

# Education Caveat



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# Welcome to: Understanding your options as a Top Up member



# Agenda

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- The changes to your GSK Top Up arrangement
  - Income needs in retirement
  - Pension tax limits
  - Understanding your workplace retirement savings
  - Receiving a taxable supplement in lieu of pension contributions
  - Receiving a retirement income
  - CETV – transferring from DB to DC
  - Building up retirement savings outside a pension
  - The State Pension
  - Next Steps
-

## The changes to your GSK Top Up arrangement

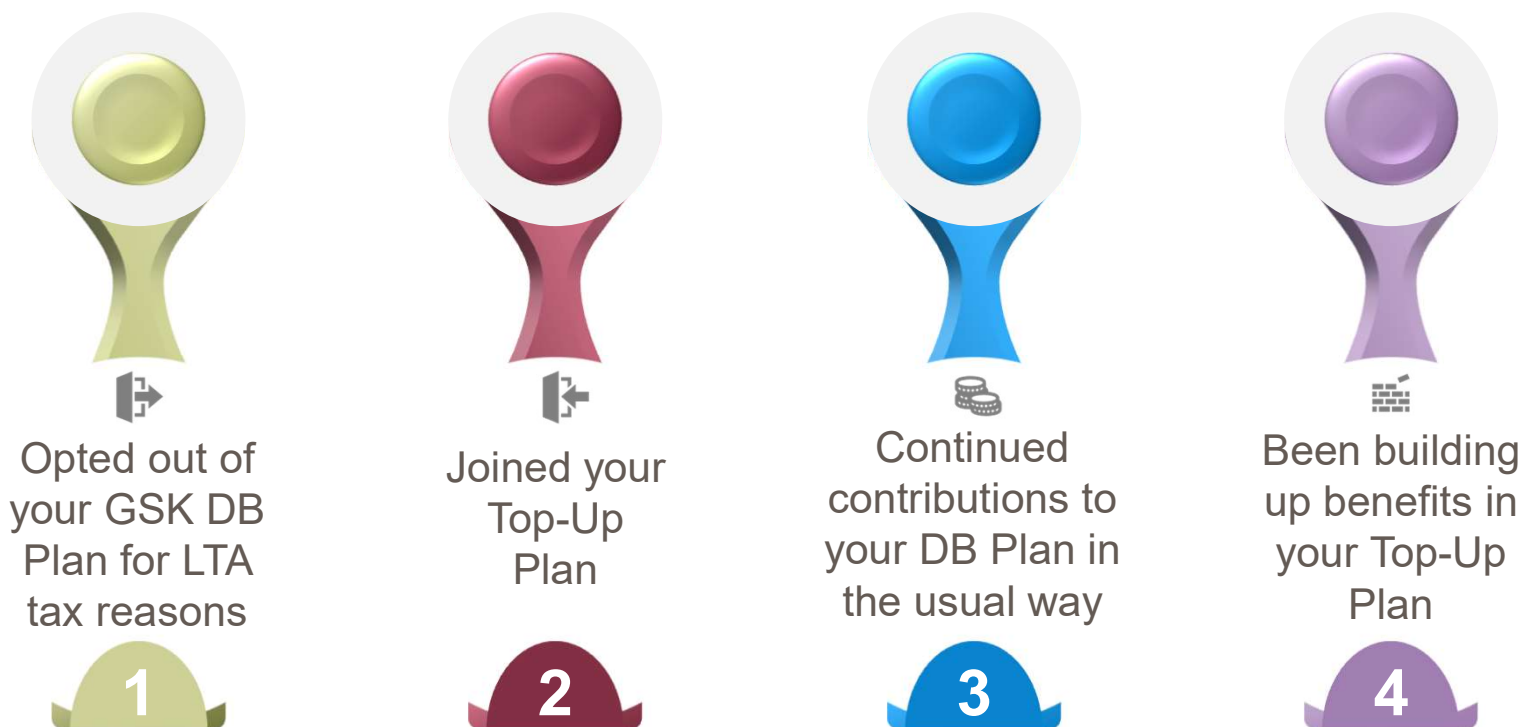




# Your current arrangements



As a Top Up member you have:



The benefits built up in your DB Plan have been increasing to reflect inflation, in line with the Plan rules and legal requirements.

# The changes to your GSK Top Up arrangement



As a Top Up member, there are changes to the way you will save towards retirement in the future.



## Taxable Salary Supplement

You will begin receiving a taxable salary supplement from 1 April 2022.

Before 1 April 2022 you will be contacted to confirm that you wish to receive the salary supplement in lieu of receiving GSKPP contributions

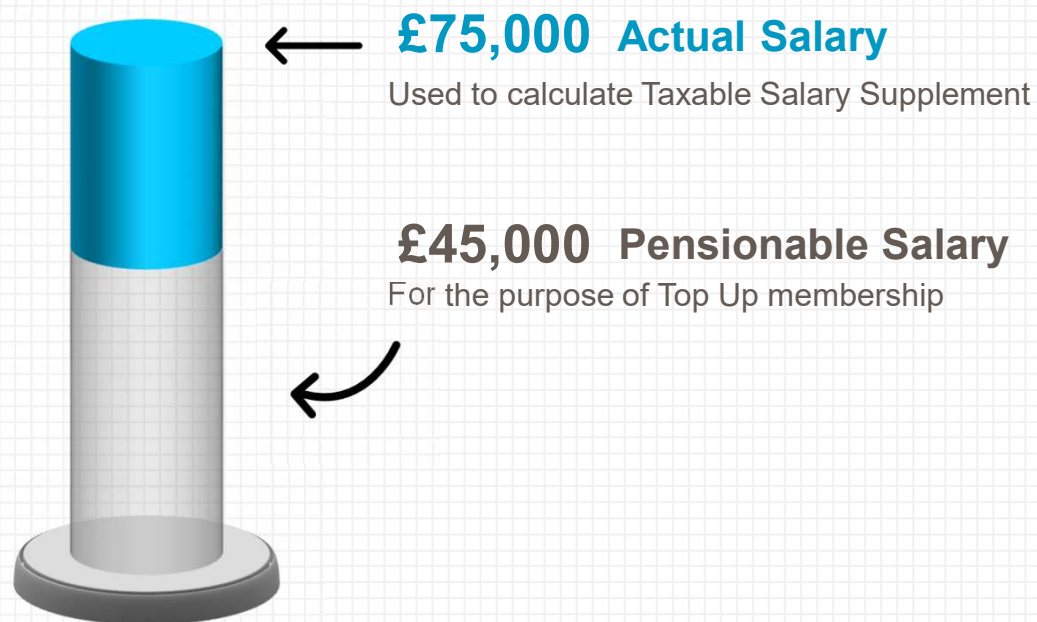
\*The changes includes the closure of the defined benefit plan that you have benefits in.

\*\*An underpin applies to SBPP members in deferment.

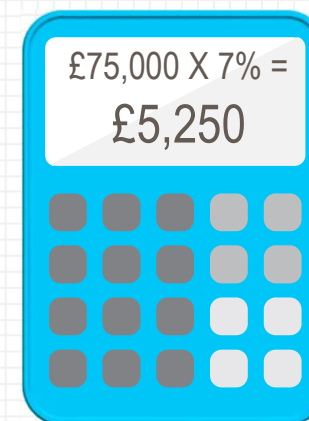
# Receiving a Taxable Salary Supplement

- Your Top Up arrangement has built up pension based on your Pensionable Salary
- The Taxable Salary Supplement is calculated based on your Actual Salary

## Example:



## Taxable Supplement

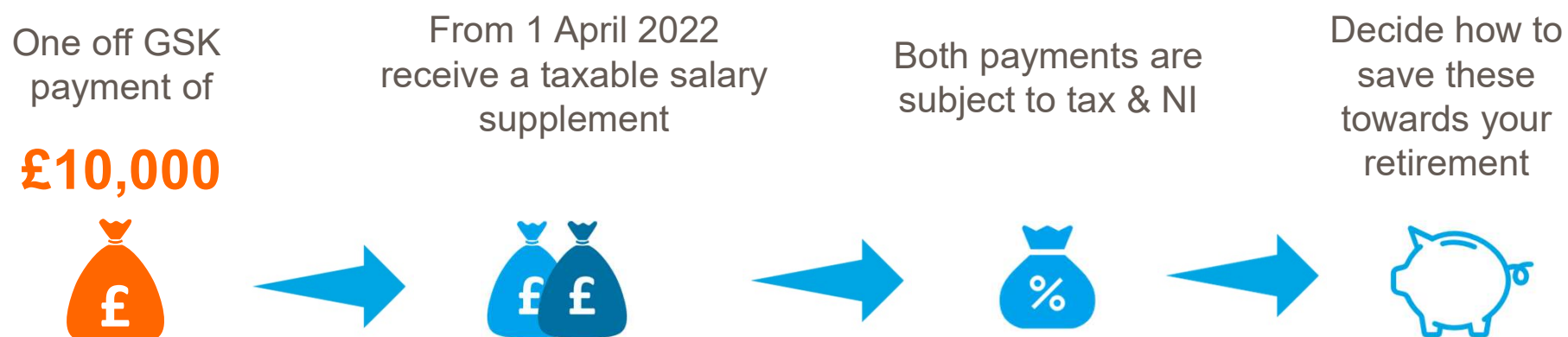


Note that for some members shift allowance and overtime are included as part of the total remuneration.

# The changes to your GSK Top Up arrangement



Top Up members will receive a one off payment in addition to a taxable salary supplement.



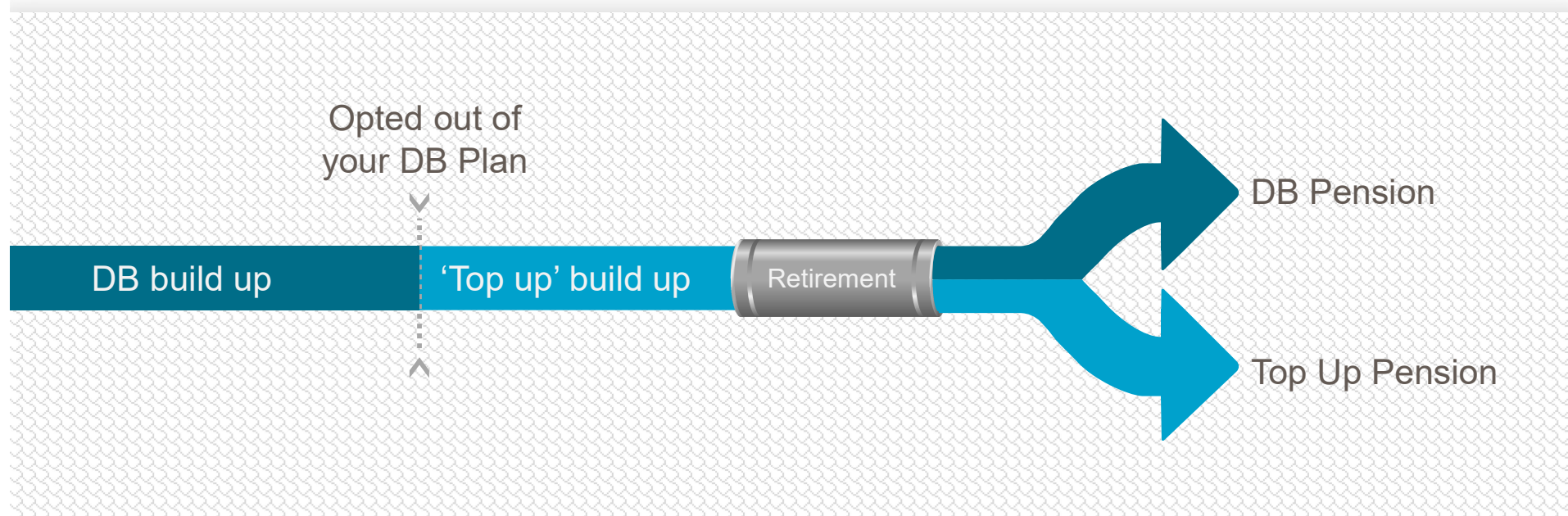
## GSK Pension Plan (DC)

Both the £10,000 payment and future pension savings can be paid into the GSK Pension Plan (GSKPP) if you elect to join this defined contribution pension plan.

