

## BA CityFlyer Pension Scheme Update February 2021

Best wishes for 2021. It is rather a low start to the year for many people, with so many issues surrounding the Covid pandemic still with us. However, the seriousness means that more people are wanting to review their financial situation, ensuring they have sufficient financial protection on death for their families, dealing with reduced financial circumstances, and also keen to put plans in place for their longer term financial planning, including pensions and other savings. Perhaps your New Year's Resolution was to review your pension plans.

Please find enclosed your 2020 pension statement. Due to administrative delays at AVIVA, this is very delayed in issue. Your 2021 statement should be issued in the next few months, however if you wish a current statement prior to this then please e-mail [Julia.parry@broadstone.co.uk](mailto:Julia.parry@broadstone.co.uk), who will request one from AVIVA for you.

### Update from your scheme Trustees

The employer is intending to appoint Professional Trustees this year and will then look to move towards commencement of wind up of the scheme. As previously outlined, if wind-up of the scheme commences, then the policy would be transferred into your own name. AVIVA have confirmed terms that would allow anyone invested in the 4% with profits guaranteed fund to carry this across into the policy in your own name.

### New BA CityFlyer Pension Scheme website

The Trustees of the BA CityFlyer Pension Scheme have put a website in place for you to access the major documents giving you generic scheme information such as the Statement of Investment Principles and a blank death benefit beneficiary form. You can access this at [www.bacf-pension.co.uk](http://www.bacf-pension.co.uk).

### The Investment Impact of Covid

The global spread of the Coronavirus has led to considerable recent volatility in equity (company shares) markets. Markets tend to react to uncertainty, so as new cases arise and the situation evolves, it's likely that global markets will be impacted further – potentially for a prolonged period of time. This impact could be both positive and negative at different times as market confidence evolves.

Your pension is a long term investment, and the value can go down as well as up over time. If you have several years before you are planning to draw your pension, then there could still be time for your investment linked pot to recover from fluctuations in the stock market that occur over the short to medium term.

However, the majority of scheme members on this paid up scheme are invested in the with-profits fund. This means that your fund will not have been affected by the volatility which other investment linked funds have experienced over the last 12 months. There is a guaranteed 4% p.a. return on the with-profits fund which is net of any charges on the underlying fund.



You should review your fund performance and decide whether you wish to remain in your current fund. If you have chosen to invest in one of the investment linked funds, your fund is likely to have experienced the volatility of markets throughout the Covid Pandemic. There is also a 1% Annual Management Charge applying on the investment linked funds which is deducted by AVIVA. Unlike newer schemes which employers are using for ongoing contributions, this paid up scheme does not offer any lifestyle investment funds where your fund will switch to lower risk funds as you approach retirement age. You may have current pension schemes with your employer or personally which will have more suitable investment linked funds with lower charges which you may feel are more suitable to you that you could transfer your BA CityFlyer Pension Scheme into. You should seek advice from a qualified financial adviser prior to making a decision to switch your pension.

### **General Pension Planning questions to ask yourself**

- How many years is it until I want to take benefits from my pension plans?
- What are my pension funds currently worth?
- Am I paying enough into my current pension?
- What tax free lump sum and income will my pension plans provide?
- Have I reviewed any previous pension plans?

### **What age are you planning to take benefits from your pension?**

At the moment you can take benefits from a pension from age 55. In 2028 this minimum age is due to rise to 57.

The state pension age is currently 66 and is planned to increase to 68.

Usually you can take up to 25% of your pension pot as a tax free lump sum. However you will always be subject to income tax on the remaining fund. This works in the same way as when you are taxed on income you have earned.

Due to Covid-19, many peoples' incomes have been significantly reduced and so taking money out of their pension pot seemed like a quick cash-flow solution. But there are complex tax rules around pension withdrawals so people should be aware of the potential consequences.

As this is an Occupational Trust based scheme, if you were planning to take benefits by income drawdown, or taking your tax free cash sum and deferring taking income withdrawals from the fund, you would have to transfer to an alternative pension scheme to enable this option. You should always take independent financial advice to consider all the options available to you.

