My pension – My choices

The Metal Box Pension Scheme (the Scheme)

There are now different ways that you can access your pension savings as an alternative to the payment of a pension and tax free lump sum from the Scheme. The new options are available if you transfer your benefits to one or more pension providers. Different pension providers offer different options, which have different features, rates of payment, charges and tax implications.

This factsheet provides a summary of the options currently available to you, things to consider and where to get more information to help you to make an informed choice. It is important to read this and to take pension guidance or independent advice before making any decisions.

This factsheet is only a summary and you should not rely solely on the information provided in it. To the extent there is any ambiguity or inconsistency between this factsheet and the Scheme's governing documents (including the Trust Deed and Rules), the governing documents take precedence over the factsheet.

Remember that any decision you make will affect your own retirement income and also that of your widow, widower, civil partner, nominee, survivor or any other dependant.

Please note that it is not normally possible to commence receipt of your pension before age 65 if you are still working for the Company.

Benefits payable from the Scheme

1) Pension and lump sum from the Scheme

You can currently take up to 25% of the value of your pension savings in the Scheme as a tax free lump sum with the balance paid to you as a monthly pension. The pension is subject to income tax at your marginal rate.

Pensions paid from the Scheme increase in payment and certain survivor's benefits (spouse / dependant pension and child allowances) may be payable on your death in accordance with the Scheme's rules.

2) DC Switch Back option

If you had savings in the Metal Box AVC Plan which were transferred to the Crown Packaging Section of the Aon MasterTrust in July 2019, you have the option to transfer the value of these back to the Scheme at retirement to purchase additional benefits in the Scheme (pension or tax free lump sum). This is called the DC Switch Back option.

Where the DC Switch Back option is taken, the maximum tax free lump sum from the Scheme would be increased by 25% of the value of these savings and currently, some or all of these DC Switch Back savings can be paid out as part of the combined tax free lump sum. If your DC Switch Back savings are more than the maximum tax free lump sum payable, the balance would be used to buy additional Scheme pension.

Any additional pension purchased from DC Switch Back savings can be paid by the Scheme on a single life or joint life basis. A "Single Life" pension ceases upon your death, whereas a "Joint Life" pension pays a pension equal to 50% of your pension to your Spouse or Civil Partner. Any pension purchased with DC Switch Back savings will increase each year during payment in line with the Retail Prices Index, subject to a cap of 5% per annum.

3) Take your whole pot as cash in one go

If the value of your savings in the Scheme are less than £10,000 they could be paid as a "Small Pot commutation".

Currently, the first 25% of this payment will be tax free and the rest subject to income tax at your marginal rate which could push you into a higher tax band than usual.

Alternative options on transfer

1) Use your pension savings to buy a guaranteed income for life (annuity)

If you transfer your savings in the Scheme to another regulated arrangement, you can use these to purchase an annuity (usually with an insurance company). You will currently be able to take up to 25% of the value of your pension savings as a tax free lump sum. By buying an annuity you can change the way in which benefits for you and your dependants are paid.

Some of the choices you will have are as follows:

- You can choose whether or not your annuity increases in line with inflation. 'Level' annuities provide a higher income to start with than "increasing" annuities but the payments will then stay the same for life. This means that the purchasing power of the annuity income will reduce over time, due to inflation.

- You could also think about whether to provide an income for a partner or another dependant on death and therefore whether to purchase a single life or joint life annuity.

- If you have a medical condition, are in poor health, smoke or are overweight, you may be able to get a significantly higher income through taking an 'enhanced annuity'. You should consider opting into health and lifestyle questions and remember that it is important to answer these questions honestly.

There are also now investment-linked annuities where the income rises and falls in line with the value of the underlying investments and flexible annuities that allow you to change the underlying investments.

Remember that annuity purchases are a lifetime commitment and there are lots of different types of annuities available. It is important to shop around.

Income tax is payable on your annuity income at your marginal rate. This depends on the amount of income you receive from the annuity and from other sources.

In the future you may have the ability to sell your annuity income for a lump sum.

2) Use your pension to provide a flexible retirement income ('flexi-access drawdown')

If you transfer your benefits in the Scheme to another regulated arrangement, you will currently be able to take up to 25% as a tax free lump sum and designate the rest for flexi-access drawdown. That means you can take regular income from the remaining funds but the income is usually not guaranteed as is normally the case for an annuity.

