



Northumbrian Water Pension Scheme
Water Mirror Image Pension Scheme Section

Members guide

Summary of Scheme benefits

This booklet has been designed to give you an easy-to-read summary of how the **Water Mirror Image Pension Scheme Section** of the **Scheme** works as well as the benefits it provides for you and your **dependants**. This Section of the **Scheme** was closed to new members on 31 August 1989.

About the Scheme

The **Scheme** is what's known as a final salary pension scheme. With this type of scheme you earn a pension based on how long you've been a member and your final pay when you retire from or leave the **Scheme**. **Your contributions** and those of the **Company** are paid into the **Scheme** to fund the benefits that are provided under the **Scheme** Rules.

The contributions paid into the **Scheme** are held within a trust and are entirely separate from the assets of the **Company**. The **Scheme** is managed by the **Trustee** in accordance with the provisions of the **Scheme** Rules.

As a member of the **Scheme**, you will benefit from the following tax advantages:

- tax relief on **your contributions**
- a tax free cash lump sum when you retire.

We have tried to keep the number of technical terms used throughout the booklet to a minimum. However, you will come across some terms that are used in connection with the **Scheme**. These terms are shown in bold within the text and are explained in the "Glossary" section on page 17.

At a glance • At a glance • At a glance • At a glance

As a member you will:

- earn pension of 1/80th of your **Final Pensionable Pay** for each year of membership;
- earn an additional tax free lump sum of 3/80ths of your **Final Pensionable Pay** for each year of membership;
- contribute 7% of your **Pensionable Pay** (from 1 April 2008);
- be covered should you die in **Pensionable Service** for pensions for your **Spouse** and any dependent **Children**;
- be covered on death in retirement for:
 - a lump sum payment if you die less than five years after you retire;
 - pensions for your **Spouse** and any dependent **Children**.

Life insurance cover is provided by the **Company** in addition to these benefits.

Important note

This booklet is a general guide to your benefits. It does not replace the formal **Scheme** documents, such as the Trust Deed and Rules, which contain the definitive provisions and rules for calculating your benefits. Where there are any discrepancies between this booklet and the **Scheme** documents, the **Scheme** documents prevail. The **Scheme** documents are available to you if you need more detailed information.

Questions

If you have any questions about the **Scheme** generally or have any other questions about your benefits that aren't answered here, please contact the **Pensions Team** if you are an employee or the **Pensions Administrators** if you have retired or left service.

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Membership and contributions

At a glance • At a glance • At a glance • At a glance

- The **Water Mirror Image Pension Scheme Section** of the **Scheme** is closed to new members.
- Your contributions are 7% of **Pensionable Pay** (from 1 April 2008).
- You can pay Additional Voluntary Contributions into the **Defined Contribution Section**.

Who can join the Scheme?

The **Water Mirror Image Pension Scheme Section** of the **Scheme** is closed to new members.

As a member, it is your responsibility to decide whether or not you should remain in the **Scheme**. The **Scheme** provides valuable benefits for you and your **Spouse/Dependants** but the **Company** cannot guarantee it will always be in your best interests to be a member.

For example, your State benefits may be affected as a result of your membership of the **Scheme**. Neither the **Company** nor the **Trustee** can advise you on this. If you are unsure about your options you may wish to contact an independent financial adviser.

Can I opt out of the Scheme?

You can opt out of the **Scheme** at any time by giving at least 60 days' notice in writing to the **Trustee**. You will need to complete an opting out form which you can obtain from the **Pensions Team**.

You will be treated as ceasing to be in **Pensionable Service** on the date your membership of the **Scheme** ends. (See Options on leaving the **Scheme** on page 10 for further information.)

You will not be allowed to rejoin the **Water Mirror Image Pension Scheme Section** of the **Scheme** at a later date, although you may be able to join the **Defined Contribution Section**.

Before making any decision to opt out while still working for the **Company**, you are strongly recommended to discuss the issues involved with an independent financial adviser.



What do I pay?

Your contributions to the **Scheme** are 7% of **Pensionable Pay**, from 1 April 2008.

If you participate in the **SMART** arrangement, the **Company** pays the 7% contribution on your behalf and your pay is reduced by that amount.

Your contributions reduce your taxable income and therefore the amount of tax you pay. If you participate in the **SMART** arrangement this also reduces the amount of National Insurance contributions you pay. For further information about the **SMART** arrangement you should contact the **Pensions Team**.

What does the Company pay?

