



The
Varelco Limited Pension Fund
EXPLANATORY BOOKLET

An ELCO EUROPE Company

Introduction

For most people, retirement can mean a major change not just in lifestyle but also in financial circumstances. To be sure that retirement is comfortable and enjoyable we all need to plan ahead and, for most of us, that means putting some money aside while we are working to provide an income when we retire. The better the income the more comfortable our retirement will be.

These days there are quite a few options to choose from when it comes to providing a pension. But, there are few better ways of preparing for retirement than membership of The Varelco Limited Pension Fund (the Scheme).

The Scheme is designed to provide much better benefits than the State Scheme. As a result it is contracted out of the State Earnings Related Pension Scheme although members will still receive the State Basic Pension. Details of what this means to you and of the wide range of benefits the Scheme provides are included in this booklet, which will answer your basic questions about the Scheme.

We have tried to keep the booklet as straightforward as possible but if you have any questions or you would like more information about any aspect of the Scheme, please contact the Pensions Manager, Varelco Limited, Exning Road, Newmarket, Suffolk, CB8 0AT.

FEBRUARY 1991

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POCKET

Application Form

Expression of Wish Form

Your Details

This booklet is designed to do more than just tell you about the Scheme – it will also enable you to work out your own benefits. As we proceed, we will work out examples for a fictitious, married member and there is space for you to work out your own benefits alongside. To begin with, fill in your basic details in the right hand column below.

	Member	You
Date of birth	15.4.56	
Date of joining the Scheme	1.4.91	
Normal Pension Date (your 65th birthday)	15.4.2021	
Potential Pensionable Service**	30 years	
Present Basic Salary	£7,500	
Present Scheme Salary*** (At April 1991, the Single Person's Basic State Pension is £2,704)	$£7,500 - £3,245 = £4,255$	

* The Company means Varelco Limited.

** Pensionable Service is the number of years and months of continuous service you complete as a contributing member of the Scheme prior to your Normal Pension Date up to a maximum of 40 years. Pensionable Service also includes any service as a member of the Cambridge Electronic Industries Pension Fund which is transferred into the Varelco Fund.

*** Scheme Salary is your annual basic salary less an amount equal to 1.2 times the Single Person's Basic State Pension. If you are paid partly by commission, part of this commission may, at the Company's discretion, count towards your Scheme Salary.

When and how do I join?

ELIGIBILITY –

Membership of the Scheme is open to all full-time permanent employees who are under age 60. You will automatically become a full member of the Scheme when you have completed 3 months continuous service with the Company (or on the date you become eligible, if later) unless you indicate to the Trustees in writing that you do not wish to join the Scheme.

If you decide not to join the Scheme at your first opportunity or you join and subsequently opt out without leaving the Company you may be given further opportunities to join at a later date or rejoin up to age 35. Entry or re-entry in such circumstances will only be permitted on 6th April and you may be required to give medical evidence.

You may not contribute to a Personal Pension Scheme whilst you are contributing to the Company Scheme.

If you are a full-time permanent employee you will be covered during your first 3 months' service with the Company for a lump sum death benefit (see page 16). You will be classified as a "Limited Member" during this period and will not be required to contribute to the Scheme.

You should note that if you decline to join the Scheme after you have completed 3 months' service or join and subsequently opt out, you will lose the life assurance cover provided by the Scheme.

APPLICATION FORM

When you join the Scheme you will be asked to complete an Application Form which provides the Trustees with the information they need. You will also be asked to produce your birth certificate. Details are on the Application Form which you will find in the pocket at the back of the booklet.

EXPRESSION OF WISH FORM

You should also complete an Expression of Wish Form which tells the Trustees how you would like the lump sum death benefit paid if you should die in the Company's service before Normal Pension Date (see page 17). A copy of this form is also in the pocket at the back of the booklet. If you are included in the Scheme as a Limited Member you should also complete an Expression of Wish Form.

TRANSFERS

If you were in a pension scheme at your last job and benefits were preserved for you when you left, it may be possible to transfer those benefits to the Scheme. Further details will be provided on request.

