

## **Steria Pension Agreement**

**THIS DEED** is made the

2009

Between

1. Steria Limited, company number 04077975, whose registered office is at Three Cherry Trees Lane, Hemel Hempstead, HP2 7AH ("Steria")  
and
2. the bodies listed alphabetically in the Schedule (together "the Representatives").

Steria and the Representatives are collectively referred to as the "Parties" and each as a "Party".

3. Each of the Representatives is a trade union within the meaning of section 1 of the Trade Union and Labour Relations (Consolidation) Act 1992 and therefore has capacity to enter into this agreement in its own name. They enter into this agreement as principals and not as agents for the Steria employees that they represent.

### **A. BACKGROUND**

- (i). Steria is the principal employer of the Xansa Pension Plan, the Steria Retirement Plan and the Steria Management Plan ("the Plans").
- (ii). Steria has conducted a statutory consultation concerning the pension benefits to be provided by Steria to its employees in the United Kingdom.
- (iii). This Agreement records the conclusions reached between Steria and the Representatives.
- (iv). The Forum, Steria's employee representative body, has approved the terms of this Agreement, as is witnessed by the signature of the Chair of The Forum on this Agreement.
- (v). The trustees of each of the Plans have agreed to make such changes to the trusts and the rules of the Plans as are necessary to implement the provisions of this Agreement.

### **B BASIS OF THIS AGREEMENT**

- 1 The purpose of this Agreement is to mitigate the level of risk that Steria faces in connection with the ongoing provision of its defined benefit pension arrangements, specifically the size of risk presented by the deficit present across the Plans.
- 2 Each Party enters into this Agreement in the knowledge and with the understanding that this Agreement is legally binding and can be varied only

with explicit agreement of all the Parties. The presumption contained in section 179(1) of the Trade Union and Labour Relations (Consolidation) Act 1992, that the Parties do not intend to conclude a legally binding contract, will not apply.

3 Steria enters into this agreement on behalf of all other companies that are now or may at any time in the future become employers of members of any of the Plans and the GPP referred to in this agreement.

4 Except where otherwise stated,

4.1 the proposals and changes described in this Agreement will take effect from 1 April 2010;

4.2 This Agreement will remain in force until it is terminated either:

(a) by the agreement of the Parties, using the collective bargaining arrangements that are in place. If a proposal to terminate is made, Steria and the Steria Joint Trade Union Representatives will seek to reach agreement. Should agreement not be possible within a period of two months, Steria and the Representatives' senior officials (specifically the Unite national officer and the senior full time officers from Connect and the CWU) will convene with a view to reaching agreement.

Or

(b) Where agreement has not been reached within three months of the date on which termination was proposed under (a) above, any Party to this agreement may terminate it by giving not less than 12 months' written notice.

4.3 This Agreement can be varied only with the written consent of all the Parties. However:

(a) Steria reserves the right to amend the GPP after the procedure set out in the paragraphs above has been exhausted;

(b) Any changes will be discussed with the Governance Committee before being implemented.

(c) Any proposal to change the GPP eligibility or contribution levels will be dependent on the terms of individual contracts of employment.

## **C Definitions**

5 The following expressions have a special meaning in this Agreement and are printed with an initial capital letter:

### Affected Employee

Employees who were active members of a Plan immediately before closure or who were entitled to become a member of a Plan without a requirement to obtain the consent of any person.

<u>Closure</u>	The closure of the Plans to the accrual of future service benefits in accordance with Section D below.
<u>Employee</u>	An employee of Steria Limited and Steria UK Corporate Limited or of any other employer which participates in a Plan.
<u>Excluded Employees</u>	Employees in the classes specified in clause 21 below.
<u>Fair Deal Employees</u>	Employees in the classes specified in clause 22 below.
<u>The GPP</u>	A Group Personal Pension, to be known as the Steria Group Personal Pension Plan, described in Section E below.
<u>The Governance Committee</u>	The Governance Committee referred to in clause 12 below.
<u>The Plans</u>	The Xansa Pension Plan, the Steria Retirement Plan and the Steria Management Plan.
<u>Parity</u>	The principle that the GPP will provide pension and lump sum benefits that, subject to investment performance, will deliver pension and lump sum benefits for each Affected Employee and for his or her dependants of the same value that the Affected Employee would otherwise expect to accrue under the Plan of which he or she was an Active Member immediately before Closure.
<u>Working Day</u>	Monday to Friday inclusive

## **D CLOSURE OF THE PLANS TO FUTURE ACCRUAL**

- 6 The Unions accept that the Plans will be closed to future accrual of pensionable service.
- 7 Steria will propose amendments to the rules of the Plans to close them to future accrual, under the terms of the deeds and rules that govern them, and will seek the agreement of the trustees of the Plans to those amendments.
- 8 Steria will introduce a money purchase pension benefit plan ("GPP") on enhanced terms for Affected Employees and for family members and dependants of Affected Employees on the terms set out below.
- 9 The rights of beneficiaries who were deferred pensioner or pensioner members of a Plan immediately before its closure, or prospectively or contingently entitled to benefits through such a member will not be affected by this Agreement.

## **E THE GPP BENEFITS**

- 10 The principal aim of the GPP is to provide Parity. Parity has been verified by Steria's advisors, Mercer Limited ("Mercer"), and by the Representatives' advisors, Hymans Robertson LLP ("Hymans"), as achievable given the assumptions all Parties have agreed and the illustrative averaged contribution rates, which are set out in the actuary's statement set out in Appendix 1 to this Agreement.

**Deleted:** the contribution rates and

**Deleted:** and

- 11 The GPP will have the following characteristics:
- 11.1 The GPP will be contracted into the State Second Pension ("S2P") and the anticipated S2P benefit will form part of the overall definition of Parity.
- 11.2 The total GPP contribution needed to achieve Parity will include both employer and employee contributions.
- 11.3 Affected Employees will not be required to pay contributions at a greater level than the level paid under the Plan of which he or she was an active member; and these contributions will be reduced by the increase in National Insurance Contributions that the Affected Employee will make as the result of being contracted in to the S2P with effect from 1 April 2010.
- 11.4 In order to model Parity, the employer contribution rate for each Affected Employee will be determined in relation to:
- (a) the Affected Employee's accrual rate in his or her Plan,
  - (b) the standard level of member contribution that the Affected Employee was making to the Plan immediately prior to its Closure,
  - (c) the Affected Employee's age at the time of Closure
  - (d) the Affected Employee's salary level at the time of Closure.

- 11.5 These factors, along with the GPP assumptions, are set out in Appendix 1 along with the illustrative [averaged](#) levels of contributions made available under each Plan.
- 11.6 Steria will communicate the outcomes of the consultation to individual employees following the closure of the consultation period and each employee will be advised of the resulting employer pension contribution that Steria will pay into the GPP if the employee opts to join the GPP with effect from 1 April 2010. This contribution is fixed for the duration of the employee's employment with Steria.
- 11.7 There is no requirement for employees to make contributions to the GPP.

## **F GOVERNANCE OF THE GPP**

- 12 The Parties will, from 1 February 2010, form a Governance Committee with responsibility to oversee the ongoing operation of the GPP.
- 13 The Governance Committee will have a membership of nine, comprising
- (a) four persons appointed by Steria,
  - (b) two persons appointed by the Representatives,
  - (c) two persons appointed by the members of the GPP and
  - (d) an independent Chairperson.
- 14 The Governance Committee's terms of reference are set out in Appendix 2.

## **G DEFERRED DB PENSION BENEFITS**

- 15 If an Affected Employee is entitled to a deferred guaranteed minimum pension under a Plan, it will be revalued in accordance with the rules of the Plan in question.
- 16 The deferred pension of every Affected Member under the Plans, to the extent that it exceeds the amount of the Affected Member's guaranteed minimum pension, will be revalued during the period of deferment but with effect from 1 April 2010 for so long as the Affected member remains in the employment of Steria or of another employer which participates in the Plan of which the Affected Member is a member, the maximum revaluation percentage in any year will be 5% (regardless of the period during which the pension accrued). If necessary to do so, Steria will procure amendments to the Plans in order to achieve that.
- 17 If an Affected Employee, while still employed by Steria, takes retirement before normal retirement age, any actuarial reduction of the pension payable under the relevant Plan will be made using the factors that apply to active members of the same Plan at the date of the retirement; and if more than one set of factors applies to active members of that Plan, then the factors applying to members whose benefits under the Plan are most closely similar to those of the relevant Affected Employee will be used. If

necessary to do so, Steria will procure amendments to the Plans in order to achieve that.

