LLOYD'S

Group Personal Pension Plan Employee Handbook

Valid until 5th April 2022

TAKE A LOOK INSIDE

This guide, which is valid until 5 April 2022 or until further changes are made by your employer or legislation, has been approved by Aon UK Limited whose registered office is The Aon Centre, The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AN.

Aon UK Limited is authorised and regulated by the Financial Conduct Authority and its registered number, as detailed on the Financial Services Register, is 310451. You can check this by visiting: www.fca.org.uk/firms/financial-services-register or by contacting the Financial Conduct Authority on **0800 111 6768**.

Dear Colleague,

It is important to plan ahead if you want to make sure you have an income when you stop working. The more you plan for your retirement now, the less you will have to worry about it later. Pension planning is important for all of us - even if you are just starting your career with us and retirement seems a long way off.

Membership of the Lloyd's Group Personal Pension Plan (‘the Plan’) is one of the most valuable benefits we provide for our employees. It gives you a way to save and invest money for your retirement in a tax-efficient and cost-effective way.

The Plan is a ‘defined contribution’ pension scheme, which means that you know in advance how much will be paid into it. As a member, you will have a personal pension policy and receive a yearly benefit statement from Aviva, the Plan provider (you can also track the progress of your own policy within the Plan online). You receive contributions into the policy from Lloyd's (‘your employer’) on top of the contribution you make, and you can decide how you want to invest them. Aviva (‘the pension provider’) offers a wide range of investment options. The choices you make about investing are important as they will affect the value of your pension fund when you retire.

This booklet tells you about how the Plan works and the benefits available to you. We know pensions can seem complex, so we have included further information in the section ‘What else do I need to know?’ towards the end of this booklet, as well as details of useful contacts and a ‘Jargon Buster’.

You should read this booklet alongside the information the pension provider sends you. You can find more information and tools to help you in your pension planning at: https://workplace.aviva.co.uk/lloyds/

If you are unsure whether any of the benefits in this booklet are suitable for you, please consider seeing a financial adviser. The Financial Conduct Authority website has information about finding a financial adviser at: www.fca.org.uk/consumers/finding-adviser

We have appointed Aon UK Limited (‘Aon’) to advise us about arranging the Group Personal Pension Plan. As we pay Aon a fee for their advice to us, you will not pay any extra charges if you join the Plan other than those in this booklet and those mentioned on Aviva’s website www.aviva.co.uk/retirement/pensions/

Please contact Human Resources (HR) you have any questions or need further details.

Yours faithfully

Human Resources (HR)

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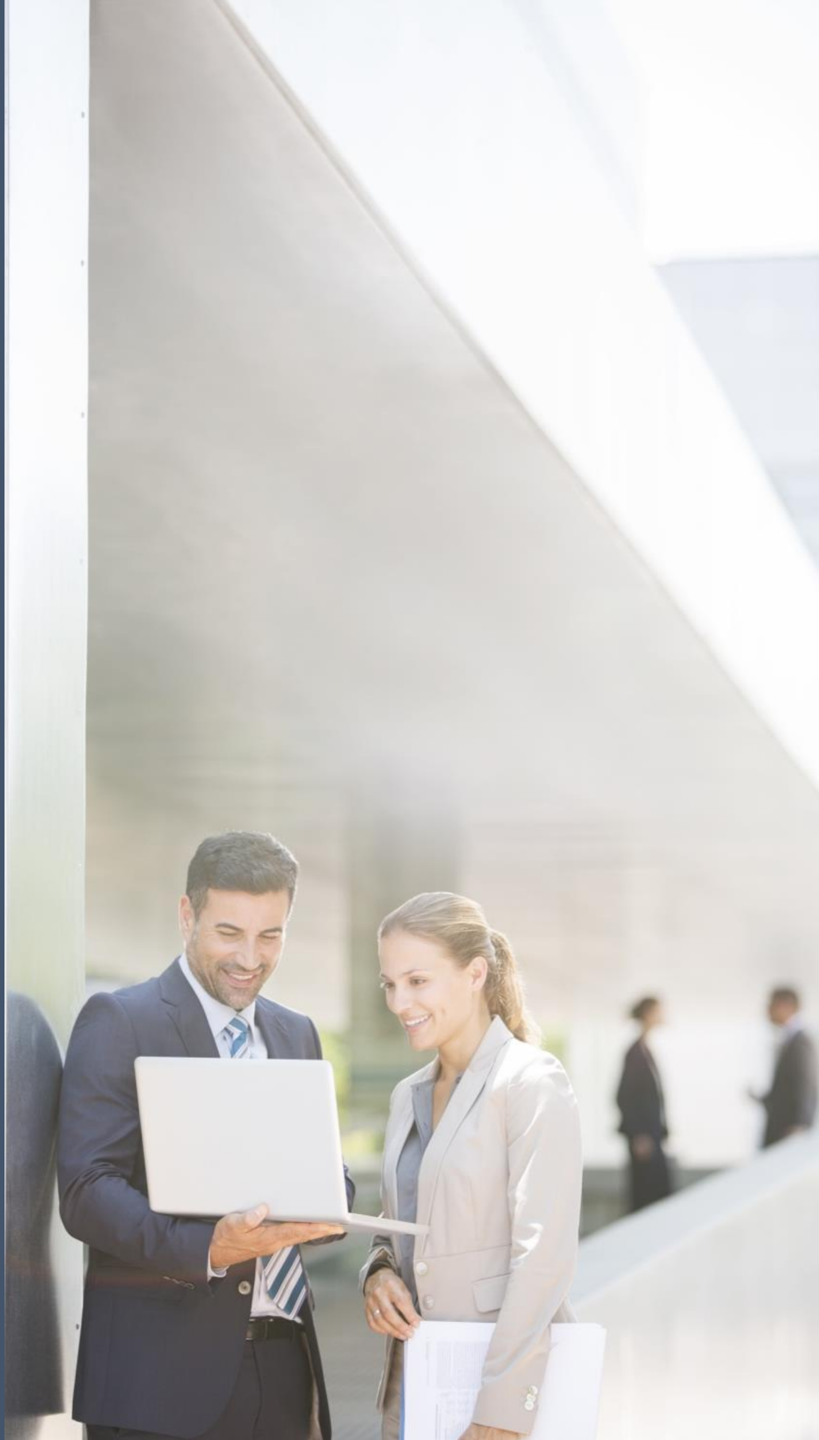


Joining – Start making plans (1/2)

Automatic Enrolment

By law employers must place most of their employees into a qualifying workplace pension scheme and make a minimum level of contribution. This is known as ‘Automatic Enrolment’. Your employer will enrol you into the Plan automatically if you meet certain conditions. The Government sets these conditions for eligible employees and your employer will confirm whether you meet them once they have checked your personal situation.

