

SSTA

Life Ltd.

Independent Financial Advisers

Directly authorised and regulated by the Financial Conduct Authority
Firm Registration Number 131706 / 714672

Office : 0131 556 4540

Email : enquiries@johnstonfinancial.co.uk



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Today's Agenda - Retirement

- Introductions – L-Life Ltd / Johnston Financial
- The Teachers' Pension Schemes
- Sargeant & McCloud – Where are We Now?
- Phased Retirement & what has happened to Winding Down?
- How you can top your pension up and when should you do it?
- Cashflow in Retirement
- How to get value from your Savings and Investments
- Where can you get help/advice?

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Stuart McCullough

Office : 0131 556 4540

Email : enquiries@johnstonfinancial.co.uk



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- Fully Independent Chartered Financial Advisers
- Working with SSTA since 2012
- Wealth Advisers who Specialise in Public Sector Pension Schemes
- Provide a free range seminars and workshops to SSTA members mainly on retirement planning
- Competitive Charging Structure



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The Schemes

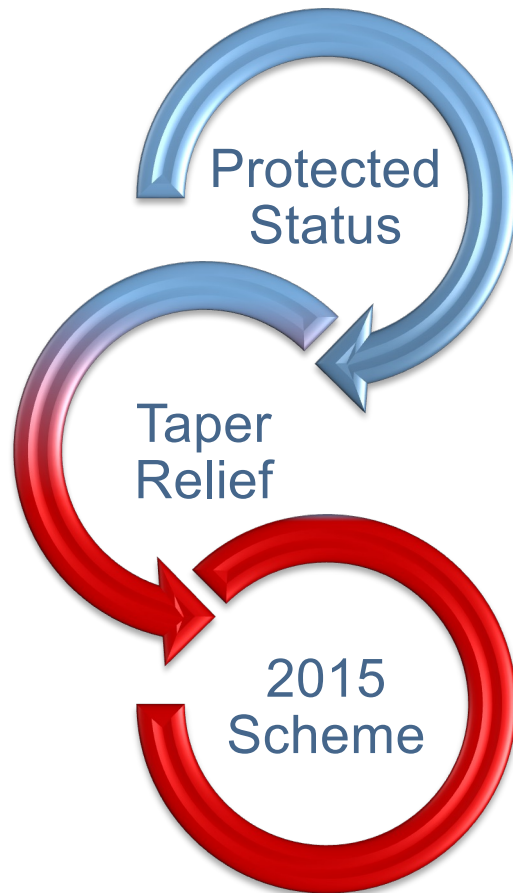


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How we got here?



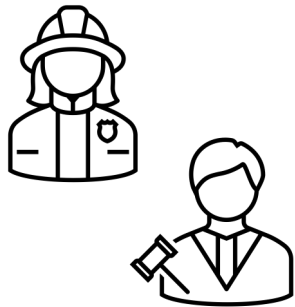
Section	Pre 1 st Apr 2007 Member's Pension	Post 1 st Apr 2007 Member's Pension	Post 1 st April 2015 Member's Pension
Normal Pension Age	Age 60	Age 65	State Pension Age
Early Retirement	You can choose to take early retirement, between age 55 and NPA, where you have been in pensionable employment on or after 1 July, 2002. Benefits will be permanently actuarially reduced.		
Pension Calculation	A pension worth 1/80th of Pensionable Salary per year of service	A pension worth 1/60th of Pensionable Salary per year of service	Care Scheme based on 1/57th of annual earnings plus 1.6%
Lump Sum Calculation	3 x Pension – automatic Plus the option to give up part of Pension for a larger lump sum	Option to give up part of Pension for a retirement lump sum	
Pensionable Salary	Your pensionable salary is the best of the following: <ul style="list-style-type: none"> Average of best consecutive three years' revalued salaries from the last 10 years Salary in last 12 months 		Career Average Revalued Earnings Scheme



Those due to reach pension age **within ten years from 1 April 2012** will remain in their current scheme and be able to retire at their normal pension age (NPA).

Those that were born between **1st April 1962 and 30th September 1965 (Pre 2007)** or **1st April 1957 and 30th September 1960 (Post 2007)** will also receive some protection.

Those that were born after **30th September 1965 (Pre 2007)** or **30th September 1960 (Post 2007)** moved to the CARE scheme on 1st April 2015.



- Judicial Pension Scheme & Fire Fighters Pension Scheme
- Legal challenge made by McCloud & Sargeant
- Relating to the transitional protections introduced as part of the 2015 reforms
- Either stay in the final salary scheme or move over to the CARE scheme on a tapered basis – no choice given

- Court of Appeal & Supreme Court
- Transitional protections **do discriminate** on the grounds of age
- **No evidence** to support there was objective **justification** for that **discrimination**
- Court referred back to Employment Tribunal
- **UK Government must now propose a remedy** that will compensate individuals