## Your current defined benefit arrangement



As a 'Top Up' member you have built up retirement savings in a defined benefit pension and the Top Up arrangement.

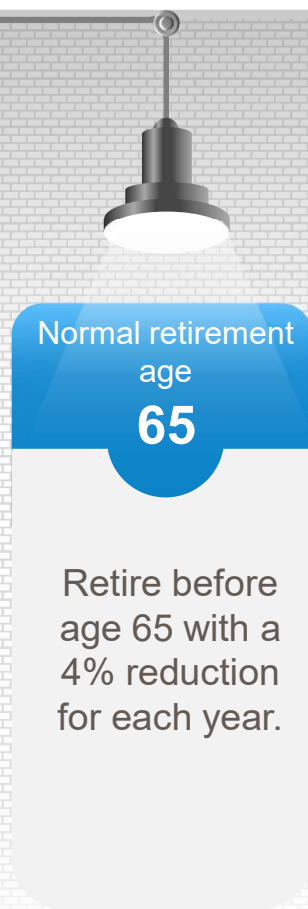


- The 'Top Up' arrangement builds up a similar income to the pension you would have built up by staying in the DB plan
- The way you can access these and the tax treatment of each are different – we will cover this in detail later

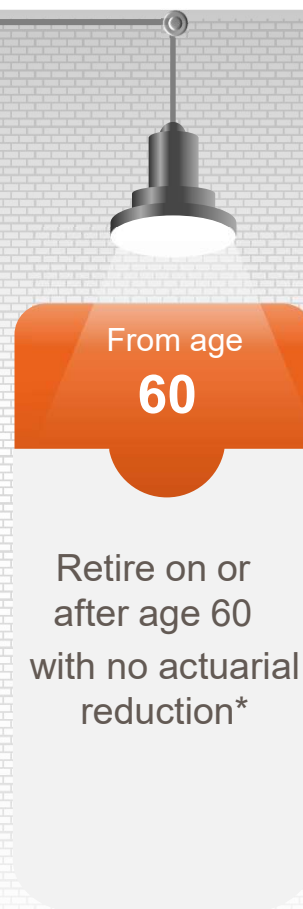
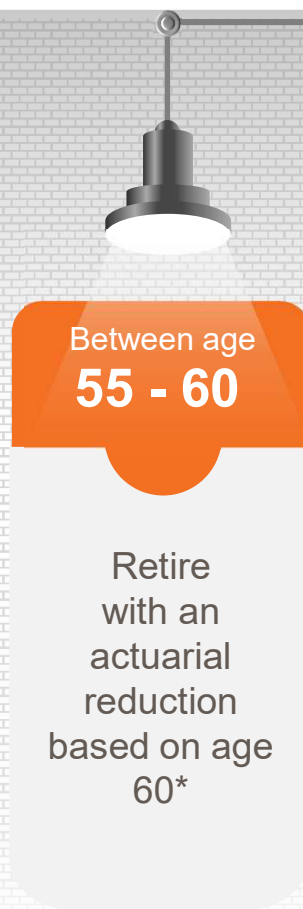
# Early retirement



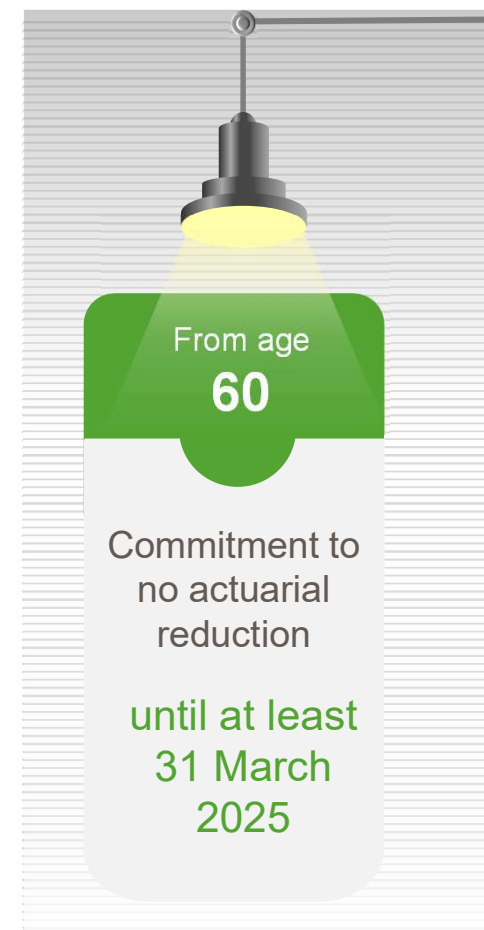
## Standard policy



## Discretionary policy



## Commitment



\*At the companies' discretion. Subject to change from time to time.



# Flexible retirement

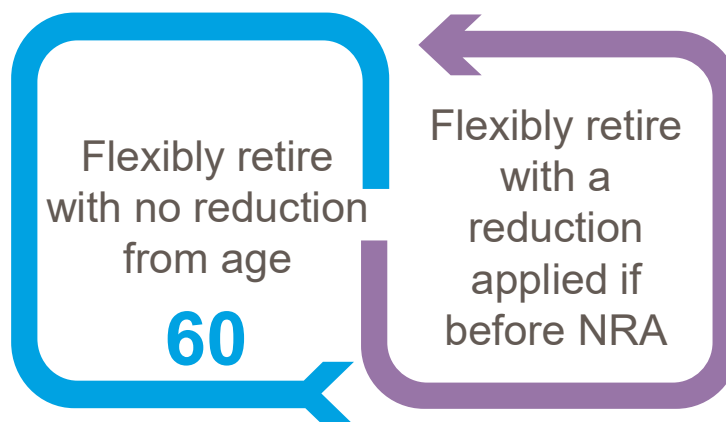


Flexible retirement – receiving your GSK DB pension whilst continuing to work at GSK.

## The ability to take flexible retirement is still available

As part of this change, the Company discretionary flexible retirement policy (which is subject to change from time to time) & subject to company consent, would be applied on the following basis:

Until  
**31 March 2022**



From  
**1 April 2022**

Note - flexible retirement is at the Company's discretion and can change at any time.

## What the change means for other benefits available to DB members



### Death in Service

Security of benefits continues

**4 x**  
Pensionable Salary

**PLUS**

- Proceeds of DC account
- Members DB contributions
- Spouses pension of 30% of Pensionable Salary
- Children's pension of 20-30% of Pensionable Salary

### Death after leaving GSK

No change in policy

Spouses pension of broadly

**50%**

of DB pension built up prior to closure

**PLUS**

DC account proceeds would provide extra benefit

### Death in retirement

No change in policy

Spouses pension of broadly

**50%**

of DB pension built up prior to closure

**PLUS**

Cash lump sum of balance of 5 years of payments of DB pension if death within 5 years



## What the change means for other benefits available to DB members

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### Redundancy

No change in policy

Applies to your DB pension benefit as at

**31 March 2022**

This is a discretionary policy and can be withdrawn or amended at any time

### Ill health

Continues to be available

Under proposal the maximum is

**50%**

of Pensionable Salary

**PLUS**

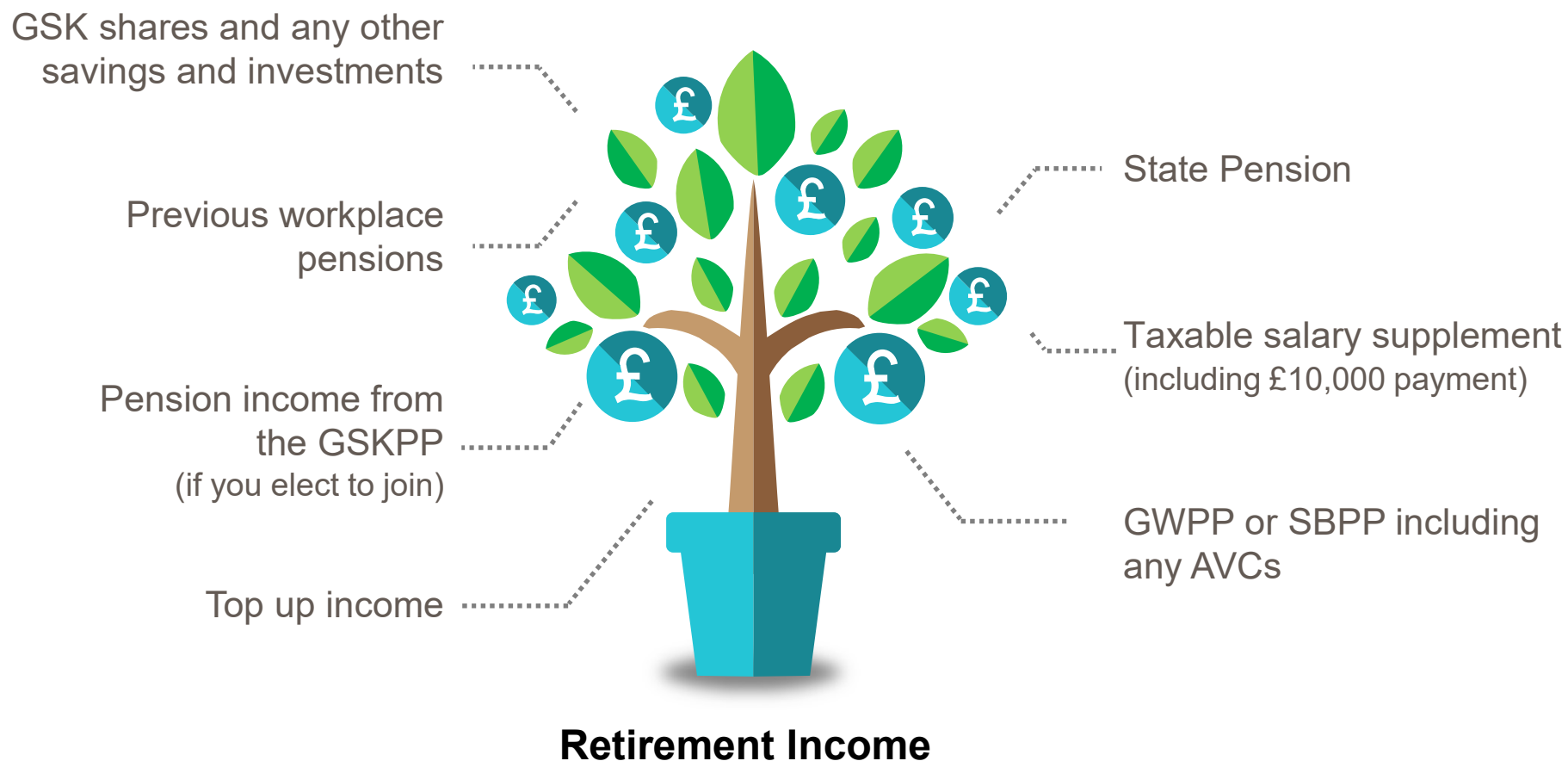
Pension purchased with the proceeds of your DC account and your own contributions paid to your DB plan