## **H EARLY RETIREMENT BRIDGING PENSIONS**

- 18 An Affected Employee with a deferred pension in a Plan will have the option to structure the way in which the pension is paid to him or her in order to mitigate the fact that the S2P benefit is not payable until state pension age. The detail of how this will work is set out in Appendix 3. If it is necessary to do so, Steria will procure amendments to the Plans in order to achieve that.

## **I REDUNDANCY BENEFITS**

- 19 The Parties recognise that employees who joined Steria on a transfer of employment to which the Transfer of Undertakings (Protection of Employment) Regulations 2006 applied or were deemed to apply from an organisation listed below have employment terms that entitle them on being made redundant to receive improvements to their accrued pension benefits in the Plans through pension-related and non-pension-related benefits.

- 19.1 Those organisations are:

- (a) The Royal Mail Group plc
- (b) British Telecommunications plc
- (c) The Boots Company plc
- (d) Barclays plc

In each case including any associated company within the meaning of section 256 of the Companies Act 2006.

- 19.2 The benefits to which each group of Affected Employees is entitled are set out in Appendix 4

- 20 Following the closure of the Plans, Steria agrees that it will continue to fulfil its obligations to Affected Employees under the employment terms referred to in clause 19 above.

- 20.1 Pension-related benefits will be provided, where possible, by Steria's securing an enhancement to the pension of the Affected Employee.

- 20.2 Non-pension-related benefits will continue to be provided in accordance with the relevant terms of the Affected Employee's contract of employment.

## **J EMPLOYEES EXCLUDED FOR THE CLOSURE TO FUTURE ACCRUALS**

- 21 The Plans will not be closed to future accruals for the following Excluded Employees:

- (a) employees covered by public sector "Fair Deal" arrangements, as more specifically defined in clause 22 (Fair Deal Employees) and
- (b) those employees who joined Steria in July 2009 from AXA UK plc or one of its subsidiaries on a transfer of employment to which the Transfer of Undertakings (Protection of Employment) Regulations 2006 applied.

22 The Fair Deal Employees are more specifically defined as those employees who belong to;

- (a) the Federated Pension Plan,
- (b) the Local Government Pension Plan Section of the Steria Retirement Plan and
- (c) the Principal Civil Service Pension Plan Section of the Steria Retirement Plan.

- or who are entitled to be members without requiring the consent of any person.

#### **K DEATH IN SERVICE BENEFITS**

23 Steria will use all reasonable endeavours to amend the employment contracts of its employees from 1 April 2010 so as to increase the contractual death in service benefit of all of them by 1 times annual salary.

#### **L GENERAL TERMS**

24 Without prejudice to any other rights or remedies to which Steria may be entitled to terminate this Agreement, Steria may terminate a Representative's participation in this Agreement without liability to the Representative if:

- (a) an order is made or a resolution is passed for the winding up of the Representative, or circumstances arise which entitle a court of competent jurisdiction to make a winding-up order in relation to the Representative; or
- (b) the Representative ceases to have any members who are members of a Plan, of the Federated Pension Plan or of the GPP.

25 Termination of this Agreement or of a Representative's participation in this Agreement, however arising, shall not affect or prejudice the accrued rights of the Parties as at termination or the continuation of any provision expressly or implicitly stated to survive termination.

26 Subject to Chapter VII of the Trade Union and Labour Relations (Consolidation) Act 1992 (trade union amalgamations and similar matters), no Party shall, without the prior written consent of all other Parties, assign, transfer, charge, sub-contract or deal in any other manner with all or any of its rights or obligations under this Agreement.

- 27 This Agreement is made for the benefit of the Parties alone and (where applicable) their successors and permitted assigns, and is not intended to benefit, or be enforceable by, anyone else.
- 28 Any notice required to be given under this Agreement shall be in writing and shall be
- (a) delivered by hand,
  - (b) sent by pre-paid first-class post or post with a record of delivery to the receiving Party at its address set out in this Agreement (or such other address as may have been notified by that Party for such purposes),
  - (c) sent by fax to the receiving Party's fax number as set out in this Agreement, or
  - (d) sent by electronic mail to the receiving Party's email address as set out in this Agreement.
- 29 A notice shall be deemed to have been received:
- (a) if delivered personally, at the time of delivery if delivered before 16:00 hours of any Working Day and otherwise at 09:00 hours on the next Working Day;
  - (b) in the case of pre-paid first-class post, 2 Working Days from the date of posting;
  - (c) in the case of post with a record of delivery, on the date of delivery as recorded by the postal service if delivered before 16:00 hours of any working day and otherwise at 09:00 hours on the next Working Day;
  - (d) in the case of fax, on the day of transmission if sent before 16:00 hours of any Working Day and otherwise at 09:00 hours on the next Working Day and provided that, at the time of transmission of a fax, an error-free transmission report has been received by the sender;
  - (e) in the case of electronic mail, on the day of transmission if sent before 16:00 hours of any Working Day and otherwise at 09:00 hours on the next Working Day and provided that no report of non-delivery has been received by the sending Party within 6 hours of transmission.
- 30 This Agreement and any disputes or claims arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) are governed by and construed in accordance with the law of England.

31 The parties irrevocably agree that the courts of England have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this Agreement or its subject matter or formation.

**EXECUTED AS A DEED** by )  
**STERIA LIMITED** )

In the presence of )

Director )

Director/Secretary )

SIGNED AS A DEED by BEN )  
MARSHALL on behalf of )  
CONNECT )

In the presence of )

Signature )

Name )

Address )

SIGNED AS A DEED by DAVE )  
JOHNSON on behalf of THE )  
COMMUNICATION WORKERS )  
UNION )

In the presence of )

Signature )

Name )

Address )

SIGNED AS A DEED by PETER )  
SKYTE on behalf of UNITE )

In the presence of )

Signature )

Name )

Address )

Signed by CARL CHILLEY, )  
Chairman of the Forum )

## **Schedule**

The **Representatives**

### **Connect**

#### **Address for notices:**

Ben Marshall  
Assistant General Secretary  
Connect  
30 St Georges Road  
Wimbledon  
London SW19 4BD

Telephone 020 8971 6000

Email [ben.marshall@conectuk.org](mailto:ben.marshall@conectuk.org)

### **Communication Workers Union**

#### **Address for notices :**

Dave Johnson  
Assistant Secretary  
Communication Workers Union  
150 The Broadway  
Wimbledon  
London SW19 1RX

Telephone 020 8971 7300

Email [djohnson@cwu.org](mailto:djohnson@cwu.org)

### **Unite**

#### **Address for notices :**

Peter Skyte  
National Officer  
Unite  
35 King Street  
London WC2E 8JG

Telephone 020 7420 8900

Email [Peter.Skyte@unitetheunion.org](mailto:Peter.Skyte@unitetheunion.org)

**Steria Limited**

**Address for notices :**

Three Cherry Trees Lane  
Hemel Hempstead  
HP2 7AH

Fax: 01442 885196

Email: [legalservices@steria.co.uk](mailto:legalservices@steria.co.uk)

## **Appendix 1 – The GPP**

For each member the employer Defined Contribution (DC) rate, expressed as a percentage of Pensionable Salary, required to achieve parity with the existing Defined Benefit (DB) structure was calculated using the methodology set out below.

### **Defined benefit calculations**

We first calculated each member's future pension accrual at age 62 assuming that the current benefit structure remained in place.

