



**The Consortium CARE Scheme  
Explanatory Booklet**

February 2009

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## **1. Introduction**

It is a shared belief of the Directors of the Company and the Trustees of the Scheme that individual employees and scheme members should take responsibility for their own retirement planning. The Company's role is to promote this ethos and to sponsor the provision of adequate retirement benefits through the Company Pension Scheme.

Membership of a company pension scheme is one of the most valuable assets an employee can have. The Consortium CARE Scheme (the Scheme) is available to all employees who satisfy the eligibility criteria (see section 4) and provides financial security for you and your family, both while you are working and when you retire. The Scheme provides much more than just a benefit for you at retirement. It provides valuable lump sum life assurance benefits, and pensions for dependants on death before or after retirement.

The Scheme also offers a range of options to enable you to plan for your retirement. You may be able to retire early and take a reduced pension, or you can choose to take part of your pension as a tax-free cash sum. There is also flexibility on the amount you can pay to the Scheme each year. The more you pay the more benefits you will build up for your retirement (see sections 5 and 6 for further details).

If you leave the Scheme before retirement, a range of options is available to ensure that you do not lose out on the benefits that you have built up.

The Scheme is established under Trust so that its assets are completely separate from those of The Consortium for Purchasing and Distribution Limited (the Company). It is run by Trustees who have responsibility for the proper management of the Scheme, including the security and investment of the assets, and who must ensure that members' interests are protected at all times.

This Booklet offers a simple guide to your benefits and does not cover everything in the formal Trust Deed and Rules. The Trust Deed and Rules are complex legal documents, which set out your rights and the duties and obligations of the Trustees and the Company under the Scheme.

If you have any questions about the information contained in this booklet or on any pension matters, please contact The Consortium's HR Team in the first instance.

## **2. Key features of the Scheme**

Membership of the Scheme provides you with the following wide range of benefits:

- Flexibility of your contribution rate.
- Income when you retire.
- Possibility of a tax-free cash sum when you retire.
- Facility to retire early and take a reduced pension (subject to Company & Trustee consent).
- Increases to pensions in line with inflation up to 5% per annum.
- Life assurance on death in service.
- Pension for your dependant in the event of your death.
- A range of options if you leave the Scheme.
- The opportunity to increase your benefits further by paying Additional Voluntary Contributions.

Further details on all of these benefits can be found in this booklet.

Please remember also that your Scheme benefits are funded by contributions from you and the Company. The Company's contributions are normally expected to be significantly higher than your contributions.

### 3. Terms you need to know

Throughout this booklet various terms are used to describe the benefits of the Scheme. These are defined as follows: -

**Company** means The Consortium for Purchasing and Distribution Limited and any other associated or subsidiary companies, which participate in the Scheme.

**Dependant** means your legal spouse or some other person who is financially dependent on you. A Qualifying Child may be treated as a dependant.

**Legacy Final Salary Member** is a member who was in the final salary section of the Hammond Bridge Limited Pension Scheme on 31 December 2005.

**Normal Retirement Age** is your 65<sup>th</sup> birthday.

**Pensionable Salary** means basic annual salary plus any allowances deemed by the Company to be permanent.

**Pensionable Service** means the number of years and days of continuous service you complete as a member of the Scheme.

**Permanent Employees** are all Company employees other than “temporary or casual staff”. This encompasses full time, permanent part time, fixed term and “term time only” employees.

**Qualifying Child** is a child of yours who is under age 18, or 21 if in full time education.

**S2P** is the State Second Pension (see section 10 for further details).

**Scheme** is The Consortium CARE Scheme.

**Scheme Anniversary** means 1 January each year.

**Benefit Level** is the current benefit you accrue in accordance with the contribution rate you currently pay to the Scheme. The levels are **Bronze**, **Gold**, **Silver** and **Platinum** (see sections 5 and 6 for further information).

## **4. Membership**

### **Who can join and when?**

You can join the Scheme once you have satisfied the following conditions:

- you are aged over 18, and
- are a permanent employee and
- have completed your probationary period

or

- you are not a permanent employee and have completed 12 months continuous service with the Company

If you decide not to join the Scheme then you will have to complete an opt-out form to notify the Trustees of your decision. If you do opt-out or if you leave the Scheme and later want to re-join, you will only be able to if the Trustees and Company agree. Your benefits may then be restricted and you will have to prove you are in good health before you join.

