Announcement to all active members and potential members
of the GPMU Officers & Staff Pension Fund regarding
changes to the Fund

As many of you will be aware, stock markets are experiencing a prolonged
period of very poor and indeed negative performance. Pension schemes
characteristically invest heavily in the stock market and as a result, many
pension schemes have seen the value of their assets reduce substantially
over the last three years. Consequently, many pension schemes are now
funded at a level, which is below the statutory basis known as the Minimum
Funding Requirement (MFR). The MFR was introduced by the Pensions Act
1995.

Unfortunately, the GPMU Officers & Staff Pension Fund has not been immune
to the problems of negative equity performance, and at the last valuation the
funding rate on the MFR basis was only 81%. The Pensions Act 1995
prescribes time limits by which a pension scheme must remove a funding
deficit and the Union and the trustees are taking steps to ameliorate the
funding problems of the Fund within the regulations which Parliament has
made to amplify the requirements of the Pensions Act.

Whilst the Executive Council and the trustees realise that investments can
and do fluctuate over time, they have decided that as part of the recovery
programme for the Fund they must implement the following three changes to
the benefits of the Fund. It must be stressed that extensive discussion and
deliberation took place before the following changes were agreed.

- The administrators of the Fund fix pensionable salary as the salary of
  the member concerned as at the previous October. With effect from
  31st January 2003, the annual increase in pensionable salary each
  October will be restricted to the rise in the Retail Prices Index (RPI)
- Normal retirement age will be increased to age 65 for pensionable
  service from 1st July 2003
- Member’s contributions will increase from 7% to 10% from 1st July
  2003

Change to Definition of Pensionable Salary:
From 31st January 2003, the pensionable salary definition has been amended
to restrict the annual increase in pensionable salary to the rise in the Retail
Prices Index (RPI). The index used is the index for the twelve months to July
each year.
Example:

<table>
<thead>
<tr>
<th>Mr Smith</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensionable salary at 31st January 2003</td>
<td>£22,549</td>
<td>Basic salary at 31st January 2003</td>
<td>£22,549</td>
</tr>
<tr>
<td>Increase in Index for 12 months to July 2003 is</td>
<td>2%</td>
<td>Union awards pay rise of</td>
<td>3.5%</td>
</tr>
<tr>
<td>Pensionable salary at 1st October 2003</td>
<td>£23,000</td>
<td>Basic salary</td>
<td>£23,338.22</td>
</tr>
</tbody>
</table>

**Increase in Normal Retirement Age:**

Until 1st July 2003, Members of the Fund have the right to retire at age 60 with no penalty. From 1st July 2003 normal retirement age will increase to 65, however, pension benefits built up to 30th June 2003 will continue to be calculated by reference to retirement age 60.

This means that any member who wishes to take retirement before age 65 but after age 60 can still do so, but the part of their pension accrued after 1st July 2003 will have an actuarial reduction applied for payment before age 65.

Any member who wishes to retire before age 60 must seek the consent of the trustees of the Fund. On retirement before age 60 the member’s pension accrued before 30th June 2003 would be actuarially reduced by reference to age 60, and their pension accrued from 1st July 2003 would have an actuarial reduction factor applied to that part of their pension calculated by reference to age 65.

This is best explained by way of an example:

Mr Smith joined the Fund on 1st July 1988 and seeks to retire at age 60 on 1st July 2005:

His pensionable service to 30th June 2003 = 15 years
His pensionable service post 1st July 2003 = 2 years
Mr Smith’s Final Pensionable Salary = £23,000
Early retirement factor for 5 years = 0.824

Pension payable from the Fund =

Pre July 2003: \(1/60 \times 15 \times £23,000 = £5,750\)

Post July 2003: \(1/60 \times 2 \times £23,000 = £766.67\)

\[\times 0.824 \text{ (early retirement factor)} = £631.74\]

Total pension = £5,750 + £631.74 = £6,381.74 per annum

If a member retires at age 65 then his or her pension will be based on all of his or her pensionable service, and there will be no reduction. There may be an increase: at the point of retirement, a check will be made to see if the member concerned would be better off, if his or her pension earned by...
reference to pensionable service up to and including 30th June 2003 were treated as a ‘frozen’ pension, actuarially increased to take account of the fact that it is being paid at age 65 and not at age 60. If that would produce a better result then the higher pension will be paid.

Please note, if you joined the Fund before July 1988 the calculation is different from above. Please see Appendix 1, 2 or 3 at the end of this announcement for an example.

Increase to Members’ Contribution Rate:
The majority of final salary pension schemes require a contribution from both the members and the sponsoring employer. The current member contribution under the Fund is 7% of pensionable salary. From 1st July 2003 the member contribution will increase to 10%. However, the actual cost to the member will be less than this as pension scheme contributions benefit from tax relief at the individual’s highest rate (i.e. 22% or 40%).

As set out below, membership of the Fund is not compulsory, but if you wish to remain a member, we will need your consent to increase the contributions deducted from your pay. Please complete the attached form entitled “Increase to Member Contributions” to give your authority for the higher contribution rate to be deducted from your salary.

Termination of Contributory Membership:
Pension scheme membership is voluntary and you may choose to cease contributory membership of the Fund at any time. If you are considering leaving active membership of the Fund then it is recommended that you seek independent financial advice to ensure that you appreciate the consequences. In order to inform the trustees of your wish to withdraw from the Fund you must complete the attached form entitled “Voluntary Cessation of Contributory Membership”.

