Booklet 1 BASF UK Group Pension Scheme (DC section)

Your member guide

getting started

BASF
We create chemistry

1 October 2015 - updated Oct 2019

This Guide applies to both the Group and BPP DC sections from 1 January 2016 and should be read in conjunction with any supplementary guides issued to you.

Inside this guide:

Details of how the *Scheme* benefits are calculated and paid are set out in the Trust Deed and Rules, which take precedence over this guide. See also Booklet 2, pages 16 and 17 – for more about the *Scheme*.

Many people are put off by the word ‘pensions’. It makes them think of growing old – and no one likes that thought!

They also find ‘pensions talk’ confusing, so they put it off, thinking they’ll get their heads round it later.

But the truth is that if you want to have enough money to live on once you’re no longer earning a wage, the sooner you start saving, the better. And any amount is better than none (as we explain on page 5).

BASF has set up the DC section to help you save for the day you stop working. It’s easy to join, probably costs less than you think – and comes with some great extras, such as matching BASF contributions and free life cover.

New to pensions?

Throughout this guide you will see words and phrases in *italics*. These special terms are explained in clear and simple language at the back of this booklet.

Why it's important to start saving for your future

When you stop work you'll stop receiving a salary. Your State Pension won't start until State Pension age and it may not be enough to live on. In 2019, the basic State Pension is just over £129 a week, and no more than a safety net designed to give you a minimum standard of living.

When you retire, you'll need sufficient income to give you a decent standard of living. You may also need to support your family members. Also, people are living longer so your pension will be paid for longer. This means that you'll need to save more for your retirement.

The DC section is a great way to start saving up for your retirement because:

- your *employer* contributes to your *DC Account* by adding to the amount of *pensionable salary* you sacrifice up to certain limits – see page 8 for further information
- your *employer* operates pension salary sacrifice which is a more efficient way of saving for your retirement – see page 12 for further information.

But the sooner you start, the better…

If you put aside £10 a month for 40 years, you will have £4,800 at the end of it. But if you **invest** £10 a month over the same period, you could grow your money, so that it could be worth two or even three times as much*.

Even if you start off with a small amount, over time it can all add up to quite a **lot** of money. And you'll need a lot of money when you retire. Here's why:

These days people are living longer than ever before and consequently you could expect to be retired for a longer period of time. You will therefore need to make provision so that you have sufficient income for when you are retired.

The longer you delay starting to save, the more it's likely to cost you and the less you're likely to get.

* Investing your money does carry risks, and the value of your investment can go down as well as up. However, the DC section lets you choose how much risk you want to take with your DC savings.

Successful **retirement planning**

The DC section is designed to help you save for your retirement whilst you work for BASF and will provide support and resources to help you. However, ultimately, you are responsible for your *DC Account*. There are some important issues to consider, which are given here. These will change during your working life, and some will become more or less important than others. For example, your objectives in terms of when you might retire and how much income you'll need may change. Therefore, it is important to review your plans on a regular basis.

1 Decide when you might want to take your benefits

You can currently take your benefits at any date after age 55 but the earlier you do the less time you have to save for your retirement, so the more you'll need to save.

2 Decide how much income you will need

Do a budget to work out how much income will give you a comfortable retirement. A budget spreadsheet is available on the *pension website*.

3 Review your savings

You may already have some savings in the BASF *Scheme*, State Pension or other scheme. Track the progress of these savings by obtaining regular updates, statements and forecasts.

You can keep your BASF pension under regular review by using the *Pension Portal* – a simple way to manage your pension.

4 Work out a savings plan

You should save as much as you can reasonably afford and keep this under regular review. Check what your existing DC savings might provide together with the State Pension. This will help identify any gap in your target income, which determines how much you'll need to save towards it in the future. There are some useful online retirement planning tools available which allow you to do this – see the box on page 7.

