

British Steel Pension Scheme Acquisition Section



Members' Handbook

July 2005

Contents

	Page		Page
Introduction	2	Administration matters	9
		The Trustee	9
		Scheme funding	9
		Inland Revenue approval	9
		Inland Revenue maximum benefits	10
		State pension arrangements	11,56-60
		Amendment and discontinuance	11
		Benefits not assignable	11
		Divorce and separation	11,68-69
		Quality of service	11
		Complaints - Internal Dispute Procedure	12,49-55
		External enquiries	12
		Pensions Regulator	13
		Scheme registration	13
		Data protection	14
		Disclosure of information	14
		Publications	15
Membership	3		
Who can join the scheme?	3		
How do I join?	3		
How much do I pay?	3		
How much does my employer pay?	4		
What are the maternity/paternity leave arrangements?	4		
Can I buy additional pension benefits?	4		
Can I transfer-in benefits from other arrangements?	5		
Can I decide not to join?	5		
What happens if I opt out of the scheme?	6		
Benefits on retirement	6,16-30	“High/Low” pension option	41-43
Leaving the scheme	6,31-40	Additional Voluntary Contributions	44-48,77-78
Benefits on death	7	Key Features	61-67
Nomination forms	7,74-76		
Pension increases	8	Summary of pension terms used	70-72
		How to contact the Pensions Office	73

Introduction

About this handbook

Welcome to the Acquisition Section of the British Steel Pension Scheme (the [scheme](#)).

This handbook explains the major features of the Acquisition Section of the [scheme](#). “*Key features*” on pages 61 to 67 briefly details the main elements of the [scheme](#). You may find it helpful as a quick guide.

This handbook is not a definitive statement of the British Steel Pension Scheme - Acquisition Section rules. In the case of any confusion or dispute, the [scheme](#)'s Trust Deed and Rules will be binding.

The [scheme](#) is sponsored by Corus UK Limited (the [Principal Company](#)) and exists to provide [members](#) with pension benefits on retirement. It also provides benefits on [incapacity](#) and death, ensuring comprehensive cover for you and your family.

The [scheme](#) is administered by B. S. Pension Fund Trustee Limited, in accordance with the Trust Deed and Rules. The [scheme](#) assets are held by the Trustee to provide maximum security for your benefits. They are separate from the assets of your [employer](#). The fund is invested by the [scheme](#)'s in-house investment team and the day-to-day administration is carried out by the Pensions Office.

To help you use this handbook

You may find it helpful to refer to the “Summary of Pension Terms” at the back of this handbook on pages 70 to 72. All the main terms are identified in [blue](#) in the handbook.

Membership

Who can join the scheme?

Scheme membership is open to all employees of an appropriate acquired business who are over 16 years of age and are **not** in “*scheduled occupations*” i.e. specified construction work in an industrial grade.

You must decide whether to join the **scheme** on first being employed by your **employer**. You have no further opportunity to join during the rest of that period of employment. However, if your employment is temporary, you will have another opportunity to join the **scheme** if you are later offered a regular contract of employment.

How do I join?

New eligible employees automatically become **scheme members**. You will be asked to complete a “New member application form” on or before starting employment. You will also be asked to provide evidence of your date of birth. If you think you may not want to join the **scheme**, please read carefully the section “Can I decide not to join?” on page 5.

How much do I pay?

You pay 5% of your **pensionable earnings**. But the real cost to you is considerably less overall because:

- you get tax relief on your contributions;
- you pay a lower rate of National Insurance contributions.

Contributions are payable until age 65, or earlier if you leave **scheme** membership.

No contributions are due if:

- you are absent without pay; or
- you earn less than £3,328 per annum (this amount will be reviewed in 2006).

However, these periods still count towards your [pensionable service](#) when your pension is calculated.

How much does my employer pay?

The [scheme actuary](#) certifies the amount the [employer](#) needs to pay to maintain the benefits payable under the [scheme](#) rules, after allowing for [members'](#) contributions.

What are the maternity/paternity leave arrangements?

Maternity leave

If you are on maternity leave your [scheme](#) membership continues. The following arrangements apply:

- if you have one year or more service you pay pension contributions for the first 6 weeks of your maternity leave on your reduced income. Although you would be paying less you will continue to receive [pensionable service](#) on the same basis that you were receiving before going on maternity leave;
- the full range of [scheme](#) benefits cover will continue to apply during maternity leave.

Paternity leave

If you are on unpaid paternity leave your membership continues but you do not need to make contributions.

Can I buy additional pension benefits?

Yes. You may be able to buy extra [pensionable service](#), subject to certain restrictions set by the Inland Revenue. Please refer to "*Additional Voluntary Contributions - making the most of your retirement*" on pages 44 to 48 and 77 to 78.

[Scheme members](#) with [earnings](#) of up to £30,000 can also contribute up to £3,600 to a personal pension plan or stakeholder pension scheme, which you can arrange independently.

Can I transfer-in benefits from other arrangements?

If you have any entitlement from a previous employer's pension scheme or a personal pension, you can usually transfer these benefits into this [scheme](#). To obtain a quotation, please ask the Pensions Office or your HR Department for a "Transfer-in of benefits form" which you should complete and return to the Pensions Office. You do not need to make a decision until you hear from the Pensions Office about the amount of [pensionable service](#) which the [scheme](#) would provide in exchange for your previous benefits.

Can I decide not to join?

New eligible employees automatically become [scheme members](#) unless they tell their [employer](#) that they do not wish to join. This handbook describes the comprehensive [scheme](#) benefits available. However, if you are considering not joining please note:

- you and your dependants will have no benefit entitlement under the [scheme](#);
- you will need to rely on the State for your pension income, or make other arrangements;
- your [employer](#) will not contribute to any personal pension or stakeholder pension other than the minimum which may be required by legislation;
- National Insurance contributions will normally be deducted from your earnings at the full rate and not the lower contracted out rate;
- you will normally have no further right to join the [scheme](#) during your current period of employment.

Please consider these points carefully before you decide. They concern your family's future security as well as your own.

If you decide not to join, please complete a "Non-joiner's declaration" form on or before the first day of employment, to ensure pension deductions are *not* made automatically from your earnings.

If you do decide to join you are free to opt out at any time.

What happens if I opt out of the scheme?

You can opt out of the [scheme](#) at any time, provided you give appropriate notice to your [employer](#). The benefits you will be entitled to are described in *“Members leaving without an immediate pension”*. Please refer to pages 31 to 40

You would need to complete a “Member’s withdrawal declaration” form to opt out of the [scheme](#).

Please note you will not normally be entitled to rejoin the [scheme](#) during your current period of employment.

Benefits on retirement

Please refer to *“Members retiring with an immediate pension”* on pages 16 to 30 and *“High/low pension option explained”*, on pages 41 to 43.

Leaving the scheme

Please refer to *“Members leaving without an immediate pension”*, on pages 31 to 40 .

Benefits on death

The [scheme](#) will provide benefits on death. These will apply automatically from the day you join. The benefits payable will depend on your category of [scheme](#) membership when you die.

Please refer to “*Members retiring with an immediate pension*” on pages 16 to 30 and “*Members leaving without an immediate pension*”, on pages 31 to 40.

There is a lump sum equal to four times your Final [earnings](#) payable to dependants and/or personal representatives under a discretionary trust.

Nomination forms

You can tell the [Trustee](#) who you would like to receive any lump sum benefits when you die. Please complete a nomination form (one comes with this handbook on pages 74 to 76) and return it, in confidence, to the Pensions Office. It is important to keep nomination forms up-to-date.

Please note the [Trustee](#) will consider any nomination form but the forms are not legally binding on it.

Pension increases

Pensions and allowances are increased on 1 April each year in accordance with the Rules of the Acquisition Section. These provide for the percentage rise in the Retail Prices Index over the previous year (January to January), subject to a maximum of 5% per annum.

The revaluation method for the Guaranteed Minimum Pension will be in line with the earnings factors issued under Section 148 of the Pension Schemes Act 1993.

Administration matters

The Trustee

The **scheme** is administered by B.S. Pension Fund Trustee Limited. This is a corporate **Trustee** with 20 directors. The **Trustee** delegates the power to deal with the day-to day **scheme** management to a Committee of Management. This Committee consists of 18 of the **Trustee's** directors, half of whom are appointed by the **principal company** and half nominated by the trades unions.

The power to deal with the day-by-day investment of **scheme** assets is delegated to the Investment Committee. This Committee consists of 9 directors, 4 of whom are appointed by the **principal company** and 4 from the trades unions' nominated directors. The Investment Manager sits on the Committee in a non-voting capacity as the ninth director. Eight of the directors are members of both the Committee of Management and the Investment Committee. The Investment Committee is assisted by three independent advisers.

Scheme funding

All contributions are paid into the **scheme's** Trust Fund. The Fund uses these contributions, plus returns from assets, to pay for the benefits outlined in the Trust Deed and Rules. Most of the benefits outlined in this booklet are provided from the Fund.

The **scheme actuary** makes a formal valuation every 3 years to check that the Fund's assets are enough to meet its liabilities. In addition, the **scheme** must be funded to at least a minimum standard set by Government, and the **scheme actuary** certifies that the **scheme** meets the necessary standard.

Inland Revenue approval

The **scheme** has been approved by the Inland Revenue under Section 591 of the Income and Corporation Taxes Act 1988. This means it enjoys important tax concessions. However, the Inland Revenue also restricts the level of **member's** contributions to the **scheme** and the benefits which can be paid from the **scheme** (see overleaf).

Inland Revenue maximum benefits

The maximum annual **scheme** pension which can be paid at **normal pension age** is 2/3rds of your *final remuneration* (as defined by the Inland Revenue). If you exchange part of your pension for a tax-free lump sum, the maximum tax-free lump sum payment cannot exceed 1½ times your *final remuneration*. The pension equivalent of the lump sum is part of the maximum pension.

In addition, the Government imposes various limits on the final earnings which can be used for calculating benefits. These depend on the date you started pensionable employment with your **employer**. These limits are as follows:

If you joined before 17 March 1987:

- earnings over £105,600 per annum must be averaged over at least 3 years.

If you joined between 17 March 1987 and 31 May 1989 (inclusive):

- earnings averaged as above;
- maximum earnings for calculating the retirement lump sum are limited to £105,600 per annum; consequently the maximum retirement tax-free lump sum allowable is £158,400.

If you joined on or after 1 June 1989:

- maximum earnings for all pension purposes, including **members'** contributions, are restricted to the Earnings Cap, which is a limit imposed by the Government and is, normally, reviewed each year. For 2005/06 the rate is £105,600.

The three tax regimes referred to above use different methods to calculate the maximum benefits payable on retirement.



State pension arrangements

Please see “*State pension arrangements*” on pages 56 to 60.

Amendment and discontinuance

The **scheme** provisions may be amended from time to time under the terms of the Trust Deed and Rules and any relevant legislation. The Pensions Office will notify you of any changes which may affect your benefits.

The **principal company** reserves the right to discontinue the **scheme** at any time under the **scheme**'s Trust Deed and any relevant legislation.

Benefits not assignable

Scheme benefits cannot be assigned to a third party unless, in the **Trustees**' opinion, this is appropriate for the support or maintenance of the recipient (see “Divorce and separation” below).

Divorce and separation

Since July 1996 (in England and Wales, but 1985 in Scotland), Courts have had to take pensions into consideration when making or endorsing Orders for financial provision on divorce or separation. The Courts may issue an “earmarking order” requiring the **scheme** to pay some of your pension or lump sum to an ex-spouse.