- We used the Pensionable Salaries (restricted to the Earnings cap where appropriate) and age (complete years) at 1 April 2009 to project each member's future pension to age 62.
- For Final Salary members we projected Pensionable Salaries to age 62 using an assumption of 3.5% per annum. While for the CARE members we assumed that each year's accrual would revalue by 2.5% per annum to age 62.
- We assumed that all members would remain in service until age 62 (i.e. they do not withdraw, die or retire at an early age). For members aged over 62 we assumed they would retire in the next year.
- At retirement we applied the early retirement factors for each scheme (specified below) to the members' benefits at age 62. We then calculated the maximum tax free cash permitted by HMRC that each member could take and their residual pension using the current commutation factors for each scheme (specified below).
- Benefits for the majority of members have been calculated using the standard benefit structure for each scheme, with the exception of certain categories of members with some variations to their benefits (details specified below).

### **Defined contribution calculations**

We then calculated the total DC rate that would need to be paid for each member to achieve parity at age 62 taking into account an allowance for the member's S2P benefits that would have accrued.

- We assumed a net investment return on the DC pension pots of 6.65% per annum in the period over 10 years from retirement, reducing linearly over the last 10 years to 4.65% in the year prior to retirement. This investment return is after the deduction of an annual management charge of 0.35% per annum.
- For each member the total DC rate was assumed to be fixed and not to vary over time and that no DC contributions are used to meet the cost of any risk benefits.
- We assumed that members would take the same amount of tax free cash as that calculated for the DB scheme. Furthermore we assumed that all members were married and purchased an annuity with a contingent spouse's pension (broadly equivalent to that provided under the current DB structure).

We then calculated the employer share of the DC rate, expressed as a percentage of Pensionable Salary, by deducting the current DB member contribution rate (after adjustment for the removal of each members' NI rebate) from the total DC rate calculated above.

## Assumptions and approximations made

The assumptions used are broadly in line with those set out in the Statutory Money Purchase Illustration assumptions with the exception of two key assumptions, both of which have acted to increase the employer DC contribution rate paid. These are the above-inflation salary increase assumption of 3.5% and the investment return assumption which incorporates a degree of reduced investment return in the 10 year period prior to retirement to reflect "lifestyling".

In the calculations we used the following assumptions:

### Assumption Summary

Gross investment return on the DC funds	Term to retirement	Gross return
	More than 10 years	7.0% p.a.
	10 years	6.8% p.a.
	9 years	6.6% p.a.
	8 years	6.4% p.a.
	7 years	6.2% p.a.
	6 years	6.0% p.a.
	5 years	5.8% p.a.
	4 years	5.6% p.a.
	3 years	5.4% p.a.
	2 years	5.2% p.a.
	1 year	5.0% p.a.
DC annual fund management charge (deducted from the Gross DC investment return)	0.35% p.a.	
Price inflation	2.5% p.a.	
Salary growth	3.5% p.a.	
Net annuity rate for DC funds	0.6% p.a.	
Sex	Male	
Mortality (post-retirement)	PA92 (YoB) mc As an illustration of the mortality rates included in this table, the future life expectancies at age 62 are as follows: Current age 40    26.1 years Current age 62    24.9 years	
Retirement age	All members retire at age 62. Members aged over 62 are assumed to retire within the next year.	
Marital status	100% married	
Age difference	Wives/partners are three years younger than their husbands/partners	
Part time	We have assumed all members work full time.	

## Xansa Pension Plan

### Standard Benefits valued

Benefit types	Final salary: 60ths, 70ths, 80ths + LS, 90ths + LS
Final Pensionable Salary	Average Pensionable Earnings over 2 years before retirement
Commutation factor	14.87 for retirement at age 62.
Early retirement factor	Factor = 0.88 for retirement at age 62, compared to NRD 65. Reflects the factors agreed for use by the Parties, rather than the factors currently used. Factor applies to the pension accrued to the date of early retirement.

### Special Benefits

The table below sets out each category of special benefit structure set out in the Xansa Per 2008) and shows where benefits have been adjusted to reflect the difference from the standard sections, any differences against the standard benefits are not significant enough to require a separate calculation.

Rules Schedule	Former Employer	Number of members	Differences against standard benefits
O	PCSPS	None identified as PCSPS, but numerous TUPE	None
P	Thames Water – Pension Scheme or Mirror Image Pension Scheme	12	None
Q	Britannia Life	2	None

<b>Rules Schedule</b>	<b>Former Employer</b>	<b>Number of members</b>	<b>Differences against standard benefits</b>
R	Bank of Scotland	0	Post 2006 service, pension as a Category 1 Member <b>less:</b> 0.75% of the Basic State Pension at Normal Retirement Age for Pensionable Service as a Category 1 Member; 0.65% of the Basic State Pension at Normal Retirement Age for Pensionable Service as a Category 2 Member. This reduction is from State Pension Age onwards.
S	Barclays Bank	147 (identified as Barclaycard members)	Post 2006 service, pension as a Category 1 Member <b>less:</b> 1/80th of the BSP for each year of Pensionable Service as a Category 1 Member; or 1/93rd of the BSP for each year of Pensionable Service as a Category 3 Member. This reduction is from State Pension Age onwards. This reduction is subject to a maximum of 50% of the Basic State Pension or 12.5% of the Basic State Pension for a Category 1 member; or 43% of the Basic State Pension or 10.7% of the Basic State Pension for a Category 2 or Category 3 member.
T	BT – Section B	205 BT members (not identified by section)	None
U	BT – Section C	205 BT members (not identified by section)	None
V	Boots	50	None
W	Royal Mail – Section B	34 (balance of 93 Royal Mail members, of which 59 identified as Section C in data)	None

Rules Schedule	Former Employer	Number of members	Differences against standard benefits
X	Royal Mail – Section C	59	Post 2006 service, pension as a Category 3 Member (as applicable), <b>plus:</b> 1/60th of £3,328.00 for each year of Pensionable Service; or 1/70th of £3,328.00 for each year of Pensionable Service as a Category 3 Member This supplement is from Normal Retirement

In addition, there are a number of other members listed in the data as having former employers but there are no schedules in the rules for these employers so assumed standard benefits with the Trustees.

### Steria Retirement Plan

#### Standard Benefits valued

Benefit types	CARE: 60ths, 80ths Final salary: 60ths
Final Pensionable Salary	Average Plan Salary over 2 years before retirement
Commutation factor	15.54 for retirement at age 62.
Early retirement factor	Factor = 0.817 for retirement at age 62, compared to NRD 65. Early retirement factors vary with market conditions on a monthly basis. The following are sample factors provided on behalf of the Trustees of the Plan. Factor applies to the pension accrued to the date of early retirement.

#### Special Benefits

The table below sets out each category of special benefit structure set out in the Steria Retirement Plan (2006) and shows where benefits have been adjusted to reflect the difference from the standard benefits sections, any differences against the standard benefits are not significant enough to require a separate schedule to be used for these calculations.

Rules reference	Former Employer	Number of members	Differences against standard benefits
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Rules reference	Former Employer	Number of members	Differences against standard ben
Part I, Sections A to D	LGPS	n/a – all are GAD members	n/a
Part II, Sections A to E	PCSPS	n/a – all are GAD members	n/a
Part III	Lloyds	13	9 members are identified as havi No early retirement reduction is a and so these have been valued withc

In addition, there are a number of other members listed in the data as having TUPE form identified in the data as being LGPS, PCSPS or Lloyds, so assumed standard benefits. This will Trustees.

### **Steria Management Plan**

#### **Standard Benefits valued**

Benefit types	CARE: 30ths, 54ths
Final Pensionable Salary	N/a – CARE benefits
Commutation factor	15.54 for retirement at age 62.
Early retirement factor	Factor = 0.817 for retirement at age 62, compared to NRD 65. Early retirement factors vary with market conditions on a monthly basis. The f used is based on a set of sample factors provided on behalf of the Trustees of Plan. Factor applies to the pension accrued to the date of early retirement.

#### **Special Benefits**

No special benefit structure set out in the Steria Management Plan rules (dated 7 April 2006) are valued using the standard benefits set out above. In particular, for those members on 3 the rate of CARE accrual if prospective Pensionable service exceeds 20 years



## MEMBER'S NORMAL RETIREMENT ILLUSTRATIONS

This paper illustrates the potential effect of introducing a DC scheme on normal retirement benefits for a range of members.

The DC calculations also allow for the State Second Pension (S2P) which will be earned after the change to defined contribution, which varies by age and level of salary. Consequently, the contributions to the DC scheme have been set on an individual basis, reflecting age and salary, accounting for the value of the existing DB arrangement as well as the S2P component.

