

Looking Ahead

Members' Explanatory Booklet

for the Employees of Eggborough Power Limited who become new members of the Eggborough Power Group of the Electricity Supply Pension Scheme after 1 April 2010

February 2017

Please notify the Pension Administration Team if you have previously been employed by another employer that participates in the Electricity Supply Pension Scheme as your benefits may differ from those outlined in this booklet.

FOREWORD

The financial arrangements you make through a pension scheme for your retirement, and for your widow(er) and dependants when you die, are very important. The aim of this booklet is to explain in non-technical terms how the Electricity Supply Pension Scheme and in particular the Eggborough Power Group within the Electricity Supply Pension Scheme works.

The Electricity Supply Pension Scheme came into operation on 1 April 1983, and the British Energy Combined Group (BEC Group) was established on 4 November 1999, originally as the British Energy Retail Markets Group, to provide benefits for employees of British Energy Retail Markets Ltd. On 23 March 2010 the BEC Group was renamed the Eggborough Power Group of a result of the sale of Eggborough Power Station to Eggborough Power Limited on 1 April 2010. This booklet explains the Scheme as it applies to employees who become new members of the Scheme from 1 April 2010.

This booklet has been prepared in respect of the rules as they apply to Eggborough Power Limited employee members of the Eggborough Power Group. It has been written, as far as possible, in non-technical terms. It is important to note that it only covers the major provisions of the Scheme and not every set of circumstances. Without using formal and lengthy legal terms it would not be possible to produce an explanatory leaflet that is completely accurate for every member of the Scheme and which conveys the exact meaning of every rule. References are made in the booklet as to how benefits and contributions are treated for tax purposes. These references are correct under current law and practice as at 1 April 2010 but may be subject to future change.

This booklet has no legal authority and cannot be taken as a substitute for the provisions of the Scheme or any legal or HM Revenue and Customs ("HMRC") requirements, which may override those provisions. In the event of any inconsistency between the Rules of the Scheme and this booklet, the Rules of the Scheme shall prevail.

Pension legislation effective from 6 April 2006 gave individuals greater freedom to pay for additional retirement benefits both within the Scheme and through concurrent external pension arrangements. If you wish to make additional provision for retirement within the Scheme you should read explanatory leaflet EL No.3, which is available from the Pension Administration Team at RPMI EPAL. You should also consult an Independent Financial Adviser if there is any doubt as to the best option available to you.

The Rules of the Scheme set out limits on the maximum benefits and contributions that apply. The Electricity Supply Pension Scheme and the Eggborough Power Group are maintaining most of the limits that applied as at 5 April 2006 until such time as the Principal Employer decides otherwise or the current limits are statutorily overwritten. Where the current limits produce higher benefits than those permitted under the new legislation, the benefits payable will be limited by reference to the new limits.

If you need any further help or advice about the Scheme please contact the Pension Administration Team at RPMI EPAL, using the details given in paragraph 14.12 of this booklet.

INDEX**PAGE NUMBER**

1.	MAIN BENEFITS	4
2.	JOINING THE SCHEME	5-6
	2.1 Who can join the Scheme?	
	2.2 Can I transfer from another pension scheme?	
	2.3 What happens if I do not join now?	
3.	CONTRIBUTIONS / SALARY CONVERSION	7-8
	3.1 What does membership of the Scheme cost me?	
	3.2 Does my employer pay anything?	
4.	NORMAL RETIREMENT	9-10
	4.1 What is the Normal Pension Age?	
	4.2 What benefits will I receive?	
	4.3 On what pay is my pension based?	
	4.4 What options do I have at retirement?	
	4.5 What if I only have a small pension?	
5.	EARLY RETIREMENT	11-13
	5.1 Can I retire early if I want to?	
	5.2 What if the Company retires me early?	
	5.3 What if my health breaks down?	
6.	LATE RETIREMENT	14
	6.1 What if I continue working on after Normal Pension Age?	
7.	DEPENDANTS BENEFITS	15-17
	7.1 What if I die before retiring?	
	7.2 What happens on my death after retirement?	
	7.3 Treatment of lump sum payable on death	
	7.4 What are children's allowances?	
8.	PENSIONS INCREASES	18
	8.1 Do my benefits increase?	
9.	PAYMENT OF BENEFITS	19
	9.1 How are my benefits paid?	
	9.2 How secure are my benefits?	

	PAGE NUMBER
10. ADDITIONAL CONTRIBUTIONS	20-21
10.1 Can I pay more to improve my benefits?	
10.2 A summary of Added Years	
10.3 What other additional contributions can I pay?	
11. LEAVING THE SCHEME	22-24
11.1 When can I leave the Scheme?	
11.2 What are frozen benefits?	
11.3 What is a transfer value payment?	
12. BENEFIT STATEMENTS	25-26
12.1 Can I or anyone else find out what my benefits are?	
12.2 Explanatory leaflets	
12.3 Confidentiality of information	
13. ADMINISTRATION	27-28
13.1 What is the Scheme?	
13.2 Who makes the rules and can I have a copy?	
13.3 Who are the trustees?	
13.4 Can the Scheme be wound up?	
14. MISCELLANEOUS	29-32
14.1 What if I have leave of absence?	
14.2 What if my pay goes down?	
14.3 What if I go from full-time to part-time working?	
14.4 How are benefits and contributions treated for tax?	
14.5 What if my personal circumstances change?	
14.6 Internal Disputes Resolution Procedure	
14.7 The Pension Tracing Service	
14.8 The Pensions Advisory Service	
14.9 The Pensions Ombudsman	
14.10 The Pensions Regulator	
14.11 Trustees Annual Report and Accounts	
14.12 Further Information	
14.13 Independent Financial Advice	
15. THE STATE PENSION SCHEME	33
15.1 Will I receive a pension from the State?	
16. GLOSSARY OF TERMS USED	34-36

1. THE MAIN BENEFITS

- A lump sum payable should you die before retirement.
- An income if you are forced to retire early because of ill-health.
- A pension for life with annual increases when you retire and a tax free cash sum.
- Dependants benefits on your death at any age.
- The option to provide extra pension for dependants.
- The option to pay additional contributions to secure improved benefits at retirement.

2. JOINING THE SCHEME

2.1 WHO CAN JOIN THE SCHEME?

If you are a permanent employee of Eggborough Power Limited you may join the Scheme when you join the Company provided you are: -

- a) at least 18;
- b) under 58; and
- c) permitted to join the Scheme under your contract of employment.

In addition, the following conditions apply:-

- a) for permanent employees aged 20 and over – the option to join the Scheme expires 3 months after you start to work for the Company.
- b) for permanent employees under 20 – the option to join the Scheme expires at age 20 years 3 months.

The option periods to join the Scheme set out in the above paragraph are extended to 27 months where you have a personal pension which you started before beginning to work for the Company.

If you are a permanent employee working 34½ hours or more a week, you will automatically be deemed to be a member of the Scheme on first becoming eligible to join.

*If you **do not** wish to become a member, you should immediately return the Membership Form that has been supplied to you, to the Pension Administration Team at RPMI EPAL (see paragraph 14.12 for contact details), indicating that you do not wish to become a member.*

Permanent employees working less than 34½ hours per week are not automatically deemed to be members and must apply for membership within the time limits detailed above.

Permanent employees working less than 34½ hours a week who have lost the right to join the Scheme will, if they commence working 34½ hours or more a week, have a further option to join the Scheme which will itself expire: -

- a) 3 months after starting to work 34½ hours or more a week if at the time you are 20 and over;
- b) at 20 years 3 months where you are under 20;
- c) 2 years 3 months after starting to work 34½ hours or more a week if at the time you are over 18 and have a personal pension;
- d) at 20 years 3 months where you are under 18 at the time of starting to work 34½ hours or more a week and have a personal pension.

If you are a temporary or fixed term employee, whether you are or may become eligible for membership of the Scheme will depend on the terms of your contract of employment. If you have any queries on your eligibility to join the Scheme please contact the Pension Administration Team at RPMI EPAL (see paragraph 14.12).