From 1 December 2000 pension sharing became available in all divorce and nullity proceedings which began on or after that date. Pension sharing gives divorcing couples with pension rights the option of sharing them as part of the divorce settlement. More details are available in “*Your pension on divorce*”, on pages 68 and 69.

Quality of service

The Pensions Office aims to provide you with a prompt, efficient and helpful service. If you write to the Pensions Office it aims to send you a full and clear reply.

It is committed to providing a standard of service you have a right to expect both during your employment and after you retire.

As an active **scheme member**:

- the Pensions Office will provide you with an annual statement of your accrued benefits in the **scheme**;
- you can ask for the estimated value of your **scheme** benefits;
- you can ask for other information about your pension rights;
- you can get in touch at any time. The Pensions Office will deal with your enquiries quickly, accurately and politely;
- if the Pensions Office needs to get more information before it can give a full reply, it will let you know.

If you leave the **scheme**:

- the Pensions Office will tell you about your options;
- if you wish to consider transferring your **scheme** benefits, the Pensions Office will deal with its part of the application quickly;
- the Pensions Office will update you on the value of your pension benefits.

When you retire the Pensions Office will:

- let you know how much your pension and lump sum will be;
- calculate your benefits accurately;
- pay your lump sum and first pension payment as soon as possible after the date of your retirement;
- pay all other pension payments, less any tax due, so as to reach you on the due date.

Complaints - Internal Dispute Procedure

Further details are available under “*Your guide to the Internal Dispute Procedure*”, on pages 49 to 55.

External enquiries

Please refer to “*Your guide to the Internal Dispute Procedure*”, on pages 49 to 55.

Pensions Regulator

From 6 April 2005, the Pensions Regulator replaced Opra (Occupational Pensions Regulatory Authority) as the regulatory body for occupational pension schemes in the UK.

The role of the Regulator is to protect the benefits of the members of schemes. The Regulator can investigate suspected breaches of pensions legislation and has the powers to prohibit or disqualify a trustee and impose a civil penalty.

The Pensions Regulator differs from Opra in various ways. It:

- has a defined set of statutory objectives;
- has wider powers to investigate schemes and take action where necessary;
- takes a proactive, risk-focused approach to regulation; and
- provides practical support in the regulated community.

The address of the Pensions Regulator is:

The Pensions Regulator
Napier House
Trafalgar Place
BRIGHTON
BN1 4DW

Telephone: 0870 606 3636

www.thepensionsregulator.gov.uk

Scheme registration

From 6 April 2005, the Department for Work and Pensions (DWP) will be responsible for pension scheme tracing. This will enable individuals to get in touch with pension schemes which may, for example, have changed name or address.

Enquiries may be addressed to:

DWP Pension Tracing Service
Whitley Road
NEWCASTLE UPON TYNE
NE98 1BA

Telephone: 0845 600 2537

www.thepensionservice.gov.uk



Data protection

The Data Protection Act 1998 imposes various obligations on organisations which process information about you. This includes an obligation to notify you that information is held about you. The [Trustee](#) of the British Steel Pension Scheme holds personal data about you to effectively administer the [scheme](#) membership and benefits. The [Trustee](#) may disclose this information to professional advisers, insurers, and others who assist them in administering the [scheme](#).

The Pensions Office has notified the Data Protection Commissioner that it needs to process (as defined under the Act) membership data to administer the [scheme](#). You have the right to see any of the data held in respect of your membership, provided that responding to a request to see it would not mean revealing any other [member's](#) information. A small fee may be required for this service. If you wish to take up this right, or have any questions regarding the Act, you should contact the Data Controller at the Pensions Office's address shown on page 73.

Disclosure of information

Under the Occupational Pension Scheme (Disclosure of Information) Regulations, pension schemes must provide members with certain information. This booklet includes the general information which the Pensions Office must provide, but you are also entitled to ask for further information. For example, you could ask for copies of:

- actuarial valuation reports;
- schedule of contributions;
- Statement of Investment Principles;
- [scheme](#) annual report including audited accounts.

You can also ask for further information about your own circumstances. For example:

- details of what your [scheme](#) benefits are likely to be when you retire (this information is provided automatically by means of the annual benefit forecast sent direct to your home address);
- the rights and options available to you if you decide to end your pensionable employment before [normal pension age](#);
- an estimate of the amount of the transfer value which could be paid to another approved pension arrangement on leaving the [scheme](#).

Publications

The Pensions Office has a wide range of pensions literature designed to explain [scheme](#) benefits as clearly as possible. For full details of this literature please see “*Key features*”, on pages 61 to 67.

**Members retiring with an
immediate pension**
British Steel Pension Scheme
Acquisition Section



July 2005

Introduction

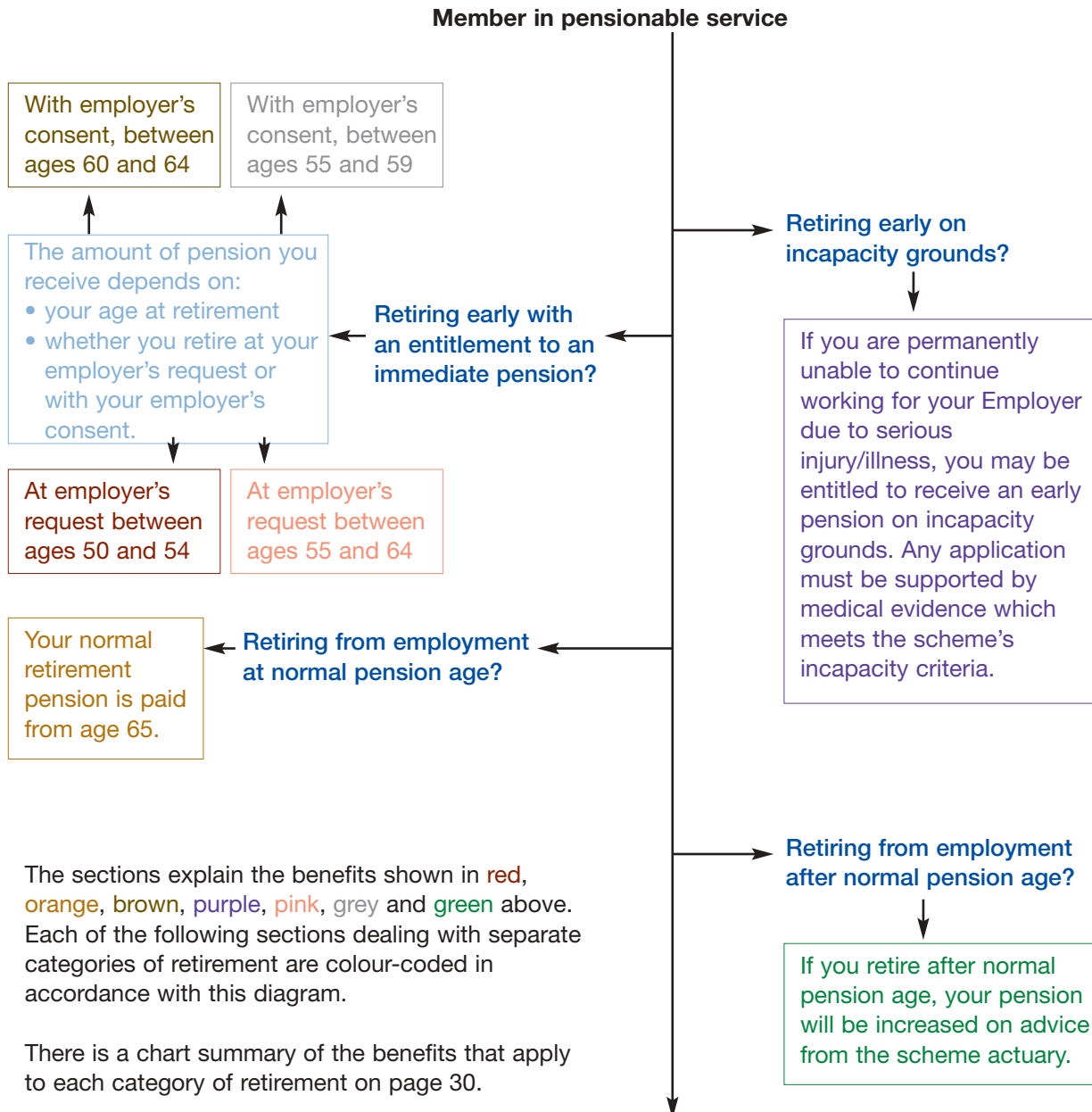
This section explains the benefits available to you on retiring with an immediate entitlement to a pension. It is not, however, a definitive statement of the Rules of the [scheme](#).

The Pensions Office recognises that when you retire you will want a clear explanation of your pension benefits. You may find it helpful if you first read Summary of Pension Terms used on pages 70 to 72. All explained terms are shown in [blue](#).

You can get a personal quotation of your benefits before leaving your [employer](#). Final [scheme](#) benefits are calculated according to the Rules of the [scheme](#) and are subject to Inland Revenue limits.

If you need more information, the Pensions Office's address and other contact details are on page 73.

What are the options on retiring?



Setting the scene

Standard benefits on retirement

This section covers the provisions that apply to every **member** retiring from employment. You should read this section before the retirement section that applies to your specific circumstances.

What do I get if I retire?

You receive a pension payable for life.

How is my pension calculated?

There is a standard basis for calculating **scheme** pension benefits. You are entitled to a pension of 1/60th of your **final pensionable earnings** for every year of **pensionable service**. Months and days are included as part-years of **pensionable service**.

Example - a **member** retires with **final pensionable earnings** of £20,000 and **pensionable service** of 30 years:
30/60ths of £20,000 gives an annual pension of £10,000.

Your pension may be reduced to take account of early payment. Please refer to the individual section which applies to your circumstances.

How do I exchange pension for a tax-free lump sum?

You may exchange part of your pension for a tax-free cash lump sum. The maximum lump sum, subject to any Inland Revenue restriction, is 2.25 times the annual rate of your retirement pension before you use this option. The Pensions Office will assume that you wish to take the maximum tax-free lump sum unless you inform it otherwise.

Example - Annual pension before you take the lump sum = £10,000
Calculation = $2.25 \times £10,000$
Giving a lump sum of £22,500.

What would be the effect on my pension after taking a lump sum?

Taking a lump sum reduces your pension. The amount of the reduction depends on your age at retirement. At age 50, the reduction is currently £1 of pension for every £16 of lump sum taken. At 55, the reduction is £1 of pension for every £14.50. At age 60 it is £1 for every £13, and at age 65 it is £1 for every £11.50.

The Pensions Office use a table which includes reduction factors for years and months. The factors are adjusted by 0.025 for each complete month between the yearly factors.

Example

If you retire at age 59 years 6 months, the pension reduction is £1 for every £13.15 of lump sum taken.

Annual pension before you take the lump sum = £10,000

You take the maximum lump sum of £22,500.

You give up a pension of £1,711 (£22,500/13.15)

You get an annual pension balance = £8,289

(£10,000 - £1,711)

What would be the effect on my spouse's pension after taking a lump sum?

If you exchange pension for a lump sum it does not affect the amount of pension payable to your [widow](#) or [widower](#).

Can I give up some of my pension for a dependant?

Yes. On retirement you may give up part of your pension to provide an additional pension on your death for:

- your [widow/widower](#); or
- any person dependent on you.