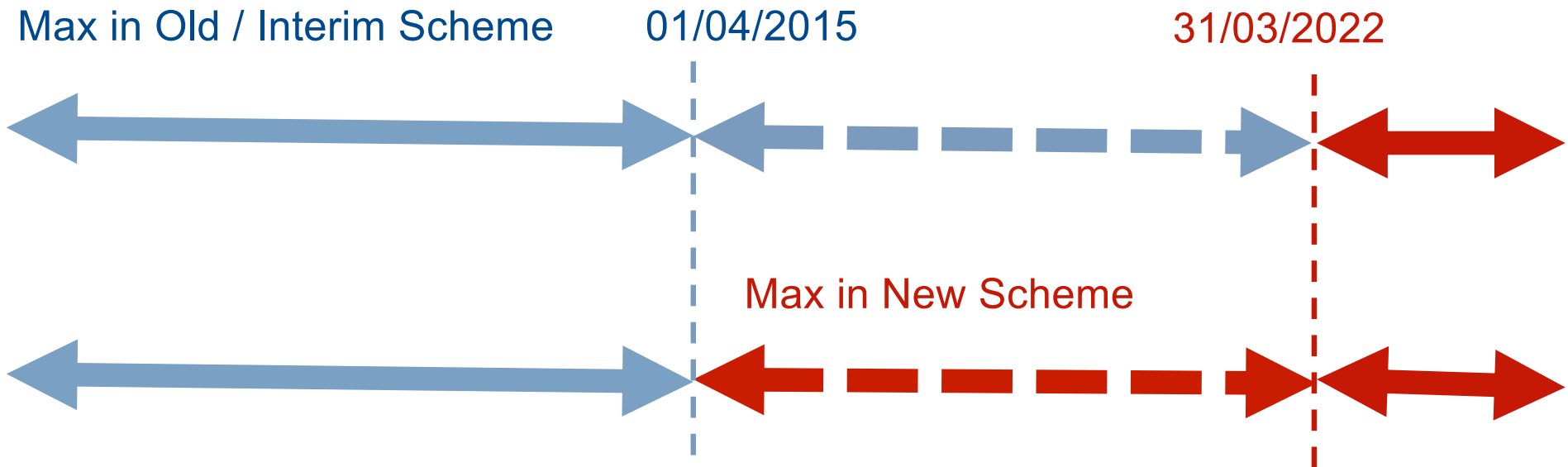


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What is affected?



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Where are we now?

- It has been established that all eligible members are to be offered a choice to receive benefits in either the **reformed pension** scheme or **legacy scheme**, for the duration of the remedy period (1 April 2015 to 31 March 2022).
- From 1 April 2022, all members with service will be in the **reformed scheme**. This means that all members will be treated equally in terms of which pension scheme they are a member of for future accrual.
- The 2015 Remedy has been implemented in two phases, a 'prospective' and a 'retrospective' phase. The 'prospective' phase was implemented on 1 April 2022 when the **legacy schemes** were closed to all members and the remaining (protected legacy scheme) members were made eligible for new scheme membership.
- In October 2023, all members with eligible service for the remedy period will be placed in their relevant **legacy schemes** for the remedy period and will be given a choice at retirement – this is called "Roll Back".

**No Action Needed
Until You Retire**

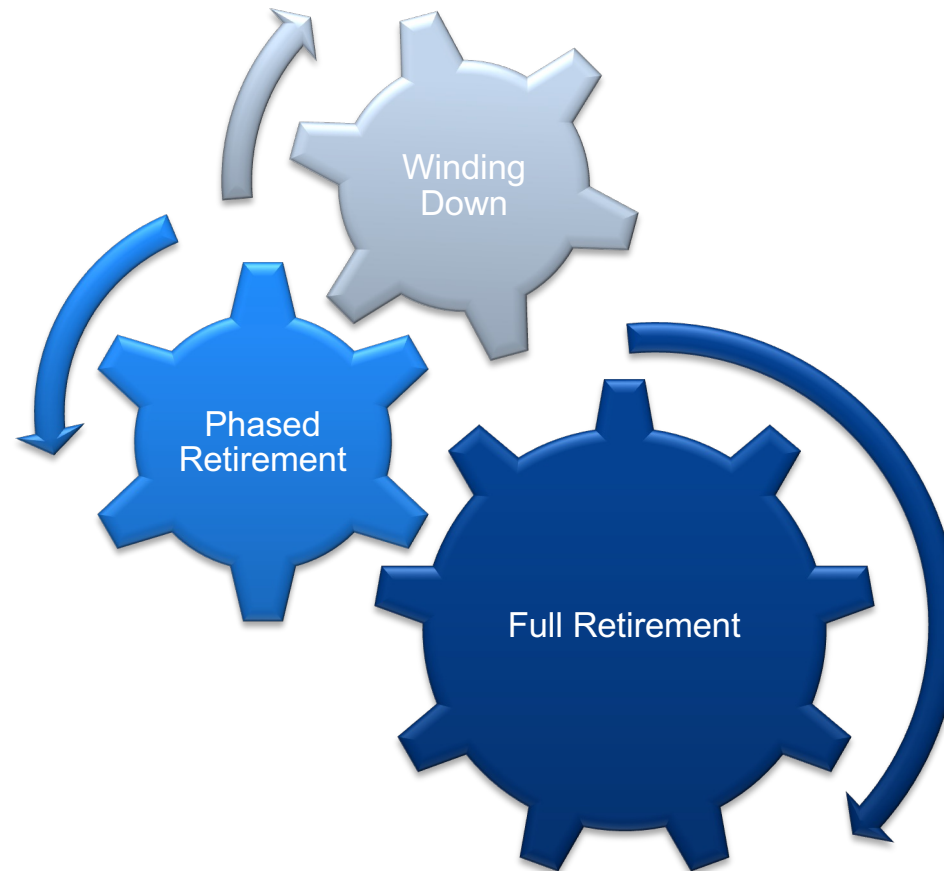


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Retirement Options



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Phased Retirement Option

• **After age 55** you can apply to take phased retirement without having a break in employment provided that your pensionable **salary reduces by 20%** or more for **at least 12 months**. STSS recommend **full discussion with your employer** prior to commencing this arrangement. The maximum you can draw under this arrangement is **75% of your total benefits**. The remaining service, which must be at least 25%, will be aggregated with any subsequent service you accrue and used in future benefit calculations. The benefits taken will be **actuarially reduced** if they are to do before your NPA.

Winding Down Option

Winding down is a phased retirement option which, if you are approaching retirement age, offers you the opportunity to continue with employment on a part-time basis whilst protecting your overall final retirement benefits entitlement.

