




Engineering Employers' Federation Staff Pension Fund (the "Fund")

A guide to the bridging pension option



**An option to help you bridge the income gap
until your State Pension starts**

2023

Contents

Part 1 - An overview of the bridging pension option

Who is eligible?	Pg. 3
Examples showing how the bridging pension option could work	Pg. 3
How is this option related to the State Pension?	Pg. 4
What is the impact of taking this option on your Fund pension after State Pension Age?	Pg. 4
What do I need to consider?	Pg. 4
Does this option affect other Fund benefits?	Pg. 5
What support is available to help with your decision on whether to take the option?	Pg. 5

Part 2 - The bridging pension option in more detail

How does the bridging pension option work?	Pg. 6
Taking the bridging pension option with a tax-free cash lump sum	Pg. 7
Understanding the value of your bridging pension option	Pg. 8
How your bridging pension option is calculated	Pg. 8
Other important factors to consider	Pg. 8
Your benefits from the State	Pg. 9
What about tax?	Pg. 10
Need some more help?	Pg. 12



Part 1: An overview of the bridging pension option

The bridging pension option is a new option in the Fund for members who have not reached their State Pension Age. It offers more flexibility for how you can take their Fund pension, by allowing you to receive a temporary higher initial pension from the Fund until your State Pension Date.

This higher initial level of Fund pension aims to 'bridge' the income gap between when you start taking your pension from the Fund and the date you reach your State Pension Age.

Once you reach State Pension Age and your State Pension comes into payment, your temporary bridging pension will cease and the income you receive from the Fund will reduce.

Please note that this option is not available for some members of the Fund (see 'who is eligible?' below).

The bridging pension option will not be right for everyone. To help you understand your retirement options, the Trustee of the Fund has appointed an FCA-regulated adviser, Hub Pensions Consulting (referred to throughout this guide as "HUB"), to provide you with advice at no cost to you (see page 5 for more details).

The Trustee and Employers will keep the Bridging Pension Option under review and so this option may not be available to members in the future.

Who is eligible?

The bridging pension option may be available to you if you are one year or more below your State Pension Age and are yet to start taking your pension from the Fund.

Eligibility for the option is also dependent on the size of your Fund pension and the rules relating to your benefits.

Your **Pension Options Statement** will set out if you are currently eligible for this option.

If you are not currently eligible for the option, you may become eligible in future and you will find further details on this option in this booklet.

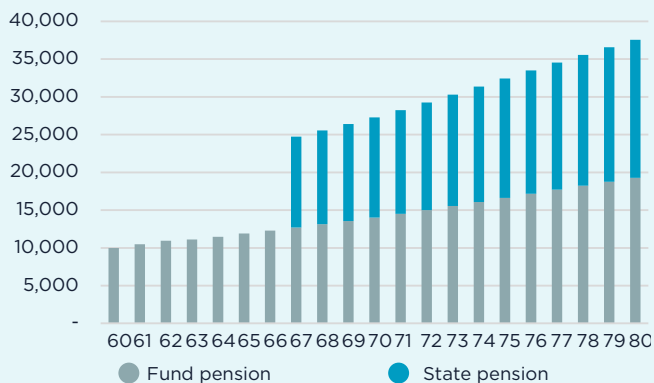
Examples showing how the bridging pension option could work

As shown in the example charts below, this option has the effect of providing eligible members with a more level retirement income over time, rather than receiving a step up in their retirement income at State Pension Age. Remember, most Fund members are eligible to take their Fund pension from age 55, whilst the State Pension typically will not begin until your State Pension Age (typically age 66,67 or 68).

Note that your Fund pension and State Pension will generally increase over time to help keep pace with inflation. The rate of the increase applied will depend on different factors such as the Fund rules and legislation.

