My guide to the Devonport Royal Dockyard Pension Scheme

Looking after your future, today

Spring 2018
Welcome to the Devonport Royal Dockyard Pension Scheme

It's important to save for when you're no longer working. As a member of the Devonport Royal Dockyard Pension Scheme (the Scheme), you've already made a good start. This guide will help you plan for retirement by explaining how the Scheme works and the benefits it provides not only to you, but also for your dependants.

For further information

Website: www.myoneday.co.uk
If you need a registration code, email us: oneday@babcockinternational.com
Contact us
Call Pensions administration: 01383 423860/422023/563796

Email: marine.pensions@babcockinternational.com
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Rosyth, Dunfermline
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The Scheme at a glance

How the Scheme is set up

› The Devonport Royal Dockyard Pension Scheme (the Scheme) is set up under trust.
› The Trustee of the Scheme is Devonport Royal Dockyard Pension Trustees Limited.
› The trust is managed by the Trustee. The Trustee has a board of 12 Directors: five are chosen by the Company, six are chosen by Scheme members, and the other Director is an Independent Trustee.

How the Scheme works

› The Scheme is a defined benefit pension arrangement. This means your benefits build up and are worked out using a defined calculation based on your pay and how long you’ve been an active member of the Scheme.
› You contribute a percentage of your pensionable pay towards the cost of your benefits. Devonport Royal Dockyard Limited (the Company) pays the remainder of the costs necessary to pay the benefits due from the Scheme.
› The Company’s and members’ contributions are kept entirely separate from the Company’s business and are invested by the Trustee using independent investment managers.

Scheme benefits in brief

The Scheme provides a number of benefits:

› A pension for life when you retire
› A tax-free cash lump sum
› Increases to your pension once it starts to be paid
› The opportunity to draw your pension from age 50 (or 55 depending which section of the Scheme you are in) if you retire from active membership
› A lump sum if you die while you’re an active member working for the Company
› A pension for your spouse or civil partner when you die
› Pensions for your eligible children when you die
› A pension if you have to stop work early because of ill health
Pension terms explained

Before you read this guide it may be helpful for you to understand some of the terms used throughout. These are set out below.

Adult dependant
Your spouse or civil partner or another person (other than an eligible child) who the Trustee considers was wholly or mainly dependent on you at the date you died to provide for them all or part of the ordinary necessities of life (for example, a home).

Basic pay
This is pay which makes up your basic hourly rate of pay (including craft allowances, leading or charge-hand allowance and temporary upgrading).

Capped final pensionable pay
This is the lower of:
- (a) your final pensionable pay; and
- (b) £60,000 a year or your pensionable pay as at 1 June 2015 if higher.

Your capped final pensionable pay is used to calculate your pension built up from 1 June 2015.

Eligible child
An eligible child is a child of the member, including:
- (a) one who was conceived but not born at the date of the member’s death; and
- (b) a child who is not a child of the member but was shown, to the satisfaction of the Trustee, to have been dependent on the member for all or any of the necessities of life at the date of the member’s death;

who meets one of the criteria below:
- a child under age 17;
- a child receiving full-time training continuously from age 17, for at least two years, for a trade, profession or vocation, to a maximum age of 23 (in certain circumstances the Trustee can decide to extend this maximum age); or
- a child who is, in the Trustee’s opinion, physically or mentally disabled and so cannot look after themselves.

Final pensionable pay
This generally means the annualised value of the six highest consecutive months of pensionable pay in the last twelve months immediately preceding the end of pensionable service. In some circumstances this amount can be capped but you will be notified if this affects you.

New employee
An employee who entered service on or after 1 June 1996.

New Entrant
An employee, other than a transferred member, who entered service on or after 6 April 1987 and prior to 1 June 1996.

Normal pension age
Currently, this means your 65th birthday. Your normal pension age will increase in future in line with future increases to State Pension Age for pensionable service built up after the date of the increase.

If you previously had a normal pension age of 60, after 1 June 2015 your normal pension age will be fixed at age 65.

Transferred member
An employee who, immediately prior to 6 April 1987, was in the Civil Service.

Pensionable pay
Pensionable pay is used to calculate your pension built up before 1 June 2015.

It’s generally your basic pay with an uplift applied. This will either be 10% or 20%.
Pension terms explained (continued)

Pensionable service
This is the period of service while a member of the Scheme after 6 April 1987, plus any service awarded to a transferred member in respect of membership in the former Scheme and any extra service granted for a transfer value payment from a previous pension scheme, and any extra service that you have bought through additional voluntary contributions as added years (up to a maximum of 40 years at normal pension age).