You cannot elect to enter winding down employment earlier than **four years** prior to **NPA**. You must have a **minimum of 25 years** teaching service of which the **last 10 years must have been full-time service**. A break of up to 5 years or less will count as qualifying service, but will not count in the calculation for benefits

Winding down incorporates the following features:

- Your part-time contract must be set at a minimum of 0.5 full-time equivalent.
- Each year you serve under the part-time contract will count as one full year for pension benefit calculation purposes
- **Your pensionable salary, for benefit calculation purposes, will be the salary that you received in the 365 days prior to entering winding down employment, index linked to the actual point of retirement**
- It is possible for winding down contracts to end after your NPA subject to a maximum length of four years.

Option ceased on 31st March 2022

SPPA Statement Information

Statement Date

31/03/2022

Name

A Teacher

Date of Birth

12/09/1965

Age 58

Salary NPA 60 Scheme
Salary CARE Scheme

£48,119.00

Net Salary £2814

£45,300.00

Service in NRA 60 Scheme

Years

Days

28

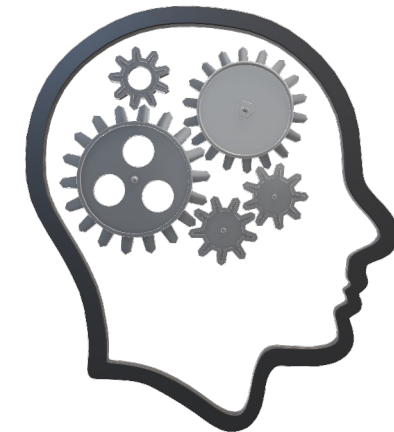
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Accrued CARE Value

£0.00

Current Working Time

100.00%



Retirement / Phased Plan

Retirement/Phased Date

15/08/2024

Phased % working

60.00%

% of Pension taken

75.00%

Option 1 - Full Retirement on

15 August 2024

Maximum Benefits in NPA 60 Scheme

	Maximum Pension / Minimum Lump Sum	Minimum Pension / Maximum Lump Sum
Pension (NPA 60)	£20,156.52	£16,197.20
Lump Sum	£60,469.55	£107,981.34
Pension (CARE)	£1,296.55	£833.49
Lump Sum	£0.00	£5,556.63
Total Gross Pension	£21,453.06	£17,030.70
Net Monthly Pension	£1,641.51	£1,346.68
Total Lump Sum	£60,469.55	£113,537.97

Option 3 - Phased Retirement on

15 August 2024

The estimate assumes that you will working 0.6 of your full time contract

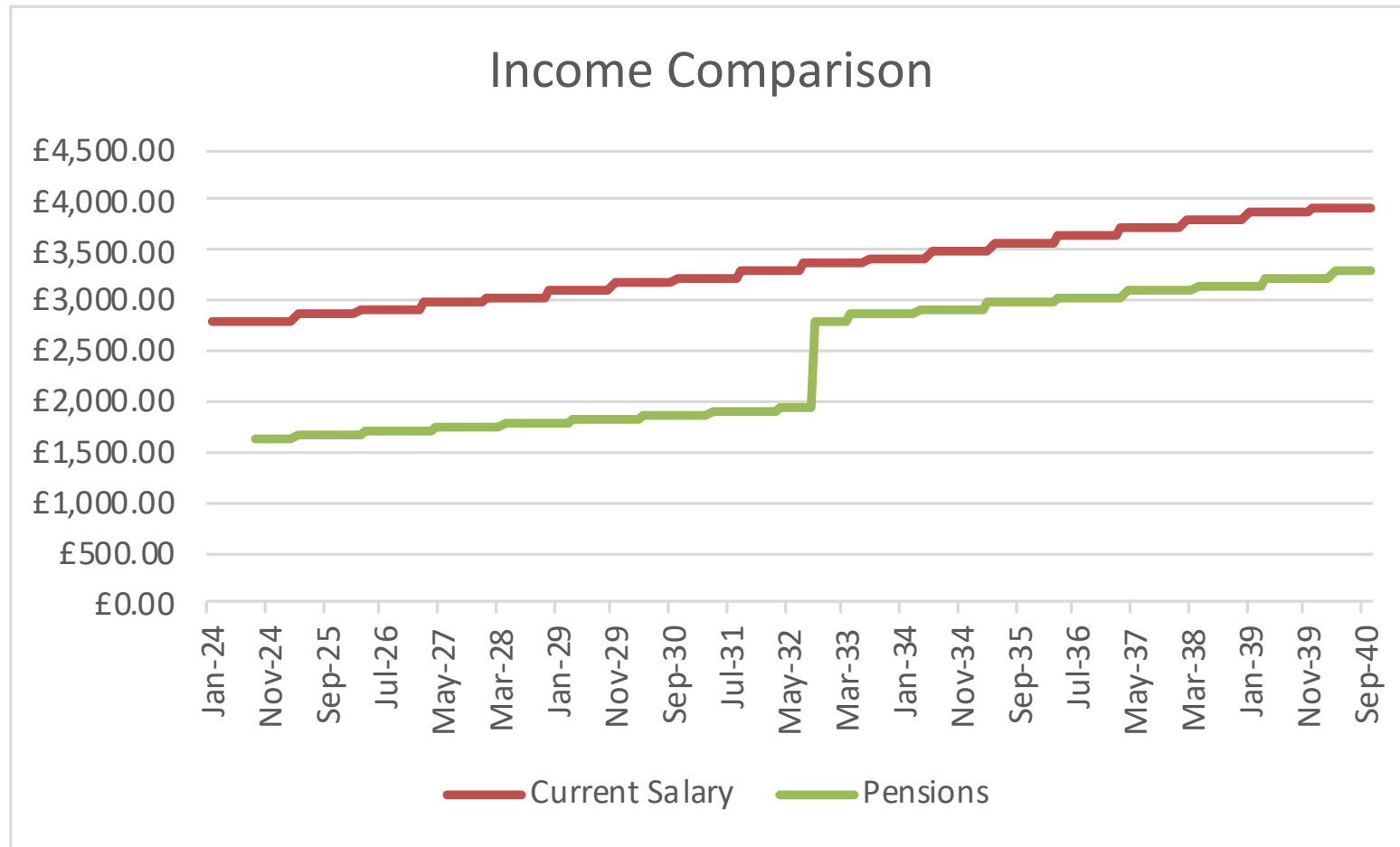
The estimate assumes that you will access 0.75 of your accrued Teacher Pension Benefits

