



The Southco UK Pension Scheme

Introduction

This booklet describes the principal benefits and features of the Southco UK Pension Scheme (“the Scheme”).

The Scheme closed to future accrual with effect from 1st July 2007 at which point contributing members were awarded a deferred pension for later payment based on their salary at, and service to that date. Consequently all members of the Scheme either have a deferred pension, or are already in receipt of their pension.

The closure to accrual means that no further contributions are payable by Scheme members, however the company continues to fund the Scheme, so that pensions can be paid as they fall due.

The aim of this booklet is to give members a general overview of the benefits that will be payable in certain circumstances. Of course you will be interested in your own position, and the Scheme’s administrator Barnett Waddingham LLP will be happy to address any questions that you have about your personal situation. They can be contacted at:

Barnett Waddingham LLP

3 Devon Way

Birmingham

B31 2TS

Telephone: 0333 11 11 222

e-mail Southco@barnett-waddingham.co.uk

Responsibility for the Scheme’s management lies with the Trustees, who work closely in conjunction with their advisers. Details of all parties involved with the Scheme can be found in the annual Report & Accounts, a copy of which can also be obtained from Barnett Waddingham.

The Trustees have prepared this booklet to help members understand the Scheme, and have made every effort to ensure its accuracy. However, the provisions of the formal Trust Deed & Rules will always override the booklet in the event of any conflict.

The Trustees

June 2022

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1. Deferred pensions – A Reminder

All members of the Scheme not in receipt of their pension are entitled to a deferred pension, ordinarily payable from their Normal Pension Age (NPA) of 65.

Members should have a statement showing the amount of their deferred pension, and the conditions that apply to it. If not, a copy can be obtained from Barnett Waddingham.

The deferred pension was calculated using the following formula:

Category "A" Service	1/60th	x	Final Pensionable Salary	x	Pensionable Service
Plus					
Category "B" Service	1/60th	x	Final Pensionable Earnings	x	Pensionable Service

Notes:

1. Pensionable Service ceased at midnight on 30th June 2007 or, if earlier, the date on which you left employment or voluntarily opted out of the Scheme.
2. Members could choose to switch between Category A and B membership during their active membership.

Final Pensionable Salary is defined as the annual average of your last three years' basic annual salary at each 1 January.

Final Pensionable Earnings is defined as the annual average of the best three consecutive Pensionable Earnings in the last ten years of service, where Pensionable Earnings include basic salary, overtime, shift earnings, commission and bonuses calculated at each 6th April in respect of the previous 12 months.

As Category B pension was based on a higher salary figure, the pension arising was also higher. To obtain this higher level of pension, members had to pay a higher contribution rate.

3. Any pension rights transferred into the Scheme from another pension scheme will have been included in the calculation of the deferred pension shown on your statement, in addition to the deferred pension calculated above.

2. When can I start to draw my deferred pension?

The deferred pension is payable as of right from your Normal Pension Age (NPA) of 65.

Earlier or later payment may be possible, although this will require the agreement of both the Company and Trustees. The law currently only permits pensions to start before age 55 in exceptional cases of serious ill-health. Under the Rules, it is not possible to retire after the age of 75.

The table below summarises the circumstances in which you will be able to draw your pension. Please contact Barnett Waddingham if you have any questions about your personal position.

Retirement Type:	Normal (age 65)	Early (ages 55 – 65)	Early (before age 55)	After NPA
Permitted by Rules	✓	✓	✓	✓
Payable as of right	✓	✗	Cases of serious ill-health only	✗
Consent required	✗	Employer & Trustee	Employer & Trustee	Employer & Trustee
Age restrictions	✗	After age 55	Any age under 55	Between ages 65 and 75
Evidence of health required?	✗	✗	✓	✗
Reduced to allow for additional payment time?	✗	✓	✓	✗
Increased to allow for shorter payment time?	✗	✗	✗	✓
Does it matter if I am still employed by Southco?	✗	✗	✗	✗
Able to exchange part of pension for a lump sum?	✓	✓	✓	✓

3. How is my pension calculated at Normal Pension Age?

The deferred pension awarded on leaving Pensionable Service is the starting point for calculating the amount of pension that will eventually be put into payment.

The deferred pension is increased from the date you left to NPA to offset the effects of inflation. In calculating the overall amount of the increase, your pension is split into two parts, each of which is increased differently.

1. Guaranteed Minimum Pension (GMP)

Some members may have a GMP element in their deferred pension, relating to Pensionable Service prior to 6th April 1997 transferred from a previous scheme.

GMP is the minimum amount of pension that the Scheme must pay to you from State Pension Age as a result of you having been contracted out of the State Earnings Related Pension Scheme. The amount of your deferred pension represented by GMP will depend on your earnings and National Insurance history.

