Your retirement **starts here**

Your guide to taking your **defined benefit** pension

isio.



Helping you understand your options

Choosing how and when to take your pension is an important decision. This guide provides useful information to help you understand your options and make the choice that's right for you, including:

When you can take your pension
page 03

How you can take your pension
page 06

How you can take your additional voluntary contributions (AVCs)
page 12

Planning your retirement income
page 13

The retirement process
page 15

Where to get help and advice
page 17

How to protect your pension from scams
page 19

The information in this guide applies to members with **defined benefit** pension benefits. This guide is a general overview only. As the rules of the schemes we look after can vary, please contact us if you would like information specific to your own pension or scheme.



Isio, Belfast

When you can take your pension

To withdraw money from your defined benefit (DB) pension, under pension tax rules, you must be 55 or over. This will rise to age 57 in April 2028, unless you have a protected pension age (PPA) or are retiring due to ill health. If either of these apply, you may be able to take your pension earlier.

You can take your pension when you reach normal retirement age (NRA). You may also be able to take it earlier or later than that.

Your NRA is the age from which you would normally start to take your pension without any reduction or increase. It's usually between the ages of 60 and 67, but the age that applies to you will depend on your scheme rules.

You can find your NRA:

- in your online account if you have access to one
- in your annual benefit statement, or
- by contacting your pension scheme administrator, Isio

The date that you reach your NRA is called a **normal retirement date (NRD)**.

In addition to your workplace pension, you'll also get a pension from the government. This pension is called a **State Pension** and you can get it from your State Pension age (SPA).

Your NRA is likely to be different to your SPA. While your NRA is set by the scheme, the SPA is set by the government and is based on your date of birth.

You can check your SPA at: **gov.uk/state-pension-age**.



The earliest you can take your pension is at normal minimum pension age (NMPA). NMPA is currently age 55, but it will rise to age 57 in 2028.

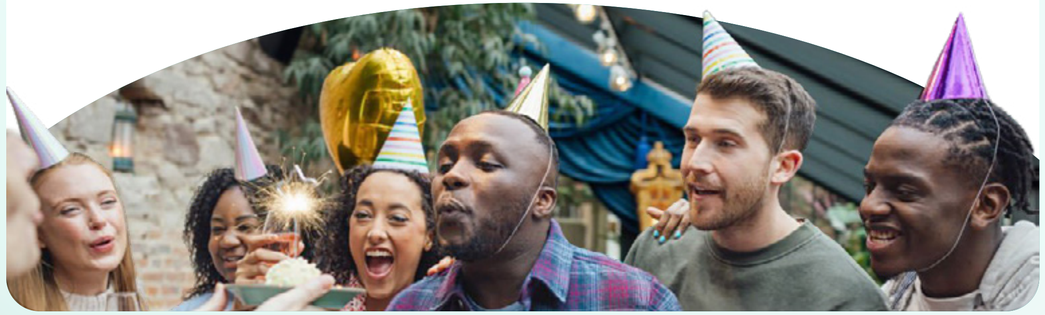
Alex Beck | Birmingham team

Taking your pension at normal retirement age

Normal retirement is where you take your pension benefits at your NRD. You can check your NRD by contacting us, or in your online pension account if you have access to one.

Protected pension age (PPA)

If you have a PPA, you may be able to take your pension before both the NMPA of 55 and your scheme's NRA. However, taking your pension early will usually result in a reduction, as it is expected to be paid over a longer period.



Taking it early

You may be able to take your pension benefits before you reach your NRD. This is known as early retirement. The earliest you can usually start to take your pension is from NMPA of 55 (increasing to age 57 from 6 April 2028).

If you are an active member and take your pension benefits early, you may no longer be eligible for:

- any death-in-service lump sum, or
- ill-health benefits

Your pension benefits may be lower if you take them early. This is because it's expected that they'll be paid to you for a longer period of time. How much lower depends on the reduction percentages, known as 'early retirement factors', that apply to your scheme.



Taking it late

Late retirement is where you take your pension benefits after your NRD. You may be able to delay taking them if the rules of your scheme allow it.