The **Company** meets the balance of the cost of the **Scheme** benefits.

The **Actuary** values the **Scheme** at regular intervals (usually every three years) and advises what the **Company** should contribute in addition to members' contributions, to meet the cost of members' benefits. The amount of the **Company's** contribution is decided jointly between the **Company** and the **Trustee**.

Could I also contribute to a personal pension?

You may if you wish also contribute to an individual pension arrangement (for instance a personal pension plan or stakeholder plan) whilst also contributing to the **Scheme**.

Can I pay extra contributions into the Scheme?

You can pay Additional Voluntary Contributions into the **Defined Contribution Section**. For further details please contact the **Pensions Team**.

Can I transfer my benefits from a previous scheme?

If the **Company** and **Trustee** consent, you may be able to transfer benefits which you have built up in other pension schemes into the **Defined Contribution Section**. For further details please contact the **Pensions Team**.

What happens if I am off work due to illness or other absence?

Such periods will normally count towards your **Pensionable Service**, whether or not you pay any contributions, unless the **Company** notifies you otherwise. If the **Company** does notify you that your absence will not be counted as **Pensionable Service**, you will have the opportunity to pay contributions so that the period is counted as **Pensionable Service**.

Benefits on retirement

At a glance • At a glance • At a glance • At a glance

- Your **Normal Retirement Date** is the day before your 65th birthday.
- For each year of membership you earn:
 - a pension of 1/80th of your **Final Pensionable Pay**; and
 - a tax free cash lump sum of 3/80th of your **Final Pensionable Pay**
- You will normally be able to increase your tax free cash lump sum by giving up part of your pension. Alternatively, you may increase your pension by giving up part of your lump sum.
- You may be able to draw your pension and take your cash sum if you have reached age 50 (55 from April 2010) or earlier if you have to retire because of ill-health.

How are my benefits worked out?

For each year of **Pensionable Service** you earn

- 1/80th of your **Final Pensionable Pay**.

Plus

- A tax free cash lump sum of 3/80ths of your **Final Pensionable Pay**.

Example

Assuming you had completed 30 years' **Pensionable Service** and had a **Final Pensionable Pay** of £18,000, your benefits at **Normal Retirement Date** would be worked out like this:

Pension: 30 years x 1/80 x £18,000
= £6,750 per year.

Cash Lump Sum: 30 years x 3/80 x £18,000
= £20,250.

What if I work part-time?

Your benefits will be adjusted to allow for the number of hours worked. If you work part-time you can get further information from the **Pensions Team**.

Can I exchange pension for cash?

On top of the cash lump sum that you earn in the **Scheme**, you can usually exchange part of your pension for an additional tax free cash lump sum payment.

There are limits on how much extra cash you can take and details will be provided to you when you retire.

The amount of cash you get will depend on your age when you retire and the amount of pension given up. It is worked out by the **Trustee** on the advice of the **Actuary**.

This option applies whenever you draw your pension.

Can I exchange my tax free cash sum for pension?

Yes, you can give up some or all of your cash lump sum to increase your pension. More details are available from the **Pensions Team**.

Can I take my benefits early if I retire from service before Normal Retirement Date (other than due to ill-health)?

Yes, if you have reached age 60 you can retire from service and draw an immediate pension. If you have reached age 50 (55 from April 2010) and you wish to retire from service, you need to apply to the **Company** for consent.

Your pension will be reduced because it is being paid early. Special terms apply for your benefits earned before 1 January 2008 if you qualify for the **Rule of 85** at your date of retirement or if you would have qualified for the **Rule of 85** before age 65 if you had remained in service.

More details about your options on early retirement are available from the **Pensions Team**.

Example

If you turned 50 on 1 January 2008 and had completed 30 years of **Pensionable Service**, and you then worked for another 10 years and decided to retire at age 60 -

Your pension would be worked out like this:

30 years x 1/80th x **Final Pensionable Pay**
*Your pension earned before 1 January 2008 is not reduced because the **Rule of 85** is met (60 + 40 = 100 years).*

+

10 years x 1/80th x **Final Pensionable Pay** x reduction factor
*Your pension earned after 1 January 2008 is reduced because you are retiring before your **Normal Retirement Date** and the **Rule of 85** does not apply to this service.*

Your cash sum would be worked out like this:

30 years x 3/80th x **Final Pensionable Pay**
*Your cash sum earned before 1 January 2008 is not reduced because the **Rule of 85** is met (60 + 40 = 100 years).*

+

10 years x 3/80th x **Final Pensionable Pay** x reduction factor
*Your cash sum earned after 1 January 2008 is reduced because you are retiring before your **Normal Retirement Date** and the **Rule of 85** does not apply to this service.*

What if I continue working beyond Normal Retirement Date?