There are circumstances in which you may make contributions to a Personal Pension Plan, or Stakeholder Plan and be a member of the Scheme. If you wish to investigate this option you should seek advice from your financial adviser, or the pension product provider.

### **Application form**

You will need to let the Trustees have your personal details when you join and you can do this by simply signing an Application Form. You will also need to produce your birth certificate and if you are married, your spouse's birth and marriage certificates before any benefits can be paid.

### **Pension from a previous job**

If you are entitled to a pension from a previous job (or other approved pension arrangement) when you join the Scheme it may be possible to transfer the value of those benefits into the Scheme. If you wish to enquire about the possibility of a transfer of your pension benefits from a previous employer, please contact The Consortium's HR Team.

## 5. Contributions

### What you pay

You have the flexibility to contribute one of four contribution rates. The more you contribute to the Scheme the more benefits you build up (see section 6). These current contribution rates are as follows:

- **Bronze Level = 5%** of Pensionable Salary
- **Silver Level = 6%** of Pensionable Salary
- **Gold Level = 7%** of Pensionable Salary
- **Platinum Level = 8%** of Pensionable Salary

Tax relief is automatically given on these contributions at the highest rate you are liable to. All members of the Scheme are contracted out of the S2P and so pay reduced National Insurance contributions.

You have the flexibility to change the amount you pay to the Scheme once a year on the Scheme Anniversary Date. You will receive notification from the HR Team prior to this, detailing your options, with a form for completion with your choice.

The rate of member contributions for each level is not fixed and may change in the future.

### What the Company pays

The cost of the wide range of benefits provided by the Scheme is met by contributions from you and the Company. The Company's contribution rate is set on the basis of actuarial advice and makes up the balance of the cost of the Scheme benefits. The Company currently contributes at the following rates:

- **Bronze Level = 10%** of Pensionable Salary
- **Silver Level = 11.5%** of Pensionable Salary
- **Gold Level = 13%** of Pensionable Salary
- **Platinum Level = 14%** of Pensionable Salary

The rate of Company contributions for each level is not fixed and may change in the future.

### Can I choose to pay even more?

Yes. You have the option to make extra contributions known as Additional Voluntary Contributions (AVCs).

AVCs are contributions you can make on top of your normal contributions to the Scheme in order to secure extra benefits. They have important tax advantages as your contributions are deducted from your salary before tax and the investment returns they earn also benefit from valuable tax relief. Once they have been paid, AVCs cannot usually be withdrawn until you retire.

The payment of AVCs is flexible. You choose how much you wish to contribute (subject to certain limits) and whether you wish to make regular payments or a one off lump sum.

AVC's will be invested on a money purchase basis up to retirement. The accumulated fund at retirement can be taken partly as tax free cash. It is proposed that the balance can be used to buy additional pension through the Scheme - this avoids the payment of expenses and profit loadings to an insurance company.

If you are interested in paying AVCs or increasing, reducing or stopping current AVC payments, or if you would just like to know more, please contact The Consortium's HR Team for further details and an application form.



## **6. Retirement benefits**

### **Pension at Normal Retirement Age**

If you retire at Normal Retirement Age, your pension will be calculated depending on which contribution rate you paid during your membership.

For Pensionable Service since 1 January 2006, your benefits have been built up as follows:

- a pension of 1/75th of your Pensionable Salary for that year, and
- a tax-free cash sum of 3/80th of your Pensionable Salary for that year.

For Pensionable Service from 1 December 2008, the benefits you build up will depend on the amount you contribute to the Scheme:

#### **Bronze Level**

- a pension of 1/90th of your Pensionable Salary for that year.

#### **Silver Level**

- a pension of 1/90th of your Pensionable Salary for that year, and
- a tax-free cash sum of 3/80th of your Pensionable Salary for that year.

#### **Gold Level**

- a pension of 1/75th of your Pensionable Salary for that year, and
- a tax-free cash sum of 3/80th of your Pensionable Salary for that year.

#### **Platinum Level**

- a pension of 1/75th of your Pensionable Salary for that year, and
- a tax-free cash sum of 5/80th of your Pensionable Salary for that year.

These benefits, plus each year's new benefits, will increase on 1 January each year in line with price inflation, subject to a maximum increase of 5%.

An example calculation is set out in Appendix 1.

