# Superannuation Pension Schemes MERGER NEWS

PILKINGTON

JUNE 1998

## A STORY TO BE TOLD

**The bringing of PPS into *PSS* ends a long history of separate 'blue' and 'white' collar pensions within Pilkington. It also creates a fund with assets valued at £1.22 billion at end May.**

The PPS is the younger of the two. It was introduced as a friendly society, the Workmen's Pension Fund, in 1925. For many years members were required to pay two shillings (10p) a week. In the 1950s more could be paid. These extra contributions led

to the formation of the Voluntary Pension Scheme ('VPS') because the Friendly Society law restricted the allowable investments. In 1975/6 a separate Retirement Benefits Scheme ('the RBS') came into being to provide both death in service life cover and a retirement lump sum on an earnings related basis.

Discussions with the unions in the late 1970s led to the conversion of the WPF into the Pension Scheme on 6 April 1980 and pensions being linked to earnings instead of the "money purchase" approach of the previous 55 years. The RBS became part of the PPS, but the VPS stayed separate (though no contributions were paid after April 1980) until 1984/5 when it was merged in as well.

Back in 1980 when the WPF became the PPS almost 10000 employees contributed to the Scheme and it was paying pensions to 3700 retirees and widows. Now PPS has under 2400 contributions and 8000 pensioners. Over the same period the combined PPS/VPS assets have grown from £23 millions to £380 millions (end May).

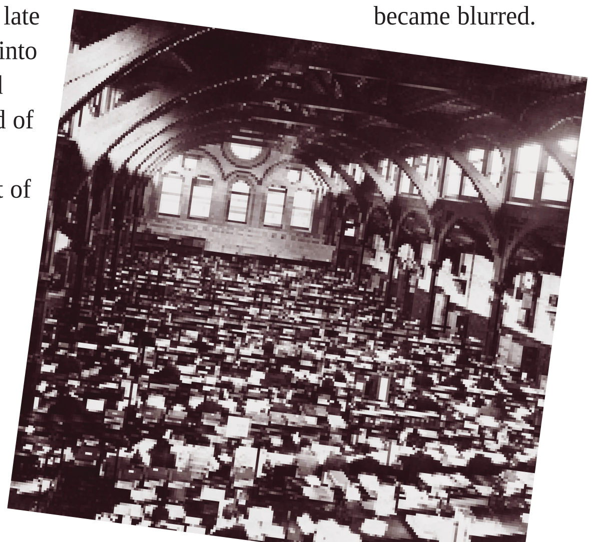
1980 to 1998 has seen the same shift in membership structure in the ***PSS,*** with contributors falling from 7200 to under 2800, and pensions in payment reaching 5200 from 2500. The Fund of £70 millions at the beginning of 1980 is now £848 millions (end May).

The ***PSS*** itself traces its origins back to 1918 when the Pilkington Superannuation Fund was established. Both member and Company paid 1% of salary, with extra for older staff (over age 25!) to ensure an "adequate" pension at age 65. By 1939 the Company had decided to set up an Augmentation Fund to top up the 'money purchase' Superannuation Fund pensions to a roughly one percent of salary per year of membership.

Widows pensions were not a feature of the original Fund. In 1954 a separate voluntary Staff Widows Fund was created.

The present ***PSS*** dates from 1962/3 when the Superannuation, Augmentation and Chance Superannuation Funds combined. The present sixtieths pension formula, and widows pensions were introduced in 1968/9 and the Staff Widows Fund was merged in 1983.

The PPS pension formula is unusual and during the 1980s employees in businesses bought by the Group were often offered ***PSS*** membership, regardless of employment status, because it had the type of pension formula they knew. With changes in employment conditions in the traditional manufacturing sites, as well, the distinction between ***PSS*** and PPS membership became blurred.



Since the mid 1980s many of the changes to both ***PSS*** and PPS have been dictated by new law, including the right of employees not to join a pension scheme operated by the employer.

Two years ago the Company asked the trustees of the two schemes to consider merging. Shrinking numbers employed, common employment conditions and more and more pensions law pointed to the sense of operating one, not two, central schemes.

Each trustee body has taken separate professional advice and considered carefully the proposals from the viewpoint of its scheme, and has now decided the time is right to start a new chapter in the long history of pensions within the Group.