Outline of the Scheme

THE BENEFITS

The Scheme provides the following benefits for you and your beneficiaries:—

- A pension based on your final salary, with the option of taking part of it as a tax-free cash sum.
- A substantial lump sum death benefit if you die in the Company's service before Normal Pension Date.
- Dependant's pensions payable in the event of your death before or after retirement.
- The option of preserved benefits or a transfer value based on your final salary benefits if you leave the Scheme before retirement.

CONTRIBUTIONS

Money for the Scheme is paid into a central fund by the Company and the members. The fund is kept entirely separate from the Company's assets and is invested so that it grows in value over the years. When members retire, die or leave the Scheme, it is used to provide the appropriate benefits.

TRUSTEES

The Scheme is run by Trustees who are responsible for its administration and the investment of the money paid into the fund. It is their job to ensure that your interests are protected. Details of the Trustees and their advisers are available on request.

RULES AND REGULATIONS

The Trustees administer the Scheme according to a strict set of rules which meet the requirements of both the Inland Revenue and the Occupational Pensions Board. This booklet is a guide to the Scheme and will always be overruled by the formal documents if there is any difference between the two. You will in due course be able to see a copy of the formal documents at any reasonable time – just contact the Pensions Manager.

TAX ADVANTAGES

The Scheme has been designed to be approved by the Inland Revenue under the terms of the Income & Corporation Taxes Act 1988 and membership brings with it several important tax advantages:—

- Full tax relief on your contributions.
- The option of taking part of your pension as a tax-free cash sum.
- Tax-free payment of lump sum death benefits, in normal circumstances.
- Exemption from capital gains tax and income tax on the Scheme's investments.

What about the State Pension Scheme?

THE STATE PENSION SCHEME

The State Pension Scheme provides each member with a State Basic Pension and an Earnings Related Pension (SERPS) from State Pension Age (age 65 men, 60 women).

The Basic Pension is a flat rate amount paid to almost everyone. It is reviewed each year by the Government and current figures are available on request.

The SERPS Pension is based on an employee's earnings which fall between a Lower and an Upper Earnings Limit. These limits are fixed from 6th April each year and the earnings between them are known as Upper Band Earnings.

CONTRACTING OUT

Under the terms of the State Scheme, employers who undertake to meet certain minimum conditions can contract out of SERPS and provide the SERPS Pension in the form of a Guaranteed Minimum Pension under their own schemes instead.

Since the Varelco Scheme is designed to provide better benefits than the State Scheme, it was decided to contract out. The most important conditions that the Scheme must meet in order to contract out are:—

1. To undertake to provide each member with a Guaranteed Minimum Pension which, in broad terms, is the amount of the SERPS Pension the employee would have received from the State Scheme.
2. To guarantee that spouse's benefits will not be less than a minimum level of one half of the member's Guaranteed Minimum Pension.
3. To preserve and protect the Guaranteed Minimum Pension against inflation up to State Pension Age if a member leaves or retires before that date.
4. To increase Guaranteed Minimum Pensions in payment earned after 6th April 1988 by 3% a year compound or the rate of price increases, whichever is less. (The State Scheme provides any increase above 3% a year).

The Guaranteed Minimum Pension element of your Scheme pension will be based on your total Upper Band Earnings during the whole period of your membership of the Scheme. It is not possible to give an accurate figure for the Guaranteed Minimum Pension, therefore, until you retire, die or leave the Scheme.

GUARANTEED MINIMUM PENSION INCREASES

Once in payment, the Guaranteed Minimum Pension element of Scheme pensions will be increased each year by the State in line with increases in prices. However, the Scheme is responsible for the first 3% of any increases to Guaranteed Minimum Pensions. These increases will be paid as part of your own or your spouse's Scheme pension.

REDUCED NATIONAL INSURANCE CONTRIBUTIONS

Since members of the Scheme are contracted out of the State Scheme, they pay reduced National Insurance contributions. The reduction takes into account the benefits which the Scheme provides in place of the State Scheme.

For further details of the current rates of National Insurance contributions please contact the Pensions Manager.