5 Decide how to invest

Find out about your investment options in the DC section Investment Guide on the *pension website*: **http://ukpensions.basf.co.uk.** You can also view your BASF pension investments online using the *Pension Portal* at: **https://www.buckhrsolutions.co.uk/basf**

6 Regularly monitor your DC savings

Ask yourself:

- Are your savings on track?
- Are there any changes to your target income or when you want to retire?
- Are you saving enough?
- Are you still happy with your investment choices?

7 Seek financial advice if you need it

BASF will provide you with support to help you with your planning. However, neither BASF, the *Trustee* nor anyone else associated with the *Scheme* can give you advice or tell you what to do. If you would like financial advice, you should speak to an independent financial adviser (IFA). You can find a local adviser at: **www.unbiased.co.uk**

Useful online planning tools

You can view your BASF *DC Account* using the *Pension Portal* at: **https://www.buckhrsolutions.co.uk/basf**

New members receive access around a month after joining.

You can use the **Retirement Modeller** on the *Pension Portal* to help you:

- work out how much money you might need in retirement
- estimate how much you need to save to achieve the level of retirement income you want
- understand how different investment options might affect the growth of your *DC Account* over the long term
- understand the different benefit options you have when you take your *DC Account*.

Pension Wise, **www.pensionwise.gov.uk**, is a free and impartial government service about your defined contribution pension options.

You can also get a forecast of your State Pension and check your State Pension age at the GOV.UK website: **www.gov.uk/state-pension/overview**

Contributions *to my DC Account*

How are contributions made?

Your *employer* operates pension salary sacrifice which is a more efficient way of making contributions. For more information, see page 12 and the **pension salary sacrifice factsheet** which is on the *pension website.*

When do contributions start?

You will automatically join the *Scheme* as soon as you start working for your *employer* and will have the opportunity to choose one of the four contribution bands. In the event that you don't make a specific choice before you join, you will be automatically included in the 6% pension salary sacrifice/ 10% standard *employer* contribution band. If you wish, you will have the opportunity to change your pension salary sacrifice immediately prior to 1 April every year.

What contributions should I choose?

- There are four contribution bands to choose from.
- Under pension salary sacrifice, once a year, you choose the amount of *pensionable salary* you wish to sacrifice, and your *employer* then contributes an equivalent amount to your *DC Account,* together with its corresponding standard employer contribution.
- You can sacrifice 3%, 4%, 5%, or 6% of your *pensionable salary* or more if you wish.
- The amount that your *employer* contributes is also a percentage of your *pensionable salary* depending on your level of pension salary sacrifice up to certain limits – see the table on page 9.

Your pension salary sacrifice	Standard *employer* contribution	Total *employer* contribution paid into your *DC Account*
(% of pensionable salary)		
3%	4%	7%
4%	6%	10%
5%	8%	13%
6%	10%	16%

For example, if your pension salary sacrifice is 4%, the corresponding standard *employer* contribution is 6% and consequently, the total *employer* contribution paid into your *DC Account* is 10% of *pensionable salary.*

Please note that contribution bands may change in the future.

How can I build up extra benefits?

In order to build up extra benefits, you can increase your pension salary sacrifice immediately prior to 1 April every year and your *employer* will also increase its contribution up to certain limits – see the table on the left. You can also increase your pension salary sacrifice above the highest contribution band but the maximum *employer* contribution is 10%.

The maximum amount you can sacrifice is 70% of your monthly *pensionable salary* into the *Scheme*, including any contributions you pay from your salary outside pension salary sacrifice, all subject to the Annual Allowance (see page 10).

It is recommended that you seek independent financial advice before deciding to increase your pension salary sacrifice.

See the **pension salary sacrifice factsheet** for more information on changing or increasing your pension salary sacrifice.

Can I contribute to a pension outside the *Scheme*?

Yes, you can contribute to a personal pension (including a stakeholder pension) if you wish, while you are a member of the *Scheme*, subject to the Annual Allowance (see right).

Alternatively, you can pay Additional Voluntary Contributions (AVCs) outside the *Scheme* through organisations such as banks, building societies and insurance companies. These are known as 'Free Standing AVCs' (FSAVCs) and are also subject to the Annual Allowance.