The assumptions used for the projections are based on the requirements for Statutory Money Purchase Illustrations (SMPIs) with the exception that we have allowed for 1% real salary growth above price inflation. The assumptions used are summarised as follows:

- **Investment return on the DC funds:**
  - **7% p.a. for ages more than 10 years from retirement**
  - **Reducing linearly to 5% p.a. at year before retirement**
  - **Fund management charge of 0.35% p.a., deducted from investment return**
- Price inflation 2.5% p.a.
- Salary growth 3.5% p.a.
- Net annuity rate 0.6% p.a.
- Mortality PA92 (YoB) mc  
(assumed male for all members)

The Company contributions to the DC funds have been set broadly to achieve parity with the existing DB arrangements for each individual member, with a minimum Company contribution of 5%. This results in total Company cost of £13.2m p.a. The total cost includes:

- Contributions to the DC funds across all non-GAD members of £8.9 million for the first year of the new DC arrangement.
- The increase in the employer's NIC for non-GAD members of approximately £2.2m p.a.,
- Premiums for life assurance and disability insurance of £0.5m
- GAD employees £1.6m

For the purpose of the illustrations we have assumed that the members' share of the contribution to achieve parity is the same contribution rate each individual member currently pays to their DB arrangement. Members will have higher NI costs as the DC arrangement is contracted-in and therefore their contribution rate is adjusted to reflect this.

We have assumed that members continue to contribute at the same rate that they are currently contributing to the DB scheme less the NI rebate (so the net pay will be unchanged). The current NI rebate for members is 1.6% of contracted-out earnings, which for a member earning £40,000 is broadly equivalent to 1.4% of salary.

**Mercer Limited**

30 November 2009

**Xansa Pension Plan - 60ths Accrual****SMPI assumptions****Early retirement at age 62****1% real salary growth**

- The maximum cash permitted by the Inland Revenue from the current DB scheme is taken. To ensure consistency the same amount is also taken from the DC scheme. The *residual pension* figures are then quoted below. The commutation factor used at age 62 is 14.87.
- To ensure consistency with the 50% pre-commutation spouse's pension under the current DB scheme we have allowed for a 70% spouse's pension under the DC scheme.

The tables below show the estimated pension benefits at age 62 as a percentage of final pay and in current monetary terms. An early retirement reduction of 0.88 (4% per annum simple) has been applied to the final salary pension to reflect that it is paid early from age 62. Full details of the cash amounts are set out in Appendix 1.

**Table 1**

Member reference	1058
Salary	£22,283 p.a.
Age	35
Non-standard DB benefits	Standard

**Existing Final Salary benefits**

Final Pensionable Salary ("current real" amount)	£28,472 p.a.
Existing Final Salary accrual	27.2%
Residual pension ("current real" amount)	£7,785 p.a.
Cash taken ("current real" amount)	£51,900

**Proposed DC arrangement**

Member DC contribution rate	8.3%
Member increased NI rate	1.2%
Company DC contribution rate	8.8%
Total contribution to DC	17.1%

DC fund value ("current real" amount)	£186,763
DC projection (1)	16.2%
DC pension ("current real" amount)	£4,639 p.a.
S2P (2)	11.0%
S2P pension ("current real" amount)	£3,145 p.a.
DC & S2P Combined (1) + (2)	27.2%
DC & S2P Combined pension ("current real" amount)	£7,785 p.a.

**Table 2**

Member reference	1231
Salary	£40,525 p.a.
Age	45
Non-standard DB benefits	Standard

**Existing Final Salary benefits**

Final Pensionable Salary ("current real" amount)	£46,989 p.a.
Existing Final Salary accrual	17.1%
Residual pension ("current real" amount)	£8,089 p.a.
Cash taken ("current real" amount)	£53,900

**Proposed DC arrangement**

Member DC contribution rate	8.1%
Member increased NI rate	1.4%
Company DC contribution rate	14.9%
Total contribution to DC	23.0%
DC fund value ("current real" amount)	£222,641
DC projection (1)	12.4%

DC pension ("current real" amount)	£5,872 p.a.
S2P (2)	4.7%
S2P pension ("current real" amount)	£2,217 p.a.
DC & S2P Combined (1) + (2)	17.1%
DC & S2P Combined pension ("current real" amount)	£8,089 p.a.

**Table 3**

Member reference	1214
Salary	£60,621 p.a.
Age	45
Non-standard DB benefits	Standard

**Existing Final Salary benefits**

Final Pensionable Salary ("current real" amount)	£70,291 p.a.
Existing Final Salary accrual	17.1%
Residual pension ("current real" amount)	£12,101 p.a.
Cash taken ("current real" amount)	£80,700

**Proposed DC arrangement**

Member DC contribution rate	8.5%
Member increased NI rate	1.0%
Company DC contribution rate	16.6%
Total contribution to DC	25.1%
DC fund value ("current real" amount)	£363,456
DC projection (1)	13.9%
DC pension ("current real" amount)	£9,836 p.a.
S2P (2)	3.2%

S2P pension ("current real" amount)	£2,265 p.a.
DC & S2P Combined (1) + (2)	17.1%
DC & S2P Combined pension ("current real" amount)	£12,101 p.a.

**Table 4**

Member reference	1134
Salary	£41,537 p.a.
Age	55
Non-standard DB benefits	Standard

**Existing Final Salary benefits**

Final Pensionable Salary ("current real" amount)	£43,706 p.a.
Existing Final Salary accrual	7.1%
Residual pension ("current real" amount)	£3,098 p.a.
Cash taken ("current real" amount)	£20,700

**Proposed DC arrangement**

Member DC contribution rate	8.1%
Member increased NI rate	1.4%
Company DC contribution rate	17.5%
Total contribution to DC	25.6%
DC fund value ("current real" amount)	£83,163
DC projection (1)	5.0%
DC pension ("current real" amount)	£2,177 p.a.
S2P (2)	2.1%
S2P pension ("current real" amount)	£922 p.a.
DC & S2P Combined (1) + (2)	7.1%

DC & S2P Combined pension ("current real" amount)	£3,098 p.a.
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**Table 5**

Member reference	1263
Salary	£62,000 p.a.
Age	55
Non-standard DB benefits	Standard

**Existing Final Salary benefits**

Final Pensionable Salary ("current real" amount)	£65,238 p.a.
Existing Final Salary accrual	7.0%
Residual pension ("current real" amount)	£4,624 p.a.
Cash taken ("current real" amount)	£30,800

**Proposed DC arrangement**

Member DC contribution rate	8.5%
Member increased NI rate	1.0%
Company DC contribution rate	19.7%
Total contribution to DC	28.2%
DC fund value ("current real" amount)	£136,740
DC projection (1)	5.6%
DC pension ("current real" amount)	£3,695 p.a.
S2P (2)	1.4%
S2P pension ("current real" amount)	£929 p.a.
DC & S2P Combined (1) + (2)	7.0%
DC & S2P Combined pension ("current real" amount)	£4,624 p.a.

**Table 6**

Member reference	601
Salary	£45,178 p.a.
Age	36
Non-standard DB benefits	Barclaycard

**Existing Final Salary benefits**

Final Pensionable Salary ("current real" amount)	£57,168 p.a.
Existing Final Salary accrual	24.1%
Residual pension ("current real" amount)	£13,967 p.a.
Cash taken ("current real" amount)	£93,100

**Proposed DC arrangement**

Member DC contribution rate	3.1%
Member increased NI rate	1.4%
Company DC contribution rate	16.0%
Total contribution to DC	19.1%
DC fund value ("current real" amount)	£396,747
DC projection (1)	18.0%
DC pension ("current real" amount)	£10,434 p.a.
S2P (2)	6.1%
S2P pension ("current real" amount)	£3,533 p.a.
DC & S2P Combined (1) + (2)	24.1%
DC & S2P Combined pension ("current real" amount)	£13,967 p.a.

