MNRPF

May 2020

YOUR OPTIONS

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When you come to retire, you can choose what to do with the benefits you have earned in the Merchant Navy Ratings Pension Fund (MNRPF).

This booklet gives you information about some of the options available to you as a member of the MNRPF.

It is not financial advice and it does not advise you which is the best option for you. You may want to talk to a financial adviser before making any decisions.

Please make sure you also read the factsheet 'Making the right decision', which has more information about where to get help and advice if you want it.

WHEN CAN I START RECEIVING MY PENSION?

You can choose to take your pension from any age after your 55th birthday.

Normal Pension Age (NPA)

This is the age at which you can retire without your pension being reduced for early payment. For most people their NPA is their 62nd birthday, however your own NPA may differ. Your NPA is shown on your Retirement Statement.

Early retirement

You may apply to take your pension early. The earliest age you can choose to retire is your 55th birthday. If you do decide to retire early, your pension will be reduced to take into account that your pension is being paid over a longer period of time. In certain circumstances you may not be able to take your benefits early, but we will let you know if this is the case when you ask for an early retirement quotation.

Late retirement

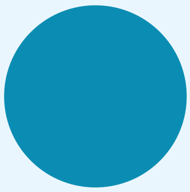
If you do not want to take your pension at your NPA, you can defer taking your pension to a later date. If you wish to defer your pension you will need to complete a Deferral of Pension Form, which you can get from the Administration Team. By completing and returning this form, your pension will increase each year (subject to Fund rules) until you decide to take it.

If you do not complete this form and draw your pension after your NPA, your pension will not increase. Your pension payments will, instead, be backdated from your NPA to the day you actually retire. This option will also impact any benefit payable to your beneficiaries in the event of your death. Please refer to the "When I die" factsheet for further information.

OPTIONS
from the Fund

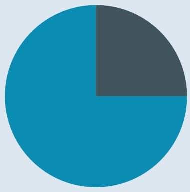
The Fund can provide you with an annual pension and the option of a lump sum (in most circumstances).
There are four main options from the Fund:

Option 1
Maximum Fund pension



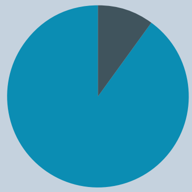
Provides you with a regular monthly income for life, payable from the date you retire. See your Retirement Statement for your maximum Fund pension.

Option 2
Maximum cash and a reduced Fund pension



You will get a tax-free cash lump sum when your pension starts, but provides you with a lower income than Option 1. See your Retirement Statement for your maximum cash and reduced Fund pension.

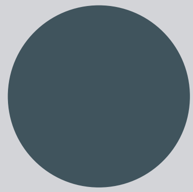
Option 3
Cash lump sum of your choice and a Fund pension



If you want to take a cash lump sum, but you don't want or need the maximum amount as set out in Option 2, you can choose a lower amount. If you choose a smaller lump sum, the annual Fund pension will increase accordingly.

Contact the Administration Team for a quote.

Option 4
Take the value of your pension as cash



You can choose to take the full value of your pension in the Fund as a one-off cash lump sum if:

- The value of your benefits in the Fund is less than £10,000
- The total value of all your pension savings (including the Fund but not including your State Pension) is less than £30,000
- You are aged 55 or over

25% of the lump sum is paid tax free, and the rest is taxed at your marginal rate.

If you choose this option, no further benefits are payable to you or your spouse and there are no benefits payable in the event of your death.

Some parts of the pension in options 1-3 will increase each year. The Fund will usually provide a pension for your spouse or civil partner in the event of your death. Please refer to the retirement notes in your quotation for further details.

CHART KEY: Annual income Cash

Key information to think about when making your decision

- Options 1, 2 and 3 will provide you with an income payable monthly for the rest of your life.
- Some elements of the pension will increase each year in line with Fund rules.
- In the event of your death, a pension may be payable to your spouse/civil partner.
- If you choose to take the full value of your pension as a one-off lump sum, no further benefits are payable to you or your family in the event of your death.
- Retirement quotations are calculated using factors in place at the time of calculation. The Fund's factors are reviewed on a regular basis which means that values may be higher or lower than quotes you may have received in the past.
- Your State Pension Age may not be the same as your NPA which might mean that you aren't able to claim your State Pension at the same time as taking your MNRPF pension.
- Members can opt to surrender part of their pension in order to provide for an additional pension to their spouse. Please speak to Mercer if you wish to investigate this option further.

OPTIONS
outside the Fund

Transfer out

If you don't want to take one of the pension options from the Fund, you have the option to transfer the value of your benefit to another pension provider. You might want to do this if, for example, you want to combine several pension arrangements in one place and use the combined value to take advantage of more flexible retirement option.