Your GMP element is revalued for each tax year from leaving Pensionable Service through to NPA in line with Section 148 Orders, which are based on the increase in the National Average Earnings Index each year.

There was a court judgement in October 2018 stating that pension schemes are legally required to equalise GMPs. Therefore the Scheme must recalculate member's GMPs, and, for some members, this might change the amount of their GMP. If your benefits are affected, your retirement benefits will allow for this and will be explained in any quotes you request.

2. Non GMP

Your deferred pension in excess of the GMP will also be revalued in line with inflation between you leaving the Scheme and retirement.

The inflation increases are in line with the Retail Prices Index up to 2011, and in line with the Consumer Prices Index after 2011. The overall increases are capped at 5% pa.

Factors are published annually by the Government for this purpose, and the exact period of revaluation will be determined by the number of complete years between the end of Pensionable Service and retirement.

4. Can I start to draw my pension before Normal Pension Age?

If you are aged 55 or over you may be able to start to draw your pension, but this is not a right and subject to the agreement of both employer and trustee.

If you are aged under age 55, pensions can only be paid in very limited circumstances on the grounds of serious ill-health. This will again require consent, and written medical evidence.

If it is agreed that you can receive your pension early, the calculation method will be:

1. Revaluation of Deferred Pension

The deferred pension will be increased using the method outlined in Section 3.

However the deferred pension will only be revalued to your **actual** retirement date, not your NPA.

2. Reduction for Earlier Payment

Once the pension has been revalued, it is then reduced to allow for the additional payment time.

The reduction is determined by actuarial factors based on your age at retirement. The earlier your pension starts, the greater the reduction will be.

Because your pension will only be revalued to the actual retirement date, and subject to a reduction for early payment, it means that, if you draw the pension early, the initial amount will be considerably less than if you had waited until NPA.

Any requests for early payment should be put in writing to Barnett Waddingham.

5. Can I start to draw my pension after Normal Pension Age?

You may be able to start to draw your pension after age 65 up to the age of 75, but this is not a right and subject to the agreement of both employer and trustee.

If it is agreed that you can start to receive your pension after Normal Pension Age, your pension will be increased to allow for the shorter payment time.

The increase is determined by actuarial factors based on your age at retirement. The later your pension starts, the greater the increase will be.

Any requests for late payment should be put in writing to Barnett Waddingham.

6. Can I choose to receive a tax-free cash sum on retirement?

Yes, this option is available whenever you retire but only at the date you retire and you will have to give up some of your pension.

It will not affect your dependant's pension (see section 11)

The calculation of the cash sum is quite complicated, and will depend on your particular circumstances. It will not however exceed the maximum allowable by HM Revenue & Customs, which, broadly speaking, equates to 25% of the value of your overall entitlement in the Scheme unless you have scheme specific lump sum protection which allows you to take more than 25% of the value of your pension savings tax-free.

Exchanging part of your pension for an immediate cash sum is called 'commutation'

If you elect to receive a cash sum, your pension will be reduced using a commutation (conversion) factor that is determined by your age at retirement.

Example

A member is retiring at age 65, with a pension of £6,000 per annum, and has chosen to receive a cash sum of £10,000. The commutation factor is 15.11 for every £1 of pension given up. The calculation of the reduced pension is therefore:

$$\text{£6,000} - \frac{\text{£10,000}}{15.11} = \text{£5,338.19 p.a.}$$

The factor of 15.11 is correct for members retiring at age 65 as at the date of this booklet. Factors are periodically reviewed to ensure they remain appropriate, and this example should simply be considered as an illustration of the principle of calculating the reduced pension.

You should note:

- On retirement the cash sum quoted will be the maximum available to you. You will be able to choose a smaller amount of cash with an appropriate adjustment to your pension, or select no cash at all and receive the full pension if that is your preference.

Deciding whether to commute pension for a cash sum is a significant choice, and is entirely up to you. If advice is needed in this regard, you should consult an Independent Financial Adviser – neither the Trustees nor Barnett Waddingham can give such advice.

- The reduced pension left after commutation must be at least sufficient to meet GMP requirements. In certain circumstances, the amount of cash offered may be restricted or withdrawn altogether in order that the GMP can be met.
- In certain circumstances members with a very small pension may be able to fully commute it in exchange for a cash sum. This is unlikely to apply to many members, and will also depend on the value of other pension benefits you have elsewhere. Barnett Waddingham will raise this subject with you at retirement if “trivial commutation” might be a possibility for you.
- In cases of extremely serious ill health, it may be possible to commute the whole pension although part of the lump sum may be taxable. You should contact Barnett Waddingham if you think this may apply to you.
- Commutation does not affect the amount of pension that might be paid to your spouse or other eligible dependants if they survive you (see Section 11).

