



**BOMBARDIER**

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# Members' Booklet

*The Bombardier Transportation UK Pension Plan*



Member Helpline: 0845 603 8224

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## 1. Introduction

### **Welcome to the Members' Booklet for the Bombardier Transportation UK Pension Plan ("the Plan").**

This booklet is intended to provide information on the main features of the Plan, but should not be regarded as a definitive statement of the Plan's provisions, which are set out in the Trust Deed and Rules. The provisions of the Trust Deed and Rules will prevail in the event of any inconsistency with this booklet. This booklet does not provide details of the benefits for members of the Signals Section of the Plan.

Membership of the Plan provides important financial security at relatively low cost to you. The Plan not only provides pension and lump sum benefits on retirement, but also includes ill-health pension provisions and substantial death benefits, including pensions for adult dependants and children. As all pensions payable under the Plan increase annually to keep pace with the general rise in prices, their purchasing power is not diminished.

The Plan is registered for tax relief purposes by Her Majesty's Revenue and Customs (HMRC).

As a contributing member of the Plan, you are contracted-out of the earnings-related part of the State pension scheme (the State Second Pension), which means you pay reduced National Insurance contributions and the Plan is responsible for providing benefits in place of that part of the State pension provision. The benefits provided by the Plan are in addition to any benefits to which you may be entitled from the Basic State Pension.

The Plan was originally set up in April 1989 following the privatisation of British Rail Engineering Limited (BREL). Initially it was known as the BREL Pension Plan and was later renamed the ABB Transportation Pension Plan. When the group was restructured in February 1996, it became the Adtranz Pension Plan. In May 2001 the company was acquired by Bombardier.

If you were a member of the BR Pension Scheme and employed by BREL when that company was privatised in April 1989, you should make particular reference to Appendix B or C as appropriate, depending on whether or not you transferred your BR Pension Scheme benefits into the Plan.

If you joined the Plan before 17 May 1990, as a wages grade employee, you should refer to Appendix D.

If you became a member of the New Section of the Plan following the changes introduced on 1 January 2005, you should also refer to Appendix E.

This booklet includes the improvements that were introduced to the Plan in April 1996, and does not apply to members who left pensionable service before that date.

If you have any questions regarding information in this booklet, or your benefits from the Plan in general, please contact the Plan Administrator, Capita Hartshead, whose contact details can be found in section 12.

### **September 2007**



## 2. Glossary of Terms

**Any pension scheme involves a certain amount of jargon, and the Plan is no exception. There are certain specialist terms used in this booklet that are defined here for your convenience and displayed in bold wherever they occur in the booklet.**

The following terms are used throughout the text. Most of these are technical terms that form the structure on which the Plan's contributions and benefits are based.

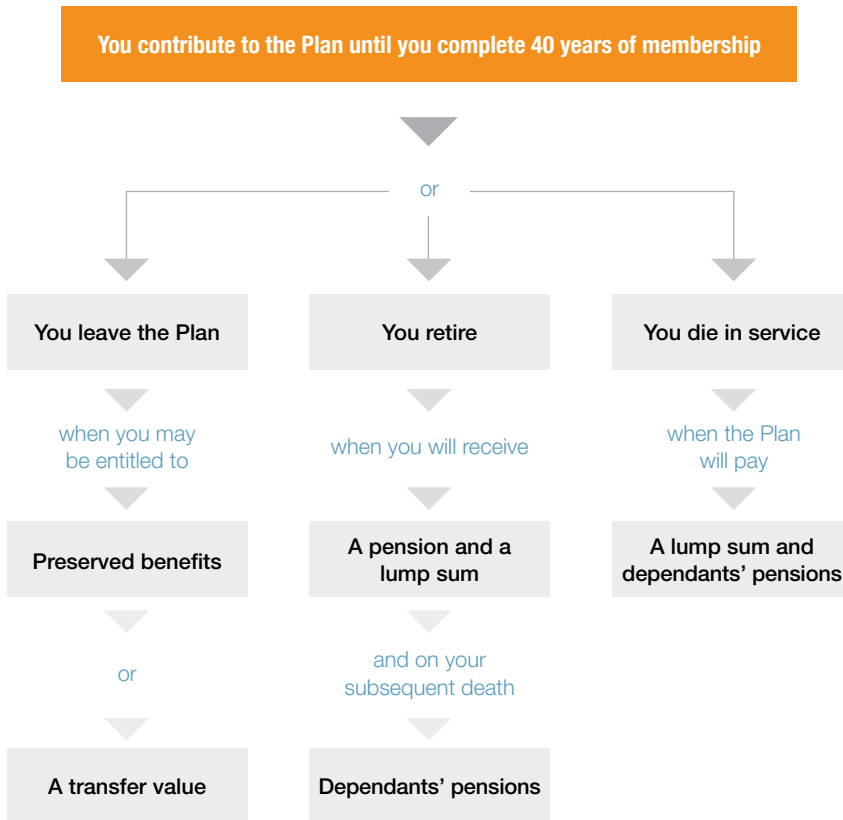
Definitions that apply specifically to the New Section of the Plan can be found in a separate glossary in Appendix E.

<b>Contracted-out</b>	The Plan is contracted-out of the State Second Pension (S2P). This means that you pay a lower level of National Insurance contributions but do not earn any additional State Second Pension for the period of your Plan membership. The Plan takes on responsibility for providing pension benefits in place of your S2P pension. Your entitlement to the Basic State Pension is unaffected by your membership of the Plan.
<b>Final Pensionable Pay</b>	The average of your Pensionable Pay over the 12 months prior to retirement or earlier leaving the Plan.  <i>Final Pensionable Pay is used to calculate your lump sum benefit on retirement.</i>
<b>Final Scheme Pay</b>	The average of your Scheme Pay over the 12 months prior to retirement, death or earlier leaving the Plan.  <i>Final Scheme Pay is used to calculate your pension.</i>

<b>Pensionable Pay</b>	Basic pay, including certain pensionable allowances, but not including shift premiums, overtime pay, bonuses or other special payments. In the case of a member who has elected to "Salary Exchange" the equivalent of their Plan contributions as part of the Company's Flexible Benefit Scheme, this is the basic pay the member would have received if they had not elected to participate in such arrangements. With effect from 17 May 1990 Pensionable Pay included the original works bonus where this had been consolidated into basic pay.  <i>Pensionable Pay is used to calculate lump sum death benefits.</i>
<b>Pensionable Service</b>	Service as a contributing member of the Plan (or as a member of the Salary Exchange Arrangement), up to a maximum of 40 years, plus any service granted in respect of transfer payments made into the Plan.  <i>Pensionable Service is used along with Final Scheme Pay and Final Pensionable Pay to determine benefits.</i>
<b>Principal Company</b>	Any references to the Principal Company mean Bombardier Transportation UK Ltd. References to the Company mean the Principal Company or your employer (if different).
<b>Salary Exchange Arrangement</b>	The arrangement by which the requirement that members pay contributions to the Scheme is waived in return for a reduction in salary.
<b>Scheme Pay</b>	The greater of:  (a) your Pensionable Pay less 1½ x Basic State Pension, and (b) ½ your Pensionable Pay  <i>Scheme Pay is used to calculate contributions and Salary Exchange payments.</i>

### 3. Plan Summary

It is important that, as a Plan member, you understand your position in the Plan and the options ahead of you. The flowchart below indicates the possible courses your membership of the Plan could take:



### What are the Plan's aims?

#### Pension

After you retire, you will receive two pensions: your pension from the Bombardier Transportation UK Pension Plan and your Basic State Pension. Please note that the latter will not become payable until age 65 for those members born before April 1959 (or earlier for women born before 1955).