You have the option to ‘opt in’ to the Plan if you are not automatically enrolled (see ‘Opting in’).

When you join the Plan (either by being automatically enrolled or opting in voluntarily), you will receive policy documents to confirm your membership. To begin with, your policy will be set up with a ‘selected retirement age’ (SRA) – that is, the age you plan to take benefits – of 65.

If you already have a personal pension you can still be a member of the Plan. You can contribute to more than one pension at the same time although there is a limit to the total amount that can be paid in the tax year (see the section ‘Is there a limit on how much I can pay in each year?’).

Opting out

If your employer enrols you in to the Plan automatically but you do not want to be a member of the Plan, you can ‘opt out’ by following the instructions which will be sent to you. You will have one month from the date in the instructions to opt out. If you opt out you will be treated as if you had never joined the Plan. You and your employer stop contributing to the Plan and you will receive a refund of any contributions you paid from your salary to the Plan in the next available payroll run. If you opt out you will lose your employer’s contributions and will not be building up a retirement fund in the Plan.

If you decide that you want to leave the Plan any time after the one-month opt out period, please tell HR. Your benefits will be treated as if you had left employment – please see the section ‘What happens if?’ later in this booklet.

If you opt out or stop contributions to the Plan and do not re-join the Plan while in this employment, your employer must automatically enrol you again every three years if you are an eligible employee. Your employer will tell you if this happens. If you are automatically enrolled again you can opt out if you still do not want to be a member of the Plan.

If you opt out you can re-join at a later date by filling in an application form, available from HR.

Opting in

To opt in to the Plan you need to fill in an application form which is available from HR.

If you elect to opt in to the Plan you still have the right to change your mind and leave the Plan at any point. The pension provider will provide you with details of your right to change your mind when you opt in to the Plan. You will receive either cancellation rights or opt out rights from the pension provider, as detailed below.

Cancelling membership

You will be provided with a cancellation form with your membership confirmation letter. You then have 30 days from the date you receive the letter to cancel. You should only return the form if you want to cancel your membership of the Plan. **Please note that if you do cancel during the 30-day period, you may get back less than you paid in**. You will then receive this amount as salary (and pay Income Tax and National Insurance on it in the normal way).

Opting out

You can ‘opt out’ by following the instructions Aviva will send you. You will have one month from the date in the instructions to opt out and you will receive a refund of any contributions you paid from your salary to the Plan. The refund will be paid as salary (and subject to Income Tax and National Insurance in the normal way).

Please contact Aviva if you require more information regarding which option is applicable.

Pension protection

If you are applying for, or already have in place, any of Her Majesty's Revenue & Customs' (HMRC) 'protection' arrangements against the Lifetime Allowance, please read the important information contained in the 'What else do I need to know?' section before making any decisions about whether to join your employer's pension and/or life assurance arrangements.

The protection arrangements that are currently available are detailed below. Whether these are suitable for you will depend upon your personal circumstances. Full details of these protections can be found using this web address - www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance:

- Fixed Protection 2016
- Individual Protection 2016

Also, you may already have one or more of these protections in place:

- Primary Protection
- Enhanced Protection
- Fixed Protection 2012
- Individual Protection 2014
- Fixed Protection 2014

Contributing – What it costs to join (1/4)

As a member of the Plan you benefit from employer contributions in addition to any contributions you make. ***Please note that your employer will not contribute to any other pension arrangement.***

Contribution levels are in the table below:

You Pay	Lloyd's Pays	Total Paid In
3%	8%	11%
4%	9%	13%
5%	10%	15%*
6%	11%	17%
7%	12%	19%
8%	13%	21%
9%	14%	23%
10%	15%	25%
10%+	15%	25%+

***You will be automatically enrolled in to the Plan at the 15% total contribution level (where you sacrifice 5% of your salary). You can subsequently request to reduce or increase contributions in accordance with the table above.

Lloyd's contribution is currently capped at 15% of your reference salary, even if you give up more yourself.

Please note that your employer has the right to make changes to your benefits package, including reducing employer contributions (where applicable), within current law. If this were to happen, you would receive full details of the changes.

If you want to change the level of contribution, please contact HR.

Please refer to HR for information on how maternity or paternity leave, or sickness absence may affect your contributions to the Plan.

When you pay contributions into a pension plan, you need to bear in mind some tax rules and limits, please see here for further details.

Salary Sacrifice

As a member of the Plan, your contributions will normally be paid through Salary Sacrifice. This means that you choose the level of salary you want to "sacrifice" or "exchange" for a pension contribution and your salary reduces by this amount. Your employer then pays this amount into the Plan on your behalf, on top of their employer contribution. As a result, the amount you give up never becomes part of your salary.

The total amount paid into your pension policy is the same as it would be if you did not take part in Salary Sacrifice. However, as you do not pay National Insurance on the salary you give up through Salary Sacrifice, your take-home pay will be slightly higher than if you made contributions from net pay. Please see here for an example with contribution through Salary Sacrifice. The example shows how National Insurance is worked out if you are taking part in Salary Sacrifice.