2.2 CAN I TRANSFER BENEFITS I HAVE WITH PREVIOUS ARRANGEMENTS INTO THE SCHEME?

If you have built up benefits in a previous pension scheme, or in a personal pension arrangement it may be possible, if you wish and with consent of the Principal Employer, to arrange for a transfer to the Scheme. The transfer may be in respect of

some or all of the value of the benefits due to you from that scheme, and is achieved by a "transfer value payment". In return for the transfer value payment the Group Trustees, on the advice of their Group Actuary, will award you a "back service credit" (measured in years and days) that will then be included in the number of years on which your benefits are calculated (paragraph 4.2).

You should fully investigate the implications of transferring benefits from previous arrangements before electing to do so and should carefully compare the benefits arising from the back service credit offered with those you would be giving up under your previous arrangement. If you want to find out more please contact the Pension Administration Team at RPMI EPAL (see paragraph 14.12), who will assist in collating the necessary information for you to make an informed decision.

You do not have to elect to make such a transfer immediately on joining our Scheme and can do so any time up to your Normal Pension Age with the consent of the Principal Employer.

2.3 WHAT HAPPENS IF I DO NOT JOIN NOW?

Entry into the Scheme after the time limits set out in paragraph 2.1 will only be with the consent of the Principal Employer and subject to such terms and conditions as may be determined by the Group Trustees.

Your right to automatic membership will resume, subject to the provisions of paragraph 2.1 if you are a part-time employee and your hours increase to 34½ or more per week.

3. CONTRIBUTIONS

3.1 WHAT DOES MEMBERSHIP OF THE SCHEME COST ME?

Your financial contribution to the Scheme will be the equivalent of 6% of your pay either through salary conversion or by payment of a contribution.

SALARY CONVERSION

Unless you opt otherwise, by written notification to the Group Trustees, you will not pay a contribution to the Scheme. Instead, 6% of your pay (excluding overtime and certain other payments) will be converted to an additional employer contribution that will then be paid to the Scheme. The effect of salary conversion is that you gain exactly the same tax relief on your salary conversion amount as you would have had you paid a 6% pension contribution but, under current tax legislation, you are likely to make a saving in the National Insurance Contribution you would otherwise pay.

Although your Gross pay reduces as a result of the salary conversion your net take home pay will not reduce from what you would have received had you paid a pension contribution. In addition, all company benefits including pension benefit, holiday pay, overtime, bonus (if applicable) and annual salary reviews will be based on your Notional Pay which is your pay before Salary Conversion is applied.

As HMRC may withdraw the salary conversion at anytime it is necessary to restrict the amount a member can pay to purchase Added Years to 9% of pay in the same way that it is restricted for a member who pays a 6% contribution (see paragraph 10.2).

CONTRIBUTION PAYMENT

If you opt out of the salary conversion arrangement the basic amount you have to pay to the Scheme is 6% of your pay (excluding overtime and certain other payments). You will automatically receive tax relief on your contributions in the calculation of tax on your pay. There are other contributions you may be able to pay to improve your benefits (paragraphs 10.2 and 10.3 of this booklet explain these).

NOTE: The Scheme Rules limit the amount of pay on which Scheme benefits are calculated in some cases (paragraph 4.3). As a consequence of this restriction the pay on which the 6% contribution is payable is also limited to this amount in these cases.

If you are aged under 25 then you may, if you wish, choose to pay / salary convert at a reduced rate of 3% for up to 5 years or until age 25 if later. However, if you choose to pay / salary convert only 3% there will be a reduction in your lump sum benefit to reflect the lower rate of contribution that you have paid.

e.g. If you paid/salary converted 3% for 4 years you would then have paid only 12% in total and not 24% (3% x 4 instead of 6% x 4) and therefore your lump sum will be reduced by 12% of your pensionable pay (paragraph 4.3).

You can at any time pay extra contributions / or salary conversion amounts to avoid all or part of this reduction (paragraph 10.4).

e.g. using the above example of a 12% reduction you could choose to pay/salary convert an extra 2% for 6 years and there would be no reduction. If you paid / salary converted the 2% for 4 years there would be a 4% reduction.

- You will pay contributions or salary convert until you complete 40 years contributing service irrespective of whether you have reached Normal Pension Age (age 63). If you continue working after Normal Pension Age, your options are explained in paragraph 6.1.

For the purposes of this booklet, "continuous employment" means principally one or more period(s) of employment with employers participating in the Scheme and their predecessors which is / are treated as continuous for statutory purposes.

3.2 DOES MY EMPLOYER PAY ANYTHING?

Yes. Your contributions alone would not be enough to pay for all the benefits promised. The Rules of the Scheme require the Company to pay a standard contribution of twice the rate that you pay/salary convert, and any balance of costs which are necessary (paragraph 9.2).

4. NORMAL RETIREMENT

4.1 WHAT IS THE NORMAL PENSION AGE?

The Normal Pension Age at which retirement benefits will be available is 63.

If you have worked for other employers who participate in the Scheme, please contact the Pension Administration Team at RPMI EPAL (paragraph 14.12) as a different Normal Pension Age may apply to you.

4.2 WHAT BENEFITS WILL I RECEIVE?

When you retire you will receive an annual pension payable for life and a tax-free lump sum.

YOUR PENSION

If you are a full-time employee (you work on average 34½ or more hours a week) you will receive a pension of 1/80th of your pensionable pay (paragraph 4.3) for each year of your pensionable service under the Group, up to a maximum of 40 years, i.e. 40/80ths, or 45 years if you continue working past your Normal Pension Age. Included in this is any back service credit (paragraph 2.2) and any added years you have paid for (paragraph 10.2). The period of pensionable service up to Normal Pension Age on which your pension will be based cannot be more than 40 years.

YOUR LUMP SUM

Your tax-free lump sum will be three times the amount of your annual pension, less any reduction that may be necessary where you have chosen to pay reduced contributions or reduced salary conversion amounts (paragraph 3.1).

4.3 ON WHAT PAY IS MY PENSION BASED?

Your pension is based on what is known as your pensionable pay. Normally pensionable pay is the total pay you earned, or would have earned but for sickness and/or injury, excluding any overtime and certain other payments, in the last 12 months before retirement, death or leaving the Company. However, if either of the calculations which follow produce a higher figure, the highest will be taken as pensionable pay:

- a) Your actual pensionable pay during any of the last 5 years you worked while a member of the Scheme but increased in line with the increase in the Retail Prices Index to the date you retired, died or left the Scheme; or
- b) The average of your actual pensionable pay over any 3 consecutive years in the last 10 years you worked while a member of the Scheme but increased in line with the increase in the Retail Prices Index to the date you retired, died or left the Scheme.

NOTE: The Scheme Rules restrict the amount of pay on which your benefits are calculated (your pensionable pay). For the tax year 2016/17 the permitted maximum pensionable pay is £150,600 and this limit is usually increased each year in line with the increase in the Retail Price Index. If you are uncertain the Pension Administration Team at RPMI EPAL (paragraph 14.12) will be able to advise whether or not the restriction applies to you.

4.4 WHAT OPTIONS DO I HAVE AT RETIREMENT?

When you retire you will have the option to give up part or all of your lump sum to increase the pension you receive.

At the time of your retirement you are also able to give up part of your pension to increase the widow(er)'s pension, registered civil partner's pension or provide a pension for a dependant that will be payable when you die.

You also have the option to give up some of your yearly pension and receive a higher lump sum. HMRC place an overall limit on the cash sum you can take at retirement of 25% of the overall value of your benefits (or, if lower, 25% of the lifetime allowance). This includes the cash sum you automatically receive of three times your yearly pension.

NOTE: As the Scheme Rules limit the amount of lump sum, pension and widow(er)'s/dependants and registered civil partner's pension from the Scheme, the options may not be available to you or they may be restricted.

You should contact the Pension Administration Team at RPMI EPAL (paragraph 14.12) before you retire if you want to know more about either of the options. You must give notice in writing one month before retirement if either of the options is to be exercised.