The State Pension Age is due to increase to 68 by April 2046, with the changes being phased over time. The first increase will be phased in between April 2024 and April 2026 and will increase the State Pension Age to 66; the second increase will be phased in between April 2034 and April 2036 and will increase the State Pension Age to 67; and the third increase will be phased in between April 2044 and April 2046 and will increase the State Pension Age to 68. This means that members born after April 1978 will have a State Pension Age of 68.

The aim of the Plan is that, after 40 years of contributing membership, these two pensions will total two-thirds of your **Final Pensionable Pay**, which is the basic pay you receive during the last twelve months of your employment.

Bombardier Pension	+	Basic State Pension	=	Total Pension (2/3 of pay after 40 years)
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#### Lump Sum

In addition, the Plan will pay you a tax-free lump sum on retirement of up to one year's **Final Pensionable Pay**, without affecting the value of your Plan pension.

You may also be able to give up some of your pension in exchange for a larger tax-free lump sum, subject to limits imposed by HMRC.

## How does the Plan work?

### Scheme Pay

In order to accrue the combined pension of two-thirds of **Final Pensionable Pay**, contributions and pensions in the Plan are based on **Scheme Pay**. This could be regarded as the slice of your pay not covered by the Basic State Pension.

Pensionable Pay	-	1 1/2 x Basic State Pension	=	Scheme Pay
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**Scheme Pay** will be increased to one half of **Pensionable Pay** if this is greater.

For the purposes of all examples in this booklet, the Basic State Pension has been taken as £87.30 per week – the figure for the 2007/08 tax year.

### Calculation of Scheme Pay

#### Example 1

If your **Pensionable Pay** is £342 a week then **Scheme Pay** is:

£342	-	1 1/2 x £87.30 (Basic State Pension)	=	£211.05 a week
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As a safeguard for lower paid members, Scheme Pay is never less than half your Pensionable Pay, as illustrated in Example 2.

#### Example 2

If your **Pensionable Pay** is £220 a week then **Scheme Pay** is:

£220	-	1 1/2 x £87.30 (Basic State Pension)	=	£89.05 a week
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As this is less than half of **Pensionable Pay**, your **Scheme Pay** is increased to £110 (£220 ÷ 2).

For the purposes of calculating your benefits, **Scheme Pay** and **Pensionable Pay** are averaged over the twelve months before you retire, die or leave the Plan.

The exception to this is the calculation of the death-in-service lump sum, which is based on **Pensionable Pay** at the time of death. See section 8, 'Death Benefits', for further information.



## 4. Membership

**The Plan was closed to new members on 31 July 2003.**

### Can I opt out of the Plan?

Existing members have the right to opt out of membership of the Plan at any time, by giving four weeks' notice to their Human Resources office. However, such employees will not be able to join the Plan at a later date.

In your own interests and those of your family, you are strongly advised to think very carefully, and to seek expert independent advice, before you give up your right to be a member of the Plan.

### Can I transfer previous pension benefits into the Plan?

Subject to the Trustees' discretion and the Company's consent, a transfer value can sometimes be accepted from any pension arrangements applicable to your former employment, to grant you additional benefits in the Plan. However, at the time of publishing this booklet, the Trustees have a policy of not accepting transfers into the Plan for the foreseeable future.

### Can I contribute to other pension arrangements whilst a Plan member?

Whilst you are a Plan member, you can also contribute to your own stakeholder or personal pension plan if you wish. Please note, however, that the Company will not contribute to any alternative pension arrangement you make.

If you are interested in making additional provision for your retirement, you may also want to consider the facility within the Plan to make Additional Voluntary Contributions (AVCs).

The value of your AVC contributions will also count towards your "annual allowance". In this respect, please refer to section 9, covering Tax Limits.

If you are interested, please call the member helpline and ask for a leaflet on how you can pay AVCs and the additional benefits that they can be used to provide.

## 5. Contributions

### How much do I pay?

As of 1 January 2005, members who remained in the Old Section of the Plan must contribute **10% of Scheme Pay**. Members who joined the New Section must contribute **5% of Pensionable Salary**. For further information regarding the New Section, please refer to Appendix E.

Your regular contributions to the Plan automatically qualify for full income tax relief, thereby considerably reducing the net cost to you.

#### Example 3 (for a member of the Old Section)

If your **Pensionable Pay** is £342 a week and your **Scheme Pay** is £211.05 a week (as in example 1 on page 10), your weekly contribution would be:

**10% of £211.05 = £21.11\***  
(or £16.46 net of tax at 22%)

\* This represents just under 5% of **Pensionable Pay** in this case.

An example calculation for a New Section Member can be found in Appendix E.

On 1 April 2005, a **Salary Exchange Arrangement** was introduced, which members were given the option to join through the Company's Flexible Benefit Scheme.

In this arrangement, members do not contribute to the Plan directly. Instead, the Company makes a contribution to the Plan on your behalf (as calculated above) and the salary paid to you is then reduced by an equivalent amount.

This means that, in addition to the income tax relief you get on your contributions, you also benefit from National Insurance savings, because employee pension contributions, which are subject to National Insurance contributions, become employer pension contributions, which are not. This increases your take-home pay because you pay lower National Insurance contributions.

## 5. Contributions *continued*

For the remainder of this booklet, all references to contributions and contributing members apply equally to members participating in the **Salary Exchange Arrangement**, unless stated otherwise.

For information regarding the impact of the **Salary Exchange Arrangement** on your salary and benefits, please refer to your annual flexible benefits documentation or visit your local Human Resources office.

### How is my contribution determined?

Your contribution is fixed on the first Monday in July and applies throughout the following twelve months. It is calculated on your **Scheme Pay** by reference to **Pensionable Pay** and the Basic State Pension, as at the previous 1 April.

### What about National Insurance contributions?

Because you are **contracted-out** as a member of the Plan (see page 34), you pay a reduced rate of National Insurance contributions, thereby further reducing your net cost of membership.

Your National Insurance and Bombardier Transportation UK Pension Plan contributions are deducted from your pay each payday.

For members participating in the **Salary Exchange Arrangement**, your **salary exchange** payment to the Plan is made in accordance with contribution schedules.

### How long can I contribute for?

Whilst you remain in the Plan, you continue to pay contributions until you complete 40 years of membership.

### What if I miss some contributions?

In the unlikely event that your pay in a particular week is not enough to meet the contributions due, the arrears will be collected later, normally at the rate of 50% of your normal contributions.

### Does my employer contribute?

Since 1 January 2005, the Company agreed to contribute the balance of contributions required to meet the Plan's liabilities in accordance with the Plan's Trust Deed and Rules.

Contributions from members and participating employers may increase or decrease in the future.

As explained on page 38, the Plan's Actuary, from time to time, provides guidance on this important aspect and a copy of his latest valuation report is available on request.

### Can I pay additional contributions?

As indicated on page 12, members can pay Additional Voluntary Contributions (AVCs) to a separate scheme. You cannot contribute additional funds into the Plan.

## 5. Contributions *continued*

### What happens to contributions during maternity, paternity or adoption leave?

If you take maternity leave, your Plan membership will continue and your period of paid maternity leave will count as **Pensionable Service**. Your Plan contributions will be based on the actual maternity pay you receive.