Salary sacrifice rates

If you are **enrolled in to the Plan automatically**, salary sacrifice rates will be at the 'automatic enrolment' levels as noted in the text opposite.

Reference salary

Your higher salary figure, before salary sacrifice for pension contribution, is called your ‘reference salary’. This is kept on record and used for pay reviews, working out pension contributions, mortgage references and benefits such as life assurance.

Changing how much you sacrifice

You can change the level of salary you sacrifice at any time by contacting HR. You need to bear in mind some tax rules and limits – see the section ‘What else do I need to know?’

Opting out of Salary Sacrifice

You can choose to opt out of the Salary Sacrifice arrangement and contribute from your pay instead. Contact HR if you want to do this.

Important note

Salary Sacrifice reduces your earnings which, in turn, can reduce the maximum level of contributions you can make to any other pension arrangements. It may also affect your entitlement to some State benefits, which are based on your income or the National Insurance you pay.

If you are unsure how Salary Sacrifice might affect your State benefits, you should contact Her Majesty’s Revenue & Customs (HMRC). You can find out more at: www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-paye

Contributing – What it costs to join (3/4)

This example shows how Income Tax and National Insurance is worked out, if you are taking part in Salary Sacrifice . The example uses an annual salary figure of £25,000 and assumes contributions of 5% from you and 10% your employer.

	Salary Sacrifice Member (not based in Scotland)
Salary	£25,000
Salary amount given up	£1,250
Tax and National Insurance based on salary amount of	£23,750
You pay tax and National Insurance of	£3,938
Contribution from your pay	None
Take-home pay	£19,812
Your employer contributes	£3,750
Total payment into pension	£3,750

Please note: The figures in the examples above are based on a yearly personal allowance of £12,570 (2021/22 tax year) and are estimates only. They may not reflect the Plan's actual contribution rates.

Contributing – What it costs to join (4/4)

Is there a limit on how much I can sacrifice each year?

Your employer is required to ensure that they pay you an amount equal to or greater than the National Living Wage (for employees aged 25 and over) or the National Minimum Wage (for employees under age 25) and therefore you can only sacrifice salary above these levels. Further details regarding these limits can be found using this web address www.gov.uk/national-minimum-wage-rates

*Please note that if (**after** deducting any salary sacrifice amount) you earn less than the current personal allowance of £12,570 then the use of salary sacrifice to make your pension contributions might not be suitable for you. This is because you would not pay tax and therefore will not receive tax relief on such contributions, whereas basic rate relief is granted automatically (even to non-tax payers) when paying via the contributory method. However, depending upon your personal circumstances, salary sacrifice could result in National Insurance savings and therefore you should carefully consider whether the salary sacrifice option is appropriate for you (taking into account your personal situation and the structure of pension plan contributions). If you are in any doubt as to which method would be best for you, you should consider taking advice on this point.*

Please remember that tax treatment depends on your personal circumstances. Your circumstances and the tax rules may change in the future.

There is a range of funds available, in which you can invest your contributions. The **Aviva Fund Centre**, which can be accessed here (once in the fund centre, click on the 'Workplace Pensions' tab and then the 'Your Company Pension' tab), gives details of the funds available.

You must think carefully about how to invest your fund and whether your choices are suitable for your personal situation – including how you feel about investment risk. If you are unsure you should seek financial advice.

The 'Default Investment Option' (DIO)

This is where your contributions will be invested at outset or if you do not make a choice yourself.

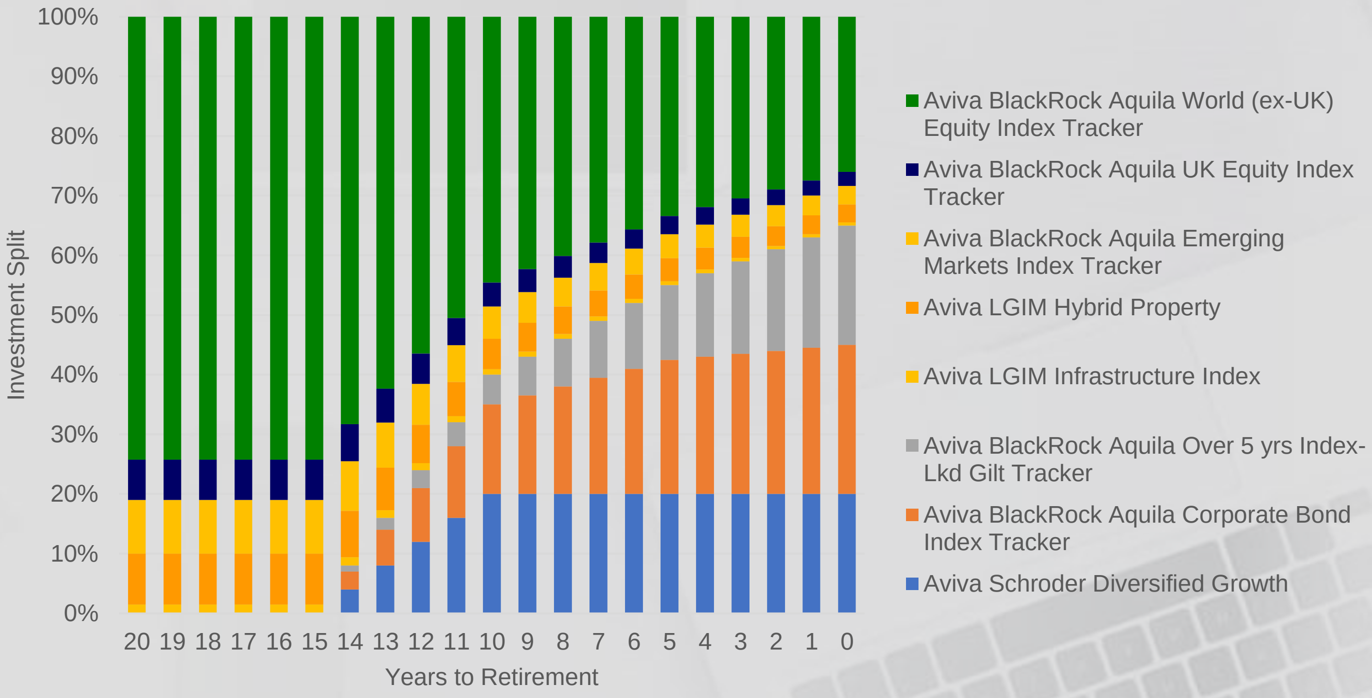
Initially, contributions will be automatically invested in the "default" option which is the **Flexible Retirement Lifestage Profile**. Once your contract is instigated and the first contribution is paid you will be able to change your fund choices should you wish to do so.