4.5 WHAT IF I ONLY HAVE A SMALL PENSION?

If, before you exercise any of the options available to you on retirement, all of your benefits under all of the pension arrangements are valued in aggregate at or below 1% of the standard lifetime allowance you may be able to commute your benefits for a one-off immediate lump sum on the grounds of triviality.

For the tax year 2016/17 the standard lifetime allowance is £1,000,000 therefore the aggregate value of all your pension benefits from all sources would, if you retired in the 2016/17 tax year, need to be £10,000 to be considered trivial. The amount of any lump sum paid in lieu of your benefits from the Scheme on the grounds of triviality would be calculated in accordance with factors set by the Group Actuary. If you take a lump sum your widow(er) or registered civil partner will lose the right to a widow(er)'s / civil partner's pension.

Trivial commutation may also apply to any widow(er)'s or dependants' benefits payable on your death if the above criteria is met.

Tax legislation effective from 1 April 2006 may require the Group Trustees to deduct tax from any lump sum paid in lieu of a small pension. If this applies to you the Pension Administration Team at RPMI EPAL (see paragraph 14.12) will notify you of the tax to be deducted.

In certain circumstances if the value of your pension pots (from all schemes you have ever been a member of) is less than £30,000 then you may also be entitled to a lump sum.

5. EARLY RETIREMENT

5.1 CAN I RETIRE EARLY IF I WANT TO?

Yes, if you joined the Scheme on or after 1 April 2010 and are aged 55 or over you can resign from the Company and ask the Group Trustees for consent to take your pension early from the Scheme. The pension payable will be as described under section 4.2, However, this will be reduced for early payment by a factor determined by the Group Trustees with advice from the Group Actuary.

Alternatively, if you joined the Scheme on or after 1 April 2010 and are aged 55 or over and the Company consents to a request to pay your benefits early from the Scheme, then the benefits outlined below are payable:

The annual pension, which you will immediately become entitled to, will be payable for life and will be based on the length of your pensionable service up to date of retiring and on your pensionable pay (paragraph 4.3), but reduced for early payment by a factor determined by the Principal Employer with advice from the Group Actuary. The reduction factors used to calculate early retirement pensions may be adjusted from time to time in consultation with the Group Actuary, but your pension would not be changed after payment commences. The option to give up part of your lump sum for additional pension will also then be available.

The lump sum will be three times this reduced pension less any reduction that may be necessary where you have chosen to pay reduced contributions/salary converted amounts (paragraph 3.1). The agreement of the Company to your early retirement will be subject to your reduced pension (if necessary after converting some or all of your lump sum) not being less than your revalued Guaranteed Minimum Pension (paragraph 15.1). If it is, it will not be possible to pay your benefits immediately.

You also have the option to give up some of your yearly pension and receive a higher lump sum- or take a lower cash sum in return for a higher pension.

NOTE: the Principal Employer retains the right to waive the reduction for early payment of benefits, in whole or part, at its discretion.

If you have a back service credit (paragraph 2.2) or have bought Added or part Added years (paragraph 10.2) they will be added to your actual period of Scheme membership. The period of Scheme membership on which your pension will be based cannot be more than 40 years.

5.2 WHAT IF THE COMPANY RETIRES ME EARLY?

If you cease contributing early (i.e. before Normal Pension Age) because the Company compulsorily retires you due to redundancy or reorganisation or (at the discretion of the Company) for any other reason and:-

- (a) you are over 55, you may elect to receive an immediate annual pension for life and a tax free lump sum. The pension will be based on the length of your pensionable service up to your date of leaving and on your pensionable pay (paragraph 4.3), but reduced for early payment by a factor determined by the Principal Employer with advice from the Group Actuary. The reduction factors used to calculate early retirement pensions may be adjusted from time to time in consultation with the Group Actuary, but your pension would not be changed after payment commences. The option to give up part of your lump sum for additional pension will also then be available.

The widow(er)'s / registered civil partner's pension (paragraph 7.2(a)) will not be reduced as a consequence of you retiring early with reduced benefits. It will be based on your accrued pension before the reduction factor is applied.

The lump sum will be three times this reduced pension less any reduction that may be necessary where you have chosen to pay reduced contributions / salary conversion amounts (paragraph 3.1). However, following this reduction your pension, if necessary after converting some or all of your lump sum, must not be less than your revalued Guaranteed Minimum Pension (paragraph 15.1). If it is, it will not be possible to pay your benefits immediately.

You also have the option to give up some of your yearly pension and receive a higher lump sum- or take a lower cash sum in return for a higher pension.

If you do not elect to receive the reduced early benefits these will become payable in full at age 63 (paragraph 11.2). Alternatively, you may be able to transfer your benefits to your new pension arrangement (paragraph 11.3).

OR

- (b) you are under 55, you have the same choices as if you had stopped work voluntarily (paragraph 11.1), but with the Company's consent you may also elect to receive your frozen benefits at age 55, reduced for early payment by a factor determined by the Principal Employer with advice from the Group Actuary. The reduction factors used to calculate early retirement pensions may be adjusted from time to time in consultation with the Group Actuary, but your pension would not be changed after payment commences. The option to give up part of your lump sum for additional pension will also then be available.

The widow(er)'s pension (paragraph 7.2(a)) will not be reduced as a consequence of you retiring early with reduced benefits. It will be based on your accrued pension before the reduction factor is applied.

As in (a) above, it will not be possible to receive your frozen benefits immediately if the reduced pension is less than the revalued Guaranteed Minimum Pension.

NOTE: the Principal Employer retains the right to waive the reductions for early payment of benefits, in whole or part, at its discretion.

If you have a back service credit (paragraph 2.2) or have bought Added or part Added Years (paragraph 10.2) they will be added to your actual period of Scheme membership. The period of Scheme membership on which your pension will be based cannot be more than 40 years.

5.3 WHAT IF MY HEALTH BREAKS DOWN?

If, in the opinion of a Medical Adviser of the Scheme, you are unable (other than temporarily) to carry out any work that the Company may reasonably offer you then, subject to you having completed either 5 years continuous employment or 5 years contributing service if you are a full-time employee or the equivalent of 5 years full-time employment or membership if you are part-time employee, the Company can retire you early on ill-health grounds and the Scheme will pay you an annual pension for life and a lump sum.

Your pension will be based on:-

- (a) the length of pensionable service you would have had if you had stayed at work until 63; including any back service credit (paragraph 2.2), and added years you are buying (paragraph 10.2); and
- (b) your pensionable pay at the time of ill-health retirement (paragraph 4.3).

The period of Scheme membership on which your pension will be based cannot be more than 40 years.

If the Medical Adviser of the Scheme considers that your ill-health arises because of your job then you do not need to meet the 5-year rule. The Group Trustees can agree to ignore the 5 year qualifying period if your ill-health is not due to your job, but they have to consider each case on its merits; otherwise you will be treated in the same way as a person leaving voluntarily before retirement (paragraph 11.1).

If your health improves after your ill-health retirement (but before Normal Pension Age) to such a degree that you could work again, or you do actually go back to work then the Group Trustees have a duty to review the state of your health and any earnings you may have and, if they consider it to be necessary in the light of that review, they can suspend or terminate your pension. If your pension is terminated you will receive a pension at Normal Pension Age at least equal to the pension you would have been entitled to as if you had left work voluntarily (paragraph 11.1) on the date you retired through ill-health.

If you return to work with the Company and become a member of the Scheme again your ill-health pension will be terminated and your previous membership will be taken into account on your subsequent retirement after adjustment for the lump sum you originally received.

6. LATE RETIREMENT

6.1 WHAT IF I CONTINUE WORKING ON AFTER NORMAL PENSION AGE?

If you continue working after you reach your Normal Pension Age (63), you will continue to pay the basic contribution / salary conversion (and Additional Voluntary Contributions if you wish) and you will continue to reckon pensionable service while you continue working up to a maximum of 45 years Pensionable service. Your pensionable service will include any back service credit (paragraph 2.2) and Added Years (paragraph 10.2).