If your pensionable service was greater than 40 years by 1 June 2015, then your pensionable service is capped at the amount of years' pensionable service built up at that date.

When maximum pensionable service is reached, you stop contributing to the Scheme. You will then have the option to contribute to the Babcock Retirement Savings Scheme.

To keep things simple, this guide can’t cover every situation. Full details of the Scheme are in the Trust Deed and Rules which will take priority over this guide if there are any inconsistencies.

Also, although the guide will be updated from time to time, legal and regulatory guidance may have changed since this version of the guide was produced and may affect the information provided and the benefits payable from the Scheme.

If you have any questions please contact the Pensions Team – their details are on page 2.
Contributions

Your regular contributions
You contribute a percentage of your capped pensionable pay to the Scheme each month. The percentage you pay depends on your pensionable pay, as follows:

<table>
<thead>
<tr>
<th>Your pensionable pay</th>
<th>Contribution rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than £60,000</td>
<td>6%</td>
</tr>
<tr>
<td>£60,001 - £100,000</td>
<td>7%</td>
</tr>
<tr>
<td>Over £100,000</td>
<td>8%</td>
</tr>
</tbody>
</table>

The Company pays the remainder, and currently the majority, of the costs necessary to pay the benefits due from the Scheme. This amount changes from time to time.

Your contributions are typically taken directly from your pay using a tax-efficient arrangement called Pay Exchange. With Pay Exchange you don’t make direct contributions to the Scheme. Instead, your salary is reduced by the amount of your contribution and the Company then pays this amount into the Scheme as well as its own contributions. By contributing in this way, your take-home pay will be higher than paying in directly. This is because your tax and National Insurance contributions are worked out on your reduced basic salary.

For some members (for example those on low pay or receiving State benefits) Pay Exchange may not be beneficial. If you earn less than £8,000 a year, you’ll be opted out of Pay Exchange automatically and will pay your contributions directly from your salary.

Increasing your benefits
You can increase your benefits in retirement by paying Additional Voluntary Contributions (AVCs). The benefits payable in respect of any AVCs you make are Defined Contribution (also known as Money Purchase) benefits. This means that the level of any benefits provided is not guaranteed. Instead, you choose how your AVCs are invested from a range of available funds. The benefits you can receive are dependent on the investment performance of those funds. The funds you choose will depend on your personal circumstances, your attitude towards risk, the potential returns you are looking for and how long you have until retirement. You may want to get independent financial advice to help you decide how to invest your AVCs.

The Scheme does not offer an AVC facility. However, Babcock offers an alternative option whereby active members of the Scheme may pay AVCs into the Babcock Retirement Savings Scheme. This facility is administered by Aviva and each year, Aviva will send you a statement showing the AVCs you have built up. You can select your own personal pension to pay AVCs to if you wish.

You can start, stop or change how much you pay in AVCs as often as you like. You decide how much to pay, although your total AVC and regular Scheme contributions can’t be more than your basic pay, and any AVCs you pay count towards the Annual and Lifetime Allowances. Your contributions are made through Pay Exchange which means you benefit from tax and NI savings. The Lifetime Allowance is a limit on the amount of benefits you can build up tax efficiently in UK registered pension schemes over your lifetime. The Lifetime Allowance is currently £1 million (tax year 2017/18). The Annual Allowance is the maximum amount of pension savings you can accrue in UK registered pension schemes with the benefit of tax relief in each tax year. The annual allowance is currently £40,000 (tax year 2017/18).

If you’re interested in paying AVCs or have a question, please contact the Pensions Department.

Transfers in
The Trustee currently does not permit transfers from other schemes into the Scheme.
Benefits at retirement

When you retire, you'll receive a pension and a cash lump sum

Your pension at retirement
For each year (or part year) you’re an active member of the Scheme, you build up 1/80th of your final pensionable pay or capped pensionable pay.