You should note that the default investment option may not be suitable for everyone. For more details of the default option and other funds, you must read the Aviva Investment Fund Guide.

This option is a 'lifestyle' approach and automatically moves your investments gradually from higher risk funds into lower risk funds over the 15 years before your 'selected retirement age' (SRA) as shown in the chart.

Full details of each fund making up the DIO are in the Aviva Investment Fund Guide, along with further details on choosing your own funds and/or removal from the lifestyle approach.

Please note that a lifestyle approach may not be suitable if the final target of the strategy does not correspond with how you intend to take benefits at retirement. For example, if you intend to utilise a combination of methods to take benefits such as an Annuity, Flexi Access Drawdown or Uncrystallised Funds Pension Lump Sums (see the section 'Taking your benefits' for more information on these options).



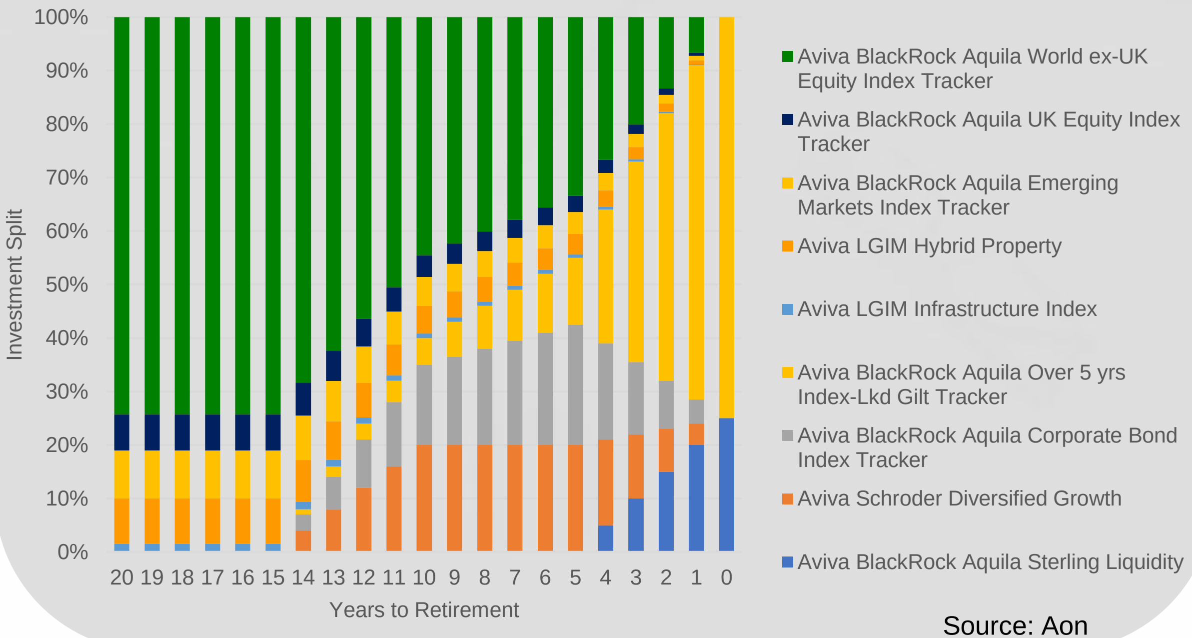
Source: Aon

Alternative Lifestage Options

Aviva offers two additional bespoke Lifestage options, the Annuity Purchase Lifestage Profile and the Full Encashment Lifestage Profile.

Annuity Purchase Lifestage Option

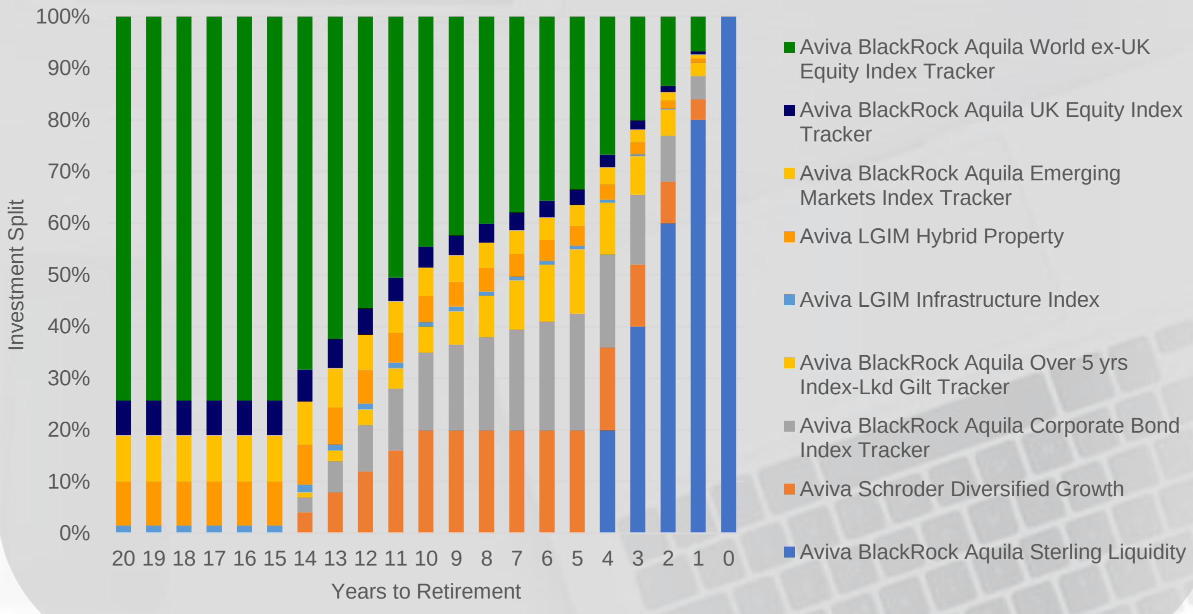
This option is designed in a way that it may be suitable for members who wish to take 25% cash and use the balance to secure an annuity. This approach increases the members allocation to the Aviva BlackRock Aquila Over 5 yrs Index-Lkd Gilt Tracker Fund to help to protect their annuity purchasing power as well as reducing the exposure to riskier 'growth' asset classes. For the tax-free cash element option, in the last 5 years funds are also switched into the Aviva BlackRock Aquila Sterling Liquidity Fund.



