you've got an up-to-date expression of wish when you don't have that, things become much more difficult and it may well be that the trustees and scheme managers then have to default to making the payment to the estate.

CW Cearah Wurdeman:

Great. Thank you.

Another question that comes up pretty often, not just USRF, but for a lot of our pension schemes is can you delay the date of your pension payouts and work past the pension age and remain in the scheme?

BM Brendan Mulkern:

Yes, you can.

You your pension, of course, is linked to your employment at the University of Southampton, so if you wish to continue working beyond age 65, age 66, which are common, normal pension ages, then of course you can carry on working subject to the terms of your employment and carry on building up contributions, having contributions paid into your pension until you eventually retire. Normally, pension schemes will want to pay benefits at an upper age of 75. Now, very few people actually continue working up to 75, but you know that the pension scheme would normally write to you at 75 and say you have now reached this age, even if you are still in employment, we will now want to commence payments of these retirement benefits, but otherwise, generally speaking, beyond the age of 65 or 66, which are the normal pension ages which exist, if you carry on working, you'll carry on paying if you choose to do so into the USRF scheme.

CW Cearah Wurdeman:

Thank you.

Another question that came up is obviously with a scheme like USRF if you have the option to take uncrystallised benefit lump sums / UFPLS up to 25% tax free. One of the questions is, are you only allowed to do this once annually or can you do multiple withdrawals from your fund up to 25%?

BM Brendan Mulkern:

Yeah. Thanks Cearah.

You can normally make multiple withdrawals, so this was the second option, but there was the annuity, there was income drawdown and then there was something called UFPLS which allows an individual to draw set periodic cash from their pension, though this does depend on Royal London's rules from time to time.

Many of them permit a number of withdrawals to be made during a calendar year, and I've seen arrangements which allow up to four withdrawals during a calendar year, but generally you can make a withdrawal during a calendar year if not indeed, multiple withdrawals and that allows you on each occasion to draw / make a withdrawal, 25% of which would be tax free and 75% will be payable at the marginal rate. So normally you would expect to be able to pay take multiple withdrawals, but the idea really with off plus is that as I've tried to highlight, maybe it's in year one or two, you make your first withdrawal year three year 4 you make a second withdrawal. You may not want to make a number of withdrawals within the same year it allows you to spread your withdrawals over a period of years subject to your choice and normally as I mentioned, be able to make more than one, but that will depend on Royal London specific rules at the time as well.

CW Cearah Wurdeman: And for instance, if you decided to take the option of UFPLS of 25% , could you use the remaining 75% to purchase an annuity for instance?

BM Brendan Mulkern: Yes, that's right.

Yes, you could. You can use a combination of options in there that can suit some people because the attraction of UFPLS with having the periodic withdrawals, but then committing maybe a portion of your pension to that lifetime income. Regular lifetime income is going to be there in the long period of your retirement, hopefully to be able to pay the bills and all that kind of thing that can be quite attractive, but again you would need to look at what the cost is of that annuity as we know buying an annuity can be quite an expensive business and you don't get a huge amount of lifetime pension for a fixed set of cash being used to buy it.

So you would always want to shop around and make sure that you can get the best annuity level available.

CW Cearah Wurdeman: OK. Thank you.

So on the discussion of annuity, one of the questions from the last session is if you opt for an annuity at retirement, would that have to be with Royal London or could you for instance look for an annuity elsewhere?

BM Brendan Mulkern:

No, it doesn't have to be with Royal London, and in fact, it shouldn't necessarily be with Royal London. You should shop around, find the best annuity, and as I mentioned, you need to choose the kind of annuity that you want as well. It may be important to you for example, you have an inflation proofed annuity. There's some level of increase once it comes into payment.It may be important that you have provision for your spouse in the event of death.
The level of the annuity will all be adjusted according to these attributes that you might want to attach to your annuity, but never less shopping around choosing the best annuity provider.
And there are tools by the way that can help you to do this and money helper for example are really good at pointing you to tools that can help you to find the best annuity with your money.

