Brady Group

GROUP PERSONAL PENSION SCHEME GUIDE

Scheme Advisers

Patterson-Mills Financial Planning Ltd

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PATTERSON-MILLS

INDEPENDENT FINANCIAL ADVISERS & CHARTERED FINANCIAL PLANNERS

www.pattersonmills.com

Introduction

This booklet aims to inform Staff at Brady Group about how the Brady Group pension scheme can really help those Staff who would like to be able to maintain a comfortable standard of living in retirement, making them more able to choose when to reduce, or stop, work. Many are already aware that State Pension alone is highly unlikely to meet your financial needs. Your Brady Group pension scheme is intended to be an integral part of your ideal solution to enable you and your Family to have the income you desire for when you want to stop work.

The Brady Group pension scheme allows you to have some of your taxes back and even extra tax savings unavailable to many employees outside, so increasing your investment fund more than may be usual elsewhere and put these funds to work for your personal benefit. The pension scheme gives you as a member an investment-based savings pot that can travel with you, job-to-job and even in self-employment, throughout your working life.

It makes sense to start saving for retirement and **as early as possible** – the longer your investment fund has to accumulate, the bigger the benefits should hopefully be on retirement. It also makes sense to contribute **as much as you can afford** into a pension fund, because the significant tax incentives at Brady Group make pensions **an exceptionally attractive investment**.

The Brady Group Group Personal Pension (GPP) receives contributions from both you (using the salary sacrifice method) and Brady Group

Your total pension benefits are made up of the following components

- Retirement Pension Fund
- State Pensions

These benefits are explained further in the following pages and more details are available via your HR contact.

Our Scheme Advisers

Brady Group has appointed Patterson-Mills Financial Planning as your Scheme Advisers, together with Aviva as the pension provider.

The Staff and Advisers at Patterson-Mills Financial Planning are able to provide a personal service for you. The advice available is independent, providing you with access to the whole of the market, including not only your pension fund investment but also other areas of your personal financial and investment planning needs. **Everything discussed with the Scheme Advisers is on a completely confidential basis.**

Aviva is a UK company with both fund management expertise to grow your pension fund money and offering a comprehensive range of external funds to match.

Membership

Eligibility

You will be enrolled into the Brady Group Pension Scheme (the 'Brady GPP') immediately when you commence your employment at the Company under automatic enrolment regulations. Should you wish to join sooner, you are permitted to do so and should ask your HR contact for more details. Upon leaving the Company's employment, you are no longer eligible to receive the benefits paid for by Brady Group, including their pension contribution.

Joining the Pension Scheme

All Staff are automatically enrolled into the pension scheme, in accordance with the UK Government's statutory rules that oblige all UK Employers to do this. In order to decide a personal investment strategy that optimises your long-term investment returns, you will need to complete an appropriate fund selection form and meet with the Scheme Advisers. Once decided, your fund selections will be implemented, any already accrued funds and your ongoing contributions then being invested accordingly within your own individual Personal Pension Plan with Aviva.

During your first three months employment at Brady Group, you will be offered a personal, confidential, face-to-face or telephone (as you prefer), meeting with our Scheme Advisers. You are able to discuss the potential costs and the benefits of your membership of the Pension Scheme.

This advice and ongoing service is at the cost of your Employer, save any individual advice in respect of analysing and transferring other pensions from outside the Scheme, or any other personal financial advice you may request.

Brady Group cannot be responsible for, nor in any way endorse, such advice or transactions.

Opting out

You have the right to "opt-out" and, should you wish to do so, you will need to request the Opt-out Form (or statutory email wording) directly from the Scheme Advisers, as your Employer cannot deal with opting-out under strict regulatory rules. After joining, or being automatically enrolled, you may also leave the Scheme at any time if you so wish by notifying your HR contact. The Scheme Advisers will then contact you to confirm your requirements, supplying you with the Opt-out Form, or email wording, as necessary. All accrued funds would remain yours, unless you opt-out within 30 days of enrolment, in which case your own contributions would be refunded to you, less taxes.

Naturally, should you opt out of the Scheme, you will no longer receive the benefit of the Brady Group contributions to your Fund after your opting-out date. You would also cease receiving further tax reliefs due to stopping your own contributions.

