

July 2010

Our  **Money made clear**TM guides – here to help you

This guide is part of our Pensions and retirement series.



Available from our helpline or website
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No selling. No jargon. Just the facts.

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No selling.
No jargon.
Just the facts
about
pensions.

 **Money made clear**TM
from the Consumer Financial Education Body (CFEB)

Moneymadeclear™ guides are brought to you by the Consumer Financial Education Body (CFEB). We aim to help you understand financial matters and manage your money better.

Just the facts about pensions.

We try to ensure that the information in this guide, much of which comes from external sources, is correct at the time of print. It is possible that some of it is oversimplified, or may become inaccurate over time, for example because of changes in the law. You should always check the current position before you take any action.

This is general information intended for consumers of UK financial services resident in the UK. It does not take account of your individual circumstances. When making decisions about your own circumstances you should consider whether to consult a financial or other professional adviser.

This guide is for you if

You want

to know how you can save for your retirement.

It's about the types of pension available and:

- how they work;
- where you may be offered one; and
- answers some of the questions you may have.

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How pensions work

If you're working, you're usually paying National Insurance contributions (NICs). This means you'll be eligible for a basic State Pension.

It's a start but it may not be enough to give you the standard of living you want. So you'll need another source of income as well.

There are other types of pension, either offered through your employer or ones you can start yourself.

They are all long-term investments which you usually pay into throughout your working life. Depending on the type of pension, your employer may also pay into it. You get tax relief on money you pay-in, and your money is invested in stocks, shares and other investments to try to make it grow.

When you retire, your pension fund is usually converted into pension income which is paid to you till you die.

You don't have to stop work to take a stakeholder or personal pension.

You can take a pension from your employer's occupational scheme and carry on working for that employer, as long as scheme rules allow this.

See the *Jargon buster* on page 25 for an explanation of some words you may come across.

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Key points

- Your retirement can last 20 or 30 years – maybe longer, so you need to be prepared – you may be living on your retirement income a long time.
- The earlier you start saving in a pension, the longer your money will have the potential to grow.
- Many schemes give you a statement each year with details of your possible income at retirement.
- You cannot take your money out of a pension until you are at least 55.

Different types of pension

Basic State Pension

Your National Insurance contributions (NICs) go towards building up a basic State Pension.

The State Pension age is currently 65 for men and between 60 and 65 for women depending on when you were born. This is scheduled to go up to 68 for men or women retiring from 2046. However the government has announced that it will consult on raising the State Pension Age to 66 from 2016. For more information on changes to the State Pension, go to Directgov's website – see www.direct.gov.uk.

From 6 April 2010, parents and carers are able to build up qualifying years through new weekly credits for the basic State Pension and additional State Pension. For more information, go to Directgov's website – see www.direct.gov.uk.

Additional State Pension

If you are (or have been) in employment, you may also be building up an additional State Pension – the State Second Pension, formerly SERPS (State Earnings Related Pensions Scheme).

The amount of State Second Pension (S2P) you get depends on your earnings and your NICs record.

You may also be entitled to some State Second Pension if:

- you earn below a certain amount set by government; or
- cannot work through long-term illness or disability; or
- you are a carer.

For more information call the Pension Information Order Line or go to Directgov's website.

Self-employed people cannot build up a pension through the State Second Pension.

There may be changes to the S2P in future. To find out more go to the Pensions Advisory Service website – see www.pensionsadvisoryservice.org.uk.

Contracting out of the State Second Pension

If you are an employee, you are automatically included in S2P unless:

- you decide to leave it (called 'contracting out'); or
- you are a member of an employer's occupational pension scheme that is contracted out.

If you decide to contract out:

- you stop building up your S2P entitlement and build up a replacement for it in your own pension instead (for example, in a stakeholder or personal pension);
- HM Revenue & Customs (HMRC) will pay a rebate of part of your National Insurance contributions into your stakeholder or personal pension.

You will continue to be contracted out of S2P, unless you decide to contract back in.