As mentioned earlier, you have the flexibility each 1 January to change the amount you pay to the Scheme and hence change the level of future benefits you build up. You will receive notification from the HR Team prior to this, detailing your options, with a form for completion with your choice.

### **Options on retirement**

At your retirement date, if you have already built up a tax-free cash sum, you may be able to increase this further by exchanging part of your annual pension for additional tax-free cash.

If you have not built up a tax free cash sum you may be able to exchange part of your annual pension so that you can receive some tax-free cash at retirement.

The Company and the Trustees, acting on actuarial advice, will determine the terms of this exchange and HMRC imposes a limit on the maximum amount of tax-free cash you can take.

Exchanging pension for extra cash does not affect the level of dependant's pension payable on death after retirement.

Further details on exchanging pension for a lump sum can be obtained from The Consortium's HR Team.

### **Payment of pensions**

Your pension will normally be paid by monthly instalments in advance and will continue for the remainder of your life. It will be paid direct to your Bank or Building Society account and will be taxed under the PAYE system.

### **Pension increases**

Once in payment, pensions will be increased on 1 April each year at the rate specified below. On the first 1 April after retirement you will receive a proportionate increase that reflects the period between retirement and the first increase date.

The majority of pensions once in payment will increase in line with Limited Price Indexation i.e. 5% per annum, or the annual rise in the Retail Prices Index (RPI) if lower.

## **7. Early and late retirement**

### **Can I retire before my Normal Retirement Age?**

Subject to Company and Trustee consent, there is a facility to retire from service in good health at any time after age 50 (this is increasing to age 55 from 6 April 2010). The pension payable on early retirement will be lower than that payable on retirement at your Normal Retirement Age for two reasons:

- It will be based on the pension you have built up at the date of early retirement (which will be lower than it would be at your Normal Retirement Age); and
- It will be reduced to take account of the longer period over which it will be paid.

As with all benefits from the Scheme, they will be limited by any restrictions set by the Inland Revenue.

As with Normal Retirement, you will have the option of exchanging part of your pension for a further tax free cash sum. Further details will be provided nearer the time.

If you are a Legacy Final Salary Member, part of your benefits may not be reduced for early retirement, if you retire after age 60. Please contact the HR Department for further details.

### **What if I have to retire due to serious ill-health?**

If you are forced to take early retirement due to serious ill-health or disability, at any age, special terms may be applied which will be notified to you at the time. The Trustees and the Company will determine whether you are suffering from serious ill-health or disability.

### **Can I retire after my Normal Retirement Age?**

With the Company's agreement you may continue working beyond your Normal Retirement Age. Further details can be found in The Consortium's Retirement Policy CPI106 via the Human Resources page of the Intranet.

## **8. Death benefits**

### **What if I die in service before Normal Retirement Age?**

If you die in service before Normal Retirement Age while you are a member of the Scheme, the following benefits will be payable:

- a lump sum of four times your Pensionable Salary at the date of death.
- a Dependant's pension calculated as 46.875% of the pension you had earned at your date of death, plus 1/160 of your Pensionable Salary at the date of your death for each year of future Pensionable Service to age 65.
- A children's pension calculated as 25% of the Dependant's pension to each Qualifying Child, up to a maximum of four such children.

If your Dependant, other than a Qualifying Child, is 10 or more years younger than you, the Dependant's pension may be reduced by the Trustees acting on advice of the Scheme Actuary.

### **What if I die after retirement?**

Upon death after retirement, the following benefits will be payable:

- if you die within five years of retiring a lump sum will be payable equal to the remainder (if any) of the first five years' pension payments.
- a Dependant's pension of 46.875% of your pension at your date of retirement before any additional lump sum is taken. This pension will then be increased for any increases granted on your pension between your date of retirement and date of death.

If your Dependant, other than a Qualifying Child, is 10 or more years younger than you, the Dependant's pension may be reduced by the Trustees acting on advice of the Scheme Actuary.

### **Who receives the benefits payable on my death?**

Your lump sum death benefits are normally free from both Income and Inheritance Tax. This is because the Trustees distribute the benefits at their discretion.

If you wish to nominate a person or persons to receive the lump sum benefit on your death, you should complete and return to HR the Expression of Wish section of BSF 593 – CARE Scheme-Nomination form. This can be found on the Intranet via the HR page, by selecting Pensions.