7. DEPENDANTS BENEFITS

7.1 WHAT IF I DIE BEFORE RETIRING?

If you should die while still a contributing member the Scheme pays the following:-

- (i) If you are married an immediate widow(er)'s pension is payable for life. The pension will be 56% of that which you would have received at:-
 - (a) your Normal Pension Age but based on your pensionable pay at the date you die (paragraph 4.1 and 4.3); or
 - (b) the date on which you died had you retired on that day, if you continued to work after Normal Pension Age.

If, on your death, you leave a registered civil partner they will be entitled to a pension calculated in accordance with the Scheme Rules.

- (ii) Whether you are married (or in a registered civil partnership) or not, a lump sum equal to 4 years' pensionable pay and, if you die after age 55, possibly an additional amount depending on your age at death and length of membership of the Scheme. The lump sum may be subject to a reduction where you have paid reduced contributions (paragraph 3.1).

NOTES:

1. If you are married or in a registered civil partnership at the time you die then out of the lump sum an amount equal to 1 year's pensionable pay is payable direct to your widow(er) or registered civil partner and she (he) can choose within 3 months to have an additional pension instead.
 2. Paragraph 7.3 sets out how the lump sum is dealt with.
- (c) Children's allowances – (paragraph 7.4).

7.2 WHAT HAPPENS ON MY DEATH AFTER RETIREMENT?

- (a) If your death occurs after you have retired and you leave a widow(er) then she/he will get a pension for the rest of her (his) life from the date of your death.

The widow(er)'s pension will be 56% of the pension you are getting on the date that you die, or would have got but for exercising any of the options referred to in paragraph 4.4, plus any amount provided by the surrender of your pension under the option to increase the widow(er)'s pension.

The widow(er)'s pension will not be reduced as a consequence of you retiring early with a reduced pension (see paragraphs 5.1 and 5.2).

If you are survived by a registered civil partner their pension will be calculated in accordance with the Scheme Rules.

- (b) If you have any children then children's allowances may also be payable (paragraph 7.4).
- (c) If you die within 5 years of retiring other than due to ill-health a lump sum is payable. The amount is equal to the pension, plus any pensions increases (paragraph 8.1) that were being paid at the date you died, multiplied by the balance left of the 5 years from retirement. There will be no lump sum payment

once you have been paid your pension for 5 years. The lump sum will be dealt with as set out in paragraph 7.3.

- (d) If you retired due to ill-health a lump sum may be payable on your death. This lump sum, if any, will be the difference between the lump sum as per paragraph 7.1(b) that would have been payable if you had died on the day you retired and any lump sum and pension payments, excluding pensions increases, actually made to you up to the date you died (ignoring any options to surrender (paragraph 4.4). Any lump sum cannot exceed that which would have been payable if your retirement had been due to reasons other than ill-health (paragraph (c) above). If any lump sum is payable, it will be dealt with as set out in paragraph 7.3.

7.3 TREATMENT OF LUMP SUM PAYABLE ON DEATH

The Scheme has special provisions in order to avoid (under current legislation and practice) the lump sum (or balance thereof) being included in the value of your estate by HMRC when deciding whether or not Inheritance Tax is payable, and also to enable it to be paid out without having to wait for Probate to be granted to your executor(s) or Letters of Administration to administrator(s).

Under these provisions any lump sum payable on your death, other than that payable directly to your widow(er) / registered civil partner (paragraph 7.1 Note 1) will be held in a discretionary trust and the Group Trustees will decide which person or persons should receive it. You can, at any time you wish complete an "Expression of Wishes" form to the Group Trustees setting out to whom you would like this amount paid in the event of your death and the Group Trustees will generally follow your wishes although they are not legally bound to do so. You can change your mind as often as you like so long as you set out your latest wish in a letter to the Group Trustees.

If you want to know more about these arrangements for lump sums please refer to the Leaflet EL No.10 available from the Pensions Administration Team at RPMI EPAL (paragraph 14.12).

7.4 WHAT ARE CHILDREN'S ALLOWANCES?

In the event of your death, either whilst still in service or whilst in receipt of a pension, a child allowance will be payable, if: -

- (a) your child is under 18 at the date of your death – it is payable up to the child's 18th birthday and ceases at that age if they are not in full time education; or
- (b) your child is under 21 at the date of your death and is either already in, or takes up, full time education before reaching 21 – it is payable while they remain in full time education up to their 21st birthday, until the full time education ceases or the child attains age 23 whichever is earlier; or
- (c) your child is over 21 at the date of your death and has been in full time education since before their 21st birthday – it is payable at the Group Trustees' discretion until the full time education ceases or the child attains age 23 whichever is earlier; or
- (d) your child irrespective of age is, in the opinion of the Scheme's medical adviser, unable to earn a living because of a disability – it is payable at the Group Trustees' discretion for so long as the disability continues.

NOTES:

1. The child's allowance from 1 April 2016 to 31 March 2017 for each child is £3,184.26 a year. If the person taking care of the child(ren) does not receive the widow(er)'s pension from the Scheme the allowance is £4,776.38 a year.

The relevant allowance payable is compared with the value of one third of the annual widow(er)'s pension secured and the higher amount paid. The allowances are paid subject to the total value of the children's allowances not exceeding the value of the widow(er)'s pension.

Child allowances are increased each year at the same rate as pensions (paragraph 8.1).

2. In addition to natural children a child's allowance is payable if a child has been legally adopted by the member. If you leave a stepchild, or a child to whom you stood in "loco-parentis" who, in the opinion of the Group Trustees', was financially dependant on you the Group Trustees may exercise their discretion to pay a pension to that child. Where the member is divorced and not financially responsible for any natural child of the marriage a child's allowance is still payable on the member's death.
3. The Scheme Rules limit the total amount of dependants' pensions that may be paid, i.e. widow(er)'s pension, child allowances, to the maximum amount of pension that the member would have been entitled to receive if he had lived. It is therefore necessary to restrict benefits in certain cases where these limits would otherwise have been exceeded.
4. Child allowances are normally paid to the person who is taking care of the child. However the income is assessed by HMRC to be that of the child and will be subject to Income Tax if the allowance, either on its own or when taken together with any other income to which the child may be entitled, exceeds the single persons personal allowance (Tax Year 2016/2017: £11,000).

8. PENSIONS INCREASES

8.1 DO MY BENEFITS INCREASE?

The Scheme guarantees that your pension, your widow(er)'s / registered civil partners' pension and children's allowances are increased in April each year by reference to the increase in the Retail Prices Index in the year to the end of the previous September. This also applies to frozen benefits (paragraph 11.2). When the Retail Prices Index increases by more than 5% a year the Company can review the situation and determine whether to increase pensions at a lower rate than the Retail Price Index increase provided the increase is at least 5%.

In the year that your pension commences, the increase that you will receive the following April will be proportionate to the number of complete months that you have been in receipt of your pension during that year ending 31 March.

9. PAYMENT OF BENEFITS

9.1 HOW ARE MY BENEFITS PAID?

Your pension, your widow(er)'s pension, your registered civil partner's and any child's allowance will be paid monthly on the 15th day of each month in respect of that current month. Payment generally is made direct to your bank account by RPMI EPAL, acting as the agent of the Group Trustees. These benefits will be taxed under the PAYE system.

Your lump sum will be paid within a few days of retiring or on the date it becomes payable, if you have frozen benefits (paragraph 11.2).

9.2 HOW SECURE ARE MY BENEFITS?

It is important for members to know that there is enough money in the Scheme and that their benefits are secure.

The 1995 Pensions Act requires the Scheme Actuary to make an "actuarial valuation" of the Scheme at regular intervals (normally this is done every 3 years). The valuation is a calculation of the value of the Scheme and of the benefits it will have to pay to every member and their dependants. At the end of the valuation the Actuary has to say whether the Scheme has or will have enough money to pay these benefits. If the Actuary says there is not enough money, what is called an "actuarial deficiency", the Company has to pay additional contributions to make good the deficiency which relates to the Scheme members in the Eggborough Power Group.