In both cases, your contract is between you and the personal pension/stakeholder or FSAVC provider. Neither the *Trustee* nor your *employer* are involved, although the FSAVC provider will have to tell the *Administrator* that you are contributing to an FSAVC arrangement.

Paying contributions outside the *Scheme* may offer you a wider investment choice. However, you may have to pay higher administration and investment management costs.

It is recommended that you speak to an independent financial adviser before deciding to pay contributions outside of the *Scheme*.

What is the Annual Allowance?

The Annual Allowance is £40,000 for the tax year 2019/2020 but may be lower if you have a high income (currently over £110,000 a year) or have taken money from a pension pot. The Annual Allowance is set by the Government and may change in future years.

For the DC section, if the total amount of contributions paid to your *DC Account* in a Scheme year is greater than the Annual Allowance, you may be subject to a tax charge on the excess. See the **scheme pays factsheet** on the *pension website* for more information and **www.gov.uk/tax-on-your-private-pension/annual-allowance**

What is the Lifetime Allowance?

The total value of the benefits built up in your *DC Account* will be tested against your Lifetime Allowance, usually when your benefits start to be paid. If this value (and any other benefits you have outside the *Scheme*) is more than the Lifetime Allowance, the excess will be liable to a tax charge. The Lifetime Allowance for the tax year 2019/2020 is £1.055m.

Further information about the Lifetime Allowance can be found at: **www.gov.uk/tax-on-your-private-pension/lifetime-allowance**

How will I know how much is building up in my *DC Account*?

You can access your *DC Account* online using the *Pension Portal* at:**https://www.buckhrsolutions.co.uk/basf**. This shows details of the contributions paid in by you and your *employer* and your investments, so you can monitor your DC savings just as you would keep track of any other type of savings.

What if I'm on family leave?

Your *employer* will continue to make contributions to your *DC Account* while you are on paid maternity, paternity or parental leave. Please refer to your HR policy for further details. You should also look at the **pension salary sacrifice factsheet** available on the *pension website* or from the *Administrator*.

What about other temporary absence?

If you are absent for other reasons, for example on long-term sickness, please contact your HR department who will advise you about contributions and continuing as a *Scheme* member.

At a glance...

Under pension salary sacrifice, you sacrifice 3%, 4%, 5% or 6% of your pensionable salary.

Your *employer* pays 4%, 6%, 8% or 10% of *pensionable salary*, depending on the amount you sacrifice, and invests this in your *DC Account*.

You can increase (or decrease) your pension salary sacrifice annually immediately prior to 1 April.

Your pension salary sacrifice and any contributions you pay outside of pension salary sacrifice are restricted to 70% of monthly pensionable salary and are subject to the Annual Allowance.

Pension salary sacrifice

What is pension salary sacrifice?

Pension salary sacrifice is an arrangement operated by the Company separately from the *Scheme* and is a more efficient way of making contributions to the *Scheme*. It will save you money and will also increase the amount contributed by your employer to your *DC Account.*

It involves you sacrificing (or giving up) some of your *pensionable salary* and your *employer* then increasing its contribution to your *DC Account* by the corresponding amount.

The advantage of pension salary sacrifice is that both you and your *employer* pay no *National Insurance contributions (NIC)* on the amount of salary you sacrifice. Consequently, you pay less *NIC* and this will increase your take home pay. In addition, your *employer* will share 50% of its *NIC* saving on your pension salary sacrifice by paying this as an additional employer pension contribution to your *DC Account*.

Pension salary sacrifice should have no impact on your other Company related benefits, which will continue to be based on your relevant pre-sacrifice earnings.

BASF reserves the right to amend or discontinue the pension salary sacrifice arrangement at any time. Tax and Social Security rules are also subject to change.

Where can I find out more about pension salary sacrifice?