If you wish a Dependant other than your legal spouse to receive part or all of your pension benefits on death, you should complete and return to HR, BSF 593 – CARE Scheme-Nomination form. This can be found on the Intranet via the HR page, by selecting Pensions

It is important that you inform the Trustees of your wishes and keep them informed of any changes in your personal circumstances, by submitting an amended BSF 593 – CARE Scheme – Nomination form to HR. Please note that the Trustees are not bound by your wishes but they will take them into consideration when arranging payment of the benefits.

## **9. Leaving the Scheme**

### **Fewer than three months' Pensionable Service**

If you leave the Scheme before completing three months' Pensionable Service, you will receive a refund of your contributions to the Scheme. Your share of the cost of reinstating you in S2P will be deducted from it. You will not be entitled to any further benefits from the Scheme. Any refund you receive will be subject to tax (currently at the rate of 20%).

### **Salary Sacrifice Scheme and fewer than three months' Pensionable Service**

If you have taken advantage of the Salary Sacrifice Scheme and leave the Scheme with fewer than 3 months Pensionable Service you will not be eligible for a refund of your contributions, as the Company made the contributions on your behalf.

### **Between three months and two years' Pensionable Service**

If you leave the Scheme having completed between three months and two years' Pensionable Service you will receive a choice of either:

- a refund of your contributions as outlined above, or
- you can choose to transfer the value of your benefits in the Scheme to your new employer's scheme or to another approved pension arrangement (see Transfer of benefits on page 14).

If you do not make a choice within 3 months of receiving your options, then you will automatically receive a refund of your contributions.

### **Salary Sacrifice Scheme and between three months and two years' Pensionable Service**

If you have taken advantage of the Salary Sacrifice Scheme and leave the pension scheme within 2 years you will not be eligible for a refund of your contributions, as the Company made the contributions on your behalf. You only have the option to transfer the value of your benefits in the Scheme to another pension arrangement.

### **Deferred pension – more than two years' Pensionable Service**

If you leave the Scheme having completed more than two years Pensionable Service you will be entitled to deferred benefits, payable from your 65<sup>th</sup> birthday. Your pension and tax free cash will be calculated in the same way as on retirement, but based only on service to the date you leave.

During the period between leaving and your 65<sup>th</sup> birthday, your pension and lump sum will be increased for each complete year by the increase in the Retail Prices Index, subject to a maximum of 5% for Pensionable Service up to 5 April 2009 and the increase in the Retail Prices Index, subject to a maximum of 2.5% for Pensionable Service after 5 April 2009.

As on retirement, part of your pension can be exchanged for additional tax free cash.

You can elect instead to receive your pension at any time after age 50 (this is increasing to age 55 from 6 April 2010), although this will be subject to the agreement of the Trustees. The

Trustees will consider your personal circumstances at the date of application. Please note that if your request is granted then your pension will be reduced because of its earlier payment.

### **Leaving the Scheme but not the Company**

If you leave the Scheme while continuing to work for the Company, your benefits will be treated in the same way as if you had left the Company.

### **What if I die before I draw my deferred benefits?**

On death whilst entitled to a deferred pension from the Scheme but before that deferred pension becomes payable, a lump sum will be payable equal to the contributions you made to the Scheme.

Please note that for any period you were a member of the Salary Sacrifice Scheme, you would not have paid contributions to the Scheme as the Company made these contributions on your behalf. However, the lump sum paid to you on death in deferment, will be increased to include the amount the Company paid on your behalf.

A Dependant's pension will be payable equal to 46.875% of your pension at date of death. Children's pensions may also be payable.

### **Transfer of benefits**

If you are entitled to a deferred pension, you can choose to transfer the value of your benefits in the Scheme to your new employer's scheme or to another approved pension arrangement as an alternative to a deferred pension. The transfer value will be calculated as the value of your deferred benefits, including an allowance for pension increases both before and after retirement.

### **How do I keep in touch with my benefits?**

If you leave the Scheme with entitlement to a deferred pension, you should make sure you notify the Scheme of any change of address, so as to avoid any possible delay in the payment of your pension. The address of the Scheme's external administrators will be on your deferred pension leaving statement.

Information about the Scheme has been given to the Pension Tracing Service, Tyneview Park, Whitley Road, Newcastle Upon Tyne, NE98 1BA which acts as a central tracing agency to help individuals keep track of their benefit entitlements with previous employers' Schemes.