Always subject to Company discretion on a case by case basis

## Income needs in retirement



# Retirement savings



## Pension tax limits



# Tax Allowances



HMRC limits the tax efficiency offered by pensions in two ways:

1. The Lifetime Allowance (LTA) – limits the total value of your pension savings, before a tax charge is applied
2. The Annual Allowance (AA) – limits the value of contributions that can be made into your pension(s) each tax year before a tax charge is applied



# Lifetime Allowance (LTA)



A limit set by the government, if your pension savings are valued above this limit you could face a significant tax charge

**£1,073,100**



You are normally assessed against the LTA at the point you receive your pension

You will incur a charge on any benefits that exceed the LTA of:



55% if these benefits are received as a lump sum

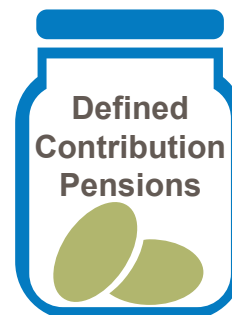


25% PLUS your marginal rate of income tax if benefits are received in any other way

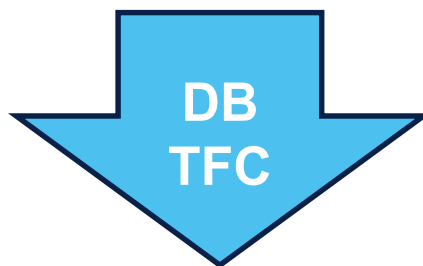
# Lifetime Allowance (LTA)



The annual pension x 20  
*plus* any tax free cash  
(TFC)



Their value (for example  
DB AVCs and the GSKPP)



£40,000 pension income x 20  
= £800,000

£200,000

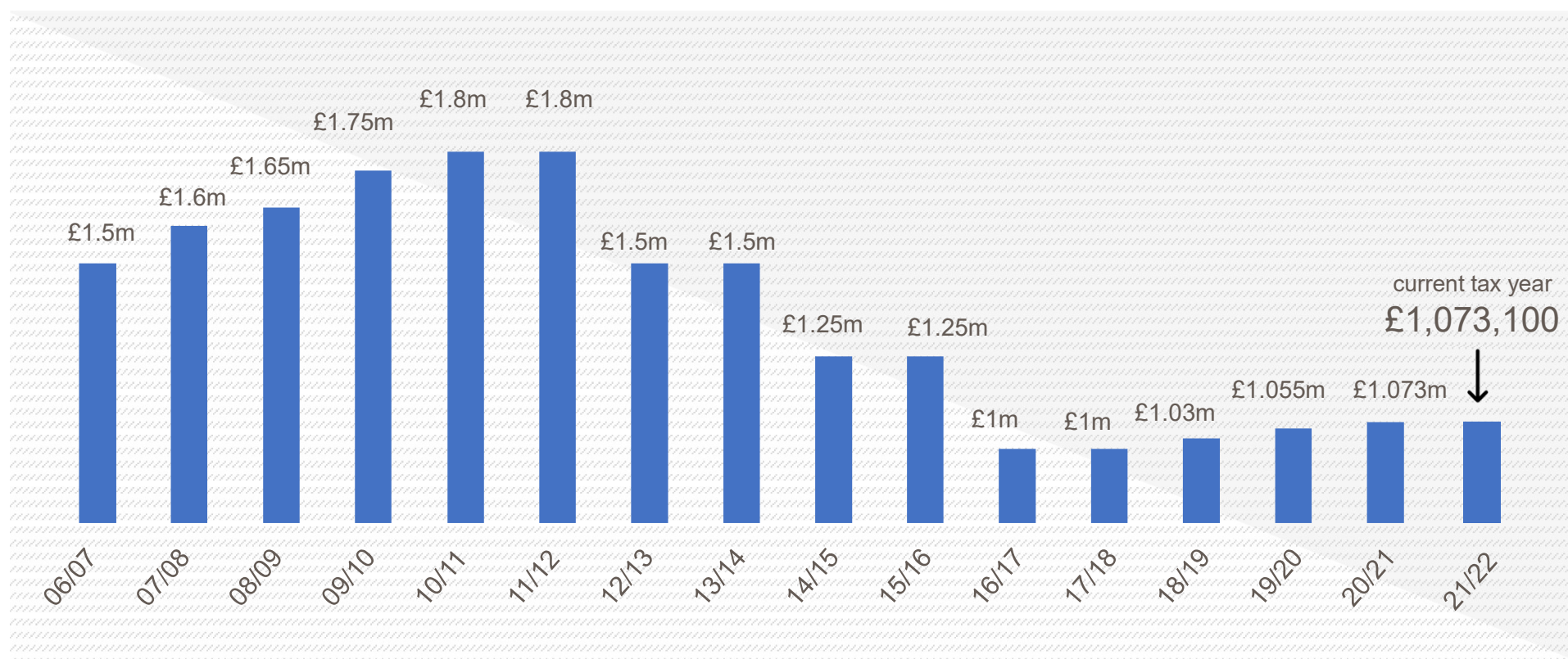
£100,000

**Total pension savings = £1,100,000**

**Value exceeding LTA (2021/22) =  
£26,900**

Note: Your Top Up arrangement does not count towards the LTA.

# How the lifetime allowance has changed

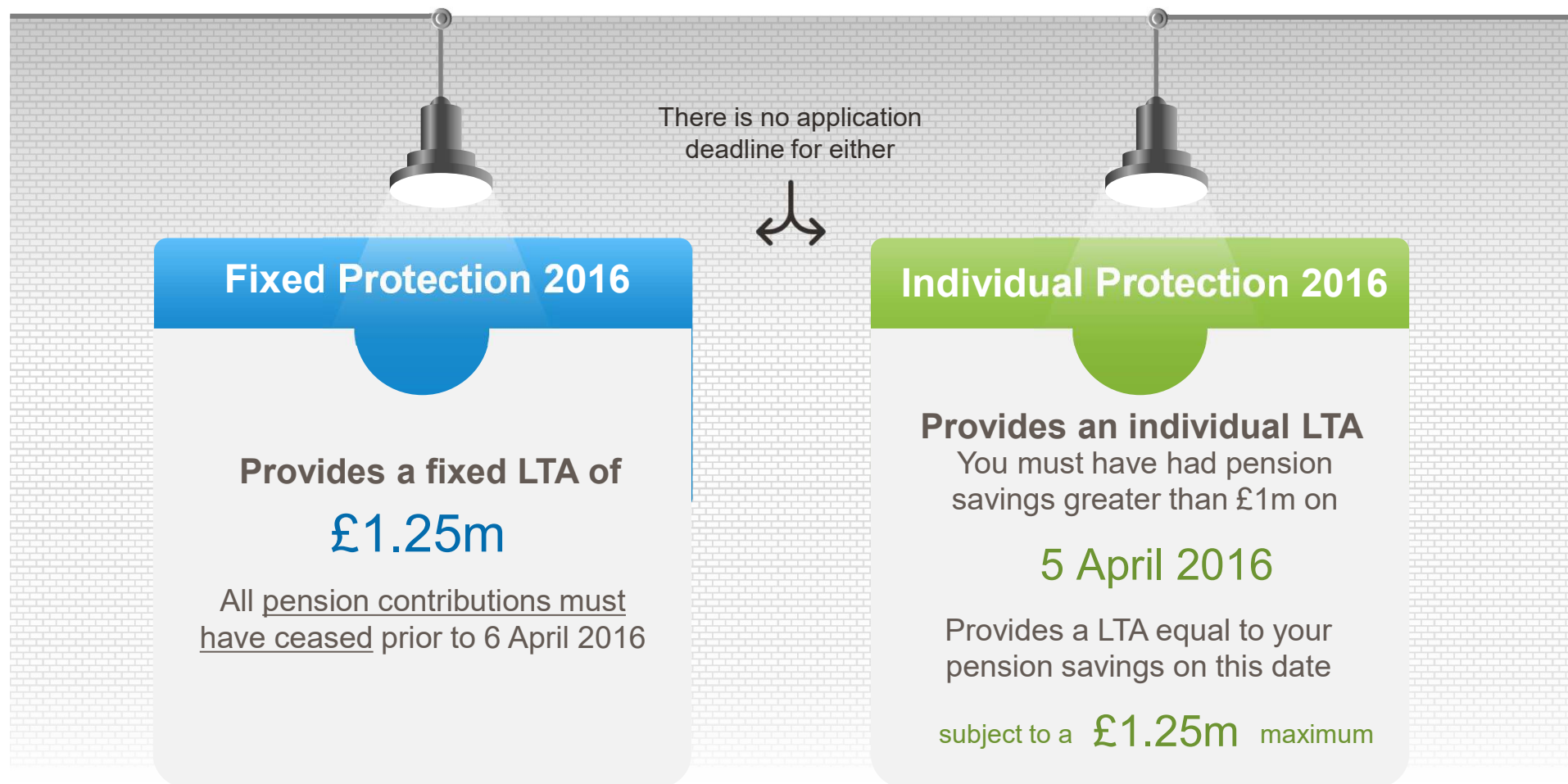




# Lifetime allowance protection



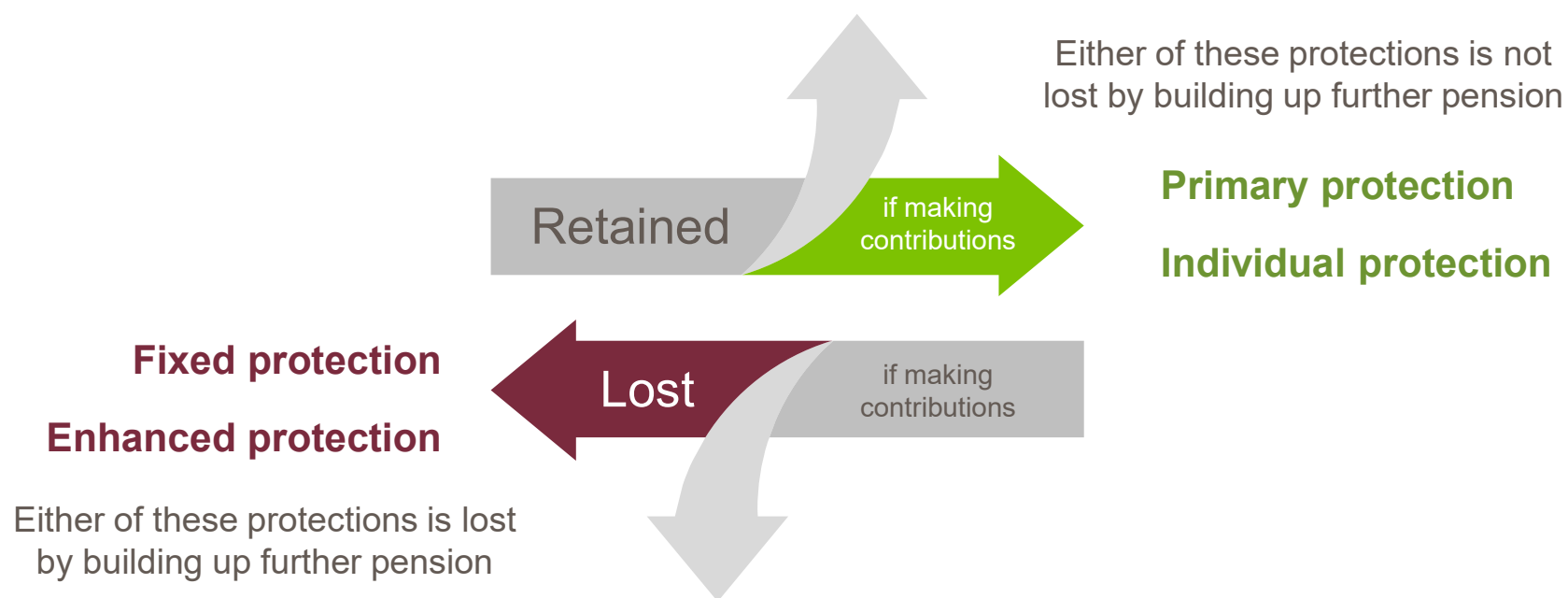
LTA protection is intended to protect pension savings from reductions to the LTA.