TOTAL RETIREMENT INCOME

Although you are contracted out of the State Scheme, you will still receive the State Basic Pension from State Pension Age (age 65 men, 60 women). As female members of the Scheme have a Normal Pension Date of age 65, payment of the State Basic Pension may be delayed until actual retirement date (but not later than your 65th birthday) and will then increase to take account of the delay in payment. Both you and the Company contribute to the cost of the Basic Pension through National Insurance.

MINIMUM NATIONAL INSURANCE CONTRIBUTION

If you are a married woman paying the minimum National Insurance contribution you may continue to do so. You will not be entitled to the Basic State Pension in your own right but will receive 60% of your husband's entitlement once he retires at 65 or over (provided you have reached age 60).

You will not be entitled to receive the SERPS pension and the provisions relating to the Guaranteed Minimum Pension do not currently apply to you. There is to be a change in the Guaranteed Minimum Pension provisions effective from 1 January 1993 but in any event the actual level of your pension entitlement under the Company Scheme will not be affected in any way.

What do I pay?

YOUR CONTRIBUTIONS

All members contribute 6% of their Scheme Salary (see page 1) to the Scheme each year. Contributions will cease when you retire or leave the Scheme. In any event, contributions are payable for a maximum of 40 years.

TAX RELIEF

You receive tax relief on your contributions to the Scheme at the highest rate to which you are liable. So, if you pay tax at the basic rate of 25% your total tax bill will be reduced by a quarter of your Scheme contributions. The PAYE system automatically provides this tax credit without any action on your part.

EXAMPLE

Using the details from page 1 we have worked out the member's gross annual contribution to the Scheme and what it actually costs him after tax relief.

	Member	You
Write down your current Scheme Salary figure from page 1	£4,255	
6% of this figure is:	$6\% \times £4,255 = £255.30$	
Your gross annual contribution to the Scheme is:	£255.30	
Multiply this figure by the highest rate of tax to which you are liable (the member in the example pays tax at the basic rate, currently 25%)	$£255.30 \times 25\% = £63.83$	
Subtract the answer from your gross contribution	$£255.30 - £63.83 = £191.47$	
The net cost to you of your Scheme contribution is:	£191.47	

And remember, because you are contracted out of the State Scheme you pay lower National Insurance contributions, which reduces the net cost of the Scheme even further.

COMPANY'S CONTRIBUTION

The Company has undertaken to meet the balance of the cost of providing the benefits promised by the Scheme as agreed with an independent actuary. The level of the contributions can fluctuate, therefore, but normally the Company pays substantially more into the Scheme than the members.

ADDITIONAL VOLUNTARY CONTRIBUTIONS

Under the terms of the Scheme it is possible for members to pay additional voluntary contributions (AVCs) in order to increase their retirement benefits within the maximum levels allowed by the Inland Revenue.

For further information about AVCs please contact the Pensions Manager.

How do I work out my pension?

At Normal Pension Date (your 65th birthday) you will be entitled to receive your Scheme pension which will be paid monthly in advance for the rest of your life.

YOUR PENSION AT RETIREMENT

Your Pension will be calculated using the following formula

$$\frac{1}{60\text{TH}} \times \text{FINAL SCHEME SALARY} \\ \times \text{PENSIONABLE SERVICE}$$

Final Scheme Salary is your Scheme Salary (see page 1) at 6th April prior to your retirement or earlier date of leaving the Scheme or death.

Pensionable Service is the number of years and months of continuous service you complete as a contributing member of the Scheme prior to your Normal Pension Date, (subject to a maximum of 40 years) and includes any service as a member of the Cambridge Electronic Industries Pension Fund which is transferred to the Scheme.

WORKING OUT YOUR PENSION

The employee in our example is not due to retire until the year 2021 but by assuming that his Final Scheme Salary is the same as his current Scheme Salary he can work out what his pension would be in today's terms.

Making the same assumption you can work out your own pension in the same way. **Obviously as your salary increases so will your pension.**

INLAND REVENUE

In certain circumstances (for example if you have pension rights under a previous employer's scheme) it may be necessary to restrict your Scheme pension in order to comply with Inland Revenue limits. The Inland Revenue also restrict the salary which may be used to calculate your benefits (see page 23). You will be told if these limits apply to you.