You must make this choice within one month before your retirement date. If either you or your nominated dependant die before you retire, your election would automatically be cancelled. However, if after you retire your dependant dies before you, your pension will not be changed.

Will my pension be increased?

Your pension is increased on 1 April each year, in line with the percentage rise in the Retail Prices Index over the previous January to January, subject to a maximum of 5%, in accordance with the

Rules of the Acquisition Section. Some of the pension increase has to be paid by the State from age 65.

How is my pension paid?

Pensions are paid monthly in advance, no later than the first day of each calendar month, direct to the bank or building society you choose.

Pensions are subject to income tax, and enquiries about tax should normally be made to:

HM Inspector of Taxes
Centre 1
East Kilbride
GLASGOW
G79 1AA
Telephone: 0845 0703703

Other features

What happens to my Scheme AVCs on early retirement?

If you have paid [AVCs](#) for at least 5 years, you are entitled to the full AVC credit. If you have not paid [AVCs](#) for at least 5 years, a partial credit is awarded, based on the period you have paid [AVCs](#) compared with the period through to [normal pension age](#).

For each additional year of [pensionable service](#) you get, you will gain 1/60th of final [earnings](#) at [normal pension age](#). This will increase your pension, tax-free cash lump sum, and any allowances to your [widow/widower](#) and children. The additional pension and allowances are increased each year they are paid, in the same way as the rest of the pension.

Further details are available under “*Additional Voluntary Contributions - making the most of your retirement*”, on pages 44 to 48.

What is the “high/low” pension option on early retirement?

Under Rule 11(4), the [scheme](#) allows a [member](#) to use this option, except in the case of [incapacity](#) retirement. It aims to provide a steady level of income throughout retirement, taking broadly into account the State benefits which would normally become payable at age 65. You must make this choice before your pension payments are due to start.

Further details are available under “*High/low pension option explained*”, on pages 41 to 43.

Standard benefits payable on death after retirement

What pension will be payable to my widow/widower?

Your **widow/widower** receives a pension equal to half of your full pension (which would have been payable before any exchange for a lump sum), taking into account any increases between your retirement and death. This is payable for life and subject to the same annual pension increases as your pension.

Where applicable, children's allowances are also payable.

Will there be a lump sum payable?

Your pension is guaranteed for 5 years after your retirement. If you die during this guarantee period, a lump sum is paid to your dependants or personal representatives. This lump sum is the balance of the remaining pension guarantee, based on the value of the pension you are receiving when you die.

Retiring at normal pension age

What happens to my scheme AVCs?

For each additional year of [pensionable service](#) you have purchased, you will gain 1/60th of final [earnings](#) at [normal pension age](#). This will increase your pension, tax-free cash lump sum, and any allowances to your [widow/widower](#) and children. The additional pension and allowances are increased each year they are paid, in the same way as the rest of the pension.

Further details are available under “*Additional Voluntary Contributions - making the most of your retirement*”, on pages 44 to 48.

Retiring with your employer's consent

If I am retiring between ages 60 and 64, will my pension be reduced?

Your pension will be based on your [pensionable service](#) and [final pensionable earnings](#) at the date of retirement and would not be reduced for early payment.

Retiring with your employer's consent

If I am retiring between ages 55 and 59, is my pension reduced?

Your pension is reduced by 5% for each year (and 0.4166% for each month) that your age is less than 60 at the date of your retirement. So, if you are 57 at the date of your retirement, the proportion of pension payable is 85%.

Example - a member retires with final pensionable earnings of £20,000 and pensionable service of 30 years:

- an annual pension of £8,500 (85% of 30/60ths of £20,000);
- a maximum lump sum of £19,125 (2.25 x £8,500)

How is my pension affected by taking a lump sum?

Given the figures in the above example, if you are aged 57 at retirement and chose to take the maximum lump sum, you would give up £1,375 of pension. This means your annual pension balance would be £7,125.

Retiring at your employer's request

If I am retiring between ages 55 to 64, will my pension be reduced?

Your pension is based on your **pensionable service** and **final pensionable earnings** at the date of retirement and is not reduced for early payment.

Retiring at your employer's request

If I am retiring between ages 50 to 54, will my pension be reduced?

Your pension is reduced by 5% for each year (and 0.4166% for each month) that your age is less than 55 at the date of your retirement. So, if you are 52 at the date of your retirement, the proportion of pension payable is 85%.

Example - a **member** retires with **final pensionable earnings** of £20,000 and **pensionable service** of 30 years:

- an annual pension of £8,500 (85% of 30/60ths of £20,000);
- a maximum lump sum of £19,125 (2.25 x £8,500)

How is my pension affected by taking a lump sum?

Given the figures in the above example, if you are aged 52 at retirement and chose to take the maximum lump sum, you would give up £1,241 of pension. This means your annual pension balance would be £7,259.

Incapacity

What if I am permanently unable to work due to incapacity?

If you are unable to carry out any gainful employment due to physical or mental incapacity, and you are likely to remain permanently unable to do so, you may qualify for an early pension on **incapacity** grounds. You should apply to your employer for **incapacity** retirement. This form of early retirement is subject to medical assessment and your application must be supported by medical evidence.

Are there any age restrictions?

No. The benefit is payable at any age, provided the **incapacity** criteria are met.

How is my pension calculated if I have 20 or more years of pensionable service?

Your pension is based on your **pensionable service** at the date of retirement and is not reduced for early payment.

How is my pension calculated if I have less than 20 years of pensionable service?

Your pension will be enhanced. The increased benefits will be the **lesser** of:

- a pension of 2/60ths of your final **pensionable earnings** for every year of **pensionable service**, with a minimum entitlement of 10/60ths and a maximum of 20/60ths;

or

- a pension of 1/60th of your final **pensionable earnings** for every year of potential **pensionable service** through to **normal pension age**, subject to a maximum of 20/60ths.

Example - a **member** retires at age 55 with final **pensionable earnings** of £20,000 and service of 9 years.

18/60ths of £20,000 gives an annual pension of £6,000.

Late Retirement

How is my pension calculated if I retire after normal pension age?

If you retire after [normal pension age](#) your pension will be increased on the advice of the [scheme actuary](#). The increase takes account of each extra 3-month period of service you completed after reaching age 65, plus any annual increase in the pension.

What happens to my scheme AVCs?

For each additional year of [pensionable service](#) you have purchased, you will gain 1/60th of final [earnings](#) at [normal pension age](#). This will increase your pension, tax-free cash lump sum, and any allowances to your [widow/widower](#) and children. The additional pension and allowances are increased in the same way as the rest of the pension.

Further details are available under “*Additional Voluntary Contributions - making the most of your retirement*”, on pages 44 to 48.

Will I still have to pay pension contributions?

No, you will not have to pay pension contributions after [normal pension age](#). Neither will you gain any further [pensionable service](#) from this time.

If I die after normal pension age but before retiring...

What pension will be payable to my widow/widower?

Your [widow/widower](#) receives a pension based on the assumption that you retired at the date of death. It will be equal to half of your full pension, increased to take account of each extra 3-month period of service you completed after reaching age 65. This is payable for life and subject to the same annual pension increases as your pension.

Where applicable, children’s allowances are also payable.

Will there be a lump sum payable?

A lump sum is paid to your dependants or personal representatives based on the **greater** of the following:

- six times the annual pension (excluding any part of your pension you may have given up to provide an additional pension on your death for your [widow/widower](#), or any person dependent on you) you would have been entitled to had you retired at the date of your death;


or

- four times your final [earnings](#) at [normal pension age](#).

Summary of benefits for each category of retirement

	Normal pension age	Employer's consent ages 60-64	Employer's consent ages 55-59	Employer's request ages 55-64	Employer's request ages 50-54	Incapacity retirement	Late retirement
Pension	Full entitlement	Accrued entitlement	Reduced	Accrued entitlement	Reduced	Accrued entitlement - possibly enhanced	Full entitlement plus postponed enhancement
Tax-free lump sum	← Optional →						
Scheme AVCs	Full entitlement	Full entitlement/ partial credit	Full entitlement/ partial credit	Full entitlement/ partial credit	Full entitlement/ partial credit	Full entitlement/ partial credit	Full entitlement
High/low option	No	Yes	Yes	Yes	Yes	No	No
Option for giving up pension for dependant	← Yes →						
Lump sum on death	← if pension is paid for less than 5 years →						
Widow/ widower's pension	← Yes →						

**Members leaving without
an immediate pension**
British Steel Pension Scheme
Acquisition Section



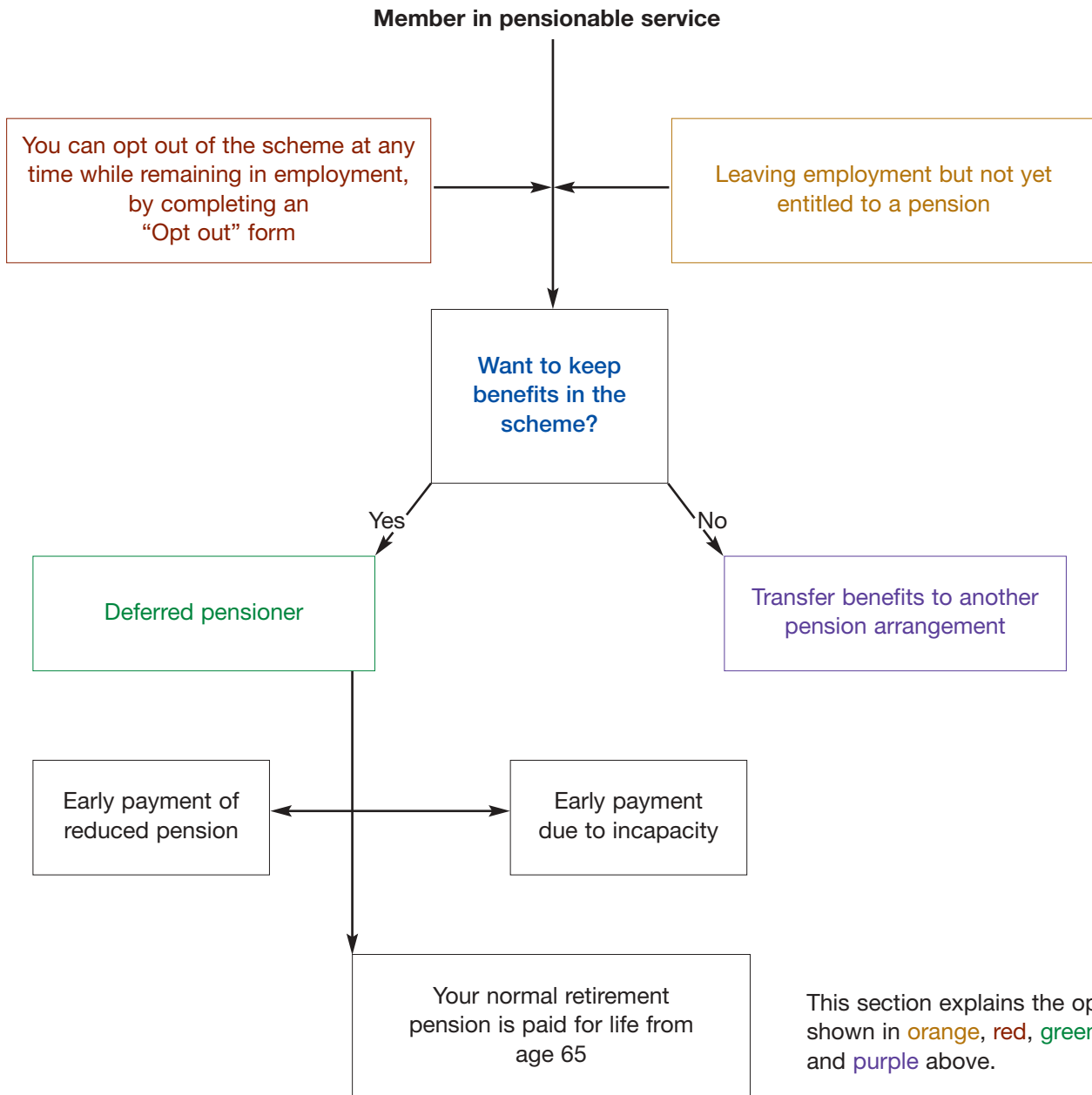
July 2005

Introduction

This section explains the options available to you on leaving employment without receiving an immediate pension. If you leave employment, the Pensions Office recognises that you will want a clear explanation of the options regarding your pension benefits. You may find it helpful if you first read Summary of Pension Terms used on pages 70 to 72. All the explained terms are shown in [blue](#).

