HR Wallingford Group

Hydraulics Research Pension Scheme

a guide to your benefits

Introduction

The Hydraulics Research Pension Scheme (the Scheme) was designed to help you build up a good pension for your retirement, linked to your length of Scheme membership and earnings at the time of ceasing "active" membership of the Scheme. The Scheme closed to all future accrual of benefits on 1 April 2014 and on this date all active membership of the Scheme ceased.

This booklet describes the main benefits of the Scheme for Members with preserved benefits and benefits in payment. However, this booklet cannot override the Trust Deed and Rules of the Scheme (dated 27 January 2011), and is based on legislation at the time the booklet was printed. The Trust Deed and Rules are the legal documents which set out details of the Scheme benefits and benefits can only be paid as set out in the Trust Deed and Rules of the Scheme.

Please take this opportunity to make sure that you understand your preserved benefits. If you have any queries about the Scheme, please contact the Personnel Manager and Pensions Administrator at:

HR Wallingford Group Limited
Howbery Park
Wallingford
Oxon OX10 8BA.

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Section 1: a summary of your benefits

The Scheme provides the following benefits:

On taking your pension benefits

- You will receive a pension and a cash sum (currently paid tax free) based on your length of Scheme membership and your earnings near to the time when you ceased active membership but revalued to the date of taking your benefits.
- You may also convert part of your annual pension into an enhanced cash sum.
- Your pension will be paid for life.
- Once in payment, your pension will be reviewed each year and may be increased.
- You may take your benefits from age 55, although the annual rate of a pension taken before your normal pensionable age will be less than that taken at normal pensionable age.

Benefits for your family

If you die before taking your benefits

- A pension for your spouse (or possibly a dependent) and children.
- A cash sum.

If you die in retirement

- A pension for your spouse (or possibly a dependant) and children.
- A cash sum if you die within the first five years after retirement.

Section 2: membership

Who are Members of the Scheme?

The Scheme was set up for eligible employees of the HR Wallingford Group of companies and was open to benefit accrual from 1986 to 2014. All Members of the Scheme now have either deferred benefits that are yet to be put into payment (Deferred Members), or are receiving benefits in payment (Pensioner Members).

Who can join?

The Scheme is now closed to new Members and future accrual.

Can I transfer in benefits from another pension arrangement?

You cannot transfer any benefits into the Scheme.

How much can I contribute?

No further Member contributions can be made into the Scheme.

You may wish to speak to an independent financial adviser if you wish to save extra for your retirement through an alternative arrangement.

What if I transfer my benefits out of the Scheme?

In this case you will cease to be a Member of the Scheme. (See page 8 for further details of transferring out.)

Section 3: contributions

How much does the Company contribute?

The Company contributes amounts as advised by the Scheme's independent actuary. The actuary monitors the Scheme regularly to check the funding levels and to recommend whether additional money needs to be paid to meet the cost of Members' benefits that were accrued during their period of service and up to closure on 31 March 2014.

Section 4: pension benefits

What are my benefits on retirement?

At retirement you will be entitled to:

- a pension which is payable for life and
- a cash sum.

How is my pension calculated?

If you take your benefits on your Normal Retirement Date at age 65, your pension is calculated as:

1/80th	x	*final pensionable salary*	x	*pensionable service*

Example
Suppose you take your pension at age 65 with a *final pensionable salary* of £30,000 after 20 years' *pensionable service*. The pension would be:

1/80 x £30,000 x 20 years = £7,500 per year

Your pension is payable in monthly instalments, in advance, on the first of the month. Whilst in payment, your pension is subject to income tax - in the same way as your salary whilst you were working, but is not subject to National Insurance.

How is the cash sum worked out?

The cash sum is calculated at the rate of 3/80th of your *pensionable salary* for each year of *pensionable service*:

3/80ths	x	*final pensionable salary*	x	*pensionable service*

Example
Assuming the same pension as above, the tax free cash sum will be:

3/80 x £30,000 x 20 years = £22,500

Are my benefits protected against inflation?

Before you take your pension

Your benefits receive increases in line with inflation over the period from when you left active membership until your retirement. However, the increases applied to benefits built up after 5 April 2009 are subject to an overall limit of 2.5% compounded annually.

After you take your pension

Your pension in payment will be increased in April each year in accordance with the Pensions (Increase) Act 1971. Some of the inflation-linked increases on your Guaranteed Minimum Pension (GMP) (see *Special Terms* for definition) are not part of your Scheme benefits but will be incorporated into your State pension benefits.