If you are contributing to your employer's occupational pension scheme, and it is a contracted-out scheme, you cannot contract back in while you continue to be a member of that scheme. Check with your employer.

You should make sure you review your decision every year.

The option to contract out of S2P will be removed from 6 April 2012, although final salary occupational schemes will keep the option.

For more information about contracting out of S2P, read our guide *The State Second Pension – should you be contracted out?* – see *Useful contacts* on page 28.

Key points

You can get a forecast of how much your State Pensions will be from The Pension Service by completing form BR19 – see www.direct.gov.uk.

Pension Credit

This is a benefit that the government introduced to help pensioners with small or no savings at retirement. For more information read the Pension Service booklet **Pension Credit (PC1L)**. To get a free copy phone 0800 99 1234 (call rates may vary).

Remember though, governments can change the rules for State pensions and benefits at any time.

Pensions at work

Although you don't have to join a pension scheme offered through your job, it's usually a good idea to do so because:

- your employer normally contributes;
- you often get other benefits as well as a pension, such as:

- life insurance which pays a lump sum and/or a pension to your dependants if you die while working for that employer;
- a pension if you have to retire early because of ill health; and
- a pension for your spouse and other dependants when you die.

If you work for a business with fewer than five employees, your employer does not have to offer you membership of any pension scheme. Check what's available though. Some small employers may offer a scheme anyway.

Not all the pensions offered to you in your job are occupational pensions. Your employer may offer a stakeholder pension or a personal pension through a group personal pension (GPP) arrangement. These pensions are not called 'occupational pensions' even though the employer may contribute.

In future all employers will have to offer and contribute to a pension to help more people save for their retirement. Employers who haven't offered an occupational pension in the past may set up their own scheme, or may pay pensions into a new central scheme called National Employment Savings Trust (NEST). The requirement on employers will be introduced in stages from 2012 although, at time of writing, a three-month review into some of the provisions relating to NEST has been announced. For more information

on what this means for you see The Pensions Advisory Service's website at www.pensionsadvisoryservice.org.uk. For more information about NEST, see the NEST Corporation's website at www.nestpensions.org.uk.

Key points

- Find out from your employer whether they offer a pension scheme and what type it is.
- You should get a booklet describing the scheme before you join it. Read this so you understand what your employer's scheme offers you.
- It's usually a good idea to join your employer's scheme because they normally contribute to it. So think carefully if you are considering not joining your employer's pension scheme.

Salary-related occupational pensions

Your employer may provide a salary-related pension scheme. They are also called defined benefit pensions because the benefit (your pension) is worked out using your salary and the length of time you have been a member of the pension scheme.

Usually, the employer contributes to the scheme and there are trustees to look after scheme members' interests.

The scheme trustees and manager, not you, usually make all the investment decisions.

How they work

You build up a pension at retirement that depends on:

- how many years you have been a member of the pension scheme;
- the earnings that your pension is based on (often averaged over the last three years before retirement);
- the proportion of those earnings which you get as pension for each year of membership. The most common are 1/60th or 1/80th of your earnings for each year of membership.

The benefits of these schemes are that:

- the pension is based on your length of membership and salary, so you have a fair idea of how much your pension will be (as a proportion of your earnings) before retirement;
- your employer should ensure there is enough money at the time you retire to pay you the pension – but see **Is there a risk?**;
- your employer normally contributes;
- you get tax relief on your contributions;

- scheme investments grow generally free of income tax and capital gains tax;
- your pension benefits are linked to your salary while you are working, so they automatically increase as your pay rises;
- your pension income from the scheme will normally increase each year in line with the RPI (Retail Prices Index) or a set percentage, whichever is the lower.

Is there a risk?

If a salary-related occupational scheme or the sponsoring employer gets into financial trouble, the Pension Protection Fund can provide some protection. You can normally get a pension of up to 90% of your expected pension subject to a cap. Go to the Pension Protection Fund website for more information – see www.pensionprotectionfund.gov.uk.