If you carry on working after your **Normal Retirement Date** and do not take your benefits, you can decide whether or not to carry on making contributions to the **Scheme**. More details will be provided if this applies to you.

Can I take my benefits while still working for the Company?

Yes. To take advantage of this option you must be over age 50 (age 55 from 6 April 2010).

If you take this option, **your contributions** will stop and you will not build up any more pension benefits even though you are still working for the **Company**. If you take your pension before **Normal Retirement Date**, your pension will be reduced because it is being paid early. Benefits earned before 1 January 2008 will not be reduced if you are age 60 or over and have met the **Rule of 85** when your pension starts.

More details about this option are available from the **Pensions Team**.

What if I am made redundant?

If you are age 50 (55 from April 2010) or over, you will be entitled to an immediate unreduced pension and cash lump sum from the **Scheme**. This applies on redundancy or severance.

What if I have to retire from service due to ill-health?

If you are permanently unfit for work and for alternative employment (except at a significantly reduced rate of pay) you can retire on an immediate pension.

Example:

Your pension will be worked out like this:

$1/80^{\text{th}}$ x your **Final Pensionable Pay**
x your **Enhanced Pensionable Service**

Your cash sum will be worked out like this:

$3/80^{\text{th}}$ x your **Final Pensionable Pay**
x your **Enhanced Pensionable Service**

Your ill-health pension may be reduced or stopped if you become fit to work again or if you decline to attend a medical examination to assess your fitness for work.

Will my pension increase?

Once your pension starts to be paid, it will be increased on 1 April each year.

- The part of your pension built up before 1 January 2008 will increase in line with **inflation**.
- The part of your pension built up from 1 January 2008 will increase in line with **inflation** up to a maximum of 5%. If **Inflation** is more than 5%, increases above 5% (up to the rate of **Inflation**) may be paid, if the **Actuary** confirms that the **Scheme** has sufficient funds and if the **Company** consents.

These increases apply to your pension above your **Guaranteed Minimum Pension** which is increased partly by the **Scheme** and partly by the State.

Will I get a pension from the State?

Membership of the **Scheme** does not affect your entitlement to the Basic State Pension which will be paid by the State in addition to your **Scheme** pension. But, as the **Scheme** is contracted out of the Additional State Pension, your **Scheme** pension replaces some or all of your Additional State Pension. For more details, please see the section on State benefits on page 13.

Death benefits

At a glance • At a glance • At a glance • At a glance

- A pension for your **Spouse** if you die while an employee or after you retire.
- **Children's** pensions may also be payable.

What benefits are paid if I die while still working?

If you die as a contributing member of the **Scheme**, pensions will be paid to:

- your **Spouse** (see below).
- any dependent **Children**.

Note that life cover is provided by the **Company** in addition to these benefits and more details are available from the **Pensions Team**.

How is the Spouse's pension worked out?

A short term **Spouse's** pension of 1/12th of your **Final Pensionable Pay** will be paid each month for the first three months. After this, a long term **Spouse's** pension will be paid. This is worked out as half the pension you would have received if you had continued as a member until your **Normal Retirement Date**, but based on your **Final Pensionable Pay** at your date of death.

If your **Spouse** is 10 or more years younger than you, the pension may be reduced.

Are any pension benefits payable to my Dependants?

If when you die you do not have a surviving **Spouse** the **Trustee** may decide that a pension should be paid to one or more adult **Dependants**.

Optional Dependant's pensions

When you retire you can, if you wish, exchange part of your pension to provide an increase to your **Spouse's** pension or to provide a pension for your **Dependants**. More details are available from the **Pensions Administrators**.

What benefits are paid if I die after taking my pension benefits?

If you die whilst you are receiving a pension the following benefits are payable:

- A lump sum of 4 times your salary at your date of retirement less the payments you have received since you retired, including any tax free cash sum.
- A **Spouse's** pension (see below)
- **Children's** pensions for the benefit of any dependent **Children**.

How is the Spouse's pension worked out?

Your pension will continue to be paid to your **Spouse** for three months (the 'short term' **Spouse's** pension). After this, a long term **Spouse's** pension will be paid equal to half your pension. For both the short term and long term **Spouse's** pensions, the pension will be calculated based on your pension when you die but ignoring any reductions for early payment which may have applied.