**Table 7**

Member reference	603
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Salary	£53,683 p.a.
Age	48
Non-standard DB benefits	Barclaycard

**Existing Final Salary benefits**

Final Pensionable Salary ("current real" amount)	£60,459 p.a.
Existing Final Salary accrual	13.2%
Residual pension ("current real" amount)	£7,988 p.a.
Cash taken ("current real" amount)	£53,300

**Proposed DC arrangement**

Member DC contribution rate	3.3%
Member increased NI rate	1.2%
Company DC contribution rate	20.1%
Total contribution to DC	23.4%
DC fund value ("current real" amount)	£229,627
DC projection (1)	10.1%
DC pension ("current real" amount)	£6,105 p.a.
S2P (2)	3.1%
S2P pension ("current real" amount)	£1,882 p.a.
DC & S2P Combined (1) + (2)	13.2%
DC & S2P Combined pension ("current real" amount)	£7,988 p.a.

**Xansa Pension Plan - 80ths Accrual + cash**  
**Early retirement at age 62**

**SMPI assumptions**  
**1% real salary growth**

- The maximum cash permitted by the Inland Revenue from the current DB scheme is taken. The current DB scheme provides cash in addition to pension, with additional cash taken by commutation. To ensure consistency the same amount is also taken from the DC scheme. The *residual pension* figures are then quoted below. The commutation factor used for the additional cash at age 62 is 14.87.
- As only a minority of cash is taken via commutation, we have continued to allow for 50% spouse's pension under the DC scheme.

The tables below show the estimated pension benefits at age 62 as a percentage of final pay and in current monetary terms. An early retirement reduction of 0.88 (4% per annum simple) has been applied to the final salary pension to reflect that it is paid early from age 62. Full details of the cash amounts are set out in Appendix 1.

**Table 1**

Member reference	942
Salary	£35,937 p.a.
Age	35
Non-standard DB benefits	Standard
<b>Existing Final Salary benefits</b>	
Final Pensionable Salary ("current real" amount)	£45,918 p.a.
Existing Final Salary accrual	24.9%
Residual pension ("current real" amount)	£11,316 p.a.
Cash taken ("current real" amount)	£75,400
<b>Proposed DC arrangement</b>	
Member DC contribution rate	7.4%
Member increased NI rate	1.4%
Company DC contribution rate	9.1%

Total contribution to DC	16.5%
DC fund value ("current real" amount)	£290,635
DC projection (1)	17.1%
DC pension ("current real" amount)	£7,768 p.a.
S2P (2)	7.8%
S2P pension ("current real" amount)	£3,548 p.a.
DC & S2P Combined (1) + (2)	24.9%
DC & S2P Combined pension ("current real" amount)	£11,316 p.a.

**Table 2**

Member reference	999
Salary	£25,462 p.a.
Age	45
Non-standard DB benefits	Standard

**Existing Final Salary benefits**

Final Pensionable Salary ("current real" amount)	£29,523 p.a.
Existing Final Salary accrual	15.5%
Residual pension ("current real" amount)	£4,581 p.a.
Cash taken ("current real" amount)	£30,500

**Proposed DC arrangement**

Member DC contribution rate	7.5%
Member increased NI rate	1.3%
Company DC contribution rate	9.6%
Total contribution to DC	17.1%
DC fund value ("current real" amount)	£104,002

DC projection (1)	9.1%
DC pension ("current real" amount)	£2,694 p.a.
S2P (2)	6.4%
S2P pension ("current real" amount)	£1,887 p.a.
DC & S2P Combined (1) + (2)	15.5%
DC & S2P Combined pension ("current real" amount)	£4,581 p.a.

**Table 3**

Member reference	954
Salary	£43,640 p.a.
Age	45
Non-standard DB benefits	Standard

**Existing Final Salary benefits**

Final Pensionable Salary ("current real" amount)	£50,601 p.a.
Existing Final Salary accrual	15.5%
Residual pension ("current real" amount)	£7,851 p.a.
Cash taken ("current real" amount)	£52,300

**Proposed DC arrangement**

Member DC contribution rate	7.3%
Member increased NI rate	1.5%
Company DC contribution rate	12.5%
Total contribution to DC	19.8%
DC fund value ("current real" amount)	£206,398
DC projection (1)	11.1%
DC pension ("current real" amount)	£5,620 p.a.

S2P (2)	4.4%
S2P pension ("current real" amount)	£2,232 p.a.
DC & S2P Combined (1) + (2)	15.5%
DC & S2P Combined pension ("current real" amount)	£7,851 p.a.

**Table 4**

Member reference	1025
Salary	£22,811 p.a.
Age	55
Non-standard DB benefits	Standard

**Existing Final Salary benefits**

Final Pensionable Salary ("current real" amount)	£24,002 p.a.
Existing Final Salary accrual	6.5%
Residual pension ("current real" amount)	£1,534 p.a.
Cash taken ("current real" amount)	£10,200

**Proposed DC arrangement**

Member DC contribution rate	7.5%
Member increased NI rate	1.3%
Company DC contribution rate	11.8%
Total contribution to DC	19.3%
DC fund value ("current real" amount)	£34,431
DC projection (1)	3.8%
DC pension ("current real" amount)	£898 p.a.
S2P (2)	2.7%
S2P pension ("current real" amount)	£636 p.a.

DC & S2P Combined (1) + (2)	6.5%
DC & S2P Combined pension ("current real" amount)	£1,534 p.a.

**Table 5**

Member reference	955
Salary	£44,406 p.a.
Age	55
Non-standard DB benefits	Standard

**Existing Final Salary benefits**

Final Pensionable Salary ("current real" amount)	£46,725 p.a.
Existing Final Salary accrual	6.3%
Residual pension ("current real" amount)	£2,985 p.a.
Cash taken ("current real" amount)	£19,900

**Proposed DC arrangement**

Member DC contribution rate	7.3%
Member increased NI rate	1.5%
Company DC contribution rate	14.2%
Total contribution to DC	21.5%
DC fund value ("current real" amount)	£74,668
DC projection (1)	4.3%
DC pension ("current real" amount)	£2,043 p.a.
S2P (2)	2.0%
S2P pension ("current real" amount)	£942 p.a.
DC & S2P Combined (1) + (2)	6.3%
DC & S2P Combined pension ("current real" amount)	£2,985 p.a.

**Table 6**

Member reference	450
Salary	£34,474 p.a.
Age	38
Non-standard DB benefits	Barclaycard

**Existing Final Salary benefits**

Final Pensionable Salary ("current real" amount)	£42,784 p.a.
Existing Final Salary accrual	19.4%
Residual pension ("current real" amount)	£8,337 p.a.
Cash taken ("current real" amount)	£55,600

**Proposed DC arrangement**

Member DC contribution rate	1.4%
Member increased NI rate	1.4%
Company DC contribution rate	12.9%
Total contribution to DC	14.3%
DC fund value ("current real" amount)	£198,613
DC projection (1)	12.1%
DC pension ("current real" amount)	£5,204 p.a.
S2P (2)	7.3%
S2P pension ("current real" amount)	£3,133 p.a.
DC & S2P Combined (1) + (2)	19.4%
DC & S2P Combined pension ("current real" amount)	£8,337 p.a.

**Steria Retirement Plan - 60ths CARE Accrual SMPI assumptions****Early retirement at age 62****1% real salary growth**

- The maximum cash permitted by the Inland Revenue from the current DB scheme is taken. To ensure consistency the same amount is also taken from the DC scheme. The *residual pension* figures are then quoted below. The commutation factor used at age 62 is 15.54.
- To ensure consistency with the 50% pre-commutation spouse's pension under the current DB scheme we have allowed for a 70% spouse's pension under the DC scheme.

The tables below show the estimated pension benefits at age 62 as a percentage of final pay and in current monetary terms. SRP early retirement reduction varying monthly with market conditions. For these illustrations, an early retirement reduction of 0.831 (6% per annum compound) has been applied to the CARE pension to reflect that it is paid early from age 62. Full details of the cash amounts are set out in Appendix 1.