What are my options at retirement?

Exchanging pension for extra cash

You can increase the cash sum by exchanging some of your pension for cash or by using some or all of any former money purchase AVC fund within the Scheme to provide additional cash on retirement. The total maximum cash sum that you can receive is 25% of the value of your total benefits from the Scheme. This option will be included as part of your retirement quotation.

Exchanging inflation protection for a higher starting pension

You can increase your starting pension by giving up the annual non-statutory inflation-linked increases on your pension in payment. By selecting this option, part of your starting pension will be uplifted and will stay at this level whilst it is in payment; therefore it will receive no inflation protection. The uplift applied will be based on factors set by the Company and agreed by the Trustees.

This option is known as ‘Pension Increase Exchange’ (PIE) and will be included as part of your retirement options if you are eligible for the option. Further information on the impact of this option and things you should consider will be provided with your quotation.

Exchanging pension for a higher pension to your dependants

You can increase pension payable to your dependants upon your death by giving up some of the pension that would be paid to you during retirement. You can nominate one or more dependants to receive the additional pension. If you are interested in selecting this option, you should notify the Scheme Administrator or Personnel Manager and Pensions Administrator prior to your retirement.

When can I take my pension?

You can take your benefits at any time after your 55th birthday. Your pension and cash sum will be calculated in the same way as at your Normal Retirement Date (see page 6). However your benefits will then be reduced because they are being paid earlier. The reduction rate is set by the Company, up to a level certified by the Scheme Actuary. At the time this booklet was printed, the reduction rate was 1/3% for each complete month that you take your benefits before they are due for payment in full.

Benefits earned prior to 1 April 2008 are payable in full at age 60, those accrued afterwards are payable in full at age 65 unless you opted to make additional contributions from April 2008 to secure all benefits unreduced at age 60. If you started making these additional contributions but subsequently stopped prior to Scheme closure, those benefits you accrued after ceasing your additional contributions are payable in full at age 65.

Example 1 – opted to pay Member contributions from April 2008

Suppose you opted to pay Member contributions from April 2008 and decided to retire from the Scheme at age 55. You have the following deferred benefits in the Scheme (which have been increased with inflation between ceasing accrual and age 55):

Deferred pension:	£7,500 per annum
plus	
Deferred cash sum:	£22,500

As you paid Member contributions, all of your benefits will only be reduced for the period they are taken before age 60. Because you are retiring 5 years early (i.e. 60 months), your pension and cash sum would be reduced by 20%.

Your pension would be:		
Pension before reduction:	£7,500 per year	
less	20% x £7,500	= £1,500
Early retirement pension:	£7,500 - £1,500	= £6,000 per year
The cash sum would be:		
Cash sum before reduction:	£22,500	
less	20% x £22,500	= £4,500
Early retirement cash sum:	£22,500 - £4,500	= £18,000

Example 2 – did not opt to pay Member contributions from April 2008

As in *Example 1*, suppose you decide to take your pension at age 55 but did not pay Member contributions after April 2008 until you ceased accruing benefits in April 2013 (i.e. a 5 year period).

As in *Example 1*, your pension built up prior to April 2008 will be reduced for the 5 year period it is taken before age 60, i.e. by 20%. However, as you were not paying member contributions, your pension accrued after April 2008 will be reduced for the 10 year period it is taken before age 65. Because you are taking your benefits 10 years early (i.e. 120 months), this part of your pension and cash sum would be reduced by 40%.

Your pension would be:

Pre April 2008 pension before reduction:	£5,625 per year	
less	20% x £5,625	= £1,125
plus		
Post April 2008 pension before reduction:	£1,875 per year	
less	40% x £1,875	= £750
Early retirement pension:	£5,625 - £1,125 + £1,875 - £750 = £5,625 per year	

The cash sum would be:

Pre April 2008 cash sum before reduction:	£16,875	
less	20% x £16,875	= £3,375
Post April 2008 cash sum before reduction:	£5,625	
less	40% x £5,625	= £2,250
Early retirement cash sum:	£16,875 - £3,375 + £5,625 - £2,250 = £16,875	

Can I take my pension late?

You may delay putting your benefits into payment beyond the Normal Retirement Date. The consent of the Company is required. In this case, your benefits will be increased at a rate set by the Trustees on the advice of the Scheme Actuary.