If you need more information, the Pensions Office's address and other contact details are on page 73.

What are your options on leaving pensionable service without an immediate pension?



How do I opt out of the scheme?



You can stop paying contributions to the [scheme](#) while still employed by “opting out”. You can opt out of the [scheme](#) at any time, as long as you give appropriate notice to your [employer](#). In these circumstances, you must complete an “Opt out” form.

Please note if you opt out you will not be entitled to rejoin the [scheme](#) during your current period of employment.

You can either leave your benefits in the [scheme](#) or you can decide to transfer them to another approved pension arrangement.

Please note a refund of your pension contributions is not available.

You should think carefully before deciding to opt out. The [scheme](#) provides a comprehensive package of benefits involving your family’s future security as well as your own.

What happens if I leave employment but am not yet entitled to a pension?



If you are no longer employed with an [employer](#) that participates in the [scheme](#), you cannot continue to make contributions to the [scheme](#).

You can either leave your benefits in the [scheme](#) or you can decide to transfer them to another approved pension arrangement.

Please note that a refund of your pension contributions is not available.

What is a deferred pension?

A deferred pension is payable from the [scheme](#) at [normal pension age](#), but it can normally be drawn earlier under the following circumstances:

- if you retire from employment at any time over age 50, you can request payment of your pension immediately. The pension will be reduced, on the advice of the [scheme actuary](#), to take account of early payment before age 65;
- if you qualify as unable to carry out any gainful employment due to [incapacity](#), your deferred pension can be paid from the date that qualification is established. Your pension is paid without reduction.

How will I know the value of my benefits in the scheme?

Soon after you leave the [scheme](#), the Pensions Office will write to you setting out the deferred pension which you have accrued in respect of your [scheme](#) membership, together with details of the transfer value available if you wish to consider this option.

How is my pension calculated?

You are entitled to a pension of 1/60th of your [final pensionable earnings](#) for every year of [pensionable service](#). Months and days are included as part-years in [pensionable service](#).

Example - a [member](#) leaves the [scheme](#) with [final pensionable earnings](#) of £21,000 and [pensionable service](#) of 20 years:

20/60ths of £21,000 gives an annual deferred pension of £7,000.

What happens to my scheme Additional Voluntary Contributions (AVCs)?

A partial credit will be awarded based on the period you paid [AVCs](#) when compared with the period through to [normal pension age](#). This credit will provide you with additional deferred pension benefits.

For each additional year of [pensionable service](#) you get, you will gain 1/60th of final [earnings](#) at [normal pension age](#). This will increase your pension, tax-free cash lump sum, and any allowances to your [widow/widower](#) and children. The additional pension and allowances are increased each year they are paid in the same way as the rest of the pension.

Further details are available under “*Additional Voluntary Contributions - making the most of your retirement*”, on pages 44 to 48.

Will my deferred pension be increased?

Your deferred pension is increased on 1 April each year in line with the percentage rise in the Retail Prices Index over the previous January to January, subject to a maximum of 5%, in accordance with the Rules of the Acquisition Section. Once in payment, your pension will continue to receive these annual increases.

The revaluation method for the Guaranteed Minimum Pension will be in line with the earnings factors issued under Section 148 of the Pension Schemes Act 1993.

At retirement

How do I exchange pension for a tax-free lump sum?

You may exchange part of your pension for a tax-free cash lump sum. The maximum lump sum, subject to any Inland Revenue restriction, is 2.25 times the annual rate of your retirement pension before you use this option. The Pensions Office will assume that you wish to take the maximum tax-free lump sum unless you inform it otherwise.

Example - Annual pension before you take the lump sum = £7,000
Calculation = $2.25 \times £7,000$
Giving a lump sum of £15,750.

How does taking a lump sum affect my pension?

It reduces your pension. The amount of the reduction depends on your age at retirement. At age 50, the reduction is currently £1 of pension for every £16 of lump sum taken. At 55, the reduction is £1 of pension for every £14.50. At age 60, it is £1 for every £13, and at age 65, it is £1 for every £11.50.

The Pensions Office use a table which includes reduction factors for years and months. The factors are adjusted by 0.025 for each complete month between the yearly factors.

Example at age 65

Annual pension before you take the lump sum = £7,000
You take the maximum lump sum of £15,750
You give up a pension of £1,369 ($£15,750/11.50$)
You get an annual pension balance = £5,631 ($£7,000 - £1,369$).

What would be the effect on my spouse's pension after taking a lump sum?

If you exchange pension for a lump sum it does not affect the amount of pension payable to your [widow/widower](#).

Can I give up some of my pension for a dependant?

Yes. On retirement, you may give up part of your pension to provide an additional pension on your death for:

- your [widow/widower](#); or
- any person dependent on you.

You must make this choice within one month before your pension becomes payable. If either you or your nominated dependant die before the payment date, your choice would automatically be cancelled. However, if after your pension goes into payment your dependant dies before you do, this will not affect your pension.

How is my pension paid?

Pensions are paid monthly in advance, no later than the first day of each calendar month, direct to the bank or building society you choose.

Pensions are subject to income tax, and enquiries about tax should normally be made to:

HM Inspector of Taxes
Centre 1
East Kilbride
GLASGOW
G79 1AA
Telephone: 0845 0703703

What benefits are payable on death?

Widow/widower's pension

Your **widow/widower** receives a pension equal to one-half of your full pension (which would have been payable before any exchange for a lump sum), taking into account any increases between the date you left the **scheme** and death. This is payable for life and subject to the same annual pension increases as your pension.

Where applicable, children's allowances are also payable.

Lump Sum

If you die before payment of your pension, your dependants or personal representatives receive a refund of your contributions plus interest.

When in payment, your pension is guaranteed for 5 years. If you die during this guarantee period, a lump sum is paid to your dependants or personal representatives. This lump sum is the balance of the remaining pension guarantee, based on the value of the pension you are receiving when you die.

Can I transfer my pension rights?

You do not need to leave your pension benefits in the [scheme](#). You can ask that your pension rights be transferred at any time, up to age 64, to:

- your new employer's pension scheme; or
- your personal pension or stakeholder provider; or
- an insurance company to buy an approved annuity; or
- another pension arrangement approved for this purpose.

You can request a quotation of the transfer value of your pension rights from the Pensions Office, which will provide this quote within 3 months of receiving the request. The transfer value quoted will be guaranteed for a 3-month period, starting from the date it was calculated. Only one quote is normally provided in any [scheme year](#).

The transfer value will be decided using factors supplied by the [scheme actuary](#). It will reflect any legal requirements.

If you transfer pension rights earned after 5 April 1997 in the [scheme](#) to either a personal pension or a contracted-out defined contribution scheme you cannot take them as a tax-free lump sum.

Where can I get independent financial advice?

Under the Financial Services Act 1986, staff at the Pensions Office are not authorised to give financial advice.

If you are not sure which pension arrangement is best for you, you may seek independent financial advice. Under the Financial Services Act 1986, all financial advisers are currently either “independent” or “tied”. A financial adviser who is independent can offer a range of financial services and products. A financial adviser who is tied can currently only offer the products of one company. Before you ask for advice, make sure you know which type of adviser you are dealing with. If you need independent advice, you can get details of advisers from:

IFA Promotion Ltd
2nd Floor
117 Farringdon Road
LONDON
EC1R 3BX
Telephone: 0800 085 3250

Remember that you will be charged for financial advice from an independent financial adviser.

“High/low” pension option explained

British Steel Pension Scheme



July 2005

This explains the “high/low” pension option.

You may find it helpful if you first read Summary of Pension Terms used on pages 70 to 72. All the explained terms are shown in [blue](#).

If you need more information, the Pensions Office’s address and other contact details are on page 73.

What is the “high/low” pension option?

Under Rule 11(4), the [scheme](#) allows a [member](#) to use this option. It aims to provide a steady level of income throughout retirement, taking broadly into account the State retirement pension rate for a single person. In short, your British Steel pension would increase until [normal pension age](#), then reduce for the remainder of your retirement.

When is the option available?

If you are age 50 or over and retire with an immediate entitlement to a pension - other than on [incapacity](#) grounds - you may be able to use this option. It does not apply to deferred pensions or if you take your pension at or after [normal pension age](#).

When should I apply for the option?

You should apply for the “high/low” pension option, in writing, shortly before the date of your retirement.

Would I automatically qualify for the option?

Not necessarily. For you to qualify for the high/low pension option, the Pensions Office needs to be able to predict that your pension at [normal pension age](#) will be big enough to allow for pension reduction to take place.

What effect will taking the option have on my other pension benefits?

The high/low pension option does not change your tax-free lump sum nor your [widow’s/widower’s](#) pension, but it does impact on any 5-year guarantee of your pension payable on death.

Who benefits from taking the option?

No-one can accurately predict who will benefit from taking the option. Your consideration of the option should depend on your own circumstances and include your expectations about the State benefits you will receive.

Based on the [scheme actuary](#)'s assessment of the broad range of [members](#) who elect for this option, the [scheme](#) should neither financially gain nor lose from providing the option. Of course, no-one can predict whether an individual will gain an overall financial benefit from taking the option, as it will depend on individual lifespans. Pensioners who have shorter lives than the average among [members](#) could receive more benefit from the option than pensioners who live longer than the average.

How will taking the option affect my State benefits?

You should check with your local Jobcentre Plus office about how the high/low option may affect your entitlement to State benefits.

You should think carefully about whether the high/low option is appropriate for you.

Where can I get independent financial advice?

Under the Financial Services Act 1986, staff at the Pensions Office are not authorised to give financial advice.

If you are not sure whether this option is best for you, you may seek independent financial advice. If you need independent advice you can get details of advisers from:

IFA Promotion Ltd
2nd Floor
117 Farringdon Road
LONDON
EC1R 3BX
Telephone: 0800 085 3250

Remember that you will be charged for financial advice from an independent financial adviser

Additional Voluntary Contributions
Making the most of your retirement
British Steel Pension Scheme
Acquisition Section



July 2005

Introduction

You may have the option to purchase additional pension benefits, and this helps answer some of the most common questions about this option.

You may find it helpful if you first read Summary of Pension Terms used on pages 70 to 72. All the explained terms are shown in blue.

If you need more information, the Pensions Office's address and other contact details are on page 73.

Additional Voluntary Contributions

What are Additional Voluntary Contributions?