Only individual protection 2016 can be retained whilst continuing to build up pension savings

# Lifetime allowance protection

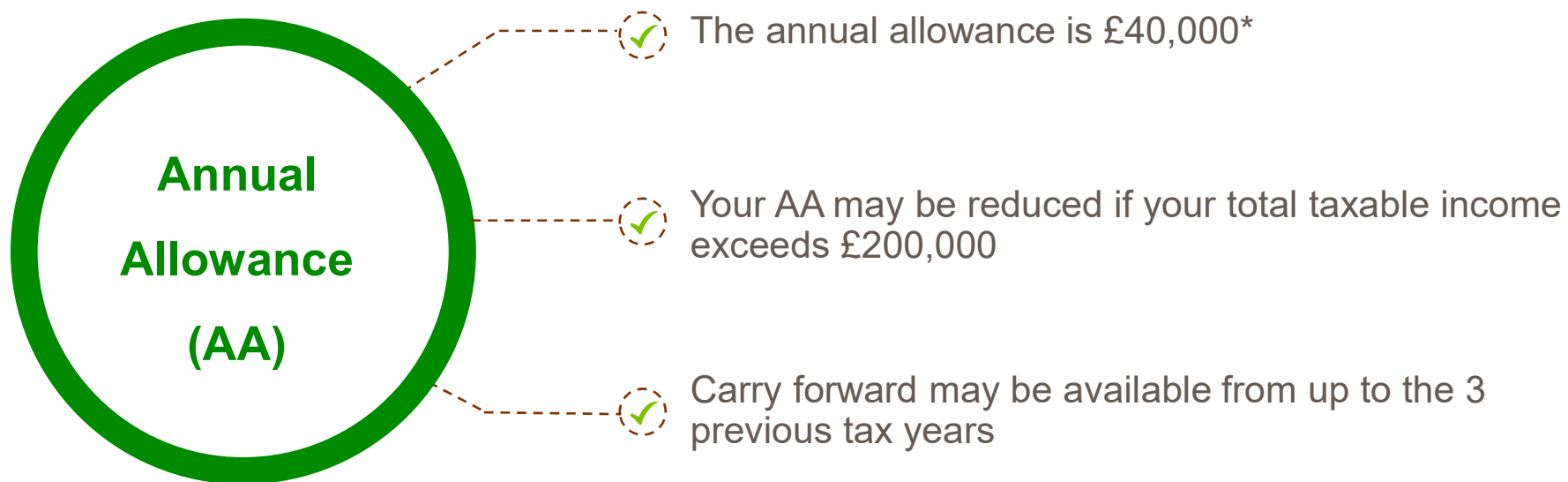
There have been a number of different types of LTA protection available in the past:



The protections available prior to 2016 can no longer be awarded but can be retained subject to keeping to HMRC rules

# Annual Allowance (AA)

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\*Tax relief is only available on contributions that are up to the greater of 100% of relevant earnings or £3,600 pa

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# Understanding More About the LTA and AA



[www.gov.uk/tax-on-your-private-pension](http://www.gov.uk/tax-on-your-private-pension)

Information on:

- Annual allowance
- Lifetime allowance



Visit the 'Financial Education: WEALTH at work' Quick Link via [www.totarewardonline.co.uk](http://www.totarewardonline.co.uk) and select 'your webcasts' to find out more about allowances

## Understanding your workplace retirement savings



# Defined Benefit plans

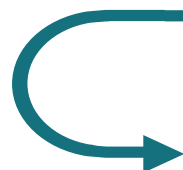
Funded by employers and  
sometimes employees  
must contribute



A secure pension  
income is built up



Scheme rules determine when  
the pension normally starts



It may be possible to  
start the pension income  
before or after this time\*



A tax-free cash lump  
sum is also available



\*If you retire before the Normal Pension Age (NPA) your pension will normally be subject to an actuarial reduction

# Your Top Up arrangement



Cost to the member is equal to contributions required for DB membership

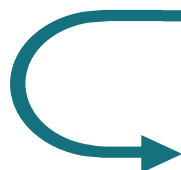


Provides a pension equal to what would have been built up in the DB plan



GSK pays an income at retirement out of its own resources

GSK



There is no tax-free cash element



All benefit can be taken as a taxable lump sum at GSK's discretion\*



\*Tax and NI is due on payments from the Top Up arrangement. NI is not payable by individuals once they reach their State Pension age.

## Defined Contribution plans

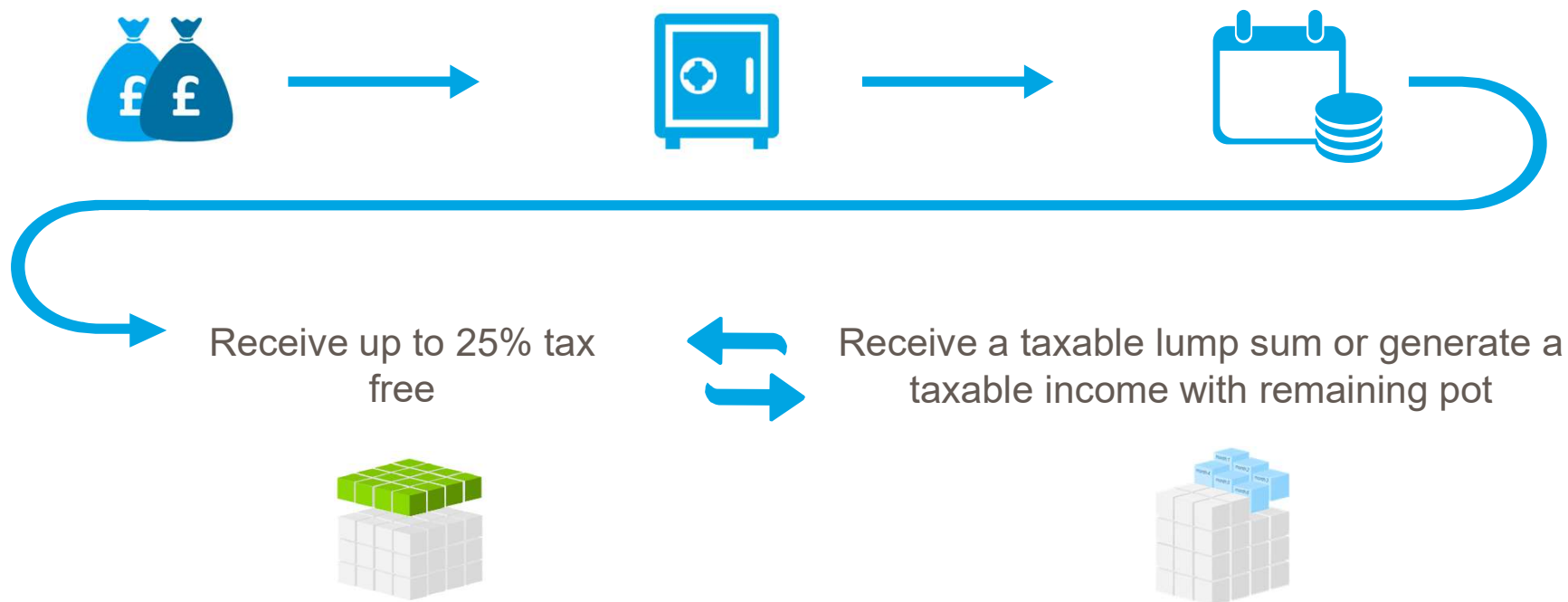
e.g. Legacy DC pension, DB AVCs and the GSKPP if you elect to join this Plan.



Employer and employees  
contribute (tax free\*)

Any investment  
growth is tax-free

You can access your pension  
from age 55\*\*



\*subject to HMRC limits

\*\*The minimum age for accessing your pension is expected to increase to age 57 in 2028



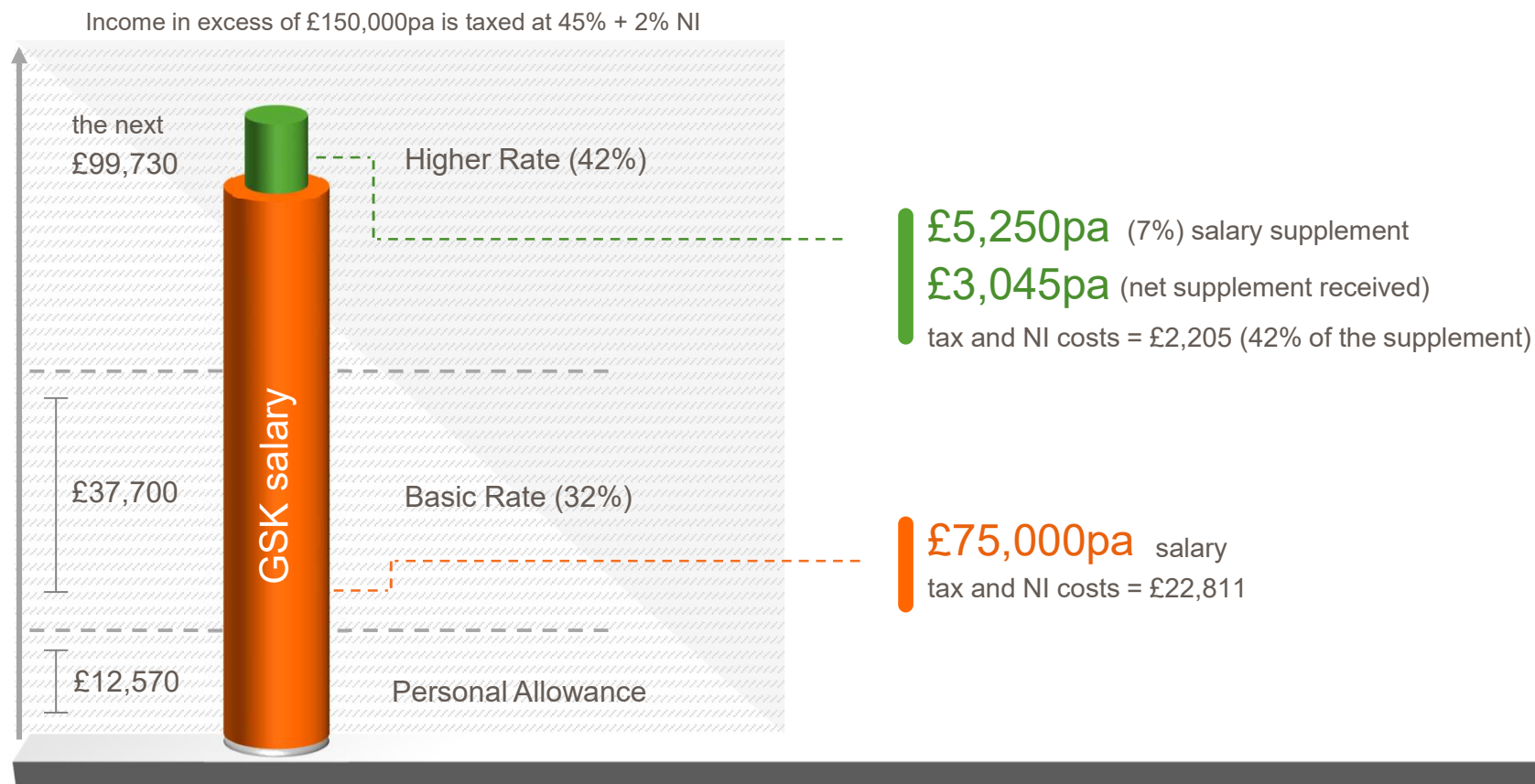
## Receiving a taxable salary supplement in lieu of GSKPP contributions



# Receiving the taxable salary supplement



Top Up members will receive a taxable salary supplement unless they request to join the GSKPP.