Transfers from your other pension funds

Your Brady Group GPP can accept transferred funds from the following other pension arrangements:

- ✓ Previous Employer Schemes (must be an HMRC approved arrangement)
- ✓ Personal Pension Plans (PPPs)
- ✓ Self-Invested Personal Pensions (SIPPs)
- ✓ Qualifying Recognised Overseas Pension Scheme (QROPS)
- ✓ Other qualifying (including foreign) pension arrangements approved by HMRC

The Scheme Advisers are available to advise you in respect of any other pension arrangement you may wish to consider transferring to your Brady Group Pension Fund. Any costs or charges involved in this process are your own responsibility and are not paid by Brady Group.

The term 'HMRC' above (and elsewhere in this document) refers to 'Her Majesty's Revenue & Customs'. HMRC represents the section of UK Government that deals with pension scheme approvals, formally known as the 'Inland Revenue Pension Schemes Office', prior to internal government departmental mergers.

The Pensions Regulator (TPR) deals with the compliance matters relating to operation and governance of all pensions schemes. We liaise with TPR, via our Advisers at Patterson-Mills, to ensure that all statutory matters around your pension scheme are fully compliant with all relevant regulations. In addition, we ensure with our Adviser that your pension scheme is both suitable and qualifying as eligible to be our workplace pension scheme.

State Benefits

Basic State Pension

Regardless of any other arrangements, you will be entitled to State Pension at State Pension Age, provided you have paid sufficient National Insurance Contributions. State Pension Age is currently, age 65 for men and a minimum of age 60 for women (gradually increasing to age 65 for all women retiring on or after by 30 November 2018). People born after 5 April 1961 but before 6 April 1969 will have a State Pension age of 67*.

People born after 5 April 1960 but before 6 April 1961 will reach State Pension age between 66 and 67 as shown in the table below.

Date of birth	Approximate State Pension age
6 April 1960 to 5 May 1960	66 years and 1 month
6 May 1960 to 5 June 1960	66 years and 2 months
6 June 1960 to 5 July 1960	66 years and 3 months
6 July 1960 to 5 August 1960	66 years and 4 months
6 August 1960 to 5 September 1960	66 years and 5 months
6 September 1960 to 5 October 1960	66 years and 6 months
6 October 1960 to 5 November 1960	66 years and 7 months
6 November 1960 to 5 December 1960	66 years and 8 months
6 December 1960 to 5 January 1961	66 years and 9 months
6 January 1961 to 5 February 1961	66 years and 10 months
6 February 1961 to 5 March 1961	66 years and 11 months
6 March 1961 to 5 April 1968	67 years

Further changes to State Pension Age beyond age 67

Today, those born after 5 April 1968 but before 6 April 1977 already have a State Pension age of 67. State Pension age is planned to start to increase gradually to age 68 from 2034 to 2036 and this would affect anyone born after 5 April 1977.

The UK Government is considering how the State Pension age could better reflect changes in life expectancy in the future. This is likely to mean that the existing timetable to increase State Pension age to 68 will be enacted, currently estimated to be effected by gradual transition in the mid-to-late 2040s.

* The detail shown above is as published currently by the UK Govt and is subject to change.

How much is Basic State Pension?

The UK Government changed the State Pension system with effect from 6 April 2016, now known as the 'New State Pension'. The effect was to remove the previous complexity of three different additional pension calculations, from as far back as National Insurance Contributions records from 1961, to provide a fixed flat rate for all.

The effect in financial terms is that the overall total level of pension benefits has reduced for (probably) the majority, though the rate at which state pension accrues has been increased (in the past it has been as much as 44 years of working before 100% of your Basic State Pension would be paid to you), so that after only 35 years of working you will benefit from 100% of the amount. However, new rules also mean that a minimum of 10 years of paying National Insurance is needed before any New State Pension is accrued.

Your new state pension amount

An individual with full qualifying years will receive (2019-20 Tax Year):

- a maximum weekly Basic State Pension of £168.60

A Spouse (either by Marriage or Civil Partnership), with sufficient qualifying years will receive:

- a maximum weekly State Pension of £168.60

The above is a flat rate amount to which everyone who has paid adequate National Insurance Contributions over <u>at least 35</u> years of their working life is entitled.

Delaying taking your State Pension

It is possible to delay claiming a State Pension at SPA.