### **The most important things to consider before withdrawing money from your pension are:**

- ❖ Pension Freedoms: Make sure you are aware of and understand all your options. You can now do a lot more with your pension pot than previously. Everyone is different and it is important to find the right solution for your circumstances. What risks are you willing to take?



- ❖ **Cashflow in retirement:** Consider the amount of money you will need each month to maintain your lifestyle. Ask yourself how much might I need? How much might I get? Do I still have a mortgage to pay off? What other source of income do I have and do I need my pension to keep up with inflation? Could I consider working longer? Do I want to have annual holidays? Do you prefer your income level to be guaranteed?
- ❖ **Costs later in retirement:** Any money you take out of your pension early on will not be available for your needs later in retirement. We do not always feel comfortable talking about long term care needs but it's an important conversation to have with your family. You should also consider Powers of Attorney, Wills and inheritance.
- ❖ **Health and Life expectancy:** We often vastly underestimate this, but evidence shows we are mostly living longer, with a growing variation in healthy life expectancy. If you have a partner, do you need to provide for them financially after you die, or are you relying on them?

It could be time for you to take some financial advice. Few of us may expect to give up work all together in our 50s, but a growing number of us are dipping into our pension before retirement age.

All of the web-sites listed in this Newsletter can give you guidance to make an informed decision. Whether you have plans to retire completely or want to scale down your work hours, there are now more options than ever to choose from when thinking about your savings working for you. If you are considering accessing your pension it is essential that you receive professional financial guidance to enable you to make an informed decision. One of the implications of not doing so could be a large tax bill.

For more information including a pension calculator you can find help at:

[www.moneyadvice.service.org](http://www.moneyadvice.service.org)

### **What State Pension will I be entitled to?**

Your state pension is likely to be an important part of your income in retirement. It is important to know at what age you will be entitled to take your state pension and what amount you will be due. You can get details at the following website. [www.gov.uk/check-state-pension](http://www.gov.uk/check-state-pension)

### **Who would my pension fund be paid to if I died?**

With current events, some pension scheme members have wanted to get their financial affairs in order and have asked 'what if' questions. If you have not completed a nominated beneficiary form for your pension plan, or if circumstances have change, then you can find one to complete on the BA CityFlyer Pension scheme website. Many people change relationships, get married, get divorced, or have more children and if a nomination form is not up to date, then the pension scheme trustees will not be able to take your up to date wishes into account. The value of your pension fund will be paid out on death to your nominated beneficiary, or your estate if you have not completed a beneficiary form, but must be in line with the scheme trust and rules. Usually this is not subject to inheritance tax and can be dealt with much more quickly, relieving financial hardship at such a time if you have indicated who you would wish the benefit to be paid to. We would also recommend that you make a will if you have not done so already.



## Pension Scams

You need to be on high alert. As there have been more people suffering financial hardship during the Coronavirus outbreak, scammers have targeted people who may be open to thinking they can cash in their pension pot before age 55. This is not usually possible unless in extreme ill health or you have a protected pension age of under 50. If you are being given a time limit for an offer, or having extreme sales pressure or being offered services for free, be very aware you may be scammed. If you feel under pressure to take your benefits then please discuss this with Broadstone or your financial adviser first.

There are some signs to look for that you may be being scammed:

- ❖ Unsolicited approaches by phone call, text message, email or in person.
- ❖ When a firm doesn't allow you to call them back.
- ❖ When you are forced to make a quick decision, feel pressured to do so or are encouraged to transfer your pension quickly.
- ❖ Claims you or a relative / friend can unlock your pension before the age of 55. (This is seldom possible except if you are terminally ill or certain specialist occupations)
- ❖ Offer high rates of return on your investment but offer low risk.

For lots of useful information in this respect, and other related issues, please visit our hub:

<https://www.broadstone.co.uk/broadstone-hub/>

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