On returning to work, you can choose to pay contribution arrears based on your normal pay covering any unpaid period of maternity leave, in order to preserve your continuous membership of the Plan. If you choose not to make these contributions, your period of unpaid maternity leave will not count as **Pensionable Service** unless you pay contributions in arrears on returning to work. If you do not return to work, your **Pensionable Service** will cease on the date your contributions ceased.

You will be covered for the Plan's death-in-service benefits throughout the whole period of your maternity leave.

The same provisions apply during paternity leave and adoption leave.

### What about parental leave?

A parent may take a total of up to 13 weeks' unpaid leave to care for a child, normally during the first five years of the child's life.

Any period of unpaid leave will count towards your **Pensionable Service** in the Plan.

### What about other periods of temporary absence?

If you are temporarily absent from work, benefits will continue to build up normally as long as you are in receipt of full pay. You will continue to be treated as a member of the Plan with death-in-service benefits continuing to be provided throughout your absence. If full pay ceases, the Company will determine the basis upon which any further benefits are provided. You will be notified if you are affected.

## 6. Retirement

### When can I retire?

Your pension becomes payable when you retire. You can normally retire at any time between ages 60 and 65.

If, with the agreement of the Company, you continue in employment after age 65, unless you have already completed 40 years' membership, you will be able to continue to contribute to the Plan and build up **Pensionable Service**.

Where you remain in employment after age 65, having completed 40 years' membership, you will have the option of drawing your pension while remaining in employment or postponing drawing your pension until you leave employment.

### How much pension will I get?

For each year of **Pensionable Service** (with fractions of a year counting proportionately), you get a pension of 1/60th of **Final Scheme Pay**.

Therefore, if you complete the maximum of 40 years' **Pensionable Service**, you get a pension of 40/60ths (i.e. 2/3rds) of **Final Scheme Pay**.



## 6. Retirement *continued*

### Example 4

For a member whose **Final Pensionable Pay** is £342 a week with 40 years of **Pensionable Service**, and whose **Final Scheme Pay** is £211.05 a week (as in example 1 on page 10), the pension would be:

40/60ths of £211.05	=	£140.70
<i>plus</i>		
Basic State Pension*	=	£87.30
<b>Total (per week)</b>	=	<b>£228.00</b>

This is two-thirds of the member's **Final Pensionable Pay** of £342 a week.

*\* State Pensions are paid separately by the State from age 65 (or earlier for women born before 1955). A married member may have an additional benefit from the State for his wife or her husband. Changes in the Basic State Pension after you retire do not affect the amount of your Plan pension.*

An example calculation for a New Section Member can be found in Appendix E.

Your pension benefits will be restricted if necessary by certain limits. Please refer to section 9, 'HMRC-Related Matters', for more details. The Plan's own limits (based on old Inland Revenue limits, as set out in section 9) may apply to your benefits.

### How will my pension be paid?

Your pension will normally be paid by monthly instalments into your bank or building society account.

The first monthly instalment will normally be due on the first day of the month after you retire, and your pension will continue monthly thereafter for the rest of your life.

Your pension will be taxed in the same way as earned income, using the PAYE system.

### How is my pension protected against inflation?

Members of the Plan enjoy two valuable protections against inflation.

- While you remain an active member in the Plan, your benefits increase in line with your pay. Members who cease to contribute after 40 years' membership will still receive their benefits based on their **Pensionable Pay** in the year before retirement.
- After you leave the Plan, your benefits rise in line with general increases in prices. However, after State Pension Age, if you have a Plan pension for service before 6 April 1997 these increases only apply to your pension in excess of your GMP (see page 35 for details).

These increases are of considerable value, particularly during periods of high inflation, since the purchasing power of your benefits will not diminish.

Since the Plan commenced in 1989, the following pension increases have been paid:

1990	=	7.6%	1999	=	3.2%
1991	=	10.9%	2000	=	1.1%
1992	=	4.1%	2001	=	3.3%
1993	=	3.6%	2002	=	1.7%
1994	=	1.8%	2003	=	1.7%
1995	=	2.2%	2004	=	2.8%
1996	=	3.9%	2005	=	3.1%
1997	=	2.1%	2006	=	2.7%
1998	=	3.6%	2007	=	3.6%

Similar increases also apply to preserved benefits held for deferred pensioners.

All future increases will be recorded in the summary version of the Plan's annual report which is issued to all members.

## 6. Retirement *continued*

### What lump sum benefits will I get?

In addition to your pension, you receive a tax-free lump sum at retirement.

For each year of **Pensionable Service** (fractions of a year counting proportionately), you get 1/40th of **Final Pensionable Pay**.

So, if you complete the maximum of 40 years' **Pensionable Service**, you get a lump sum of one full year's **Final Pensionable Pay**.

#### Example 5

For a member whose **Final Pensionable Pay** is £342 a week, with 40 years' **Pensionable Service**, the lump sum would be:

40/40ths	of	£342 x 52	=	£17,784
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Please note that for the purpose of calculating your lump sum only, your **Final Pensionable Pay** is subject to a maximum of 10 times the Basic State Pension over the previous 12 months, i.e. £873.00 weekly and £45,396 yearly, at current (2007/08) rates.

### Are there any special rules I should be aware of?

For **Pensionable Service** completed before 1 July 1995, the pension as calculated above is increased by 10% and the lump sum is increased by 25%.

If you joined the Plan before 17 May 1990, as a wages grade employee, you should also refer to Appendix D, which explains how your pension and lump sum are calculated covering that period of your **Pensionable Service** before the original works bonus was consolidated into basic pay.

### What options do I have for my pension?

There are a series of options open to you at retirement, designed to help you fit your Plan benefits more closely to your personal requirements. They are all entirely voluntary.

It is not possible to exercise an option in such a way as to reduce your pension below the level required for contracting-out purposes (see details on page 35).

#### Cash / pension balance

If you feel you do not need a lump sum, you may use some or all of it to buy extra pension. The extra pension will increase during retirement in the same way as your normal pension, but it will not increase the dependants' pensions payable after your death.

Alternatively, if you want a greater tax-free lump sum, you may be able to give up part of your pension to get it. This will not reduce the dependants' pensions payable after your death. However, certain limits apply – please refer to section 9, 'HMRC-Related Matters', for more details.

The terms under which you can convert lump sum to pension and vice versa will be notified to you when you retire.

#### Share your pension

The Plan already provides pensions for your dependants on your death after retirement. You may be able to give up a part of your pension at retirement for an extra pension to be paid to a named dependant on your death.

The dependant's pension is paid only if the named dependant is alive when you die. If the dependant dies before you, if your pension has already started the reduction in your pension will not be reinstated.

## 6. Retirement *continued*

### Pension levelling

Your income in retirement will include at least two pensions – the Plan pension and the State Pension.

Your Plan pension will normally start first and your State Pension will start at age 65, increasing to age 68 by April 2046 (or at an age between 60 and 65 for women born before 1955).

Your overall income may, therefore, be uneven – less in the first few years, more after your State Pension payments start.

You can adjust your Plan pension so that it is greater before the State Pension starts and smaller thereafter. This will mean your overall income can be consistent during your retirement.

The level pension option is only available if you retire more than one year before your State Pension is payable. This option is not available if you are receiving an incapacity pension from the Plan irrespective of your age.

### Can I retire early?

At any time from age 50 (old section), or age 55 (new section) onwards, you may choose to retire with an immediate entitlement to benefit from the Plan. However, for retirement before State Pension Age certain minimum conditions have to be met, and it is not always possible to take your pension early. If you are considering early retirement, you should phone the helpline or ask your local Human Resources office to check the position for you, and explain the options available to you.