Your employer may close a salary-related pension scheme to new or existing members and offer a money purchase pension scheme. The scheme trustees will give you information about your options.

Money purchase pensions

The pensions listed below are all money purchase pensions:

- Occupational defined contribution pensions – some employers offer these schemes.

- Group personal pensions through work.
- Stakeholder pensions and individual personal pensions.

How they work

Money purchase pensions build up a pension fund using your contributions (and your employer's contributions if they make any), plus investment returns (if any) and tax relief.

It helps to think of money purchase pensions as having two stages:

Stage 1: The fund is invested, usually in stocks and shares and other investments, with the aim of growing it over the years before you retire. You can usually choose from a range of funds to invest in. Remember though that the value of investments may go up or down.

The Pensions Advisory Service (TPAS) has an online investment choices planner to help you decide how to invest your contributions – see www.pensionsadvisoryservice.org.uk/online-planners. For information in print, get a copy of The Pensions Regulator's guide **Making pension fund choices: think before you choose** – see www.thepensionsregulator.gov.uk.

Stage 2: When you retire, you can take a tax-free lump sum from your fund and use the rest to secure an income – usually in the form of a lifetime annuity.

A lifetime annuity is an income you buy with your pension fund when you retire. For more information about annuities read our guide **Your retirement options** – see *Useful contacts* on page 28.

The amount of pension you'll get at retirement will depend on:

- how much you pay into the fund;
- how much your employer pays in (if anything);
- how well your invested contributions perform;
- the charges taken out of your fund by your pension provider;
- how much you take out as a tax-free lump sum;
- 'annuity rates' at the time you retire; and
- the type of annuity you choose.

The benefits of money purchase schemes are that:

- you get tax relief on your contributions;
- your fund grows generally free of income tax and capital gains tax;
- you may be able to choose the funds to invest in; and
- your employer may contribute if it's a work-based pension.

Pensions you take out yourself

If you decided on a private pension, you can shop around for a stakeholder or personal pension.

Stakeholder and personal pensions are money purchase pensions (the pension you get is not linked to your salary).

There are some differences between them.

Stakeholder pensions

Stakeholder pensions must have certain features. Some of these are:

- limited charges;
- low minimum contributions;
- flexible contributions;
- penalty-free transfers; and
- a default investment fund – ie a fund your money will be invested in if you don't want to choose one.

For more information about stakeholder pensions get a copy of our factsheet **Stakeholder pensions and decision trees** – see *Useful contacts*.

Personal pensions

Personal pensions are similar to stakeholder pensions, but they usually offer a wider range of investment choices.

Personal pension charges may be similar to stakeholder pension charges but some are higher.

High charges deducted from your fund by the pension provider can reduce the growth of your fund. High charges do not necessarily mean better performance.

You can compare stakeholder and personal pensions from different providers on our online **Comparison tables** – see www.moneymadeclear.org.uk/tables

Self-invested Personal Pensions (SIPPs)

SIPPs are a type of personal pension designed for people who want to manage their own fund.

Most SIPPs allow investment in a very wide range of funds and investments such as commercial property, offices, shops or factory premises.

They often have higher charges than stakeholder and personal pensions. For this reason, they may only be suitable for people who have large funds and are experienced with investing.

Saving now for your retirement

The table opposite shows the estimated monthly pension, at today's prices, you would get for different regular monthly contributions. The estimated pension (annuity) shown assumes that:

- you increase your contributions each year in line with inflation;
- before charges, your fund grows by 7% a year on top of your contributions;
- charges are 1.5% of the value of your fund each year for the first ten years and 1% a year afterwards;
- a rebate of basic rate tax (20% for tax year 2010/11).

When you retire the estimates assume you buy an annuity that increases by 2.5% a year with a 50% spouse's annuity.

Annuity rates assume that the investment return after retirement is 0.8% a year in excess of inflation.