Statements from the Actuary regarding these valuations and the Schedule of Contributions will be included in the Group's Annual Report.

In addition, the Company is legally obliged to contribute to the Pension Protection Fund established by the Government on 1 April 2005. This gives members further security in the event that the Scheme is unable to meet its pension liabilities. Furthermore the Pensions Act 2004 established the Financial Assistance Scheme to help members whose defined benefits have been reduced as a result of the insolvent winding up of their occupational pension scheme.

10. ADDITIONAL CONTRIBUTIONS

10.1 CAN I PAY MORE TO IMPROVE MY BENEFITS?

The Scheme Rules allow you to pay total contributions of up to 15% of your remuneration, inclusive of the standard rate contribution and in the case of Added Years the salary converted amount (paragraph 3.1), to increase the benefits you get. Tax relief is given on these contributions (paragraph 14.4). The ways of paying more are:-

Under new legislation introduced on 6 April 2006 members of occupational pension schemes can pay substantial amounts more than the 15% maximum that can be paid to Eggborough Power Group towards extra pension provision however they must use external approved pension arrangements to do so. Members seeking to increase their retirement benefits through additional pension contributions are advised to seek advice from an Independent Financial Adviser (see paragraph 14.13) but basically the ways of paying more are:-

- (a) Buying Added Years – paragraph 10.2; and
- (b) Contributing to an external arrangement such as Free Standing AVCs or a Personal Pension Plan. If you wish to pay more towards additional benefits than is permissible under the rules of Eggborough Power Group you will have to set up an external scheme to accept any contributions that will be payable directly by you.

Members can use a combination of these methods of paying extra contributions if they wish. There is no compulsion to buy Added Years.

A comprehensive explanation of Added Years is given in explanatory leaflet EL No.3 which is available from the Pension Administration Team at RPMI EPAL (see paragraph 14.12). A summary of the Added Years arrangements are provided in paragraph 10.2 below.

NOTE: the Scheme Rules limit the amount of pay on which your benefits are calculated (paragraph 4.3). As a consequence of this restriction the remuneration on which the 15% contribution is payable is also limited to this amount in some cases.

10.2 A SUMMARY OF ADDED YEARS

- Long term contractual agreement between the member and the Group Trustees.
- Extra years (and days) that count towards contributing service and applied to pensionable pay at time of leaving the Scheme.
- Maximum contribution is 15% of pay. The 15% includes the 6% contribution / salary conversion applicable.
- Maximum contributing service including Added Years limited to 40.
- Member guaranteed promised Added Years at Normal Pension Age.
- Cost of each Added Year determined by the Scheme Actuary and may vary from time to time. It will not be changed once an individual contract has been entered into.

- Actual monetary cost of each Added Year is a percentage of pay and will increase in line with pay increases.
- Early termination of contract for any reason will result in a proportionate amount of Added Years being granted.
- Added Years contributions cannot be varied once they commence except upwards in line with annual salary changes.
- Added Years are also subject to early retirement reductions (paragraph 5.1).
- Option to give up part of Added Years pension for a cash sum on retirement.
- Added Years contributions become part of the total pension fund and are **not** held in individual accounts for the member.

10.3 WHAT OTHER ADDITIONAL CONTRIBUTIONS CAN I PAY?

If you choose to pay the 3% reduced rate of contribution (paragraph 3.1) then, at a later date, you can choose to pay extra contributions to clear in part or in whole the reduction that would otherwise be made to the lump sum payable on retirement or death before retirement.

11. LEAVING THE SCHEME

11.1 WHEN CAN I LEAVE THE SCHEME?

You will cease membership of the Eggborough Power Group automatically if you leave the Company. You may leave the Scheme by opting out at anytime while continuing to work for the Company but you must give two complete calendar months notice in writing to the Group Administrator c/o RPMI EPAL (see paragraph 14.12) if you want to do so. However, if you continue working for the Company after leaving the Scheme, you can only rejoin with the consent of the Company and subject to such conditions as the Group Trustees may impose.

On leaving the Scheme either by opting out or by leaving the Company before your Normal Pension Age there are two options available to you:

- (a) Frozen Benefits – see paragraph 11.2.
- (b) Transfer Value payment – see paragraph 11.3.

IMPORTANT NOTE: HMRC will not allow payment of refund of contributions to members of the Eggborough Power Group who leave or opt out after 5 April 2006.

11.2 WHAT ARE FROZEN BENEFITS?

Frozen benefits are all the benefits under the Scheme which you and your dependants are entitled to through your past membership of the Scheme, but which cannot be paid because you have not yet retired, died or had to stop work due to ill-health. The benefits are frozen because you have either left the Company or opted out and either not been able to or not wanted to choose the option to transfer your benefits out of the Scheme. Until the frozen benefits become payable they are increased in line with the increases being paid to pensioners (paragraph 8.1). The Scheme also has a rule that the actuarial value of your frozen benefits must be at least equal to the value of your contributions / salary converted amounts.

However if you left before age 55 because of redundancy or re-organisation (or another cause specified by the Company) - see paragraph 5.2(b).

The frozen benefits consist of a pension and a lump sum (paragraph 4.2) but based on:

- (a) The time you were a contributing member of the Scheme plus any back service credit (paragraph 2.2) and added years (paragraph 10.2); and
- (b) Your pensionable pay at the time of leaving the Scheme (paragraph 4.3).

If you have a back service credit (paragraph 2.2) or have bought Added or part Added Years (paragraph 10.2) they will be added to your actual period of Scheme membership. The period of Scheme membership on which your pension will be based cannot be more than 40 years.

Your frozen pension will be calculated on the basis of 1/80th of your pensionable pay for each year of membership and the lump sum will be three times your frozen pension.

If you leave the Company your membership of the Scheme will automatically cease and, unless you have chosen option (b) set out in paragraph 11.1 your frozen benefits will be payable at your Normal Pension Age.

If your benefits are payable at Normal Pension Age instead of waiting until Normal Pension Age for your frozen benefits to come into payment, you may choose, with the agreement of the Group Trustees, that the benefits be paid at any time after you attain age 55.

If early payment is agreed the accrued pension will be reduced for early payment by a factor determined by the Group Actuary. The lump sum will be three times this reduced pension less any deduction that may be necessary where you have chosen to pay reduced contributions.

You also have the option to give up some of your yearly pension and receive a higher lump sum- or take a lower cash sum in return for a higher pension.

The reduction applied to a pension may be adjusted from time to time following consultation with the Group Actuary, but your pension would not be changed after payment commences.

The widow(er)'s or registered civil partner's pension will not be reduced as a consequence of you choosing to receive reduced benefits before Normal Pension Age. It will be based on your accrued frozen benefit before the reduction factor is applied.

If you die after leaving the Scheme but before receiving a pension, a widow(er)'s pension, or a registered civil partner's pension will be payable immediately. In addition children's allowances will be payable as appropriate (paragraph 7.4). There will also be a lump sum payment of an amount equal to the total of your contributions (or salary converted amounts) plus interest calculated to the date of your death.

If you die after starting to receive the frozen pension, a widow(er)'s pension or a registered civil partner's pension will be payable together with children's allowances as appropriate (paragraph 7.4). In addition if your death occurs within 5 years of starting to receive the frozen pension, a lump sum will be paid equal to the pension plus any pension increases (paragraph 8.1) being paid at the date you die for the balance of the 5 year period. The lump sum will be dealt with as set out in paragraph 7.3.

The widow(er)'s pension or dependant partner pension will be 56% of either your frozen pension or the pension that you are receiving or would have received but for exercising either of the options referred to in paragraph 4.4 or choosing to receive your benefits before Normal Pension Age. A registered civil partner's pension will be calculated in accordance with the Rules of the Scheme.

