Mercer Master Trust

IMI Retirement Savings Plan

Your Retirement Options

Breakthrough
engineering for
a better world

Take control of your future

In order to get the maximum benefit from your savings in the IMI Retirement Savings Plan (the Plan), part of the Mercer Master Trust, it is important to ensure that, as you approach retirement, you have all the information and practical support that you need at this important time.

As an employee over the age of 50 (and we make no apology for the reminder!), you need to start thinking about how to use the money you have built up in your Pension Account to provide your retirement income.

Administration contact

Scottish Widows Service Centre

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Email: workplacesavings@scottishwidows.co.uk

Scottish Widows Workplace Savings
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69 Morrison Street
EDINBURGH
EH3 1HP

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1.0 Introduction

1.1 How the IMI Retirement Savings Plan ("the Plan") works

The Plan is a defined contribution scheme. This means that the contributions which have been paid into your Pension Account will, with investment growth, provide a sum of money which you will use for income in your retirement.

You can choose how you take your retirement income to best suit your circumstances. There are a few options to choose from; so, it's important that you understand them all.

1.2 Are you on track for retirement?

You should review your Pension Account regularly as you approach retirement and in particular your selected retirement age and investment selections. If you want to boost your retirement savings, you may want to consider making additional contributions or deferring your retirement age, for instance to be in line with your State Pension Age. You should also consider any other retirement savings you might have, such as from previous employments or personal arrangements.

You can obtain details of the current value of your Pension Account and selected retirement age at any time. You can do this through your Mercer Money account at Mercer (mercermoney.com) or by calling Scottish Widows, the Plan administrators, on 0800 587 1912.

If you want an understanding of what your retirement savings will provide you in retirement, the Pensions and Lifetime Savings Association have developed some Retirement Living Standards. The Standards help you consider how much money you might need. Visit www.retirementlivingstandards.org.uk/ for full details.

1.3 Your retirement age

Your default retirement age is 65. However, you can select your own retirement age and may request to draw your retirement savings any time from age 55 currently. However, the Government will be increasing this normal minimum pension age from age 55 to 57 from 6 April 2028. If you reach age 57 before 6 April 2028, this change won't affect you.

If you joined the Mercer Master Trust IMI Retirement Savings Plan ("the Plan") before 4 November 2021 you have a protected pension age of 55. This means you can continue to access all your pension savings from age 55, even after the change. Some members may have a protected pension age lower than age 55 which will be retained. Any pension pots you transferred into the Plan can be accessed from age 55 after 6 April 2028.

If you joined the Plan after 4 November 2021, your normal minimum pension age will increase to 57 from 6 April 2028. For any pension pots you transfer in, the age at which you can access them will depend on the rules of the scheme they came from. If the previous scheme had a protected pension age, it may still apply to that transferred pot, but not to any new savings you build up in the Plan.

But do keep in mind that the younger you are, the longer you are likely to need a retirement income and the smaller your retirement savings are likely to be because your Pension Account will have had less time to have built up. So, if you retire earlier, your income is likely to be lower. If you think you might want to take your benefits before age 57 then you might want to explore your options with a financial adviser.

1.4 State and other pensions

If you need to get in touch with a previous employer's pension scheme and have lost the contact details, you can contact the DWP's Pension Tracing Service on 0800 731 0193 or use their website: www.gov.uk/find-lost-pension

On top of your pension from the Plan and any other employer or personal pensions you might have, you may receive a State Pension from the Government payable from your State Pension Age. These benefits will be payable directly by the State and fall outside the scope of this guide. However, to find out what State pensions you may be entitled to, contact the Future Pension Centre 0800 731 0175, or online at www.gov.uk/check-state-pension.

You can also find a step-by-step guide of how to plan your retirement income at www.gov.uk/plan-for-retirement.

2.0 Understand Your Retirement Options

Employees with DC pensions have full flexibility over how they take their savings at retirement. You have the option of taking up to 25% of the value of your Pension Account up to a maximum of £268,275 (or perhaps more if you have had your Pension Account since before 6 April 2006) as a tax-free cash sum. With the savings you do not take as a tax-free lump sum, the following options are available to you.