## **10. State benefits and contracting-out**

The State provides a pension at State Pension Age made up of two parts:

- Basic State Pension
- State Second Pension (S2P). This used to be known as the State Earnings Related Pension Scheme (SERPS).

Both are paid at State Pension Age, which is currently 65 for men and 60 for women, although the Government is equalising State Pension Age at 65 over the period between 2010 and 2020.

### **Basic State Pension**

Basic State Pension is a flat-rate weekly pension, which is normally paid to everyone, providing they have made sufficient National Insurance contributions. A reduced pension may be paid to those who have not paid sufficient National Insurance contributions to qualify for a full pension. The Basic State Pension is reviewed annually by the Government.

Membership of the Scheme does not affect your entitlement to the Basic State Pension in any way.

### **S2P pension**

S2P is paid for through full rate National Insurance contributions and provides a pension related to part of your earnings.

As a member of the Scheme you will not receive S2P in respect of your period of membership. This is because the Scheme is contracted-out of S2P. As a result you pay reduced National Insurance contributions.

## **11. General information**

### **Trustees**

The Scheme is established under trust law and is run by Trustees. Some of the Trustees are nominated by the Scheme membership. The Trustees ensure that the Scheme is run in accordance with the terms of the Trust Deed and Rules.

Various professional advisers assist the Trustees with their duties.

Quantum Advisory carries out the administration. The Scheme Actuary from Quantum Advisory also undertakes regular actuarial valuations to check that the Scheme is properly funded and able to meet its commitments. You will receive a summary funding statement each year, providing you with details on how well the Scheme is funded.

Auditors, legal advisers and investment managers also assist with the running of the Scheme. All of the contributions to the Scheme are paid into a trust fund that provides the benefits for the Scheme members and their dependants.

The assets of the trust fund are held separately from the Company.

### **Taxation**

The Scheme is approved by the Inland Revenue under Chapter 1, Part XIV, of the Income and Corporation Taxes Act 1988. This approval results in the following tax advantages.

- You will receive full income tax relief on your contributions to the Scheme, including any AVCs.
- The cash sums payable on retirement or death are currently free of tax.
- The Scheme benefits from tax advantages in respect of its investment income.

### **Inland Revenue restrictions**

In return for the valuable tax concessions, the Inland Revenue imposes limits on the amounts of benefits and contributions that can be paid. The limits are generally much higher than the benefits provided by the Scheme and are therefore unlikely to affect you. You will be advised if this is not the case.

### **Using Scheme benefits as security**

You are not able to charge, assign or otherwise dispose of your benefits under the Scheme. For example, you are not permitted to use your benefits as security for a loan.

### **Temporary absence**

Most absences from work are for a relatively short time and your membership of the Scheme in these circumstances will not be affected.

If you are away for a long time and you become unable to pay your contributions to the Scheme then, depending on why you are away, the Company will decide whether your membership should be continued and for how long.



If you do not return to work after this time, you will normally be treated as having left the Scheme and your benefits will be dealt with in the usual way.

### **Maternity/Paternity/Adoption leave**

If you receive statutory or contractual maternity, paternity or adoption pay, your Pensionable Service continues as if you are working normally. Your benefits will continue and will be based on the Pensionable Salary you would have received had you been working normally. If you do not receive any statutory or contractual maternity/paternity/adoption pay, your Pensionable Service and benefits continue, as described above, for the basic statutory period. Please contact The Consortium's HR Team for further details.

You are required to contribute to the Scheme based on the statutory or contractual maternity/paternity/adoption pay you receive during maternity leave. The Company pays the full balance cost of maintaining your Scheme benefits (including the balance of your own contributions but not AVCs).

If you do not return to work, your date of leaving the Scheme is taken as the date any maternity pay stopped or, if later, when your unpaid statutory maternity leave ended. Alternatively the Company may maintain all or part of your benefits for a further period.

### **Divorce**

The Trustees are obliged to comply with any court order, which requires them to pay retirement or death benefits under the Scheme to your spouse or ex-spouse.

### **Personal information - Data Protection Act 1998**

The Trustees and the Company are registered under the Data Protection Act 1998. The Trustees or any company specifically appointed by the Trustees to provide services in relation to the Scheme holds any information you provide. All the information is necessary and without it you will not be able to join the Scheme.