Your pension

- Pensionable service up to 31 May 2015
- Final pensionable pay
- Pensionable service from 1 June 2015
- Capped final pensionable pay

Your cash lump sum
You will receive a one-off cash lump sum, currently paid tax free, equal to:

- Pensionable service up to 31 May 2015
- Final pensionable pay
- Pensionable service from 1 June 2015
- Capped final pensionable pay

- Your total pensionable service is subject to a maximum of 40 years. However, if you were older than your normal pension age and had built up more than 40 years’ pensionable service at 1 June 2015, your pensionable service is the number of years you’d built up at that date up to a maximum of 45 years.
- Capped final pensionable pay is the lower of:
  1. your final pensionable pay; or
  2. £60,000 or your pensionable pay as at 1 June 2015 if higher.
- You may also be able to exchange some of your annual pension in return for a higher cash lump sum when you retire. The Pensions Department will provide you with more details and an illustration of the cash lump sum you could take and by how much this would reduce your pension.
Benefits at retirement (continued)

Here are some examples that show how benefits at retirement are worked out and how the cap on pensionable service and final pensionable pay is applied. The final pensionable salaries shown are after the effect of factorisation.

**Example 1**
Your final pensionable pay is £28,000 and you’ve been a member of the Scheme for 30 years.

Your pension would be:

\[
\frac{1}{80} \times 30 \text{ years} \times £28,000 = £10,500 \text{ a year}
\]

Your lump sum would be:

\[
\frac{3}{80} \times 30 \text{ years} \times £28,000 = £31,500
\]

**Example 2**
At 31 May 2015, your pensionable pay was £64,000 and you’d been a member of the Scheme for 25 years; you build up a further 5 years’ pensionable service from 1 June 2015 and your pensionable pay rises to £73,000.

Your pension would be:

\[
\frac{1}{80} \times 25 \text{ years} \times £73,000 = £22,813 \text{ a year}
\]

\[
\frac{1}{80} \times 5 \text{ years} \times £64,000 = £4,000 \text{ a year}
\]

\[
£22,813 + £4,000 = £26,813 \text{ a year}
\]

Your lump sum would be:

\[
\frac{3}{80} \times 25 \text{ years} \times £73,000 = £68,439
\]

\[
\frac{3}{80} \times 5 \text{ years} \times £64,000 = £12,000
\]

\[
£68,439 + £12,000 = £80,439
\]
Benefits at retirement (continued)

Example 3
In May 2015 your pensionable pay was £48,000 and you had been a member of the Scheme for 28 years, you build up a further 10 years pensionable service from 1 June 2015 and your pensionable pay rises to £65,000.

Your pension would be:

\[
\frac{1}{80} \times 28 \text{ years} \times £65,000 = £22,750 \text{ a year}
\]

\[
\frac{1}{80} \times 10 \text{ years} \times £60,000 = £7,500 \text{ a year}
\]

\[
\frac{1}{80} \times 28 \text{ years} \times £65,000 = £30,250 \text{ a year}
\]

Your lump sum would be:

\[
\frac{3}{80} \times 28 \text{ years} \times £65,000 = £68,250
\]

\[
\frac{3}{80} \times 10 \text{ years} \times £60,000 = £22,500
\]

\[
\frac{3}{80} \times 28 \text{ years} \times £65,000 = £90,750
\]

Early and late retirement
If you leave the Company you can apply to immediately receive your pension at any time from age 50 (or 55 if your pension is already deferred and you are a new entrant or new employee member). Your pension will be reduced because it’s starting early and will therefore be paid for longer than if it started at your normal pension age.

Your benefits will be worked out based on your pensionable service at the date you retire and then reduced for each year you’re taking your pension early. The exact amount will be confirmed at the time or you can ask the Pensions Department for current rates.

You may also decide to put off receiving your pension until after your normal pension age. If this is the case, and you continue to be a member of the Scheme, you will continue to accrue pensionable service up to a maximum of 40 years and your benefits will continue to be linked to your pensionable pay. If you have already left the Scheme and your pension is deferred and you decide not to take your pension at your earliest pension age, being age 60 for a transferred member and age 65 for a new entrant or new employee, then the part of your pension which starts after your earliest normal pension age will be increased to take account of the fact that it’s starting later, and will therefore be paid for less time than if it started at your normal pension age.
Benefits at retirement (continued)

Your normal pension age
Your normal pension age will be 60 or 65 depending on which section of the Scheme you are in but please note:

› For any pensionable service up until 1 June 2015, you’d normally start to receive your pension at age 65. From 1 June 2015 normal pension age will increase in line with future increases to the State pension age for any pension you build up from 1 June 2015.

› If your normal pension age was age 60, your normal pension age from 1 June 2015 will be fixed at age 65.

Depending on when you build up your pension, parts of it may have different normal pension ages. In this case, the different parts of your pension will be worked out separately and reduced or increased as appropriate.