**Table 1**

Member reference	303
Salary	£40,996 p.a.
Age	36
Non-standard DB benefits	Standard
<b>Existing CARE benefits</b>	
Existing CARE accrual	22.1%
Residual pension ("current real" amount)	£11,383 p.a.
Cash taken ("current real" amount)	£75,900
<b>Proposed DC arrangement</b>	
Member DC contribution rate	6.1%
Member increased NI rate	1.4%
Company DC contribution rate	10.1%
Total contribution to DC	16.2%
DC fund value ("current real" amount)	£305,358

DC projection (1)	15.4%
DC pension ("current real" amount)	£7,933 p.a.
S2P (2)	6.7%
S2P pension ("current real" amount)	£3,450 p.a.
DC & S2P Combined (1) + (2)	22.1%
DC & S2P Combined pension ("current real" amount)	£11,383 p.a.

**Table 2**

Member reference	105
Salary	£21,001 p.a.
Age	45
Non-standard DB benefits	Standard

**Existing CARE benefits**

Existing CARE accrual	14.7%
Residual pension ("current real" amount)	£3,649 p.a.
Cash taken ("current real" amount)	£24,300

**Proposed DC arrangement**

Member DC contribution rate	6.2%
Member increased NI rate	1.3%
Company DC contribution rate	9.5%
Total contribution to DC	15.7%
DC fund value ("current real" amount)	£78,758
DC projection (1)	7.6%
DC pension ("current real" amount)	£1,891 p.a.
S2P (2)	7.1%
S2P pension ("current real" amount)	£1,759 p.a.

DC & S2P Combined (1) + (2)	14.7%
DC & S2P Combined pension ("current real" amount)	£3,649 p.a.

**Table 3**

Member reference	233
Salary	£46,500 p.a.
Age	45
Non-standard DB benefits	Standard

**Existing CARE benefits**

Existing CARE accrual	14.9%
Residual pension ("current real" amount)	£8,080 p.a.
Cash taken ("current real" amount)	£53,900

**Proposed DC arrangement**

Member DC contribution rate	6.2%
Member increased NI rate	1.3%
Company DC contribution rate	13.7%
Total contribution to DC	19.9%
DC fund value ("current real" amount)	£221,035
DC projection (1)	10.7%
DC pension ("current real" amount)	£5,801 p.a.
S2P (2)	4.2%
S2P pension ("current real" amount)	£2,279 p.a.
DC & S2P Combined (1) + (2)	14.9%
DC & S2P Combined pension ("current real" amount)	£8,080 p.a.

**Table 4**

Member reference	243
Salary	£19,689 p.a.
Age	55
Non-standard DB benefits	Standard
<b>Existing CARE benefits</b>	
Existing CARE accrual	6.6%
Residual pension ("current real" amount)	£1,342 p.a.
Cash taken ("current real" amount)	£8,900
<b>Proposed DC arrangement</b>	
Member DC contribution rate	6.3%
Member increased NI rate	1.2%
Company DC contribution rate	13.0%
Total contribution to DC	19.3%
DC fund value ("current real" amount)	£29,719
DC projection (1)	3.6%
DC pension ("current real" amount)	£732 p.a.
S2P (2)	3.0%
S2P pension ("current real" amount)	£610 p.a.
DC & S2P Combined (1) + (2)	6.6%
DC & S2P Combined pension ("current real" amount)	£1,342 p.a.

**Table 5**

Member reference	310
Salary	£51,339 p.a.
Age	55
Non-standard DB benefits	Standard

**Existing CARE benefits**

Existing CARE accrual	6.4%
Residual pension ("current real" amount)	£3,499 p.a.
Cash taken ("current real" amount)	£23,300

**Proposed DC arrangement**

Member DC contribution rate	6.1%
Member increased NI rate	1.4%
Company DC contribution rate	17.9%
Total contribution to DC	24.0%
DC fund value ("current real" amount)	£96,363
DC projection (1)	4.7%
DC pension ("current real" amount)	£2,571 p.a.
S2P (2)	1.7%
S2P pension ("current real" amount)	£928 p.a.
DC & S2P Combined (1) + (2)	6.4%
DC & S2P Combined pension ("current real" amount)	£3,499 p.a.

**Appendix 1 - Summary of membership data****Steria Retirement Plan**

Member contribution rate	Benefit accrual			Total
	CARE 60	CARE 80	FS 60	
5.00%	-	-	25	25
5.65%	-	41	-	41
7.50%	233	-	-	233
Total	232	41	25	298

**Steria Management Plan**

Member contribution rate	Benefit accrual		Grand Total
	CARE 30	CARE 54	
7.50%	3	25	28
Grand Total	3	25	28

**Xansa Pension Plan**

Member contribution rate	Benefit accrual				Total
	FS 60	FS 70	FS 80 + LS	FS 90 + LS	
2.00%	-	39	-	-	39
2.75%	-	-	105	-	105
4.50%	83	-	-	-	83
6.50%	2	-	-	-	2
6.75%	-	4	-	-	4
7.00%	-	71	12	19	102
7.50%	-	-	26	-	26
7.75%	-	-	99	-	99
8.00%	-	24	-	-	24
8.75%	-	-	173	-	173
9.25%	19	-	-	-	19
9.50%	235	-	-	-	235

<b>Member contribution rate</b>	<b>Benefit accrual</b>				<b>Total</b>
	FS 60	FS 70	FS 80 + LS	FS 90 + LS	
10.50%	53	-	-	-	53
Grand Total	392	138	415	19	964

**Total and Company contribution rates**

Age	CARE 54	CARE 60	CARE 80	FS 60	FS 70		
28		13.7% 6.2%					
29			11.2% 5.6%	17.6% 7.1%			
30		14.2% 6.7%		18.6% 9.1%			
31		15.7% 8.2%		18.5% 9.0%	16.2% 8.2%		
32		13.5% 6.0%	10.7% 5.0%	20.0% 10.2%	16.4% 8.9%		
33		16.1% 8.6%	11.4% 5.7%	20.2% 11.5%	16.9% 9.4%		
34		14.5% 7.0%		20.0% 10.6%	16.3% 9.3%		
35		17.8%	10.7%	19.7%	15.6%		

Age	CARE 54	CARE 60	CARE 80	FS 60	FS 70		
		<b>10.3%</b>	<b>5.0%</b>	<b>12.0%</b>	<b>9.6%</b>		
36		18.1% <b>10.6%</b>		21.4% <b>12.8%</b>	18.1% <b>10.9%</b>		
37		17.1% <b>9.6%</b>	11.9% <b>6.2%</b>	21.5% <b>12.2%</b>	17.9% <b>15.9%</b>		
38		18.9% <b>11.4%</b>	14.1% <b>8.4%</b>	20.9% <b>12.1%</b>	18.0% <b>12.1%</b>		
39		18.0% <b>10.5%</b>	11.3% <b>5.6%</b>	22.1% <b>14.0%</b>	17.7% <b>12.9%</b>		
40		19.8% <b>12.3%</b>	12.8% <b>7.1%</b>	22.4% <b>13.7%</b>	17.3% <b>11.3%</b>		
41		18.8% <b>11.3%</b>		23.2% <b>14.2%</b>	18.7% <b>12.7%</b>		
42	24.2% <b>16.7%</b>	19.4% <b>11.9%</b>	10.8% <b>5.2%</b>	22.1% <b>14.0%</b>	19.2% <b>13.5%</b>		
43		19.3% <b>11.8%</b>	13.0% <b>7.3%</b>	23.8% <b>15.5%</b>	18.7% <b>13.3%</b>		
44		21.0%	14.4%	23.6%	20.1%		

Age	CARE 54	CARE 60	CARE 80	FS 60	FS 70		
		<b>13.5%</b>	<b>8.7%</b>	<b>17.1%</b>	<b>13.5%</b>		
45	25.8% <b>18.3%</b>	20.2% <b>12.7%</b>	13.5% <b>7.9%</b>	24.5% <b>16.9%</b>	20.1% <b>14.7%</b>		
46		21.4% <b>13.9%</b>	13.1% <b>7.4%</b>	24.8% <b>16.5%</b>	22.4% <b>15.4%</b>		
47		20.2% <b>12.7%</b>		25.2% <b>17.6%</b>	21.0% <b>15.4%</b>		
48		21.7% <b>14.2%</b>	17.2% <b>11.5%</b>	25.5% <b>17.6%</b>	21.5% <b>17.0%</b>		
49	27.1% <b>19.6%</b>	21.8% <b>14.3%</b>	14.2% <b>8.6%</b>	24.8% <b>17.6%</b>	20.7% <b>15.9%</b>		
50	29.0% <b>21.5%</b>	23.2% <b>15.7%</b>	16.6% <b>10.9%</b>	27.3% <b>19.0%</b>	22.5% <b>16.7%</b>		
51	27.5% <b>20.0%</b>	22.6% <b>15.1%</b>	17.5% <b>11.8%</b>	26.3% <b>17.8%</b>	22.1% <b>16.8%</b>		
52	27.5% <b>20.0%</b>	23.5% <b>16.0%</b>	14.9% <b>9.3%</b>	27.1% <b>18.3%</b>	20.7% <b>15.0%</b>		
53		23.8%	14.9%	27.1%	22.2%		