Your State Pension depends on your date of birth. State Pension Age is 66, 67 or 68 for most Fund members. To find out your State Pension Age, please use the calculator at: www.gov.uk/check-state-pension

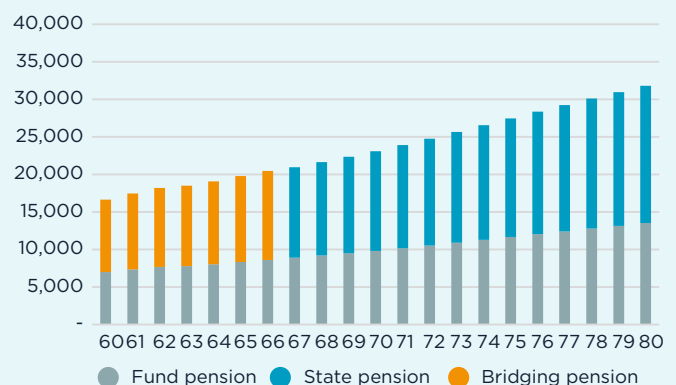
Example of a member **not** taking up the bridging pension option



Here the member retires from the Fund and takes their Fund pension at age 60. The member then receives a step up in their total retirement income when their State Pension starts at their State Pension Age (age 67).

Please note that this is a simple, generic example for illustration only. It is not representative of your benefits in the Fund, your expected State Pension nor of your specific bridging pension option.

Example of a member **taking up** the bridging pension option



Here the member retires from the Fund and elects to take their bridging pension option at age 60.

In this case, the member's initial Fund pension at age 60 is increased to 'bridge' the gap until their State Pension comes into payment at age 67.

At age 67 the member's Fund pension reduces as their State Pension comes into payment. The Fund pension is lower than it would have been had the member not chosen the bridging pension option. The option has the effect of providing the member with a more level total retirement income over time (across Fund and State Pension).

Part 1: An overview of the bridging pension option *(continued)*

How is this option related to the State Pension?

If you choose the bridging pension option, the additional amount that you will receive from the Fund until State Pension Age is related to the full new State Pension at the date of the member's retirement.

The full rate of the new State Pension is £9,628 per year for 2022/2023. The option available for eligible members will be a percentage of the full new State Pension. The maximum amount will be 100% of the full new State Pension and the minimum amount will be 25% of the full new State Pension.

The option presented in your retirement options pack will represent the highest bridging pension option that you are eligible for. If you are not eligible for a bridging pension then no amount will be shown.

Remember that the amount of State Pension you actually receive at State Pension Age depends on your National Insurance record. You can check your State Pension online at www.gov.uk/check-state-pension.

What is the impact of taking this option on your Fund pension after State Pension Age?

If you take up the bridging pension option, you will receive a higher Fund pension until you reach your State Pension Age. However, once you reach your State Pension Age, the pension payable to you from the Fund will reduce for the rest of your life (compared to the pension you would have received if you had not elected for the bridging pension option). If you take up the option you agree to exchange some of your lifetime Fund pension for the higher starting pension.

The terms of the option have been set such that the value of the bridging pension is expected to be 90% of the value of the Fund benefits exchanged. For more details see "Understanding the value of your bridging pension option" on page 8. This option is designed to allow you to structure your pension – to receive extra income for a limited period – so helping you to meet your income requirements before you receive your State Pension. It can therefore help you to smooth your income before and after your State Pension Age.

What do I need to consider?

Before taking up this option, you should consider your likely income needs before and after your State Pension Age. Think about your income requirements in the early years of retirement compared with what you will need later on in life.

For example, you may wish to take up this option to give you a higher income in the early years of your retirement so you can fund some higher expected expenditure in those years.

Your Fund pension will reduce with effect from the State Pension Age you are expected to have at the point of your retirement. The Government changes State Pension Age from time to time and so there is a risk that your State Pension may start on a different day. Your State Pension statement will confirm the date it will start.

The Trustee of the Fund has appointed an FCA-regulated adviser, HUB, to help you with this or you could use your own adviser if you prefer (see page 5).

You can also see some more detailed considerations on pages 8 and 9.