Members can pay Additional Voluntary Contributions (AVCs), in addition to standard contributions, to purchase extra years of pensionable service in the scheme.

Contributions are usually made by deduction from your monthly earnings. You can also choose to pay by a single lump sum.

Why should I want to pay AVCs?

Many members who are only making standard contributions cannot reach the maximum scheme benefits allowed by the Inland Revenue.

Paying AVCs is a tax-efficient way to save for retirement and could be used to increase early retirement benefits.

How much AVCs can I pay?

Any scheme member can apply to pay voluntary contributions. However, the Inland Revenue restricts the maximum benefits an approved pension scheme can provide:

- total member contributions cannot be greater than 15% of earnings (although members with earnings of £30,000 or less can also make contributions up to £3,600 to a personal pension or stakeholder pension scheme without regard to the maximum limit);
- the maximum pension payable at normal pension age cannot be greater than 2/3rds of final remuneration.

What will the extra benefits cost?

AVC contribution rates are expressed as a percentage of **earnings**. They are fixed in relation to the individual's age at the time of purchase, through to **normal pension age**, or, until your membership ends, if earlier.

How will AVCs improve my benefits?

As a **member**, you are entitled to a pension of 1/60th of your **final pensionable earnings** for every year of **pensionable service**. Months and days are included as part-years of **pensionable service**.

For each additional year of **pensionable service** you purchase you will gain 1/60th of final **earnings** at **normal pension age**. This will increase your pension, tax-free lump sum, and any allowances to your **widow/widower** and dependent children. The additional pension and allowances are increased in line with the percentage rise in the Retail Prices Index over the previous January to January, subject to a maximum of 5%, in accordance with the Rules of the Acquisition Section.

*You should note the difference between calculating benefits from AVCs and the standard **scheme** arrangements. AVC contributions are based on **earnings** so the benefits are based on final **earnings**; standard contributions and benefits are based on **pensionable earnings**.*

Will my Employer also contribute?

No.

What happens if my benefits exceed the Inland Revenue maximum pension?

If your pension benefits at retirement exceed this limit due to an AVC purchase, there are 2 options:

- convert excess AVCs into other benefits, such as additional **widow/widower's** pension; or
- take a refund of excess AVCs with interest, but less tax.

What if I retire early from this employment?

If you retire early, the **scheme** rules allow for immediate payment of your pension. If you have paid AVCs for at least 5 years, you are entitled to the full AVC credit. If you have not paid AVCs for 5 years, you receive a partial credit based on the period you have paid AVCs, compared with the period through to **normal pension age**.

What if I leave service without immediate entitlement to a pension?

You receive a partial credit based on the period you have paid AVCs, compared with the period through to [normal pension age](#), payable, normally, at age 65.

What if I die in service?

If you die in service and you:

- have paid AVCs for at least 5 years, the full AVC service credit will apply in the calculation of your [widow/widower's](#) and children's allowances;
- have paid AVCs for less than 5 years, a partial credit, based on the period you have paid AVCs compared with the period through to [normal pension age](#), will be given in the calculation of your [widow/widower's](#) and children's allowances.

Can I stop paying AVCs?

Yes. Simply write to the Pensions Office telling them you want to stop paying AVCs. Contributions cannot be refunded. Instead, you will have a partial credit based on the period you have paid AVCs, compared with the period through to [normal pension age](#).

Will changes in the Scheme's funding affect my AVC purchase?

No. Your extra contributions are based solely on your final [earnings](#) and are not related to the Fund's value.

Can I amend my AVC contract after it starts?

No, but you can make further AVC purchases in addition to the existing AVC purchase. Or, if you want to reduce your AVC purchases, you can stop the current contract and apply to begin a fresh one.

By what other means can I make additional pension provision?

You may be offered Free-Standing AVCs (FSAVCs) by an insurance company, bank or building society as an alternative to the pension scheme's AVCs. Any benefits secured by these external arrangements are, however, still included with [scheme](#) benefits in calculating the Inland Revenue's maximum benefit provision.

You may also be able to make contributions to a personal pension or [stakeholder pension scheme](#). Benefits secured by these arrangements are not included with [scheme](#) benefits in calculating the Inland Revenue's maximum benefit provision.

You may also want to think about investing in tax-efficient savings arrangements, such as Individual Savings Accounts (ISAs).

How can I get financial advice?

Under the Financial Services Act 1986, staff at the Pensions Office are not authorised to give financial advice.

If you require financial advice, you should consult an independent financial adviser.

You can find a local adviser by contacting:

IFA Promotion Ltd
2nd Floor
117 Farringdon Road
LONDON
EC1R 3BX
Telephone: 0800 085 3250

Remember that you will be charged for financial advice from independent financial advisers.

**Your guide to the Internal
Dispute Procedure (IDP)
British Steel Pension Scheme**



July 2005

Introduction

This explains the [scheme](#)'s formal arrangements for reviewing complaints.

Most complaints can be dealt with informally but the Pensions Office recognises that there may be occasions when this is not possible. Page 55 sets out the formal procedures for handling complaints in an easy-to-read form.

You may find it helpful if you first read Summary of Pension Terms used on pages 70 to 72. All the explained terms are shown in [blue](#).

If you need more information, the Pensions Office's address and other contact details are on page 73.

Who can have their complaints considered by these arrangements?

These arrangements allow those listed below to have their complaints (but not enquiries) considered by someone not involved in any earlier decision:

- members;
- deferred pensioners who have left employment but have not yet received pension benefits;
- pensioners;
- dependants such as a widow, widower or dependent children;
- prospective members meaning persons who are, or will be, eligible to join the scheme but have not yet done so;

If you were, or think you were, in any of the above categories during the 6 months prior to the complaint you can raise a complaint under these procedures.

Can my representative make a complaint on my behalf?

Yes. You must give your nominated person a signed agreement to act on your behalf. The Pensions Office needs to see this agreement before it can pass on any information it holds about you to another person. It has to be careful about what it does with your information to ensure your interests are safeguarded, and to follow data protection rules.

What complaints cannot be considered by the scheme?

These arrangements do not apply if any court or tribunal proceedings have started, or if the Pensions Ombudsman (see page 54), has started an investigation.

Do I have to take my complaint through these procedures?

No. You can go direct to the organisations listed under “External Enquiries” on page 54. However the Pensions Office hope that you give them the opportunity to answer your complaint first.

The Internal Dispute Procedure

Most problems can be resolved or explained quickly during a telephone call or by correspondence with the Pensions Office. But occasionally people with complaints may prefer to use the procedures below.

There are 2 stages to the formal process. For both of them you should send your complaint to the Pensions Office address (see page 73).

Stage 1

The first stage requires the [scheme](#) Secretary to consider your written complaint.

What information should I provide?

You should provide your name, address, date of birth and National Insurance number. Please explain your complaint as fully as you can and send copies of any documents relevant to your complaint.

Even if you have nominated someone else to make your complaint, the Pensions Office still needs your personal information. The nominated person will also need to give the Pensions Office their name and address, and provide written instructions from you that they are acting on your behalf.

When will I hear from the Scheme Secretary?

You will receive a decision within 2 months of the Pensions Office receiving your complaint, or you will be told of any delay and given an expected reply date.

The decision

The [scheme](#) Secretary will explain his decision by referring to any [scheme Rules](#) that apply. His letter will also explain your right to ask for his decision to be reviewed by the [Management Committee](#).

Stage 2

How do I apply to the Management Committee?

Your written application must be signed and must reach the Pensions Office within 6 months of your receiving the [scheme Secretary's](#) decision.

What information should I provide?

You should state why you think the [Management Committee](#) should reconsider the [scheme Secretary's](#) decision. Please enclose a copy of the [scheme Secretary's](#) letter from Stage 1.

When will I hear from the Management Committee?

You will usually receive a decision within 2 months of your complaint being received, depending on when the [Management Committee](#) next meet. If they cannot reply within 2 months, they will explain why and give you an expected reply date.

The decision

The [Management Committee](#) will say whether their decision confirms or replaces the [scheme Secretary's](#) decision. Their letter will:

- indicate whether any [scheme Rules](#) have been taken into account in reaching their decision; and
- explain your right to ask OPAS - the Pensions Advisory Service - and the Pensions Ombudsman (see page 54) to assist with your complaint if you are not content with the decision.

The Pensions Advisory Service

OPAS is an independent voluntary organisation with a network of local pension experts. They assist pension scheme members who are not satisfied with the information they get.

You can raise a complaint directly with OPAS rather than going through the [scheme's](#) internal dispute procedure. However, it is generally recognised that it is better to raise the matter with the scheme administrators first.

You may complain to OPAS by contacting them at:

OPAS (The Pensions Advisory Service)
11 Belgrave Road
LONDON
SW1V 1RB
Telephone: 0845 601 2923
www.opas.org.uk

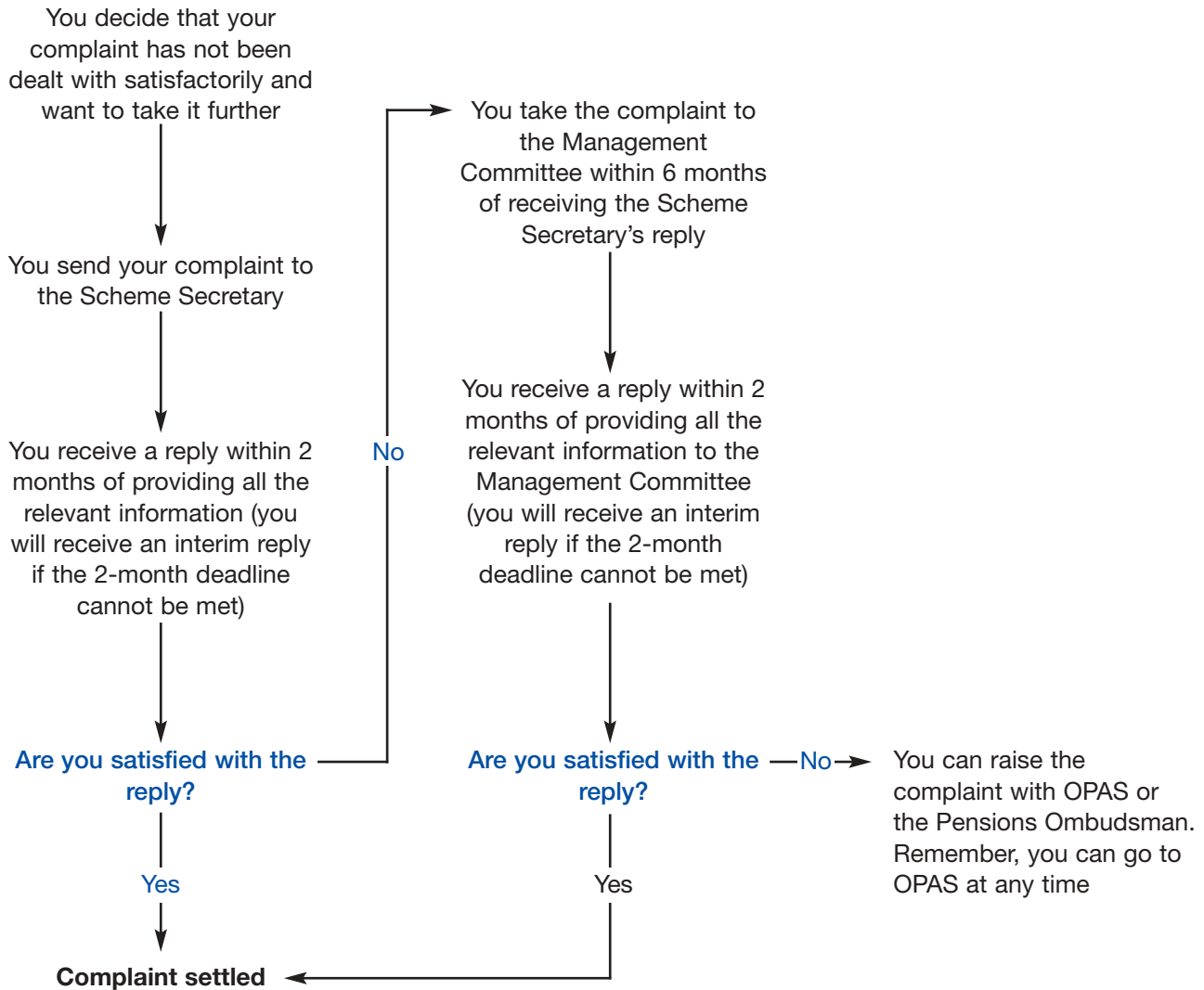
Pensions Ombudsman

The Ombudsman can investigate maladministration complaints or disputes of fact of law. Before coming to him the Ombudsman would usually expect you to go through the procedures explained in this section first, but you do not have to.