Age	CARE 54	CARE 60	CARE 80	FS 60	FS 70		
		<b>16.3%</b>	<b>9.2%</b>	<b>18.5%</b>	<b>15.9%</b>		
54	28.9% <b>21.4%</b>	23.8% <b>16.3%</b>	16.7% <b>11.0%</b>	26.4% <b>18.7%</b>	21.1% <b>16.6%</b>		
55	29.9% <b>22.4%</b>	24.0% <b>16.5%</b>	15.3% <b>9.6%</b>	28.1% <b>19.3%</b>	21.7% <b>14.3%</b>		
56	29.9% <b>22.4%</b>	23.0% <b>15.5%</b>		26.5% <b>17.6%</b>	21.8% <b>19.8%</b>		
57	30.7% <b>23.2%</b>	24.3% <b>16.8%</b>	10.7% <b>5.0%</b>	27.8% <b>18.8%</b>	21.6% <b>16.6%</b>		
58	28.7% <b>21.2%</b>	24.9% <b>17.4%</b>	16.1% <b>10.4%</b>	27.1% <b>18.3%</b>	21.6% <b>14.4%</b>		
59	28.7% <b>21.2%</b>	25.1% <b>17.6%</b>	16.6% <b>11.0%</b>	26.0% <b>17.3%</b>			
60	30.4% <b>22.9%</b>	24.8% <b>17.3%</b>	14.3% <b>8.6%</b>	27.8% <b>19.7%</b>			
61	30.6% <b>23.1%</b>	25.7% <b>18.2%</b>		27.4% <b>18.8%</b>	22.3% <b>17.3%</b>		
62		25.1%	16.9%				

Age	CARE 54	CARE 60	CARE 80	FS 60	FS 70		
		<b>17.6%</b>	<b>11.2%</b>				
63		24.3% <b>16.8%</b>					
64	26.0% <b>18.5%</b>						
65		24.9% <b>17.4%</b>					

**Notes**

- Contribution rates are based on total Company spend on DC accrual £8.9m, as per paper d.
- Company contribution rates vary by DB benefit type, ages, employee contribution rates and
- Table shows the average total contribution rate (in blue) and the average Company contribution rate for each benefit accrual.

## **Appendix 2 – Governance Committee of the Group Personal Pension Plan**

### **Terms of reference for Governance Committee**

#### **1. Overview**

- 1.1 The Company ("Steria") has established a contract based Group Personal Pension Plan, known as the Steria GPP (the "GPP").
- 1.2 The GPP has been established for the time being with Scottish Widows (the "Provider") and is administered for the time being by Orbit (the "Administrator"). Orbit is and will continue to be the Administrator for the purposes of the Finance Act 2004 and the Financial Services and Markets Act 2000.
- 1.3 Every person who was an active member of the Steria Retirement Plan, the Steria Management Plan and the Xansa Pension Plan on 31 March 2010 will be given an opportunity to join the GPP with effect from 1 April 2010 on the terms set out above in clause 11 of an agreement dated [ ] made between Steria and the trade unions that it recognises for collective bargaining purposes (the Agreement). In addition, each Steria employee will be given the opportunity to join the GPP when they first join Steria and at each subsequent YourFlex enrolment thereafter and will have a separate pension policy issued by the Provider into which Steria will pay contributions.
- 1.4 Steria recognises the critical importance of good governance of its pension arrangements and so has established the Governance Committee (the "Committee") for this purpose.
- 1.5 Steria will give the Committee an annual budget to enable it to appoint and retain independent legal and financial advisors and generally to undertake its activities. In the event that agreement cannot be reached on this budget, the issue will be referred to Steria and the unions under the terms of Clause 4 of the Agreement.

#### **2. Terms of Reference**

- 2.1 The formal documents that govern the GPP are the terms of the policies that are issued to each member by the Provider. The purpose of this document is to describe the extent of the Committee's involvement in the governance of the GPP. It does not override in any way the formal policy documents, and they shall prevail if there is any conflict.
- 2.2 Members of the Committee are not authorised under the Financial Services and Markets Act 2000 and do not wish to become authorised. They cannot deal in any investments for members or arrange deals in investments for them. They cannot accept deposits on their behalf. They cannot safeguard or administer investments for members. They cannot advise members on investments and they cannot manage investments on their behalf. Those tasks are all undertaken by the Provider and the Administrator.
- 2.3 Nonetheless the Committee wishes to ensure that the GPP is properly administered in the interests of the members and it has made

arrangements with the Provider and the Administrator so that it can advise and assist them in the promotion and management of the Scheme.

- 2.4 Although this Document sets out the basis on which the Committee will be involved in the governance of the GPP, it is recognised that it has no formal administrative or regulatory role. The Committee expects to be kept informed regarding the GPP's administration, and all parties recognise that it has a valuable role to play in advising and assisting the Provider and the Administrator.
- 2.5 The principal objective of the Committee is to ensure the successful operation of the GPP. This is recognised by the Parties as responsible risk management and is consistent with Steria's values
- 2.6 The Committee will make decisions within the powers conferred by these Terms of Reference as it sees fit. Its decisions will be by consensus. If consensus is not achievable, then the issue will be referred to the Parties for resolution under the terms of the process referred to in Clause 4 of the Agreement.
- 2.7 The Provider and the Administrator have the responsibility for managing the GPP. They have no legal obligation to implement any recommendations made by the Committee but will give them due consideration when taking any measure which affects the GPP.
- 2.8 The Committee will be given information by and make recommendations to the Administrator and the Provider in relation to the following matters:
  - 2.8.1 whether or not the GPP is being operated by the Administrator and the Provider in a professional manner, and in line with good market practice, with due attention given to the needs of Steria and its employees;
  - 2.8.2 whether or not the range of investment funds under the GPP is sufficient to afford members the ability to choose funds that meet their differing objectives and attitudes to investment risk;
  - 2.8.3 the default (or 'lifestyle') option provided by the GPP and whether or not the default option continues to be suitable (recognising that the final choice of the default option must as a matter of law rest with the Administrator and Provider);
  - 2.8.4 the charges levied by the GPP for all investment options, and any changes to them;
  - 2.8.5 whether or not the individual investment managers of the key funds are performing in line with their benchmarks;
  - 2.8.6 whether or not the benchmarks for investment performance remain appropriate;
  - 2.8.7 the investment trends and decisions taken by members;

- 2.8.8 whether or not the provider is administering the GPP efficiently and effectively;
  - 2.8.9 whether or not management information is produced in a timely manner to ensure that the Committee can monitor the administration of the GPP;
  - 2.8.10 whether or not the provider is performing within its agreed service levels;
  - 2.8.11 whether or not all other relevant regulations are being complied with;
  - 2.8.12 whether or not all GPP communication material to be issued by the Committee, Steria or the Provider is up to date; and
  - 2.8.13 the effectiveness of presentations to, and other communications with, GPP members.
  - 2.8.14 any Corporate Social Responsibility issues, including issues related to ethical investment, that the Committee deems relevant to GPP members
  - 2.8.15 to consider the advice of its independent legal and investment advisors (see para 1.5 above)
- 2.9 To this end the Committee will consider the advice of its independent legal and investment advisors and:
- 31.1 2.9.1 receive and review GPP management information reports;
  - 31.2 2.9.2 receive presentations from the Provider/investment managers. The provider will be invited to present details of investment performance and administration results on at least an annual basis or more often at the Committee's request;
  - 31.3 2.9.3 consider any developments concerning the GPP Provider;
  - 31.4 2.9.4 receive and consider advice and information concerning legislative changes and good modern practice;
  - 31.5 2.9.5 receive and review all member communications (recognising that, as a financial promotion within the meaning of the Financial Services and Markets Act 2000, the final form of any promotional literature must be agreed by the Administrator and Provider);
  - 31.6 2.9.6 consider any member suggestions regarding the GPP; and
  - 31.7 2.9.7 make proposals regarding the running of the GPP to Steria.
  - 31.8 2.9.8 take full account of and pursue best practice in relation to Corporate Social Responsibility in relation both to the management of and the investment options offered to GPP members