Your benefits will be calculated in the same way as for normal retirement as described on pages 17 and 18 (pension) and on page 20 (lump sum). Both the pension and the lump sum will then be reduced by approximately 4% for each year you are below age 60 at the time the benefits become payable. This is in order to take account of the fact that your pension will have to be paid for a longer period.

If you choose not to take advantage of the early immediate benefit facility, or your reduced benefits fall below the minimum qualifying level, your choices remain as described in section 7 ('Leaving the Plan').

### What about early retirement due to ill-health?

Special provisions apply in respect of members who, with the consent of the Company, retire early through ill-health or incapacity, irrespective of age.

The granting of incapacity retirement benefits is not automatic. Each case is considered on its merits by the Trustees, whose decision is final.

Incapacity benefits consist of an immediate pension and a cash lump sum calculated in the same way as shown on pages 18 and 20. These benefits are paid immediately on retirement without reduction.

When calculating your incapacity pension, you will be credited with any additional membership (up to a maximum of 10 years) you would have completed by age 60, subject to your total membership not exceeding 40 years. These additional years will not be included when calculating your lump sum benefit.

#### Examples of additional membership in cases of incapacity:

Age on Retiring	Actual Membership	Additional Membership	Explanation
52	30	8	Restricted by age (52 + 8 = 60)
48	32	8	Maximum membership (32 + 8 = 40)
48	28	10	Maximum addition allowed

If, after your incapacity retirement, you take up employment before you reach age 60, subject to your level of earnings, your pension may be reduced or suspended. It will, however, be restored on your 60th birthday even if you continue working beyond age 60.

## 6. Retirement *continued*

An illustration of a member retiring early is shown below:

### Example 6

A member retires at age 55 after 20 years' **Pensionable Service**. His **Final Pensionable Pay** and **Final Scheme Pay** are £342 and £211.05 per week respectively.

If retirement is due to ill-health, the member's pension would be:

$$\frac{20 + 5^*}{60} \times \pounds 211.05 = \pounds 87.94 \text{ per week (paid unreduced)}$$

\* Additional credit limited by age ( $55 + 5 = 60$ ). Had the member in this example been aged 50 or less, the maximum 10 years' credit would have applied.

If the early retirement is for reasons other than ill-health, the member's pension would be:

$$80\%^* \text{ of } \frac{20}{60} \times \pounds 211.05 = \pounds 56.28 \text{ per week}$$

\* Reduction of approximately 20% since the member receives the pension five years before the minimum pension age of 60. This reduction would not apply if the member decided to defer payment of benefits until age 60.



## 7. Leaving the Plan

### What happens if I leave service before retirement?

If you leave service before retirement, you become a deferred member of the Plan and you may choose between:

- Preserving your pension and lump sum retirement benefits in the Plan, payable from age 60;
- or
- A transfer value, payable to your new employer's scheme or to an approved financial institution of your choice, to secure pension benefits with them.

### How are my preserved benefits calculated?

Your preserved benefits (pension and lump sum) are calculated as described on pages 18 and 20, based on your **Final Scheme Pay** and **Final Pensionable Pay** and on your **Pensionable Service** completed at the time of leaving the Plan. Preserved benefits are then subsequently increased each year in line with rises in the cost of living.

You may take a transfer value in lieu of your preserved benefits at any time up to your 59th birthday.

### Can I take my preserved benefits early?

You may elect to take your preserved benefits earlier than age 60, provided you have left service and you have reached age 50. **Early payment cannot be guaranteed as it is conditional upon certain minimum contracting-out benefits being met.**

### Will my benefits be reduced for early payment?

To provide for earlier payment, the amount of your benefits will be reduced by approximately 4% for each year by which you are younger than 60. For example, if you elect to take your preserved benefits five years early, they will be reduced by approximately 20% in a similar manner to that illustrated in the example on page 24.

## 7. Leaving the Plan *continued*

### Can I take my preserved benefits later than my 60th birthday?

If you are in employment, you may prefer to defer payment of your preserved benefits beyond your 60th birthday. This is permissible but payment cannot be delayed beyond your 65th birthday.

For each complete period of six months by which payment of your preserved benefits is deferred beyond your 60th birthday, they will be increased by 1%. This increase will be in addition to the normal cost of living increase.

The options on retirement described on pages 21 and 22 apply to your preserved benefits when they become payable.

### What happens if I die before my preserved benefits become payable?

Please refer to section 8, 'Death Benefits', for details.

### How are transfer values calculated?

Transfer values are calculated in accordance with factors provided by the Plan's Actuary, complying with legislative requirements and reflecting financial conditions at the time of payment. The Trustees have directed that no allowance for discretionary benefits should be made in the calculation of transfer values.

Transfer values are guaranteed not to be less than 2½ times the total contributions you have paid since 1 July 1988. Other guarantees apply to contributions paid before that date.

### Can I find out what the transfer value of my benefits would be?

Employed members have the right to request an estimate of the transfer value of their accrued benefits, and deferred pensioners have the right to request the amount of the transfer value of their deferred benefits once a year – the Plan's Administrators must provide such quotations within three months.

## 8. Death Benefits

### What benefits are payable if I die whilst an employed member?

If you die as an employed member, the death-in-service benefits are:

- A lump sum of four times your **Pensionable Pay** at the date of death

and

- A lump sum equal to the value of your AVC fund, if applicable

and

- An Adult Dependant's pension of half the pension you would have received if you had retired on your 60th birthday (or date of death if later)

and

- Children's pensions of the following proportions of the Adult Dependant's pension:

	If an Adult Dependant's pension is paid	If no Adult Dependant's pension is paid
One eligible child	50%	100%
Two or more eligible children	75%	150%
To be shared between children in equal proportions		

If the person receiving the Adult Dependant's pension is more than 10 years younger than you, the amount of pension may be reduced.

## 8. Death Benefits *continued*

An illustration of benefits payable on death is shown below:

### Example 7

A member dies at age 40 after 20 years' **Pensionable Service** leaving a spouse and one child under age 18. The member's **Pensionable Pay** and **Final Scheme Pay** are £342 and £211.05 per week respectively.

The benefits would be:

- A lump sum of  $4 \times (\text{£}342 \times 52) = \text{£}71,136$

PLUS

- A lump sum equal to the value of the member's AVC contributions, if applicable

PLUS

- Dependants' pensions based on member's\* potential **Pensionable Service** to age 60 as indicated:

- (a)  $\text{£}211.05 \times 40/60^* = \text{£}140.70$  per week (member's potential pension at age 60)
- (b) Spouse entitled to half of (a) = **£70.35** per week
- (c) Child entitled to half of (b) = **£35.18** per week

*\* If the member in this example had been aged 50, the pension benefits payable would have been lower as the potential Pensionable Service to age 60 would have been 30 years (20 actual + 10 potential).*

### What benefits are payable if I die as a deferred member?

If you die with preserved benefits in the Plan, a lump sum will be payable equal to the smaller of:

- Four times your **Pensionable Pay**

and

- Five years of pension payments

Both amounts are determined at the date you left the Plan, and are increased in line with cost of living increases up to the date of your death.

A lump sum equal to the value of your AVC fund, if applicable.

In addition, an Adult Dependant's pension of 50% of your preserved pension (including increases thereon since you left the Plan) may be payable, plus children's pensions of a proportion of the Adult Dependant's pension as described in the table above.