Your information is kept secure and is only disclosed in limited circumstances, for example to the Company in connection with benefits under the Scheme, to insurance companies to arrange particular benefits, to administrators to arrange and administer your benefits and to government or regulatory organisations if the Trustees are legally obliged to do so. The data held must be made available to you if you so request.

The information may be used to conduct statistical analysis in connection with both the Scheme and surveys of similar schemes but, should this happen; you would not be identified personally.

It is important that you tell the Trustees of any changes in your personal details, especially your marital status and address, to help the Trustees to provide your benefits quickly.

If you are a new member of the Scheme and are filling in an application form to join the Scheme you will be giving your consent that the Trustees may keep and process all types of personal data you submit in accordance with the Data Protection Act.

If you are currently a member of the Scheme you have implicitly given your consent to the Trustees holding and processing personal information by joining the Scheme.

If you need to give the Trustees information about yourself of a sensitive nature, e.g. medical information regarding your health should you wish to retire early, then the Trustees will inform you of any implications regarding the Data Protection Act.

### **Queries or complaints**

There are several items of further information, which are available to members. You may request to see a copy of the Trust Deed and Rules or Annual Report and Accounts. In addition, if you are in Pensionable Service you will receive an annual benefit statement that enables you to see how your benefits are building up in the Scheme.

If you have any questions about the Scheme, or your own benefits in particular, please contact the Consortium's HR Team in the first instance. If they cannot answer your question directly then they will contact the Scheme's external administrators for further guidance.

There is a special procedure for dealing with any complaints you may have about the Scheme. This procedure is called the Internal Dispute Resolution Procedure. The Consortium's HR Team can provide you with further details of the procedure and, if required, the relevant form for completion.

The complaint procedure applies to matters concerning the Scheme that affect members and others who may have an interest in the Scheme. They do not apply to disputes between employees and the Company, nor do they apply to disputes where court proceedings have started or that are being investigated by the Pensions Ombudsman.

### **External Resolution**

If you are dissatisfied with your reply from the Trustees, you may take your complaint to TPAS. TPAS is an independent, voluntary organisation with expert advisers who can help you free of charge. TPAS is available at any time to assist members and other beneficiaries with any pension queries they may have, or with any difficulties, which they have failed to resolve through internal procedures. You should also note that TPAS (The Pensions Advisory Service) is available to assist at any stage of the Internal Dispute Resolution Procedure outlined above.

If TPAS is unable to resolve your dispute, then you can also contact the Pensions Ombudsman who may investigate and determine any complaint or dispute in relation to the Scheme.

Both TPAS and the Ombudsman can be contacted at 11 Belgrave Road, London SW1V 1 RB.

TPAS also operates a national telephone helpline on 0845 6012923.

## **The Pensions Regulator**

The Pensions Regulator is able to intervene in the running of pension schemes where the trustees, employers or professional advisers have failed in their duties.

The Pension Regulator can be contacted at:

Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

Tel: 0870 606 3636  
Email: [customersupport@thepensionsregulator.gov.uk](mailto:customersupport@thepensionsregulator.gov.uk)  
Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

## Appendix 1. CARE calculation example

Let us assume a member has a Pensionable Salary of £20,700 at 1 January 2009, is contribution at the **Gold** level and that inflation is 2.5% per annum:

### Year 1

The pension entitlement as at 1 January 2010 would be calculated in the following way:

$$\begin{aligned}\text{Pension built up during the year to 1 January 2010} &= 1/75 \times £20,700 \\ &= £276\end{aligned}$$

Assuming inflation of 2.5%, the total pension entitlement at 1 January 2010 would be:

$$\begin{aligned}\text{Pension entitlement for the 2009 year} &= £276 \\ \text{Increase for inflation (RPI = 2.5\%)} &= £7\end{aligned}$$

$$\text{Pension entitlement at 1 January 2010} = £283 \text{ per annum}$$

The tax-free cash entitlement as at 1 January 2010 would be calculated in the following way:

$$\begin{aligned}\text{Tax-free cash built up during the year to 1 January 2010} &= 3/80 \times £20,700 \\ &= £776\end{aligned}$$