7. How will my pension increase in payment?

Your pension will increase once in payment. Different rates of increase will apply to different portions of your pension as shown below:

Portion	Annual Increase Rate
Pension in respect of service to 20.9.06 (excess over GMP)	5% or the increase in the Consumer Prices Index (CPI) if less
Pension in respect of service after 21.09.06 (excess over GMP)	2.5% or the increase in the CPI if less
GMP in respect of service after 5.4.88 ("post 88 GMP")	3% or the increase in the CPI if less
GMP in respect of service before 6.4.88 ("pre 88 GMP")	Nil through the Scheme. Increases are provided by the State and paid with your State Pension

Pensions are increased with effect from 1st January each year, with the exception of the post 88 GMP increases which take effect from 6th April to comply with legislation.

8. Can I transfer my deferred pension to another pension scheme?

Yes, you have the statutory right to transfer the value of your deferred pension to another registered pension scheme

A transfer is effected by the payment of a sum representing the capital value of your entitlement known as a “Cash Equivalent Transfer Value”, or more usually just “transfer value” being paid to another pension scheme.

A transfer could be made from the Scheme to:

- A buy-out policy (issued by an insurance company),
- An individual pension in your own name, or
- A current employer’s pension scheme.

There is however no obligation on any other pension scheme to accept a transfer value from the Scheme.

There are lots of factors to consider before deciding to transfer. **The Trustees are not allowed to give you any advice, and strongly recommend that you take independent financial advice before deciding to transfer as the decision to do so is irrevocable. You must obtain independent financial advice if your transfer value is above £30,000.** Any transfer should be completed at least a year before your NPA.

You can find an IFA through www.unbiased.co.uk

Transfer value quotations can be obtained from Barnett Waddingham, and will usually be guaranteed for a period of three months. Asking for a transfer value quotation does not commit you to transferring your benefits – there will be a fair bit of paperwork to do first! You may have one quotation without charge in any 12 month period. Additional quotations can be obtained, but may incur a charge.

If a pension scheme is underfunded, the Trustees can reduce the transfer value payable to reflect the funding position. If such a policy is in force, the amount of reduction will be clearly stated on the transfer value quotation.

9. An introduction to benefits payable upon death of a member

As well as members' pensions, the Scheme also provides family benefits in the event of a member's death.

Some benefits are payable as a right, and some at the discretion of the Trustees. The exact benefits payable will depend on:

- A) Whether the member has a deferred pension or is drawing the pension
- B) The member's personal situation. Depending on the circumstances, benefits can be paid to one or more of:

➤ Spouse	➤ Financially dependent adults
➤ Civil Partner	➤ Dependent Children

The rules surrounding eligibility for various benefits can be quite complicated. For instance, any spouse's pension:-

- will be reduced if the spouse is more than 10 years younger than the member
- may be withheld if the marriage had occurred in the six months prior to death, or if that relationship had broken down and the parties had separated.

Any references to a "Spouse" in sections 10 and 11 below will also include a registered Civil Partner.

If you want to understand what benefits would be payable on your death, Barnett Waddingham will be pleased to help.

10. What is payable if I die with a deferred pension?

1. Spouse's Pension

A pension of one-half of your deferred pension revalued to the date of death will be payable to your spouse.

2. Dependants' Pension

If you die without leaving a spouse, the Trustees have the discretion to pay a pension to anyone who in their opinion was financially dependent upon you at the time of death. This may include a pension paid for the benefit of any young children.

Any such pension(s) awarded will not total more than the pension that would have been payable to a spouse.

11. What is payable if I die while receiving my pension?

1. Spouse's Pension

A pension of one-half of your pension at the date of death will be payable to your legal spouse. The calculation of this benefit will

- Ignore any reduction made to your pension if you elected to receive a tax-free cash sum and reduced pension on retirement
- Allow for any additional pension provided by you having given up a proportion of your own pension at retirement.

2. Pension to Other Adult Dependents if no Spouse

If you die without leaving a spouse, the Trustees have the discretion to pay a pension to anyone who in their opinion was co-habiting with you and financially dependent upon you at the time of death.

Any such pension(s) awarded will not total more than the pension that would have been payable to a spouse.

If you have dependants (adult or child) other than a legal spouse, Civil Partner, natural or adopted child, you should inform the Trustees as it will make it easier to establish their eligibility for certain benefits following your death.