Can I transfer my benefits to another pension arrangement?

You can transfer the value of your benefits (called the ‘transfer value’) to another approved pension arrangement, such as your new employer's scheme if the new scheme’s Trustees agree, or, to a personal pension if you wish. You would then receive pension benefits under that scheme or policy instead of your benefits under the Scheme. The benefits in the receiving scheme may be in a different form to your current benefits and they may be more or less valuable.

What is a transfer value?

A transfer value is the cash equivalent of your pension benefits based on various assumptions advised by the Scheme Actuary at the time of calculation.

You have the right each year to ask for an estimate of your current transfer value under the Scheme. You may be charged an administration fee if you request more than one transfer value quotation in any 12 month period. Please contact the Personnel Manager and Pensions Administrator for more information.

Transferring to a defined contribution arrangement?

In April 2015 additional options were introduced by the Government for taking benefits from ‘defined contribution’ pension arrangements. You have the option to transfer the value of your Scheme benefits to a defined contribution plan which offers these additional options. However, the Scheme Trustees must receive evidence that you have taken sufficient independent financial advice on the implications of transferring your benefits out of the Scheme before they can accept a request.

Pension liberation fraud

Please be aware of scams which involve using “pension loans” or cash incentives to entice savers, particularly below the age of 55, into transferring benefits out of their pension schemes. In most cases such transfers or payments are unauthorised under UK legislation and you may become subject to heavy tax charges up to 55% of the value of your pension.

You should be wary of any unsolicited telephone calls or text messages offering to “unlock” your pension. You should never give out financial or personal information to a cold caller. If you do receive such an invitation, then you should speak to an independent adviser who can provide you with unbiased advice. Further information on what to look out for will be provided with every transfer value quotation. You can also find out more on the Pensions Regulator’s website (see Section 7).

Section 5: death benefits

What benefits are payable when I die?

The benefits payable depend on whether you die before or after you have put your pension into payment.

It is important that you complete (and keep under review) a Nomination Form letting the Trustees know to whom you would like the benefits paid. Although the Trustees are not bound by your wishes, they will take them into account when deciding to whom and in what proportion the benefits should be paid. Nomination forms are available from the Personnel Manager and Pensions Administrator.

You should also remember that:

- if you are not married but living with your partner, a dependant's pension may be paid to your partner at the discretion of the Trustees
- any spouse's, dependant's or children's pensions will be increased once in payment in the same way as your own pension.

What happens if I die after taking my pension?

If you die after taking your pension, the following benefits may be payable:

- cash sum
- spouse's pension
- children's pensions

How is the cash sum worked out?

If you die within the first 5 years after you take your pension, your dependants will receive a cash sum equal to the outstanding balance of your pension payments for those five years.

Example 3

Suppose a member retires at age 65 with a pension of £7,200 a year (ie, £600 a month). The member dies 6 months later. The cash sum payable would be:

(£7,200 x 5 years) - £600 x 6 = £36,000 - £3,600 = £32,400

How is the spouse's pension worked out?

On your death, your spouse will receive a pension for life equal to half of the pension in payment at the date of your death.

When working out the spouse's pension, the following will be taken into account:

- any added years purchased through AVCs at the single person only rate, will not count towards the spouse's pension

- if you exchanged any of your pension for an additional cash sum at retirement, the spouse's pension will be calculated based on your original pension at retirement with allowance for any pension increases granted since.

Example 4

Based on the example above, the spouse's pension would be worked out as:
£7,200 x ½ = £3,600 a year

How is the children's pension calculated?

Children's pensions are payable to up to 4 *eligible children* and are equal to a quarter of the spouse's pension.

A child's pension is payable until the child ceases to be eligible.

What happens if I die before my pension is paid?

If you die before your deferred benefits start to be paid, the following benefits are payable:

- **Cash sum** equal to five times the amount of your deferred pension at the date of your death, plus the amount of your deferred cash sum benefit to the date of your death, including any increases applied since the date of your leaving service.

- **Spouse's pension** payable for life, equal to half of your deferred pension at the date of leaving the Company (less any added years purchased through AVCs at the single person only rate), plus any increases to the date of your death.

- **Children's pensions** as described earlier.

Section 6: the State pension and tax

What pension benefits does the State provide?

State pension benefits are provided from state pension age.