Example

	Member	You
Write down your Scheme Salary figure from page 1 and divide it by 60	$\pounds 4,255 \div 60 = \pounds 70.92$	
Multiply the answer by your Pensionable Service (in our example the member will complete 30 years)	$\pounds 70.92 \times 30 = \pounds 2,127.60$	
Your pension from the Scheme based on your current Scheme Salary would be:	$\pounds 2,127.60$	
Add your State Basic Pension to this figure (in April 1991 terms it is $\pounds 2,704$ p.a. for a single person or $\pounds 4,329$ p.a. for a married couple)	$\pounds 2,127.60 + \pounds 4,329 = \pounds 6,456.60$	
Your total pension income would be:	$\pounds 6,456.60$	

So, if the member stays in the Scheme until Normal Pension Date he is guaranteed a pension of 30/60ths or 50% of his Final Scheme Salary.

His pension cannot, however, exceed the limitations imposed by the Inland Revenue as described on page 23.

Can I take a cash sum when I retire?

Whenever you retire, you may exchange some of your pension benefits for a cash sum payment.

To do so, you give up part of your yearly pension. But the cash sum payment is tax-free and can be used in any way you wish, making it a valuable benefit.

HOW MUCH CASH?

The size of the cash sum you can take is worked out using the following formula:

$$\frac{3}{80} \times \text{FINAL SCHEME SALARY} \times \text{PENSIONABLE SERVICE}$$

However if the formula:

$$2\frac{1}{4} \times \text{PENSION}$$

gives a higher figure you will be allowed to take the larger amount.

Final Scheme Salary is your Scheme Salary (see page 1) at 6th April prior to your retirement or earlier date of leaving the Scheme or death.

MAXIMUM CASH SUM

In certain circumstances the amount of tax-free cash you can take may have to be restricted in order to comply with Inland Revenue limits which can change from time to time; the current monetary limit is £97,200. The pension remaining to be payable from your State Pension Age must not be less than your Guaranteed Minimum Pension. This is a Government requirement. Following the example overleaf you can work out what your cash sum will be in today's terms.

REDUCED PENSION

The amount of Pension you have to give up for each £1 of cash you take will vary according to your age at retirement.

You will be advised of the amount applicable in your case when you reach retirement.

Example

	Member	You
Divide your Scheme Salary by 80	$£4,255 \div 80 = £53.19$	
Multiply the answer by 3	$3 \times £53.19 = £159.57$	
So 3/80ths of your Scheme Salary is:	£159.57	
Multiply this figure by your Pensionable Service	$30 \times £159.57 = £4,787.10$	
This is the cash sum calculated from the first formula	£4,787.10	
For the alternative calculation, take the Scheme pension from page 10	£2,127.60	
Multiply this by 2¼	$£2,127.60 \times 2\frac{1}{4} = £4,787.10$	
This is the cash sum from the second formula	£4,787.10	
The maximum cash sum you may take is the higher of the two results (provided your Guaranteed Minimum Pension is left intact)	£4,787.10	

In this instance, both calculations produce the same result. However, in certain circumstances, e.g. if you have an additional pension from additional voluntary contributions or from a previous pension scheme the calculations may produce different figures.

What about inflation? —

SCHEME PENSION

Because your Scheme pension is based on your earnings near retirement it should reflect changes in the cost of living up to that time, as earnings generally follow the cost of living.

When in payment, your pension (except that part of your pension representing Guaranteed Minimum Pension) will be increased annually on 6th April in line with the Retail Price Index up to 5% per annum compound. When inflation is higher than 5% the trustees have discretion to grant additional increases with the aim of matching 75% of the rise in the Retail Price Index.

DEPENDANTS' PENSION

When in payment any pension payable to your spouse, adult dependant, or children will also increase in line with the Retail Price Index up to 5% per annum compound, as described above.

STATE BASIC PENSION

Your Basic Pension from the State Scheme will be increased from State Pension Age in line with price rises.