Both the % of taxable salary supplement and tax & NI costs are examples only and will vary depending on your circumstances.

## GSK Pension Plan (GSKPP)



You will be contacted before April 2022 and asked to confirm that you do not intend to join the GSKPP.

Contributions				
GSK core contribution	Employee contribution	Your matching contribution	GSK's matching contribution	Total
7%	2%	0%	0%	9%
7%	2%	1%	1%	11%
7%	2%	2%	2%	13%
7%	2%	3%	3%	15%

Your contribution structure may be different depending on your grade



Contributions are paid via Salary Sacrifice based on your actual salary rather than your DB pensionable salary.

# Salary sacrifice



Annual Salary £75,000 (higher rate tax payer)

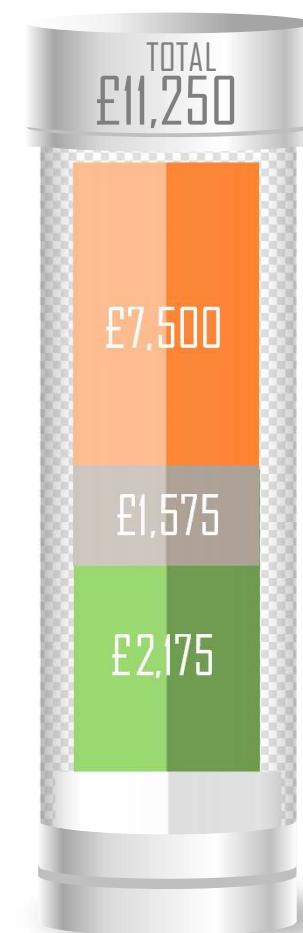
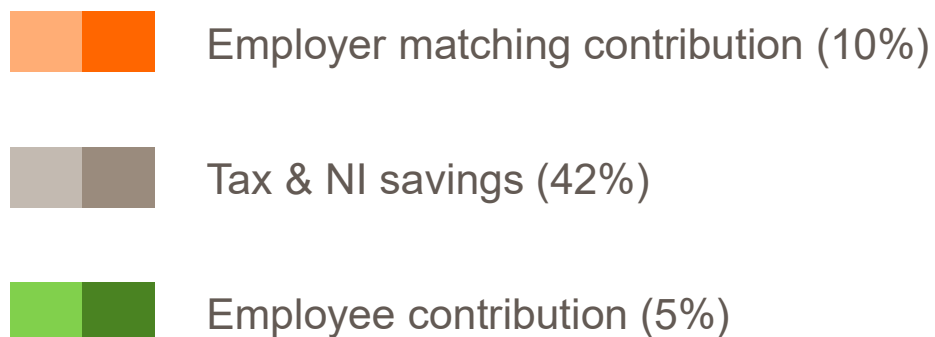
Employee Contribution = £3,750pa (5%)

Tax Saving = 40%

NI Saving 2%

Personal Cost = £2,175pa

Employer Contribution = £7,500pa (10%)



Note: Top Up members who do not join the GSKPP will not receive matching contributions as part of their Salary Supplement

# The tax costs of joining the GSKPP



Joining the GSKPP if you have LTA protection and/or have no available LTA could result in significant tax costs.

## Potential scenarios to consider include:

3. Your pensions savings are below the current LTA (i.e. you don't currently have an LTA problem)



1. You have LTA protection that would be lost

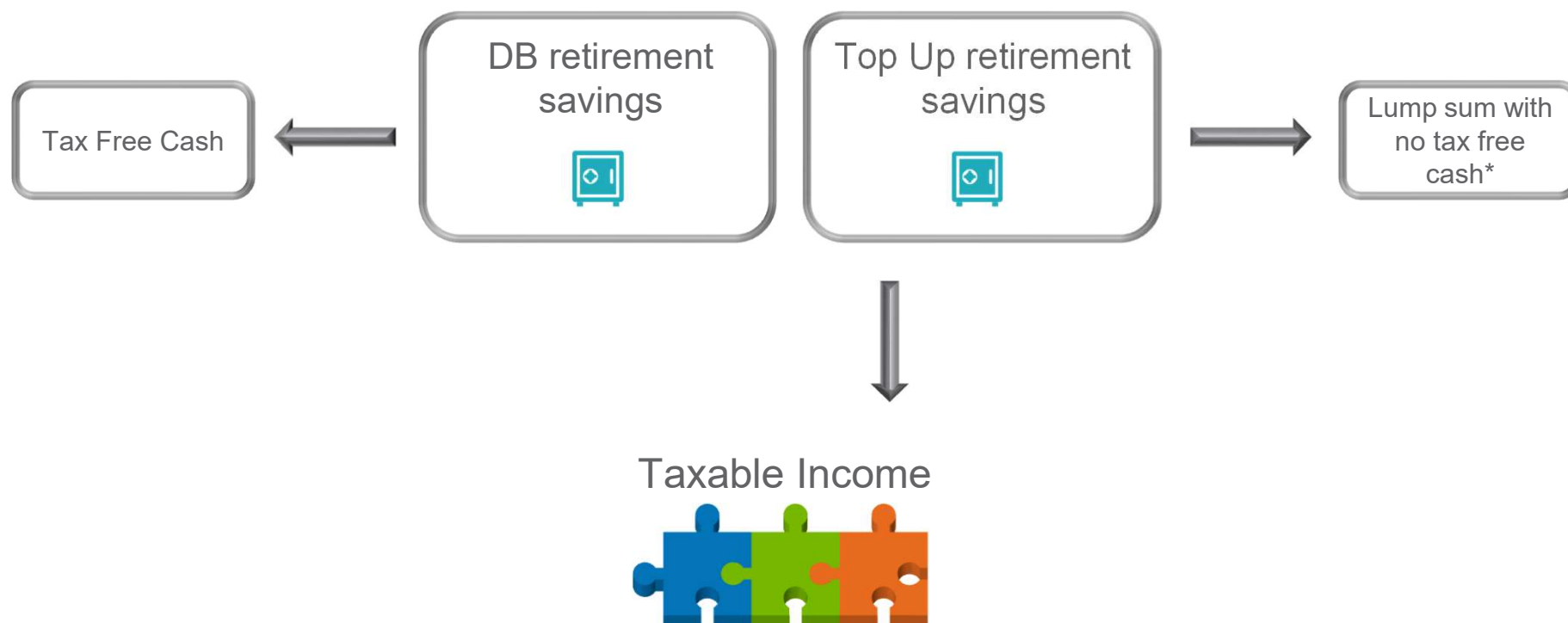
2. You won't lose LTA protection but have no available LTA

Your tax position will be individual to you. The tax considerations shown are examples only and not an exhaustive list.

## Receiving a retirement income



# Receiving defined benefit pension savings



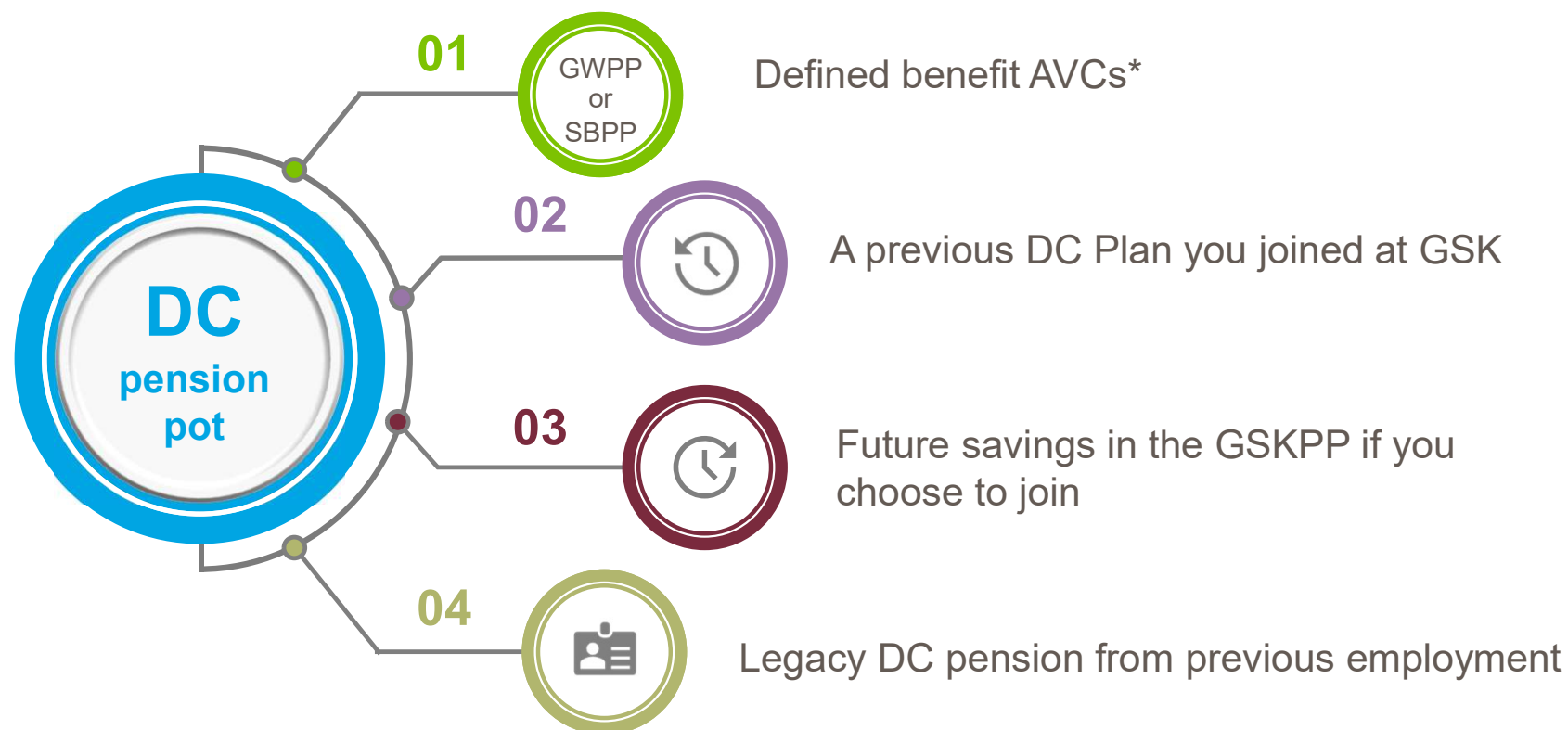
- National Insurance is deducted from the Top Up income or lump sum until State Pension age
- DB retirement savings can be transferred to a DC plan subject to receiving advice

\*Subject to GSK approval

# Receiving DC pension savings



You may have DC pension savings in a number of different arrangements.