If your **Spouse** is 10 or more years younger than you, the pension may be reduced.

Who receives the lump sum?

Lump sums payable on your death are paid at the discretion of the **Trustee**. Paying the benefit in this way means that the lump sum is normally free of Inheritance Tax. The **Trustee** will take your wishes (if known) into account when making a decision but the **Trustee** is not bound by them.

You should assist the **Trustee** by completing an Expression of Wish Form, a copy of which can be obtained from the **Pensions Team**. It is important that you keep your Expression of Wish Form up to date, if your family circumstances change.

Options on leaving the Scheme

At a glance • At a glance • At a glance • At a glance

- Once you leave the **Company**, you cannot continue contributing to the **Scheme**.
- You can keep a deferred pension and cash sum in the **Scheme** until you retire.

What are my options if I leave the Scheme?

When you leave the **Scheme**, you have the following options:

- a deferred pension benefit;
- a transfer of benefits;
- an immediate early retirement pension if you are age 50 (55 from April 2010) or over, or earlier in case of ill-health.

How are my deferred benefits worked out?

Your deferred benefits will be payable from your **Normal Retirement Date** and will be worked out in the same way as if you had retired at the date you left the **Scheme**:

Example

Pension:

$1/80\text{th} \times \text{your Final Pensionable Pay}$ at the date of leaving \times your **Pensionable Service** to your date of leaving.

Cash lump sum:

$3/80\text{th} \times \text{your Final Pensionable Pay}$ at the date of leaving \times your **Pensionable Service** to your date of leaving.

Can I take my deferred benefits before Normal Retirement Date?

You can apply to draw your deferred pension and cash lump sum:

- at any time after age 50 (55 from April 2010); or
- at any time if you become permanently unfit for work due to ill-health.

Early payment of your deferred pension before age 60, other than on grounds of ill-health, requires the agreement of the **Trustee** and your pension will be reduced to take account of the early payment.

Benefits earned before 1 January 2008 will not be reduced if you are retiring on or after age 60 and have reached the age when you would have met the **Rule of 85** if you had remained in service.

If you are taking your pension on account of ill-health, it will be calculated using your **Pensionable Service** to your date of leaving. It will not take into account any service enhancement which may be available on ill-health retirement from active service.

What if I die before my deferred benefits are paid?

A pension will be paid to your **Spouse** equal to half of your deferred pension. A lump sum death benefit will also be paid to your beneficiaries equal to:

- your deferred cash lump sum earned up to 31 December 2007; plus
- **your contributions** (with interest) paid after 1 January 2008.

Children's pensions will also be paid for the benefit of any dependent **Children**.

Is my deferred pension increased when in payment?

Yes, in exactly the same way as an ordinary **Scheme** retirement pension (see page 8).

Are my deferred benefits increased before I retire?

Yes. The part of your deferred pension and cash lump sum earned before 1 January 2008 will be increased between your date of leaving and the date of payment in line with **Inflation**. The part of your deferred pension and cash lump sum earned on or after 1 January 2008 will increase over the same period in line with **Inflation** up to a maximum of 5% a year.

What about the transfer option?