Does this option affect other Fund benefits?

It would affect some, but not all of your benefits as outlined below.

Yes – taking up the option will affect the maximum amount of tax-free cash you can take at retirement.

If you take up the bridging pension option, the amount of tax-free cash lump sum you can take when you start your pension will be based on the total increased bridging pension rather than the Fund pension you would have otherwise received. This means that it may be possible for members to receive a higher tax-free cash lump sum than would otherwise have been the case.

No - The amount of pension available for your spouse, civil partner or dependant on your death will not be affected by taking up the bridging pension option. It will continue to be calculated based on your standard Fund pension on retirement (before the bridging pension option or any tax-free cash is taken).

The amount of the cash payable as a lump sum to your spouse, civil partner or dependant if you die within 5 years of retirement will also be calculated based on the Fund pension you would otherwise have received not allowing for the bridging option, rather your expected pension payments allowing for the bridging option.

What support is available to help with your decision on whether to take the option?

The bridging pension option will not be right or suitable for everyone, so you may wish to take financial advice before making a decision.

The Trustee of the Fund wants you to be able to consider the options for your pension from the Fund so you can make informed decisions that are right for you. To provide access to advice from a financial adviser, the Trustee has arranged for a firm of FCA-regulated financial advisers – called HUB – to make this service available to members.

In summary, HUB:

- can advise you on your options to take your Fund benefits or to take a transfer value;
- are regulated by the Financial Conduct Authority and independent of the Fund;
- have an in-depth understanding of the Fund benefits and options; and
- can provide the service at no cost to you for your first piece of advice.

The Trustee would encourage members considering the bridging pension option to seek financial advice.

HUB can be contacted at:



HUB Pension Consulting helpline:
0800 031 5787



Email inbox:
EEF@hubpc.co.uk



Website:
hubpensionconsulting.co.uk/eef

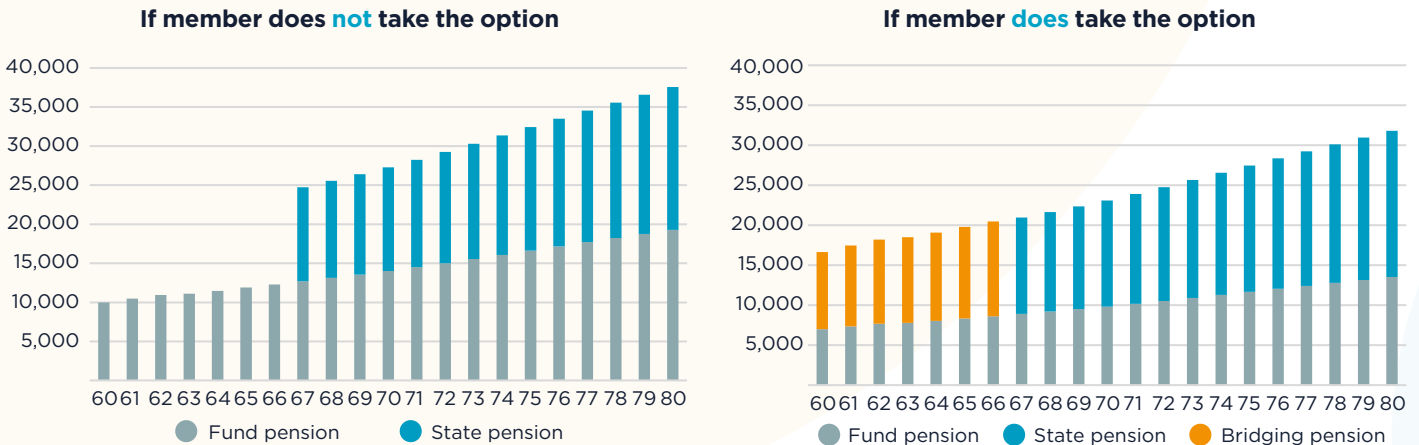
Phone lines are open from 9am to 8pm, Monday to Friday,
except bank holidays

If you take financial advice from HUB, there is no requirement for you to take any specific option at retirement. You are free to use a different financial adviser but this would be at your own cost. If you want to choose your own financial adviser, you may find MoneyHelper (<https://www.moneyhelper.org.uk>) a useful place to start.