His contact details are:

The Pensions Ombudsman
11 Belgrave Road
LONDON
SW1V 1RB
Telephone: 020 7834 9144

How the Internal Dispute Procedure works



State pension arrangements

British Steel Pension Scheme



July 2005

Important changes are being made to State pensions. This briefly explains the current State pension system and refers to planned changes.

You may find it helpful if you first read Summary of Pension Terms used on pages 70 to 72.

If you require more information about State pension arrangements, you should contact your local Jobcentre Plus office, which is part of the Department for Work and Pensions (DWP). For more information about the British Steel Pension Scheme, the Pensions Office's address and other contact details are on page 73.

What is the State pension provision?

State retirement pensions are made up of more than one part. There is a basic State pension and a State Earnings Related Pension Scheme (SERPS). SERPS was replaced by the State second pension (S2P) with effect from 6 April 2002.

What is the basic State pension?

This is paid at [State Pension Age](#) - currently age 60 for women and 65 for men. By 2020 the [State Pension Age](#) will become 65 for everybody. The change in [State Pension Age](#) for women will be phased in over a 10-year period between 2010 and 2020.

The basic pension usually increases in line with prices. The amount of your basic State pension will depend on your National Insurance (NI) contribution record.

What is the "Pensions Credit"?

If your total income in retirement falls below a certain level, you may also qualify for benefits under the Pensions Credit. This is a means-tested benefit which is intended to provide a top-up of benefit for the poorest pensioners not claiming income support. For the first time, people aged 65 and over will be rewarded for some of the savings and income they have created for their retirement. The Government intends to increase this benefit each year in line with increases in earnings.

The Government also provides help for pensioners towards housing costs, council tax, and the extra cost of disability.

What is the State Earnings Related Pension Scheme (SERPS)?

SERPS provides benefits in addition to the basic State pension. The amount depends on your National Insurance (NI) contributions paid on earnings since April 1978.

Members do not contribute to SERPS. You will therefore only get the basic State pension when you reach **State Pension Age**, unless you have contributed to SERPS in another employment.

The **scheme** is contracted out of SERPS. This means you pay a lower rate of NI contributions. Under the terms of contracting out which applied up to 5 April 1997, the **scheme** guarantees to pay you a pension broadly equivalent to the SERPS part of your State pension given up. This guaranteed amount is called the **Guaranteed Minimum Pension (GMP)**. You are likely to receive a better, more flexible, pension through the **scheme** than if you had remained in the Government's pension arrangements.

Although the **scheme** pension includes the **GMP**, the DWP is responsible for paying part of the annual pension increases due on this amount after age 65 for men and age 60 for women. For the **GMP** built up before 6 April 1988, the State pays all the annual increase. For **GMPs** built up between 6 April 1988 and 5 April 1997, the first 3% of any increase is paid by the **scheme** and the remainder is met by the State, to bring the total increase payable on the **GMP** equal to the rise in inflation.

After April 1997, the **scheme** had to meet a statutory standard in order to remain contracted out of SERPS. This means the **scheme** must promise to give benefits that are broadly equivalent to, or better than, those in a "reference scheme" defined by the DWP.

What are the State second pension (S2P) arrangements?

From 6 April 2002, S2P was introduced to provide a more generous additional State Pension for low and moderate earners. (Any SERPS entitlement already built up is protected for those who have not yet reached State Pension Age). S2P gives employees earning up to £27,800 (in 2005/06) a better pension than SERPS, with most help going to those on the lowest earnings.

Am I entitled to State pension benefits if I retire early?

No. You cannot get State pension benefits until you reach [State Pension Age](#). However, you may still obtain NI credits between the date of your early retirement and [State Pension Age](#). You may qualify for:

- free credits - if you are a man aged 60 or over you will usually get NI credits until [State Pension Age](#). This arrangement will extend to women from 6 April 2010, unless they are married, or widowed, and have a reduced NI liability (that is, they pay the “small stamp”);
- voluntarily paying contributions - you may choose to pay Class 3 NI contributions if your NI contribution record is not good enough to entitle you to a full basic State pension, or you want to improve your contribution record so as to increase the level of these benefits when they are paid.

In these circumstances, you should contact your nearest Jobcentre Plus office for advice.

How can I get more information about State pension arrangements?

If you need further information about State pension arrangements, the DWP has produced a range of literature, including:

- State pensions - Your guide (PM2);
- Pensions for women - Your guide (PM6);
- Contracted out pensions - Your guide (PM7);
- Stakeholder pensions - Your guide (PM8).

You can order copies of these guides by phoning 0845 7 31 32 33 or by writing (no need for a stamp) to:

Pensions Guide
Freepost BS5555/1 DWP Pensions
Bristol
BS38 7WA

You can also see these guides on the internet by visiting www.thepensionservice.gov.uk

Other DWP literature you may find helpful includes:

- National Insurance contributions: Voluntary contributions (CA08);
- Approaching retirement? (RM2);
- State Pension Forecast (BR19);
- Retirement: A guide to benefits for people who are retiring or have retired (RM1);
- A guide to retirement pensions (NP46);
- Social Security benefit rates (GL23).

You can contact your local Jobcentre Plus office for a copy of these.