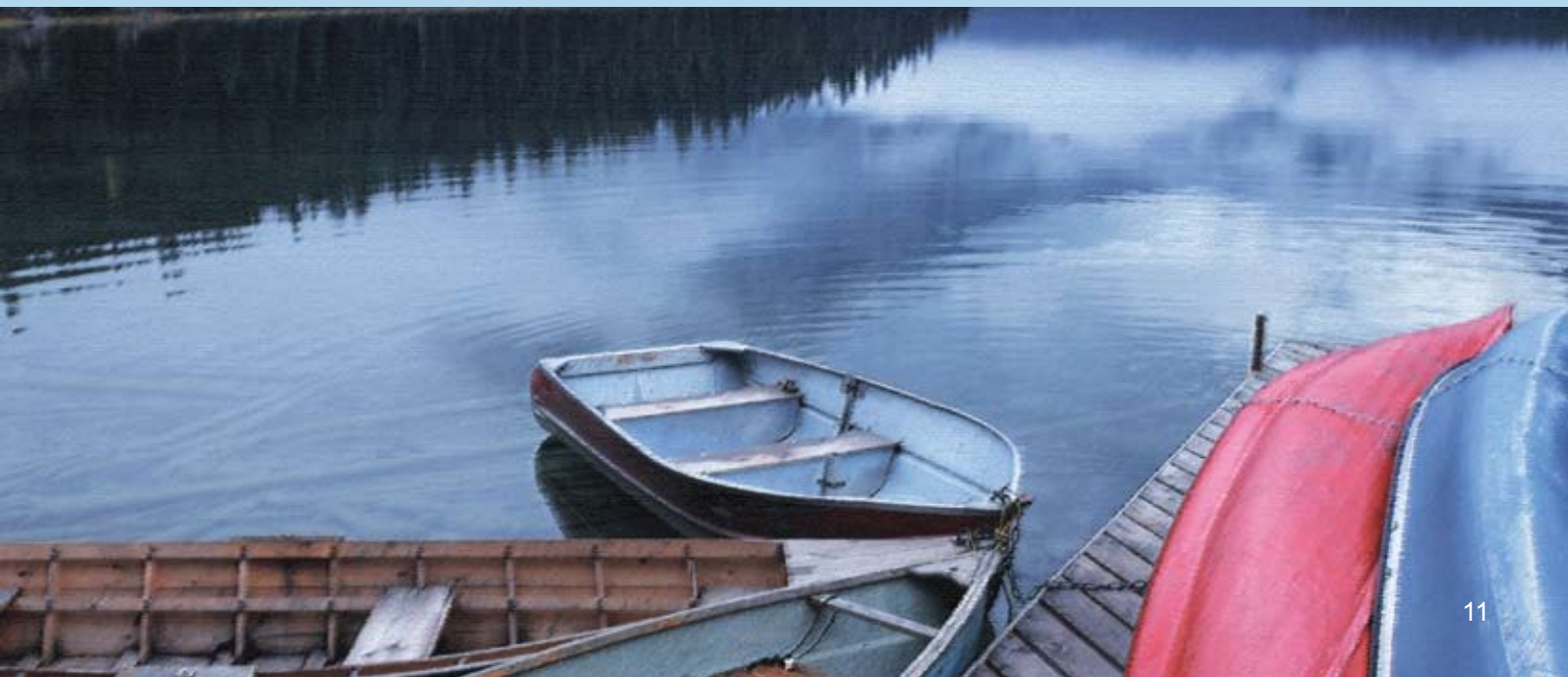
A transfer value is available from the day you leave the **Scheme** until you draw your benefits, so you do not have to make an immediate decision.

The transfer value is the cash value of your deferred pension and deferred cash lump sum at the date of transfer.

A transfer can be made to another pension arrangement (such as your new employer's scheme). If you elect to take a transfer, no further benefits will be payable from the **Scheme** to you, your family, or your **Dependants**.

You can request a statement of your transfer value from the **Pensions Administrators**. This would be provided free of charge, however there would be a charge for a second or subsequent statement within a 12 month period.

If you consider taking a transfer, you should seek independent financial advice as to whether this would be in your best interests.



Family matters

At a glance • At a glance • At a glance • At a glance

- If you marry or enter into a Civil Partnership your **Spouse** becomes entitled to certain benefits from the **Scheme**.
- If you divorce or your Civil Partnership is dissolved a pension sharing order may apply to your pension.
- If you are on family or parental leave special conditions will apply to your **Scheme** membership.

What happens to my benefits if I get married?

If you marry or enter into a Civil Partnership whilst a member of the **Scheme** your **Spouse** will normally become entitled to benefits from the **Scheme** in the event of your death. If you have left the **Scheme** or are receiving your pension and your marriage takes place less than six months before your death your **Spouse** will not normally be entitled to a **Spouse's** pension.

What happens to my pension if I get divorced or my Civil Partnership is dissolved?

The court can award part of your pension to your former **Spouse**. This is known as a 'pension sharing order'.

If your pension is subject to a pension sharing order, your former **Spouse** will receive a pension credit which he/she *must* transfer to their own pension arrangement. Your pension will be reduced by a similar amount, known as a "pension debit". Please note that you will be responsible for any costs incurred by the **Scheme** in implementing a pension sharing order on your pension.

If you are in the process of a divorce you should contact the **Pensions Administrators** to request any information your solicitor has asked for. The **Pensions Administrators** can also provide details of the costs which may be involved.

What happens to my Scheme membership if I go on family leave?

Family leave includes maternity leave, adoption leave, paternity leave and parental leave.

Periods of paid family leave count towards your **Pensionable Service**. Your **contributions** will be based on the pay you receive but the benefits earned will be based on the **Pensionable Pay** you would have received if you were not on leave.