Example
You joined the Scheme on 1 April 2004 and decide to retire on 31 March 2030 at age 65. Your normal pension age when you joined the Scheme was age 65, but by the time you retire it is 67. The different parts of your pension would be adjusted as follows:
Benefits at retirement (continued)

Your current options if you build up 40 years’ pensionable service

Once you’ve built up the maximum 40 years’ pensionable service you won’t be able to contribute to, or build up any further service in, the Scheme. Currently, your options will be:

› **Stay in the Scheme.** The benefits you’ve built up will remain linked to your pensionable pay (and/or your capped pensionable pay for benefits built up from 1 June 2015) until you retire, leave service or opt out of the Scheme.

› **Leave the Scheme and join the DC scheme (Babcock Retirement Savings Scheme).** This will mean that you will become a deferred member of the Scheme. Your benefits would be calculated as at the date you left the Scheme, based on your final pensionable pay and capped pensionable pay at that date; they would increase up until retirement in line with the Scheme rules. The Company will contribute to the DC Scheme. You don’t need to contribute but can do so if you wish.

As a member of the DC scheme, you’d build up an additional pot of pension savings through the Company’s contribution (currently 15% of basic pay) and any contributions you make. If you died while still working for the Company, your beneficiaries would receive a lump sum from the DC Scheme (currently three times salary) and would be entitled to death-in-deferment benefits from the Scheme.

These options are offered by the Company rather than the Trustee and may change so always check the current situation before making a decision.

If you have to retire because of ill health

In the unfortunate event that you may have to leave the company and stop contributing to the Scheme due to ill-health you can receive an immediate pension and lump sum.

Your ill-health retirement pension will be calculated in the same way as your normal retirement pension based on your pensionable pay at the date you retire and, if you have completed at least five years’ service, the pensionable service you could otherwise have completed to your current Normal Pension Date (up to a maximum of 40 years).

If you’re granted an ill-health pension, the Trustee must carry out regular checks until you reach normal pension age. The Scheme’s medical adviser will carry out these reviews as and when requested by the Trustee.

If you find another job which pays you an income while you are receiving your ill-health pension, you must tell the Trustee. If this income, plus your pension, is more than your earnings would have been if you had stayed in pensionable service, the Trustee can reduce or suspend your pension until you reach normal pension age.

### Qualifying for an ill-health pensions

An ill-health pension will be granted if your health gets so bad that, in the opinion of the Trustee, immediately before your retirement, you were permanently prevented, for mental or physical reasons, from carrying out your employment. The Trustee will form its opinion based on advice from the medical officer or such other suitable medical evidence as it determines.

### Your pension if you divorce

If you think your pension entitlement may be taken into consideration in a divorce settlement, you should contact the Pensions Department to request the relevant divorce paperwork. You and your ex-spouse/civil partner will have to pay the Trustee’s costs in these circumstances.
Benefits at retirement (continued)

Payment of pensions
Pensions are paid for life usually by instalments at the end of each month. Your pension is treated as income and is assessed for income tax in the usual way.

If your entire Scheme benefits are below a certain level set by HMRC (HM Revenue & Customs), you may be able to receive them as a one-off lump-sum payment instead of an annual pension. We’ll tell you when you retire if this applies to you.

Increases to your pension
Once your pension starts to be paid, it will be reviewed and may increase each year as follows:

<table>
<thead>
<tr>
<th>For your pension built up for service before 31 May 2015</th>
<th>If you are a Transferred Member you will receive increases in line with the rise in inflation (as measured by the Consumer Price Index (CPI). If you are a New Entrant or New Employee member you also will receive increases in line with CPI up to a maximum of 5%.</th>
</tr>
</thead>
<tbody>
<tr>
<td>For your pension built up for service after 1 June 2015</td>
<td>Your pension is guaranteed to increase in line with the rise in inflation (as measured by the Consumer Price Index) up to a maximum of 3% a year.</td>
</tr>
</tbody>
</table>

If you are below age 60 for females and age 65 for males, the Scheme will increase your entire pension. After this age only your pension in excess of your Guaranteed Minimum Pension (GMP), if applicable, will continue to increase as shown above. Your GMP amount accrued prior to April 1988 will not receive any annual increase under the Scheme. Any GMP accrued post April 1988 will be increased by the Consumer Price Index up to a maximum of 3% per annum.
Leaving and absences

Leaving the Scheme
You can leave the Scheme at any time, even if you still work for the Company (known as ‘opting out’). You should give the Trustee at least three months’ notice in writing that you wish to leave the Scheme. Opting out cannot be backdated. If you do opt out, we’ll treat you as having left service and will discuss your options with you.