### What benefits are payable if I die after my retirement?

If you die after retirement, the benefits are:

- An Adult Dependant's pension of half your own basic pension

and

- Children's pensions of the following proportion of the Adult Dependant's pension:

	If an Adult Dependant's pension is paid	If no Adult Dependant's pension is paid
One eligible child	50%	100%
Two or more eligible children	75%	150%
To be shared between children in equal proportions		

and

- On death within five years after retirement, a lump sum equal to the remainder of five years' basic pension (ignoring future increases)\* that has not yet been paid out of the Plan.

*\* or (if smaller) the death-in-service lump sum.*

If the person receiving the Adult Dependant's pension is more than 10 years younger than you, then the amount of pension may be reduced.

**Note:** In the case of a member in receipt of an incapacity pension from the Plan who dies before 60 years of age, the lump sum death benefit will always be equal to the excess of the death-in-service lump sum over the amount already paid out of the Plan.

## 8. Death Benefits *continued*

### How are dependants' pensions paid?

An Adult Dependant would normally mean your wife, husband or registered civil partner living with you at the date of your death. An Adult Dependant's pension would continue for the rest of the Adult Dependant's life.

If a pension is not paid on the above basis, the Trustees have the power to divide your dependants' pension among one or more adults who are financially dependent on you. Such pensions are payable during the dependant's lifetime.

Children's pensions are paid to your own or adopted children, and may include dependent illegitimate children or step-children. Children's pensions continue automatically until the child reaches age 18, and may also continue if the child is in full-time education and under the age of 23, or through disability is unable to earn a living.

**Adult Dependants' and Children's pensions are increased in the same way as members' pensions. They are also subject to income tax.**



### How are lump sum death benefits paid?

Any lump sum death benefit will be paid at the discretion of the Trustees to your dependants or other persons listed below:

- Your widow or widower (or civil partner)
- Your children, grandchildren or their children
- Your grandparents and the grandparents of your widow or widower (including the grandparents of any previous wife or husband)
- The children, grandchildren and remoter descendants of the grandparents described above
- Any persons for whom you had parental responsibility as defined by the Children Act 1989
- Any person who was wholly or partly dependent upon you at your death
- Any person or charity nominated by the deceased in writing to the Trustees

There can sometimes be a delay until the Trustees have obtained full information to enable them to exercise their discretion. The benefit will not normally be subject to Inheritance Tax.

### Can I nominate my beneficiaries?

You may request that the lump sum benefit should be payable to one or more of the people listed above. The Trustees are not bound to follow your request, but in practice they would try to honour your wishes, and there may be less delay in making payment.

To take advantage of this system, phone the helpline or ask your Human Resources office for a nomination form, which should be completed and sent in strict confidence to the Plan Administrators at the address shown on page 40.

You may subsequently alter your nomination(s) of possible recipients by completing and submitting a further form to the Plan Administrators. Indeed, you are strongly encouraged to do this whenever your personal circumstances change.

## 9. HMRC-related Matters

**Prior to 6 April 2006, the Plan was granted exempt approval by HM Revenue and Customs (HMRC). From 6 April 2006, the Plan automatically registered with HMRC, under the Finance Act 2004.**

Prior to 6 April 2006, HMRC imposed limits on the benefits payable under the Plan, for example the earnings cap (£112,800 for 2007/08) for members who joined the Plan after 31 May 1989. Generally these limits are now imposed by the Rules of the Plan, in a similar way to that in which they were imposed previously. One exception to this is that the earnings cap no longer applies in relation to benefits built up from 1 July 2006. You will be informed if these limits affect you.

From 6 April 2006, a new tax regime applies to pension benefits. As a member of this and any other pension schemes, you are responsible for the tax consequences of your membership. You should, therefore, note the following:

- i) If you have applied (or intend to apply) to HMRC for Enhanced Protection or Primary Protection of your pension benefits (because you expect that broadly the value of your benefits will exceed the Lifetime Allowance), you should bring this to the attention of your Human Resources office and seek specialist advice regarding your continued membership of the Plan.
- ii) Your total pension scheme benefits from all sources are subject to a Lifetime Allowance tax threshold (£1.6 million for 2007/08). The threshold may be increased each year by order of the Treasury. If the value of your benefits exceeds the Lifetime Allowance, they will be subject to additional tax.

Before we pay your retirement pension or lump sum, we will need to ask you how much of the Lifetime Allowance you have already used up, as we may need to deduct additional tax. When your pension is in payment, we will tell you how much of the Lifetime Allowance it uses up. If the value of your pension benefits is close to (or above) the Lifetime Allowance, this may restrict the amount of tax-free lump sum you can take at retirement.

Different rules apply if you have applied for, or you intend before 6 April 2009 to apply for, Enhanced Protection or Primary Protection. Other events can also have an impact on your tax treatment, e.g. divorce, or a period of time working overseas. Please phone the helpdesk or tell your Human Resources office (who in turn will advise the Plan Administrators) if you believe any of these special cases apply to you.

- iii) You may generally obtain tax relief on pension contributions up to 100% of your earnings (or £3,600 if your earnings are less than this). However, each year, the pension benefits you earn in all pension schemes are generally subject to an annual allowance tax threshold (£225,000 for 2007/08).

The pension benefits you earn in the Plan are measured over the year to 31 March (called the "Pension Input Period"). If, in one year, the value of the pension benefits you earn in the Plan, plus any AVCs, plus any contributions you pay to other pension arrangements, exceeds the annual allowance, you will generally be subject to additional tax. You should seek independent specialist advice if you think this may apply to you.

- iv) Since 6 April 2006, only certain benefits are "authorised" by the Finance Act 2004. If unauthorised benefits are paid by a pension scheme, both the scheme and the recipient will be liable for additional tax. It is generally expected that the benefits payable by the Plan will be authorised, but in rare cases some benefits may not be. In such cases, the Trustees are not required to pay the benefit. If they choose not to pay it, they will generally draw this to your attention.
- v) If your total pension benefits from all your pension schemes have a value of less than 1% of the Lifetime Allowance (i.e. £16,000 in 2007/08) and you are aged between 60 and 75, you may be able to take them as lump sums. If you are interested in doing this, contact the helpline or speak to your Human Resources office.
- vi) There may be adverse tax consequences if you invest (or it could be construed that you had invested) part or all of your tax-free lump sum from a pension scheme back into a pension arrangement. This is often called "recycling" tax-free lump sums. If you are concerned about this issue, you should seek professional independent financial advice.
- vii) You may be permitted to elect, when your pension starts, for any lump sum death benefit (e.g. the five-year guarantee benefit and/or any continuing life cover you have because you are still working for the Company) to be treated as a "pension protection" lump sum death benefit. This would be taxed at 35%. If you have very significant pension benefits, this could be beneficial to you. If you are interested in exploring this, contact the helpline or speak to your Human Resources office.

## 10. State Pensions

### What does the State provide?

The State currently provides a two-part retirement pension: the Basic State Pension (BSP) and the State Second Pension (S2P).

The BSP is a flat-rate pension currently payable from State Pension Age. It is paid to everyone who has paid sufficient National Insurance contributions in his or her working life. If, for example, you are a married woman paying the reduced rate of National Insurance contributions, or if you have spent some years working overseas, you may not qualify for a full Basic State Pension.

The Basic State Pension is usually increased each April in line with retail prices.

S2P was introduced in April 2002, replacing the State Earnings-Related Pension Scheme (SERPS). It provides an additional component of pension from State Pension Age. It is based on your earnings, taken from your National Insurance records.

As a contributing member of the Plan, you are contracted-out of S2P.

