

AVX LIMITED PENSION SCHEME (“THE SCHEME”)

Early Retirement for early leavers

This note explains how pensions for early leavers with deferred pensions that have not yet come into payment are reduced if you apply and are permitted to retire before Normal Pension Age (65). This note is not relevant to current pensioners.

Background

If you have left the Scheme (usually due to leaving the Company) before your Normal Pension Age of 65, you will be entitled to a “deferred” pension that normally comes into payment when you reach age 65.

This pension is calculated based on the period of service you completed whilst a member of the Scheme, along with your pay history in the period before you left. It is then increased between your date of leaving and age 65 in order to give it some protection against the effects of inflation during that time.

Your statement on leaving the Scheme confirms your pension amount at that time.

Can I retire before my Normal Pension Age and claim my pension?

Members may choose to receive an immediate payment of pension at any time after reaching age 55, subject to the Scheme’s Trustees’ consent. The pension will be reduced because it will be paid for longer than if it came into payment from age 65.

How will my pension be reduced?

Your pension will be reduced by each year and month you retire early. For example, if you retire at age 59 years and 6 months, your pension will be reduced by 5 years and 6 months i.e. the 5.5 year period to Normal Pension Age.

This reduction factor will be applied to your projected pension to age 65, which has been increased in respect of the period between your date of leaving and age 65 in line with the Rules of the Scheme. Calculating your projected pension at age 65 prior to reduction for early payment involves applying actual inflationary increases between the date of leaving and date of retirement, and then an assumed inflationary increase up to age 65.

The reduction factor which is applied to your projected pension at age 65 is:

0.944^n where n is the number of years and months you retire early

For example, the early retirement factor to be applied to a member retiring 5 years and 6 months early is $0.944^{5.5} = 0.728$ i.e. the pension will be reduced by approximately 27% to reflect the fact that the pension will be paid for a longer payment term.

Inflationary Increases

Again, the above reduction is applied to the **projected** pension at age 65. This means that increases which allow for inflation are applied in respect of the period between your date of leaving the Scheme and age 65, before the pension is reduced.

Part of your pension at date of leaving will have been earmarked as Guaranteed Minimum Pension ('GMP'). The rules for GMPs are complex and there is a separate document on the website explaining how GMPs are increased between your date of leaving and age 65.

For the part of your pension which is not earmarked as GMP, different rules apply for increases to age 65.

Paignton/Tantalum members

The assumed future inflationary increase is 3.55% p.a. for the purpose of calculating your early retirement pension. This is an estimate of the future level of the Retail Prices Index ('RPI'). These are added to actual RPI based on your non GMP pension in respect of the period between your date of leaving the Scheme and date of early retirement. The RPI based increases are capped at a maximum of 5% p.a.

Varelco and Former Retirement Plan members

The assumed future inflationary increase is 2.95% p.a. for the purpose of calculating your early retirement pension. This is an estimate of the future level of the Consumer Prices Index ('CPI'). These are added to actual CPI based increases on your non GMP pension in respect of the period between your date of leaving the Scheme and date of early retirement. The CPI based increases are capped at a maximum of 2.5% p.a. for pension accrued after 5 April 2009 and 5% p.a. for pension accrued on or before 5 April 2009.

Can I estimate the reduction on my current deferred pension if I decided to retire early?

It is possible to estimate the approximate reduction in your pension based on factors determined by the Trustees of the Scheme based on actuarial advice. The example below outlines how this can be done for a Tantalum member.

Example:

Mr Smith

Date of Birth: 10 October 1961

Date of Joining: 1 January 1989

Date of Leaving ("DOL"): 1 January 2004

Normal Pension Age ("NPA"): 10 October 2026

Date of Early Retirement ("DOER"): 1 May 2022

Age at DOER (complete years and months): 60 years 6 months

$n = \text{number of years early} = 65 - 60.5 = 4.5$

Early Retirement Factor: $0.944^{4.5} = 0.772$

Deferred Pension = £5,000 pa at DOL

Guaranteed Minimum Pension ("GMP") element = £2,000 pa

Pension in excess of GMP = £3,000 pa

- *GMP element*

Complete tax years between DOL and NPA = 22 years

GMP revaluation rate (based on DOL) = 4.5% pa (see note on increases in deferment on website)

GMP increased to NRD = £2,000 x 1.045^{22} = £5,267

- *Pension in excess of GMP*

Complete years between DOL and NPA = 22 years

Complete years between DOL and DOER = 18 years

RPI at DOER = 308.6 (see note on increases in deferment)

RPI at DOL = 182.5

Assumed RPI increase from DOER to NRD = 3.55% pa

Pension in excess of GMP increased to NRD = £3,000 x (308.6/182.5) x 1.0355⁴ = £5,832

Total projected pension to age 65 = £5,267 + £5,832 = £11,099

Reduced pension due to early payment = **£11,099 x 0.772 = £8,568 p.a.**

We hope you find this information helpful. Please see the Appendix for additional notes.

Simon Hall, FIA

On behalf of the Trustees of the AVX Pension Scheme

June 2022

Appendix: Notes

The calculation of pensions on early retirement is complex and this document necessarily contains a degree of simplification. Therefore, it is designed to help you gain an approximate indication of how your deferred pension would be reduced to reflect early retirement.

The early retirement factors are not guaranteed and may change between now and the date of your retirement.

If you require an accurate pension quotation, please visit Mercer's secure website "Contact Mercer Admin" (CMA) at contact.mercer.com to log your request.

As highlighted above, if you wish to draw your pension before age 65, you must seek the Trustees' consent.

In certain circumstances, members with small pensions may be unable to retire early if their pension is less than the "Guaranteed Minimum Pension" at age 65.