Source: Aon

Full Encashment Lifestage Option

This option is designed in a way that it may be suitable for members who wish to take their benefits completely in cash. The difference from the DIO is that in the last 5 years funds switch into the Aviva BlackRock Aquila Sterling Liquidity Fund. This structure is designed to be appropriate for those wishing to take their entire fund in a single lump sum.



Source: Aon

Core Funds

If you do not wish to invest in one of the Lifestage options, there is a wide choice of funds for you to choose from. To assist you, Aon UK Limited, has designated some funds as 'core'. These are predominately made up of passively managed funds offering exposure to the main types of investment. Via a passive fund, the fund will rise and fall approximately in line with the markets in which it invests - there is no manager intervention that may result in better or worse performance than the market as a whole. **You should note that the value of investments can go down as well as up and no guarantees can be given as to the future value of your pension fund or how the funds will perform.**

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Asset Class	Fund	Annual Management Charge (AMC) %
Global Equity inc UK	Aviva BlackRock 50:50 Global Equity Index Tracker	0.27
UK Equity	Aviva BlackRock UK Equity Index Tracker	0.27
European Equity	Aviva BlackRock European Equity Index Tracker	0.27
North American Equity	Aviva BlackRock US Equity Index Tracker	0.27
Japanese Equity	Aviva BlackRock Japanese Equity Index	0.27
Pacific ex Japan Equity	Aviva BlackRock Pacific Rim Equity Index Tracker	0.27
Emerging Markets Equity	Aviva BlackRock Emerging Markets Index Tracker	0.43
Mixed Asset	Aviva MyFuture Focus Growth	0.27
Property	Aviva LGIM Hybrid Property Fund	0.78
Shariah	Aviva HSBC Islamic Global Equity Index	0.57
Ethical	Aviva Liontrust Sustainable Future Global Growth Fund	0.32
Gilts	Aviva BlackRock Aquila Over 15 Years UK Gilt Index Tracker	0.27
Gilts	Aviva BlackRock Over 5 Years Index Linked Fund	0.27
Corporate Bonds	Aviva BlackRock Aquila Corporate Bond All Stocks Index	0.27
Cash	Aviva Blackrock Sterling Liquidity Fund	0.27

Investing – Helping your savings grow (4/5)

It is important that you review your SRA from time to time and tell the pension provider as soon as possible if you want to change it. This is because the SRA impacts when the pension provider will start communicating with you regarding your retirement options. Additionally, if you are investing in a lifestyle approach, the SRA has a bearing on where your funds are invested as you approach retirement. If your SRA is not in line with your retirement plans, the fund switching may start at the wrong time - too late, and you could end up being exposed to unnecessary risk or too early, and your investments may miss out on potential higher returns.

Please note that investment decisions you make at the start are not final – you can switch existing funds, redirect future contributions to other funds – or both – at any time. You should contact the pension provider if you want to make any fund switches.

Types of funds

Unit-linked funds

The funds on the range are ‘unit-linked’ funds, which means that they are divided into units of equal value. The contributions from your account buy a number of these units, depending on how much the units are worth at the time. **These units will go up and down in value, which in turn will make the value of your plan rise and fall accordingly. If unit prices fall, your plan may be worth less than the amount invested.**

Important information

Some funds invest in a particular market, with the investment manager for that fund choosing the assets. You may only want to choose ‘specialist’ funds like this if you are familiar with investing (and the risks it involves), or if you are familiar with that market or how the funds might behave.

If you invest in overseas funds, changes in currency exchange rates are more likely to affect the value of your investments. Some funds in regions where markets are still developing (often called ‘emerging markets’) may be especially volatile – that is, they may rise and fall dramatically in value.

Property funds can carry extra risk because of the time it takes to buy and sell property – this may make the funds more volatile and you may find that there are delays with moving money you have 'tied up' in property to another type of investment.

Some cash or deposit funds are actually ‘money market’ funds that invest in different types of assets. As a result, these funds can be more volatile than ordinary cash investments and may rise and fall in value. This means the value of your capital – the original amount you invested – is not guaranteed.

Charges

Aon has negotiated the charges with Aviva on Lloyd’s behalf. The charge made by Aviva for providing the Plan administration and investment services is called the ‘Annual Management Charge’, or ‘AMC’. The AMC will be dependent upon the funds in which you are invested.

The charges relating to the Core Fund range are detailed in the tables on the previous pages. The DIO is made up of several funds some of which have charges above the base AMC. The total composite charge in the growth period of the DIO is 0.33% (equal to £3.30 per £1,000) and in the last 15 years before the selected retirement age the composite charge is between 0.36% (equal to £3.60 per £1,000) and 0.45% (equal to £4.50 per £1,000).

Some specialist funds offered by Aviva and funds managed by other fund managers may have a higher AMC - see the Aviva information.