With effect from 6 April 2016, the new extra pension accrued for deferring was changed to 1 per cent for every 9 weeks the pension is not claimed (c.5.8% pa). Furthermore, there is no option to take the deferred increases as a one-off lump sum.

Contributions

Member contributions

There is no current minimum contribution for entry to the Scheme. However, if you do choose to invest in addition to the Company, you will receive significant tax advantages, including the benefit the Salary Sacrifice method of making your contributions.

Your contributions are agreed yearly in advance – though, if you need to, you can vary them in between – and invested as a percentage of your salary and maximum tax relief is obtained using the Salary Sacrifice method, explained further below.

Company contributions

Brady Group invests into your Fund in line with your Terms of Employment, which includes a minimum amount of 8% of your annual basic salary.

The Annual Allowance

You are allowed to invest up to 100% of your annual salary in any given Tax Year, provided this is no greater than £40,000 (inclusive of all Employer contributions), during the 2019-20 Tax Year. There are “Carry Forward” rules available to you, in addition to this contribution limit, allowing top-ups – ask the Scheme Advisers for up to date details on HMRC limits, if required.

You are able to contribute an additional amount, up to the Annual Allowance for the year in question, in respect of each of the preceding 3 Tax Years, inclusive of any contributions you may have already made in those years.

All allowable contributions invested attract full tax relief at your marginal rate of Income Tax and your investment grows tax-free, other than in respect of the UK’s Dividend Withholding Tax (representing 10% of any dividend income received by a pension fund).

The Tapered Annual Allowance

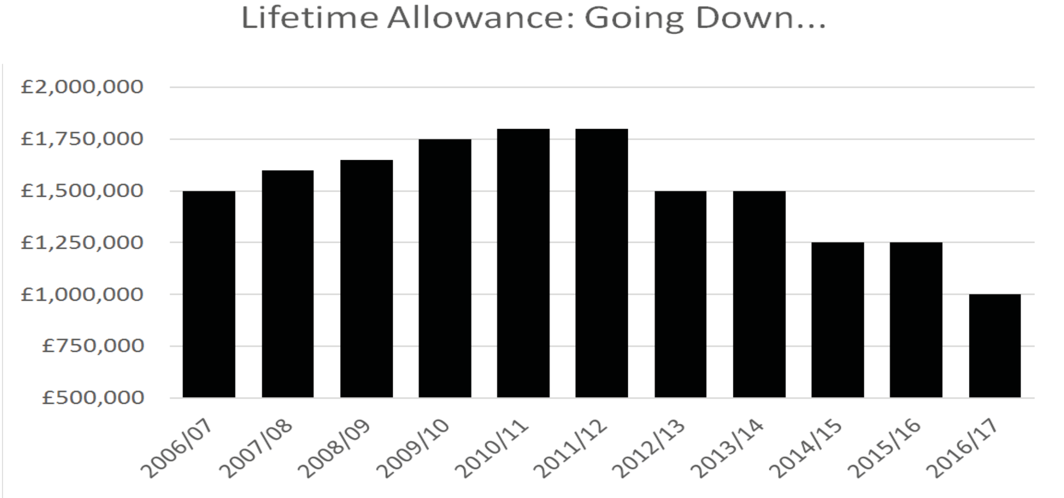
For higher earners, those with adjusted income above £150,000 (adjusted income includes all other forms of taxable income, plus your Employer’s pension contributions), the Annual Allowance reduces by £1 for every £2 of income up to £210,000.

This means that where the adjusted income is £210,000, the Tapered Annual Allowance equates to £10,000.

As with the standard Annual Allowance, you are permitted to utilise the preceding 3 tax years’ unused Annual Allowance in addition to the Tapered Annual Allowance, should you have any such allowances available to you.

The Lifetime Allowance

This is the total amount you are permitted to have in your Fund at retirement under current HMRC pension taxation rules. As the table below shows, it has reduced greatly over the last few years and from 6 April 2019 will be limited to £1,055,000.



A total fund value of £1 million may sound a substantial amount, but on current index-linked annuity rates it will buy you about £26,500 a year of pre-tax income at age 60 and £33,500 at age 65. It would be perhaps 'reasonable' to expect the Lifetime Allowance to increase over time, though the evidence to date since its introduction in 2006 is to the contrary!