Part 2: The bridging pension option in more detail

How does the bridging pension option work?

Let's take a closer look at an example. This member is eligible for the highest bridging pension option and retires at age 60, seven years before his State Pension age of 67.



The member's Fund pension at age 60 if he does not take up the bridging pension option is: £10,000 a year.

If the member takes up the bridging pension option, his initial pension at age 60 increases to: £16,600 a year.

From State Pension age, the member's increased bridging pension will stop being paid, and as a result his total Fund pension will reduce.

This will be a permanent reduction for the rest of the member's life.

Please note that the Fund pension and bridging pension components may increase at different rates over time to help keep pace with inflation.

Here is a summary:

	If the member does not take up the bridging pension option	If the member does take up this option
Fund pension at age 60	£10,000 a year for life	£16,600 a year made up of: £7,000 a year for life and £9,600 temporary bridging pension payable until State Pension age
Fund pension by age 67 (including inflationary increases)	£12,700 a year for life	£21,100 a year made up of: £8,900 for life and £12,200 temporary bridging pension
Total pension from the member's State Pension age of 67	£24,700 a year for life made up of: £12,700 a year for life from the Fund and £12,000 a year for life from the State Pension	£20,900 a year for life made up of: £8,900 a year for life from the Fund and £12,000 a year for life from the State Pension

The member's Fund pension and State Pension at age 67 could be different if actual inflation after he retires is higher or lower than we have assumed for this example.

The member's Fund pension from State Pension age will continue to increase over time in line with the Fund rules.

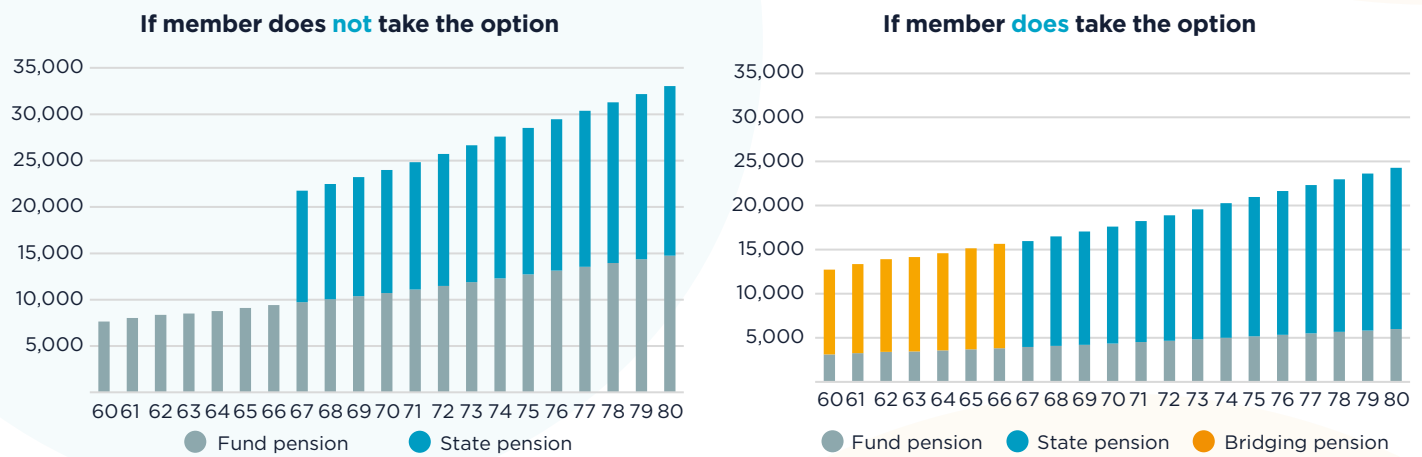
The State Pension will become payable to the member at his State Pension age. Whether his overall income (Fund pension plus State Pension) goes up or down will depend on how much State Pension he receives, but he has used this option to smooth his overall income during his retirement.