Remember

These estimates are not guaranteed – you could get more or less than the amounts shown. The table gives you an idea of how much you need to pay now – as a regular monthly contribution – to get the monthly income you want when you retire. In particular, the rate of growth of your fund may vary considerably and may be below 7% a year.

Use our online **Pension calculator** to work out how much retirement income you might get from your contributions and existing pension schemes – see www.moneymadeclear.org.uk/tools.

What you pay per month for the first year (tax rebates will be added to this amount)

Your approximate age now	£20		£50		£100		£200	
	Initial monthly pension if you retire at		Initial monthly pension if you retire at		Initial monthly pension if you retire at		Initial monthly pension if you retire at	
	65	60	65	60	65	60	65	60
20	£92	£63	£231	£159	£463	£319	£926	£639
25	£74	£50	£186	£127	£373	£254	£746	£508
30	£59	£39	£148	£99	£296	£198	£593	£396
35	£46	£30	£115	£75	£231	£150	£463	£301
40	£35	£22	£88	£55	£176	£110	£352	£220
45	£25	£15	£64	£37	£128	£75	£257	£151
50	£17	£9	£44	£23	£88	£46	£177	£93
55	£10	£4	£27	£10	£54	£21	£108	£43
60	£5		£12		£25		£50	

Key things to think about

How much you can pay into your pension each year

You can pay as much as you like into a pension scheme. However, you'll only get tax relief on up to 100% of your earnings if you are a UK taxpayer. For example, if you earn £20,000 but put £25,000 into your pension scheme, you will only get tax relief on £20,000.

You can get tax relief on a limited amount of contributions if you are not earning.

In addition there is an annual allowance which limits the amount of money you can put in each year. This limit is set by HM Revenue and Customs (HMRC) and changes each year. The limit for 2010/2011 is £255,000. Any contributions you make over this limit will be subject to an annual allowance tax charge which is currently 40%.

The government has announced plans to restrict the amount of tax relief that can be claimed each

year from 2011/2012. This may mean that the annual allowance is reduced to somewhere between £30,000 to £45,000. Full details will be available later.

How much can you build up in your pension?

There is a lifetime allowance which limits the amount you can accumulate free of tax in all your pension funds when you come to draw your benefits. The allowance for 2010/2011 is £1.8m. Salary-related scheme benefits are given a value which counts towards the £1.8m.

For more information about tax allowances for both the annual and lifetime allowance go to the **Pension rules from April 2006** section of the Directgov website – see www.direct.gov.uk.

You may still have to pay tax on your income when you start to take your pension.

Think about how much income you'll want

Bear in mind that you won't have work expenses and you may have paid off your mortgage, but your home fuel bills could be higher and you may need to spend more on healthcare.

To help you work out how much you'll need think about the income you currently have. What proportion of it do you think you would need in retirement? Half your present income? Two-thirds? Use the **Budget planner** on our Moneymadeclear website to help you work out what you'll need – see www.moneymadeclear.org.uk.

Do you want information or advice?

When getting a pension, the general information you get from a firm either verbally or in print will usually just describe the products or services they provide. You are not being given advice based on your particular needs or circumstances. To get this type of financial advice, you'd need to see a financial adviser.

You don't have to take advice but if you don't and the scheme you choose turns out to be unsuitable, you will have fewer grounds for complaint.

Getting financial advice

The Financial Services Authority (FSA), the UK's financial services regulator, regulates advisers who give advice on personal and stakeholder pensions, but it does not regulate advice about employers' occupational pension schemes. For information about occupational pensions go to the Pensions Regulator's website – see www.thepensionsregulator.gov.uk.

Advertisements, product brochures and other promotions produced by firms regulated by the FSA must be clear, fair and not misleading. To find out if a firm is regulated check the FSA Register – see *Useful contacts* on page 28.

In addition, when you use an FSA-regulated financial adviser, you may have access to the Financial Ombudsman Service if things go wrong and the Financial Services Compensation Scheme if the pension adviser stops trading – see *Useful contacts* on page 29.