2.1 Income drawdown

You can enter into a drawdown arrangement to provide income over the long or short term. For instance, if you have a larger Pension Account, you may plan to use your retirement savings for income throughout your whole retirement. If you have a smaller Pension Account, perhaps with other retirement savings elsewhere, you may choose to enter into a drawdown arrangement with the aim of drawing down the entire value over a few years in a tax efficient manner.

If you're planning to enter into a drawdown arrangement, you should consider your investment options carefully both before and during retirement, and financial advice is strongly recommended.

It is important to remember that income drawdown may be flexible, but it might mean that your retirement income runs out too soon. So, there are risks that you should consider and understand, and any drawdown income would be taxed at your marginal rate.

One of the advantages of the moving to the Mercer Master Trust in 2020 is that the drawdown facility is much more flexible. Alternatively, you can elect to transfer to a separate income drawdown policy.

2.2 Securing an income, such as an annuity

An annuity is a contract with an insurance company which guarantees to provide you with a regular income, normally for the rest of your life. The annuity is bought in your name with the savings you have built up in your individual Pension Account, after taking your tax-free cash, if you choose this.

Once a lifetime annuity has been purchased, the terms of the contract cannot usually be changed. The annuity is normally payable for your lifetime and guaranteed not to fall in value (an exception being an annuity linked to the unit price of an investment fund, or index). Insurance companies compete for business by offering different annuity rates, so it is important to shop around before buying an annuity. In addition, the amount of income provided by the annuity you purchase will depend on:

- how much you have built up in your Pension Account when you purchase the annuity.
- annuity rates (the cost of buying a pension) and the provider you choose when you purchase your annuity.
- whether you are able to purchase an ill-health or 'enhanced annuity' as a result of smoking, lifestyle factors or ill-health.
- the benefit options you choose, such as whether the annuity is just for you or whether it will continue to a dependent after your death and whether it will increase each year and by how much; and
- your age and life expectancy when you secure your income.

The type of annuity you choose at the outset and the benefits it provides will affect the amount of income you get, both initially and over the years. Obviously, you will want to retire on the highest income you can get. But it's important to look not only at your circumstances on the day you retire, but also at you and your family's future needs. All extra benefits reduce the amount of your initial pension payments. But it may be worth accepting a lower starting income in order to take care of the future - for example:

- by providing an income after your death for someone who is financially dependent on you, or
- by arranging for your income to increase in future years in order to protect yourself against the effects of inflation.

Annuity income is normally paid monthly in advance (that is at the beginning of the month for the month coming) and is taxable at source as earned income, in the same way as your salary when you were working.

There are risks to consider when purchasing an annuity. These include purchasing an annuity at a time when annuity prices are particularly poor value, omitting to purchase an ill-health annuity despite qualifying for one or buying a non-increasing annuity just before inflation increases. There is little flexibility in the payments of an annuity and finally, you may die before you receive payments in excess of the cost of the annuity.

2.3 Taking your entire Pension Account as a cash lump sum

You can also take your entire Pension Account as a single cash lump sum. The cash you take in excess of your tax-free cash sum would be taxed at your highest marginal rate. Due to tax implications, this option is likely to only be suitable for the smallest Pension Accounts. This link takes you to a useful independent website that will estimate the tax you would pay if you took a cash lump sum: www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/taking-your-whole-pension-in-one-go

If you want to take your entire Pension Account as cash to invest, a drawdown arrangement might be more suitable for you. If in doubt, seek financial advice. You should also consider that your savings may run out before you die, and you should think carefully about how you are planning to use the money.

An alternative approach is to take several smaller cash lump sums, spread out over a number of years, to manage for the tax deducted from your savings.

2.4 What do these options mean for me?

Although there are three options outlined above for accessing your retirement savings, in practice, a combination of them might be the most suitable for you.

There are many complexities involved in making your choices, and given the wide range of options available, inevitably most members will require guidance and/or advice in the years leading up to retirement. The level of tax and your need for a reliable income will be critical factors to consider. In addition to the income tax payable when you access your retirement savings, there may also be important tax considerations if you intend to make pension contributions in future.