Assuming inflation of 2.5%, the total tax-free cash entitlement at 1 January 2010 would be:

$$\begin{aligned}\text{Tax-free cash entitlement for the 2009 year} &= £776 \\ \text{Increase for inflation (RPI = 2.5\%)} &= £19\end{aligned}$$

$$\text{Tax-free cash entitlement at 1 January 2010} = £795$$

### Year 2

Assuming the member's Pensionable Salary increases to £21,424 at 1 January 2010, the pension entitlement as at 1 January 2011 would be calculated in the following way:

$$\begin{aligned}\text{Pension entitlement for the 2010 year} &= 1/75 \times £21,424 \\ &= £286\end{aligned}$$

Assuming inflation of 2.5%, the total pension entitlement at 1 January 2011 would be:

$$\begin{aligned}\text{Pension entitlement at start of year (1 January 2010)} &= £283 \\ \text{Additional pension entitlement for the 2010 year} &= £286 \\ \text{Increase for inflation (RPI = 2.5\%)} &= £14\end{aligned}$$

$$\text{Pension entitlement at 1 January 2011} = £583 \text{ per annum}$$

The tax-free cash entitlement as at 1 January 2011 would be calculated in the following way:

$$\begin{aligned}\text{Tax-free cash entitlement for the 2010 year} &= 3/80 \times £21,424 \\ &= £803\end{aligned}$$

Assuming inflation of 2.5%, the total tax-free cash entitlement at 1 January 2011 would be:

$$\begin{aligned}\text{Tax-free cash entitlement at start of year (1 January 2010)} &= £795 \\ \text{Additional tax-free cash entitlement for the 2010 year} &= £803 \\ \text{Increase for inflation (RPI = 2.5\%)} &= £40 \\ \text{Tax-free cash entitlement at 1 January 2011} &= £1,638\end{aligned}$$



## **THE CONSORTIUM CARE SCHEME (THE “SCHEME”) ADDENDUM TO THE EXPLANATORY BOOKLET**

**This addendum should be read in conjunction with the Explanatory Booklet dated February 2009**

### **Section 4 Membership**

The Consortium CARE Scheme closed to future benefits from 28 February 2011 and was replaced by a defined contribution plan from 1 March 2011.

No employees will be eligible to join the Scheme after 28 February 2011. All employees in the Scheme on 28 February 2011 will be treated as though they left Pensionable Service on 28 February 2011.

### **Section 5 Contributions**

No further contributions are payable to the Scheme after 28 February 2011.

### **Section 6 Retirement Benefits**

#### **Pension Increases**

Once in payment, pensions will be increased on 1 April each year. On the first 1<sup>st</sup> April after retirement you will receive a proportionate increase that reflects the period between retirement and the first increase date.

Your pension relating to Pensionable Service on and after 6 April 1997 is guaranteed to increase in line with the Retail Prices Index subject to a maximum of 5% per annum. Your pension built up prior to 6 April 1997 may, at the Trustees' discretion, also be increased. However, that part of your pension which relates to the Guaranteed Minimum Pension built up between 6 April 1988 and 5 April 1997 will be increased by the rise in the Consumer Prices Index up to a maximum of 3% per annum. This is in line with Statutory requirements.

### **Section 8 Death Benefits**

#### **What if I die in service before Normal Retirement Age?**

A lump sum of four times your Pensionable Salary is no longer provided by the Scheme on death in service before your Normal Retirement Age. Instead, a separate life assurance scheme has been set up by the Company which provides the same level of benefits.

### **Section 9 Leaving the Scheme**

If you were a member of the Scheme on 28 February 2011, the pension benefits you built up in the Scheme are calculated as if you had left employment on that date.

If you are entitled to a deferred pension, during the period between you leaving the Scheme and your eventual retirement, your pension and lump sum will be increased each year as follows:

- For Pensionable Service before 6 April 2009, from the date you left service up until 31 December 2010 your benefits will be increased by the rise in the Retail Prices Index (RPI), subject to a maximum of 5% per annum.
- For Pensionable Service after 5 April 2009, from the date you left service up until 31 December 2010 your benefits will be increased by the rise in the RPI, subject to a maximum of 2.5% per annum.

From 1 January 2011 your benefits will be increased by reference to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) and will remain subject to the relevant cap (5% or 2.5%). RPI and CPI vary in value due to the way in which they are measured and calculated. Historically CPI has been lower than RPI and therefore this change may lead to lower pension benefits.

### **Section 11 General Information**

Barnett Waddingham carries out the administration of the Scheme. The Scheme Actuary from Barnett Waddingham undertakes regular actuarial valuations to check that the Scheme is properly funded and able to meet its commitments.