You will stop building up any further benefits from the date you leave the Scheme. You won’t be able to re-join the Scheme at a later date so it’s important to understand the benefits you’d be giving up if you decided to opt out.

By law, the Company is required to enrol all eligible employees into a pension arrangement. If you opted out of the Scheme, you would be enrolled at the next triennial auto enrolment date into the Babcock Retirement Savings Scheme. At this time you could choose to opt out of this Scheme, but the Company would need to reassess you every three years and, if you were eligible, re-enrol you again.

Your options on leaving
If you leave the Scheme before your normal pension age (unless you leave because of ill health), you can choose between:

A deferred pension and deferred lump sum
This will be calculated as shown on pages 8, 9 and 10, and will be payable at your normal pension age. Your deferred pension will be increased each year from date of leaving by one of the following:

› If you are a transferred member your pension will be increased each year in line with the rise in inflation (as measured by the Consumer Price Index).
› If you are a new entrant member or new employee member, your deferred pension is increased each year in line with Statutory requirements.
› If you are suffering from ill health (see page 12 for a definition) you can apply for your benefits to be paid early.
› If you die before your pension and lump sum is paid, your dependants will receive a pension and a lump sum payment. This will include any relevant pension increases to your pension.

OR

A transfer payment
You can transfer the value of your pension benefits to another registered pension arrangement such as a new employer’s pension scheme, a policy with an insurance company, or a personal pension plan.

If you’re interested in this option, you should ask the Pensions Department for the transfer value which shows the cash equivalent of your benefits. You can request a transfer value once every 12 months. The statutory requirement for transfer values is for them to be guaranteed for a minimum of 3 months. The transfer value is currently guaranteed for six months from the date it was worked out so if you want to go ahead with the transfer, you must reply within that time to receive the guaranteed transfer value quoted.

If you need the transfer value because of a divorce settlement, you should tell the Pensions Department this when asking for the estimate as this will require additional information to be provided.

OR

An Early Retirement Pension
If you are within 10 years of your earliest normal pension age and you have left the Company you may apply to receive payment of your pension early.

Your Pension will be reduced because it’s starting early and will therefore be paid for longer than if it started at your normal pension age.
Absences from work
Most absences from work are for a relatively short time and don’t affect your membership of the Scheme. For example, if you’re absent from work because of sickness, you’ll still be a member of the Scheme.
If you’re absent for any reason other than sickness, the Company and the Trustee will review the terms of membership of the Scheme. They will consider each case individually and tell you about the decision they make.
If you receive statutory or contractual maternity pay, your pensionable service continues as if you’re working normally. You continue to pay contributions to the Scheme at the usual rate but based on the pay you actually receive. Your benefits will continue and will be based on the pensionable pay you would have received if you’d been working normally.
You only have to contribute to the Scheme while you’re receiving a salary (whether statutory, contractual or otherwise) from the Company. Any period during which you receive no salary and no contributions are paid won’t count as pensionable service.
If you don’t return to work, your date of leaving the Scheme is taken as the date on which you stopped paying contributions to the Scheme.
If you die while working for the Company

If you die while you’re an active member of the Scheme, the following benefits are payable:

› **A lump-sum payment.** This will be equal to three times your final pensionable pay. This payment is made very soon after your death. So that the payment can be made free of inheritance tax, the Trustee decides who to pay the lump sum to. However, you can tell the Trustee who you would like the payment to be made to by filling in an ‘expression of wish’ form. The Trustee will take account of your wishes as shown on the form, but is not legally bound by them and the final decision is made by the Trustee.

› **An adult dependant’s pension.** This will be equal to half* of the pension you could have received if you had retired due to ill health on the day before your death. If you have more than one adult dependant, the Trustee will divide the pension appropriately. Pensions to adult dependants are paid for life, but the Trustee can reduce, suspend or end the pension if the dependant remarries or (where the dependant was not your spouse or civil partner) if they start living with another person as their spouse.

› **An eligible child’s pension.** This pension is based on the pension you would have received if you’d retired due to ill health on the day before your death. This pension is paid as follows:

<table>
<thead>
<tr>
<th>Adult dependant’s pension payable</th>
<th>Number of eligible children</th>
<th>Proportion of ill-health pension</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔</td>
<td>🐦</td>
<td>1/4</td>
</tr>
<tr>
<td>✔</td>
<td>🐦+</td>
<td>1/2</td>
</tr>
<tr>
<td>✗</td>
<td>🐦</td>
<td>1/3</td>
</tr>
<tr>
<td>✗</td>
<td>🐦+</td>
<td>2/3</td>
</tr>
<tr>
<td>✗</td>
<td>🐦+</td>
<td>1</td>
</tr>
</tbody>
</table>

The Trustee determines the proportion of this pension that will be payable for each eligible child.

