

Defined Benefit / Final Salary

e.g. all Public Sector Schemes



How can I tell?

- It might be explicit on the scheme documentation
- Years of service may be specified
- Final salary detailed
- No investment fund details

How do they work?

Employer Pension Scheme

A pooled scheme that provides benefits to all employees who join.



How are they valued?

(valuations can change over time)

Scheme actuary calculates CE value of a member wishing to transfer-out of the scheme or to provide a valuation for divorce purposes.

How is income paid?



Retiring member gets guaranteed but inflexible pension income based on number of years' service and salary.

Defined Contribution / Money Purchase

e.g. Personal Pension, SIPP or Some Occupational Schemes



How can I tell?

- It might be explicit on the scheme documentation
- Investment details present (e.g. fund name, number of units and price).



How do they work?

- Member has their own individual fund and can choose the investments themselves
- **Caution:** It could have been taken out via an Employer or as a Personal Pension (or SIPP)

How are they valued?

(valuations can change over time)

Value depends on the underlying value of the investments within the plan (calculated as Number of Units x Unit Price).

How is income paid?



Income Via Annuity:
Pension fund is exchanged for a guaranteed but inflexible income for life.

Income Via Pension Drawdown:
Drawing an income from the fund while it remains invested. Fund could be exhausted. This income is not guaranteed but is flexible.

Beware of occasional combination or Hybrid Schemes

Pension sharing
If an external transfer is allowed, it would normally be paid to a money purchase plan.

Clear thinking from **Bluesky Chartered Financial Planners**

Please note that this guide is intended to give general guidance only and appropriate advice should be sought before any action is taken.