If you take your pension later than your NRD, your benefits may be higher. This is because they are expected to be paid for a shorter period. Any increase will depend on the late retirement factors that apply to your scheme.

Your scheme rules may also set a maximum age by which benefits must be taken, often age 75, although some schemes do not have an upper age limit.

If you delay taking your benefits beyond age 75, there may be significant tax implications. You should consider this carefully before deciding when to take your pension.

Retiring early because of ill health

If you are unable to work due to an illness, you may be able to take your pension before NRD. If you start taking your pension benefits before your NRD, your pension payments may be lower than they would be with normal retirement. This doesn't apply to all schemes.

If you have a life expectancy of less than one year, you may also be able to take all your pension benefits as a lump sum. You'd need to show medical evidence that confirms your illness. The decision on whether ill-health retirement is granted would then rest with the Trustee, your employer, or in some cases, both.

If you are thinking about applying for ill-health retirement, please contact us and we'll explain what rules apply to your scheme and the medical evidence we'd ask you to provide.



How you can take your pension

When you get near to retirement age, you'll have some choices to make.

Your DB pension gives you a regular income for life.

You may be able to take up to 25% of your pension as a tax-free cash lump sum, subject to the rules of your scheme and your available lump sum allowance (LSA).

For most people, the standard maximum tax-free lump sum across all pensions is **£268,275**.

The rest of your pension benefits will then be paid as a pension. Depending on your scheme rules, you may have different options for how much cash you take and the pension you receive in return.

There are a few different ways you can take your DB pension, so you can choose the option that's right for your individual circumstances. It's important that you understand what each of these options would mean for you before making any decisions. The choice you make will determine how your pension benefits are paid to you when you take them. If the rules of your scheme allow, you can:



Take it all as pension



Take some of it as cash and the rest as pension



Take it all as a cash lump sum



Small lump sum

If the value of your pension benefits in the scheme is £10,000 or less, you may be able to take them as a small lump sum. This option does not take into account the value of any other pension benefits you may have.

To take a small lump sum, you must take all benefits held in the scheme, and no further pension or death benefits will be payable from it. 25% of a small lump sum is usually tax-free.

Jess Jose | Reading team



Pension only

Take it all as pension

You may be able to take all of your savings as regular pension payments, and none as a lump sum.

You'll receive a pension for life. In most cases, it will be based on:

- your final or final average pay
- whether you're still paying into your pension
- how long you've been a member of your scheme for



Pension + Cash

Take some of it as cash and the rest as pension

You may be able to take up to 25% – but normally no more than **£268,275** – as a tax-free cash lump sum, and the rest as regular pension payments at retirement. You can take as much or as little cash as you like, up to the maximum of 25%.

With this option, we'll reduce the monthly pension you get to reflect the lump sum you've taken.

The commutation rate (how much pension you give up per £1 of lump sum) can vary because it's set by the rules of your scheme.



Cash only

Take it all as a cash lump sum

This is only possible in some circumstances and depends on the rules of your scheme.

You may be able to take it all as a cash lump sum if:

- you've reached the normal minimum pension age which is currently age 55 (or you're taking your pension due to ill health, or have protected pension age)
- the total value of your pension benefits across all registered pension schemes is **£30,000** or less
- the lump sum covers all benefits in the scheme, including any death benefits
- you have some available lump sum allowance
- you get you cash lump sum within a 12-month window, starting from the date of the first one (this option is also known as trivial commutation). This is a mandatory requirement.

Additional options

In addition to the main options available to most members, there may be a small number of scheme-specific options available.

If you are eligible for any of these additional options, we'll include details in the retirement pack we send you before you retire.

For those with these additional options, here's a summary of their main features:

Pension increase exchange (PIE)

The pension increase exchange (PIE) option lets you give up future annual increases to your pension in exchange for a higher income earlier in retirement.

This means you could get more pension income while you're younger and may be more able to enjoy it.

If your scheme offers this option, it may be available automatically if you're under age 80 when you take your pension. If you're over 80, you'll need to opt in to use it.



If you are eligible for any of these options, we'll include details in your retirement pack.