FSA-regulated firms must only recommend pension products that are suitable for you and must give you certain information about the firm, their services and costs.

For more information about financial advice and how to find a financial adviser, read our **Getting financial advice** guide – see *Useful contacts*.

Meeting a financial adviser

After discussing your personal needs and circumstances with you, the adviser will recommend a product and explain why they have suggested that product.

To help advisers give you suitable advice always tell them whether your employer offers an occupational pension that you could join, or have joined.

Advisers will usually tell you to check out your employer's occupational pension as your first priority.

Some questions to ask yourself before you see an adviser

- How much can I afford to pay regularly?
- When do I hope to retire?
- What savings, investments or other assets do I have?
- Will my partner have a pension?
- What am I likely to get from State Pensions?
- What do I know about investing my contributions and how do I feel about investment risk?

Some questions to ask an adviser

- What sort of investment would be most suitable for me, given:
 - that I can/cannot join a work-based occupational pension;
 - the length of time until I retire;
 - my employment status and prospects;
 - my other savings, investments and assets; and
 - how I feel about investment risk.
- How much should I be saving to get the retirement income I want?
- Is a stakeholder pension the best option for me? If not, why not?

Important information you'll get

The Key Features Document

explains the main features of the pension and will answer most of the following questions:

- If I take out a particular pension now, can I switch to another later?
- Will there be charges for switching?
- What are the charges for the pension I am being recommended?
- How much of my investment will be lost through these charges?
- Must I pay regular contributions?
- Can I vary my contributions or stop them altogether?
- What happens if I choose to make regular contributions but can't keep them up after all – say, because I'm ill or made redundant?
- What will my dependants get when I die?
- At what age can I start taking my pension?
- Can I change the age I start taking my pension without penalty?

Getting a private pension without advice

Brochures and adverts will include factual information, and although you can expect the facts to be accurate, remember that you'll be reading marketing information, not investment advice. They are designed to show products in their best light.

Ask yourself the same questions that you would ask if you decided to get advice.

Shop around and get information about several comparable products. Use our online **Comparison tables** to help you compare features and costs of stakeholder and personal pensions – see www.moneymadeclear.org.uk/tables. Consult different pension providers and ask them for a **Key Features Document**.

If you are still unsure you may want to talk to a financial adviser before you decide.

Key things to think about

Reviewing your plans

Retirement planning is not a one-off task. Once you have started a pension or other retirement savings, you should keep them under review.

- **Review your plans regularly**
Make sure you are contributing enough to provide the retirement income you want – see the table on page 11.
- **Review your plans if your circumstances change**
For example, if you get a new job, become self-employed, marry or get divorced.

When reviewing your plans your options may depend on how long you have to go till retirement, whether you have to provide for your partner, and the type of pension you already have.

Find out if you're on track

Are you on target to get the level of income you want in retirement? And has that level of income changed? See the table on page 11

for how much you may need to save to get the income you want.

Use our online **Pension calculator** to work out how much retirement income you might get from your contributions and existing pension schemes – see www.moneymadeclear.org.uk.

How much State Pension might you get?

Go to pages 4 and 5 for information on State Pensions. Get a State Pension forecast from the Department for Work and Pensions (DWP) by completing form BR19 – see www.direct.gov.uk.

How much might you get from salary-related occupational pension schemes?

You should get a benefit statement from the salary-related occupational pension scheme you belong to in your current job.

This will show how much retirement pension you have built up so far and the amount you might build up if you carry on in the scheme until retirement.

Salaries tend to increase by at least as much as inflation, and sometimes by more, so your forecast pension should maintain its buying power too.

You may also get benefit statements from any salary-related occupational pension schemes you used to belong to in the past. Ask for one if you don't get one.

How much might you get from money purchase pensions?

Each year you should get a statement from each pension provider including those schemes that you no longer contribute to. Ask for one if you don't get one.