	Maximum Pension / Minimum Lump Sum	Minimum Pension / Maximum Lump Sum
Gross Salary	£28,871.40	£28,871.40
Estimated Monthly Net Salary	£1,758.35	£1,758.35
Gross Pension	£16,089.80	£12,773.02
Estimated monthly Net Pension	£1,059.25	£840.89
Estimated Lump Sum	£45,352.16	£85,153.48
Total Expected Net Monthly Income	£2,817.60	£2,599.24

Ways to Increase your pension

- **Additional Pension**
- **Teachers Additional Voluntary Contributions**
- **Faster Accrual (2015 Scheme Only)**
- **ERRBO (2015 Scheme Only)**





Ways to Increase your pension

- **Additional Pension**

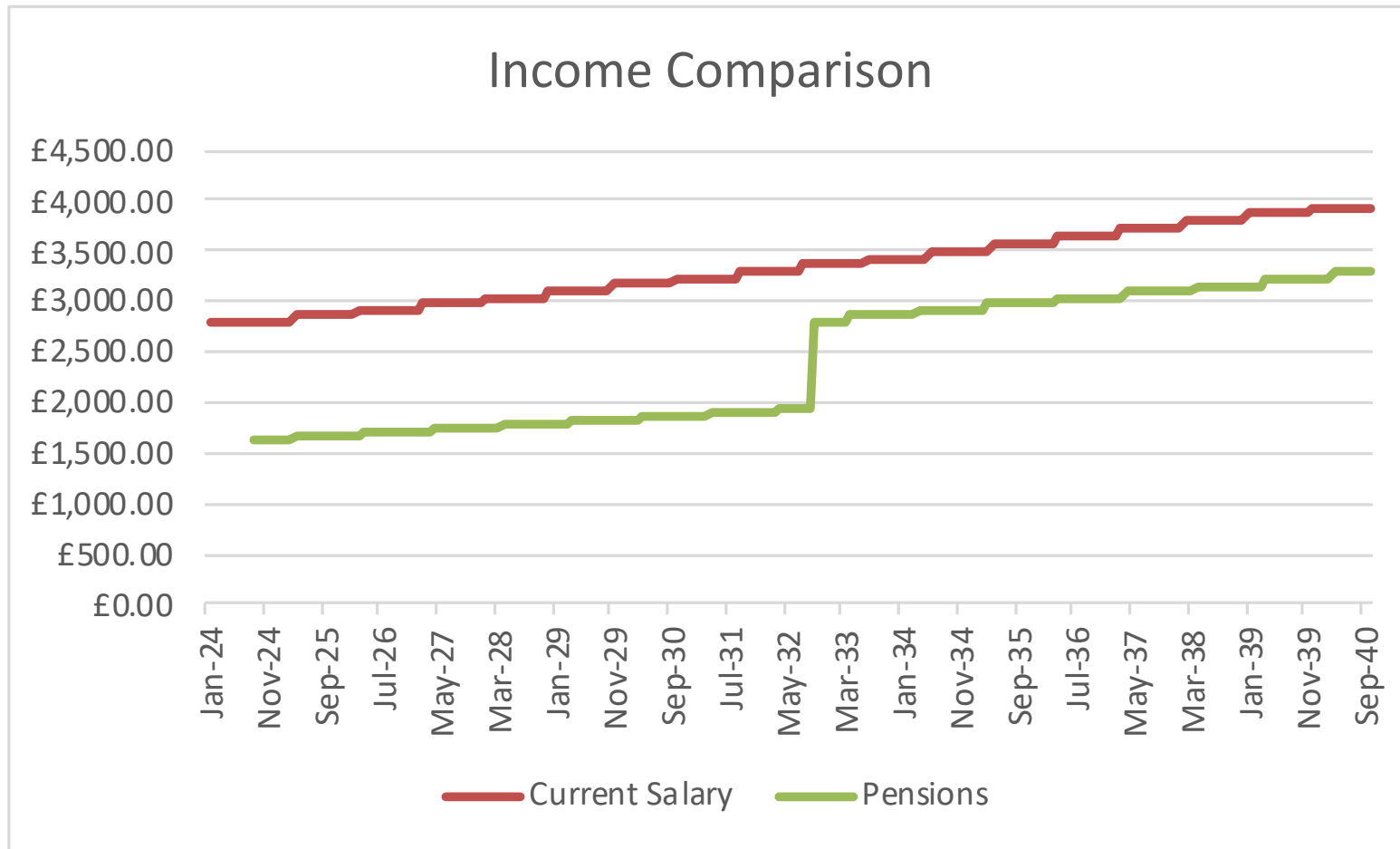


Click on Weblink

<https://pensions.gov.scot/teachers/growing-your-pension/increasing-your-pension>

Additional Pension

- Additional Pension (AP) is an amount of extra pension that can be bought while you are in employment and is paid in addition to your scheme benefits when you retire.
- The cost of purchasing additional pension depends on various aspects such as your age, how much you wish to purchase and if you want to pay by a single payment or by regular deductions from your salary.
 - Purchased in amounts of £250 up to £7000.
 - Payment can be monthly or in a lump sum.
- AP does not include an automatic lump sum but you can include your AP in the total pension that is given up, or commuted, to provide a bigger lump sum.