Taking the bridging pension option with a tax-free cash lump sum

Let's take a look at what would happen if the member also chose to exchange some of his pension for the maximum tax-free cash lump sum he is eligible for.

The member's Fund pension at age 60 if he does not take up the bridging pension option is: £7,700 a year plus a tax-free cash lump sum of £51,000.

If The member takes up his bridging pension option, his initial pension at age 60 increases to: £12,700 a year plus a tax-free cash lump sum of £84,900. You can see an example of how this option could apply below.



Here is a summary:

	If The member does not take up the bridging pension option	If The member does take up this option
Fund pension at age 60	£7,700 a year for life	£12,700 a year made up of: £3,100 for life and £9,600 temporary bridging pension payable until State Pension age
Plus a maximum tax-free cash lump sum at age 60	£51,000	£84,900
Fund pension by age 67 (including inflationary increases)	£9,700 a year for life	£16,200 a year made up of: £3,900 a year for life and £12,200 temporary bridging pension
Total pension from The member's State Pension age of 67	£21,800 a year for life made up of: £9,800 a year for life from the Fund and £12,000 a year for life from the State Pension	£16,000 a year for life made up of: £4,000 a year for life from the Fund and £12,000 a year for life from the State Pension

Please note that this is a simple, generic example for illustration only. It is not representative of your benefits in the Fund, your expected State Pension nor of your specific bridging pension option.

Figures will vary depending on a number of factors including which bridging pension option you are eligible for, age at retirement, and whether you take a tax-free cash lump sum among other things.

Part 2: The bridging pension option in more detail *(continued)*

Understanding the value of your bridging pension option

If you take up the option at retirement, some of your lifetime Fund pension is 'exchanged' to provide you with an increased temporary bridging pension paid to you until your State Pension age.

This means that the Fund pension (the grey/blue columns on the right-hand graph above) is reduced to provide the bridging pension (the orange columns on the graphs above) compared to if you had not taken the option (the left-hand graph above).

How your bridging pension option is calculated

If you elect to take the bridging pension option, the value of the future income you are exchanging is calculated and this is used to provide the bridging pension. The terms of the exchange are such that the value of the bridging pension is expected to be 90% of the value of the pension that is exchanged.

Other important factors to consider

Once you have started to draw your pension from the Fund, your decision cannot be changed at a later date. You should therefore make your decision after weighing up the potential advantages and balancing these against all other factors.

The Trustee is providing access to paid-for FCA-regulated financial advice from HUB to support you in your decision-making process for your specific circumstances. This section provides some general information on the factors you should consider. However, everyone's circumstances are different and not all factors may be covered here.

There are a number of factors that you should consider, the most important of which are outlined in this section.



	The bridging pension may be a good option for you if...	The bridging pension may not be a good option for you if...
Personal lifestyle and preference	You prefer to have a higher pension now, perhaps because you have higher living expenses now than you expect to have in the future.	You are concerned about covering future expenses and would prefer to have a higher pension later in retirement.
How long you might live	<p>The value of your Fund pension which you exchange for your bridging pension depends on how long you live.</p> <p>If you are in poor health or have a short life expectancy, then a higher Fund pension before State Pension age may be more valuable to you.</p>	If you live to an old age, then by taking up the option you may end up “exchanging” more Fund pension in total than you gain over the years before State Pension age.
Variation in total income	<p>You are looking to broadly bridge the income gap before your State Pension starts, and you are happy to have a step up in your total retirement income at retirement age. You do not necessarily require your overall income to be the same just before and just after State Pension age.</p> <p>(There would only be no change to your overall income at State Pension age if the reduction to your Fund pension exactly matches your State Pension, which is unlikely).</p>	<p>You require a higher overall retirement income from State Pension age.</p> <p>You have a relatively small State Pension and so would expect a large step down in total retirement income after State Pension age if you take up the option.</p>
Tax-free lump sum	You would like to take a higher tax-free lump sum at retirement, with a lower total retirement income after State Pension age.	If you do not wish to receive a higher tax-free cash lump sum at retirement and would rather a higher total retirement income after State Pension age.
Taxation	<p>In most cases, the higher pension and resulting increased cash sum (if taken) would be taxed in the same way as if you had not taken up the option.</p> <p>Please refer to page 10 for more details</p>	Depending on your total income from all sources, an increased pension could push you into a higher rate tax band. In addition, in some circumstances the increased pension at your retirement may result in an additional tax charge (explained further on page 10).