Have you reviewed your options for receiving these pensions and considered tax efficiency?

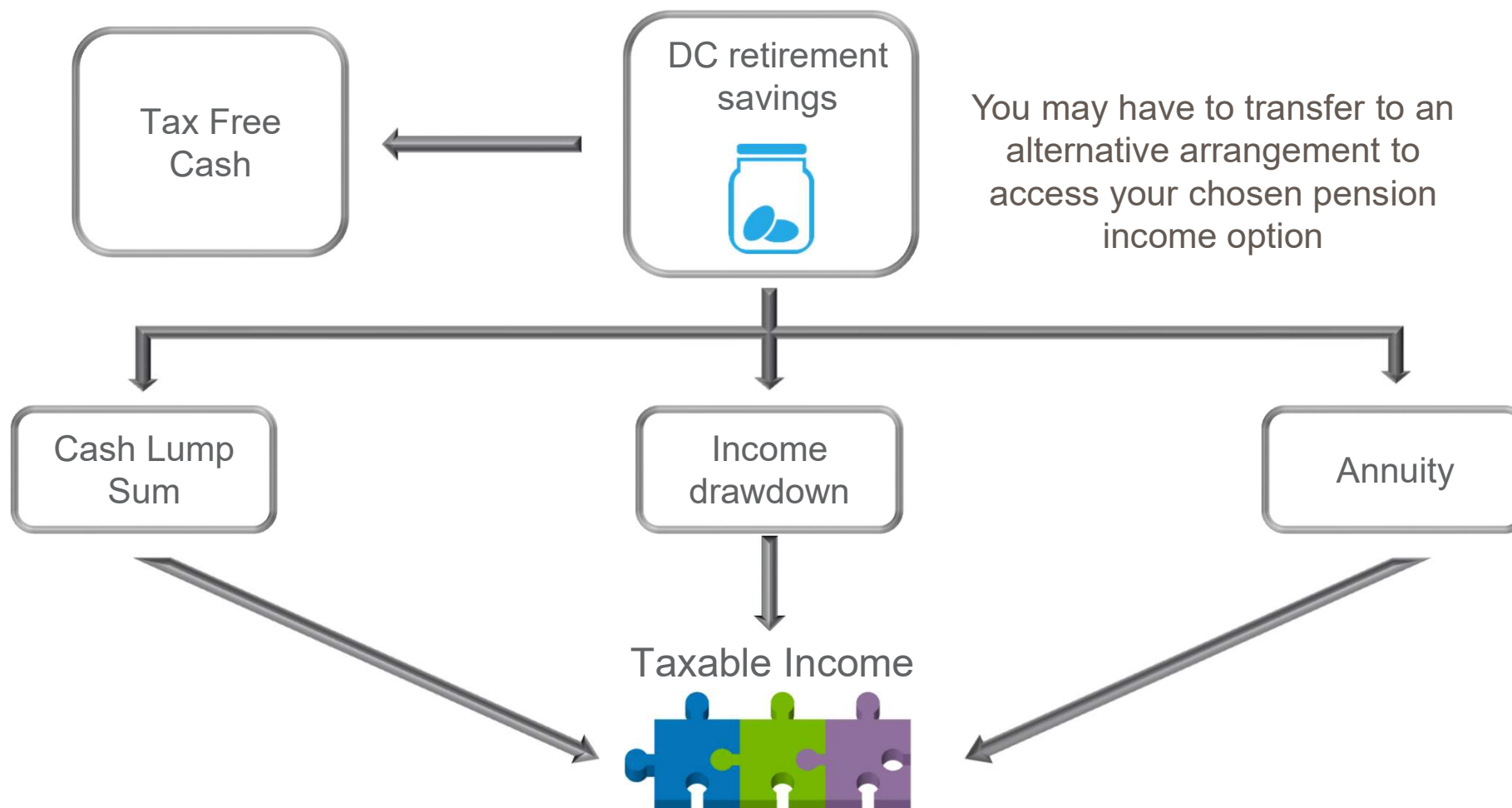
\*Note that it is possible to use SBPP AVCs to fund the DB tax free cash entitlement.



# Receiving defined contribution pension savings



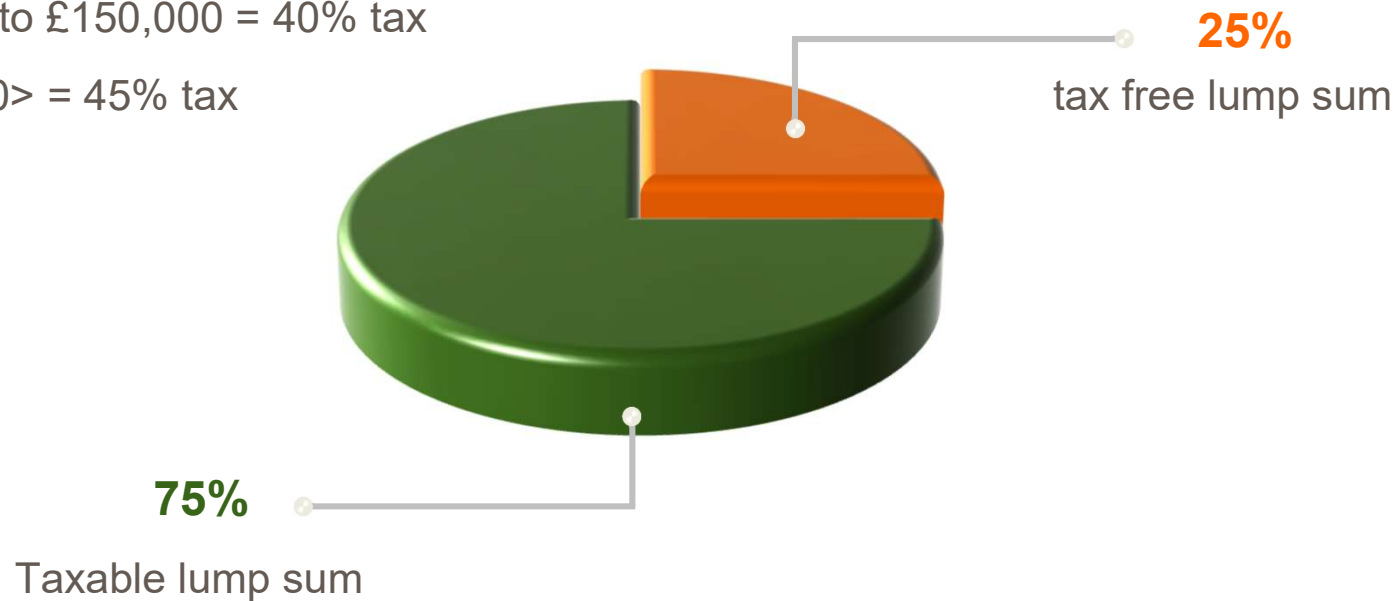
These options are available to DB AVCs and GSKPP savings should you elect to join the.



# Cash lump sum

## Tax bands

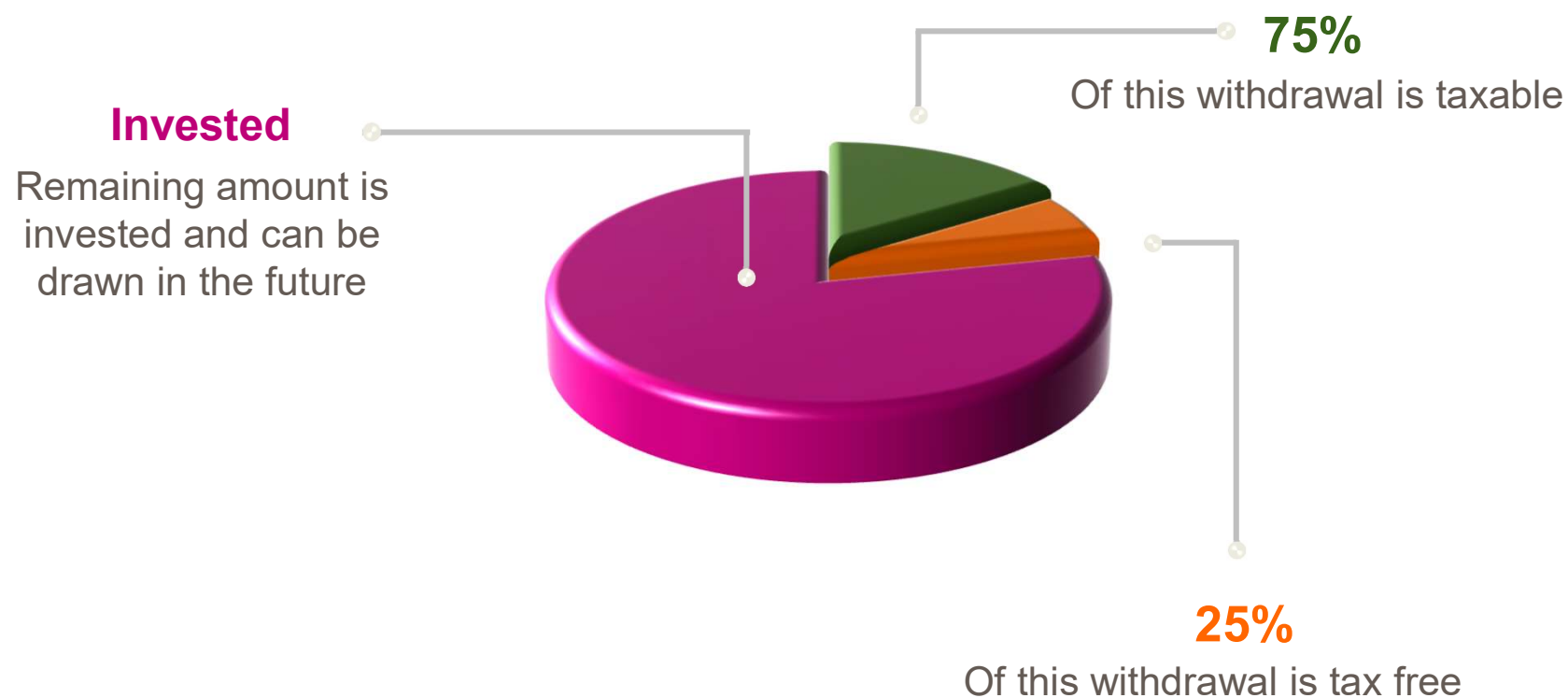
- £0 to £12,570 = 0%
- £12,570 to £50,270 = 20% tax
- £50,270 to £150,000 = 40% tax
- £150,000 > = 45% tax



