

## **Smart Pensions – March 2019**

### **Common questions that London Tribunals Adjudicators have been asking with answers drawn from information obtained from Smart Pension website and their staff**

#### **What are the contribution rates into Smart Pension?**

To help people save more for their retirement, all employers are now required by law to provide a workplace pension scheme for certain jobholders and pay money into it.

We must enrol any jobholders who meet all of the following criteria:

- Your fee earnings are over £833 per month or £10,000 per annum
- You are aged 22 or over and
- You are under state pension age

Alternatively, you can ask to join the scheme if you do not meet the above criteria.

Once you are auto enrolled or you have chosen to join the scheme the minimum pension contribution amount in any month from April 2019 is, you pay 5% of your earnings and London Councils will pay 3% into your pension.

#### **What is the timeline for processing my pension contributions and investing them?**

Pension contributions, including those paid by London Councils in the guise of 'employer', are taken on the date that you are paid (usually the 11<sup>th</sup> of the month) and deposited into a London Councils account specifically set up to hold these contributions.

Smart Pension automatically direct debit contributions for all adjudicators from this London Councils account on the 6<sup>th</sup> of the next month, following the month you get paid. Taking payment on the 6<sup>th</sup> of the next month is the common system date that Smart Pension uses with all their customers. Note – if for some reason they fail to collect the money then they will retry collection on 16<sup>th</sup> and finally the 26<sup>th</sup> of that month.

Note: The above transaction may take 3-5 days to appear on your statement

#### **I recently checked my personal Smart Pension dashboard and it showed payments invested, payments pending, and payments created, what do these terms mean?**

Payments invested mean pension contributions have been invested into your Smart Pension investment pot.

Payments pending mean your pension contributions have not yet been taken (by direct debit) from the London Councils pension contributions holding account.

Payment created means that Smart Pension has received a file upload of pension contribution information into their system within the last 2 days and they are validating changes to their records.

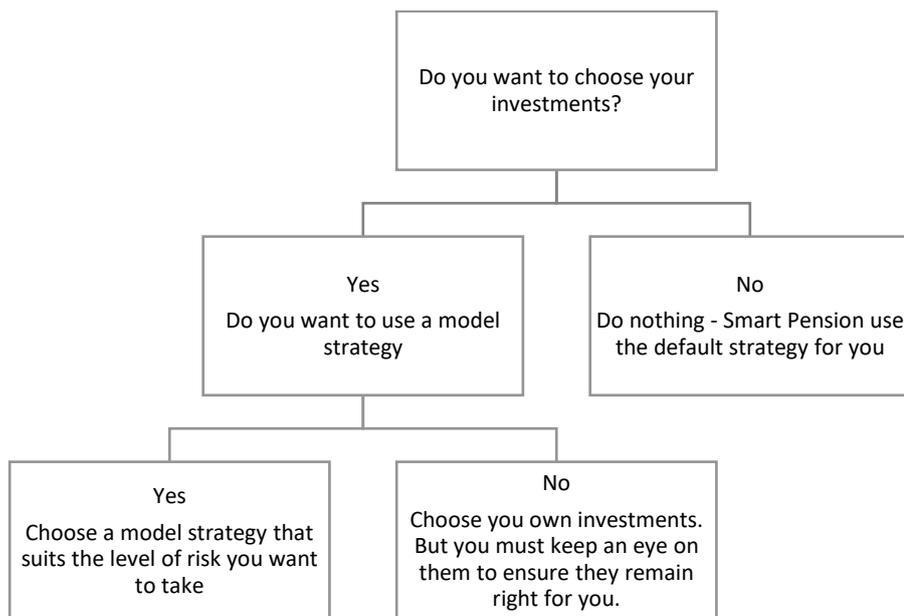
## How are my pension contributions invested?

Smart Pension introduced a new set of investment strategies from 4 April 2018. They have built some model strategies designed with a mixture of investments that you can use or you can choose your own investments from a selection of 16 different fund types.