GUARANTEED MINIMUM PENSION

Once your Scheme pension or a pension to your spouse starts to be paid the Guaranteed Minimum Pension element earned after 6th April 1988 will be increased each year. The Scheme increases your Guaranteed Minimum Pension in line with price increases up to a maximum of 3% per annum.

The Government will increase the Guaranteed Minimum Pension each year in line with increases in prices over and above 3% per annum.

In addition, if you are a woman, because you will normally retire after State Pension Age (age 60) your Guaranteed Minimum Pension will be increased from State Pension Age to your date of retirement by 1/7% for each week between State Pension Age and the date you actually retire provided there are at least seven weeks in that period. (This is a Government requirement).

What happens if I retire early?

EARLY RETIREMENT DUE TO ILL-HEALTH

With the Company's and the Trustees' agreement and subject to the provision of satisfactory medical evidence you can take an early retirement pension on the grounds of incapacity due to illness or injury at any time.

In these circumstances, your pension will be based on your completed Pensionable Service and your Final Scheme Salary at the date you actually retire.

If you retire early due to serious ill-health, you may receive, at the Trustees' discretion, a pension based on the total service that you would have completed had you remained in the Scheme to your Normal Pension Date and your Final Scheme Salary at the date you actually retire.

VOLUNTARY EARLY RETIREMENT

With the Company's agreement you can choose to retire for any reason after your 50th birthday. Your pension will be based on your completed Pensionable Service and your Final Scheme Salary at the date you actually retire; it will then be reduced by approximately 4% for each year from your date of actual retirement to age 60 to take account of the extra cost of earlier payment.

FLEXIBLE RETIREMENT

With the Company's agreement you can choose to retire at any time after age 60 without any reduction in your pension.

OPTIONS

You still have the normal options at early retirement, that is, giving up part of your pension for a tax-free cash sum (see page 11) or to provide a pension for a dependant (see page 18).

GUARANTEED MINIMUM PENSION

It may be necessary to restrict the early retirement option if your Guaranteed Minimum Pension represents a major part of your early retirement pension. **You will be notified if this applies to you.**

What happens if I retire late?

LATE RETIREMENT

With the Company's agreement you may continue working beyond your Normal Pension Date in which case your contributions to the Scheme will cease.

INCREASED PENSION

If your retirement is delayed your pension will become payable from your date of actual retirement. It will be increased for each complete month between your Normal Pension Date and the date you actually retire. You will be told the rate of increase before you make a decision about late retirement.

OPTIONS

You will still have the normal options on late retirement, that is exchanging part of your pension for a tax-free cash sum (see page 11) and giving up part of your pension to provide extra pension for a dependant (see page 18).

GUARANTEED MINIMUM PENSION

If you retire after State Pension Age your Guaranteed Minimum Pension will be increased by 1/7% for each week between State Pension Age and the date you actually retire provided there are at least seven weeks in that period. (This is a Government requirement.)

IF YOU SHOULD DIE

If you should die while employed by the Company after Normal Pension Date, your benefits will be worked out as if you had retired the day before you died (see page 18 for a description of the benefits payable).

What benefits are paid on death before retirement?

If you should die in the Company's service before Normal Pension Date while a **contributing** member of the Scheme the following benefits will be payable.

LUMP SUM

A lump sum of three times your basic annual salary at the date of your death will be paid to your beneficiaries or estate.

So, if the member were to die with a basic salary of £7,500, his beneficiaries or estate would receive £22,500.

TRUSTEES' DISCRETION

The lump sum will normally be tax-free. The Trustees must use their discretion as to who will receive the money but normally they will follow your wishes provided they have been notified of them beforehand either by letter or by completing an Expression of Wish Form (see opposite).

DEPENDANTS' PENSION

If you are married a pension will be paid to your spouse equal to 55% of the pension you would have received at Normal Pension Date, based on your Final Scheme Salary at the date of your death.

If you are not married the Trustees have discretion to pay this pension to one or more of your adult dependants i.e. someone who was financially dependent on you at the date of your death. The amount of pension paid must not exceed the total of the spouse's pension described above. You should advise the Trustees as to who you would like to receive the pension by completing an Expression of Wish Form.