For members who reach state pension age before 6 April 2016 the state pension will consist of the basic state pension and the state second pension. You were contracted-out of the relevant state second pension arrangements for the purposes of National Insurance contributions for the duration of your active membership of the Scheme. This means that you paid lower national insurance contributions and built up a guaranteed level of pension (known as 'Guaranteed Minimum Pension') within the Scheme instead of building up the state second pension for this period.

Members who reach state pension age after 5 April 2016 will receive benefits as provided by the single-tier state pension introduced by the Pensions Act (2014). The "foundation amount" assessed for your single-tier pension will include an allowance for all previous state pension benefits accrued up to 5 April 2016.

You can apply to the Department for Work and Pensions (DWP) for a State pension forecast (https://secure.thepensionservice.gov.uk/statepensionforecast/).

What was the Scheme's tax status?

The Scheme was approved for tax purposes under Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988.

It was also registered with HM Revenue & Customs. This meant that members and the Company received full tax relief on their contributions. In return for these tax concessions, the Revenue imposes certain limits on you:

- **The Lifetime Allowance** *is an allowance on the total value of pension benefits that you can build up tax-efficiently during your lifetime*

The value of the benefits accrued in the Scheme will form part of the Lifetime Allowance test made when you put your pension into payment alongside the value of any other pension benefits you have earned through other arrangements (excluding state pension benefits).

Under current legislation, benefits above this amount will be taxed at an overall tax rate of 55%.

Please note it is your responsibility to keep track of the pension benefits you have built up from all sources, and you may be liable to pay tax if your benefits exceed these Allowances.

Section 7: help and general information

What if I have a query or a problem with my benefits?

This booklet is only a guide to the Scheme. It will always be subject to the legal documents governing the Scheme, known as the Trust Deed and Rules. You can get more information about your individual pension entitlement or general information about the Scheme, including a copy of the Trust Deed and Rules and the latest Trustees' Report and Accounts, from the address below.

If you have a query, you should initially contact the Personnel Manager and Pensions Administrator at:

HR Wallingford Group Limited
Howbery Park
Wallingford
Oxon OX10 8BA

The Scheme also has an internal dispute resolution procedure. This is intended to ensure that, if a dispute arises, it is properly investigated and, where possible, resolved to the satisfaction of all parties. A copy of the procedure is available from the Personnel Manager and Pensions Administrator.

If you or your beneficiaries have a problem with your pension, you can also contact **The Pensions Advisory Service (TPAS)** which provides help and advice with your pension benefits. You can contact TPAS at:

post: 11 Belgrave Road, London SW1V 1RB
tel: 0300 123 1047
web: www.pensionsadvisoryservice.org.uk

In cases where a dispute cannot be resolved, you can ask the **Pensions Ombudsman** for help. The Ombudsman may investigate and determine on any complain or dispute of fact or law involving an occupational pension scheme which is referred to him. You can contact the Ombudsman at:

post: 11 Belgrave Road, London SW1V 1RB
tel: 020 7630 2200
web: www.pensions-ombudsman.org.uk

What if I lose touch with the Scheme?

If you lose touch with a previous pension plan, you can trace it using the Department for Work and Pensions' Tracing Service. You can contact the Service at:

post: Pension Tracing Service, The Pension Service 9, Mail Handling Site A,
Wolverhampton WV98 1LU
tel: 0845 600 2537
web: www.gov.uk/find-lost-pension

Who regulates pension schemes?

The Pensions Regulator oversees the running of pension schemes and can intervene in cases where plan trustees, employers or advisers may have failed in their duties. You can contact the Pensions Regulator at:

post:	The Pensions Regulator, Napier House, Trafalgar Place, Brighton BN1 4DW
tel:	0845 600 0707 (Option 2)
web:	www.thepensionsregulator.gov.uk

How is the Scheme set up?

The Scheme is set up as a trust fund. The Scheme's assets are held completely separately from those of the Company and cannot be used by the Company for any other purpose.

The Trustees of the Scheme are responsible for ensuring that the Scheme is administered correctly and always in accordance with the terms of the Trust Deed and Rules. In order to carry out these duties effectively, the Trustees call upon various professional advisors to assist them. These include actuaries, auditors, solicitors, administrators and investment managers.

Can the Scheme be changed?

The Company reserves the right to discontinue the Scheme at any time subject to any consultation required by legislation.

The Company is legally entitled to give notice to the Trustees should it wish the Scheme to be wound up. The Trustees will then put into effect the relevant clauses of the Trust Deed and Rules and the Company is also obliged by current legislation to meet statutory funding requirements for the Scheme.