The changes to the Fund described above are quite complicated and many of you may have questions relating to these amendments. For this reason we attach as an appendix to this document a “Questions & Answers” sheet which will hopefully be helpful to you.

Please note, neither the trustees nor the Union are able to give what may constitute financial advice. If you feel you need financial advice you should contact an independent financial adviser. The following web site may be useful: www.needanadviser.co.uk

Yours faithfully

Tony Kitchener
Secretary to the trustees
Issued on behalf of the Trustees of the GPMU Officers & Staff Pension Fund
27.03.03
Appendix 1

Former SOGAT member between 06.01.1974 and 30.06.1988
Early Retirement Calculation FROM JULY 2003: -

NB: This example assumes that the member will retire at age 60. Retirement at any other age will produce a different pension amount.

Final Pensionable Salary (FPS) = £23,000
Pensionable Service (PS) = 01.01.80 to 01.01.2005 = 25 yrs
Potential Pensionable Service (PPS) =01.01.80 to 01.01.2010 = 30 yrs
Early Retirement Factor (ERF) = 0.824 (5 years)

Part A
Pre 07/03 (PS to 30.06.03) → 23yrs 6 months
Pst 07/03 (PS post 01.07.03) - 1yr 6 months

Pre 07/03: 1% x 23 6/12 x £23,000 = £5,405.00
Pst 07/03: 1% x 1 6/12 x £23,000 = £ 345.00
x 0.824 (ERF) = £ 284.28

Total Part A = £5,405.00 + £284.28 = £5,689.28

Part B
Basic calculation: 25% x £23,000 = £5,750.00

Pre 07/03: 23 6/12 / 25 x £5,750 = £5,405.00
Pst 07/03: 1 6/12 / 25 x £5,750 = £ 345.00
Early retirement 25/30 x £345.00 = £ 287.50
adjustment

Total Part B = £5,405.00 + £287.50 = £5,692.50

Total pension aged 60 = A + B = £11,381.78
Appendix 2

Former NGA “Staff Scheme” Member
Early Retirement Calculation FROM JULY 2003: -

NB: This example assumes that the member will retire at age 60. Retirement at any other age will produce a different pension amount.

Final Pensionable Salary (FPS) = £23,000
Pensionable Service (PS) = 01.01.80 to 01.01.2005 = 25 yrs
Early Retirement Factor (ERF) = 0.824 (5 years)

Periods of Service:
(SS2) Scheme Service 2 = 01.01.80 to 31.12.89 = 10 yrs
(SS1) Scheme Service 1 = 01.01.90 to 31.12.93 = 4 yrs
PS pre 07/03 = 01.01.94 to 30.06.03 = 9 yrs 6 months
PS post 07/03 = 01.07.03 to 01.01.05 = 1 yr 6 months

Calculation:
SS2 = \( \frac{1}{70} \times £23,000 \times 10 \) = £3,285.71
SS1 = \( \frac{1}{60} \times £23,000 \times 4 \) = £1,553.33
PS pre 07/03 = \( \frac{1}{60} \times £23,000 \times 9 ^{\frac{6}{12}} \) = £3,641.67
PS pst 07/03 = \( \frac{1}{60} \times £23,000 \times 1 ^{\frac{6}{12}} \times 0.824 \) (ERF) = £575.00

Total pension: £3,285.71 + £1,553.33 + £3,641.67 + £473.80 = £8,954.51
Appendix 3

Former NGA Pension Scheme Member
Early Retirement Calculation FROM JULY 2003: -

NB: This example assumes that the member will retire at age 60. Retirement at any other age will produce a different pension amount.

Final Pensionable Salary (FPS) = £23,000
Pensionable Service (PS) = 01.07.85 to 01.07.2005 = 20 yrs
Potential Pensionable Service (PPS) = 01.07.85 to 01.07.2010 = 25 yrs

Initial percentage of FPS payable = 50%
50% x £23,000 = £11,500

Pre 07/2003:
01.07.85 to 30.06.03 = 18 years
18/20 x £11,500 = £10,350

Pst 07/2003:
01.07.03 to 01.07.05 = 2 years
2/20 x £11,500 = £1,150

Reduced by reference to age 65 –
20/25 x £1,150 = £920

Total pension at age 60 = £10,350 + £920 = £11,270
GPMU Officers & Staff Pension Fund
Increase to Member Contributions

With effect from 1st July 2003, I, the undersigned member of the GPMU Officers & Staff Pension Fund (the Fund) hereby authorise deduction of pension scheme contributions at the new rate of 10% of my pensionable salary.

Full Name.................................................................

Signed.................................................................

Dated.................................................................

Please return this form as soon as possible. Failure to return this form duly completed by 1st June 2003 may necessitate the Union terminating your contributory membership of the Fund in accordance with Clause 24 of the Definitive Deed of the Fund.
GPMU Officers & Staff Pension Fund
Voluntary Cessation of Contributory Membership

I, the undersigned member of the GPMU Officers & Staff Pension Fund (the Fund) hereby notify the trustees of the Fund that I wish to cease to be a contributing member with effect from the (day).............of (month)...................(year)..........

I understand that my accrued benefits in the Fund will be preserved until such future date as I retire. My preserved benefits will be revalued as per the Trust Deed & Rules up to the date I retire.

By withdrawing from the Fund I understand that I will no longer be covered for the lump sum death in service benefit of four times my pensionable salary.

Full Name..............................................................

Signed.................................................................

Dated......................................................