Ways to Increase your pension

- **Teachers Additional Voluntary Contributions**

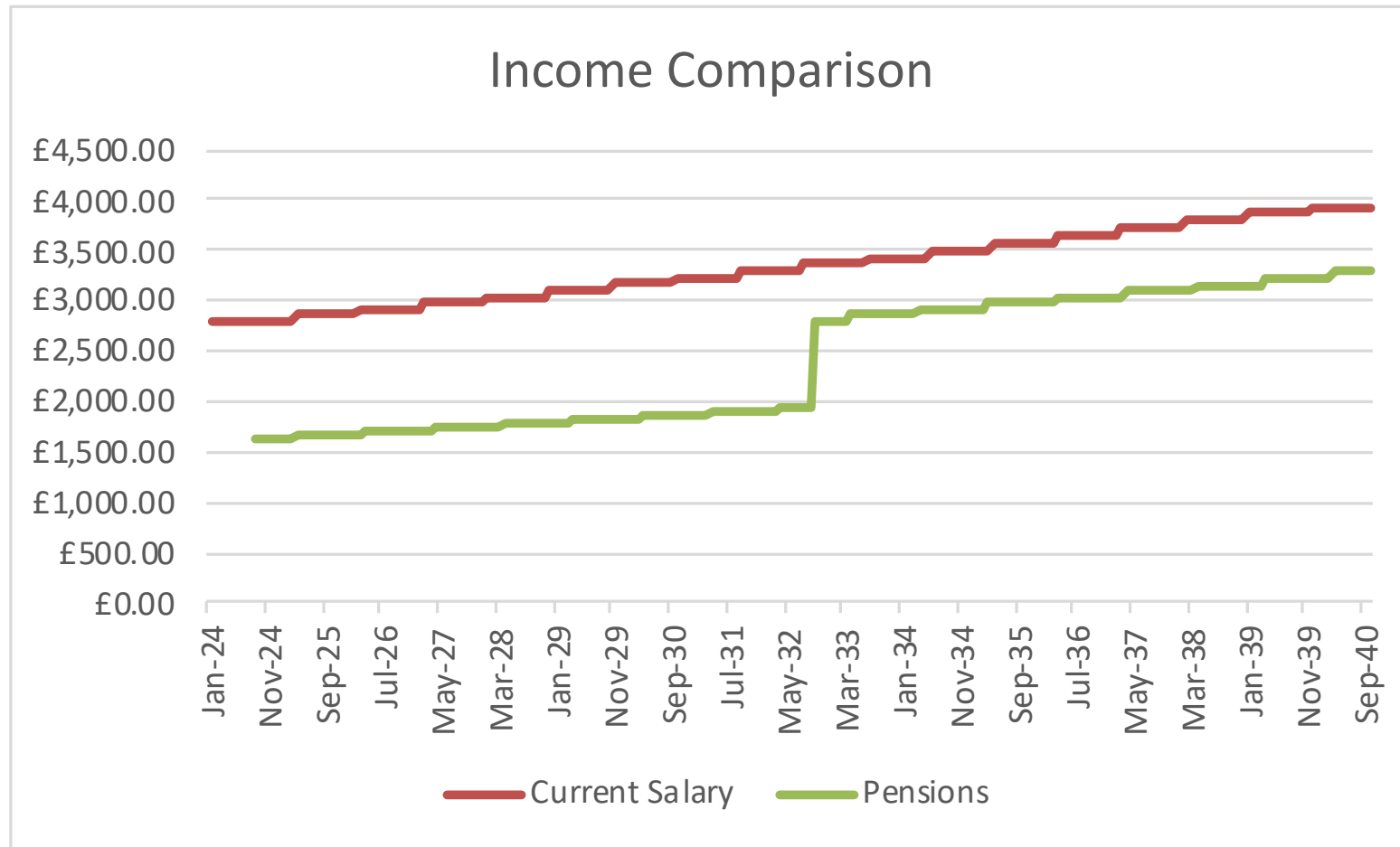


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[http:// www.pru.co.uk/rz/teachers/scotland/](http://www.pru.co.uk/rz/teachers/scotland/)

Teachers' Additional Voluntary Contributions

- A Teachers' AVC is a separate pension pot that you can build up in addition to your teachers' pension to potentially provide you with extra retirement benefits. You can take the money you have built up in your pot from age 55 - either before, at the same time as, or after you take your teachers' pension.
- A Teachers' AVC is investment based (like most pensions) so the value can go down and well as up and you may not get back the amount you put in.
- Contributions are paid directly from your salary and you can stop, restart or adjust them at any time. If you do stop or reduce your contributions it will affect how much money you will eventually have.



Ways to Increase your pension

- **Faster Accrual (2015 Scheme Only)**



Click on Weblink

<https://pensions.gov.scot/teachers/employers/increasing-benefits>

What is faster accrual?

- A member can elect to pay higher contributions in career average, to earn a higher pension.
- The normal rate of accrual or growth in pension is based on $1/57^{\text{th}}$ of their actual earning for that year.
- Members can pay higher contributions so that growth in their pension can be $1/45^{\text{th}}$, $1/50^{\text{th}}$ and $1/55^{\text{th}}$ of their actual earnings for that year.

When does a faster accrual election start and end?

- Each election lasts for one financial year (1 April to 31 March). An election must be made in the year before the member wants it to take effect. This would ideally be before the end of January to allow the Department and employer time to process the election before 1st April.
- If a member enters teaching mid-year they can make an election for the remainder of that year, but the member must make it within one month of entering service.