If the Company were to cease trading at a time when benefits could not be fully secured by the Scheme's assets, the Trustees will use the available funds, after meeting expenses, to secure benefits as near as possible to those which you would become entitled to on the date of termination to the extent that the available funds allow and in accordance with the order of priorities set out in the Trust Deed and Rules and legislation.

What if the Scheme were wound up and there were insufficient funds?

The shortfall would become a debt on the Company. In this event, the Scheme could apply to the Pension Protection Fund (PPF). The PPF was set up in April 2005 and aims to protect members' pension rights where a scheme has insufficient funds to pay full benefits, should the employer become insolvent. It is financed by a levy payable by all defined benefit pension schemes.

If the Scheme was accepted into the PPF, the compensation paid by the PPF may not be calculated in the same way as the Scheme's benefits and would depend on membership status.

What information is held on me and who has access to it?

Details of your Scheme membership are held manually and on computer. The Data Protection Act 1998 gives you the right to receive a copy of this data, at reasonable intervals and at no cost to yourself. The Trustees need to process data to calculate and pay benefits, for statistical and reference purposes and to administer the Scheme as a whole. This may involve passing on data about you to the Scheme's professional advisers, administrator and other third parties, as may be necessary for the administration and operation of the Scheme. The Scheme Secretary is responsible for this processing.

Special terms

A number of words and phrases used in this booklet have a special meaning. These are defined below and appear in *italics* throughout the booklet, for easy reference.

Eligible child

Your child or a child of your spouse or a child of a dead brother or sister or your brother or sister, who, in the opinion of the Trustees, was wholly or mainly dependent on you at the date of your death and who is:

- under 17 years of age

or

- under 23 years of age and in full-time education or training for at least 2 years during which time his remuneration is less than the basic personal allowance for income tax (or such other figure as the Trustees shall agree)

or

- over age 23 but was, in the opinion of the Trustees, dependent on you at the date of your death by reason of physical or mental impairment.

Final Pensionable salary

Your highest amount of *pensionable salary* in any consecutive 12-month period during the 3 years immediately before retirement if before 1 April 2014, Scheme closure to future accrual on 31 March 2014, leaving or death (whichever occurred first).

This amount is revalued according to set rules between ceasing to be an Active Member and benefits being put into payment.

Example:
You retired on 30 June 2011. In the last few years, your *final pensionable salary* changed as follows:

1 January - 30 June 2011	1 January - 31 December 2010	1 July - 31 December 2009	1 January - 30 June 2009	1 July - 31 December 2008
£34,000	£31,000	£32,000	£30,800	£30,500

- Pensionable salary is worked out from 1 July 2008 to 30 June 2011
- In this period, your highest *pensionable salary* during 12 consecutive months was between 1 July 2010 and 30 June 2011. Your *final pensionable salary* would be calculated as £32,500.00, i.e.: 6/12 x £31,000 + 6/12 x £34,000 = £32,500. This amount will be revalued up to the date of taking your benefits.

Guaranteed Minimum Pension (GMP)

The Scheme was contracted out of the additional part of the State pension scheme in force up to Scheme closure. As a condition of being contracted out, the Scheme has to provide certain benefits. For Scheme membership up to 5 April 1997, the Scheme had to provide you with a guaranteed level of benefit – this is known as the GMP. Part of the indexation of your GMP is provided by the Scheme and the remainder is incorporated into your State pension benefits.

Pensionable salary

Pensionable salary was your basic annual salary, it excluded overtime and all other payments such as bonuses, overseas allowance and car allowance.

Pensionable service

This is the number of years and complete days which count towards your retirement benefits. It is limited to 40 years at age 60 and 45 years at age 65. Pensionable service includes:

- Continuous service as a member of the Scheme
- Added years purchased by a transfer from a previous employer's scheme
- Added years purchased by your own contributions. When calculating spouse's pension, pensionable service only includes added years for which the family element has been purchased. Since 2006, members cannot start making or increase their added years contributions.
- For members who joined the Scheme before 28 February 1990, and were in service on that date, pensionable service also includes service with the Company prior to joining the Scheme.
- No pensionable service has accrued after 31 March 2014.

State pension age

For the latest guidance on the current State pension age, please contact The Pensions Advisory Service (tel: 0300 123 1047; web: www.pensionsadvisoryservice.org.uk).