* Adult dependants of female members will receive a pension based on service only from July 1987 or later. For male Transferred Members who contributed for an adult dependants pension of less than 1/160ths prior to June 1972 the calculation will be adjusted accordingly.
If you die once you’ve retired

If you die once you’ve retired, the following benefits will be paid:

› **A lump-sum payment.** This will be payable if you die within five years after having retired, calculated as five times your annual pension at date of death, less pension payments already received.

› **An adult dependant’s pension.** This will be equal to:

\[ \frac{1}{160} \times \text{Pensionable service up to 31 May 2015} \times \text{Final pensionable pay} + \frac{1}{160} \times \text{Pensionable service from 1 June 2015} \times \text{Capped final pensionable pay} \]

If the adult dependant is your spouse or civil partner and there are no eligible children, an enhanced pension equal to \(2/3\) of your pension at the date of your death will be paid for the first nine months. If there are Eligible Children, the enhanced pension will be paid for 18 months. If you have more than one adult dependant, the Trustee will divide the pension appropriately. If you retired early in ill-health, the adult dependant’s pension may be adjusted to reflect this. Pensions to adult dependants are paid for life, but the Trustee can reduce, suspend or end the pension if the dependant remarries or (where the dependant was not your spouse or civil partner) if they are living with another person as their spouse.

› **An eligible child’s pension.** This pension is based on a proportion of the adult dependant’s pension as per the table below.

<table>
<thead>
<tr>
<th>Adult dependant’s pension payable</th>
<th>Number of eligible children</th>
<th>Proportion of unreduced pension at date of retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔️</td>
<td>![2/3]</td>
<td><img src="image" alt="" /></td>
</tr>
<tr>
<td>✔️</td>
<td>![1]</td>
<td>![1]</td>
</tr>
<tr>
<td>![3]</td>
<td>![1/3]</td>
<td>![1/3]</td>
</tr>
<tr>
<td>![3]</td>
<td>![2/3]</td>
<td>![2/3]</td>
</tr>
<tr>
<td>![3]</td>
<td>![1]</td>
<td>![1]</td>
</tr>
</tbody>
</table>

Where there are 2 or more eligible children, the Trustee determines the proportion of this pension that will be payable for each eligible child.
Benefits if you die (continued)

If you die before your pension starts to be paid

If you die after leaving the Company but before your pension is being paid, the following benefits are payable:

› A lump-sum payment. This will be the lump sum due when you left the Company plus increases added to the date of your death. The Trustee makes the final decision about who will receive the lump sum. This means that payment can be made very soon after your death, and normally free from inheritance tax. You can tell the Trustee how you want these payments to be made by filling in an ‘expression of wish’ form. The Trustee will take account of your wishes as shown on the form, but is not legally bound by them.

› An adult dependant’s pension. This will be half* of what you would have received at the date of leaving the Company plus increases to the date of death. If you have more than one adult dependant, the Trustee will divide the pension appropriately. Pensions to adult dependants are paid for life, but the Trustee can reduce, suspend or end the pension if the dependant remarries or (where the dependant was not your spouse or civil partner) if they are living with another person as their spouse.

› An eligible child’s pension. This will be a share of what you would have received at the date of leaving the Company plus increases to date of death. The proportion of pension paid is the same as the table on page 17.

A pension for dependants

When you retire, you can choose to exchange part of your pension to provide a pension for a named dependant after your death. Details will be provided on request.

* Adult dependants of female members will receive a pension based on service only from July 1987 or later. For male Transferred Members who contributed for an adult dependants pension of less than 1/160ths prior to June 1972 the calculation will be adjusted accordingly.
State Pension and tax

The State Pension

Being a member of the Scheme does not mean that you lose all your rights to State benefits. From 6 April 1978 to April 2016, the State has provided a two-part pension at State Pension age:

› The basic State Pension. This is a flat-rate amount paid to everyone who has a full record of National Insurance contributions. Both you and the Company contribute to the cost of the basic State Pension through National Insurance contributions.

› An earnings-related pension. This pension is based on part of your earnings during your working life. Only periods when you are working for an employer and paying full National Insurance contributions will count towards your State Second Pension – please see the section on contracting out below. This part of the State Pension was provided through the State Earnings Related Pension (SERPS) which was replaced by the Second State Pension Scheme (SSPS) in 2002.