Different providers offer different types of flexible retirement income so you will need to check what kind of drawdown is being offered and you should consider shopping around. Some providers might have products where part of your income is guaranteed but charges and conditions will apply.

Some of the things you will need to consider are as follows:

- Your savings will remain invested until you make withdrawals. You will need to decide how to invest your savings and remember that the value of a pension pot can go up and down.

- Think about how much you will take out every year and how long your money needs to last. It is important not to underestimate your own life expectancy. For example, on average, people aged 55 today will live to their mid-to-late 80s.

- Remember that if too much money is taken too quickly your retirement income could fall drastically or run out. Once you have withdrawn all your money you will no longer have an income from the arrangement.

- Any withdrawals you make will be taxed at your marginal rate. There is a possibility that you may have to pay a higher rate of tax than normal depending on the amount withdrawn.

- Consider the impact of any set up costs and ongoing charges on any savings that you leave invested. Also check if there are any charges or other reductions when you make withdrawals.

- If you plan to take the cash to invest somewhere else check what the charges are before you cash in your pension.

- On your death, your widow, widower, civil partner, nominee, successor or other dependant will have the benefit of any undrawn money in your flexi-access drawdown arrangement. Depending on the particular terms of your arrangement, it might be possible to take this money as a lump sum, continue to drawdown from them or use it to buy an annuity. How it is treated for tax purposes will depend, amongst other things, on your age at death and the form in which it is taken.

3) Take your pension as cash in stages
If you transfer your benefits in the Scheme to another regulated arrangement, you will be able to take a series of cash payments if it offers this option. Currently, the first 25% of each cash payment made to you will be tax free and the rest subject to income tax at your marginal rate. Unlike with flexi-access drawdown your savings are invested for growth rather than to pay you a regular income.

The things to think about if you are considering this option are similar to those for flexi-access drawdown.

Taking your pension as cash in stages will mean that there will be less money available to provide an income on your death for any surviving widow, widower, civil partner, nominee, successor or other dependant.

Depending on the particular terms of your arrangement, it might be possible to take this money as a lump sum, as drawdown or use it to buy an annuity. How it is treated for tax purposes will depend, amongst other things, on your age at death and the form in which it is taken.

4) Take your whole pot as cash in one go
If you transfer your benefits in the Scheme to another regulated arrangement, you may be able to take all your savings as a single cash sum payment as an uncrystallised funds pension lump sum.

Currently, the first 25% of the payment will be tax free and the rest subject to income tax at your marginal rate which could push you into a higher tax band than usual.

Some of the things you will need to consider are as follows:

- Think about how you will use your savings to provide an income throughout retirement and don't underestimate your own life expectancy

- Consider your own personal tax circumstances, and the impact of taking a taxable lump sum on the tax you pay, including the possibility that you may have to pay a higher rate of tax than normal depending on the amount withdrawn.

- On your death, any cash you have taken out but not spent will fall into your estate. Inheritance tax may therefore be payable.

- If you plan to take the cash to invest somewhere else, check what the charges are before you cash in your pension.

- If you take your whole pot as cash, there won't be money left to provide an income on your death for any surviving widow, widower, civil partner, nominee, successor or other dependant.

5) Combining options
If you transfer your savings to another pension provider you may be able to mix and match alternative options above.

Starting your pension whilst still employed by the Company

Company consent is required to draw benefits from the Scheme before age 65 whilst still employed by the Company. This is a matter for the Company, but the Trustee understands that at present such consent is rarely granted by the Company.

Company consent is not required to draw benefits whilst still employed by the Company after they have been transferred to another pension scheme. However you could become subject to the unauthorised payment tax charges if you access your pension before reaching Minimum Pension Age (see below).

Minimum Pension Age (MPA) and Protected Minimum Pension Age (PMPA)

Minimum Pension Age (MPA) is the earliest age by law that savings can ordinarily be accessed from a UK tax registered pension scheme unless you have a Protected Minimum Pension Age (see below). MPA is currently age 55 and the government has said that it will increase to age 57 in 2028.

Members of the Scheme have a Protected Minimum Pension Age (PMPA) of 50. This is the earliest age that you can take your pension/cash directly from the Scheme.