Taking your benefits (1/2)

When you choose to take your pension benefits, you can use the value of your policy to provide an income, cash sums, or both. Under current law you can take your benefits anytime from age 55 and you do not need to stop working to draw your benefits. The Government has announced that it proposes to increase the minimum age you can start taking your benefits to age 57 from 2028.

Having spent years building up your pension fund, you must make sure you understand the options available when starting to take your benefits. The current rules allow you to take full responsibility for the money you have saved and use your pension fund however you like.

Your options are:

1. Once you have reached the minimum age of 55 you can draw money from your fund when you need it, taking 25% of each payment as a tax-free cash sum. The rest of the payment will be taxed as income (known as ‘Uncrystallised Funds Pension Lump Sum’).

2. You can take up to 25% of your pension pot (if you wish) as a tax-free cash sum and use the rest to:

   - Take a further lump sum (which will be taxed as income);

   - Buy an annuity which pays you a guaranteed taxable income either for life or a fixed term (you have lots of options for how the annuity works and you can shop around to get the best deal for your circumstances), or;

   - Leave it invested in a pension in your own name and take regular and/or occasional amounts that will be taxed as income (this is known as ‘Flexi Access Drawdown’). Whilst your pension scheme provider may offer this option, either within the scheme or as a stand-alone pension, you do not have to keep your fund with them to access your pension benefits. Each drawdown provider will apply different charges, offer different investment options and have different criteria; therefore it is important that you shop around to determine the best drawdown provider to meet your needs and objectives.

You can use some or all of your fund for one or a mix of the above options.

Although it is great to have these choices, you must make sure you understand all your options and, in particular, the tax you might have to pay. It is important to think about taking financial advice at the right time.

Please note that you can take some or all of your benefits and continue to contribute to the Plan. However, in certain circumstances taking retirement benefits can trigger the ‘Money Purchase Annual Allowance’ (see the section headed ‘What else do I need to know?’ for more details).

Also, there is a Lifetime Allowance which applies to the value of all the pension benefits you build up from all sources (apart from the State) over your working life. For the 2021/22 tax year the allowance is £1,073,100. For further details of the Lifetime Allowance please see the 'What else do I need to know?' section.

The pension provider will contact you as you approach your ‘selected retirement age’ (SRA) with details of your fund value and more information on the above options.

The Aon Retirement Service can also support you in deciding how to take your pension benefits. Five years before your SRA, you will receive log on details for the online portal, which contains useful information on your options and tools to help you start thinking about what you might want to do.

Then, 12 months before your SRA, the Aon Retirement Service team will contact you to offer further guidance and support. Or, you can call the team directly on **0800 107 0392** (available 8am to 6pm Monday to Friday).

The Money and Pensions Service

The Money and Pensions Service is an executive non-departmental public body, sponsored by the Department for Work and Pensions, bringing together all the providers of government sponsored financial guidance including the retirement information service, Pension Wise together with the Money Advice Service and the Pensions Advisory Service (TPAS).

Pension Wise is a free and impartial service to help people with defined contribution funds understand what their choices are and how they work. This guidance is available online at www.pensionwise.gov.uk/en, over the phone or face to face and covers:

- what you can do with your pension pot
- the different pension types and how they work
- what's tax-free and what's not

Please note that Pension Wise will not give you personal advice about which option is the most suitable for you. You have to be age 50 or over and have a defined contribution pension to use this service.

You should seek financial advice before you make decisions on how you will take your benefits.

What happens when I leave this employment?

If you leave employment you keep the fund you have built up under your policy within the Plan.

You may:

- Leave your benefits in your policy, where they will stay invested
- Pay contributions directly to the pension provider (although your employer's contributions will stop)
- Transfer your fund to another pension arrangement
- Start taking benefits from your fund if you are over age 55

The most suitable option will depend on your situation at the time you leave. You may want to seek financial advice before deciding what route to take.

What happens if I die?

If you die **before** taking your benefits the fund you have built up to the date of your death will usually be paid as a cash lump sum and is usually free of any tax liability. Alternatively, it is possible that, rather than receive a lump sum payment, your beneficiaries can request that the value of the pension built up is retained as a pension to provide ongoing benefits. As with the lump sum, this is usually free of any tax liability. These benefits will be paid to your nominated beneficiaries or next of kin if you have not made a nomination. To make a nomination you need to complete an 'Expression of Wish' or 'Nomination' form (see below).

If you die **after** accessing benefits the treatment of the fund you have built up depends on how you chose to receive those benefits and how old you are when you die.

If you have accessed your benefits by using **Flexi-Access Drawdown** and die before age 75 the benefits will go to your nominated beneficiaries either as a cash lump sum or ongoing income, usually free of any Income Tax liability. If you die at age 75 or older the benefit can still be paid as a lump sum or ongoing income, but your beneficiaries will pay tax on it at their marginal rate of Income Tax.

If you have purchased an **annuity** with the pension benefits you had, the benefits payable will depend upon how the annuity was set up when it was bought. For example, it may have a spouse's or dependants pension included which will come into payment upon your death. Or, if no survivor options were selected, payments will cease upon your death.

Your wishes

You must fill in an 'Expression of Wish' or a 'Nomination' form outlining who you would like to receive any benefits following your death. Equally, if your personal situation changes, for example, you marry, divorce or become a parent, you may wish to fill in another 'Expression of Wish' or 'Nomination' form. This form is available from the pension provider and should be returned to them directly after you have filled it in.

As mentioned above, if you die after taking benefits from the Plan, the amounts payable to your beneficiaries will depend on how you chose to receive your benefits. **This is an important situation to plan for and should be part of the financial advice you seek when you start to draw your benefits.**

What else do I need to know? (1/3)

Changing your details

Once you have joined the Plan, if you wish to change your investment choice or 'selected retirement age' (SRA), contact Aviva on **0800 145 5744**.

When you join the Plan, your SRA is set at age 65. However, it can be any age from 55 onwards and you can change it at a later date to the age you plan to draw benefits. The SRA is important because it can affect how your pension contributions are invested – please see the sections 'Investing – Helping your savings grow' and 'Taking your benefits' for more details.