If you are on unpaid additional maternity leave or other unpaid family leave you do not pay contributions and your membership of the **Scheme** is suspended. Such periods of leave will not be counted as **Pensionable Service** unless the **Company** allows you to pay backdated contributions when you return to work.

Death in service **Spouses** and **Children's** benefits (see page 9) will continue to be provided if you die whilst on family leave.

State benefits

There are two parts to State pension provision:

The Basic State Pension

This is a flat rate pension payable to everyone who has a sufficient National Insurance contributions record. Membership of the **Scheme** does not affect your entitlement to the basic state pension.

Additional State Pension

Before April 2002, the Additional State Pension was known as the State Earnings Related Pension Scheme (SERPS). From April 2002 it became the State Second Pension (S2P).

The **Scheme** is contracted out of the Additional State Pension on a salary related basis under Section 9(2) of the Pension Schemes Act 1993. This means that during your years of membership the **Scheme** pension replaces some or all of the benefits you would have built up in SERPS or S2P. In return you pay lower National Insurance contributions.

As a condition of contracting out, the **Scheme** must provide a minimum level of pension to you, broadly equivalent to or better than the benefits you would have earned in the Additional State Pension.

How do I know how much my State pension will be?

You can apply for a State pension forecast by calling 0845 300 0168 or by completing a form online at www.pensionservice.gov.uk.

What is the State pension age?

State pensions are payable from State pension age which is currently:

- age 68 for men and women born after 5 April 1980; or
- an age on a sliding scale between 65 and 68 for men and women born between 6 April 1960 and 5 April 1980; or
- age 65 for men born before 6 April 1960 and women born between 6 April 1955 and 5 April 1960; or
- an age on a sliding scale between 60 and 65 for women born between 6 April 1950 and 5 April 1955; or
- age 60 for women born before 6 April 1950.

What about other State benefits?

Membership of the **Scheme** may affect your rights to other State benefits, such as disability benefits and any benefits which are subject to means testing. If you are unsure about how you may be affected, you should take advice from an independent financial adviser.



Help and information

At a glance • At a glance • At a glance • At a glance

- Annual benefit statements showing how your pension is building up.
- If you have a problem or complaint about your pension, you should get in touch with the **Pensions Team**.
- There is a Pension Protection Fund which protects pension rights if a company becomes insolvent.
- There are external organisations who can help you with pension problems.

Further information

As a member of the **Scheme** you are entitled to receive information about the operation of the **Scheme** and details of your own benefits.

Each year you will receive:

- a benefit statement, showing details of the pension you have earned and illustrative benefits at **Normal Retirement Date**;
- a Summary Funding Statement explaining the **Scheme's** finances.

You will also receive regular newsletters with information about the **Scheme**.

A Trustee's Report, including audited accounts, is produced annually and is available on request. Additional documents are also available on request from the **Pensions Team** or the **Pensions Administrators**.

In certain situations, members may be liable to charges for providing information, e.g. additional benefit statements or calculations for divorce proceedings.

Dealing with complaints

The **Trustee** has procedures to deal with complaints or disputes that arise between the **Trustee** and any person entitled (or potentially entitled) to benefits under the **Scheme**.

The **Trustee's** objective is to ensure that disagreements are given proper and prompt consideration.

Details of the Dispute Resolution Procedure are available from the **Pensions Team**. In general terms, you should first put any complaint in writing to the **Pensions Team** at the address provided below; you will receive a response within two months.

The Pensions Team,
Northumbrian Water Limited,
Northumbria House,
Abbey Road, Pity Me, Durham, DH1 5FJ.

If you are not satisfied with the response, you can then write to the **Trustee** (at the address above) who should also respond within two months.

If you are still unhappy, you can take your dispute to The Pensions Advisory Service and the Pensions Ombudsman.

The Pension Advisory Service (TPAS)

TPAS is an independent and voluntary organisation giving free help and advice to members of the public who have a problem concerning either a company or personal pension scheme. TPAS will also assist with general enquiries on State pension schemes.

The service is available to you and to anyone who believes he or she has pension rights: this includes working members of pension schemes, pensioners, those with deferred pensions from previous employment, and dependants. TPAS is available at any time to assist members and beneficiaries of the **Scheme** with any pensions query they may have or difficulty that they have failed to resolve with the **Trustee** or **Pension Administrators**. TPAS can be contacted by calling 0845 6012923 or at the following address:

TPAS
11 Belgrave Road
London
SW1V 1RB
www.pensionsadvisoryservice.org.uk

Pensions Ombudsman

If you are still unsatisfied with matters after TPAS has attempted to resolve matters then you may wish to contact the Pensions Ombudsman at:

11 Belgrave Road
London
SW1V 1RB

The Ombudsman is appointed under section 145(2) of the Pension Schemes Act 1993 and may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme made or referred in accordance with that Act. He will expect you to use TPAS before contacting him.