More detailed information is provided in the **pension salary sacrifice factsheet** available on the *pension website* or from the *Administrator*. If you're not sure whether pension salary sacrifice is suitable for you, you should seek advice from an independent financial adviser.

Can I sacrifice more salary to increase my benefits?

Yes, you can increase your pension salary sacrifice annually immediately prior to 1 April subject to the limits set out on page 9. Your *employer* will also increase its contribution up to certain limits – see the table on page 9. In addition, your *employer* will also share 50% of its *NIC* saving on all of the salary you sacrifice and pay this as an additional *employer* contribution to your *DC Account.*

Will I be automatically included in pension salary sacrifice?

Yes, pension salary sacrifice has been designed so that most employees will benefit by taking part. So, you will be automatically included unless you either:

- opt out of pension salary sacrifice;
  or
- are opted out by your *employer*. The **pension salary sacrifice factsheet** available on the *pension website* or from the *Administrator* explains the circumstances in which your *employer* may opt you out.

What happens if I opt out or am opted out of pension salary sacrifice?

If you choose to opt out of pension salary sacrifice yourself or are opted out by your *employer*, you will continue as an active member of the DC section. In this case, instead of sacrificing an amount of salary, you will make contributions from your salary and your *employer* will also continue its contributions at the same corresponding level. The same contribution bands will continue to apply – see page 9.

If you do opt out or are opted out of pension salary sacrifice, you will not benefit from the *NIC* savings. Also, you will not receive an additional *employer* contribution of 50% of your *employer's NIC* saving on your sacrificed salary, as there will be no *employer NIC* saving in this case.

At a glance...

Pension salary sacrifice is a more efficient way of making contributions to the Scheme.

It means you pay lower *National Insurance contributions (NIC)* and so your take-home pay is higher.

Your *employer* also saves *NIC* and shares 50% of its *NIC* saving on all salary you sacrifice as an additional *employer* contribution to your *DC Account.*

You are automatically included unless you choose to opt out, or if your *employer* opts you out.

More information is in the **pension salary sacrifice factsheet** which is available on the *pension website* or from the *Administrator*.

Being **a member**

When can I join the *Scheme*?

You will automatically become a member of the *Scheme* as soon as you start working for your *employer*, unless you choose to opt out of the *Scheme*.

Some of the *Scheme* benefits are currently provided through an insurance policy. These benefits are subject to the insurer's terms and conditions.

Can I transfer in benefits?

If you have built up benefits in a previous pension arrangement, you may be able to transfer the value of those benefits into the *Scheme*, at the discretion of the *Trustee* and BASF plc. Any transfer value received from another pension arrangement will be invested in your *DC Account*.

More information about transferring in other benefits is available in the **transfers-in factsheet** on the *pension website* or from the *Administrator*. If you are interested in transferring previous benefits into the *Scheme*, you should complete the form included in the factsheet and send it to the *Administrator*.

Can I opt out of the *Scheme*?

You will automatically become a member of the *Scheme* as soon as you start working for your *employer*. However, you can opt out if you wish, in which case you should complete an **opt-out form** available on the *pension website* or from your local HR representative.

Remember, if you opt out of the *Scheme*, your *employer* will not contribute to another pension arrangement for you and the amount of the cash lump sum payable on death in service will reduce from four times to two times *pensionable salary.*

If I opt out of the *Scheme*, can I rejoin later?

Yes, subject to certain conditions. If you opt out of the *Scheme* while still working for your *employer*, you will be automatically enrolled again at least every 3 years. If you want to re-join outside of auto-enrolment, you will only be able to rejoin with your *employer's* consent, and on the terms that your *employer* and the *Trustee* decide. You may also be asked to provide evidence of your good health, which may mean having a medical examination. In some cases, benefits may be restricted as a result, but you will be told if this applies to you.

What if I'm already contributing to a personal pension?

If you're contributing to a personal pension (including a stakeholder pension) you can, if you wish, continue contributing to it while you are a member of the *Scheme*. See also page 10 regarding the Annual and Lifetime Allowances.