If your health breaks down and the Scheme's medical adviser certifies that you are unable, other than temporarily, to work due to your ill-health the frozen benefits may be paid early without any reduction due to early payment.

NOTE: If you have frozen benefits please remember to tell the Pension Administration Team at RPMI EPAL (paragraph 14.12) whenever you change your address before the benefits become payable.

11.3 WHAT IS A TRANSFER VALUE PAYMENT?

If you leave the Scheme it may be possible to make a payment to your new pension arrangement whether it be an approved personal pension, an insurance "buy-out" policy or a new employer's pension scheme. The payment we make is called a "transfer value payment". It will enable the new pension arrangement to give you a "credit" to be added to the benefits you will earn in it. However, you should first check what you would get for the transfer value payment before asking for it to be paid. You should remember that the amount of any transfer value quoted is subject to change and guaranteed to be held at that amount for a limited time (see further below).

The transfer value payment can be made any time after you leave the Scheme.

The amount of the transfer value is calculated in accordance with factors certified by the Group Actuary. It represents the value of assets the Scheme is assessed as needing to hold, so that having regard to future investment returns and inflation, it will be sufficient for the Scheme to provide your future benefits. The amount of the transfer value is, however, also subject to a special minimum guarantee under the Scheme's rules. The rules provide that it will not be less than the value of your own contributions / salary converted amounts, plus a sum equal to the rebate in National Insurance Contributions obtained by the Company as a result of you being contracted out of the State Earnings Related Pension Scheme (paragraph 15.1), both increased by interest up to the date of transfer.

Transfer value quotations and payments may be requested from the Pension Administration Team at RPMI EPAL (paragraph 14.12) as follows:

- You or the administrator of your new pension arrangement may request a transfer value quotation at any time after leaving the Scheme and before your frozen benefits become payable. This will normally be provided **within 3 months of the request being received**. (A transfer value cannot be paid once your benefits have come into payment).
- You or the administrator of your new pension arrangement will receive from the Group Trustees a "statement of entitlement" to a "guaranteed cash equivalent" transfer value. The amount of this will be honoured so long as the payment confirmation is received from you **within three months of the specified date of the calculation** (this is the "guarantee date").
- In very exceptional circumstances, the Group Trustees can adjust the guaranteed cash equivalent transfer value, though in this case you will be notified quickly and will then have a further three months guarantee period.
- In the event that the special minimum guarantee under the Scheme's rules, as described in the previous paragraph, is more than the "guaranteed cash equivalent", this higher amount will be payable.

12. BENEFIT STATEMENTS

12.1 CAN I OR ANYONE ELSE FIND OUT WHAT MY BENEFITS ARE?

The Pension Administration Team will make available (either in paper or electronic form) an annual pension statement. This will be made available within a few months of the end of each Scheme year (31 March).

You can also ask the Pension Administration Team at RPMI EPAL (paragraph 14.12) up to once a year for a statement which will show:-

- (a) The benefits payable to you and your widow(er); and/or
- (b) An estimate of the current transfer value payment (paragraph 11.3) if you were to leave the scheme; and/or
- (c) If you are/were a member of another pension arrangement what your back service credit (paragraph 2.2) would be if you asked for a transfer into the Scheme.

When you are about to retire or leave the Company the Pension Administration Team at RPMI EPAL (paragraph 14.12) will automatically send you a statement of your benefits and options.

When you die your personal representatives can ask for a statement from The Pension Administration Team at RPMI EPAL (paragraph 14.12) setting out the rights and options relating to benefits payable following your death. This statement is automatically sent, when we are told of your death, to your widow(er), or any other dependant or registered civil partner who has a right to receive a pension from the Scheme on your death.

12.2 EXPLANATORY LEAFLETS

In addition to this booklet a series of leaflets, which explain in more detail particular aspects of the Scheme, are available. These may be obtained from the Pension Administration Team at RPMI EPAL (paragraph 14.12). The leaflets are:

- EL.1 Breakdown in Health
- EL.2 Transfers to/from Other Schemes
- EL.3 Added Years and Additional Voluntary Contributions
- EL.4 Ill-health Retirement Pensions – Monitoring and Surrender
- EL.5 Members Receiving Less than Full Salary
- EL.6 Approved Leave of Absence
- EL.7 What Happens to Your Contributions
- EL.8 What your Husband/Wife should know about the Pension Scheme
- EL.9 When you join the Pension Scheme
- EL.10 Arrangements for Lump sum Benefits Payable Upon Death
- EL.11 Temporary Pension Supplement Payable to State Pension Age
- EL.12 Reduced Contribution Rate
- EL.13 Internal Disputes Resolution Procedure
- EL.14 Divorce

12.3 CONFIDENTIALITY OF INFORMATION

A lot of information you may give to the Scheme is of a very personal, private and sensitive nature and you may be worried that it will be disclosed to people who are not entitled to have it. The Group Trustees and the Company share this concern.

The Data Protection Act 1984 and the Data Protection Act 1998, require Pension Scheme Trustees to ensure that their procedures comply with prescribed requirements in this regard. So that members feel that they can freely give such information, the Company have agreed that the disclosure of that information must be limited to those members of staff and external bodies who need to have such information for the purpose of administration of the Scheme and that adequate steps be taken to prevent unauthorised access or disclosure.

13. ADMINISTRATION

13.1 WHAT IS THE SCHEME?

The Scheme is what is known as a trust and, as such, is independent of the Company. Money paid into the Scheme has to be kept separate from the Company's finances and can be used only for the benefit of past and present members and/or their dependants. All benefits are paid out of the Scheme and are therefore not paid directly out of the Company's revenues.

The Scheme came into existence in 1983 as the successor to the two schemes which had previously operated throughout the Electricity Supply Industry in England and Wales. When most of the industry was privatised in 1990, the Scheme was confirmed as an industry wide pension arrangement of non-associated employers. Each of the companies which were formed at privatisation in 1990 together with those which have been established since that date operate their own pension groups within the Scheme, each of which is financially independent of other groups within the Scheme.

Each company irrespective of whether it was formed in 1990 or at a later date is required by legislation either to permit those employees who were members of the Scheme on 31 March 1990 to retain their membership or to provide a suitable alternative scheme. From 31 March 1990 each company has had the right to decide whether or not new employees should be permitted to join the Scheme.

The British Energy Combined Group was originally formed as the British Energy Retail Markets Group in November 1999. It was renamed following the acquisition by British Energy of Eggborough Power Ltd and the decision to integrate employees of that company into the Group. The Scheme was renamed once again to Eggborough Power Group as a result of the sale of Eggborough Power Ltd on 1 April 2010.

The management of the Scheme and the investment of the money paid into the Scheme are the responsibilities of the Trustees. The Scheme is registered with HMRC which means amongst other things that it does not pay UK tax on its investment income, and your contributions are free of tax.

13.2 WHO MAKES THE RULES AND CAN I HAVE A COPY?

The Rules of the Scheme can be changed only by the Principal Employer or, if the change affects more than one pension group, by a company called Electricity Pensions Limited of which the Principal Employer is a member. You can get an up-to-date copy of the Rules if you wish from the Group Administrator (see paragraph 14.12).

13.3 WHO ARE THE TRUSTEES?

There are two sets of trustees. The first set of trustees are the Group Trustees particular to each employer's pension group and from them is drawn the second set who form the directors of a Trust Corporation called Electricity Pensions Trustee Limited, the Scheme Trustee.

GROUP TRUSTEES

Each employer's Pension Group has a set of Group Trustees, some of whom are appointed by the Principal Employer ("Appointed Group Trustees") and others elected by the members ("Elected Group Trustees"). In voting power the Appointed and

Elected Group Trustees have the same number of votes. Their responsibilities are to administer the Rules of the Scheme with respect to the benefits of and contributions by members of the Group and to manage the Group's investments. The Principal Employer will also appoint a further Group Trustee to act as Chairman of the Group Trustees. The Appointed Chairman will not count in the quorum for meetings of Group Trustees and will not have a vote except a casting vote in the event of an equality of votes on any matter.

