OPEN MIKE
PRODUCTIONS

Group Personal Pension

For employees of
Open Mike Productions Limited

LEBC

Version April 2019

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1. Introduction

This document has been prepared by our pension advisers, LEBC, to give you an understanding of the pension arrangements provided by Open Mike Productions. If anything within the document is unclear, LEBC will always be pleased to answer your questions. Contact details are shown at the bottom of this page.

Together with the supporting literature from the pension scheme provider, this document is intended to help you understand how the pension works. It also explains how you can become a member of the scheme. This is achieved under the Government's auto enrolment legislation. It must be remembered that this document is not intended to provide financial advice. If you feel that you need further help to understand the pension scheme you should consider obtaining independent financial advice.

Open Mike Productions reserves the right to amend or withdraw the pension arrangement at its discretion. This document is based on LEBC's understanding of current legislation and regulation which can change in the future.

The pension scheme has been made available as Open Mike Productions wish to help its employees plan for their eventual retirement. The scheme is a tax favoured savings vehicle, intended to provide an income when you eventually stop work. The advantageous tax treatment and the help given by contributions from Open Mike Productions make this a valuable employee benefit which we would encourage you to consider.

LEBC is a firm of independent financial advisers, with offices throughout the UK. They are authorised and regulated by the Financial Conduct Authority. The contact details for the LEBC personnel responsible for helping members of the Open Mike Productions pension scheme are:

- Advice - **Keith Allnutt**
    - 07970 353548
    - keithallnutt@lebc-group.com

- Administration - **Client Support Team**
    - 0117 906 5530

- Postal address
    - LEBC Group Limited
Manor Farm
Aust
Bristol
BS35 4AT

2. Group Personal Pension (GPP)

2.1 Purpose of the GPP

Open Mike Productions wishes to assist its employees in making provision for their eventual retirement. Tucking money away for later life is never easy, but the GPP offers an opportunity to invest in a tax efficient manner, with the added benefit of contributions paid on your behalf by Open Mike Productions.

2.2 Eligibility and Auto enrolment

The pension scheme is available to all employees. You will automatically be enrolled into the scheme unless you are under age 22, over State pension age or earning less than £10,000 per year. If you fall into this category you will not be automatically enrolled into the pension scheme but you can ask to join.

You do not have to remain a member of the scheme after being automatically enrolled. You have the right to opt out. If you do opt out you can rejoin at a later date but please note that you will not be entitled to backdated contributions from Open Mike Productions.

2.3 Scheme type

The pension scheme is a Group Personal Pension (GPP).

This means that all members have their own individual policy, but simply held under a group arrangement. As an individual policy you have a high degree of control and influence as to how your policy works, for example you can choose:

- how much you wish to invest
- your preferred investment strategy
- when to take benefits (from earliest age 55)
- whether to continue your policy if you leave service
- whether to transfer old existing benefits into your policy

The GPP enjoys advantageous tax treatment which does not apply to most other forms of saving or investing. The tax advantages are:

- tax relief on the contributions that you make
- almost entirely tax free growth on your investments
- the opportunity to take a proportion of the fund as a tax free lump sum when you retire

Please note these tax privileges can change in the future at the discretion of Her Majesty's Revenue and Customs (HMRC).

2.4 Contributions and tax relief

You are required to contribute into the GPP, and Open Mike Productions will also make contributions. In line with auto enrolment regulations the contribution amounts will increase in the future. The table below confirms the exact basis of contributions.

	Employer contribution	Member contribution
Up to March 2019	2%	3%
From April 2019 onwards	3%	5%

Please note that members can invest more than the minimum requirement if they so wish. All contributions are calculated against something known as "qualifying band earnings". This is defined as all earnings between £6,136 and £50,000 (for the tax year 2019/2020). Contributions are collected on a monthly basis.

Legislation exists which governs the amount of contributions that can be made to pension policies, including this GPP. The maximum contribution is known as the Annual Allowance, and for the 2019/2020 tax year this allowance is set at £40,000. This means that combined member and employer contributions (to all pension policies) should not exceed this limit. If the Annual Allowance is exceeded, a tax charge will be levied on the excess.

