

# Abbott Laboratories Pension Fund (1966)

## **TAKING A BRIDGING PENSION OPTION**

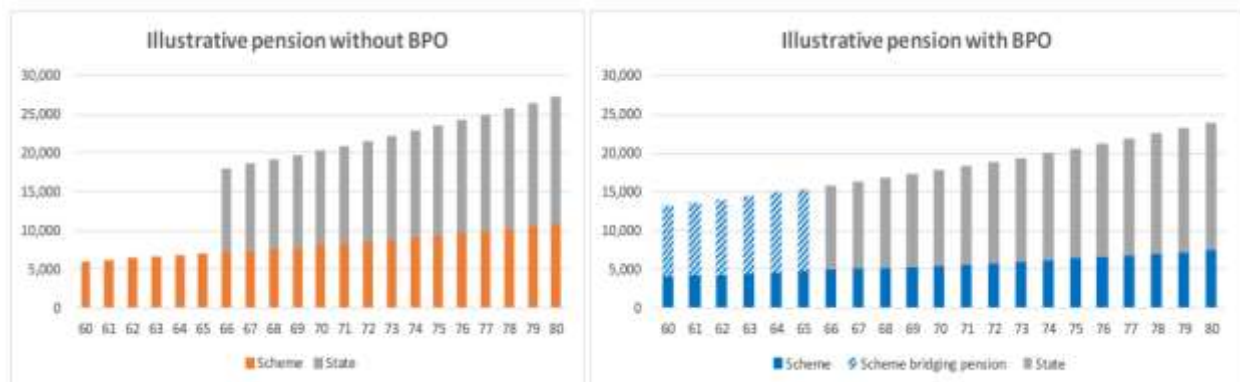
If you retire before you reach your State Pension Age (SPA), you can choose to start receiving your Scheme Pension straight away. However, you will have to wait until your SPA before you can start receiving your State Pension. You may be able to choose to 'level out your pension' so that the combined income you receive in each year of retirement remains around the same. To achieve this levelling, you would choose the Bridging Pension Option (BPO). To find your SPA, please see the link on page 2.

### **What is a Bridging Pension Option (BPO)?**

A BPO is an additional temporary pension from the Scheme, leading up to your SPA. It starts when your Scheme Pension starts and stops at the point you are expected to receive your State Pension. Then your Scheme Pension reduces to a lower amount than it would have been. The figures are calculated so that the value of the temporary increase in pension is broadly the same as the value of the decrease in Scheme Pension after your State Pension is due to start. This option allows you to keep a broadly steady income throughout retirement.

- You choose whether you want this option when you take your retirement pension from the Scheme.

The *generic* charts below illustrate the principle of a bridging pension by picturing how the total pension income might look for a member aged 60 with a SPA of 66 and a starting scheme pension of £6,000 a year.



### **Why might I take a BPO?**

The BPO allows you to receive a higher pension from the Scheme until you reach your SPA and then get a lower pension from the Scheme when your State Pension is due to start. This may help to even out the differences in your income before and after your SPA.

Depending on your circumstances, this might be an appealing option.

## Who can choose this option?

Your personal retirement statement will show you whether you can take a BPO. Please contact the Scheme administrator for further information. Contact details will be included on your retirement statement.

The Scheme does not allow you to take a BPO if you have already reached age 65, your Normal Retirement Age in the Scheme.

If your Scheme Pension is below a certain level, it may be that the value of the reduction in your Scheme Pension after your SPA is too small to cover the value of a full bridging pension up to your SPA. If this is the case, you may be offered a bridging pension below the full State Pension.

In some other situations a bridging pension may not be available to you.

The BPO is available as one of your options when you take your Scheme Pension. If your Scheme Pension is in payment, you cannot choose or cancel a bridging pension.

## How much will my State Pension be?

The amount of your State Pension in future years will depend on your circumstances.

The BPO is being made available on the assumption that all members receive the full level of State Pension. You need 35 qualifying years of National Insurance contributions to qualify for the full level of State Pension. If you take a BPO but you do not qualify for the full level of State Pension, then your total income will decrease when you reach your expected SPA.

If you are unsure whether you will get the full State Pension, you can check this at [www.gov.uk/state-pension-statement](http://www.gov.uk/state-pension-statement)

## What about future pension increases?

If your State Pension increases at a different rate from the Scheme Pension, then your income before and after your SPA could vary after taking the BPO. Your personal retirement statement will show a summary of your Scheme Pension increases.

## How will my bridging pension increase each year?

Your bridging pension will continue until you reach your expected SPA, after which it will stop.

While the bridging pension is in payment, it will increase each year in line with inflation (as measured by the Retail Prices Index, up to a maximum of 5% per annum).

## What is my SPA?

Your SPA is the age you start to receive your State Pension. It is determined by the government and depends on when you were born.