Key features

British Steel Pension Scheme

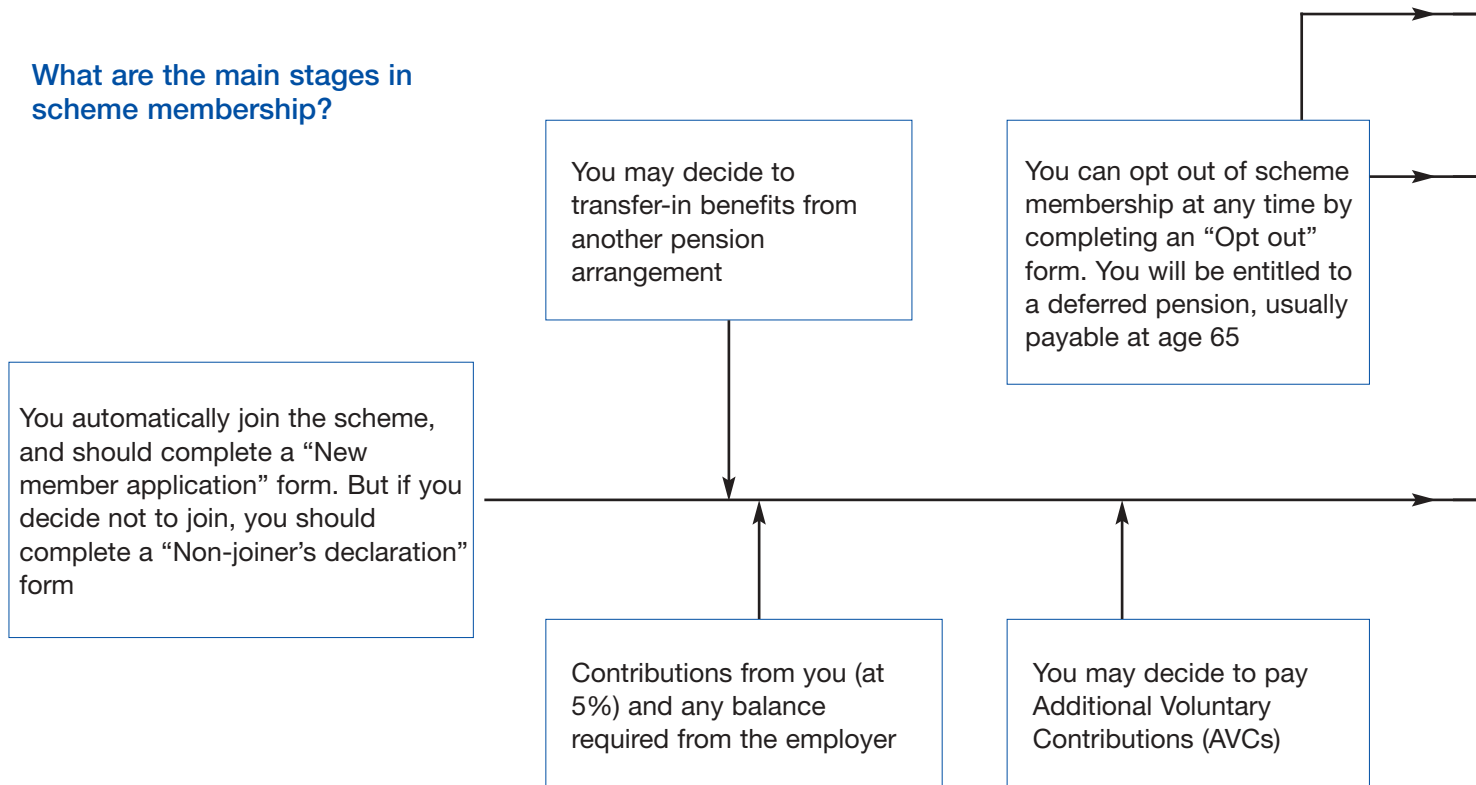


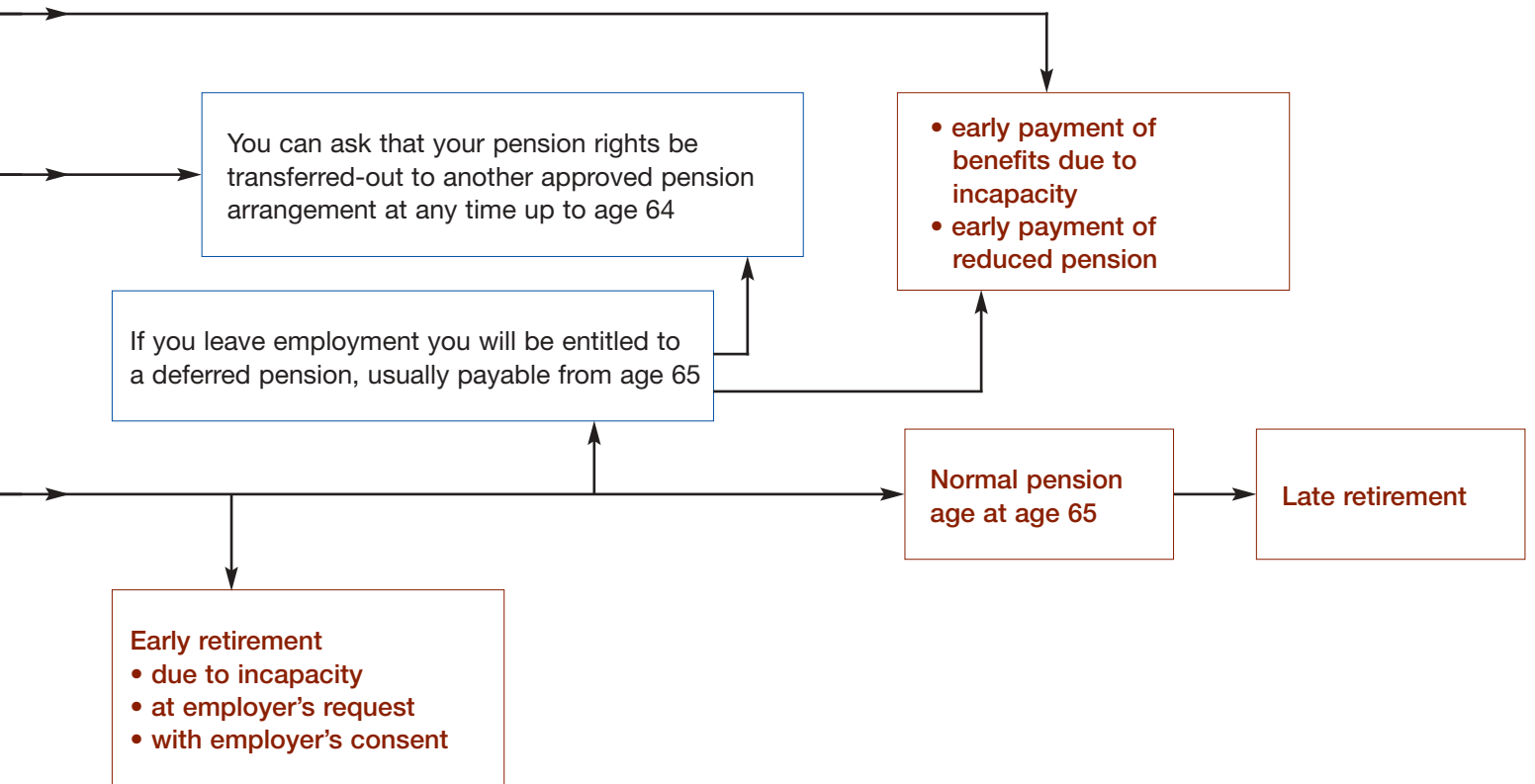
July 2005

This section is designed to briefly explain the way in which the British Steel Pension Scheme and the Fund operates, and how you are kept informed. It is not however, a definitive statement of the Rules of the scheme.

If you need more information, the Pensions Office's address and other contact details, are on page 73.

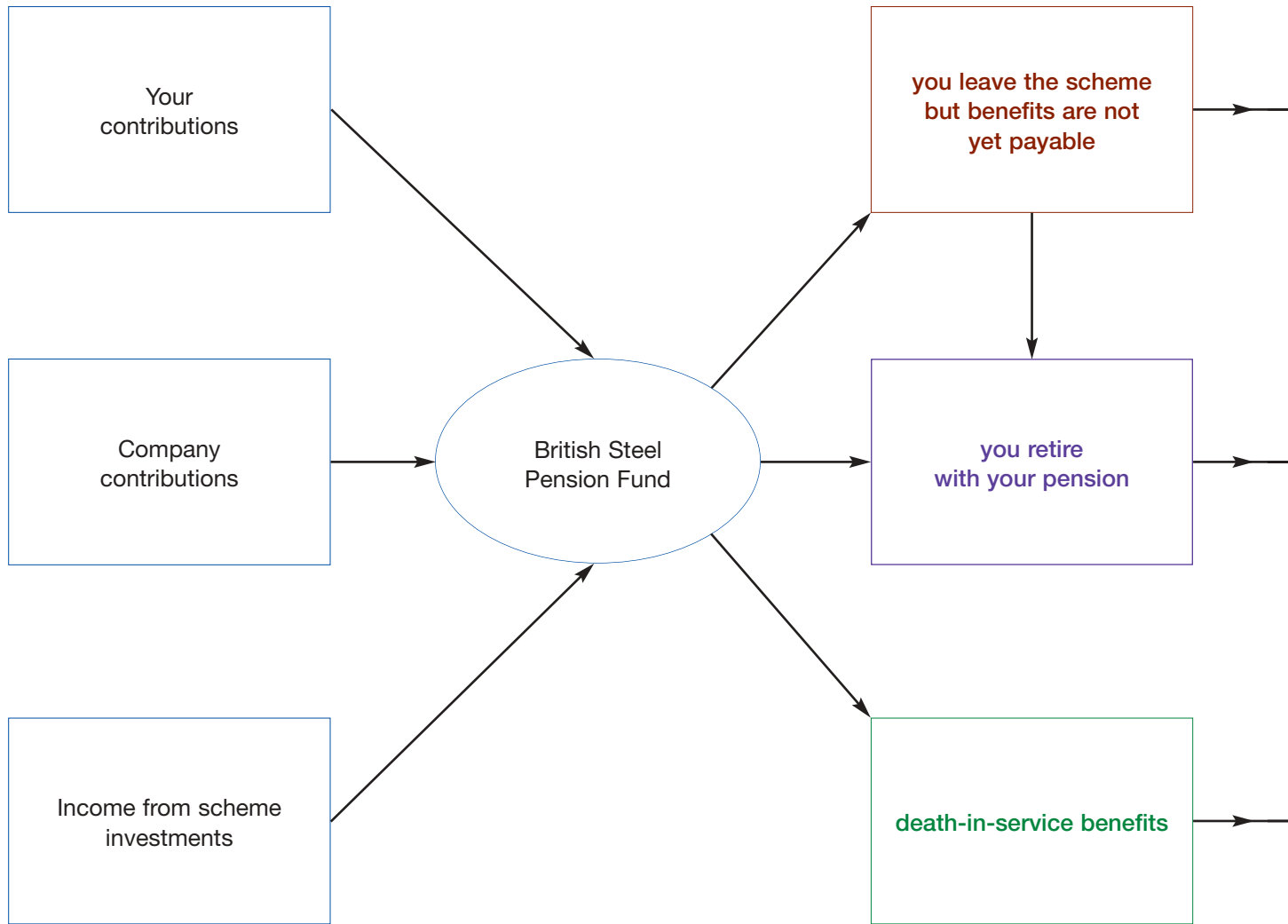
What are the main stages in scheme membership?





The scheme also provides benefits in the event of your death. This cover applies from the day you join the scheme. The benefits payable will depend on the category of your membership at the time of your death.

How does the Fund work for Members?



death before pension
is payable

- a refund of your contributions plus interest
- a pension is payable for life to your widow/widower
- an allowance is payable to any dependent children

- your pension is normally paid for the rest of your life
- it increases each year
- you can opt to take a cash lump sum at retirement, with a reduced pension