Within the Annual Allowance there is also a limit on the maximum contribution that can be made by the employee. You will be restricted to 100% of your taxable earnings, or £3,600, whichever is the greater.

An advantage of contributing to a pension policy is the availability of tax relief. You will automatically receive basic rate tax relief on all contributions that you make, this is because only the net amount is deducted from your salary each month. The pension provider then recovers from HMRC the tax that was deducted from your salary and adds this to your policy.
The example below illustrates how this works. The contributions shown are monthly amounts.

Assumed salary	£24,000.00
Qualifying band earnings for pension contribution purposes	£17,864.00
Employer contribution at 3%	£44.66
Member contribution at 5%, with basic rate tax relief deducted	£59.54
Basic rate tax relief recovered by the pension provider	£14.88
Total amount invested (8%)	£119.08

Please note that member contributions are always deducted from salary with basic rate tax relief applied. If you pay higher rate tax you will need to claim additional tax relief directly from HMRC. This is achieved by entering your pension contributions onto your tax return each year. HMRC will then adjust your PAYE coding to give you back the difference between basic rate tax relief (which you have had automatically) and higher rate relief. LEBC will be pleased to help you further on this matter if you are unsure of what to do.

2.5 Investing your contributions

Your contributions, together with tax relief and the contributions from Open Mike Productions are invested into a personal pension policy with Aviva. Aviva is currently the largest insurance company in the UK, and indeed one of the largest insurance groups in Europe.

Aviva offers a selection of funds from which members can choose. Details of these funds can be found in the supporting literature, and further information is available from Aviva's website.

It is recognised that many employees will not wish to become overly involved in fund selection, due to lack of experience or adequate knowledge of how investment markets work. For this reason the GPP operates with a "default investment", into which all members will be entered when joining the scheme. Once in the scheme you will be free to make alternative fund selection if you so wish by simply registering online with Aviva and giving your new investment instructions. If you choose not to do this, you will remain in the default investment.

The default investment for the GPP is the following:

- Aviva Future Focus 3 Lifestage Approach

The Aviva Future Focus 3 Lifestage Approach aims to achieve growth in the earlier years by investing into a diversified portfolio of mainly equities, including overseas equities, but also some exposure to lower risk investments such as fixed interest and cash deposits. This is achieved by investing contributions into the Aviva Diversified Assets 3 fund. As you get closer to retirement, your accumulated fund is gradually moved across to a more cautious investment in order to consolidate the growth that has hopefully been achieved in the earlier years. Initially this is achieved by gradually moving your investment into the Aviva Diversified Assets 1 fund and then eventually into a mix of the Aviva Diversified Assets 1 fund and the Aviva Deposit fund. Please refer to the enclosed literature from Aviva for a full explanation of the scheme's default investment fund.

For members who feel that the default investment does not suit their individual circumstances, please remember that you can change at any time to something more appropriate to your requirements. If you wish to make changes, you should give careful consideration to the following points:

- Different funds invest into different asset types, each with differing risk and reward characteristics
- How much risk are you prepared to tolerate in seeking good investment returns?
- How long will your contributions be invested? Investment risk tends to be diluted over longer periods of time

- Do you want to have an active role in managing your pension policy?
- Past performance of any fund cannot be taken as a guarantee of future performance

You are free to invest in more than one fund at any time, and you are free to amend your selections as often as you wish. Aviva offer a comprehensive website to help you keep track of your policy, and once you have joined the scheme you can register for this online service.

LEBC are available to help members further with understanding asset types and investment risk, please do not hesitate to contact them.

2.6 At retirement

All members of the GPP will have an assumed retirement age of 65. Under current legislation however you are free to take your pension benefits from earliest age 55, even if you are not retiring. Having said this, please remember that the GPP is intended to provide an income when you eventually stop work, and therefore taking benefits ahead of retiring is not encouraged.