The Pensions Regulator

The Pensions Regulator is able to intervene in the running of pension schemes where trustees, employers or professional advisers have failed in their duties and in certain other circumstances. The Pensions Regulator may be contacted at:

Napier House
Trafalgar Place
Brighton
BN1 4DW

Pension Tracing Service

Details of all company pension schemes are held by the Pension Tracing Service. This is a free service operated by the Department for Work and Pensions for ex-members who have lost contact with their former schemes. You can use the service by calling 0845 6002 537 or by completing an online form (www.pensionservice.co.uk) or by writing to:

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

The Pension Protection Fund

The Pension Protection Fund is a fund set up by the government to protect members' rights under company pension schemes when a company becomes insolvent. It is funded by a levy on company pension schemes. If a company becomes insolvent, and there is not enough money in the scheme to pay out the benefits promised, the Pension Protection Fund may be able to take over the scheme and pay out benefits up to a certain maximum level. Further information is available from www.ppf.gov.uk.

The small print

Scheme status

The **Scheme** is a registered pension **Scheme** for the purposes of Part 4 of the Finance Act 2004. The **Trustee** reserves the right to restrict or amend any benefits payable from the **Scheme** which would result in an 'unauthorised' payment for tax purposes.

Amendment or discontinuance

The **Trustee** and the **Company** reserve the right to amend the **Scheme** at any time. If your benefits or rights are affected you will be advised in writing. If the **Scheme** is discontinued the **Trustee** will use the money in the **Scheme** to secure benefits for members and their **Dependants** in accordance with the **Scheme's** Rules. If the **Scheme** is wound up because the **Company** is insolvent, the **Scheme** may be taken on by the Pension Protection Fund (see previous section).

HMRC Limits

HM Revenue & Customs (HMRC) place a limit (the Lifetime Allowance) on the value of benefits you can receive from all tax registered pension schemes. HMRC also places a limit (the Annual Allowance) on the amount of contributions you can pay and/or benefits you can build up in a single year. If you exceed either of these limits additional tax charges will apply. These limits are only likely to affect those with very high earnings. Further information can be obtained from www.hmrc.gov.uk.

Assignment of benefits

Under the Rules of the **Scheme**, you cannot "assign" your benefits in the **Scheme**. This means that you cannot use your **Scheme** benefits as a security against any debts you may have.

The Data Protection Act 1998

The Data Protection Act 1998 and its predecessor, the Data Protection Act 1984, provide strict guidelines on how data should be collected, processed, disclosed and stored. These acts apply to the **Scheme** because personal data is held on each member, such as name, address and salary and therefore the **Trustee** is registered with the Data Protection Commissioner.

The personal data held about members will be used for the purposes of the administration and management of the **Scheme** and for paying benefits under it. For these purposes, the **Trustee** may pass on personal data about you to the **Scheme's** administrators and advisers. You are entitled to see any data that is held on you unless, in providing this data, other parties' data is disclosed. A charge may be made to cover the cost of supplying the data.



Glossary

Actuary

The Actuary is appointed by the **Trustee** to advise on the funding of the **Scheme** and the calculation of **Scheme** benefits.

Child/Children

Your child (including a legally adopted child), providing they are under age 18, or under age 21 if in full-time education, or older in some cases if the child suffers from physical or mental disability.

Company

Northumbrian Water Limited, Northumbrian Services Limited or other employers within the Northumbrian Water Group who have employees who are in the **Scheme**.

Defined Contribution Section

This is a separate section of the **Scheme** which you can join if you wish to pay any Additional Voluntary Contributions towards your pension, or if you wish to transfer benefits which you have built up in other pension schemes.

Dependant

This is your common law spouse, **Child** or any other person who the **Trustee** considers to be financially dependent on you at the time of your death.

Enhanced Pensionable Service

Your **Pensionable Service** completed up to your date of retirement plus half of your remaining potential **Pensionable Service** to **Normal Retirement Date** up to a maximum of twice your actual **Pensionable Service**. This is used for calculating your pension if you retire early on grounds of ill-health.