Flexible retirement option (FRO)

The flexible retirement option (FRO) gives you the opportunity to transfer your pension out of your scheme to a defined contribution (DC) arrangement, so you can take your benefits before your normal retirement age (NRA).



Once you transfer your pension, you can access the options available to DC members. You can find more information in the **retirement guide for DC members**.

If you're considering this option, think carefully before transferring your DB pension out of the scheme. If you transfer, you'll lose the valuable benefits that a DB pension offers.

You should also remember that the value of a DC pension can go up or down because it is invested, so the benefits are not guaranteed.

Temporary pension option

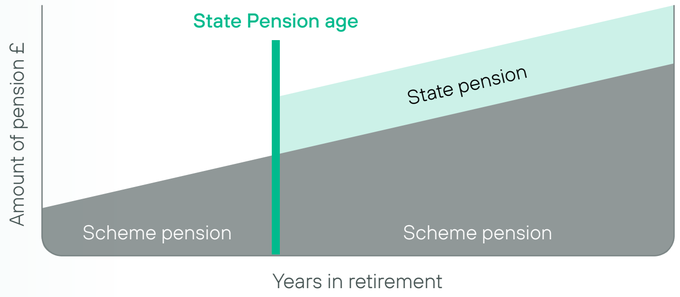
If you're thinking about taking your DB pension before you reach State Pension age (SPA), you may be able to choose a temporary pension option (also known as a bridging pension).

With this option, your scheme pension is temporarily increased to match what your scheme and State Pension will total at your SPA. When you reach your SPA, your scheme pension drops, but your State Pension kicks in meaning your total income stays the same.

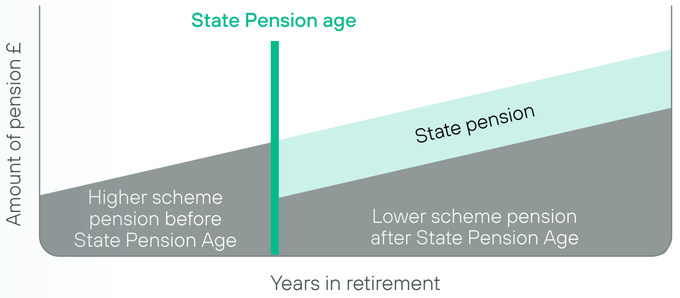
Note: Diagrams assume scheme pension and State Pension increase at the same rate.

How the temporary pension option works

Scheme pension without temporary pension option



Scheme pension with temporary pension option





Transfer your pension, with risks

You may be able to transfer your DB pension to another pension provider. But transferring carries risks, and you should think carefully before you act. Because of the valuable guarantees involved, transferring out is a major decision and is often not suitable for most people.



Some of the most significant risks of transferring DB pension benefits out to a defined contribution (DC) provider include:

- Losing all valuable benefits to your DB pension, such as having a guaranteed, regular income in retirement until you die. Some eligible dependents such as a spouse, civil partner and children may also receive an income if you die. If you give this up to get access to cash now, you could find that your money runs out quicker than you planned, leaving you with nothing in later life.
- Your pension will be affected by investment performance, so its value could go up or down.
- You may have to pay high fees.
- Falling victim to mis-selling scams – they often strike at situations when your pension income is most vulnerable, such as during a transfer. Pension savers that are scammed are usually left with nothing, and many lose their life savings in fraudulent pension transfers.

You cannot transfer your pension once we've started paying it to you.

Here are the main reasons why you might think about transferring your DB pension:

1. **More flexibility over how you take your pension** – you may want to take your pension at a different time, or in a different way to the options offered by the scheme. For example, you may want to transfer to a DC arrangement to get a flexible income with drawdown (which allows you to take money from your pension savings as and when you need it), or take it all as cash.

2. **Leaving more to beneficiaries** – many DB schemes provide a spouse's or dependent's pension after death, but benefits for adult children or other loved ones may be limited. A transfer to a DC arrangement gives greater control over who receives money from your pension.

3. **Concerns about personal life expectancy** – someone with serious ill health may feel they are unlikely to get the full value of a lifetime DB pension. In some cases, having a transferable investment pot may be a better option than a guaranteed income that depends on living long enough to benefit from it.