Your benefits from the State

The amount of State Pension you will receive depends on your National Insurance contribution record, so you may not be eligible for the full amount of the new State Pension. The bridging pension option is related to the full amount of the new State Pension.

As explained above, once you reach your anticipated State Pension age, your temporary bridging pension falls away, and the income you receive from the Fund will reduce as any State Pension you are due to receive comes into payment. If your actual State Pension age increases after your Fund pension starts to be paid, your temporary bridging pension will still stop being paid at your anticipated State Pension age. This means there would be a gap before your State Pension is actually paid. Changes to State Pension age have previously been made with at least 10 years' notice, but this could change in the future.

Under current law, you also have the choice to defer receiving your State Pension until a later date than your State Pension age if you wish.

You can find out more about State benefits at www.gov.uk/browse/benefits

Your State Pension age depends on your date of birth. To confirm when you will reach State Pension age, please use the calculator at www.gov.uk/check-state-pension

Note (as highlighted above) this date could change in the future.

Part 2: The bridging pension option in more detail *(continued)*

What about tax?

Taking the bridging pension option immediately increases your income at retirement compared to taking a standard pension. This could affect the amount of tax you have to pay.

Income tax

Your personal tax position could be affected. Increasing your Fund pension under this option until you reach State Pension age might mean you are subject to a higher rate of income tax.

Annual Allowance (AA)

The Annual Allowance is the total amount that your pension benefits can increase in any one year whilst still benefiting from tax relief. If the increase in the value of your benefits is higher than the Annual Allowance, you will have to pay a tax charge on the excess.

If you left the Fund before 6 April 2006 or if you have not been building up pension benefits in any arrangement in the year before you retire, then this Annual Allowance test and associated charges are not relevant to you.

If you left the Fund after 6 April 2006, you would need to include

the increase in the value of your initial Fund pension, as a result of choosing the bridging pension option, when checking against the Annual Allowance.

If you left the Fund after 6 April 2006, your **Retirement Options Pack** includes the additional amount of your Fund pension which should be included in your test against the Annual Allowance as a result of taking up the bridging pension option.

For the Annual Allowance test, you must remember to take into account benefits you have also been building up elsewhere, for example contributions to a defined contribution arrangement, or any defined benefit pensions still being built up elsewhere.

The Annual Allowance from 6 April 2022 to 5 April 2023 is £40,000. A reduced annual allowance is in place for some people. It is reduced to £4,000 for those who have 'flexibly' accessed defined contribution pension benefits. For some high earners (typically those currently earning over £200,000 per year), the standard Annual Allowance might be reduced depending on individual circumstances.

It is also generally possible to carry forward unused Annual Allowance from the previous three years (to offset any amount by which the Annual Allowance is exceeded in the current year).

If you think you might incur an Annual Allowance tax charge by taking up this option, you should discuss this with HUB (or your own financial adviser).

Members who are eligible for the bridging pension option may have the option to request the lower bridging pension option to manage potential Annual Allowance implications. You should contact HUB in the first instance if you would like to explore this (see contact details on page 12), or discuss with your financial adviser.