It will show how much pension income you might get, based on the value of your pension fund today, taking account of future payments into your plan; how the funds might grow; future inflation; and pension income from your fund when you retire (usually paid as a lifetime annuity).

This is only an illustration, not a guarantee. Nobody can be certain about future investment returns, interest or inflation.

Will you have enough?

Once you've checked your scheme, if you think you won't have enough money when you retire, you'll need to think about ways to increase your pension income. You can pay as much as you like into a pension scheme, but you'll only get tax relief up to 100% of your earnings. There is also an annual allowance set by HMRC. For more information about tax allowances and the annual allowance, see page 12.

Salary-related occupational pensions

You may be able to buy additional years, which increase the number of main-scheme membership years you are credited with – see page 7.

Talk to your pension scheme administrators for more information about what your employer offers.

Key things to think about

Money purchase pensions

You can top up your group personal pension, stakeholder or personal pension, and usually your occupational defined contribution pension, by making extra contributions.

Occupational pension schemes

If you are unable to make extra contributions to your occupational scheme, you could start a stakeholder or personal pension.

Working beyond retirement age

You may want to boost your retirement income by working beyond retirement age.

You can postpone taking your State Pension for as long as you want and get either extra State Pension or a one-off taxable lump sum. For more information, go to Directgov's website – see www.direct.gov.uk.

You can postpone taking a personal or stakeholder pension by agreement with your pension provider, and continue contributing to the pension.

You can continue working and contributing to an occupational pension scheme if the scheme rules allow. You stop paying NI contributions once you reach State Pension age.

Alternatives to pensions

You may want to consider other ways of building up assets that you can use to produce an income when you retire. You may also want to think about moving to a smaller property or using assets that may be left to you in a will.

Unlocking your pension benefits early

If you have a pension fund and are 55 or over, you may consider taking your pension benefits before you retire – known as 'pension unlocking'. Think very carefully before making any decision about taking cash from your pension early.

Pension unlocking is only suitable for a very limited number of people and circumstances.

If you take your pension early, your income will probably be considerably less than you could expect if you waited until your retirement date and you will have less to live on when you retire. You can only use a pension fund once.

Key points

Pension unlocking is only suitable for a very limited number of people and circumstances.

Make sure you understand the basis of any advice that you receive. Firms providing a pension unlocking service may not be able to advise you on any other options.

Ask yourself the following questions:

- How much pension income would I get now and how much would I get if I left it until retirement age?
- Would it be enough to meet my living expenses?
- Do I really need to raise extra cash?
- If so, is there another way of raising what I need?
- What benefits could I be giving up, for example ill-health benefits or death benefits?
- What would the effect be on my State benefits or tax position?
- Would I have to pay any penalties if I unlocked my pension?
- How much would I have to pay in charges to get my money early?
- How much would I have to pay the adviser?
- How much would my adviser get out of my pension fund for unlocking my pension?

Your questions answered

Question

If I decide to start a private pension, how can I make sure I get the right pension for me?

Answer

Shop around to check what is available. The **Comparison tables** on our Money made clear website can help you – see www.money made clear.org.uk. It would probably be a good idea to get financial advice.

If you decide not to get advice, make sure you ask for all the information available about a firm's services and costs and make sure you read the Key Features Document.

Question

I'm in my employer's scheme. How can I tell what type of pension it is?

Answer

Check the booklet describing the scheme you got from your employer. If you haven't got a booklet, ask your scheme manager for a copy.

Question

How often should I review my pension plans?

Answer

Review your plans regularly or when your circumstances change to make sure you're on track to get the retirement income you want. Use your annual pension statement to find out whether you're on track.

Question

How can I check how much pension income I'll get from all my current pensions?

Answer

You should get a pension statement each year from each of your pension providers showing how much pension income you may get. But remember that this is an illustration only, not a guarantee. Ask for one if you don't get one.

You can get a forecast for your State Pensions from The Pension Service by completing form BR19 – see www.direct.gov.uk.

Question

My employer has a money purchase pension scheme I can join. How do I choose which fund to invest in?