Ways to Increase your pension

- ERRBO (CARE Scheme Only)



Click on Weblink

<https://pensions.gov.scot/teachers/employers/increasing-benefits>

What is actuarial buy-out (ERRBO)?

- Members in career average can pay additional contributions, which allows them to retire from 65 but before their normal pension age (NPA) without their benefits being actuarially reduced.
- Members can purchase 1, 2 or 3 years buy-out dependent on their NPA.
Contributions are paid throughout their career unless they leave service for 30 days or more, when the election is deemed to be cancelled.

What are the options – ERRBO & Faster Accrual?

- The SPPA will calculate the additional benefit earned between transferring into the CARE Scheme and 31st March 2022 and pay this as a benefit as Additional Pension if you elect for "Legacy"
- Refund of contributions

How to Apply to the Teachers' Pension Scheme

Step 1

- Work out some figures

Step 2

- Approach your employer to discuss your options
- They will issue you with the relevant Retirement Application forms

Step 3

- Complete the Retirement Forms
- Hand back to employer approx. 4 months in advance
- The SPPA will email you once they have received the form

What to Think About?



- What level of income do I need?
 - Fixed
 - Essential
 - Discretionary



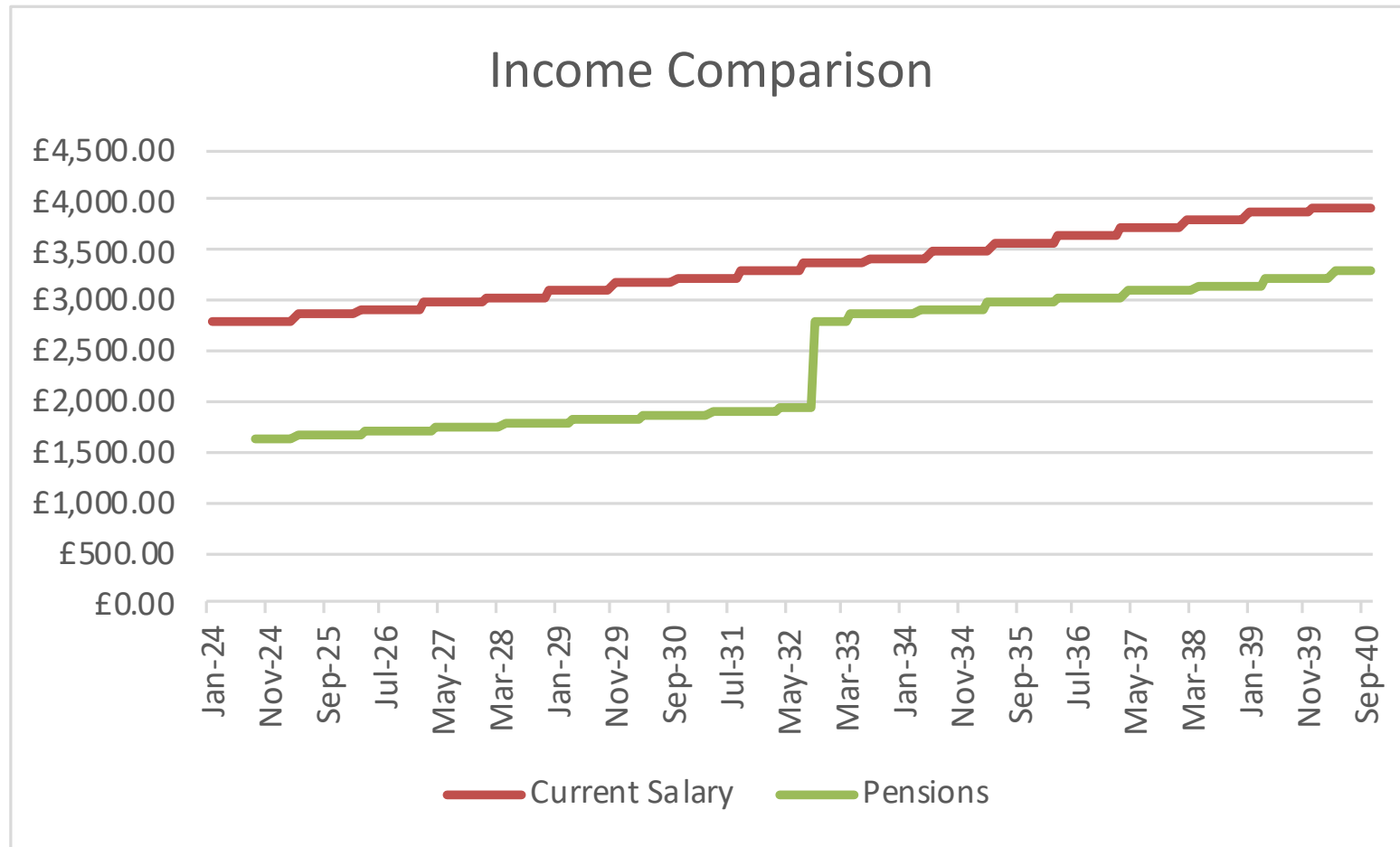
- What incomes are available and when?
 - Teachers Pension
 - State Pension
 - Any Additional Pension
 - Additional Savings / Investments



- Are there expenses I can get rid off?
 - Mortgages
 - Loans
 - Credit Cards
 - Children!



- What savings and investments do I have and how can they be used?



The common mistakes.....