If the member in the example were to die with a Final Scheme Salary of £4,255 his widow would receive a pension of: –

$$30/60 \times £4,255 \times 55\% = £1,170.13$$

CHILDREN'S PENSION

An immediate pension will also be payable for the benefit of any dependent children.

Children's pensions are payable to a maximum of four children and will be payable until the child reaches age 18 (or older if continuing in full-time education at the Trustees' discretion).

The pension payable in respect of each child will be an amount equal to 1/5th of the spouse's pension. These allowances will be doubled if no spouse's or dependant's pension is payable.

REFUND OF CONTRIBUTIONS

If no spouse's, dependant's or children's pension is paid the value of your contributions will be refunded to your estate.

If when payments of pension to your spouse, dependants and children cease, the total amount paid is less than the contributions you paid into the Scheme, the balance will be paid to your estate.

GUARANTEED MINIMUM PENSION

The spouse's pension will never be less than one half of the member's Guaranteed Minimum Pension. This is a Government requirement (see page 5).

LIMITED MEMBERS

If you should die in the Company's service as a Limited Member of the Scheme (see page 2) a lump sum of three times your basic salary at the date of your death will be paid to your beneficiaries or estate. It will be paid as described on page 16.

MAKING YOUR WISHES KNOWN

When you have chosen the person or persons you would like to receive the lump sum death benefit and dependant's pension if you should die before retirement, you should fill in the Expression of Wish Form which you will find in the pocket at the back of the booklet. Additional copies of this form are available if you change your mind at any time.

RESTRICTIONS

The death benefits are insured with a leading life assurance company and in normal circumstances the full benefit will be provided automatically without any inquiry into your state of health. Sometimes, however, restrictions are placed on these death benefits and you will be notified if this applies to you.

What benefits are paid on death after retirement?

Once you retire, your pension benefits will be paid for the rest of your life. In the event of your death after retirement, the following benefits are payable.

DEPENDANTS' PENSION

If you are married and you die less than five years after your retirement, your spouse will receive a pension equal to your pension at the time of your death for the balance of the five year period.

After this five year period or if you die more than 5 years after retirement, a pension will be payable to your spouse equal to 55% of the pension you would have been receiving at the date of your death ignoring any reduction because you took a tax-free cash sum or gave up part of your pension to provide extra pension for a dependant and including any increases made on your actual pension between the date of retirement and death.

If you are not married, a pension is payable at the Trustees' discretion to one or more of your adult dependants (as defined on page 16). The amount of pension paid must not exceed the total of the spouse's pension described above. You should advise the Trustees as to who you would like to receive the pension by completing an Expression of Wish Form.

CHILDREN'S PENSION

Immediate pensions are also payable to a maximum of four dependent children. These will be payable until the child reaches age 18 (or older if continuing in full time education at the Trustees' discretion). The pension payable in respect of each child will be equal to 1/5th of the spouse's pension described above. These allowances are doubled if no spouse or dependant's pension is payable.

GUARANTEED MINIMUM PENSION

The spouse's pension will never be less than one half of the member's Guaranteed Minimum Pension. This is a Government requirement (see page 5).

ALTERNATIVE PENSIONS FOR YOUR FAMILY

When you retire, you can make additional provision for your family by giving up part of your pension to be paid to a chosen dependant after your death. If you are interested in this option, you should apply to the Trustees shortly before your retirement for full details.

TEMPORARY ABSENCE

If you are temporarily absent from work due to illness or injury you will continue to pay contributions whilst you are receiving company sick pay. Once sick pay has stopped, the Company will normally continue to pay your own and its contributions for a further limited period, during which time you will remain entitled to full benefits.

If because of absence due to illness or injury you have not returned to work within two years, you will normally be treated for pension purposes as having left the Company or retired.

If you are away from work for any reason other than illness or injury, the conditions applicable to your membership of the Scheme must be agreed by the Company and the Trustees. Normally, after an absence for longer than one year you will be treated for pension purposes as having left the Company or retired.