**Above:** "Swimming" the Plate The method of preparing plate glass for grinding & polishing during the 20's. **Right:** General office staff at work in the H.O. Building in Grove St. (c.1925/6)

## What happens NOW?

### Agreeing to merge is the beginning, not the end of the process!

**For a start actuarial valuations of both schemes will have to be made as at 30 June 1998 using identical assumptions.**

The process is to check if one scheme has a higher funding ratio than the other. (If a fund has £100 of liability but £105 of assets, both as measured by the actuary, the funding level is 105%). Assuming the schemes do not have equal ratios, a sum equal to the difference in the ratios is separated, for the exclusive benefit of the better funded scheme's members and beneficiaries.

The results of these valuations will not be known until early 1999.

The ongoing scheme is the Superannuation Scheme so its trustee, Pilkington Brothers Superannuation Trustee Limited, becomes trustee of the merged scheme. The structure of the trustee board will be altered in two stages, to reflect the changed membership.

As soon as possible (early September) after merger the members of the PPS Committee will join the ***PSS*** Trustee board. This will produce a very large meeting, too large to keep in place for long. However, there is a need for everyone to be satisfied that the Scheme has been well bedded in.

At the end of the year 2000 arrangements will be started to put a new structure in place from 1 July 2001. The permanent structure will be twenty four strong (the current ***PSS*** trustee has 20 directors), with half being 'Employer Directors', ten (as now) elected by the contributors, and two by the pensioners.

Currently the 'Employee Directors' are elected on an employment status basis. Under the new arrangements, elections will relate to employment location.

Last year ***PSS*** members and pensioners were consulted about the present structure, as required by the Pensions Act. There will have to be a new consultation, which is planned for July-August, before the changes can be made.

New Explanatory Booklets will have to be prepared to describe the new benefit structure, the treatment of the PPS benefits by the ***PSS,*** and various tests built into the merger agreement.

In practice, the group most affected by the merger are PPS contributors. They will need to know and understand how their pension benefits for PPS membership will be calculated (see page 2). They will want to know the values of those benefits as at the merger date. So benefit statements will be prepared with this information.

Pension records need to be updated by the PPS members contributions paid to 30 June, and changes made to computer systems, so statements will not be released until October.

The Trustees of the **Pension and Superannuation Schemes** should be signing legal documents on 29/30 June to bring the two Schemes together from **1 July '98**

### *FROM MERGER*

**PPS** contributors will become ***PSS*** members

**PPS** pensioners will become ***PSS*** pensioners

persons with rights to PPS pensions in the future will have those rights met by the ***PSS***

there will be changes in members' contributions to ***PSS*** and the calculation of average retiring salary for pension purposes.

***This page explains some of the background to the merger.***

The inside pages set out how each group of members and beneficiaries will be affected, if at all. They also highlight issues where **PPS** contributors and pensioners may need to take action.

**The back page reminds you of various information you have to be told from time to time by law.**

# Merger is all very well, but how does it affect me?

The group most affected by merger are PPS's contributors. Those least affected are the ***PSS*** pensioners. In this table we attempt to look at each group and identify any likely changes. ('Likely' because there is always a chance that the final detail of the actual merger agreement could differ in some detail from the draft agreements so far seen by the trustee bodies.)