You should contact your personal pension provider or an independent financial adviser to find out whether it is in your interest to contribute to both arrangements at the same time.

At a glance...

You will automatically join the *Scheme* as soon as you start working for your *employer*.

You may be able to transfer benefits into the *Scheme* from a previous pension scheme.

If you decide to opt out of the *Scheme*, you will be automatically enrolled again every April. Also, the cash lump sum payable on death in service will reduce from four to two times your *pensionable salary* if you do not join the Scheme.

How the *Scheme* works

While you're an active member

When you join the DC section of the *Scheme*, a *DC Account* is opened in your name and this is how it works:

- based on the contribution band you select, you sacrifice some of your salary, known as pension salary sacrifice, and your *employer* increases its contribution to your *DC Account* by the corresponding amount;
- contributions are paid by your *employer* and credited to your *DC Account*; and
- the more salary you sacrifice, the greater the contribution from your *employer*, up to a limit.

You then decide how you wish your *DC Account* to be invested from the two investment paths available – FreePlan or LifePlan.

The contributions paid to your *DC Account* are used to buy units in the investment funds, based on the investment path you select. The value of these units can go down as well as up. At retirement, the units are sold and the value of your *DC Account* is used to provide your benefits.

You can draw your benefits from age 55 (currently) while continuing to work for your employer (subject to certain conditions).

If you die while you are an active member of the *Scheme*, a cash lump sum equal to four times your *pensionable salary,* plus the value of your *DC Account* is payable at the discretion of the *Trustee*.

The DC section of the *Scheme* is contracted-in to the State Pension. Use the Government website **www.gov.uk/browse/working/state-pension** for details about the State Pension, check your State Pension age and obtain a statement (or estimate) of the amount of State Pension you'll receive.

When you retire

At retirement, you use the value of your *DC Account* to provide benefits. There are a number of options, including:

- a *guaranteed income* - buy an *annuity* that pays you a regular income for either a fixed time period or for the rest of your life
- a cash lump sum
- a *flexible income* (also known as *flexi-access drawdown)*. You transfer your account out of the *Scheme* to a pension provider that provides a *flexible income* or *flexi-access drawdown* arrangement. You keep your money invested and draw it out as and when you need it.

See **accessing your DC Savings factsheet** on the *pension website* for more information. The benefits the DC section provides on retirement will depend on a number of factors, including:

- how much is paid into your *DC Account*;
- where it is invested and how long it is invested for;
- investment growth on contributions invested and;
- the type of benefits you take.

When you leave

When you leave service, you can:

- choose to leave your *DC Account* in the *Scheme* until you take your retirement benefits
  or
- transfer the value of your *DC Account* to another *registered pension scheme* or *qualifying recognised overseas pension scheme*
  or
- if you are eligible, use your *DC Account* to provide immediate pension benefits.

Investing your *DC Account*

For full details about your investment choices and the funds currently offered, as well as an overview of how the different types of investment work, please read the Investment Guide. A very brief summary is given below.

How is my *DC Account* invested?

All contributions are credited to your *DC Account* and are invested by the *Trustee*, according to the investment path you choose.

The better your investments perform, the more money will be available in your *DC Account* to provide your benefits. However, the value of your *DC Account* may go down as well as up, and no guarantees can be made about investment returns. The level of risk and potential investment gains depend on the investments you choose. This means that making the right investment choice and then monitoring your investments is very important.

If you don't choose how to invest your *DC Account* when you join the *Scheme*, your *DC Account* will automatically be invested in the Moderate Flexible Income LifePlan (see right). If you wish, you can then make changes on the *Pension Portal* to how your *DC Account* is invested.

What are my investment choices?

You can choose one of two investment paths:

LifePlan

Your *DC Account* is invested according to a strategy set by the *Trustee*, based on your *target pension date.* You will need to choose a *target pension date* between 55 and no later than 75. If you do not choose a *target pension date*, your *normal pension age* will be used.