MATERNITY LEAVE

If you are absent from work because of pregnancy, then provided you have given proper notice of your intention to return to work and you return at any time during the 29 weeks immediately after the date of your confinement, your membership of the Scheme will be continued.

If your membership is continued you will still be covered for the death benefits described on pages 16-17 during your absence. However, the period you were away from work will not count as Pensionable Service unless you opt to maintain your contributions during the whole of your absence, or you make up any contributions missed during your absence on your return to work.

If at the end of the appropriate period you have not returned to work, you will be treated as having left the Company's employment and your benefits will be dealt with in the appropriate way (see pages 20-22).

What if I leave the Scheme?

REFUND OF CONTRIBUTIONS

If you leave the Company before you have completed two years' Pensionable Service, your contributions to the Scheme will be refunded. The refund you receive will not include the Company's contributions and will be subject to a deduction representing your share of the cost of reinstating you in the State Scheme. This means that instead of receiving your Guaranteed Minimum Pension from the Scheme, it will be secured for you under the State Scheme by a special payment from the Scheme to the State. The net refund will then be subject to tax at a specially reduced rate, currently 20%.

LEAVING YOUR BENEFITS IN THE SCHEME

If you leave after completing two years' Pensionable Service, you will be entitled to a preserved pension payable from Normal Pension Date. This would represent the full pension you earned up to the date you left, including your Guaranteed Minimum Pension, and will be calculated using the following formula: –

$$\frac{1}{60} \times \text{FINAL SCHEME SALARY} \times \text{COMPLETED PENSIONABLE SERVICE}$$

Final Scheme Salary is your Scheme Salary at 6th April prior to leaving the Scheme. So, if the member were to leave the Scheme after completing 10 years' Pensionable Service and with a Final Scheme Salary of £4,255 he would be entitled to a preserved pension of: –

$$10/60 \times £4,255 = £709.17 \text{ a year}$$

Inflation Protection The Guaranteed Minimum Pension element of your preserved pension will be increased for each complete tax year from the date you left up to State Pension Age. The rate of increase is laid down by the Government and is currently 7.5% a year compound.

In addition the Scheme will increase the balance of your preserved pension in line with the Retail Price Index up to a maximum of 5% a year compound.

DEATH BEFORE RETIREMENT

If you die before retirement with preserved benefits, a spouse's pension will be payable of an amount equal to 55% of your preserved pension immediately before your death. (This includes inflation protection increases on your preserved pension as described above, up to your date of death.)

If you are not married a pension is payable at the Trustees' discretion to one or more of your adult dependants. The amount of pension paid must not exceed the total of the spouse's pension described above. You should advise the Trustees as to who you would like to receive the pension by completing an Expression of Wish Form.

In addition a pension will be payable to a maximum of four dependent children. The pension will be payable until the child reaches age 18 (or older if continuing in full time education at the Trustees' discretion). The pension payable to each child will be equal to 1/5th of the spouse's pension described above. These allowances are doubled if no spouse's or dependant's pension is payable.

DEATH AFTER RETIREMENT

If you die after your retirement the benefits payable will be as described on page 18.

OPTIONS

If you leave your benefits in the Scheme, you will still have the normal options of taking early retirement benefits with the Trustees' consent, or of exchanging part of your pension for a tax-free cash sum or to provide extra pension for a chosen dependant.

CHANGE OF ADDRESS

If any benefits are held for you under the Scheme you should keep the Trustees informed of any change of address, so that you can be contacted when your pension is due to start.

TRANSFER OF BENEFITS

As an alternative to preserved benefits you have the option of transferring your benefits to:

1. Your new employer's plan providing he is willing and able to accept the transfer.
2. An individual insurance policy in your own name (commonly known as a buy-out policy).
3. A personal pension plan of your choice.

LEAVING THE SCHEME WHILE IN SERVICE

If you leave the Scheme while remaining in the Company's employment, and you have more than 2 years' Pensionable Service you will be able to transfer the value of your benefits in the same way as if you had left service, as described in 2 and 3 above. If you have less than 2 years' Pensionable Service you will not be allowed to take a refund of contributions until you leave the Company.