Retirement benefits can be taken in two forms:

- Up to 25% of your accumulated fund can be taken as a tax free lump sum (known as a pension commencement lump sum, or PCLS)
- The remaining fund is used to provide a taxable income, most commonly by the purchase of an annuity (which is a fixed regular income for the remainder of your lifetime) or by establishing a drawdown arrangement (a more flexible but riskier alternative). If you wish, both options can also provide for a spouse after your death.

Your eventual level of pension cannot be guaranteed when you first join the GPP. Your pension will be determined by a number of unknown factors, which include:

- Contribution levels made by you and your employer
- The length of time that you have been invested
- How well the investment funds perform
- Deductions made by the GPP provider
- What type of benefits do you want at retirement (are you taking the PCLS, are you providing for a spouse, etc)
- Annuity rates at the time of retirement (these are affected by your age, your health, general longevity, underlying interest rates and gilt yields)
- Pension legislation in the future

An important feature of the GPP is the ability to exercise your Open Market Option at the time you take benefits. This option allows you to purchase your annuity from any pension provider in the market place; you are not restricted to the annuity offered by Aviva. This can often mean an improved pension income in your retirement.

Legislation in recent years has given a further alternative for taking eventual benefits. “Drawdown” allows your pension fund to remain invested rather than being used to purchase an annuity. Income is derived by drawing down some of the pension fund. This type of policy is more complex and riskier than purchasing an annuity and individuals considering this option at retirement will need to seek financial advice.

Please note there is a limit to the amount of aggregated pension funds that individuals can accumulate over the course of their lifetimes. For the tax year 2019/2020 there is a Lifetime Allowance of £1.055 million. A tax charge will result if this Lifetime Allowance is exceeded.

2.7 Death Benefits

If death occurs before you have begun to receive retirement benefits, the full value of your policy will be paid as a lump sum to your beneficiaries.

It is recommended that you complete a nomination form, which will be sent to you with your policy document by the pension provider. This allows you to indicate your preferred beneficiaries. You should of course keep this nomination up to date if your circumstances change.

If death occurs after you have begun receiving your retirement benefits, what happens will depend on the choices that you made when purchasing your retirement income. It is possible to select one or more of the following options:

In the case of choosing an annuity to provide your retirement income, you can elect for:

- An annuity that continues after your death for your spouse, perhaps at the full amount or at a reduced level
- An annuity that contains a minimum guarantee payment period
- An annuity that has "value protection", whereby a taxable lump sum equal to the annuity purchase price less instalments already received would be payable

If choosing a drawdown arrangement instead of an annuity to provide your retirement income:

- Your spouse or dependant can choose to continue with the drawdown plan, elect to purchase an annuity, or choose to take the pension fund as a lump sum. Please note that a different tax treatment applies to each of these options

Please note that, in the case of annuity purchase, adding these additional death benefits will reduce the amount of annuity that can be paid to you.

2.8 Leaving service

As all members of the GPP have a policy written in their own name, you are free to continue the policy if you leave employment with Open Mike Productions. The options available to you if leaving service are:

- Continue to make contributions (assuming you are eligible to do so). Contributions from the employer will of course cease
- Leave your fund invested with Aviva, but cease making personal contributions. You are free to restart contributions again in the future if you wish

- Transfer the value of your fund to another pension policy (perhaps the scheme of your next employer)
- If you have reached age 55 you could elect to take benefits

You will be issued with an up to date statement from Aviva upon leaving service, together with a reminder of the options available to you.

If you move overseas you may be able to transfer to an arrangement in the country that you then reside. This would be possible if the receiving scheme appears on a list held by HMRC. These listed schemes are known as Qualifying Recognised Overseas Pension Schemes (QROPS).

If you choose not to transfer your pension fund when moving overseas, you can instead elect to receive the benefits from Aviva when you eventually retire. Aviva will simply make payment to a UK or overseas bank account, although please note your pension benefit would carry the added risk of currency fluctuations.

2.9 Policy charges and Stakeholder pensions

Aviva make a deduction from member's funds to cover general operating expenses and fund management. The Open Mike Productions GPP operates with only a simple annual management charge of 0.65%. This means that assuming an average fund value of £10,000 throughout each year, a deduction of £65 is made.