2.5 Where can I get more information on my options?

It is recommended that you take advantage of the 'Pension Wise' service, a free and impartial government service about your defined contribution pension options. More information about your options for accessing your retirement savings is available on the website at www.pensionwise.gov.uk/. If you are aged 50 or over, the website also explains how you can book a telephone or face to face guidance appointment to help you understand your options and next steps. Additional information on retirement options can be found at the independent Money Advice Service website: https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise/pension-pot-options

If you require additional information or advice, financial advice is strongly recommended.

3.0 Know Your Tax Allowances

3.1 Annual Allowance

The 'Annual Allowance' is the maximum amount of contributions that can be paid each year into your Pension Account without having to pay tax. The Annual Allowance includes both employer and employee contributions to all pension plans, not just the IMI Retirement Savings Plan – so if you contribute to another plan such as a personal pension, then those contributions normally count towards your Annual Allowance. The standard Annual Allowance is currently £60,000 (2024/2025). In calculating your Annual Allowance, you may also be able to use some unused allowances from the previous three years. From 2016/17 to 2022/23, the standard Annual Allowance was £40,000.

The Annual Allowance is tapered down for higher earners. If you have a gross income of less than £200,000 per year, you will be unaffected by the tapered Annual Allowance and your Annual Allowance will remain at £60,000. If you earn over £200,000 per year, you will also not be affected by the tapered Annual Allowance if your "adjusted income" (your gross income plus all employer and employee pension contributions) totals less than £260,000 per year.

The Annual Allowance is reduced by £1 for every £2 of adjusted income above £260,000, with a minimum Annual Allowance of £10,000 applying to individuals whose adjusted income is more than £360,000 per year. You should make sure you understand if the tapered Annual Allowance will affect you and what the implications are.

Your Adjusted Income	Your Annual Allowance
£260,000 or less	£60,000
£280,000	£50,000
£300,000	£40,000
£320,000	£30,000
£340,000	£20,000
£360,000 or more	£10,000

Once you access your pension savings, for example when you start drawing down an income or take your savings as a lump sum, your Annual Allowance may reduce to £10,000 a year (also known as the Money Purchase Annual Allowance). If your Annual Allowance does reduce like this, you cannot carry forward any unused allowance from the previous three years.

Please also be aware that some options for taking your retirement savings may also trigger an immediate reduction in your Annual Allowance to £10,000.

For further details on the Annual Allowance please refer to the government website https://www.gov.uk/tax-on-your-private-pension/annual-allowance

3.2 Lifetime Allowance

The Lifetime Allowance was the limit on the total value of pension savings you could build up tax-efficiently in all UK registered pension schemes during your lifetime. This was withdrawn from 6 April 2024, and the Lifetime Allowance Charge (paid by those who exceed the Lifetime Allowance) was reduced to zero from 6 April 2023.

3.3 Inheritance Tax on Pensions and Death Benefits

Currently, pensions are not normally included when working out the total value of your estate for Inheritance tax (IHT) purposes.

Under the current rules, how much tax your beneficiaries will pay on your pension depends on how old you are when you die:

- If you die before age 75: your unspent pension and death benefits can be inherited tax-free.
- If you die aged 75 or over: your beneficiaries will pay income tax on what they inherit at their personal tax rate (for example 20%, 40% or 45%).

IHT is a tax on the estate of someone who has died. Inheritance Tax is paid on the value of the estate at death, and any gifts made in the 7 years before death, above a threshold known as the nil-rate band. The nil-rate band is currently set at £325,000. There are several further thresholds and exemptions which may be available, including the residence nil-rate band of £175,000 if you're leaving your home to a direct descendant (e.g. a child or grandchild) for an estate worth less than £2 million. Currently, IHT does not apply if your estate is left to a spouse or civil partner. Married and civil-partnered couples can also pass on any unused IHT allowance to a surviving spouse or civil partner, potentially increasing their IHT tax-free allowance to £1 million. Anything above your IHT tax allowance is charged at 40% (unless you're leaving 10% or more to charity, which reduces the rate to 36%).