You may be readmitted to the Scheme on any 6th April provided you are under age 35. You may have to provide satisfactory evidence of health before rejoining.

Tax and Legal Notes

INLAND REVENUE LIMITS

The Inland Revenue lays down strict limits on the level of benefits which can be provided for members of employers' pension plans. When you join the Scheme you should let the Trustees know of any benefits you are entitled to under previous employers' plans. You will be told if these affect your Scheme benefits in any way.

In particular the Inland Revenue restrict the maximum salary which can be used for calculating all benefits. From 6th April 1990 this limit is £64,800. It will be increased each year in line with the Retail Price Index.

You will be advised if any of your benefits are affected.

INCOME TAX

All pensions paid under the terms of the Scheme will be subject to income tax which will be deducted at source by the Scheme's administrators.

INHERITANCE TAX

The legislation surrounding Inheritance Tax is quite complex, but as a general rule your capital sum death benefits will not be subject to this tax except where they are payable only to your estate. The extent of any tax liability will depend on your personal circumstances and the total value of your estate.

AMENDMENT OR DISCONTINUANCE

The Company reserves the right to amend or discontinue the Scheme at any time. If your benefits or rights are affected you will be given written notice. If the Scheme is discontinued the Trustees will use the assets of the Scheme for the benefit of the members and their dependants in the way set out in the legal documents, but there is no obligation on the part of the Company to make any further contributions in the unlikely event of the assets of the Scheme being insufficient.

CHANGES TO THE BOOKLET

The rules of the Scheme may be amended from time to time in order to comply with any future requirements of the Inland Revenue or Occupational Pensions Board. The contents of this booklet may be subject to revision accordingly.

CHANGES IN MARITAL STATUS

It is the responsibility of all members, including those who leave the Scheme or the Company's service with preserved benefits, to keep the Trustees informed of any changes in marital status.

DATA PROTECTION ACT 1984

The details you give on your Application Form, together with additional personal information provided by the Company, are held on computer and used by the Trustees and those involved in the running of the Scheme.

The information and its use has been registered with the Data Protection Registrar under the Data Protection Act 1984. The Act gives you certain rights to ensure that the information is accurate and that proper security is maintained.

The information may only be given to those people included in the registration.

PENSIONS OMBUDSMAN AND PENSIONS REGISTRY

The Social Security Act 1990 provides for a Pensions Ombudsman to be appointed to investigate certain types of disputes which may arise involving pension schemes.

The Act also provides for a register of personal and occupational pension schemes to be established and a registrar appointed.

These developments will enable you to establish who is responsible for paying your pension in case of any dispute.

THE VARELCO LIMITED PENSION FUND (the "Scheme")

BOOKLET ADDENDUM

New eligibility conditions for Scheme membership are to be introduced from 6 April 1995. The provisions set out below replace the section headed "Eligibility" on page 2 of the Scheme Explanatory Booklet dated February 1991.

Eligibility

Membership of the Scheme is open to all permanent full-time and part-time employees who are age 18 or over and under age 60. You will automatically become a full member of the Scheme when you have completed a probationary period of service, (maximum six months) as advised to you by the Company (or on the date you become eligible, if later) unless you indicate to the Trustees in writing that you do not wish to join the Scheme.

If you decide not to join the Scheme at your first opportunity or you join and subsequently opt out without leaving the Company, you may join or rejoin at any time up to age 35 (but not after this age). You will almost certainly be required to give medical evidence if you enter or re-enter the Scheme in such circumstances.

You may not contribute to a personal pension scheme whilst you are contributing to the Company Scheme.

If you are a permanent employee you will be covered during your probationary period of service for a lump sum death benefit (see page 16). You will be classified as a "Limited Member" during this period and will not be required to contribute to the Scheme.

You should note that if you decline to join the Scheme after you have completed your probationary period of service, or join and subsequently opt out, you will lose the life assurance cover provided by the Scheme.

If you are a permanent part-time employee please refer to the separate announcement explaining the special adjustments to Scheme benefits and contributions that will apply in your case.