For more information on the Annual Allowance, you can use the HMRC Annual Allowance Calculator at <https://www.tax.service.gov.uk/pension-annual-allowance-calculator>

Lifetime Allowance

The Lifetime Allowance is a limit on the tax relief members can receive on all of their pension benefits over the course of their lifetime. The total value of a member's pension benefits from all registered pension plans (excluding the State Pension) has to be tested against it. Exceeding the Lifetime Allowance can result in an additional tax charge.

The Lifetime Allowance is currently £1,073,100 and the Government has announced it will remain at this amount until April 2026. However, some members may have certain protections, such as individual or fixed protection, that result in them having a higher LTA. It is possible for these protections to be lost in certain circumstances.

If you take up the bridging pension option, your increased starting pension will be tested against the LTA limit, and no allowance will be made for the reduction to your pension that will occur at State Pension age.

If you have any form of protection or if you think that you might incur an LTA tax charge by taking up this option, you should discuss this with HUB (or your own financial adviser).

Need some more help?

For independent Financial Advice, contact HUB at:



0800 031 5787

(free from all landlines and mobiles)

Phone lines are open from 9am to 8pm, Monday to Friday, except bank holidays



EEF@hubpc.co.uk

Please quote your Fund Reference number so that HUB can identify you.

For questions on your Fund benefits, please contact the Fund Administrator (LCP) at:



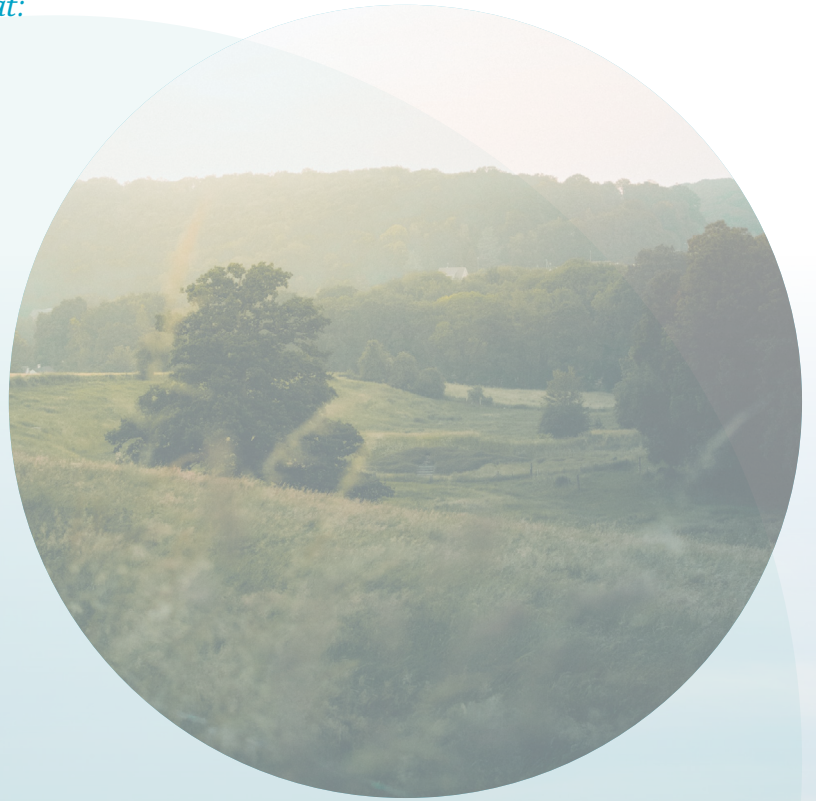
+44 (0)20 7432 6735



EEFAdmin@lcp.uk.com.

Lines are open between 9.00am and 5.00pm, Monday to Friday.

Please have your Fund reference number ready so that LCP can deal with your enquiry quickly.



Every effort has been made to ensure the accuracy of this guide as at the date of production, January 2023. It cannot, however, override the Trust Deed and Rules of the Fund, or any legal requirements in force from time to time. V1.01.2023.