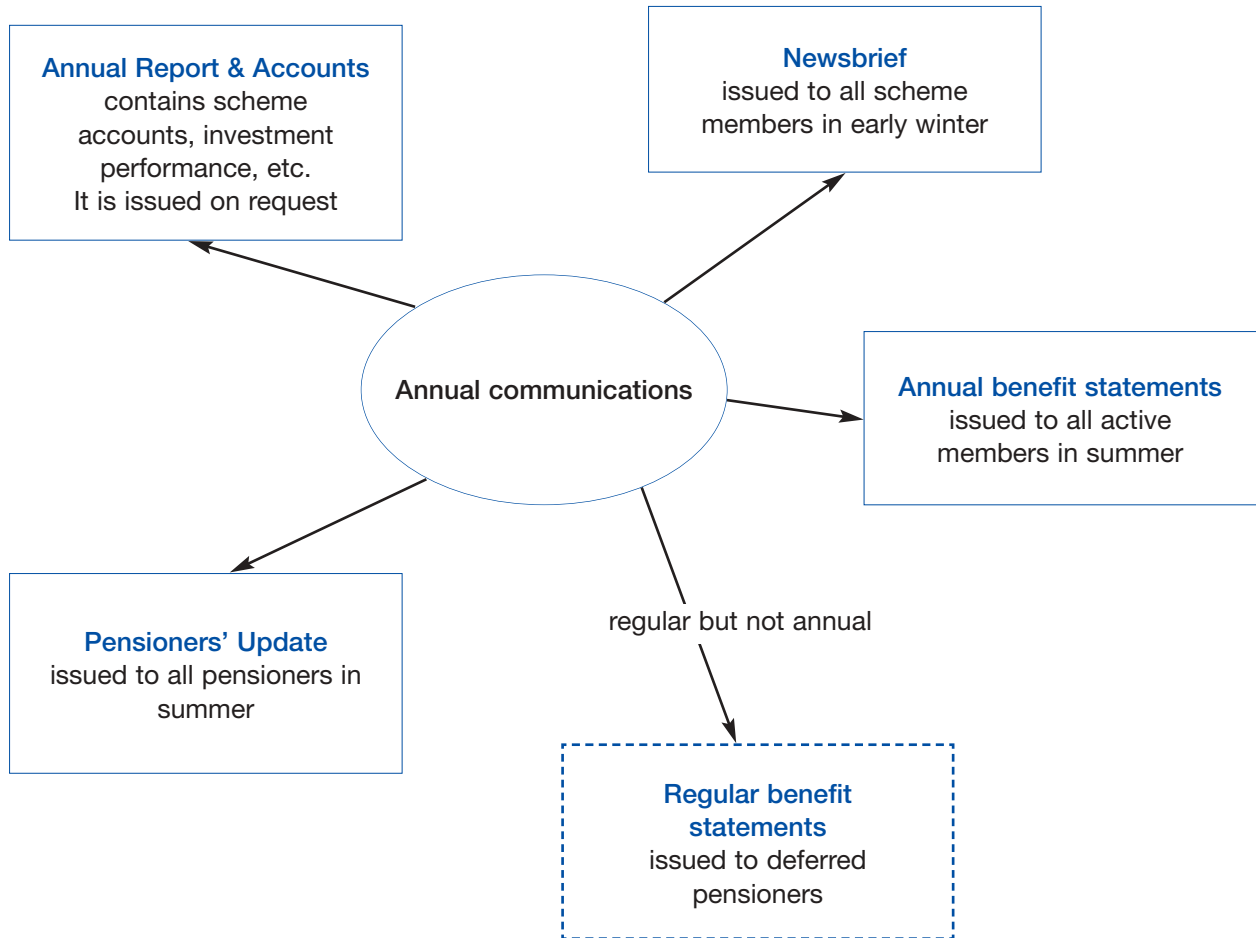
death in
retirement

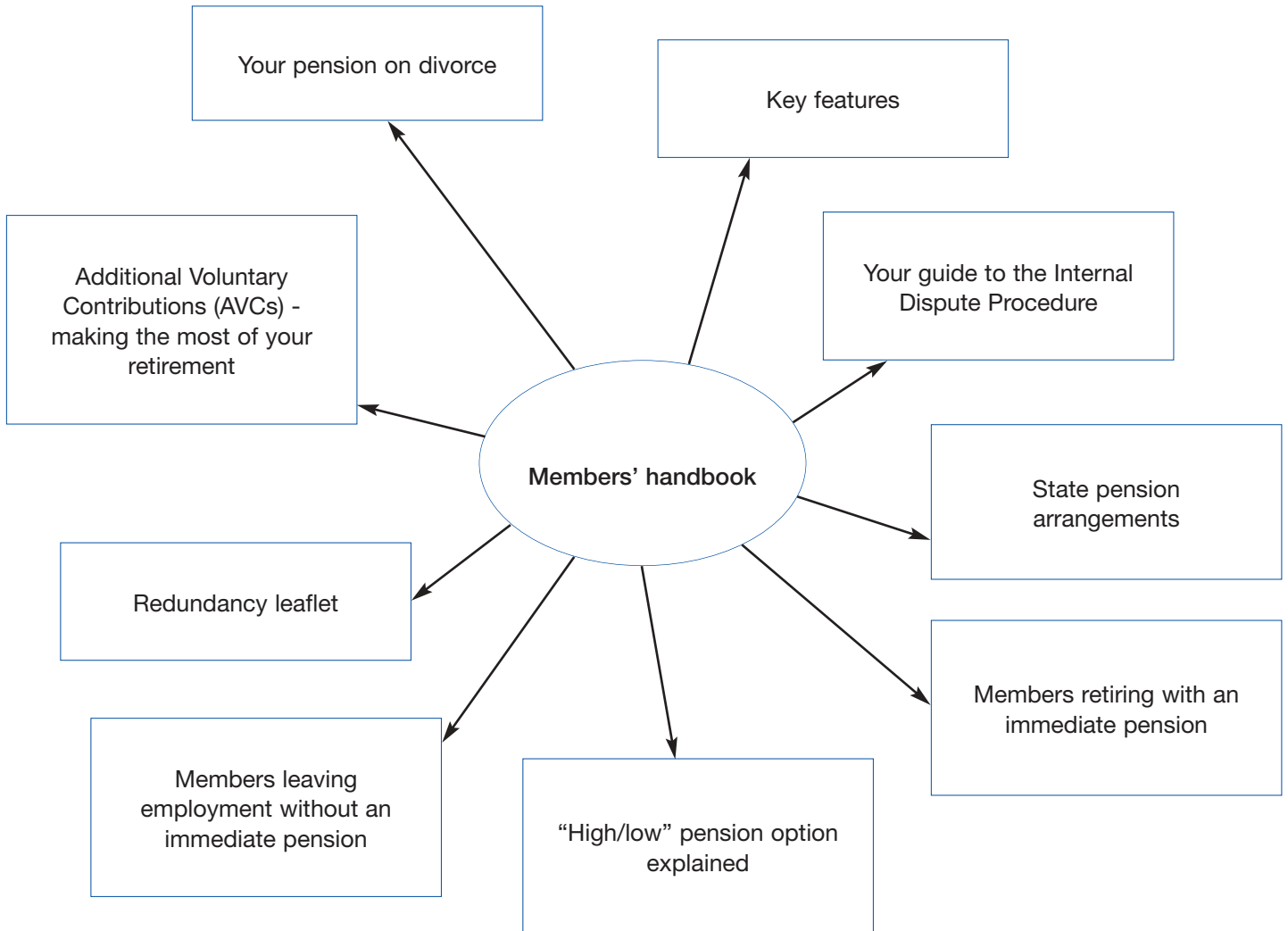
- a cash lump sum if your pension has not been paid for 5 years
- a pension is payable for life to your widow/widower
- an allowance is payable to any dependent children

- a lump sum is payable on your death
- a pension is payable for life to your widow/widower
- an allowance is payable to any dependent children

How am I kept informed?

There is a wide range of literature to ensure you are kept informed of scheme and general pensions news.





The Pensions Office tries to ensure that its literature is easy to read. Plain Language Commission assists by providing comments on much of the literature before it is printed - including this section, which has been awarded the “Clear English Standard”.

Your pension on divorce

The position of the British Steel Pension Scheme



July 2005

The Trustee of the British Steel Pension Scheme has decided that when it receives any Pension Sharing Order made under the new regulations, the Scheme will not offer ex-spouses of Scheme members the option of retaining any Pension Credit benefits in the Scheme.

The Trustee has also decided that the Scheme will not charge administration costs on any Pension Sharing Orders.

These decisions represent the current view of the Trustee. They will be reviewed in the light of experience and after full legal clarification is available.

Summary of pension terms

The following pension terms appear in **blue** throughout this handbook. They have the meanings described below.

Additional Voluntary Contributions (AVCs)

paid in addition to standard pension contributions, AVCs are used to purchase extra years of Pensionable Service in the Scheme. Both contributions and benefits are based on Earnings (not Pensionable Earnings).

Earnings

generally, your gross earnings (ie, before tax and any other deductions) for any Scheme Year. Bonuses of up to 30% paid in any Scheme Year are pensionable. Any excess bonus will not count for pension purposes and will not attract pension contributions. Unusually wide variations in non-basic pay elements may be averaged over 3 years. Specific one-off payments (such as outstanding holiday pay) are generally excluded.

The Government imposes an Earnings Cap on the Earnings on which contributions and benefits can be based for new entrants who joined the Scheme on or after 1 June 1989. For 2005/06, the ceiling on Earnings is £105,600.

Employer

the “Principal Company”, Corus UK Limited, and every Participating Company in the Scheme.

Final Pensionable Earnings

your highest rate of Pensionable Earnings for any one Scheme Year during the last 5 years of Scheme Membership. (Pensionable Earnings are currently Earnings less £3,328).

Final Remuneration

as defined by the Inland Revenue and presented in the Fourth Schedule of the Trust Deed and Rules.

Guaranteed Minimum Pension

the minimum pension which the Scheme must provide. It is broadly equivalent to the value of the SERPS benefits you would have otherwise accrued if you were not a Scheme member. GMPs do not accrue after 5 April 1997; instead, the Scheme must meet a “minimum benefit” test.

Summary of pension terms *continued*

Incapacity	means that a Member or former Member is unable to carry out any gainful employment due to physical or mental incapacity and is likely to remain permanently unable to do so. This form of retirement is subject to medical assessment.
Management Committee	the Trustee Committee who supervise the day-to-day administration of the Scheme under the terms of the Scheme's Trust Deed and Rules.
Member	a person who has joined the Acquisition Section of the British Steel Pension Scheme and who is continuing to contribute to it.
Normal Pension Age	age 65 for both men and women.
Pensionable Earnings	generally, your Gross Earnings in any Scheme Year less a deduction equal to £3,328 per annum (subject to review in 2006). See pension term "Earnings", on previous page.
Pensionable Service	the number of years, months and days that you have been a Scheme Member. It includes: <ul style="list-style-type: none">• any service granted for a transfer payment; or• service granted or purchased under the Scheme Rules.
Principal Company	Corus UK Limited.
Rules	the main document governing the administration of the Scheme.

Summary of pension terms *continued*

Scheme	British Steel Pension Scheme - Acquisition Section.
Scheme Actuary	a professional adviser appointed by the Trustee to advise on the financial operations of the Scheme.
Scheme year	From 1 April to 31 March
Stakeholder pension schemes	available from 6 April 2001, these schemes must meet strict standards set by the Government on cost, flexibility, the way they are run etc. They are treated the same way as a personal pension scheme for tax purposes.
State Pension Age	age 65 for men age 60 for women born on or before 5 April 1950 phased between age 60 to 65 for women born between 6 April 1950 and 5 April 1955 age 65 for women born on or after 6 April 1955
Trustee	B.S. Pension Fund Trustee Limited.
Widow/Widower	your legal husband or wife.

How to contact the Pensions Office

If you need more information, please write to the Pensions Office (no need for a stamp) at:

British Steel Pension Scheme
Freepost (MOO 188)
Glasgow
G2 7BR

You can phone the Pensions Office from anywhere in the UK at the cost of a local rate call.

If your surname begins A through to K, telephone 0845 274 0900.

If your surname begins L through to Z, telephone 0845 274 0901.

The lines are open Monday to Friday, from 8.45am to 4.45pm.

Outside these times, there is a telephone answering service.

Alternatively you can also fax the Pensions Office on 0141 248 5299 or visit the website at www.bspensions.com

Nomination Form

Lump sum death benefits

The person or people nominated must be your “dependant(s)”. These may be any of the following:

- your widow or widower;
- your children;
- your grandparents and the grandparents of your widow or widower, and the grandparents of any previous or deceased wife or husband of yours;
- your parents, uncles, aunts and cousins, and the parents, uncles, aunts and cousins of your widow or widower, and the parents, uncles, aunts and cousins of any previous or deceased wife or husband of yours, and the spouses of any such uncles, aunts and cousins;
- any person (whether they are 18 or not) to whom you have at any time put yourself in loco parentis* or their children, and any person who held you in loco parentis or their children.

Any person who the Trustee consider was wholly or partly dependent on your earnings at the time of your death - such as a ‘common law’ partner, fiancé or fiancée, living at the same address - may also qualify in these circumstances. But please note that no widow(er)’s pension would be payable.

If you decide to nominate someone outside the above categories, the Pensions Office recommends you have a Will drawn up which gives clear instructions similar to this nomination form. In this way the Trustee will, where appropriate, make payment to your legal representative.

*“in loco parentis” means “in the role of a parent”

The nomination

To be completed by the member. Please use block capitals.

In the event of my death, I would like the Trustee to consider paying any lump sum payable under the Scheme Rules to the following:

Full name	Address	Relationship to you	Share	e.g. a fraction (½, ¼, etc.) or a percentage (%). The shares must add up to 1 or 100%.

I understand that my wishes are not binding on the Trustee and I may, at any time, cancel or amend this nomination by submitting another Nomination Form.

I understand that the Trustee and their advisers and administrators (as detailed in the Annual Report & Accounts) will need to process certain data about me. I further understand that this may include items categorised under the Data Protection Act 1998 as “sensitive data”. I accept that the Trustee, and their advisers and administrators, need this data to pay benefits. I agree to this processing taking place.

Your information

Surname

Forenames

Date of birth

Title Mr Mrs Ms Miss Dr
(Please delete as applicable)

Other

National Insurance number

Place of employment

Home address

Signature

Date

Please return the completed form to:

Membership & Benefits
British Steel Pensions Office
Freepost (MOO 188)
Glasgow
G2 7BR

Telephone: Coten 7 380 266

The Pensions Office will acknowledge its receipt.



Request for an Additional Voluntary Contributions (AVCs) illustration

To be completed by the Member. Please use block capitals.

Section A

Surname

Title Mr Mrs Ms Miss Dr (Please delete as applicable) Other

Forenames

Date of Birth

National Insurance number

Work location

Home address

Daytime telephone number

continued overleaf

Section B

- Do you have a paid-up pension, or a pension in payment from a previous employer or from a period of self-employment?

Yes

No (please tick as appropriate)

- Are you currently contributing to a FSAVC?

Yes

No (please tick as appropriate)

If “yes”, please contact your pensions provider to ask for the transfer value of these pension benefits. You should send the Pensions Office copies of the correspondence detailing your entitlement. It could affect your eligibility to pay AVCs.

- Please provide me with a quote to purchase AVCs to age 65; or

- I would prefer a quote assuming I will retire at age
(please insert your preferred age here - it must be at least 55);

Signature

Date

Please return the completed form to:

Membership & Benefits
British Steel Pension Scheme
Freepost (MOO 188)
Glasgow
G2 7BR

Telephone: Coten 7 380 266