Any contributing member (but not frozen benefit holders nor the widow(er)s of former contributors or pensioners) can stand for election as a Group Trustee at an election, subject to meeting the conditions and complying with the Rules governing those elections.

Notice is given when an election is about to be held and the notice sets out the Rules for people who wish to stand for election. Once the nominations for election have been received each member will be given a voting slip if a ballot is necessary. The results of the elections are given on the official Notice Boards.

ELECTRICITY PENSIONS TRUSTEE LIMITED (THE SCHEME TRUSTEE)

This company, which is a Trust Corporation, has the broad responsibility for the investment of the assets of any Group whose trustees, unlike those of the Eggborough Power Group, do not wish directly to manage their own investments. The Scheme Trustee also has responsibility for the custody of the total fund and maintaining accounts of the Scheme. The board of directors is drawn from the Group Trustees of the different pension groups. The Principal Employer of each pension group appoints one of its Appointed Group Trustees as a director, and each set of Elected Group Trustees also appoints one of their number to be a director. Thus there are an equal number of Appointed and Elected Group Trustees who are directors of the Scheme Trustee.

13.4 CAN THE SCHEME BE WOUND UP?

Yes, but only by agreement between the Scheme Employers who have continued to participate in the Scheme since 31 March 1990 (when the Scheme was converted into its current form) other than the Electricity Association Services Ltd. The Rules of the Scheme lay down what will happen if the Scheme were to be wound up. The investments of the Scheme have to be used to provide, either in another scheme(s) or by way of annuities, the benefits earned by members up to the date of winding up the Scheme; any surplus after these payments must be used to improve certain benefits to the maximum permitted by HMRC before any of it may be paid to the Scheme Employers. If there is not enough to provide all the benefits earned then the Rules set out the priority order in which the liabilities will be met.

14. MISCELLANEOUS

14.1 WHAT IF I HAVE LEAVE OF ABSENCE?

If you are granted leave of absence without pay or on less than full pay you have a choice after the first 30 days as to whether or not to continue to pay the contributions to the Scheme you would otherwise have paid on your full pay. If your leave of absence is due to maternity leave, then for the period where you are on no pay you have the choice of paying the contributions you would otherwise have paid on your normal full pay from the first day when you were on no pay. If you choose not to pay then the period of membership on which your benefits are based will be reduced accordingly. For any period of maternity leave when you are on less than full pay you will only pay contributions on the reduced pay. You will however, count the pensionable service in full.

Further information on the arrangements for Approved Leave of Absence can be found in Explanatory Leaflet EL No.6 which is available from the Pension Administration Team at RPMI EPAL (paragraph 14.12).

14.2 WHAT IF MY PAY GOES DOWN?

If your pay goes down other than for a move from full time to part time employment; as a result of a general reduction in salaries; or for disciplinary reasons, then you have the choice of paying contributions based on the higher pay. If you do this, account is taken of the higher pay in calculating the pensionable pay (paragraph 4.3) on which benefits are based. You will pay on the higher rate only while your new pay (as increased for pay awards or further job changes) is less than your old pay (but not increased for pay awards). For part time employees this choice applies only where the hourly rate of pay goes down.

You must choose within 3 months of the change if you want to pay at the higher rate.

Further information can be found in Explanatory Leaflet EL No.5 which is available from the Pension Administration Team at RPMI EPAL (paragraph 14.12).

14.3 WHAT IF I GO FROM FULL-TIME TO PART-TIME WORKING?

If you are transferred to part-time work and your average hours are reduced to below 34¹/₂ hours a week, you have 3 months in which to decide whether your benefits up to the date of transferring to part time work are frozen and you start again, or have both of your periods of membership treated as a single period for the purposes of benefit calculations.

Further details of this option are available in Explanatory Leaflet EL No.3 which is available from the Pension Administration Team at RPMI EPAL (paragraph 14.12).

14.4 HOW ARE BENEFITS AND CONTRIBUTIONS TREATED FOR TAX?

Under current law and practice (March 2011):-

- Retirement Lump Sum – this is not taxable when paid to you.
- Pension – this is taxable as income.

- Death Benefit Lump Sum – if paid at the discretion of the Group Trustees - not taxable. If however it is paid to the member's estate it may be liable to Inheritance tax (see paragraph 7.3).
- Contributions – full tax relief at your highest rate is given on your contributions automatically when they are deducted from your pay.

14.5 WHAT IF MY PERSONAL CIRCUMSTANCES CHANGE?

If you marry, divorce, remarry, register a civil partnership, become financially responsible for any children or any of your children are/or become incapable of ever being able to earn a living please let the Pension Administration Team at RPMI EPAL (paragraph 14.12) know and let them have sight of the marriage and/or birth certificate(s) where relevant. If you do not do this there could be delays in payment of the benefits due to you and/or your dependants.

14.6 INTERNAL DISPUTES RESOLUTION PROCEDURE

If you have any complaint about matters in relation to the Scheme, including for example, the calculation of your benefits or your entitlement to benefits under the Scheme or your contributions to the Scheme, which you are unable to resolve with the Group Administrator or his/her staff, you may make a formal complaint under the internal disputes resolution procedure. In that event, you should ask the Group Administrator for a formal complaint form and this form will be sent to you within seven days of your request.

The completed form should be returned to the Group Administrator for his/her consideration. He will acknowledge receipt of your complaint form within seven days and you will normally receive a written decision from him within 2 months of receipt of the complaint form.

If it is not possible for the Group Administrator to deal with your complaint within the 2 months period, you will be sent a letter explaining the reason for the delay and indicating when you may expect to be notified of the decision.

If you are dissatisfied with the decision you may ask for it to be reconsidered. You will be advised as to how you should make such a request when you are notified of the decision.

You can get more details of this procedure by asking for Explanatory Leaflet EL No.13 from the Pension Administration Team at RPMI EPAL (paragraph 14.12).

14.7 THE PENSION TRACING SERVICE

The Pension Tracing Service was introduced to enable members of pension schemes to easily trace the contact address of those schemes. The service is especially important for members who leave a scheme with deferred benefits and, when they come to retire some years after leaving a scheme, they have difficulty in contacting the scheme to arrange payment of their benefits (for example, where the scheme's administration office has moved).

The Electricity Supply Pension Scheme has given the Pension Tracing Service complete information so that all members, former members and pensioners can easily find the details of the trustees and the address of the Scheme. Any changes will continue to be notified to the Pension Tracing Service.

The address of the Pension Tracing Service is: The Pension Tracing Service, The Pension Service, Tyneview Park, Whitley Road, Newcastle Upon Tyne, NE98 1BA.

Telephone: 0845 6002 537

Web site (electronic tracing form available):

<https://secureonline.dwp.gov.uk/tps-directgov/e/contract-tps/pension-tracing-form.asp>

14.8 THE PENSIONS ADVISORY SERVICE (TPAS)

The Pensions Advisory Service is available at any time to help members and beneficiaries of pension schemes in connection with any pension query they may have, or difficulty which they have failed to resolve with the trustees or administrator of the scheme.

The address is: 11 Belgrave Road, London SW1V 1RB.

Telephone: 0845 601 2923

Fax: 020 7582 7000

E-mail: enquiries@pensionsadvisoryservice.org.uk

14.9 THE PENSIONS OMBUDSMAN

The Pensions Ombudsman's role is to investigate and determine any complaint or dispute of fact or law a member or any other beneficiary may have in relation to a pension scheme. It is expected that members will only take their unresolved problem to the Ombudsman if the internal dispute resolution procedure and TPAS have been unable to settle the problem.

The address is: The Office of the Pensions Ombudsman, 11 Belgrave Road, London SW1V 1RB.