Subject to consultation and the introduction of legislation, the Government has proposed that with effect from 6 April 2027, unspent pension funds in both defined contribution and defined benefit (final salary) pension schemes and death benefits would be included within the value of your estate for IHT purposes. This means the value of your pensions when you die would be added up with your other assets to calculate whether your estate will pay IHT. If the value of your estate is above £325,000 (or £500,000 if you're leaving your home to a direct descendant), any pension funds above that threshold would be liable for IHT at 40%. If you're passing your pension on to your spouse or civil partner, this could be inherited tax-free, as with any other assets left to a spouse or civil partner.

The Government has retained the age rules when it comes to paying income tax on inherited pensions from April 2027. This means you could pay income tax on inherited pensions after IHT has been deducted as follows:

- If you die before age 75: your beneficiaries could pay no income tax on any inherited pension after IHT has been deducted.
- If you die aged 75 or over: your beneficiaries would pay income tax on any inherited pension at their personal tax rate (for example 20%, 40% or 45%) after IHT has been deducted.

IHT on an inherited pension would be deducted at source (e.g. by the pension provider), which means the beneficiaries should receive the inherited pension with IHT already taken off.

4.0 Stay on Track

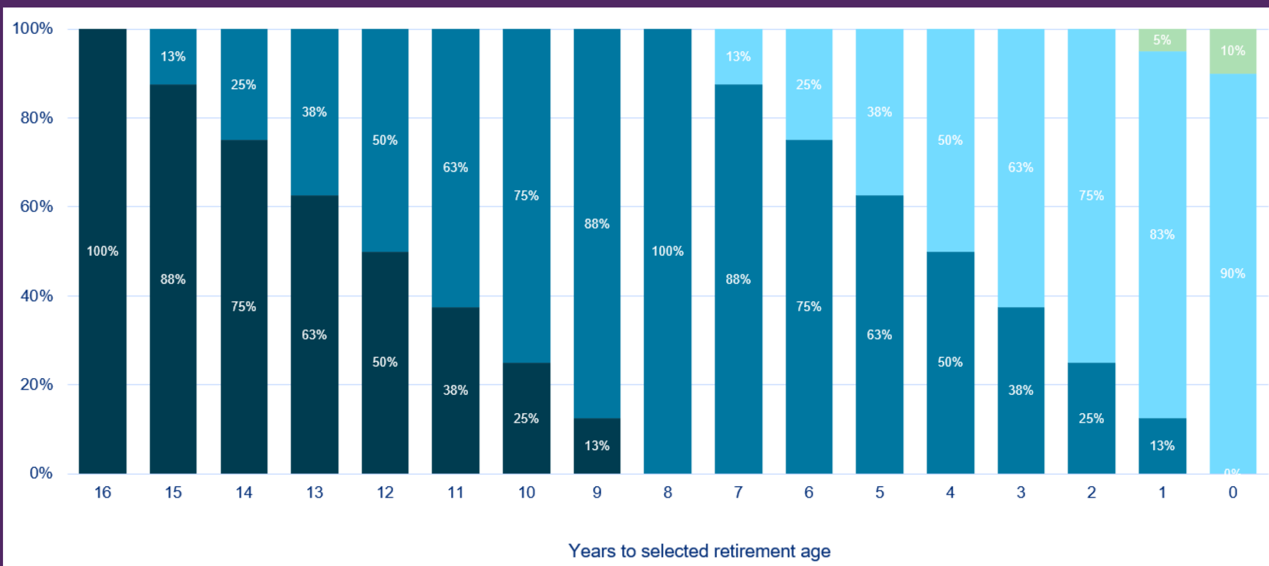
As you approach your expected retirement date you should review how your Pension Account is invested and understand how it may be switched in the period leading up to retirement. If you are invested in one of the Lifestyle strategies, part of your Pension Account will automatically be moved into lower risk funds as you approach retirement to help provide protection of the capital value of your Pension Account and to reduce the volatility normally associated with investing in equities (stocks and shares).

