22nd August 2023

Leeds Beckett University - Late-stage Career Pension Guide

Retirement is no mere world away. And as you approach it, more and more questions jump out of the shadows: how do I take my money? Will I get a State Pension? What do I actually *need* to do?

This is the guide that should help to alleviate any pension-induced stress and get you on track to a seamless transition to retirement.

With a Leeds Beckett University pension scheme, your money will be looked after by one of three pension providers:

- West Yorkshire Pension Scheme
- Teacher’s Pension Scheme
- Universities Superannuation Scheme (USS)

Your pension is called a Defined Benefit (DB) pension. You could have more than one pension if you’ve been with LBU for a long time, meaning that you could have more than one of these providers, too.

Take your money!

The good news is that you may be able to take your money from age 55 - although this will rise to 57 in 2028. (Unless you’re retiring due to ill heath, in which case you may be able to take your money earlier).

If you do this, however, this could reduce your overall pension because you’ll be withdrawing your money early and before the Normal Pension Age, which is usually age 60 or 65.

Unlike a Defined Contribution pension where you aren’t guaranteed an income and instead are offered various withdrawal options, your Defined Benefit pension makes things slightly more straightforward. You are guaranteed an income in retirement when your pension is in a Defined Benefit scheme.

If your provider is USS, you'll have a Retirement Income Builder account, which will house all your savings you've amassed over your years of work. When you decide to withdraw from this, you'll receive a one-off tax-free lump sum of three times your pension amount, and a regular income for life based on the Defined Benefit you've built.

You can also choose to have a higher regular income and a lower cash lump sum – or vice versa. To review your pension savings, log in to your 'My USS' account.

You may also own an Investment Builder account with USS, which is a Defined Contribution pension. With a DC pension, you have slightly more flexibility over how you can take your money. For more information on this, click here.

The Teacher's Pension Scheme will let you take both a final salary and career average pension if you've completed two years' service after 5 April 1988 or five years pensionable service completed at any time. Similarly, to the USS scheme, you'll be able to take part of your money as a one-off tax-free lump sum. To know how much benefit you're likely to receive, log in to your account with the Teacher's Pension.

In the West Yorkshire Pension Scheme, when you take your pension, you'll receive a regular income for life based on the benefits you've built. You also have the option to exchange part of your benefits for some tax-free cash, providing you've paid into the scheme for at least two years. To check on your pension savings, log in to your 'My Pension' account.

The State of Play

As you're approaching retirement, it's helpful to take a holistic look at your wider finances. Any debt, mortgages, assets, and various streams of income all paint a varied and vibrant financial picture to take with you into retirement. By establishing the state of play before you hit the RETIRE button, you'll be better informed about what awaits you, not to mention how and when to receive your money.

Keep tax in mind

Did you know your pension and any savings will be taxed just like a regular income when you start taking them? If you're thinking about what to take, there are different tax implications to be mindful of. The government's MoneyHelper service has a helpful guide on pensions and tax.

The State Pension

The State Pension is an additional benefit provided by the government when you reach the State Pension Age, which is currently 66 for the new State Pension. However, this is gradually going up. It's designed to supplement your regular income, so it's likely not enough to live on exclusively. At its maximum, you could be entitled to £203.85 per week for the 2023/24 tax year, which isn't something to be sniffed at!

In order to be eligible for the new State Pension, you need to have made at least 10 years of qualifying National Insurance contributions or National Insurance credits. To receive the full amount, you'll need to have made 35 years of qualifying NI contributions or NI credits. To check the amount you are on course for, you can use the State Pension Forecast tool.

If it looks like you're falling behind, there's nothing to worry about. You're not locked out of the State pension and can even make up the qualifying years with additional payments to ensure you're eligible for the full amount, if you feel this is right for you.

In most cases, once you reach State Pension age, you are no longer required to pay National Insurance but your State Pension counts as taxable income.

Beneficiaries

Some of the most important long-term planning is done for after you've retired. Your loved ones can be entitled to receive your pension income in case you die. With USS, for instance, you'll need to update an Expression of Wish form, which notifies the provider of whom you'd like to receive your pension. It's vital you ensure that this stays up to date, because if you die within the first 5 years of retirement your loved ones might receive a lump sum worth three times your annual salary. After 5 years, they won't receive a lump sum but will benefit from part of your regular income.

The Teacher's Pension offers a similar scheme, which you can read about here.

The West Yorkshire Pension Scheme, however, will provide a lump sum known as a Death Grant if you die within 10 years of retiring - and you're under the age of 75 when you die. In any case, completing an Expression of Wish form is imperative to ensure a stress-free transition for your loved ones.

Anything else?

You may feel that you're not ready to retire just yet and prefer a more gradual move into retirement. If you do want to carry on working, you can usually choose to take some of your pension and you will continue to pay into the pension scheme, building up further benefits. There may be certain rules to be aware of depending on the scheme you're in.

You can also defer taking your pension but it's worth remembering your pension must usually start to be paid to you by age 75.

If you've ever worked elsewhere, it's likely that you've got another pension sitting idly by. Except it isn't idle at all. It's very much active. There is over £26 billion[1] in lost, forgotten, but not unwanted pension pots across the UK. Search through any of your old paperwork to begin hunting for any pesky pensions and get in touch with your old employer, or the pension provider - if you have this information to hand. If all else fails, you can always use the government's pension tracing service. Who knows what you might uncover?

Set the wheels in motion

If you're looking to retire within the next 6 months make sure you contact LBU and request an estimate of your benefits.

To access your pension, you'll need to complete an application via your online account – you may have to complete a paper application too. It usually takes around 3-4 months for your application to be processed.

There's lots to do to set yourself up for a retirement that ticks all the boxes. By visiting your provider's scheme website, logging into your account, and checking up on your State Pension and any other savings/investments, you'll be on your way to turning your perfect retirement into reality.

1 ABI, October 2022, https://www.abi.org.uk/news/news-articles/2022/10/call-on-uk-retirement-savers-to-take-action-on-26.6bn-in-lost-pensions/