State benefits

Men born on or after 6 April 1951 and women born on or after 6 April 1953 will be entitled to the single-tier State Pension. For 2021/22, the full single-tier State Pension will be £179.60 per week but the exact amount you receive will depend on the National Insurance contributions you have paid over your working life, which is used to work out your entitlement.

For men and women born before 6 April 1951 and 6 April 1953 respectively, the old two-part State Pension may be payable – i.e. Basic State Pension possibly topped up with some State Second Pension (known as S2P and formerly known as SERPS). Again, the exact amount you receive will depend on the National Insurance contributions you paid over your working life, as well as any time you may have spent contracted out of the S2P and / or SERPS.

State Pension Ages have been under ongoing review by the Government, and your own State Pension Age depends on both your sex and date of birth. You can use the State Pension Age calculator on the Government's website: www.gov.uk/state-pension-age, based on the current rules.

To find out more about State pensions in general, you can visit the Government's website: www.gov.uk/new-state-pension or call: **0800 731 0469**.

Please note that joining the Plan may not be appropriate for everyone as contributing to it may affect entitlement to State benefits – which may change themselves in future. **If you are unsure you should seek financial advice.**

What if I pay too much in?

<u>The Annual Allowance</u>

The Annual Allowance applies to all contributions, from you or any employer, paid into all of your pension arrangements over a 12-month 'pension input period' ('PIP'), which runs in line with the tax year (6th April to 5th April).

If the contributions going into your policy during the tax year go over £40,000 (the Annual Allowance for the 2021/22 tax year) then the amount you have contributed above the Annual Allowance will be added to your taxable income, unless you have any unused Annual Allowance from the previous three tax years to cover the excess. If you still have an excess, you may pay tax on this at a rate equivalent to your highest rate of Income Tax.

If you are unsure you should seek financial advice.

<u>Tapered Annual Allowance</u>

The Annual Allowance of £40,000 will reduce for anyone with 'adjusted income' above £240,000 a year. This is called the Tapered Annual Allowance.

Adjusted income is taxable earnings from all sources plus the value of any pension contributions (including those made by your employer) during the tax year.

The Annual Allowance will reduce by £1 for every £2 of 'adjusted income' over £240,000, with a maximum reduction to the Annual Allowance of £36,000. This means those with adjusted income of £312,000 a year or more will have an Annual Allowance of £4,000.

Please note that if your net income not including pension contributions (known as 'threshold income') is less than £200,000 a year, your Annual Allowance will not reduce, regardless of the level of 'adjusted income'.

If the total payments into the Plan made by you and your employer, plus contributions made to any other pension arrangements, are likely to be close to £40,000 in any tax year please seek financial advice before making any decisions.

If you draw your benefits due to ill health, as long as you satisfy HMRC's requirements, the Annual Allowance will not apply to your benefits in that year. The same is true if you die while still building up your pension fund.

Money Purchase Annual Allowance (MPAA)

You may also have a lower annual allowance – called the Money Purchase Annual Allowance (MPAA) - if certain 'trigger events' occur. Information about trigger events can be found using this web link: www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm056520. Trigger events include:

- income paid from a Flexi Access Drawdown fund (but not if you just take the 25% Pension Commencement Lump Sum);
- payment of an Uncrystallised Funds Pension Lump Sum;
- income of more than the permitted maximum level under an income drawdown arrangement that commenced prior to April 2015.

The MPAA for 2021/22 is £4,000 meaning that, if applicable to you, this is the maximum amount you can pay into pensions without incurring a tax charge.

Please seek financial advice before you proceed with a trigger event if your total pension contributions are close to the MPAA (or may become close to it in the future).

Lifetime Allowance

The Lifetime Allowance applies to the value of all the pension benefits you build up from almost all sources (apart from the State) over your working life. For the 2021/22 tax year the allowance is £1,073,100.

Please note that widows' pensions and other pensions paid following the death of someone else may not count towards the Lifetime Allowance. Overseas pensions may or may not be included, depending on the circumstances.

You can build up benefits over the Lifetime Allowance, but you would have to pay a tax charge on the excess. This charge is 25% if you take these excess benefits as income, which would then also be subject to Income Tax. The charge goes up to 55% if you take the excess as cash.

Please note that death benefits paid as lump sums from an HMRC registered life assurance arrangement also count towards the Lifetime Allowance.

If these benefits, along with any other pensions or cash sums being paid, go over the allowance, a charge of 55% will apply to the excess, unless it is used to pay for dependants' pensions.

If you think your contributions or benefits may be close to any of the allowances, please consider taking financial advice.

Important note – do you already have (or plan to apply for) any 'protection' against the Lifetime Allowance?

If you join an employer's pension plan and/or registered life assurance scheme, either by completing an application form or as a result of automatic enrolment, you will lose your Enhanced or Fixed Protection. However, if you join an employer's pension plan through automatic enrolment but opt out within the one-month period, you will be treated as if you have never been a member and you will not lose your protection.

If you have Primary Protection, Individual Protection 2014 or if you have applied for / are going to apply for Individual Protection 2016, pension contributions can still be paid into your pension policy. **Please note that you will have to pay a tax charge on any pension savings above your protected Lifetime Allowance.**

More information on protection and automatic enrolment is available on the HMRC website at: www.gov.uk/tax-on-your-private-pension/lifetime-allowance

Neither your employer nor the pension provider is responsible for any tax charge or loss of tax relief you incur through joining or being automatically enrolled into any pension or life assurance arrangements.

About Aon

Aon’s advice is to your employer - so you will not receive any advice or a recommendation from Aon unless you ask them to provide you with advice with regard to the Plan.

If you want to receive advice from Aon on products other than the Plan, you would need to agree payment with them. Aon will tell you their charge, and how to pay them, before carrying out any business for you.