It is important that you consider how you intend to access your savings in retirement at least 10 years before you think you will retire. This will enable you to plan ahead and ensure that you invest in a way that is suitable for how you plan to access your money after retirement.

4.1 The Drawdown Lifestyle

The Mercer Target Growth to Drawdown Retirement SmartPath is the default investment option and is designed to cater for employees planning to retire and then intending to enter drawdown and continue to invest their portfolio after retirement.

The emphasis of this strategy gradually changes over its lifetime to reduce the risk of capital loss, ultimately investing in one or more underlying funds to produce a portfolio with approximately one-third in equities, a substantial holding in government and corporate bonds and the remainder spread across other asset types - giving exposure to other asset classes such as commodities, and money market instruments. This is illustrated by this chart:

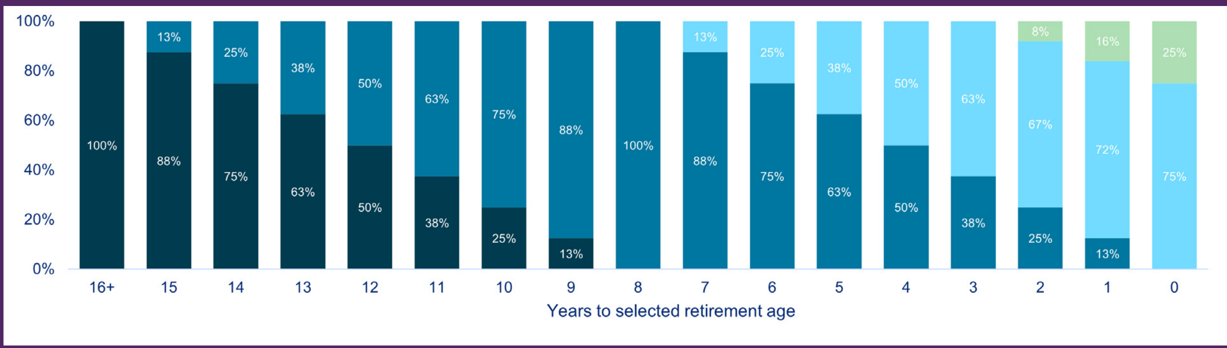


- Early Growth Mix: Equities and growth bonds
- Growth Mix: Equities, Bonds and other assets such as Commodities
- Retirement Income Mix: Bonds, Equities and other assets such as Commodities
- Cash and Money: Money Market Securities

4.2 The Annuity Lifestyle

The Mercer Target Growth to Annuity Retirement SmartPath is designed for employees intending to retire and buy a fixed annuity within 12 months. The emphasis of this strategy again gradually changes over its lifetime to reduce the risk of capital loss, ultimately investing in one or more underlying funds, which invests around three quarters in government and corporate bonds and around a quarter in money market securities.

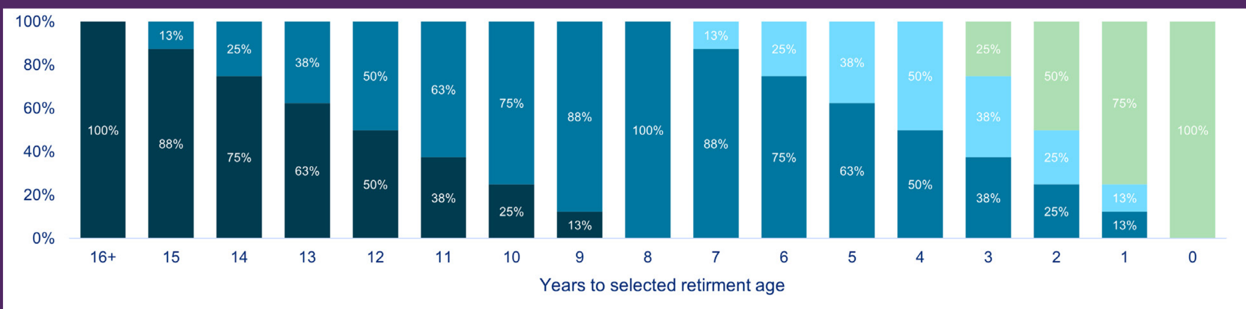
This is illustrated by this chart:



- Early Growth Mix: Equities and growth bonds
- Growth Mix: Equities, Bonds and other assets such as Commodities
- Annuity Matching Mix: Goverment and Corporate Bonds
- Cash and Money: Money Market Securities

4.3 The Cash Lifestyle

The Mercer Target Growth to Cash Retirement SmartPath is designed for employees planning to retire and take their benefits in cash at their selected retirement age. The emphasis of this strategy again gradually changes over its lifetime to reduce the risk of capital loss, ultimately investing in one or more actively managed funds which invests in money markets. These assets aim to maintain a cash-based level of income with preservation of capital and easy access.



- Early Growth Mix: Equities and growth bonds
- Growth Mix: Equities, Bonds and other assets such as Commodities
- Retirement Income Mix: Equities, Bonds and other assets such as Commodities
- Cash and Money: Money Market Securities

4.4 Reviewing your selection

You should check that your investments are following the most suitable strategy for your circumstances and if not, you can select new funds from the full range.

If you have self-selected your own funds, it is important that you review your selections as you approach retirement. If you are investing in one of the growth funds, such as equities or diversified growth, you should consider the possible effect of market downturns on the value of your Pension Account as this will directly impact the value of your Pension Account at retirement.

You may wish to start reducing your holdings in these growth funds in the years leading up to retirement, particularly if you intend to secure an annuity or alternatively, to reflect the balance between long term growth and your shorter term income needs.

Details of all available funds including fund fact sheets are available online through the member site: https://www.scottishwidows.co.uk/save/rsp . You can also change your selected retirement age and investment choices by logging on to your Mercer Money account Mercer (mercermoney.com) at or by calling Scottish Widows, the Plan administrators, on 0800 587 1912. If you need further advice on which investment options to choose, you should consult a financial adviser (see later).

4.5 Your selected retirement age

You should also check your selected retirement age to ensure the switching happens at the right time. Otherwise, the value of your Pension Account at retirement might end up smaller than it could be, or you could be taking on extra risk. However, if you are thinking of changing your selected retirement age and you are:

- invested in one of the Lifestyles and;
- your Pension Account has started being switched into lower risk funds.

You should speak to Scottish Widows to ensure you understand how changing your retirement age will affect how your Pension Account is invested.

Even if you manage your own investments so there is no automatic switching to lower risk funds, it is important that you update your retirement age so that Scottish Widows sends you the right information at the correct time.

5.0 Help when you Retire

As you approach retirement, there is a process designed to help you choose the retirement option(s) which best suits your own specific circumstances.

If you wish to draw your pension savings earlier than your normal retirement age of 65, then you should contact Scottish Widows to start the retirement process. At the same time, you should review your investment strategy to ensure that it remains appropriate for the earlier retirement.

In addition, if you wish to defer taking your pension savings beyond age 65, it's important that you make Scottish Widows aware of this and review your investment strategy, as your Pension Account will have more time to grow.

Scottish Widows' and Mercer's retirement communications are designed to guide you through the process of deciding how you would like to put your pension savings into payment and the steps that you need to take to achieve this.

5.1 Annuity purchases

A tool is available within the Mercer Money app enabling members to calculate how much their accounts will generate in terms of an annuity based on current rates. The tool also provides details of enhanced annuity rates.

Once you have decided on the type of annuity, Mercer's in-house annuity team will provide the most competitive quotation and then ensure the correct paperwork is submitted. The team is able to offer fixed term and lifetime annuities on normal and enhanced rates. The Mercer annuity service includes a discussion outlining the service provided, fees and next steps, along with a written report detailing the results of the market broking exercise and arranging the purchase of the selected annuity on behalf of the trustees.

If you have more complex needs and/or requires advice, there are two options available. If your account is valued below £300,000, Mercer's Destination Retirement is available. This is a self-serve online digital journey providing holistic and regulated retirement advice. Alternatively, if your account is valued in excess of £300,000, Mercer Private Wealth can provide advice on an annuity purchase.