The GPP does not apply penalties to member's funds if they choose to reduce or cease contributions, transfer funds away from Aviva in the future, or retire earlier than the assumed retirement age of 65. Members will always receive the full value of their accumulated fund (except in the case of with profits investment).

The GPP is not a Stakeholder policy. Stakeholder pensions were introduced in the UK in 2001, and they were designed as easy to understand products, with low charges and an absence of penalties. Although the GPP has these desirable features (associated with the default investment fund), members can choose from a wide range of other funds some of which will have charges greater than allowed under Stakeholder rules. For this reason the Open Mike Productions GPP is not a Stakeholder scheme.

2.10 Maternity leave

During maternity, paternity or adoption leave, it is possible for your pension contributions to continue. Please refer to Human Resources for full details of current maternity policy as it relates to the GPP.

2.11 Existing pensions

Many employees will have existing pension funds from previous employment, or perhaps their own private policy. The GPP is able to accept transfers of existing funds. It may be important to take advice before considering a transfer of an existing arrangement, and you may therefore wish to speak with LEBC on this subject.

Please note that an existing private pension can still receive contributions from you irrespective of you becoming a member of the GPP. Subject only to the contribution restrictions mentioned earlier, individuals can invest into as many pension plans as they wish. Again, you may like to seek guidance from LEBC as to whether to continue contributing to an existing policy.

2.12 State pension and Pension Credit

The State pension system in the UK has historically been made up of two parts:

- Basic State pension
- State Second Pension, also known as S2P. This replaced the State Earnings Related Pension Scheme (SERPS) back in 2002.

Both Basic State pension and S2P are accrued by individuals from payment of national insurance contributions, or credits in respect of national insurance contributions. Basic State pension is a flat rate benefit for everyone, whilst S2P is calculated by reference to salary over your working life. You may wish to obtain a forecast of your State pension, and this can be done using form BR19 (available from a post office) or by going online using the web address at the back of this document.

Individuals who have low incomes at retirement may qualify for Pension Credit. This is a means tested benefit that aims to bring retirement income up to a minimum specified level.

It should be borne in mind that for some people membership of the GPP might affect their entitlement to Pension Credit. If you are getting close to retirement and have only made limited pension and savings provision, it is possible that the benefits that emerge from the GPP will serve to disqualify you from Pension Credit that you might otherwise have received. Relying on State benefits alone is not a good idea, but you need to be mindful of the existence of Pension Credit.

State pension and Pension Credit can be quite complex and Government has recently given an indication of changes that it intends to introduce. A useful web address is listed at the end of this document which will provide further information.

The State pension is undergoing change with effect from April 2016. Government is seeking to simplify the system so that there is only one State pension but at a higher level than the pre-2016 Basic State pension. There will be a long period of transition as retirees after April 2016 receive a mixture of benefits accrued under both the pre-April 2016 and post-April 2016 regime.

As mentioned above, it is recommended that employees at Open Mike Productions obtain a forecast of the eventual State pension that you could expect to receive.

2.13 Important risk warning

A pension is a long term investment and the fund value may fluctuate and can go down. Your eventual income will depend upon the size of the fund at retirement, future interest rates and tax legislation.

Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of reliefs from taxation are subject to change.

3. Other Information

We would remind employees that our pension advisers, LEBC, remain available to assist you and to answer any questions that you have. Please do not hesitate to contact them, their details are shown at the beginning of this document.

3.1 Useful Website Address

Additionally, below is a list of website addresses where you can find further helpful information.

- Department of Work and Pensions (DWP)
  - www.dwp.gov.uk

- Her Majesty's Revenue and Customs (HMRC)
  - www.hmrc.gov.uk

- The Pensions Regulator
  - www.thepensionsregulator.gov.uk

- The Financial Conduct Authority
  - www.fca.gov.uk

- Calculator to estimate eventual pension benefits
  - www.moneymadeclear.fsa.gov

- State Pensions and Pension Credit
  - www.direct.gov.uk

- State Pension Forecast
  - https://secure.thepensionservice.gov.uk/statepensionforecast/

- Aviva
  - www.aviva.co.uk/pension-essentials