Please note that where this booklet includes a link to a third-party website, Aon has no control over and is not responsible for the third-party website content. Including these links does not imply endorsement in any way of the site it links to.

About Aviva

Aviva is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Should you need any Plan information you may find this on the Aviva Microsite http://workplace.aviva.co.uk/lloyds or you can contact the Aviva Group Personal Pension Plan helpline on **0800 145 5744**.

Problems and complaints

If you have a complaint about Aon, please write to:

Aon UK Limited
The Compliance Department
3 The Embankment
Sovereign Street
Leeds
West Yorkshire
LS1 4BJ

Tel: **0113 245 3366**
E-mail: complaints@aon.co.uk

If you cannot settle your complaint with Aon you may be entitled to refer it to the Financial Ombudsman Service (FOS) depending on who you are, what capacity you are acting in and the circumstances of your complaint.

The FOS website is available at www.financial-ombudsman.org.uk or call **0800 023 4567** for further information.

Useful Contacts

The Financial Services Compensation Scheme (FSCS)

The FSCS is the compensation scheme for customers of UK authorised financial services firms and can compensate customers if a firm has stopped trading or does not have enough assets to pay claims made against it.

Aon UK Limited and Aviva are covered by the FSCS. You may be entitled to compensation from the FSCS if either cannot meet their obligations. This depends on the type of business and the circumstances of the claim. If you require more information about your pension policy within the Group Personal Pension Plan and your circumstances, please speak to the pension provider. Details of the compensation limits for each type of business can be found using the following web address - www.fscs.org.uk/what-we-cover/

For further information about compensation scheme arrangements please contact:

Financial Services Compensation Scheme
PO Box 300
Mitcheldean
GL17 1DY

Tel: 0800 678 1100
www.fscs.org.uk

GOV.UK

The Government website contains a State Pensions Guide, details about the Pension Tracking Service (if you have lost track of a pension) and a Pension Scheme Administration Guide.

www.gov.uk
www.pensiontracingservice.com

The Pensions Advisory Service (TPAS)

TPAS is an independent non-profit organisation that provides free information and guidance on all pensions, including State, company, personal and stakeholder schemes. TPAS is available to help at any time if you have questions about your own pension arrangements.

Money and Pensions Service
120 Holborn
London
EC1N 2TD

Tel: 0800 011 3797
www.pensionsadvisoryservice.org.uk

You can also find more information about the Automatic Enrolment rules on the TPAS website at: www.pensionsadvisoryservice.org.uk/about-pensions/pensions-basics/automatic-enrolment

Jargon Buster (1/2)

Annual Management Charge (AMC)

The charge to cover set up and management costs, administration and day-to-day fund management.

Annuity

An annuity is a financial product that, in exchange for a single lump sum payment, will provide you with an income for the rest of your life. You can use all or part of your pension fund to buy an annuity from an insurance company.

Beneficiary(ies)

A person (or persons) to whom a pension member would like their benefits to be paid in the event of the member's death.

Defined Contribution Pension

A pension arrangement into which the member and/or their employer pay agreed amounts of money, which is invested to provide a value at retirement from which an income can be taken. The future value of the fund (and hence income) is not known in advance.

Department of Work and Pensions (DWP)

The Government department that has responsibility for overseeing pension policy in the UK.

Financial Conduct Authority (FCA)

The UK regulator for financial services markets and providers.

Flexi-Access Drawdown

Flexi-Access Drawdown is an option when taking your pension benefits. In short, the pension fund is left invested and regular and / or occasional amounts can be taken directly from the fund. These will be taxed as income if appropriate.

GPP (Group Personal Pension)/GSHP (Group Stakeholder Pension)

An arrangement made by an employer for employees of that company to participate in a personal pension scheme on a group basis.

Her Majesty's Revenue and Customs (HMRC)

A department of the UK Government responsible for the collection of taxes.

Lifestyling

An investment strategy used in Defined Contribution (DC) schemes. Under lifestyling, your investments move automatically based on the length of time until you are due to retire. As you approach retirement, your savings are moved into funds with less risk that are less likely to change dramatically in value.

Pension Commencement Lump Sum

A lump sum available to members when they take their pension benefits, normally up to 25% of the value of their pension pot. Taking a lump sum means that the amount left to buy an annuity or use for drawdown will reduce. The lump sum is paid free of tax.

Personal Pension

A long-term savings plan that is designed to provide benefits for an individual in their retirement. It is owned and controlled by the individual and enjoys favourable tax treatment in return for complying with certain rules.

Qualifying Workplace Pension (QWP)

A pension arrangement, set up by an employer for its staff, which meets certain standards laid down by Government legislation.

Salary Sacrifice (also known as Salary Exchange)

An arrangement where you sacrifice/exchange an amount of salary in return for a pension contribution from your employer.

State Pension Age (SPA)

The age at which an individual becomes entitled to receive their State Pension. This can vary depending on the individuals age and/or gender.

Jargon Buster (2/2)

Tax relief

A tax concession given in respect of employee payments into a pension scheme. The effect of this relief is that the actual amount paid to the pension provider will be increased when applied to the individuals pension contract.

Threshold income

Threshold income is broadly defined as taxable income for the tax year, less pension contributions and certain other reliefs. Taxable income includes earned income (e.g. salary, bonuses, etc.) and unearned income (e.g. dividends, interest on savings etc.) but does not include employer pension contributions, nor employee pension contributions made by salary sacrifice to a pension plan set up before 9 July 2015. If threshold income does not exceed £200,000, the tapered Annual Allowance rules do not apply.

Unit

A unit is a share of an investment fund. Each investment fund is split into units. The number of units you hold is your share of the investment fund.

Uncrystallised Funds Pension Lump Sums (UFPLS)

A method of drawing money from your pension plan. UFPLS allows pension holders to withdraw some or all of their fund as a lump sum. Within the limitations of the Lifetime Allowance, 25% of the UFPLS will be paid tax free, with the balance being taxed as income at the point of withdrawal.

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Published by Aon UK Limited

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