You should speak to a financial adviser before you make any decisions, as a transfer to another pension arrangement may not be in your best interests. A financial adviser will also be able to help you consider any tax implications.

The table below shows you the most common options which are available outside the Fund, but there may be other options available to you, depending on your own needs and personal circumstances.

Option 1 An annuity	Option 2 All cash	Option 3 Cash when you need it
Use the value of your fund to buy an income with an insurance provider. You decide how your income is paid to you, depending on your needs. You can also take up to 25% of the value of your fund as a tax-free cash lump sum.	Take the value of your fund as a one-off cash lump sum. The first 25% is paid tax free and the rest is taxable at your marginal rate. Depending on how much the taxable portion is, you may end up moving into a higher tax bracket.	This is commonly known as drawdown. You may only want to take lump sums from the value of your fund as and when you need it, for example to pay for a holiday or buy a car. You take out what you need, and then leave the rest invested until you want to take more.
Why choose this option?	**Why choose this option?**	**Why choose this option?**
• You want the security of a regular income. • You can choose how much it increases by each year. • You don't have a spouse or partner, or they have their own retirement income. • You smoke, or have health problems that might mean you could get a higher income.	• You want immediate access to all the cash straight away. • You have other sources of income.	• You're aware that this is not a long-term source of income. • You want the flexibility to take money when you need it, and you're aware of the tax implications if you take large sums. • You are comfortable managing the investment of the money you have yet to take.

Important things to think about

- It's recommended that you speak to a financial adviser before making any decisions, as transferring your benefits away from the Fund may not be in your best interests. If the cash value of your fund is £30,000 or over, you must provide the Trustee with evidence that you have taken financial advice before any transfer can take place.
- Some options will result in the amount you can pay into a pension (for example if you're still working and paying into your employer's pension scheme) being restricted.
- You will need to consider whether you need to provide any benefits to your family or loved ones in the event of your death, as none of the options outside the Fund will automatically provide for them if you die.

Step-up pensions and retirement

During your membership of the MNRPF, you paid National Insurance contributions at a lower rate on part of your earnings. This is known as contracting out of the State Earnings Related Pension Scheme (SERPS). In order for you to do this, the MNRPF had to give an undertaking to the State Scheme that it would provide you with a pension, known as the Guaranteed Minimum Pension (GMP), of an amount approximately equivalent to the SERPS pension you had foregone by being contracted-out. A step up pension relating to this may be payable at age 60 (female members) and 65 (male members), the Guaranteed Minimum Pension Age (GMP Age).

Whilst we calculate an early retirement pension we take the pension at GMP Age and reduce this for early payment. Therefore, the step-up pension has already been included in the early retirement pension and hence, is no longer payable at age 60/65. However, if you take normal retirement you can still expect to receive a step-up to your pension at age 60/65.

Please note if you wish to retire early, and your reduced pension is not enough to cover the GMP amount, you may either have to retire later or any lump sum may be capped to ensure your pension is not lower than that GMP.

Changes to your Pension at GMP Age

GMP built up during the period you were contracted out may be increased before and after GMP Age on a different basis to the rest of your Fund pension. Mercer will advise you of any changes to the increases applied to your pension after you reach GMP Age.

A test is carried out at GMP Age to check your pension for service before 6 April1997 is at least equal to your increased GMP. If the pension you are receiving at GMP Age is lower than this limit, your pension will be increased and you will be advised of the change by Mercer.

Pension scams

If you are considering transferring your benefits from the Fund to another pension provider, you need to be aware of what pension scams are, how they're operated and how to avoid them.

Pension scammers operate by encouraging people to transfer their benefits away from their pension funds with promises of quick cash, inflated interest rates or tax avoidance. Once the transfer is completed, however, you will more than likely end up with little to no retirement funds left, as well as incurring charges from HM Revenue & Customs.

A few things you should watch out for are:

- 'creative' investments or loopholes
- overseas investments
- early retirement ages or high lump sum amounts
- pressure to sign forms or make quick decisions without being able to think things through

The government is proposing making it illegal to call, text, or email someone to sell pension products, even if it's a legitimate company you already deal with. In the meantime, you should be cautious if you are contacted.

You can find more information about pension scams at **www.thepensionsregulator.gov.uk/pension-scams**

If you think you may have been targeted by a pension scam, call Action Fraud as soon as possible on **0300 123 2040**

Where to get guidance and advice

Money Advice Service

The Money Advice Service offers free and impartial guidance regarding all aspects of money, not just your pensions. You can use this service to help you work out what income you might need when you retire, as well as how to find a financial adviser.

Find out more on their website **www.moneyadviceservice.org.uk** or call **0800 138 7777**

You can find out more about the difference between guidance and advice in the 'Making the right decision' factsheet.