| Who am I? | How will things change for me? |
|---|---|
| A Superannuation Scheme pensioner, or pensioner's spouse before the merger. | **Not at all.** Your pension will still be paid on the same date.<br><br>Pension increases will be subject to the present conditions and paid in July, as now. |
| A Pension Scheme pensioner, or pensioner's spouse. | **Your pension** will still be paid on the same date.<br><br>If you have any pension from the Voluntary Pension Scheme (or the Triplex equivalent) it will go on being reviewed by the Scheme's Appointed Actuary from time to time to see if it should be increased.<br><br>Your PPS pension may be increased in July, instead of April, in future years. If the date of payment is changed, a compensatory increase will be paid. |
| A former Pension Scheme contributor, before merger date, with future entitlement to pension benefits. | **Not at all.** The preserved pension and lump sum will continue to be revalued in the same way.<br><br>If payment is requested before age 65, the pension and separate lump sum will be adjusted for earlier payment by the current PPS factors. |
| A former Superannuation Scheme contributor before merger date with future entitlement to pension benefits. | **Not at all.** The preserved pension will continue to be revalued in the same ways.<br><br>If payment is requested before normal retirement age, the same early retirement adjustments will apply.<br><br>You will still receive a full first pension increase when your pension is paid. |
| A current Superannuation Scheme contributor | **Your contribution** will fall from 6% to 5.5% of pensionable salary. The meaning of pensionable salary does not change (i.e. base salary plus any shift allowance, less the disregard).<br><br>The meaning of average retiring salary, for both pre and post merger membership, changes. Instead of calculating the average using 'normal salary' over the best three consecutive years in the last ten before leaving/retirement, the best two consecutive years will be used. In addition any 'normal salary' before merger date used in the averaging will be increased by 5%.<br><br>Your first pension increase in retirement will be less than the full Scheme increase agreed by the Trustee for that year.<br><br>If you are aged 45 and above and have ten years ***PSS*** membership at merger date, a check will be made at the first pension increase to compare the pension after increase with the theoretical position under the present rules. |
| A current Pension Scheme contributor | **After merger** your contribution (currently 5% of your gross earnings between £278 and £2101 a month) will become 5.5% of your base salary and average shift allowance over £313.67 a month, with no upper ceiling.<br><br>For membership from merger date onwards you will build up a pension of (1/60), with any option allowed by the Inland Revenue to convert part to a lump sum.<br><br>At early retirement this pension will be reduced by the ***PSS*** factors.<br><br>From merger your death in service life cover becomes three times normal salary, instead of 2.5 times latest tax year's earnings.<br><br>The spouse's pension on death in service will be calculated as half of your potential number of (1/60)ths (plus half your actual PPS pension benefit).<br><br>If you are aged 45 and over and have at least ten years PPS contributory membership at merger, a check will be made at retirement to compare your pension benefits under the ***PSS*** formula with what PPS would have provided in theory.<br><br>Your PPS pension (1/80 for contributions from 1 April 1980) and lump sum (3/80, for post 1975 membership) for membership up to merger date will be uprated to provide the same amount of benefit at leaving/retirement as it would, had merger not happened. |

This is a brief summary of what will be included in the Scheme's Explanatory Booklet, now being prepared.

Aimed at the PPS

You need to do **something**

**IF** YOU pay voluntary contributions
YOU cohabit **SO read on . . .**

# Voluntary Contributions

**Pensions has written to PPS's six hundred AVC payers to say these extra contributions will stop on 30 June 1998.**

If PPS contributors want to pay extra after merger a form sent with the letter needs to be filled in and returned to the local salaries administrator.

The AVC options under ***PSS*** are different from the PPS ones. Hence the need to ask payers what option they want.

> In ***PSS*** the AVC choices are:
> - buying extra service,
> - having contributions invested in one of an insurance company's funds. The company is Equitable Life.

The extra service choice is similar to the AVC option that's popular in the PPS.

The money stays in the Scheme for investment and a pension is calculated in line with a formula set down in the Rules.

> In ***PSS*** this formula links the pension to:
> - the length of time and the rate of AVC payment,
> - average retiring salary,
> - and an offset for the disregard.

The extra service pension receives Scheme increases but there is no spouse's pension, unless a contributor decides to give up some of his AVC pension from retirement.

In the rare happening of an AVC payer dying in service, voluntary contributions are refundable with interest.

AVCs have to be in exact percentages of pensionable salary if the extra service option is wanted, so if you want to pay a fixed sum month by month, its got to be the Equitable Life.

The Equitable Life path gives the AVC payer a say over how his contributions are to be invested.

For instance, there's a selection of unitised funds and a with profits option. The with profits path is one many current AVC payers go for. The value of the contributor's fund increases year by year in cash terms. There's no chance of it falling as there is with some of the more adventurous unitised funds which are directly linked to stock market levels.

Details of the various fund choices are available from Pensions.

At retirement the AVC fund is used for buying a pension from Equitable Life or from ***PSS.***

# Partners' Pensions

**One benefit of membership of PPS and *PSS* is financial protection for the member's (and pensioner's) spouse.**

If the couple are married the survivors partner will usually receive a pension automatically.

However these days family arrangements are often not that simple. The rules of both PPS and ***PSS*** recognise this.

Both can pay a survivor's pension even if the partner was not married to the member.

But there are important differences and PPS members/pensioners WILL have to take action, if they are not married.

Under PPS rules the trustees can pay a survivor's pension if they discover that the member left a dependant. The survivor can make the claim to the trustees. If there is separately confirmed evidence of financial reliance on the member, the trustees may pay a pension equivalent to the spouses pension.