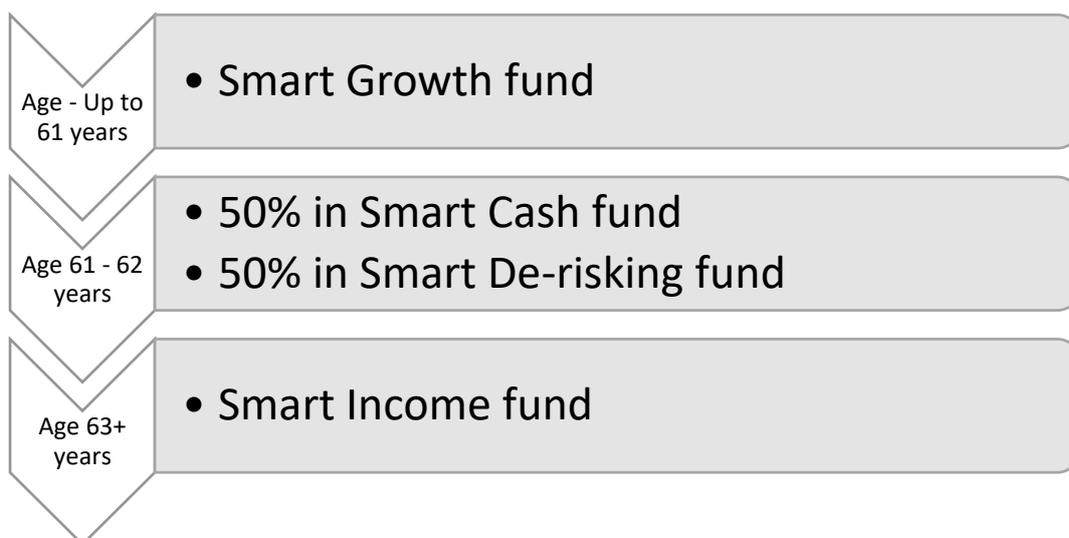
Smart Pension invest your pension contributions into a Legal & General fund and offer a number of different funds which are tailored for you based on your age. There are currently sixteen different funds you can choose from. You can choose to manage your investment yourself or opt for one of our model strategies. Smart Pension also offer a Shariah fund for members wishing their pension contributions to be compliant with Islamic law.

If you don't want to make a choice, Smart Pension will pick a strategy for you. They call this the default strategy and it is based on what they think is suitable for most people who save with them. But not everyone's the same and you may want to pick investments from the full selection and manage your retirement savings yourself. Smart Pension have tried to make it as easy as possible for you to take as much or as little control as you want.

### Choosing an investment strategy



The default strategy called 'Targeting Income Drawdown' uses the following funds (see the [Investment guide](#) for more information).



As members get older, they will progress through the different fund investments until they approach retirement. As members approach retirement the investment risk is reduced by using a different mix of investment assets. This is called a 'lifestyling' arrangement.

### Fund Selection

Smart Pension want to put you in control of your investments. They offer you a unique opportunity to choose how your funds are invested and managed with Smart Pension Fund Selection see link to webpage - [Fund selection](#)

It is important to consider how your funds are invested because it can affect the amount of money you have when you reach retirement. This service is available to all Smart Pension members enabling them to plan for the future. They have a variety of strategies for you to choose from, alternatively you can opt to manage how your funds are invested yourself (just be sure to keep an eye on them).

### ***How much risk do you want to take?***

See the table of statements below to help you choose the level of risk you want to take.

	<b><i>Higher risk</i></b>	<b><i>Moderate risk</i></b>	<b><i>Lower risk</i></b>
<b>Other retirement savings</b>	You will have significant income when you retire from other sources, for example from another pension scheme or from property	You will have some income from other sources, but your Smart pension will make up a reasonable part of your total income	You will rely on your Smart pension for most of your retirement income
<b>Ability to top up</b>	You can afford to pay extra into your account if your investments shrink	You can afford to pay a limited amount of extra money into your account if necessary	You have little scope to top up your retirement savings

	<b>Higher risk</b>	<b>Moderate risk</b>	<b>Lower risk</b>
<b>Ability to delay retirement</b>	You can work longer or delay taking money from your account if your investments shrink before you retire	You could work a little while longer or have a short delay taking money from your account	You could not keep working or delay taking money from your account
<b>Age</b>	You have a long time before you retire, so your investments have time to recover if they fall	You are a few years from retirement and could recover from a slight fall in your investments.	You are close to retirement and could not cope with if your investments fell
<b>Attitude</b>	You are happy to take risks and prepared for your investments to fall if it gives you the chance of greater gains	You are comfortable with a moderate amount of risk for extra growth, but not too much	You prefer safety and are willing to forgo the chance of extra growth if it gives you greater stability

### **Choose your own investments**

You can also choose your own investments from a selection that Smart Pension provide you. Remember that if you choose your own investments, you must keep an eye on them, changing them if you think necessary. Read more about choosing your investments in the Smart Pension [investment guide](#).

### **What has been the performance of the Smart Pension Investment Funds?**

Smart Pension provides 3 monthly performance reports showing the performance of key funds up to the date of the report. These can be found via the Smart Pension website - see link address: <https://www.autoenrolment.co.uk/investment-performance-report>

The default fund is called 'Smart Growth – Moderate'.

### **Annual Statement**

Smart Pension's scheme year runs from the 1st July to the 30th June of each year and then they have 12 months to issue annual statements to the members.

The annual statement from Smart Pension will show the current value of your funds as well as a personal pension projection based on your current age, your historic contribution level and your selected retirement age.

Your annual statement will be provided electronically to your email address so please keep it up to date.

Smart Pension will send you an email when your statement has been produced. You will be able to view it online and download and print it off.