- 2.10 The Committee will monitor whether appropriate information regarding the GPP is available to all members and whether the Provider issues the statutory money purchase illustrations are provided to members on an annual basis.
- 2.11 Where changes are required by legislation, the Committee will recommend appropriate changes to Steria, the Administrator and the Provider.
- 2.12 The Committee will monitor members' and Steria contributions to ensure that they are paid in line with the direct payment arrangements.
- 2.13 The Committee will monitor the payment of contributions to confirm that a member's contribution to the GPP is paid within 19 days of the end of the month in which the deduction was made from that member's salary.
- 2.14 The Committee will not decide:
  - 2.14.1 future pensions and benefits strategy, including Steria's objectives for reward, retention and recruitment;
  - 2.14.2 whether or not the GPP compares favourably with the arrangements offered by Steria's competitors and with general market levels;
  - 2.14.3 the pension contributions Steria will make in future; or
  - 2.14.4 any other compensation and benefit issues.

### 3. **Committee members**

- 3.1 The Committee shall consist of nine members.
  - 3.1.1 Four members will be appointed by Steria (Steria-Appointed Members").
  - 3.1.2 Two members will be appointed to represent active members of the GPP. These members will be elected by the active members of the GPP by secret ballot conducted Steria using such means (including electronic voting) as Steria thinks fit.
  - 3.1.3 Two members will be appointed by the trade unions recognised by Steria for collective bargaining who are parties to the Agreement.
  - 3.1.4 The members of the Committee described in 3.1.2 and 3.1.3 above are known as "Employee-Nominated Members".
  - 3.1.5 Steria will additionally appoint an independent Chairperson. The appointment of the Chairperson will be subject to approval of the other members of the Committee, which will not unreasonably reject any suitably qualified nominee. The Chairperson will have the right to vote on any matter but will not have a second or casting vote.
- 3.2 Employee-Nominated Members will normally be expected to serve a term of 3 years after which time they will be able to be re-nominated for

membership of the Committee be entitled to resign from the Committee whilst remaining as members of the GPP.

3.3 Unless Steria requests otherwise, the Steria-Appointed Members will automatically cease to be Committee Members on the day the Member's employment with Steria, or any associated employer, ceases.

3.5 The Committee shall not be a trustee and therefore it is not subject to the member-nominated director provisions contained in Part 5 of the Pensions Act 2004.

#### 4. **Meetings**

4.1 The Committee will meet at least quarterly but more often at its own discretion to discuss all relevant issues in connection with the GPP.

4.2 Meeting papers will be distributed to all Committee Members at least one week prior to the meeting date and Minutes of Meetings will be distributed to the Committee for agreement following each meeting.

4.3 The Committee will appoint a Secretary, who will be responsible for the preparation and distribution of all Agendas, meeting papers and Minutes. Minutes will be circulated to members of the Committee and to the Steria Head of Reward.

4.4 Three members of the Committee (including the Independent Chairperson and at least one Steria-Appointed Member and one Employee-Nominated Member) shall represent a quorum for the purposes of considering questions in connection with the Plan.

4.5 Members of the Committee will be entitled to attend by telephone, internet web cast or video conferencing if necessary. Members who do so shall be counted for the purpose of forming a quorum and will be entitled to vote. However, Committee Members should make every effort to attend in person.

4.6 The Committee shall have power to delegate to a subcommittee of its members such of its functions as it thinks fit and subject to such limitations and conditions as it may choose to impose. The proceedings of any subcommittee shall be governed by the rules set out in these Terms of Reference, where relevant, in the same way as they apply to the Committee.

#### 5. **Advice**

5.1 The Committee will only act upon the advice of professional advisers appointed by the Committee.

#### 6. **Incurring costs**

6.1 The Committee will not be able to authorise expenditure over and above its agreed budget unless this has previously been agreed with Steria's Head of Reward.

7. **Investment and administration of the Plan**

7.1 Steria and the Committee do not assume or accept any responsibility or liability for the investment performance of the Plan.

7.2 The Committee will at no time provide any financial advice to members.

7.3 Neither Steria nor the Committee shall be subject to any fiduciary duty in relation to the GPP.

8. **Data Protection Act 1998**

8.1 The Committee will be mindful of the requirements of the Data Protection Act 1988 and will only handle individual member data when this is essential for the proper fulfilment of the its role, and when the member's express permission has been granted.

### Appendix 3 – DB Bridging Pensions

The contribution rates proposed by Steria are calculated assuming members retire at age 62, to reflect current practice. However, the S2P benefits will not come into payment until State Pension Age ('SPA'). Therefore, members will be given the option to re-structure their DB pension payments in order to smooth out their pension income.

To do this, members who have sufficient DB pension will be able to give up some of their DB pension in order to provide a higher temporary pension payable between their actual retirement date and State Pension Age. What this means in practice is that someone will have the opportunity to smooth out the overall pension income that they receive, which in totality will be from three sources;

1. DB pension
2. State Second Pension ('S2P')
3. DC pension

However, the DB lifetime pension cannot be reduced below certain contracting-out limits, [and the trustees will not be required to make pay a bridging pension that is an unauthorised payment under the Finance Act 2004 or any legislation that replaces that Act.](#)

This option will re-structure the way in which the DB pension is paid to members, but the overall value of the benefits will not change (this will be certified by the scheme actuary at the time of arrangement).

The following example illustrates how this option could work and has been calculated using the assumptions set out in appendix 1. Also shown are illustrative pensions each year from retirement to age 70, to show how the structures differ, with pension payments assumed to increase at 2.5% p.a.

In practice, the amount of DB pension given up and, consequently, the revised amounts under the alternative payment structure will be calculated using factors calculated by the actuaries of the Schemes and agreed with the trustees of the Schemes and so the amounts will be different to those shown.

**Example**

Member reference 1134  
 State Pension Age 65

**Proposed DC arrangement assuming the member takes early retirement at age 62**

DC pension £2,177 p.a. payable from 62  
 S2P pension £922 p.a. payable at 65  
 DB Pension £10,000 payable from age 62

**Alternative payment structure assuming the member takes early retirement at age 62**

DC pension £2,177 p.a. payable from 62  
 S2P pension ("current real" amount) £922 p.a. payable at 65  
 DB Pension £10,922 payable from age 62 and reduced at age 65

<b>Illustrative pensions at each age</b>	<b>DC Pension</b>	<b>S2P</b>	<b>DB Pension</b>
62 (Retirement Age)	£2,177 p.a.	£0	£10,922
63	£2,231 p.a.	£0	£11,195
64	£2,287 p.a.	£0	£11,475
65 (SPA)	£2,344 p.a.	£922	£10,671
66	£2,403 p.a.	£945	£10,939
67	£2,463 p.a.	£969	£11,212
68	£2,525 p.a.	£993	£11,493
69	£2,588 p.a.	£1,018	£11,780
70	£2,652 p.a.	£1,043	£12,074

#### **Appendix 4 – Contractual Redundancy Benefits**

The benefits referred to in clause 19.2 are those contained in the following documents:

- Appendix 6 – Voluntary Redundancy Terms – to the Managing the Surplus Framework - Managerial Grades Policy (Issue Three), issued by Royal Mail Group
- ISIS directive: PNL/EMP/K020 (Issue 2) – Redundancy Compensation, issued by British Telecommunications plc on 1 May 1986
- The document entitled “Resourcing Approach – Xansa Barclaycard” agreed between the then Xansa UK Limited (now Steria Limited) and Amicus in January 2006
- The Redundancy Terms section of the Boots Redundancy Handbook, issued by Boots Group PLC on 16 February 2004.