- You don't review your investments regularly
- You opt of safety and put the funds in cash
- You wait so you can "time" the market



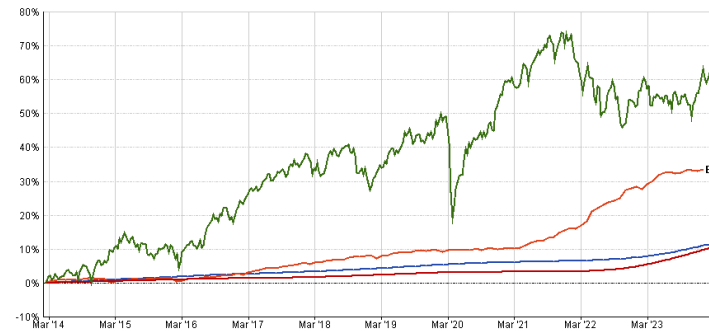
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Performance Line Chart



11 February 2024

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



■ A - AFI Balanced TR in GB (62.35%)
■ B - UK Consumer Price Index TR in GB (33.54%)
■ C - Monetary 90 Days Notice 100k in GB (11.48%)
■ D - Bank Of England Base Rate TR in GB (11.0.38%)

07/02/2014 - 09/02/2024 Data from FE fundinfo2024

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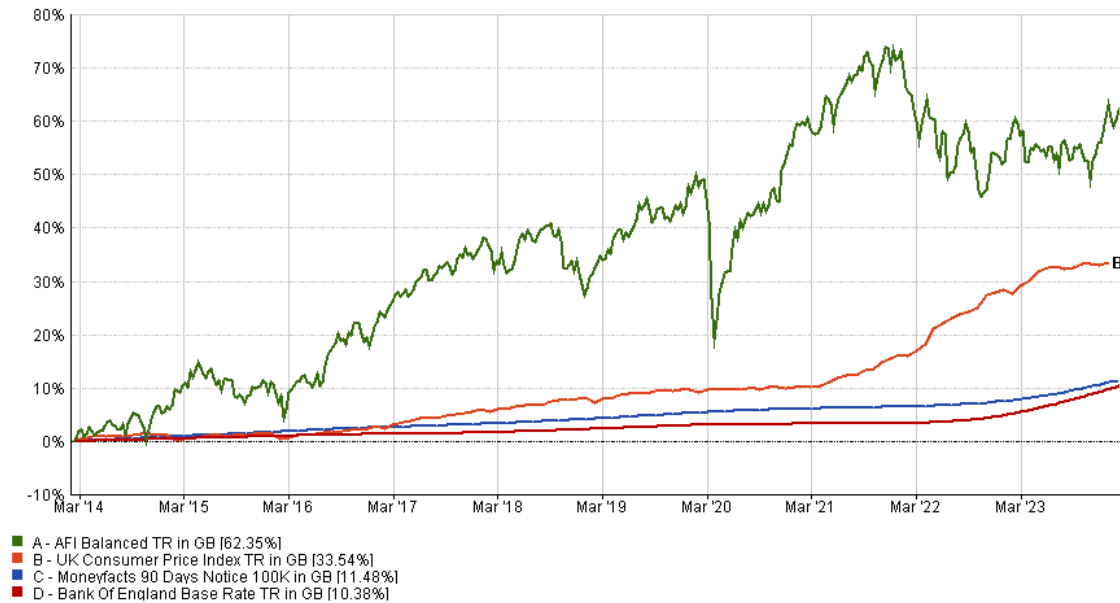
Performance Line Chart



FE Analytics

11 February 2024

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



07/02/2014 - 09/02/2024 Data from FE fundinfo2024

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So What do you need.....

- Time
- Knowledge
- Trust

Definition of Risk

Risk is defined in financial terms as the chance that an outcome or investment's actual gains will differ from an expected outcome or return. Risk includes the possibility of losing some or all of an original investment.

(Source – Investopedia)

Or

The probability of an action happening and the impact it will have on your financial situation.

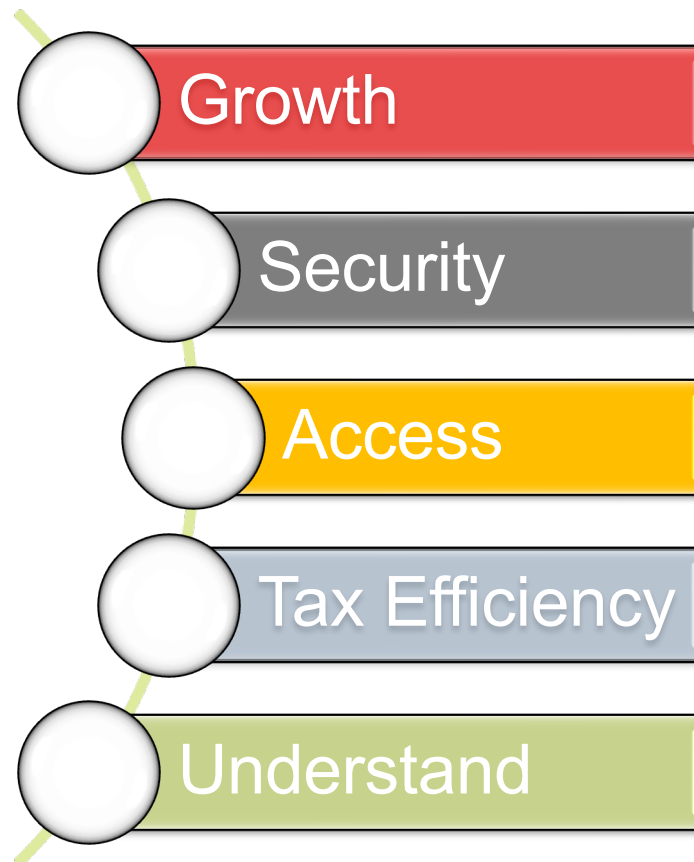


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Using Your Savings, Investments & Pensions