You can find out your specific SPA at [www.gov.uk/calculate-state-pension/y/age](http://www.gov.uk/calculate-state-pension/y/age)

## **What if the government increases the SPA?**

Any increase to your SPA after you retire from the Scheme and before your State Pension starts will not change your bridging pension. If your SPA is increased, your bridging pension may stop before your State Pension starts. This will result in a lower income for a temporary period. We expect that very few members would ever be affected by this, because the government has confirmed that they will provide at least 10 years' notice before any changes to an individual's SPA.

## **What if I choose to claim my State Pension later than my SPA?**

If you do not take your State Pension at your SPA, this will not change your bridging pension. The bridging pension will stop when your State Pension was originally due to start.

## **What if my main Scheme pension reduces to zero?**

Some members with modest Scheme pensions may need to give up their long-term Scheme pension completely to take a bridging pension. If this were the case for you, once you reached your SPA, you would no longer receive a pension from the Scheme.

In these circumstances, you would continue to be a member of the Scheme (but you would not be paid any Scheme pension after your SPA) and your dependants would continue to be eligible for a pension upon your death, in the same way as if you had not taken the BPO.

## **Does a BPO affect my other Scheme benefits?**

If you choose a BPO, your pension will be worked out differently, affecting some of your other Scheme benefits as explained below.

### Lump sum

You can still take up to 25% of the total value of your pension as a cash lump sum. However, the maximum lump sum you can take will be higher than it would have been if you choose a BPO. This is because the total value of your pension for this calculation will be worked out based on your total Scheme pension when it starts, including your temporary bridging pension.

### Death benefits – pension for dependants

The dependant's pension, which may be payable from the Scheme on your death in retirement, would be the same amount as it would have been if you had not taken this option.

### Death benefits – lump sum (where applicable – see your Scheme member booklet)

The guaranteed lump sum paid if you die within five years of retirement is affected if you take the BPO. The amount paid at the date of your death will be based on the remaining pension payments (including the temporary pension) from the first five years of your Scheme pension. This may be bigger or smaller than the lump sum which would have been paid if you did not take the BPO.

## **Will a BPO always be available?**

The BPO is expected to be available indefinitely, but it can be withdrawn or amended at any time.

## How can I find out more about my other options?

The decisions you make on retirement will determine the money you receive for the rest of your life, so it is important to consider your options carefully.

Visit our website [www.abbotpensionfund.co.uk](http://www.abbotpensionfund.co.uk) for more details about all your pension choices.

The Trustee recommends you obtain regulated independent financial advice before opting to take a BPO to ensure you make the best decision to suit your circumstances.

The Abbott Pensions Team can explain your options but cannot give you financial advice.

Abbott has arranged a facility for advice on retirement options with Origen, one of the UK's leading independent financial advisers. You can receive advice you can trust from someone who is familiar with the Abbott Scheme. Origen's fees for Abbott Scheme members are at a significantly reduced rate.

You can contact Origen by emailing [AbbottPensionFund@origenfs.co.uk](mailto:AbbottPensionFund@origenfs.co.uk)

You may choose to work with another adviser.

You can find a regulated adviser by using the Retirement Adviser Directory on the website [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

Make sure you find out an adviser's fees and check they have the relevant specialist experience before appointing them.

## What are some key things to consider?

<b>Consideration</b>	<b>When you may want to take the BPO</b>	<b>When you may <u>not</u> want to take the BPO</b>
<b>If you are planning to retire before your SPA</b>	A BPO may help you if you are relying on the State Pension to make up a significant amount of your retirement income. A BPO may help you bridge the gap before your State Pension payments start.	A BPO may not help you if you have enough retirement income for the period before receiving your State Pension, so you have no desire to spread out your retirement income.
<b>The amount of State Pension you expect to get</b>	A BPO may help you if you are eligible for the full State Pension – the BPO would spread out your total income in retirement.	A BPO may not help you if you are not eligible for the full State Pension – your total income may fall after your bridging pension stops.

<b>Consideration</b>	<b>When you may want to take the BPO</b>	<b>When you may <u>not</u> want to take the BPO</b>
<b>Impact on your retirement income</b>	A BPO may help you if the additional income from the BPO means you can afford to retire before your SPA.	A BPO may not help you if you are relying on your full Scheme Pension as part of your long-term retirement income.
<b>What your other income will be</b>	A BPO may help you if your Scheme pension is the main income in your household and you want to have a steady income throughout retirement.	A BPO may not help you if you are currently receiving Incapacity Benefit or Jobseeker's Allowance, which can affect your State Pension. You may not qualify for the full State Pension, so your total income might fall after your bridging pension stops.
<b>Tax</b>		A BPO may not help you if the bridging pension amount means that you exceed your Personal Allowance (i.e. when you start paying tax) or moves you into a higher rate tax band. You should obtain financial advice if taking the BPO will cause you to exceed the Annual Allowance or the Lifetime Allowance (further information can be found in the Documents area on the website <a href="http://www.abbotpensionfund.co.uk">www.abbotpensionfund.co.uk</a>