CW Cearah Wurdeman:

Thank you.
So another question that was asked is, if an individual that's an active member of USRF at the university decided to leave employment with the university however, takes on additional employment or employment after leaving, and that employer also offers Royal London would they potentially be able to continue contributing to Royal London into the same pot?

BM Brendan Mulkern:

Yes, I mean they would be entitled to pay into that scheme, but remember it would be a new arrangement.
It happens to be the same insurer, Royal London, but for example, it might have a different annual management charge because that employer will be operating and running that arrangement and have agreed it with Royal London and it would probably be a little more convenient if you wanted to transfer the proceeds that are in your USRF account into that new arrangement operated by Royal London, simply because it's the same insurer. But you'd have to be aware of all the same kind of pros and cons of making a transfer before you choose to do so. It would not be automatic, it's with a different employer and therefore it's a different arrangement
and you would need to watch for things like the level of charge that applies with that new employer, even though they're operating that arrangement with Royal London.

CW Cearah Wurdeman:

Alright, thank you.
And another question, I know you touched based on this a bit with regards to transferring in to Royal London, what would be the pros and cons of combining all your pension benefits from other pension schemes into Royal London?

BM Brendan Mulkern:

So there are advantages and disadvantages in doing that and you really do want to watch out for these and some of the things that you might want to consider are for example the level of charges that applies. I mentioned that the existing arrangement operates with the 0.4% annual management charge. What is the level of charge that's applying to any previous arrangement, for example, that you thinking about transferring in or an arrangement that you intended to transfer to. You might want to look for example at the investment management. If you're thinking, let's think in the context of a transfer in from another pension scheme into USRF Remember, by transferring in, you're moving your money to be invested and managed by Royal London. Do you think they are a better manager than the place that's currently investing your pension fund? Now I know these are difficult judgments to make, but you do at least want to acknowledge that if you've got all the pension rights, they are being invested by an investment manager now and you need to consider that if you transfer it, they'll instead be managed by Royal London. Now, you may believe the they'll all perform the same, but you may actually really like Aviva or Scottish Widows, whoever that previous manager is, because you believe they will invest your money better than, for example, Royal London in this arrangement, that can be a reason to leave your money in that previous scheme if you believe that the investment manager will outperform the kind of investment that the Royal London and vice versa process if you believe that Royal London is a superior manager, then that would be a good reason to transfer.

The main other thing that I would say to watch for things like penalties and charges. What you want to make sure if you're going to transfer in from another pension scheme, is the entirety of your pension pot going to be transferred from another pension into you USRF. Or would they apply any charge or penalty for making that transfer, and if so, what is the size of that penalty/charge and that can be really important because sometimes if you're transferring money out some way ahead of your normal retirement date, there can be a an adjustment applied to that money before they give you a transfer value that you can bring into the USRF scheme.

So again, you might want to think twice if there's going to be an adjustment to your previous pension rights. And again, these are things to weigh up Cearah because sometimes, even though it's an adjustment, you might think, well, it's relatively small and I still see the benefit of consolidating things together and I'm going to work for the University of Southampton, I think for the long term, and therefore this is where my substantive pension is going to be.

There can be other pros and cons, things that whether it's DB, that really needs special consideration, but there are some places online, for example where you can see some different pros and cons mentioned. One organization called the Peoples Pension. There's another very big pension provider and they've got a nice pros and cons document, so people like people's pension can help you with should I transfer or not? Money helper, of course, is a really good, impartial service that can help with that too.

CW Cearah Wurdeman: Thank you.
I think that was all of the main questions that came up in the last sessions. Was there anything else from your side that you recall being asked in the last sessions that you would like to have added?

BM Brendan Mulkern:

No thanks Cearah
That that's really covered the ground, hasn't it?

CW Cearah Wurdeman:

Yes. So just to let everyone know watching this recording, we will be providing a copy of the slides so that you will have access to all the links and fact sheets on the presentation and we will include that with any posts that we do on SUSSED with the recording.
But thank you very much Brendan for your time.

BM Brendan Mulkern:

Thanks Cearah.
Thanks everyone.

CW Cearah Wurdeman:

Thank you. Bye.