Under ***PSS*** rules, however, the trustees can only pay a survivor's pension if the member informed the trustees that would be his wish.

So a PPS member wanting to safeguard the partner's position should let the ***PSS*** trustee know in writing.

The form can be used. (Note that its a different one from one you may have filled in already to let the trustees know how any death benefit lump sum benefit should be paid out.)

## Pilkington Superannuation Scheme

Named Dependants Pension Payable under Rule 41 (Death In Service) or Rule 43 (Death in Retirement)

## DECLARATION OF NAMED DEPENDENCY

I (member's full name in block capitals)

hereby request the Trustee of the Pilkington Superannuation Scheme to consider
(Full Name of Dependant, who must be over 18 years old)

(Date of birth) who resides at

as my Named Dependant for purposes of Rules 41 and 43.

I acknowledge that
- the decision to pay pension to a Named Dependant is at the Trustee's discretion.
- this Declaration of Named Dependency is revoked automatically if:
- either I or my Named Dependant marry
- the Named Dependant ceases to be dependent on me
- the Named Dependant dies.

Signed Dated

Full name (block capitals) Member's/ Pensioner's NI number

Member's/Pensioner's Date of Birth

Scheme Status: Contributing Member/Pensioner (Delete the one not applying)

OFFICE USE Received by Pensions Department Records amended

# BULLETIN BOARD

## HELP!

The Pensions Advisory Service, usually called OPAS, is available to help members and beneficiaries of pension schemes if they cannot sort out difficulties using the Internal Disputes Resolution Procedure.

OPAS can either be contacted through the Citizens Advice Bureau or directly at 11 Belgrave Road, London SW1V 1RB.

## YOU WANT TO KNOW SOMETHING?

**If you want copies of a document mentioned on this Bulletin Board, or any other information about the PPS or the PSS, write to Pilkington Pension Services Limited, Prescot Road, St Helens, WA10 3TT.**

## Registration

Information about both PSS and PPS has been given to the Registrar of Occupational and Personal Pension Schemes based at P.O. Box 1NN, Newcastle upon Tyne, NE99 1NN.

The Pension Schemes Registry exists to help former members of pension schemes trace pension rights.

## SIPS

**The Trustees of both PSS and PPS have produced statements about the principles governing their Scheme's investment decisions as required by the Pensions Act.**

**These statements are available on written request to PPSL. Please indicate which Statement (the PSS's or the PPS's) you want.**

## Annual Reports

Annual reports for PSS and PPS are available on written request. These reports include accounts and an investment report.

The latest report for PPS is for the year to 5 April 1997 (the 1997/8 Report will be available at the end of September).

The latest PSS report covers 1997.

## Failing All Else

**If the Internal Disputes Resolution Procedure and OPAS have not sorted the problem the Pensions Ombudsman has powers to determine complaints and disputes, whether of fact or law. The Ombudsman can be contracted by writing to 11 Belgrave Road, London SW1V 1RB.**

## Got a Grievance?

Both PSS and PPS have Internal Disputes Resolution Procedures as required by the Pensions Act.

The purpose of the Procedure is to filter out some complaints which would otherwise be raised with OPAS or the Pensions Ombudsman.

In summary the Procedure is two staged. The initial complaint in writing is to the Secretary of the PSS or PPS. If you are unhappy with his adjudication, your further complaint is considered by the trustee body.

The Procedure is available on written request from the Scheme's Secretary, care of PPSL.

## Status

**Both PPS and PSS are exempt approved for tax purposes under the provisions of the Income and Corporation Taxes Act, 1988.**

**The approval of the Inland Revenue has been given to the transfer of the PPS fund to the PSS.**

## Big brother is watching

Since April 1997 pension schemes have been subject to formal regulation set out in the Pensions Act, 1995. A Regulatory Authority ("OPRA"), funded by levies on pension schemes, has been set up with powers to intervene in the running of schemes where there has been failure of duties by the trustees, the employer or the advisers.

The Occupational Pensions Regulatory Authority is at Invicta House, Trafalgar Place, Brighton BN1 4DW.

## PS

What about a zippy name for the merged scheme?

PILKINGTON

**Pilkington Pension Services Limited**

The Court Alexandra Park Prescot Road St Helens WA10 3TT England Telephone 01744 28882 Fax 01744 737336

Regulated by IMRO