Answer

Most money purchase schemes offer a range of funds to invest in. They usually have a default fund if you don't want to choose a fund yourself, although the default fund may not be the best option for your particular circumstances.

With this type of scheme, you take the risk that your investments can go down as well as up, so it's important to be comfortable with the amount of risk you're taking. Find out what type of asset classes are available, to give you an idea of how risky the fund is and what its potential growth could be. For more information read the Pensions Regulator's guide **Making pension fund choices** or use TPAS' online planner – see *Useful contacts* on page 29.

Next steps

Step 1

Think about the income you want in retirement. The basic State Pension may not be enough.

Step 2

Find out what, if any, pension scheme your employer offers, whether they contribute and how you can join.

No selling.
No jargon.
Just the facts
about
pensions.

Step 3

If you need to start your own pension, consider getting financial advice. Use our online **Comparison tables** and read the Key Features Document you'll get from the pension provider.

Step 4

Review your pension plans regularly including any State Pensions you may be entitled to, to make sure you're on track to get the retirement income you want.

If things go wrong

Complaints and compensation

Personal or stakeholder pensions

The FSA regulates the way pension providers are run. It also regulates the sales and advice process for pensions. This means firms advising on or selling pensions must be regulated by the FSA. To find out whether a firm is regulated, check the **FSA Register** – see *Useful contacts* on page 28.

There are procedures that firms must follow when dealing with complaints.

First contact the adviser or pension provider who sold you the pension. If they cannot resolve the dispute, you may be able to take it to the Financial Ombudsman Service; the firm will tell you how to do this.

Occupational pension schemes

Your employer's occupational pension scheme must, by law, offer a formal complaints procedure, so first contact your pensions administrator at work. If it is not resolved, you can take it to the Pensions Advisory Service who will try to mediate between you and the scheme to resolve the matter. If necessary they will help you take your case to the Pensions Ombudsman.

The Pensions Regulator is the regulatory body for work-based pension schemes. These are schemes that an employer makes available to employees. They include all occupational pension schemes, and any stakeholder and personal pension schemes where employees have direct-payment arrangements.

For more information about The Pension Regulator – see www.thepensionsregulator.gov.uk.

If things go wrong

For help with making an effective complaint, get a copy of our **Making a complaint** guide – see *Useful contacts*.

State Pensions

If you have a complaint about the handling of your State Pension, raise it first with your local social security office. Look in the phone book or contact your Citizens Advice Bureau for the address.

Compensation

If a personal or stakeholder pension provider has difficulties and becomes insolvent, the Financial Services Compensation Scheme (FSCS) may be able to help you. Read the FSCS guide **How we can help** – see *Useful contacts*.

If an employer's salary-related scheme becomes insolvent, you may get some compensation from The Pension Protection Fund. For more information go to The Pension Protection Fund website – www.pensionprotectionfund.org.uk.

Winding up an old scheme and offering a new one

If your employer is winding up its occupational pension scheme, it may have a new scheme into which it wants the members to move. If it doesn't intend to offer another scheme, then the trustees have to distribute the assets according to the rules. Read the Pensions Advisory Service guide **Winding-up a pension scheme – a guide for scheme members** – see *Useful contacts* on page 29.

Jargon buster

Some key words and phrases explained.

Accrual rate

The proportion of pensionable earnings you receive as a pension for each year of a pension scheme membership. This is usually 1/60th or 1/80th of your salary close to retirement for each year of pensionable service.

Annuity

An investment that converts a lump sum (for example your pension fund) into regular income, which is taxable.

Asset classes

The underlying investments – shares, bonds, property and cash deposits.

AVCs – Additional Voluntary Contributions

A pension top-up for an occupational pension. You pay contributions into a scheme run by your employer to boost your main pension.

Contracting out

The facility to leave the State Second Pension (or SERPS) and build up benefits in a personal pension. The option to contract out will be removed from 6 April 2012, although final salary occupational schemes will keep the option.