Whatever your reason, there is a lot to think about before deciding to transfer out of your scheme. Think carefully and weigh your options before you make a decision.



You can find more detailed information on pension transferring, including what the process involves, in the **guide to transferring your pension**.



Taking financial advice

If you're thinking about a transfer, you might benefit from financial advice.

By law, you must also give us evidence that you've taken professional financial advice before being able to transfer your pension from a DB to a DC arrangement, if its value is over £30,000. This is to make sure you understand what you're giving up before you transfer.

If your pension benefits are £30,000 or under, it's strongly recommended that you take advice, but you don't have to do so.

You can find information about getting financial advice on page 18 of this guide.

Jonathan Summerlin | Manchester team

How you can take your additional voluntary contributions (AVCs)

If you've made additional pension savings through additional voluntary contributions (AVCs), you may be able to take an amount equal to your AVC fund as a cash lump sum when you take your pension, depending on your scheme's rules.

We will automatically include the value of your AVC savings in the retirement quote we send you.

Each scheme has its own rules, but in most cases, you'll need to take your AVC savings at the same time as your main pension benefits.

You may also have the option to transfer your AVC savings to another provider. However, it's important to be aware that transferring carries potential risks and you should consider this option carefully.



Planning your retirement income



Deciding when and how to take your pension is an important financial decision. It can feel overwhelming, but help is at hand. We've broken the things you need to think about into simple steps to make it easier and more manageable.

1 Understand what you'll need

Start by thinking about your future spending. Think about the lifestyle you want and how much it will cost.

- Include essentials like housing, food, and bills.
- Add optional costs like travel, hobbies, and leisure.

To work out how much your retirement is likely to cost, you can use our retirement budgeting tool at **yourisio.com/prepare/retirement-lifestyle**. The tool uses the Retirement Living Standards (RLS) as a benchmark and shows how much you may need each year to fund a **minimum**, **moderate** or **comfortable** lifestyle.

2 Know where your money will come from

Add up all your expected income to understand your financial position in retirement. Your income may include:

Your scheme pension – request an estimate of your pension benefits to see how much you're projected to get. If you're an active member, you can also check out your latest annual benefit statement for this information.

Other pensions – contact providers for details or use the government's pension tracing service if needed. It's a free service aimed at helping pension savers trace old or lost pensions. Visit: **gov.uk/find-pension-contact-details**.

Your State Pension – request an estimate through the government's website at **gov.uk/check-state-pension**.

Savings and investments – gather statements from your bank or other providers.

3 Compare income with your needs

Match your estimated income against your expected costs.

Compare your income target from the retirement modeller with the amount you expect to have coming in from all your income sources from point 2.

Factor in any changes

Your income may change over time due to life expectancy, inflation and changes in tax or pension laws.

4 Close any gaps

If your expected income doesn't cover your costs, you can take steps now:

Pay more into your pension – think about topping up your pension with AVCs if you're still actively saving into your pension. If you're no longer paying into your pension, you can't save more with AVCs.

Delay taking your pension – work longer to build up more pension.

Pay off any debt – reduce debt if you can before retirement to lower your future expenses.



5 Get expert advice

Before making any financial decisions, you might want to get financial advice. Professional advice can help you choose the best path for your situation. **Find out more about where to get** advice from on page 18.

Step by step: the retirement process

1

Getting in touch



We'll contact you four to six months before you reach your normal retirement age (NRA). We'll either send you:

- a letter to remind you when your NRA is and what you need to do next, or
- a full retirement pack with a retirement quote

If you don't want to take your pension benefits at this time, please let us know so we can make a note on your pension record. When you're ready to take them, you'll need to contact us directly (see next step).

2

Requesting and receiving your retirement quote

If we don't automatically send you a retirement quote – or you want one at a different time – you can request one online at **yourisio.com/forms/retirement-quote**. You can also call us or email us using the details on page 17.

We'll aim to send a quote to you within 10 working days. The quote will show your pension options, including any lump sum and how much you're likely to get. If you have paid additional voluntary contributions (AVCs), we will automatically include these in your quote.

You'll also receive a retirement pack with forms and guidance to help you decide your next steps.