3. Five Year Guarantee

Pensions from the Scheme are guaranteed to be payable for at least five years. This means that if a pensioner dies within five years of starting to receive their pension, a lump sum will be paid, equal in value to the pension payments that would have been made in the remainder of the five year period.

The recipient(s) of this payment will be chosen by the Scheme Trustees, which means that this payment will be ordinarily free from any tax liability.

In choosing the recipient(s), the Trustees will consider any wishes expressed by the member, but will not be bound by them. If a member wants to update their wishes, an "Expression of Wish" form can be obtained from Barnett Waddingham.

12. Useful information

Changes in Personal Circumstances

If you move house, or change your name or marital status, you should advise Barnett Waddingham at the address shown in the introduction. Please be prepared to forward copies of certificates or other paperwork evidencing the changes.

Disputes

It is rare for disputes to arise, and where they do it is usually as a result of a simple misunderstanding that can be informally resolved.

Nonetheless, the Scheme has a formal disputes procedure (IDRP), and any member or their representative wishing to make a formal complaint through that procedure should write to Barnett Waddingham in the first instance giving full details of their grievance.

Where any complaint cannot be resolved using the IDRP, outside agencies are available to assist the member, free of charge:

The Pensions Advisory Service (TPAS)

Usually the next port of call when the Scheme's disputes procedure has failed to reach a satisfactory conclusion. Its role is mediation, but it has no binding powers. If a dispute cannot be settled through TPAS, it will usually be referred to the Pensions Ombudsman:

www.pensionsadvisoryservice.org.uk

The Pensions Ombudsman

Unlike TPAS, the Ombudsman does have formal powers to resolve complaints. Any decision they make is binding unless challenged on a point of law. The Ombudsman will only usually consider cases where TPAS involvement has failed to resolve the the complaint.

www.pensions-ombudsman.org.uk

Tax Treatment

The Scheme is a "Registered Pension Scheme", which means that it receives certain tax advantages from HM Revenue & Customs, including on most classes of investment gain, and allowing members to receive tax-free lump sums on retirement.

Pensions in payment will be subject to income tax under the PAYE system.

Usually any death benefits paid under the 5 year guarantee provisions outlined in section 11.3 will not be subject to tax.

Members are subject to a "Lifetime Allowance", which is the overall value of pension rights that they can build up in their own name without incurring a significant tax charge. The LTA for the 2021/22 tax year is £1,073,100, so will not affect many members. Members are however responsible for ensuring that they do not exceed the LTA, so will be advised of the amount of LTA used upon certain "crystallisation events" such as retirement.

Assignment & Surrender

Pensions from the Scheme cannot be assigned to any other person or party.

Similarly it is not possible to “cash in” or surrender your pension.

Data Protection

The Trustees hold certain information about each member for the purpose of operating and administering the Scheme and paying benefits from it. The Trustees are registered as Data Controllers, which means that they are responsible for ensuring that all such data is used properly.

The data is needed to carry out the day to day administration of the Scheme, and accordingly it is held by the administrators Barnett Waddingham on their secure computer systems.

Members can request a copy of the information held about them by the Trustees in respect of their pension benefits. Any such requests should be sent to the administrators Barnett Waddingham in writing. A small fee may be payable.

Pension Tracing Service

If you have lost track of any pension benefits from a previous employment, the Pension Tracing Service run by The Pension Service may be able to assist you.

Pension Tracing Service
The Pension Service
Tyneview Park
Whitley Road,
Newcastle Upon Tyne
NE98 1BA

Tel: 0845 6002 537

www2.dwp.gov.uk/tps-directgov/en/contact-tps/pension-tracing-form.asp

Additional Voluntary Contributions (AVCs)

Some members may have paid AVCs in order to boost their benefits from the Scheme. Any AVC benefits will be in addition to those described in this booklet.

The Pensions Regulator (tPR)

tPR is the body responsible for regulating the conduct of work based pension schemes. The Trustees submit regular returns to tPR so that tPR can monitor the financial development of the Scheme.

tPR's main function is the protection of member's benefits and has extensive powers to intervene in schemes where things are going wrong, or they suspect that there are problems.

www.thepensionsregulator.gov.uk

The Pension Protection Fund (PPF)

The PPF exists to pay compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover certain levels of benefit.

The PPF is part funded by an annual levy on defined benefit pension schemes.

www.pensionprotectionfund.org.uk

Scheme Documents

Scheme members and certain other interested parties have the right to inspect the Scheme's governing documentation and other documents including

- Annual Report & Accounts
- Trust Deed & Rules
- Actuarial Valuation
- Schedule of Contributions

Any requests for copies of Scheme documents should be made in writing to Barnett Waddingham. A small administrative charge may be made.