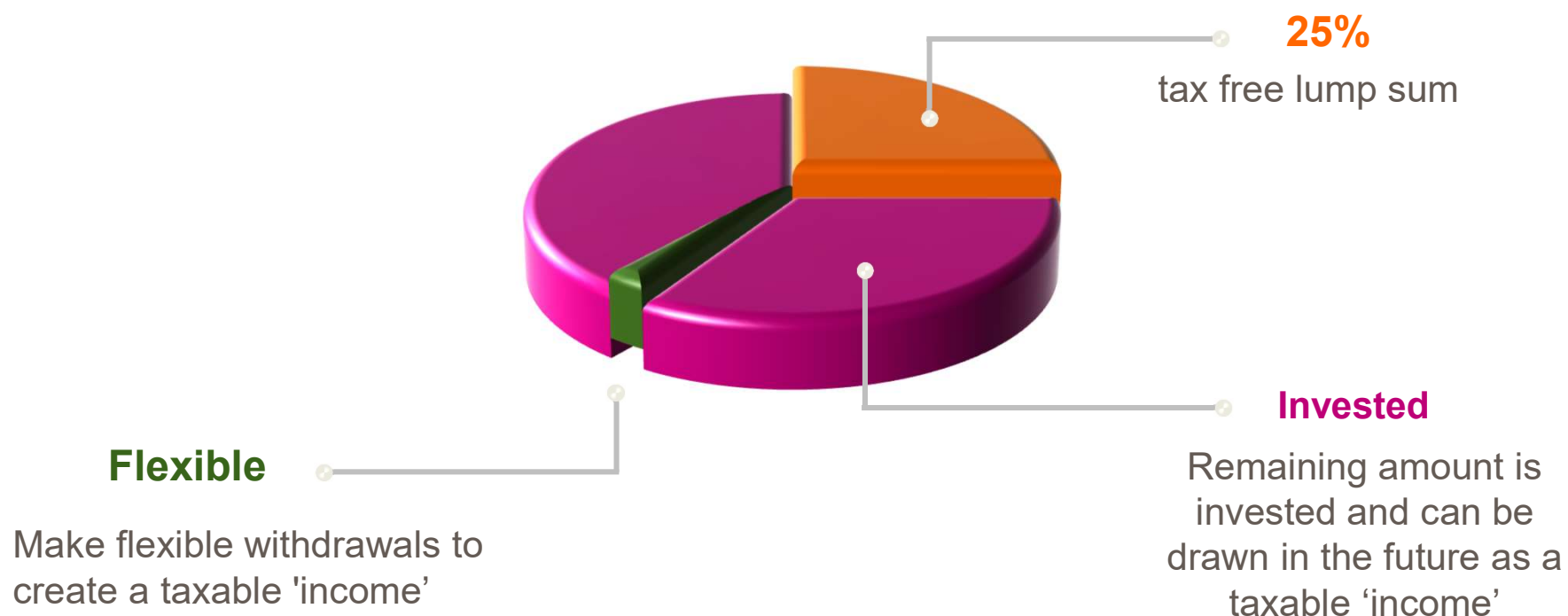
Income between £100,000 and £125,140 is taxed at an effective rate of 60%

## Receiving a series of cash lump sums

This approach enables you to receive your tax free cash entitlement gradually.



# Income drawdown



# Buying an annuity

Receive up to 25% as a tax  
free lump sum

Choose from options including

- A guarantee period
- Inflation linking
- Spouse/partner pension

Buy an annuity with  
the remainder

The income level you receive  
will be determined by your  
circumstances

This will provide a guaranteed  
income throughout your  
retirement

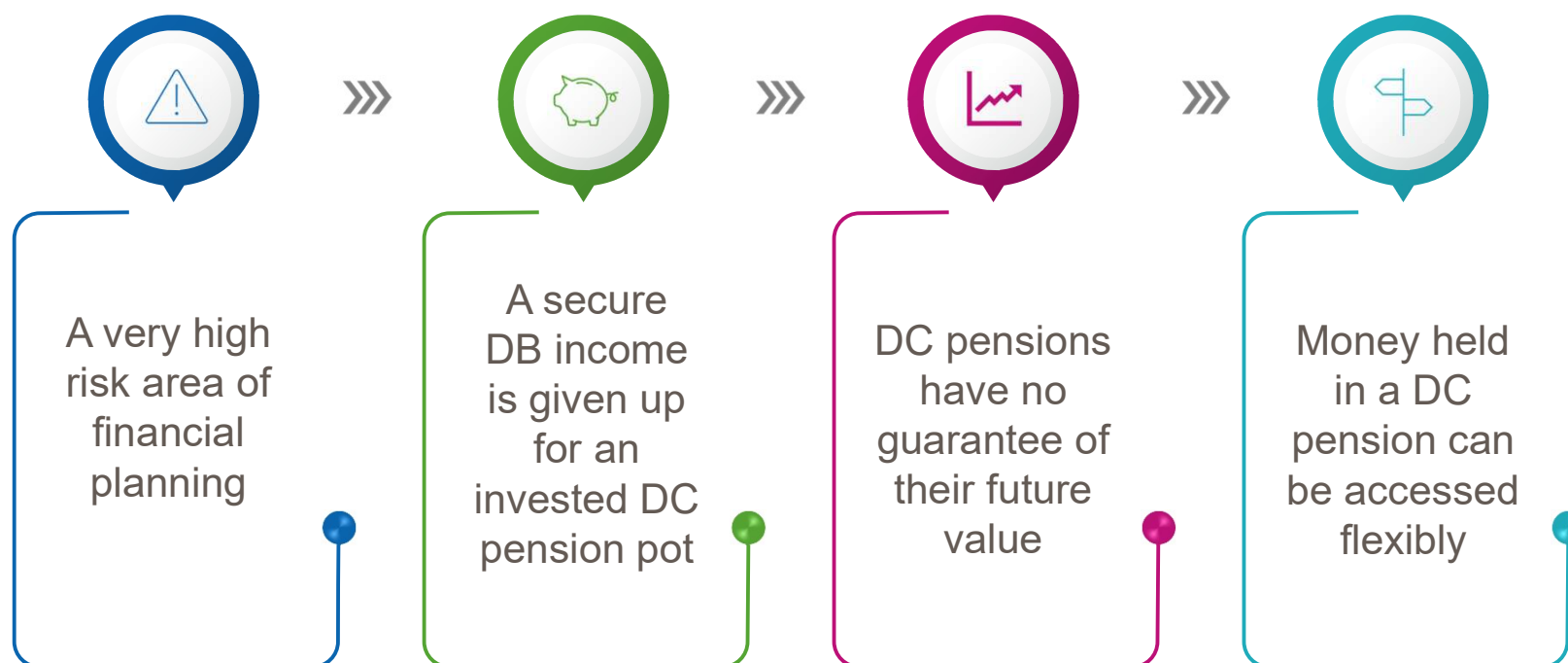


## CETV – Transferring from DB to DC



# Carrying out a DB to DC transfer

Note – it is not possible to transfer Top Up benefits to a DC arrangement



# Personal circumstances

Whether a DB to DC transfer is suitable will depend on personal circumstances including:





# DB to DC transfers

**WARNING** - transferring out of a defined benefit (DB) scheme could damage your wealth!

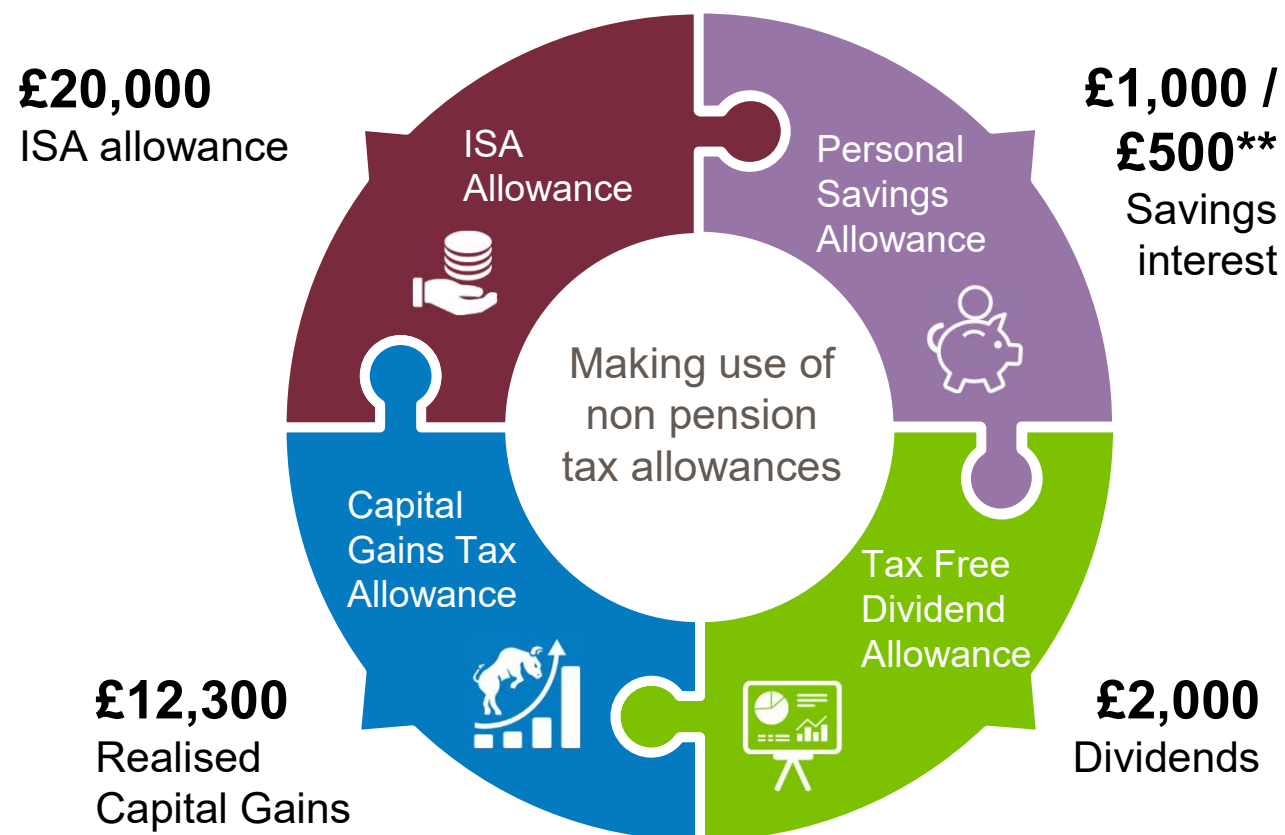


## Building up retirement savings outside a pension



# Investing your taxable salary supplement

Consider the tax efficiency of any future retirement savings you plan to make outside a pension.