### What is contracting-out?

Contracting-out means that whilst you are a contributing member of the Plan you do not build up any S2P benefits.

As a result you pay reduced National Insurance contributions, the saving currently (2007/08) amounting to 1.6% of earnings between the Lower and Upper Earnings Limits which are £4,524 and £34,840 respectively for 2007/08 tax year. These limits are set by the Government each year.

### What are the consequences of contracting-out?

Contracting-out has a number of implications, some of which differ depending on the period during which you were/are contracted-out.

#### *Pensionable Service before 6 April 1997*

As a result of contracting-out during this period, the Plan is required to guarantee that the pension it pays to you in respect of your membership will be at least equal to a prescribed minimum known as the Guaranteed Minimum Pension or GMP.

The Plan does not increase your GMP (which is payable from State Pension Age) in respect of service prior to 6 April 1988. For service after this date, the Plan provides increases on your GMP in line with general increases in prices up to 3% p.a.

In certain special circumstances, Plan benefits may need to be restructured to comply with this guarantee.

#### *Pensionable Service from 6 April 1997*

As a result of contracting-out during this period, the Plan is required to provide benefits no less than those of a prescribed reference scheme. Such benefits generally replace those which would have been payable from the State Earnings-Related Pension Scheme and the State Second Pension (S2P) if you had not been contracted-out.

To comply with the contracting-out rules, the Adult Dependant's pension payable on the death of a member (see section 8, 'Death Benefits') will be increased if necessary to 1/160th of 85.1% of earnings between the Lower and Upper Earnings Limits.

## 10. State Pensions *continued*

### *Death of a Married Member*

To comply with the contracting-out rules, part or all of the Adult Dependant's pension has to be paid to the legal spouse or civil partner. This applies irrespective of whether or not the spouse or civil partner was living with the deceased member.

### Who should I contact with State Pension queries?

For more information about the State Pension schemes, enquire at your local office of the Department for Work and Pensions, contact the DWP on 0845 3000 168, or visit their website, [www.dwp.gov.uk](http://www.dwp.gov.uk).

It is possible to get a forecast of your State Pension by completing the BR19 which is available from the Pensions Service, part of the Department for Work and Pensions by telephoning 0845 60 60 265. Alternatively, you can make your request on line at [www.thepensionsservice.gov.uk](http://www.thepensionsservice.gov.uk) or by telephoning 0845 30 00 168.



## 11. General Information

### How is the Plan set up and run?

The Plan is set up under a Trust Deed and the assets are held by Trustees according to Rules approved by HMRC.

The assets of the Trust are completely separate from the employer. This legal separation is a valuable protection for members, safeguarding the Plan's assets from the employer's creditors.

The Trustees are responsible for investing Plan money to meet future benefits. As your benefits increase in step with pay and prices, the money is invested in assets that are expected to increase in value over the long term, like company shares and property. For this purpose, professional investment managers are employed. No money is invested in the **Principal Company** or any of the participating companies.

Changes to Plan Rules (drafted in consultation with the Plan's Actuary) require the approval of the Trustees and the **Principal Company**. Where appropriate, the recognised trade unions are consulted.

The general administration of the Plan, including the collection of contributions and **salary exchange** payments and the payment of benefits, is the responsibility of the Trustees. However, calculation, payment and administration of benefits from the Plan are all performed by the Plan Administrators, an outside organisation appointed by the Trustees. The Plan Administrators will provide regular statements and correspond with you when necessary about your benefits. They can be contacted at the address shown in the next section.

You are entitled to inspect or receive a copy of the Plan's Trust Deed and Rules, although the Trustees reserve the right to make a small charge to cover printing and postage costs. If you would like to view a copy, please phone the helpline.

## 11. General Information *continued*

### How is the Plan's funding monitored?

The Plan's Actuary assesses the expected future liabilities of the Plan and advises what contribution rates are needed now to provide the benefits when they fall due. This process is known as an Actuarial Valuation and must, by law, be carried out at least once every three years.

The next Actuarial Valuation will be carried out in accordance with the Scheme Funding legislation contained in the Pensions Act 2004. The funding position of the Plan will be reviewed with the Plan Actuary and the employer's future contribution rate will be agreed by the Company and the Trustees.

All Plan members will receive a Summary Funding Statement with an update on the Plan's funding position each year. The first such statement was issued in September 2006.

You can also request a copy of the most recent Actuarial Valuation report by phoning the helpline.

### How else can I review the Plan's finances?

The Trustees are required to produce an Annual Report and Accounts, which are certified by independent auditors and account in detail for the money paid into and out of the Plan. They also show what assets are held.

Copies of the Full Report and Accounts are available to members by phoning the helpline; each year the Trustees also prepare and issue a shorter Annual Report to Members.

### How can I find out about my own benefits from the Plan?

Each year, as an active member, you will be given an individual benefit statement detailing your own pension position.

If you are near to retirement, or thinking of leaving the Plan, you can obtain an up-to-date statement by phoning the helpline or asking your Human Resources office to complete an Estimate of Benefits application form.

### Does the Plan comply with the Data Protection Act?

The Trustees hold personal information on members and beneficiaries under the Plan and are regarded as data controllers for the purposes of the Data Protection Act 1998. The data is processed for the purposes of calculating and paying benefits, determining contributions and generally ensuring the efficient running of the Plan. The processing is performed by the Trustees, the Company, the Plan Administrators and Actuary and any other person providing advice and services to the Trustees.

### What happens to my benefits if I get divorced?

The treatment of your benefits under the Plan may be affected if you divorce, and could become subject to a court order requiring the Trustees to allocate part of your benefits to your ex-spouse. If you are in the process of becoming divorced, you may wish to raise this issue with your legal adviser. The Trustees reserve the right to make a reasonable charge for any information provided to your legal adviser.

### The Pension Protection Fund

The Pension Protection Fund (PPF) was established on 6 April 2005 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 Pension Protection Fund levels of compensation. Broadly speaking, the PPF protects pensions in payment where the member is already over normal retirement age at the insolvency event (but with reduced pension increases), and protects 90% of benefits payable to members who were below this age at the insolvency event, up to a cap. The cap varies according to a scheme's normal pension age, but is of the order of £25,000 p.a. (2007/08).

The PPF is funded by levies payable by pension schemes. 20% of the levy is related to the size of a scheme, with the remainder linked to the funding level of the scheme and the strength of the participating employers.

## 12. Contact Points

### Queries

If you have any queries or problems concerning the Plan, please contact the helpline in the first instance or visit your Human Resources office. The Plan's contact details are:

Bombardier Transportation UK Pension Plan  
Capita Hartshead  
257 Ecclesall Road  
Sheffield  
S11 8NX

**Tel:** 0845 603 8224 (Member Helpline)  
**Fax:** 0114 275 0998  
**Email:** [bombardier@capita.co.uk](mailto:bombardier@capita.co.uk)

### Dispute Procedure

If you have a complaint relating to the Plan you should first contact the Secretary to the Trustees. If the complaint is not resolved, there is a formal procedure to settle any disagreements fairly. The procedure is set out in Appendix A.

### The Pensions Advisory Service

At any stage of the formal dispute procedure you may refer the matter to The Pensions Advisory Service (TPAS).

TPAS operates a free and confidential service, and your case, or any questions, can be put to them at:

The Pensions Advisory Service  
11 Belgrave Road  
London  
SW1V 1RB

**Tel:** 0845 601 2923      **Website:** [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

### The Pensions Ombudsman

Finally, if you wish, the case can also be put to the Pensions Ombudsman who can be contacted at the same address as TPAS. He has the power to investigate and determine any complaint or dispute of fact or law in relation to the pension scheme. The Pensions Ombudsman will normally only consider a case if TPAS has already had the opportunity to consider it.