If you lose your PMPA, the earliest age you would then ordinarily be able to receive any payments on a tax-efficient basis is MPA. It could also mean that any payments already made to you would become unauthorised and you would become liable for unauthorised payment tax charges.

PMPA is usually lost if one of the following apply:

a) you transfer your savings to a new pension arrangement unless the payment is arranged as a block (buddy) transfer. This is what we did for employees who joined the AVC Plan and DC Section before 6 April 2006 when their savings were transferred to The Aon MasterTrust.

b) you take your pension before MPA and within six months you are re-employed by an employer in the relevant pension scheme (or other group company).

c) having obtained Company consent to do so, you take your pension before MPA whilst still employed by the Company, i.e. there is no break in service. This would apply even if you have transferred your savings from the Scheme to another pension arrangement. However, there is an exception if you are re-employed on materially different terms after a month's break when PMPA can be maintained.

The legislation surrounding this is complex and you should discuss it with your financial adviser before making any decisions.

Tax and other considerations

There are tax implications for how you access your pension savings. Under current rules, income from a pension is taxable. The rate at which income from a pension is taxable depends on the amount of income that you receive from a pension and from other sources. Please note that the tax position set out in the factsheet is also liable to change over time.

Taking cash withdrawals may have implications for people with debt or who may be entitled to means-tested benefits. People who are concerned about this aspect can contact Pension Wise, the Citizens Advice Bureau or the Money Advice Service.

Annual Allowance

The Annual Allowance is the current maximum amount of pension savings that you can accumulate each year and benefit from tax relief.

If you decide to take advantage of some of the new flexible options (alternative options 2 to 4) you may become subject to the Money Purchase Annual Allowance (MPAA) (£4,000 for the 2020/2021 tax year) for future savings to a defined contribution registered pension arrangement. You should consider if this will impact your ability to save in the future for your retirement and take financial advice as appropriate. Your pension provider must tell you if you trigger the MPAA.

This reduction will not apply if you take your pension directly from the Scheme or where you are able to take a Small Pot commutation. It would also not apply if you purchase an annuity (alternative option 1 above).

Getting help to make your choices

Money Advice Service
The Money Advice Service has issued a useful guide called “Your pension: it’s time to choose”, which has been approved by the Pensions Regulator.

You can download this from “useful information” area on the Scheme website: www.metalboxpensions.co.uk. A printed copy can be provided by Equiniti on request.

Independent Financial Advice
You can find an independent financial adviser in your local area at www.unbiased.co.uk or at www.directory.moneyadviceservice.org.uk

It is important to check that your adviser is regulated by the Financial Conduct Authority (FCA). The Money Advice Service booklet explains how you can do this.

If the transfer value of your Scheme benefits is £30,000 or more there is a legal requirement for the Trustee to check that you have received appropriate independent financial advice before payment can be made. More information will be provided with transfer value quotations.

Pension Wise
Pension guidance is available to help you understand your options in relation to what you can do with your pension savings. The government has established Pension Wise to give individuals with defined contribution pension savings, access to free and impartial guidance to help them understand the options that they have when using those savings. It is currently available to individuals who have reached age 50.

The Pension Wise service can be accessed:

- by internet using the following link: www.pensionwise.gov.uk/
- by phone on 0800 138 3944
- face to face appointment can also be made at branches of the Citizens Advice bureau.

You should access Pension Wise and consider taking independent advice to help decide which option is most suitable for you.

Pension scams
The Pensions Regulator is concerned about the growing problem of pension transfer fraud. If you are taking a cash lump sum from your pension to invest somewhere else, or plan to take income drawdown, be aware that scammers may operate in these markets.

Further information about pension scams can be found using the Pension Scams link on the “useful information” area on the Scheme website, in the Money Advice guide mentioned above and at the following website address: www.thepensionsregulator.gov.uk/pension-scams

Scheme Website
You can find further information about the Metal Box Pension Scheme at: www.metalboxpensions.co.uk.

Contact details for the administration team

Postal address	The Metal Box Pension Scheme c/o Equiniti Sutherland House Russell Way Crawley West Sussex RH10 1UH
E-mail	metalboxpensions@equiniti.com
Telephone	+44 (0)1905 613133

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