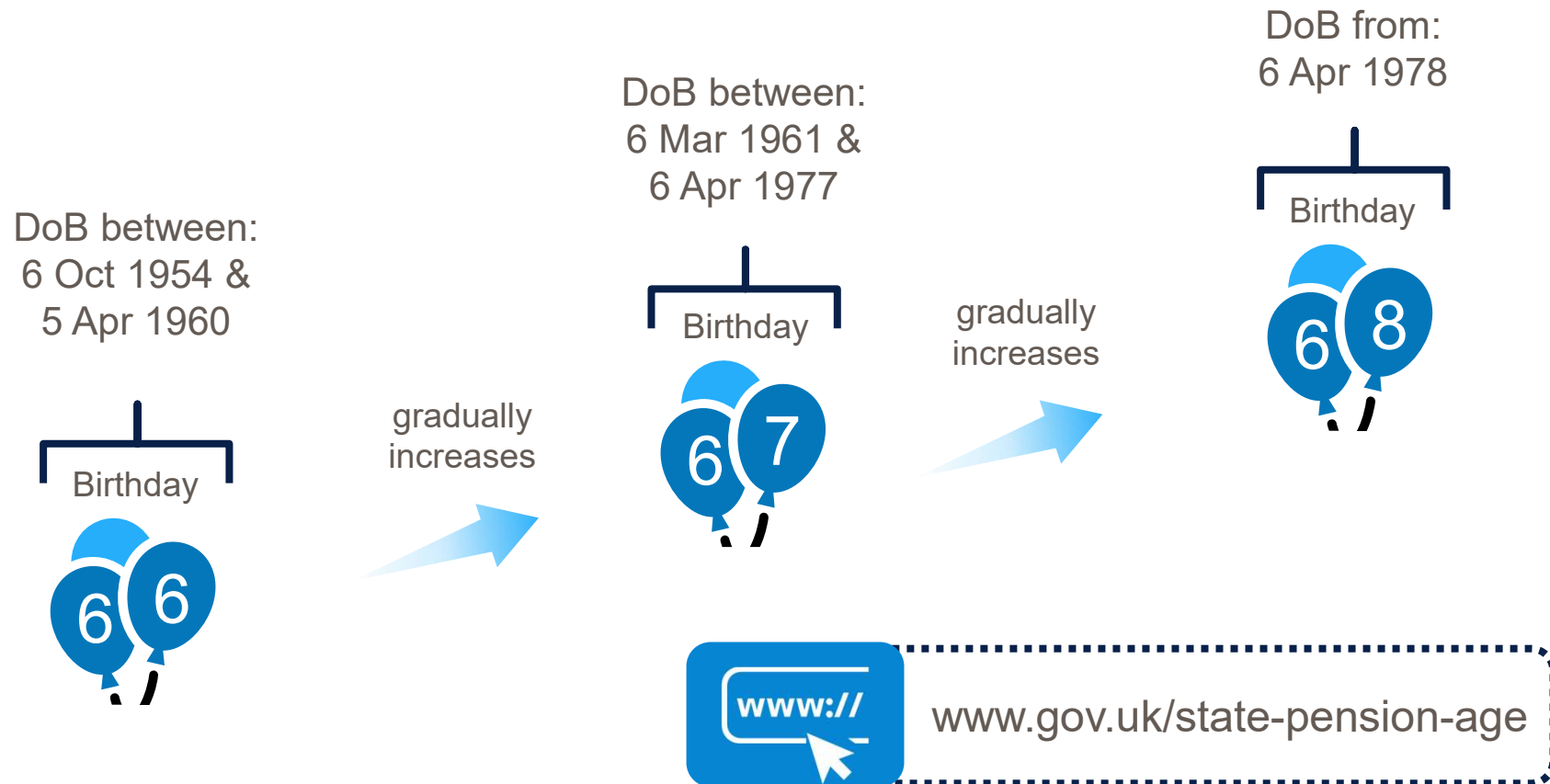


\*\* For higher rate tax payers

## The State Pension



# When Will You Receive a State Pension?

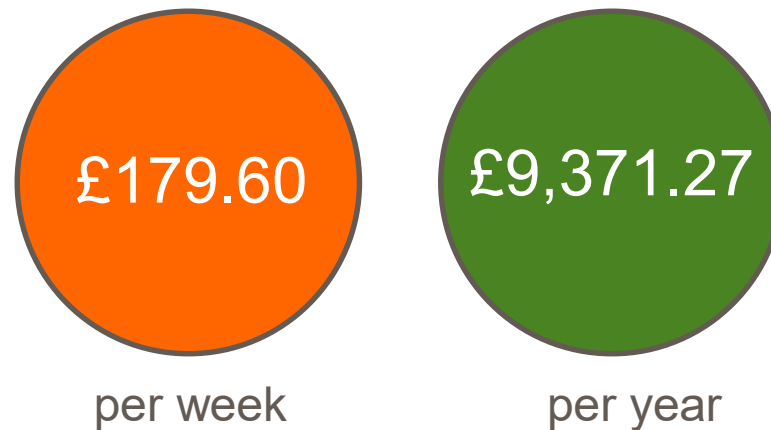


\*The Government intends to bring forward the State Pension age transition from 67 to 68 affecting those born between 6<sup>th</sup> April 1970 and 5<sup>th</sup> April 1978 - if adopted those affected will reach State Pension age between their 67<sup>th</sup> & 68<sup>th</sup> birthdays

## How Much Might You Receive?



If you reach State Pension age after 5 April 2016 the new State Pension can provide income of:



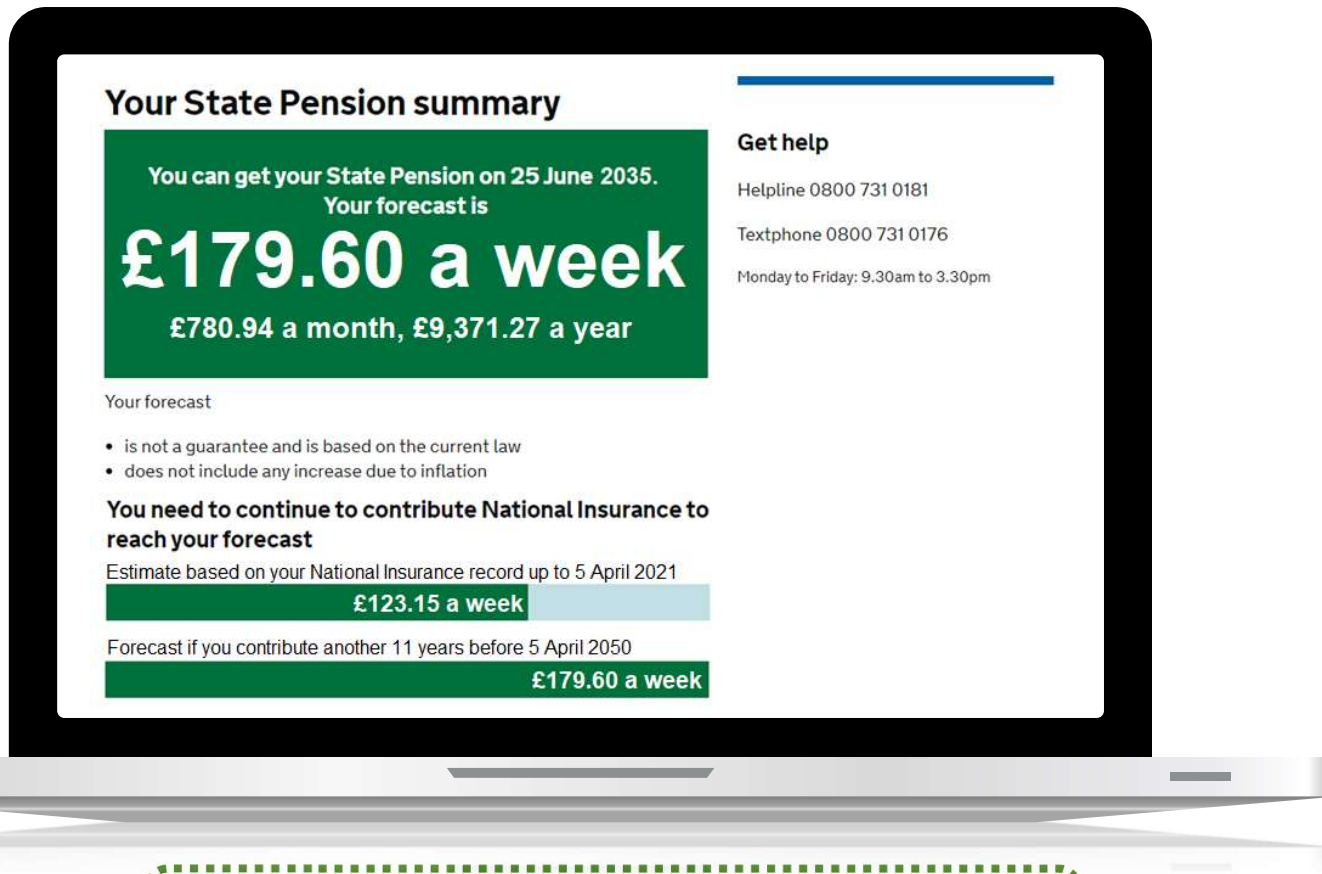
A reduction to this may be applied if:

You have less than 35 years of National Insurance (NI) contributions, &/or

You have been contracted out of the Additional State Pension

**Every year of NI contributions gained from 2016/17 to the year before you reach State Pension age will make the deduction less**

# How Much Might You Receive?



How much you could get



When you can get it



How to increase it, if you can



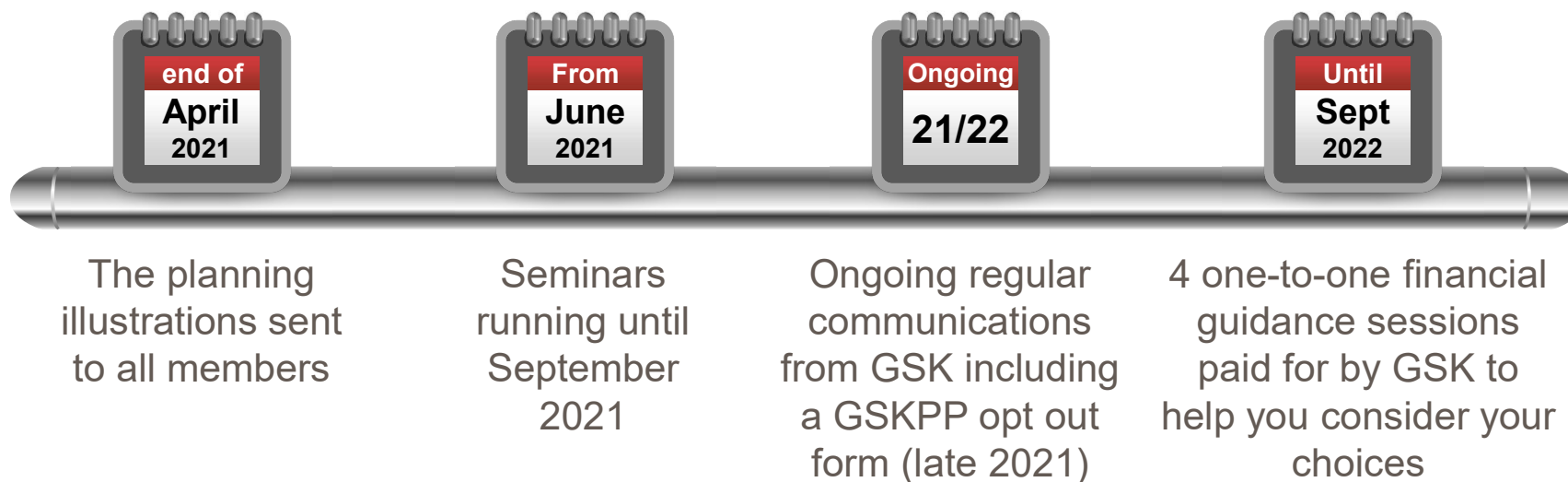
[www.gov.uk/check-state-pension](http://www.gov.uk/check-state-pension)

## Next steps





## Further support from GSK



For details for booking the one-to-one guidance sessions visit the microsite

Or

Refer to the planning illustrations sent in April 2021

## Further support from GSK



Visit the microsite for the DB closure

- <https://pensions.wealthatworkgsk.co.uk/>



Email the helpdesk

- [gsk@wealthatwork.co.uk](mailto:gsk@wealthatwork.co.uk)



Call the helpline

- 0800 954 0759

If you email or ring the above, we can answer technical queries that you may have in relation to the change but will not be able to give you financial advice.

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