The UK Government's attacks on the Lifetime Allowance signifies a clear point for all of us who wish to maximise our retirement income with pension scheme funding: invest as much as you can afford of the permitted Annual Allowances over time, as it may be difficult to 'catch-up' later.

Income Tax Relief

You are granted full Income Tax relief on all allowable contributions.

This relief can be viewed as "growth" in the value of your Pension Fund.

The increase in Fund, measured against the amount invested net of tax (i.e. that amount you would otherwise 'take home' if it was not put into your Pension Fund) is calculated thus:

- ✓ Basic Rate taxpayers have their effective 'net of tax' contributions increased by 25%;
- ✓ Higher Rate taxpayers have their effective 'net of tax' contributions increased by 67%;
- ✓ Higher Rate taxpayers earning between £100,000 and £125,000 have their effective net of tax contributions increased by up to 150%;
- ✓ Additional Rate taxpayers (45% tax) on earnings above 150,000 have their effective net of tax contributions increased by up to 81.82%;

Salary Sacrifice

Once you have decided how much you wish to invest from your pay, you agree with Brady to sacrifice the relevant percentage amount from your original salary. This has the effect of:

i. Reducing your National Insurance Contributions
ii. Reducing your Employer's National Insurance Contributions (NICs)
iii. Reducing your Income Tax

Following your initial meeting with the Scheme Advisers, any amount you agree to invest will be advised to your HR contact and you will be asked to sign a Letter of Agreement to confirm your chosen salary sacrifice amount at your desired contribution rate. Your HR Department takes care of the rest and produces relevant records to ensure that your salary reduction is exercised in an approved manner for tax purposes.

The biggest saving / enhancement is that the Company has agreed to invest' out of the Employer NICs saved by the reduction in your salary, 100% of their saving in Employers NICs, resulting in 13.8% of your annual sacrificed earnings being added to your Fund – i.e. of your gross (before tax relief) contribution amount. Brady Group invests this amount into your Pension Fund, instead of it being paid to the Government in taxation and is in addition to their usual contribution already specified.

This arrangement is not compulsory and you should discuss matters with the Scheme Advisers to make sure you understand how this works for your benefit. There are rare instances when your apparently reduced level of salary may adversely affect you. Typical examples of this could be where you apply for a loan or a mortgage, though very many lending institutions are aware of salary sacrifice and accept your salary before the sacrifice calculation (known as your "reference salary"). Equally, for those on State Benefits like Statutory Maternity Pay only, you cannot give up these amounts within a salary sacrifice arrangement. If you are unsure about anything to do with Salary Sacrifice, please talk to the Scheme Advisers.

Carry Forward of Contributions

These rules allow you to use any unused Income Tax Relief available to you for the preceding three complete Income Tax years, up to the Annual Allowance (currently £40,000 for 2019-20) for each year (or 100% of your taxable income, if less).

You can contribute up to a maximum of an additional £150,000 (or your total taxable income for the period, if less), over and above your ordinary Annual Allowance, using the current HMRC carry forward limits.

This facility can be particularly useful for those approaching retirement and / or those with bonus earnings in any given Tax Year that would otherwise not be allowable contributions.

What Happens if You Leave?

Once you leave the employment of Brady Group, you will no longer receive contributions from them. You are able to continue making contributions to your Fund at any time, subject to a maximum of £3,600 per year or 100% of your earnings if greater, limited to no more than £40,000 (2019-20)

Your Fund will retain its charging structure (the Annual Management Charge – AMC) both for any amounts that have been transferred-in to your Fund from outside the Scheme whilst at Brady Group and all regular or single contributions made whilst in the scheme. This AMC is a highly competitive 0.31% base level (for all in-house Aviva funds) and, unlike some pension scheme, this AMC will remain the same up to retirement.

You are able to continue to invest any amount from £16 monthly (net from your Bank), even if you join another company or Auto-enrolment scheme after leaving the Company.

There are no other additional charges or penalties applied to your Fund upon leaving and you are able to transfer away from Aviva (for example to another Employer Scheme) without penalty, should you wish.

In the event of you leaving Brady Group, please contact the Scheme Adviser for further information about your options.

Retirement Benefits

Retirement Age

The Scheme Retirement Age (SRA) is 65, though you can choose to take your Personal Pension Fund benefits at any time between the ages of 55 and 75, regardless of whether you are working. You can even take retirement benefits *in whole or in part* whilst continuing to work.