› From April 2016, a simple, flat-rate pension called the new State Pension replaced the basic State Pension and the State Second Pension. It aims to simplify the current arrangements and will apply to people reaching State Pension age from that date.

Contracting out

Up to April 2016, while you were an active member of the Scheme, you did not build up a State Earnings-Related Pension – this is known as ‘contracting out’. You and the Company paid lower rate National Insurance contributions. In return, the Scheme had to provide a minimum level of pension for pensionable service up to 5 April 1997 – the guaranteed minimum pension (GMP) which is roughly equal to the SERPS pension you would have received if you had stayed in SERPS. For pensionable service from 6 April 1997, the Scheme has had to meet an overall test of quality in terms of the benefits it provides for you and your spouse or civil partner in relation to pensionable service from 6 April 1997 to 6 April 2016.

From April 2016, the State Pension moved to a single-tier system so contracting out of the State Second Pension ceased. The starting amount of your State Pension might be reduced because you were previously contracted out from the State Second Pension.

State Pension age

State Pensions are paid at State Pension age. This is currently means age 65, except for women born before 6 April 1950 when it is age 60. Women born between 6 April 1950 and 5 April 1955 have a sliding scale where State Pension age increases to age 65 by 2018.

From 2018 the age will rise to 66, 67 and then 68 for both men and women. To find out your State Pension age, use the State Pension age calculator at www.gov.uk/state-pension-age

*The planned rise to age 68 has been brought forward, meaning that anyone born between 6 April 1970 and 5 April 1978 will now have a State Pension Age of 68 rather than 67.
State Pension and tax (continued)

Tax and HMRC allowances

The Scheme is a registered pension arrangement under the Finance Act 2004 which brings important tax advantages for you. It means you get full tax relief on your Scheme contributions, including AVCs. The cash lump sum that’s paid when you retire is tax free, and pensions are treated as earned income under pay as you earn (PAYE).

In return, there are restrictions on the contributions you can make and benefits that you can build up tax efficiently known as the Annual Allowance and the Lifetime Allowance. Your benefits are unlikely to be affected, but you would be told if they were.

› Annual Allowance. This is the amount of pension benefits and contributions you can build up tax efficiently in a 12-month period. For the 2016/17 tax year it’s £40,000. Currently, any allowance you do not use in one year can be carried forward for up to three years. All pension savings made into UK registered pension schemes are measured against the Annual Allowance, apart from State Pension benefits. For the purpose of the Annual Allowance, the value of your Scheme pension is worked out roughly as the increase in pension benefits built up above inflation over the year times a factor of 16. Any pension savings you make above the Annual Allowance will be taxed. The amount of tax you would have to pay depends on the income tax rates that apply to you. If your income in a tax year is over £150,000 you might be subject to an additional restriction whereby your annual allowance is reduced by £1 for every £2 of income above £150,000. This is subject to a minimum annual allowance of £10,000. This is often referred to as the tapered annual allowance. The Pensions Department will notify you if you are likely to be affected.

› Lifetime Allowance. This is an allowance on the amount of pension benefits you can build up tax efficiently over your lifetime in all pension schemes. For the purpose of the Lifetime Allowance, the value of your Scheme pension is worked out as the value of your annual pension times a factor of 20, plus the value of the tax-free cash lump sum. The Lifetime Allowance is currently £1 million and is due to increase to £1.03 million in April 2018. Any pension savings you build up above the Lifetime Allowance will be taxed at a rate of 25% for any excess benefits taken as pension (this applies in addition to any income tax deducted from your pension under PAYE) and 55% for benefits paid as a lump sum.

You’re responsible for monitoring how your pension benefits from all pension schemes measure up against these allowances. The Pensions Department can help you understand how your benefits are building up, but if you’d like advice about saving tax efficiently for retirement you’ll need to speak to an independent financial adviser.
Help and information

Finding out more about the Scheme
Each year, the Trustee issues a short report to members giving an update on the Scheme’s financial health and details about how the Scheme is run. You can also request a copy by contacting the Pensions Department.

As well as the short report, active members of the Scheme will be sent a benefit statement each year. This shows how your benefits are building up and the benefits you can expect to receive when you retire based on your current pensionable pay.

Guidance and advice about your pension
If you want specific advice about what to do with any pension savings, you should speak to an independent financial adviser as, by law neither the Scheme nor anyone connected with it can give you financial advice. To find the name of an adviser in your area, visit www.moneyadviseservice.org.uk/en/categories/financial-help-and-advice. You may have to pay for the services of the adviser.