3

Making your decision

Once you've received your quote, you might want to take some time to talk through your options with your family and get some financial advice (see page 18).

If you decide to go ahead and take your benefits, you'll need to:

- complete the form included in your pack
- return it to us with any required documentation

4

Processing your retirement

When we've received your paperwork, we aim to review and validate all documents within 10 working days of receiving them.

We'll then process your retirement and confirm everything in writing, including:

- the date your pension will start
- the amount of your regular pension payments
- any tax-free lump sum you'll receive



5

Receiving your payments

You will get a letter just before, or around your retirement date, confirming your pension payment schedule, and how much you'll get.

Depending on your scheme rules, you may be paid in advance, in arrears, or at another point in your scheme's payment cycle. Pay schedules can also vary. We pay pensions monthly, weekly, or every four weeks, depending on the rules of your scheme.

If you've chosen to receive a lump sum, we usually pay this on or after your retirement date. Your payment may take up to five days to reach your wbank account.

It's important to let us know as soon as possible if you change your bank or building society's details so we can continue to pay your pension without any delay.

6

After retirement – pension increases

Once in payment, your pension may increase over time. All schemes must increase pensions in line with legislation. If you started paying into your pension after 1997, increases are typically linked to inflation (subject to limits set by law). Some schemes may offer extra increases, depending on their specific rules. Because each scheme is different, the exact increases you receive will depend on your scheme's rules.

Where to get help and advice

There's lots of guidance and support for members throughout your member website. Here you'll find videos and general information about your pension.

For specific information, please register or log in to your online account if you have access. If you can't find what you need, contact us.

Get in touch

Call: 0800 122 3200

Please have your membership reference to hand when you call. You can find this in your online account and on any correspondence from Isio about your pension.

Email: adminhelp@isio.com
We aim to reply within 10 working days.

Send us a message: Visit yourisio.com/forms/member-enquiry, complete the form and select Submit. Once we've resolved your query, we'll get back to you.



Getting guidance

If your question isn't answered on our website, here's where you can go:

MoneyHelper

MoneyHelper offers free support on a wide range of financial matters. This includes a variety of pension topics.

Visit
moneyhelper.org.uk/en/pensions-and-retirement

GOV.UK

If you're unclear about any pensions, tax, or National Insurance issues, you can search the government's website for clear, jargon-free explanations.

Visit
gov.uk/browse/working/workplace-personal-pensions



Getting advice

Financial advisers offer professional advice on financial decisions, and you will have to pay for their services.

If you're looking for financial advice, be wary of scams and fraudsters.

Financial advisers must be regulated by the Financial Conduct Authority (FCA). You must always check to make sure whoever is offering you advice is regulated by the FCA by checking their own website, as well as the FCA website.

Isio advice service

Isio has its own service through which it can give members access to financial advice. Our service is regulated by the FCA and covers all areas of pension and financial planning needs.

Visit isio.com/what-we-do/wealth/wealth-management

Unbiased

You can also visit unbiased.co.uk to find financial advisers in your area.

How to protect your pension from scams

Scams can take many forms and are becoming increasingly difficult to spot.

As a rule, you should get impartial guidance and, where appropriate, take advice from an FCA-regulated financial adviser before taking any action with your pension.

If you're looking for financial advice, be especially cautious of scams and fraudsters. They often present themselves as legitimate advisers but may be trying to steal your pension savings.

Watch out for:

- ✗ people contacting you out of the blue wanting to talk about your pension
- ✗ unexpected calls from someone trying to start a discussion about a transfer
- ✗ adverts offering 'free pension reviews'
- ✗ promises of better returns on your savings
- ✗ promises of upfront cash
- ✗ offers of early access to your pension, before NMPA
- ✗ incentives, such as cashback or gifts



The FCA offers lots of useful information about the risks associated with pension scams and how to protect yourself from falling victim. Visit **fca.org.uk/consumers/pension-scams**.

If you suspect a scam or come across anything concerning, you should report it as soon as possible. You can report fraud at any time via the UK's national reporting centre for fraud and cybercrime. Visit **reportfraud.police.uk**.

Chris Faulkner | Croydon team



isio.

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