Telephone: 020 7630 2200

Fax: 020 7821 0065

E-mail: enquiries@pensions-ombudsman.org.uk

14.10 THE PENSIONS REGULATOR

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

The address is: Napier House, Trafalgar Place, Brighton, BN1 4DW

Telephone: 0870 606 3636

Fax: 0870 241 1144

E-mail: customersupport@thepensionregulator.gov.uk

14.11 TRUSTEES ANNUAL REPORT AND ACCOUNTS

Should you require a copy of the most recent ESPS or Eggborough Power Group Trustees Annual Report and Accounts, these are available on written request from the Group Administrator at Aon Hewitt:

Aon Hewitt
3 The Embankment
Sovereign Street
Leeds
LS1 4BJ

14.12 FURTHER INFORMATION

If you require any further information regarding your benefits from the scheme, please contact the Pension Administration Team at RPMI EPAL by one of the following means:

Pension Administration team

Eggborough Power Pensions Admin Team
RPMI EPAL
2 Rye Hill Office Park
Birmingham Road
Coventry
CV5 9AB

E-mail: enquiries@rpmico.uk

Helpline: 0800 875 8051 this line will be manned between 8.00 and 5.30 Monday to Thursday and 8.00 to 5.00 on Friday. If you call outside these times you may wish to leave a message.

If you require information about the Scheme in general please contact the Group Administrator at:

Aon Hewitt
3 The Embankment
Sovereign Street
Leeds
LS1 4BJ

Caroline Smith
Group Administrator
0113 291 5058

14.13 INDEPENDENT FINANCIAL ADVICE

If you require independent financial advice, and do not already use a financial adviser, IFA Promotions can give you details of an adviser in your area. You can contact them at www.unbiased.co.uk.

15. THE STATE PENSION SCHEME

15.1 WILL I RECEIVE A PENSION FROM THE STATE?

Following the implementation of the Pensions Act 1995, the Electricity Supply Pension Scheme as a whole is contracted out of the State Second Pension (S2P); (this was formerly known as SERPS between 1978 and April 2002) as a "Contracted Out – Mixed Benefits" pension scheme.

Under this arrangement, some members of the Eggborough Power Group who are employed by the Company are contracted out by reference to final salary. Prior to 6 April 1997, "contracting out" secured for the member a "Guaranteed Minimum Pension" (GMP) which was broadly in line with the benefits which would have been payable by SERPS. Since 6 April 1997, contracting out has been by reference to a standard known as the "Reference Test" which seeks to ensure that all benefits provided by the Scheme are to a satisfactory standard.

Other members of the Eggborough Power Group who are employed by the Company are contracted out by reference to protected rights. Contracting out in this way secured for the member a "Protected Rights" fund which seeks to ensure that all benefits provided by the Scheme are at least as valuable as the value of contributions which would have been paid into the State Second Pension.

The flat rate basic State pension to which you are entitled is not affected by your Membership of the Scheme.

If you leave other than to retire then, depending on the choice you make, the Scheme has to:

- (a) Preserve benefits which would broadly equate to those you/your widow(er) would have got under the earnings related part of the State Scheme if you had not been a member of the Scheme; or
- (b) Pay a transfer value payment (paragraph 11.3) to another "contracted out" scheme, to an approved personal pension or to an insurance "buy-out" policy which would then normally pick up the liability for your contracted out rights or make provision for alternative protected rights.

GLOSSARY

ADDED YEARS CONTRIBUTIONS

These are additional contributions that you can pay, on a regular basis, to increase your benefits on retirement, by buying extra years of Pensionable Service. The maximum you can pay towards Added Years is 9% of pay.

BACK SERVICE CREDIT

This is a credit that you receive on transferring benefits into the Scheme from another pension scheme. It is expressed in terms of years or days and is included in the length of Pensionable Service used to calculate your benefits.

BASIC STATE PENSION

This is the part of the State Pension that everyone who has made sufficient National Insurance contributions will receive from State Pension Age.

THE COMPANY

The Company is your employer, Eggborough Power Limited.

EARNINGS CAP

This is the Scheme limit on the amount of pay on which your contributions and benefits are calculated. For the tax year 6 April 2016 to 5 April 2017, the Earnings Cap is £150,600.

ESPS

Electricity Supply Pension Scheme.

FROZEN BENEFITS (ALSO KNOWN AS DEFERRED OR PRESERVED BENEFITS)

This is the name given to the benefits that you receive if you cease contributing to the Scheme but leave your benefits to be paid at a later date. Your deferred benefits are increased annually for the time that they are in deferment, subject to a statutory minimum.

THE GROUP

The Group is the Eggborough Power Group of the Electricity Supply Pension Scheme (ESPS).

HMRC

HM Revenue and Customs

MEMBER

A "member" includes:-

- an employee who has joined and has not withdrawn from the Scheme; an employee who is paying contributions / salary converting; or an employee who whilst not in receipt of a pension and still employed is either not required to or has chosen not to pay further contributions.
- a former employee who is receiving a pension from the Scheme.

- A dependant, including the spouse or child of a member, is not a member.

NOTIONAL PAY

If you participate in Salary Conversion, this is the pay you would have received if the Company did not pay your normal pension contributions.

All company benefits including pension benefit, holiday pay, overtime, bonus (if applicable) and annual salary reviews will be based on your Notional Pay.

NORMAL PENSION AGE (NPA)

The Normal Pension Age at which retirement benefits will be available is 63.

PENSIONABLE PAY

Pensionable Pay is the approved elements of pay on which your pension benefits are based. It excludes overtime and any irregular payments. If you are participating in Salary Conversion, it is based on your Notional Pay.

Pensionable Pay is the total pay you earned (or would have earned but for sickness and/or injury) in the last 12 months before retirement, death or leaving the Scheme.

When calculating your Pensionable Pay two other calculations are performed to see if they produce a higher Pensionable Pay figure. The highest figure will be used in calculating your pension benefits. These further calculations are based on the same elements as above but instead of the last 12 month's pay the following are used:

- any one of the last five year's pay as described above can be used and increased in line with the increase in the Retail Price Index (RPI) to the date you retired, died or left the Scheme.
- the average of pay, as described above, over any three consecutive years in the last ten years you worked while a member of the Scheme but increased in line with the increase in the Retail Prices Index (RPI) to the date you retired, died or left the Scheme.

Pensionable Pay will not be greater than the Earnings Cap where applicable.

PENSIONABLE SERVICE

The length of time that you have been paying contributions under the Group plus any time that you have paid for through Added Years Contributions or have been awarded as Back Service Credit or Scheme Service Credit.

PRINCIPAL EMPLOYER

The Principal Employer is the company which exercises the main employer powers and functions under the Eggborough Power Group of the ESPS. From 23 March 2010 the Principal Employer is Eggborough Power Limited.

RETAIL PRICES INDEX (RPI)

Published by the Government, this is the most commonly used indicator of inflation, based on the cost of a 'shopping basket' of goods and services on which people commonly spend their money.

SALARY CONVERSION

If you opt for Salary Conversion, you will not pay a contribution to the Scheme. Instead, 6% of your pay (excluding overtime and certain other payments) will be converted to an additional employer contribution that will then be paid to the Scheme.

Although your Gross pay reduces as a result of the salary conversion your net take home pay will not reduce from what you would have received had you paid a pension contribution.

THE SCHEME

The Scheme is the Eggborough Power Group of the Electricity Supply Pension Scheme (ESPS).

SCHEME SERVICE CREDITS

This is a credit that you receive on transferring benefits into the Scheme from another Group of the Electricity Supply Pension Scheme. It is expressed in terms of years and days and is included in the length of Pensionable Service used to calculate your benefits.

SECOND STATE PENSION (S2P)

S2P (formerly known as SERPS) is that part of the State Pension Scheme which provides you with a pension based on the amount that you earn. As a member of the Electricity Supply Pension Scheme, you are contracted out of S2P and, which means that the Scheme must provide you with benefits in place of the pension that you would otherwise have received from the State.

As a result of being contracted-out of S2P and SERPS, you pay a reduced level of National Insurance contributions.

STATE PENSION AGE (SPA)

The age at which a State Pension is payable is currently 65 for men and 60 for women. An equal pension age of 66 for both men and women will be introduced progressively between 2010 and 2020.