If you have a problem or a query about the Scheme
If you have a problem or a query about the Scheme, you should raise it initially with the Pensions Department. If you’re not happy with the response you receive or have a disagreement about the way the Scheme is run, there is a formal procedure in place for addressing grievances. The procedure is for resolving disagreements about the Scheme that affect members and other people who may have an interest in the Scheme. They don’t apply to agreements between employees and the Company, nor court or tribunal proceedings that have begun, or if the Pensions Ombudsman has begun an investigation.

If you wish to raise a grievance, you must write to: The Pensions Manager, Babcock International Group plc, Templar House, 1 Sandbeck Court, Wetherby LS22 7BA.

The Pensions Manager will send you the necessary forms, explaining the process. You should hear from the Pensions Manager within four months of making your complaint. If we can’t deal with your complaint within this timescale, we will tell you why there is a delay in our reply and when you can expect to hear further.

If you want to, you can choose someone to make the complaint on your behalf. You can also refer your complaint to the Pensions Advisory Service (PAS) at any time.
Help and information (continued)

External sources of help
There are a number of external pension bodies that may be able to help with issues or concerns about pensions.

› **Pensions Advisory Service.** This is a grant-aided independent and voluntary organisation. It gives free help and advice to people who have a problem with either a company or personal pension, and which they have not been able to sort out with the trustee or administrator of the scheme. It has no legal powers, and any decisions it reaches depend on the agreement of everyone involved. Where no agreement can be reached, cases may be referred to the Pensions Ombudsman. You can contact the Service by:

- **Calling:** 0300 123 1047
- **Writing to:** The Pensions Advisory Service
  11 Belgrave Road
  London
  SW1V 1RB
- **Visiting:** www.pensionsadvisoryservice.org.uk

› **Pensions Ombudsman.** The Pensions Ombudsman may investigate and make decisions about complaints and disagreements of fact or law concerning company and personal pension schemes. You can make a complaint against the Trustee, employer or anyone involved in running a scheme, if you are a scheme member or dependant.

Unlike the Pensions Advisory Service, the Pensions Ombudsman has legal authority to deal with the complaints and the Ombudsman’s decision is final and binding. You can contact the Ombudsman by:

- **Calling:** 0207 630 2200
- **Writing to:** Pensions Ombudsman
  11 Belgrave Road
  London
  SW1V 1RB
- **Visiting:** www.pensions-ombudsman.org.uk

› **The Pensions Regulator.** The Pensions Regulator is the regulatory body for work-based pension schemes in the UK. One of its priorities is to tackle risks to members’ benefits, focusing resources on identifying and reducing risks and working with schemes to get them on the right track. The Pensions Regulator is able to intervene in the running of a scheme where the Trustees, employers or their professional advisers have failed in their duties. You can contact the Pensions Regulator by:

- **Calling:** 0345 600 7060
- **Emailing:** customersupport@tpr.gov.uk
- **Writing to:** The Pensions Regulator
  Napier House
  Trafalgar Place
  Brighton
  BN1 4DW
- **Visiting:** www.thepensionsregulator.gov.uk

› **The Pension Tracing Service.** If you lose touch with the Scheme or with a previous pension scheme, the Government’s Pension Tracing Service can help put you in touch. The Trustee has given information about the Scheme, including details of an address at which they can be contacted, to the Pension Tracing Service. You can contact the Pensions Tracing Service by:

- **Calling:** 0345 600 2537
- **Writing to:** The Pension Service 9
  Mail Handling Site A 198
  Wolverhampton
  WV98 1LU
- **Visiting:** www.gov.uk/find-pension-contact-details
Your personal data

The Trustee collects personal information about you and uses this to calculate and pay your benefits under the Scheme and to administer the Scheme as a whole. The Trustee is required to keep this information secure and process it in accordance with data protection laws.

The Trustee may share your data with the Company and third parties in relation to the administration of the Scheme, including professional advisers and other service providers. However, it will not be shared with third parties for marketing purposes.

If you would like to know more about how your personal information is collected and used, please ask for a copy of the Trustee’s privacy notice using the details on page 2.

**Altering the Scheme:** With the Trustee’s agreement, the Company can change or end the Scheme at any time. When the Scheme ends, the Trustee will sort out the assets of the fund in the way set out in the trust deed and rules.

**Assigning benefit:** You cannot assign your Scheme benefits to someone else or use them as security for a loan.