You can only take benefits under government legislation if you have less than 10 years to your State Pension Age.

There are no charges or other additional costs from the Scheme, should you decide to take your benefits before the SRA. However, it should be noted that the earlier you take your benefits, the greater the likelihood that you will receive less than would otherwise be the case had you waited to a later retirement date.

Cash Sum at Retirement

You can currently take up to a maximum of 25% of your fund's value as a tax-free cash sum, now known as a Pension Commencement Lump Sum (PCLS) benefit.

Pension in Retirement

Upon retirement, your Fund - less any tax-free cash taken – can be used in the following ways. You are urged to seek advice from the Scheme Adviser as to your options, as well as being provided with information from Aviva.

- ✓ Purchase a pension from any authorised insurance company offering the highest income. This is known as an annuity and, though this is no longer compulsory, would be payable for your remaining lifetime. Annuities can be particularly useful where:
  - the primary objective is security of income
  - there are adverse health issues limiting life expectancy
  - you have no beneficiaries, other than your Spouse or Partner, who would otherwise lose out upon death after your retirement

  All amounts paid are treated as taxable income.

- ✓ Transfer your pension fund to a 'flexible-access drawdown' product. This is a Government innovation since April 2015 that allows you to choose how much to withdraw at any time. If you have not taken your permitted 25% of fund lump sum, tax-free, you may be able to receive up to 25% of any withdrawals during retirement, tax-free instead.

  All amounts paid are treated as taxable income, other than your 25% entitlement referred to above.

In the event of flexible access drawdown being used, instead of an annuity, you are strongly urged to take independent financial advice that is specialist in the pension benefits market. Your Scheme Advisers are well placed to discuss your situation with you and will be able to help you make an informed decision.

As it is no longer compulsory for your Fund to be used to buy an annuity, the flexible access drawdown pension uses the Fund in a way similar to an ongoing investment portfolio, except now you are withdrawing and not contributing.

You can draw a regular income, within the relevant HMRC limits applicable at that time (currently unlimited). However, it is important that financial advice be taken before making a decision as to your preferred option at the time, as there are inherent investment risks that you may wish to mitigate by using certain types of strategic investment products; furthermore, there are other relevant matters that should be carefully considered before deciding your preferred option to meet your retirement income needs.

The actual amount of pension income you receive, and its purchasing power, will depend upon several factors between joining the Scheme and your retirement date. These currently include how much you have invested, inflation over your investment period, the investment returns achieved by your Fund, interest rates at retirement, your decision as to whether to buy an annuity and Government policy, both over the period of your investment and at retirement (in particular with regard to taxation).

All decisions about how you take your benefits are your own choice and Brady Trading does not have any connection, influence or liability in respect of such matters. You are offered access to advice by the Scheme Advisers and the Government has stated it will also offer access to certain basic advice about your options as to how to use your accumulated Fund when you retire.

Important note: should you take financial advice from the Scheme Advisers, you will be protected against making an unsuitable financial decision by about your Fund by the Financial Services Compensation Scheme (FSCS) and the Financial Ombudsman Service (FOS). Both the FSCS and FOS provide valuable UK consumer protection that is only available to you when taking qualified and regulated advice about your (pension) Fund. Should you decide to take advice elsewhere, it is up to you to check as to whether similar protections will exist for you.

You will be given a personal pension illustration on joining the Brady Group GPP Scheme, showing your projected benefits at retirement. The income shown is using annuity-based assumptions for life expectancy and is not guaranteed. In practice, you can take an annuity income fixed at one level, or start at a lower level and increase each year. You may also choose to take a reduced pension for yourself, followed by a pension for your spouse or dependents after death.

Auto-enrolment

This is the UK Government's new method of making pension contributions more likely to be made for the benefit of all UK employees. Introduced since October 2012, every single UK employer will have to automatically enrol each qualifying member of Staff into its own pension scheme between that date and October 2017.

The pension schemes themselves have to have minimum standards and contribution rates, started at 1% for employees and employers alike; this amount rises by April 2019 to a maximum automatic minimum amount of 3% for employers and 5% for employees, totalling an 8% investment amount.

The percentages above are not based upon full salary, but what are known as the Banded Earnings (those between £6,136 and £50,000). These are planned to increase annually in line with general changes in tax allowances.