The aim of LifePlan is to invest in growth funds when you are a long way from retirement, then switch to protection funds to help protect the value of your *DC Account* as you approach retirement. These investment switches take place automatically, based on your *target pension date*. You will need to choose one of the nine LifePlan options available.

FreePlan

Allows you to make your own investment choices from a range of investment funds selected by the *Trustee*. This means that you can tailor your investment choices to suit your personal circumstances and your attitude to risk. You are also responsible for making any changes in how your *DC Account* is invested in the future.

See the Investment Guide for further information on LifePlan and FreePlan, available on the *pension website.*

Some terms you should know...

A number of words and phrases used in this guide have a special meaning. These are defined below and appear in *italics* throughout the guide.

DC Account
The amount built up from the contributions paid by your *employer*, including those under pension salary sacrifice, together with any contributions outside pension salary sacrifice and any transfers in.

Administrator
Buck – see back page for contact details.

Guaranteed Income (Annuity)
A type of pension that provides a *guaranteed income* either for an agreed period of time or the rest of your life, bought at retirement with the value of your *DC Account.*

Employer
BASF plc or any participating *employer* that, for the time being, participates in the Scheme and employs you.

Pension Portal
Is an online system made available by the *Administrator* where you can view your *DC Account* and make changes to your Expression of Wish and investment fund choices.
https://www.buckhrsolutions.co.uk/basf

Flexible Income (flexi-access drawdown)
Flexible income is an alternative type of pension that allows you to keep your pension savings invested and then take a variable amount of money out of those savings as income each year. *Flexible Income* is not guaranteed for life and because your savings remain invested, they can go down. *Flexible Income* is subject to certain limits and criteria. You should take independent financial advice and will need to transfer out your *DC Account* to another pension provider that administers *Flexible Income* or *flexi-access drawdown.*

National Insurance contributions (NIC)
These are the contributions that are deducted from your salary in respect of your liability for National Insurance. By joining pension salary sacrifice, you will pay less *NIC* than you would otherwise.

Normal pension age
Your 65th birthday.

Pensionable salary
This is the pay used to calculate your pension benefits, as defined in the *Scheme* rules. This is normally annual basic salary plus fixed overtime and permanent or guaranteed shift allowance, but excluding bonus, variable overtime and other fluctuating payments.

Pension website
http://ukpensions.basf.co.uk

Recognised overseas pension scheme
An overseas pension scheme that has to meet certain qualifying conditions set out in the Finance Act 2004 and the Pension Schemes Regulations 2006. For more information visit: **www.hmrc.gov.uk**

Registered pension scheme
If a pension scheme is registered with HM Revenue & Customs, it qualifies for special tax privileges. For more information visit: **www.hmrc.gov.uk**

Scheme
This is the Group and BPP DC Sections of the BASF UK Group Pension Scheme.

Target pension date
This is the date you plan to draw your pension and you can choose any date between age 55 and 75. If you are a member of LifePlan, your *target pension date* determines how your *DC Account* is invested. You should keep your target pension date under review.

Trustee
BASF Pensions Trustee Limited, the *Trustee* company that has ultimate responsibility for running the *Scheme*.

Get in touch

If you want to discuss your own benefits, or if you have any questions about the Scheme or this guide, please contact:

BASF
Buck (Bristol)
PO Box 319
Mitcheldean GL14 9BF

Tel: **0330 123 0647**

Email: **BASF@buck.com**

Website: **http://ukpensions.basf.co.uk**

Useful websites used in this guide

Pension Portal:
https://www.buckhrsolutions.co.uk/basf

Pension Wise:
www.pensionwise.gov.uk

Find an independent financial adviser:
www.unbiased.co.uk

GOV.UK:
www.gov.uk/browse/working

GOV.UK (Annual & Lifetime Allowance):
www.gov.uk/tax-on-your-private-pension

The pensions advisory service:
www.pensionsadvisoryservice.org.uk

BASF UK Group Pension Scheme:
http://ukpensions.basf.co.uk

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