The non-advised annuity purchase route with Mercer's in-house annuity team costs £750. However, if you receive the results of the annuity market review and decides not to proceed with an annuity purchase, the fee is not charged. The fee can be paid through deduction from your account in the form of commission. If an annuity is purchased through Destination Retirement, there is a product arrangement fee equal to 2% of the annuity purchase price.

5.2 Using drawdown

Drawdown can be accessed through the Plan on a non-advised basis, which means that you drawdown without needing to transfer, thereby continuing investment in the same funds with no out of market risk or transaction fees. Members of the Mercer Master Trust can also access an external drawdown option, supported by an advised process using Destination Retirement. This is a Self-invested Personal Pension product provided on the Embark platform via HUB Financial Solutions.

You can also transfer to any other drawdown arrangements available on the market, having taken guidance or advice as needed.

5.3 Allow plenty of time

Once the necessary documentation has been received, Scottish Widows will make the arrangements for you to start receiving your income using the option you have chosen.

Please note that it may take up to 6 months from when you are sent your retirement pack to when you start receiving your retirement income. There may be advice to be taken, decisions to be made, forms to be filled out and financial processing that needs to occur before you can access your retirement savings. Try not to leave it until the last minute.

5.4 Guidance

Understanding which retirement option(s) is best for you is a big decision to make, and its important you understand all the options clearly.

Specially trained individuals located within the Scottish Widows contact centre can provide general information and guidance queries in respect of your Mercer Master Trust benefits only (i.e., not including any benefits built up elsewhere, such as previous employers).

There are a number of other areas where you can find further information and guidance:

MoneyHelper – This is a free Government service that can offer you:

- Impartial guidance (online, over the telephone or face-to-face) to explain what options you have and help you think about how to make the best use of your pension savings.
- Information about the tax implications of the different retirement options and other important areas you should consider.
- Tips on getting the best deal, including how to shop around
- www.moneyhelper.org.uk/en/pensions-and-retirement

GOV.UK – You can find more information on pensions and retirement planning, including State Pensions and your State Pension Age at www.gov.uk.

Financial advice

In addition, you may prefer to seek financial advice. A financial adviser will likely need to see details of all your pension savings, and understand what your retirement goals are, in order to help you decide which retirement option(s) is best for you.

If you don't have your own financial adviser, you can use the services offered by Mercer, or find a local adviser at one of these websites:

VouchedFor - https://www.vouchedfor.co.uk/

MoneyHelper - https://www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser

It is important to note that a financial adviser will charge you for their time and services, so it is important that you understand how their fees work.

If you elect to use Mercer's advice service, you will be directed to either Destination Retirement or, if your Pension Account is over £300,000, Mercer Private Wealth.

The Destination Retirement route is a self-serve digital advice service which is free of any initial charges. However, there is an ongoing fee of 0.60% per annum as a percentage of the value of your Pension Account if you elect to use the drawdown solution.

Should you use Mercer's Private Wealth team, the initial fee is 1.95% of assets under advice but these reduce for values over £500,000. The ongoing fee is then 0.75% per annum of your ongoing pension account.

About this guide

IMI and its advisers cannot provide you with any financial advice in relation to how you should take your pension savings at retirement. If you obtain financial advice, any costs incurred will not be reimbursed by IMI.

This guide aims to introduce you to the options available at retirement. The Mercer Master Trust Deed and Rules form the legal basis of the Plan and will override this guide in the event of any difference between the two. This guide does not confer rights to benefits, which can only be conferred by the Master Trust Deed and Rules.

References to tax reflect our understanding of the tax position for UK tax resident individuals at April 2025 and may be subject to change in future. If you are unsure of your own tax position it is recommended that you seek your own professional advice.

Pensions website

The IMI plc website provides a wealth of useful information www.imipensions.co.uk.

IMI operates four global centres of technical excellence and a sales and service network in 50 countries, as well as manufacturing capability in Brazil, China, the Czech Republic, Germany, India, Mexico, the UK and the USA.

Supported by distributors worldwide.

www.imiplc.com

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