FSAVCs – Free-Standing Additional Voluntary Contributions

A money purchase pension top-up policy for an occupational pension. This is separate from your employer's pension scheme and is normally run by an insurance firm.

Group Personal Pension

A type of personal pension offered by some employers but not classified as an occupational pension scheme – see Money purchase pension.

Jargon buster

Lifetime annuity

A lifetime annuity converts money from your pension fund into pension income, which is taxed. There are different types to suit your circumstances.

Money purchase pension

A pension where your contributions are invested in, for example, the stockmarket. The size of your pension fund depends on how much is invested and how well those investments do. At retirement, some or all of the fund may be used to buy an annuity. This includes some occupational pensions and all personal pensions, group personal pensions, stakeholder pensions, FSAVCs and some AVCs.

Occupational pension

Available through employers and run by pension scheme trustees. There are two types – salary-related (defined benefit) and money purchase (defined contribution).

Personal pension

A money purchase pension from a financial services company into which you and/or your employer make contributions.

Protected rights pension

The part of your pension fund which was used to contract out of the State Second Pension (or SERPS) that must be used to buy a protected rights annuity.

Salary-related pension scheme (also known as a final salary or defined benefit)

The amount of pension you get is worked out on your salary at or near retirement, or when you left employment, and on the length of your pensionable service.

Stakeholder pension

A type of personal pension that has to meet certain standards set by the government.

State Pension

A pension based on your National Insurance contribution record.

State Second Pension

An additional State pension paid on top of your basic State Pension. This used to be called SERPS. Self-employed people cannot build up a State Second Pension.

Tax-free lump sum

An amount of cash set by HM Revenue & Customs which you can take at retirement free of tax. Individual pension schemes may have different rules on how much you can take.

No selling.
No jargon.
Just the facts
about
pensions.

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Useful contacts

Consumer Financial Education Body (CFEB)

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On our **Moneymadeclear™** website you can find

- [Comparison tables](#) for annuities, stakeholder and personal pensions;
- a [Budget planner](#) to help you work out your spending; and
- a [Pension calculator](#) to see how much income you might get.

Call rates may vary – check with your telephone provider.

Financial Services Authority (FSA)

0845 606 1234

Minicom/textphone: 0845 730 0104

www.fsa.gov.uk

To check the FSA register, or to report misleading financial adverts or other promotions.

Pension information and advice

The Pension Information Order Line

For booklets about State Pensions

0845 7313 233

Textphone: 0845 604 0210

www.direct.gov.uk

The Pension Service

0845 606 0265

www.direct.gov.uk

State Pension Forecasting Team

0845 300 0168

Textphone: 0845 300 0169

Typetalk: 1800 1 0845 300 0168

www.direct.gov.uk

For an estimate of your State Pension, free factsheets and form BR19.

For details of your occupational pension scheme talk to your pensions administrator, pensions manager or pension trustees at work.

The Pensions Advisory Service

For general pension queries and leaflets

0845 601 2923

Women and Pensions Helpline

0845 600 0806

www.pensionsadvisoryservice.org.uk

The Pension Protection Fund

www.pensionprotectionfund.org.uk

The Pensions Regulator

www.thepensionsregulator.gov.uk

Directgov

www.direct.gov.uk

HM Revenue & Customs (HMRC)

For tax queries

www.hmrc.gov.uk

Financial advisers/planners

Unbiased.co.uk

www.unbiased.co.uk

For financial advisers in your area.

Institute of Financial Planning

www.financialplanning.org.uk

Financial planners can help you to achieve your goals by planning your finances.

Complaints and compensation

Financial Ombudsman Service

South Quay Plaza

183 Marsh Wall

London E14 9SR

0845 080 1800 or 0300 123 9123

www.financial-ombudsman.org.uk

Financial Services Compensation Scheme (FSCS)

7th floor, Lloyds Chambers

Portsooken Street

London E1 8BN

020 7892 7300 or 0800 678 1100

www.fscs.org.uk