### **What happens when I retire or leave my job?**

If you are below the age of 55 years, you have two main choices available to you:

1. **Do nothing** and leave your pension pot with Smart Pension (they will continue to send you annual statements and tell you when you can draw your pension); or
2. **Transfer your pension** to another scheme (e.g. your new employer's scheme if they have one).

### **When is the earliest time I can take money out from my pension pot?**

You cannot consider taking anything out of your pension pot until you are over age 55 years – see options below.

### **What to think about when you reach 55 years of age**

If you are over the age of 55 years you can do the following:

#### ***Do nothing or increase contributions***

Firstly, just because you've reached the age of 55 years doesn't mean you have to do anything. Most deferred and active members of the scheme remain as they are - some decide they are not contributing enough and increase their contributions.

#### ***Buy an annuity***

An annuity is a fixed sum of money paid to someone each year, typically for the rest of their life. This is probably the most traditional way to create a retirement income. There are many different types of annuities on the market. Some will pay out for a fixed number of years, some will carry on paying for the entire duration of your lifetime. Some annuities increase payments to keep up with inflation, others remain fixed and the pay-outs stay the same. It is possible to mix and match products to get one that is right for you.

Smart Pension does not currently offer annuities and a transfer to a provider of your choice would be necessary. It is vital that you shop around for the best deal and we strongly recommend you seek regulated financial advice before making a final decision. You cannot normally change your mind once you have bought an annuity.

#### ***Drawdown***

Under more flexible pension rules you may elect to draw some or all of your benefits. You may be able to take your entire pension pot as a cash payment (less income tax) under the Small Fund Commutation where the balance is less than £10,000 (under this rule, 25% of the fund value will be tax free with the rest paid net of basic rate tax (currently 20%)). You should seek professional advice as drawing from the fund in this way may also affect the maximum you are then allowed to contribute to another pension plan. It may also affect some state benefits you receive but it doesn't affect your state pension.

Smart Pension (The Autoenrolment.co.uk Master Trust) does not provide drawdown directly from the scheme - a transfer to a suitable provider of your choice would need to be made.

If you would like to apply for a Small Fund Commutation payout, please complete the Smart Pension [retirement application form](#) and return it to the address provided on the form, together with the required documents.

### ***Pension Pot worth more than £10,000, Transfer your funds – Drawdown***

This is a flexible option that allows you to access your pension funds as and when you need to. You can draw from your funds as and when you need to. 25% can be accessed tax-free – 75% would be taxable each time. Alternatively, you could take 25% tax-free and then re-invest the remaining 75%, for example in an annuity. You can even draw the whole amount – even if the pot is worth more than £10,000.

This option means you need to manage your investment more carefully and unlike, for example, a lifetime annuity (as described above) your income is not guaranteed for life and could run out!

Smart Pension does not currently offer any drawdown products and a transfer to a provider of your choice would be necessary. It is important that you shop around for the best deal and we strongly recommend you seek regulated financial advice before making a final decision.

Whatever you decide, you should think carefully before you make any decisions - we strongly recommend you take advantage of the [Pensions Advisory Service](#) about the steps to turn your pension pot into income for your retirement.

### **Do Smart Pension allow partial transfers out?**

In most circumstances, Smart Pension do not accept a partial transfer out, although there may be exceptional circumstances, where the fund value is large enough, to permit a partial withdrawal. This will be decided on a case-by-case basis, so please contact Smart Pension if this is your preferred option.

### **Will drawing my Smart Pension affect my State Pension?**

No, drawing your Smart Pension will neither affect when you can draw your state pension nor how much you are entitled to.

### **What is the Smart Pension default retirement age?**

The scheme's default retirement age is 65, although this will be adjusted in line with your state pension age if later.

### **What is the latest that I can come out of the Smart Pension?**

The Smart Pension default retirement age is 65 or later if the state pension age is later. You can remain in Smart Pension if you are still employed and carry on contributing into the

scheme as you have been doing. If you are close to (or over) the age of 65, you need to let Smart Pension know your preferred retirement age by [email](#) so that they can update the system accordingly, and ensure your annual statement shows the correct pension projection for you.

*Note - Smart Pension has clarified that you only need to let them know if you have a preferred retirement date/ age in mind. If you don't you don't need to let them know and your contributions will be paid to Smart Pension and accumulate for as long as you are working with London Councils.*

Alternatively, if you have stopped working, but don't feel ready to draw your funds, you can remain as a deferred member of the scheme. This means you will no longer be contributing, but your funds will remain invested in line with your instructions.

### **What happens if I die before drawing my pension?**

If you should pass away before drawing your pension, the full value of your pot will be passed on to your beneficiary/beneficiaries. Please ensure you complete an **Expression of Wish** form to let Smart Pension know who you would like to receive your funds. Please click [here](#) to read where to find the **Expression of Wish** form and how to complete it.