Brady Group is already making contributions in excess of the current minimum standards for Auto-enrolment. However, the employees currently do not have a minimum compulsory amount and this will change with effect from April 2019, when contribution rates rise under these new rules to 8% in total. All Staff will be advised of the changes necessary to meet the new Auto-enrolment rules in the weeks leading up to the relevant date.

Even though Staff will be automatically enrolled into the pension scheme, if not already a member, it remains everyone's right to opt-out of the pension scheme – full details will be provided at the time anyone is automatically enrolled. Thus, the new rules are not quite compulsory pensions in the UK, as yet, the onus being purely on Employers at present.

Other Employee Benefits

In addition to the Group Personal Pension Scheme offered by Brady Group, the following additional benefits are included as part of your employment package (i.e. at no cost to you for the cover provided, except for a tax charge on medical insurance). **Specific eligibility is subject to your contract of employment.**

- Income Protection – this provides you with 75% of your monthly 'reference salary', less long-term State Incapacity Benefit, should you be unable to work through sickness or accident for 13 weeks or more, whilst an employee of Brady Group. Should you be unable to work for a continued period beyond 12 months, you will receive index-linked continuing income payments until you return to work or reach Scheme Retirement Age (SRA) of 65, whichever is soonest. Benefits payable are taxed through the PAYE systems as per your current salary.

- Death in Service Protection – this benefit is automatic, and without health evidence within certain limits, payable in the unfortunate event of death before retirement whilst an employee of Brady Group. This is in addition to the accrued value of your Pension Fund – that is also payable - and is equivalent to a multiple of your basic annual 'reference salary', as advised from time to time. Funds are payable tax-free to your beneficiary and you should ensure you nominate to whom you wish such a benefit to be paid to in the event of a claim, or obtain advice regarding appropriate trust arrangements from the Scheme Advisers.

- Private Medical Insurance – this benefit is optional and available to you on the basis of providing cover for you paid by the Company. Benefit is payable to cover the costs of private medical care within the terms and limits of the Scheme. Full details of the terms of cover are available from your HR contact, who will also be able to join you onto the Scheme, should you wish. For any claims, there is a dedicated helpline provided by the Insurer (currently BUPA), as any claims must be discussed directly with them (in confidence), prior to treatment being undertaken.

  This benefit carries an Income Tax charge from HMRC, known as a P11D benefit and you will receive an appropriate tax code adjustment to cover any tax due from your monthly pay. Despite the Govt's stance on taxation, this benefit can be extremely valuable and you are urged to request details from your HR contact.

Further Information

This Guide

This handbook is intended to give you a detailed but non-technical insight into your benefits as a member of the Brady Group GPP Scheme.

Pension matters are, however, highly technical and at times quite complex. To administer the scheme, Brady Group has appointed as its Scheme Advisers, Patterson-Mills Financial Planning, whose professional expertise is at the disposal of all Members and their families.

Financial and Investment Advice

You can consult Patterson-Mills Financial Planning in connection with your Pension or indeed any financial aspect of your affairs which remain completely **confidential** at all times. The Advisers have many years' specialist experience in financial planning and arranging investments.

Scheme Insurers

The insurers for the above benefits are selected by Brady Group in association with their Advisers at the time and may change from time to time. No warranty can be provided by Brady Group or its Advisers as to the financial strength of any financial institution selected, though all reasonable care is taken in making the appropriate selection of insurer.

Information and Helpline

To obtain further information or help, please email or call Chris Rathbone (chris@pattersonmills.com or 01908-503741.

This booklet has been issued by Patterson-Mills Financial Planning as Scheme Advisers and is based on its understanding of current English law and HMRC practice. Patterson-Mills Financial Planning cannot be held responsible for any adverse changes in such law and practice and all limits and benefits should be checked with them (or your HR Department, if appropriate) before making any financial decision in connection with the details discussed in this Guide.

Please see overleaf for details of supporting online information pages and links from Patterson-Mills.

PATTERSON-MILLS

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Online information Links

The documentation connected with your Aviva GPP is available to download from our secure webpage at the following address:

Brady GPP - docs from Pattersonmills

We have also set-up an Aviva / Brady website for the Scheme with additional information which is "all things pension", please have a browse with this link:

Brady Aviva microsite