### The Pensions Regulator

A regulatory authority exists to oversee the operation of pension schemes. The Pensions Regulator can intervene in the running of pension schemes where trustees, employers or professional advisers have failed in their duties. Its address is:

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

**Tel:** 0870 606 3636      **Website:** [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

### Pension Tracing Service

The Department for Work and Pensions (DWP) operates the Pension Tracing Service, for use by individuals who have lost track of their pension benefits earned from previous employments. This can particularly happen where businesses close down, relocate, or change ownership. If you have such a problem, you can contact the Pension Tracing Service at the following address:

The Pension Tracing Service  
The Pension Service  
Tyneview Park  
Whitely Road  
Newcastle upon Tyne  
NE98 1BA

**Tel:** 0845 606 0265      **Website:** [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)

## Appendix A – Dispute Procedure

The Trustees of the Bombardier Transportation UK Pension Plan are responsible for its proper operation. Occasionally, disputes may arise as to whether the Plan has been properly run in connection with one or more individuals or more generally, and a procedure is necessary to deal with such disputes.

You are entitled to use the procedure if you are a member or potential member of the Plan, a pensioner, deferred pensioner, or a spouse or dependant of a deceased member. This procedure also applies if you are claiming to be in one of these categories. A complaint may also be made by any nominated representative on your behalf.

### Stage 1

In the first instance, you should put your case in writing to:

The Secretary to the Trustees of  
The Bombardier Transportation UK Pension Plan  
c/o Capita Hartshead  
257 Ecclesall Road  
Sheffield  
S11 8NX

You should make clear the facts of the case and the nature of your disagreement. The letter of complaint must be signed by either the person making the complaint or by a nominated representative of that person.

It is important that you also put in writing certain basic information, which is set out in the final section of this Appendix.

A written reply will normally be provided within two months. If for some reason it is not possible to give a reply in this timescale, an interim reply will be sent to explain the reasons for the delay and an expected date for issuing a decision.

### Stage 2

If you are not satisfied with the answer given at the first stage, you should write directly to the Trustees within six months of the date of the reply in Stage 1, addressing your letter to:

The Chairman of the Trustees of  
The Bombardier Transportation UK Pension Plan  
c/o Capita Hartshead  
257 Ecclesall Road  
Sheffield  
S11 8NX

Your letter should include a statement that you wish the matter to be reconsidered by the Trustees, a copy of the decision provided at the first stage and your reasons for dissatisfaction with that decision. The basic information set out in the final section of the Appendix should also be provided.

Again, the letter of complaint must be signed by the person making the complaint or by a nominated representative of that person, and the Trustees will respond with a full or interim reply within two months of receiving your letter.

### Further help

As explained on pages 40 and 41, if you are not satisfied with the reply from the Trustees you can contact the Pensions Advisory Service and ultimately the Pensions Ombudsman.

### Basic information to accompany complaints

1. The full name, address and date of birth of the complainant.
2. The full name, address and date of birth of the Plan member (if this is other than the complainant), together with the relationship between the complainant and the member.
3. The National Insurance Number of the Plan member.
4. The full name and address of any representative of the complainant and whether this is the address to be used for correspondence.

## Appendix B – Members who transferred their pre-24 April 1989 British Rail Pension Scheme Benefits to the Bombardier Transportation UK Pension Plan

As stated in the original transfer offer, if you transferred your BR Pension Scheme benefits to the Bombardier Transportation UK Pension Plan you will receive full credit for your previous BR Pensionable Service when calculating your pension benefits.

Most periods of past BR membership will earn benefits as described in this booklet, but different benefit provisions apply to those in membership of a BR scheme before September 1970. In many cases the different benefit provisions relate to membership transferred from older railway pension arrangements.

This Appendix is intended to briefly outline these differences.

### Your Pension

If you initially joined the British Rail Wages Scheme after 13 August 1967, or initially joined the BR Salaried Scheme after 13 September 1970, the pension earned will be basically the same as for current membership as described in this booklet, including credit membership arising from:

- any transfer value for a non-railway scheme;
- any purchase of extra membership in a BR Scheme;
- any extra membership granted on transferring to the BR Wages Scheme in 1967.

All **Pensionable Service** transferred from the BR Pension Scheme will qualify for the 10% pension enhancement previously referred to on page 20.

### Did you transfer from an older railway scheme?

If you initially transferred from an older railway pension arrangement, then you will normally receive pension benefits in respect of the rights you had built up before transferring.

On transferring from the GWR, LMSR, LNER, RCS or SR Superannuation Fund, you will have been credited with membership equal to that of your former scheme. If you transferred in 1975, then credited membership back to 14 August 1967 (Wages Scheme) or 14 September 1970 (Salaried Scheme) will earn pension benefit on the same scale as described in this booklet, including the 10% enhancement.

Otherwise each year of such credited membership (fractions of a year counting proportionately) will earn a pension of:

1/60th of **Final Pensionable Pay**  
*plus*  
the 10% pension enhancement

### Previous Benefits Fixed in Money Terms

If you transferred in 1967 from a pay-related customary practice pension arrangement, received a fixed benefit credit and declined the option in 1975 to exchange this for a period of credited membership, then generally you will receive an extra fixed pension when you retire.

If, for example, you previously contributed to the BTC (Male Wages Grades) Pension Scheme, then unless you first transferred to the LNER Superannuation Fund, you may have a fixed pension that will now be preserved in the Bombardier Transportation UK Pension Plan.

Such a pension does not carry extra spouses' and children's pensions payable after death.

## *Appendix B – Members who transferred their pre-24 April 1989 BR Pension Scheme Benefits to the Bombardier Transportation UK Pension Plan* *continued*

### **Lump Sum Benefits**

In calculating lump sum retirement benefits as described in this booklet, account will be taken of all membership, subject to the 40-year limit. This will include the 25% lump sum enhancement for **Pensionable Service** completed before 1 July 1995 referred to on page 20.

### **Benefit Statements**

Any future statements or benefits you receive will take account of all your pension entitlement.



## *Appendix C – Members who did not transfer their pre-24 April 1989 BR Pension Scheme Benefits to the Bombardier Transportation UK Pension Plan*

If you did not transfer your BR Pension Scheme benefits to the Bombardier Transportation UK Pension Plan you will be treated as a new entrant to the Plan with effect from 24 April 1989.

As a consequence, benefits from the Bombardier Transportation UK Pension Plan will be calculated as outlined in this booklet based on **Pensionable Service** accrued after 23 April 1989.

Where death before retirement occurs, the lump sum death benefit will be calculated as outlined in this booklet. However, the lump sum death benefit payable from the Bombardier Transportation UK Pension Plan will be the net amount after deducting the death benefits payable from the BR Pension Scheme.

If you wish to raise any questions regarding your BR Pension Scheme membership you should contact the Railways Pension Scheme Office direct at the address shown below, quoting your National Insurance Number.

RPMI (formally Pensions Management)  
Stooperdale Offices  
Brinkburn Road  
Darlington  
County Durham  
DL3 6EH

**Telephone:** 0800 234 3434

## Appendix D – Members who joined the Plan as Wages Staff before 17 May 1990

For all **Pensionable Service** completed after 16 May 1990, the calculation of pension and lump sum benefits will take account of bonus where this has been consolidated into basic pay.