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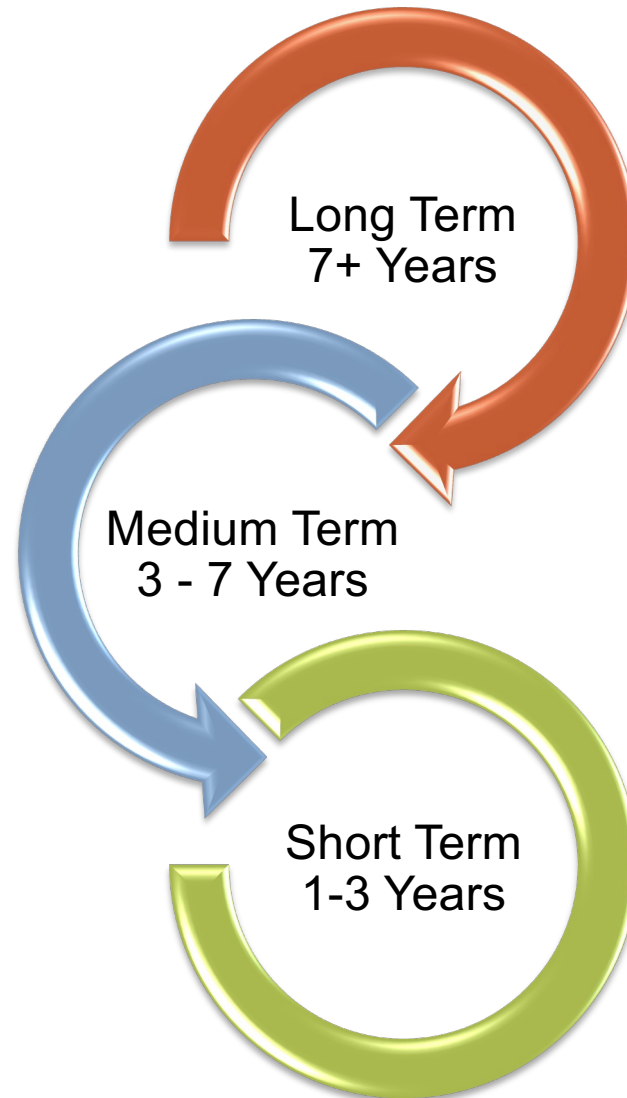


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Using Your Savings, Investments & Pensions



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The Way Forward

❖ Get Advice

- ❖ Be careful who you use
 - ❖ Specialist
 - ❖ Make sure the adviser can advise on your pension scheme
 - ❖ Make sure their charges are reasonable

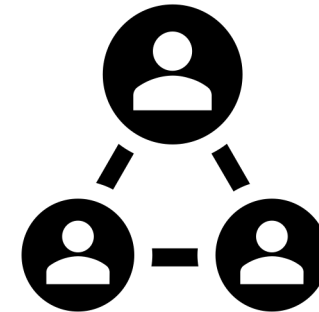
❖ Put a Plan In Place

- ❖ Work backwards from Retirement
 - ❖ How much will you need?
 - ❖ When will I achieve it?
 - ❖ What actions do you need to put in place?



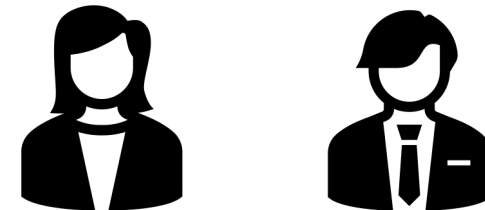
Definition of Financial Advice

In the context of financial services, “advice” is a **service which recommends a specific course of action based on consumers' individual circumstances and goals**; “guidance”, on the other hand, provides information and/or options to narrow down consumers' choices, without making an explicit recommendation.



Definition of a Financial Adviser

An adviser or firm that provides independent advice can consider and recommend a wide range of retail investment products that could meet your needs and objectives. Independent advisers will also consider products from a wide range of firms across the market, and will give unbiased and unrestricted advice.



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Financial Advice What is it?



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Independent Advisers

An adviser or firm that provides independent advice can consider and recommend a wide range of retail investment products that could meet your needs and objectives.

Independent advisers will also consider products from a wide range of firms across the market, and will give unbiased and unrestricted advice.

An independent adviser may also be called an 'independent financial adviser' or 'IFA'.

Restricted advisers

A restricted adviser or firm can only recommend certain products, product providers, or both.

The adviser or firm must clearly explain the nature of the restriction. If you are not sure about the offer you should ask for more information.

Some examples of restricted advice are where:

- the adviser works with one product provider and only considers products from that company
- the adviser considers products from a limited range of product providers
- the adviser is unable to review existing products that you may already have in place.

Restricted advisers and firms cannot describe the advice they offer as 'independent'.

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Financial Advice What is it?



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Initial Cost

Initial adviser charge agreed between client and adviser for work undertaken.

Initial consultation usually without charge.

Adviser charge will be based on time, resource and expertise required to provide tailored advice.

Some advisers will ask you to commit to paying their Initial Adviser Charge before they will commence work on your behalf.

The initial cost can be paid directly by you or through the product recommended.

The initial cost can be charged on a percentage basis, fixed costed basis or charged by the hour.

Ongoing Cost

Ongoing adviser charge agreed between client and adviser for services to be provided.

Adviser and client will agree menu of services.

Adviser charge will be based on time, resource and expertise required to provide ongoing services.

The ongoing cost can be paid directly by you or through the product recommended.

The ongoing cost can be charged on a percentage basis, fixed costed basis or charged by the hour.

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The Next Steps



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We provide you with an initial consultation, either virtually, by phone or by mutual agreement face to face, at no cost to you.

This helps us to understand your financial objectives and we will confirm how we can support you in working towards these goals. We will also discuss the cost, and levels of our services both initially and throughout our relationship with you.