For members who joined the Plan before 17 May 1990 as wages staff whose original works bonus was consolidated into basic pay in May 1990, the calculation of benefits in respect of **Pensionable Service** completed before 17 May 1990 will exclude two-thirds of the bonus element, which is deemed to be one-ninth of the consolidated rate.

This is achieved by adjusting **Final Pensionable Pay** back to eight-ninths of its value, thereby eliminating two-thirds of the bonus element when calculating benefits for **Pensionable Service** completed before 17 May 1990. This makes partial allowance for the fact that contributions and benefits were based on unconsolidated pay before May 1990. This partial elimination of the bonus element also results in a corresponding adjustment to **Final Scheme Pay** as illustrated in the chart below.

Using the figures from this illustration, the example below shows how pension and lump sum benefits would be calculated for a member who has completed 20 years of Pensionable Service when retiring on 16 May 2007.

*Illustration of how pay is adjusted for pre-consolidation Pensionable Service:*

	Weekly pay post-consolidation (after 16.5.90)	Weekly pay pre-consolidation (after 17.5.90)
<b>Final Pensionable Pay</b>	£342	£304 per week (8/9ths of £342)
<i>Less</i>		
1 1/2 x £87.30 (Basic State Pension)	£130.95	£130.95
<i>Equals</i>		
<b>Final Scheme Pay</b>	£211.05	£173.05

*Illustration of how benefits are calculated for a member affected by consolidation of bonus:*

Pension Calculation (based on **Final Scheme Pay** – see page 6 for definition)

- a) Post-consolidation: 17 years (1990-2007)  
 $17 \div 60 \times \text{£}211.05 = \text{£}59.80$
- b) Pre-consolidation: 3 years (1987-1990)  
 $3 \div 60 \times \text{£}173.05 = \text{£}8.65$

Total Pension = a + b = £68.45 pw

Lump Sum Calculation (based on **Final Pensionable Pay** – see page 6 for definition)

- a) Post-consolidation: 17 years (1990-2007)  
 $17 \div 40 \times (\text{£}342 \times 52) = \text{£}7,558.20$
- b) Pre-consolidation: 3 years (1987-1990)  
 $3 \div 40 \times (\text{£}304 \times 52) = \text{£}1,185.60$

Total Lump Sum = a + b = £8,743.80

### Pension and Lump Sum Enhancements

In this example the member would also qualify for the 10% pension and the 25% lump sum enhancements in respect of all **Pensionable Service** up to 30 June 1995 (see page 20). In this instance, and in all other cases, the enhancements covering the period between 17 May 1990 and 30 June 1995 would be based on the post-consolidation rate whereas the pre-consolidation rate would apply in respect of all **Pensionable Service** prior to 17 May 1990.

**The adjustments set out in this appendix do not apply to members who subsequently become salaried staff, except where otherwise advised at the time of such transfer.**

## Appendix E – Members of the New Section of the Plan

Members of the Old Section of the Plan were invited to join a New Section of the Plan with effect from either 1 January 2005 or 1 April 2005.

This Appendix outlines the main differences between the Old Section and the New Section. For members who transferred to the New Section on 1 January 2005 (or 1 April 2005), any Pensionable Service after this date will be treated as outlined below when calculating benefits.

### Glossary

There are some terms that apply specifically to the New Section of the Plan. These are explained below:

<b>Final Pensionable Salary</b>	<p>The greater of:</p> <ul style="list-style-type: none"> <li>(a) the annual average of your Pensionable Salary received during the 36 months preceding your date of retirement, or earlier leaving the Plan; and</li> <li>(b) the annual average of your Pensionable Salary received during those 3 Plan years when it was highest out of 10 years preceding your date of retirement, or earlier leaving the Plan.</li> </ul> <p><i>Final Pensionable Salary is used to calculate your pension.</i></p>
<b>Pensionable Salary</b>	<p>The greater of:</p> <ul style="list-style-type: none"> <li>(a) your Salary as of the day you join the Plan and thereafter on 1 April each year, less 1½ x Basic State Pension as of 1 April each year; and</li> <li>(b) ½ x your Salary.</li> </ul> <p><i>Pensionable Salary is used to calculate contributions and Salary Exchange payments.</i></p>
<b>Salary</b>	<p>Salary equals annual basic pay. In the case of a member who has elected to “Salary Exchange” the equivalent of his or her Plan contributions as part of the Company’s Flexible Benefit Scheme, this is the basic pay the member would have received if he or she had not elected to participate in such arrangements. In all cases, basic pay excludes shift premiums, overtime pay, bonuses or other special payments.</p> <p><i>Salary is used to calculate lump sum death benefits.</i></p>

### Contributions

Members who joined the New Section of the Plan pay contributions at a rate of 5% of **Pensionable Salary**.

#### Example 8 (for a member of the New Section)

If your **Salary** is £342 a week and your **Pensionable Salary** is £211.05 a week, your weekly contribution would be:

$$5\% \text{ of } £211.05 = \mathbf{£10.55^*}$$

(or **£8.23** net of tax at 22%)

\* This represents just over 3% of **Salary** in this case.

### Calculation of pension

For each year of **Pensionable Service** in the New Section of the Plan (with a proportionate amount for each complete month), you get a pension of 1/60th of **Final Pensionable Salary**.

The 40-year cap on **Pensionable Service** does not apply to members of the New Section of the Plan.

#### Example 9 (for a member of the New Section)

For a member whose **Final Pensionable Salary** is £203.40 a week with 5 years of **Pensionable Service** in the New Section, the pension would be:

$$5/60\text{ths of } £203.40 = £16.95 \text{ per week}$$

This would be added to your pension payable in respect of your **Pensionable Service** in the Old Section. Your benefits will still be subject to limits as described in section 9 of this booklet.

## Appendix E – Members of the New Section of the Plan *continued*

### Calculation of lump sum

Unlike the Old Section of the Plan, there is no automatic tax-free lump sum provision for retiring members of the New Section. You can choose to give up part of your pension in order to obtain a tax-free lump sum, subject to certain limits.

The terms under which you can convert your pension to a lump sum will be notified to you when you retire.

### Retirement

As a member of the New Section, your pension becomes payable from age 65.

At any time from age 55 onwards you may, with the Company’s consent, choose to retire with an immediate entitlement to benefit from the Plan. However, for retirement before age 65, certain minimum conditions have to be met, and it is not always possible to take your pension early. If you are considering early retirement, you should phone the helpline or ask your local Human Resources office to check the position for you. It is not permitted to draw any of your benefits before age 55 and this applies to both your Old Section and New Section benefits.

Your pension in respect of your **Pensionable Service** in the New Section of the Plan will be reduced in line with the rates specified in the table below at the time the benefits become payable:

Early Retirement Age	Early Retirement Reduction
55	40%
56	36%
57	32%
58	28%
59	24%
60	20%
61	16%
62	12%
63	8%
64	4%

The above rates are not guaranteed and are reviewed from time to time, on the advice of the Plan Actuary.

### Early retirement due to ill-health

Incapacity benefits consist of an immediate pension calculated as described above. There is no automatic cash lump sum benefit payable, nor are members credited with additional membership as described on page 23 of this booklet.

### Increases to pensions in payment

Your pension in respect of your **Pensionable Service** in the New Section of the Plan will increase in line with general increases in prices subject to a maximum of 2.5% each year.

### Increases to pensions between leaving the Plan and drawing your pension

During this period, your pension in respect of your **Pensionable Service** in the New Section of the Plan will increase in line with general increases in prices subject to a maximum of 5% a year over this period.



## *Notes*