Final Pensionable Pay

This is normally your **Pensionable Pay** in your last 12 months of **Pensionable Service**. In some cases it may be based on your **Pensionable Pay** earned in previous years if this gives a higher amount, if for example your earnings have reduced during your last few years of service.

Guaranteed Minimum Pension

This is the minimum pension which the **Scheme** must provide as a condition of being contracted out of the Additional (earnings related) State Pension for any period from 6 April 1978 to 5 April 1997. It is roughly equal to the additional pension you would have earned from the State if you had not been contracted out.

Inflation

The annual increase in the Retail Prices Index (RPI) as published by the Government. This is used for working out pension increases in the **Scheme**.

Normal Retirement Date

The day before your 65th birthday. This is the date when your pension will normally become payable, but you may be able to take your pension before or after this date.

Pensionable Pay

Your basic pay together with certain other payments specified by the **Company**. It is calculated before any **SMART** deductions are made.

For part-time employees, benefits are calculated using full-time equivalent pay.

Pensionable Service

The length of time in years and days that you have been a contributing member of the **Scheme**. It may also include other periods of service which have been notified to you by the **Company** as being pensionable.

For part-time employees, **Pensionable Service** is based on a proportion of full-time **Pensionable Service**.

Pensions Administrators

The **Pensions Administrators** administer the **Scheme** on behalf of the **Trustee**. They are available to answer any questions from employees or members who have retired or left service about their benefits or the **Scheme** generally. They can also deal with more technical questions from employees. The **Pensions Administrators** can be contacted on:

email: nwlpensions@capita.co.uk
phone: 0114 2737 331.

You can also write to them at the following address:

Northumbrian Water Pension Scheme
Administration Team
Capita Hartshead
257 Ecclesall Road
Sheffield, S11 8NX

Pensions Team

The **Pensions Team** is available to employees to answer any questions they may have about their benefits or the **Scheme**. They can be contacted on:

email: yourpension@nwl.co.uk
phone: 0191 301 6628.

You can also write to them at the following address:

The Pensions Team
Northumbrian Water Limited
Northumbria House, Abbey Road
Pity Me, Durham, DH1 5FJ.

Qualifying Service

This is used to decide whether or not you qualify for certain benefits. It is usually the same as your **Pensionable Service** but may include other periods of service as notified to you by the **Company**.

Rule of 85

This relates to benefits built up in the **Scheme** prior to 1 January 2008. It continues to apply for members of the **Scheme** who draw their benefits on or after 1 January 2008 but only for that part of their benefits earned before 1 January 2008.

Under the **Rule of 85**, you may retire from service with unreduced benefits if you are age 50 (55 from April 2010) or over and your age and number of years **Qualifying Service** add up to at least 85. The **Company's** consent is needed if you have not reached age 60. Some examples are set out below:

1. If you are age 61 and have completed 29 years **Qualifying Service**, the **Rule of 85** is satisfied ($61+29=90$ years). As you are over age 60, you have the right to draw your benefits under this rule without the **Company's** consent.
2. If you are age 56 and have completed 30 years **Qualifying Service**, the **Rule of 85** is satisfied ($56+30=86$ years). As you are under age 60, **Company** consent is needed for you to draw your benefits under this rule.
3. If you are age 55 and have completed 26 years **Qualifying Service**, the **Rule of 85** is not satisfied ($55+26=81$ years). You can still retire and draw benefits with **Company** consent, but it will be subject to reduction for early payment.

In all three examples, benefits built up in the **Scheme** from 1 January 2008 would be reduced in respect of each year that you retire prior to **Normal Retirement Date**.

Scheme

The Northumbrian Water Pension Scheme

SMART

A salary sacrifice arrangement where **your contributions** are paid into the **Scheme** directly by the **Company** and your pay is adjusted to take this into account. This does not affect how your **Pensionable Pay** is worked out, or any other benefits that you receive from the **Company**.

Spouse

Your legal spouse or **Civil Partner** as defined in the Civil Partnership Act 2004.

Trustee

Northumbrian Water Pension Trustees Limited

Water Mirror Image Pension Scheme Section

The **Water Mirror Image Pension Scheme Section** of the **Scheme** provides benefits for former members of the Northumbrian Section of the Water Mirror Image Pension Scheme which merged into the **Scheme** with effect from 1 April 2002. It was closed to new members with effect from 1 September 1989. This booklet describes the benefits provided for members of the **Water Mirror Image Pension Scheme Section** of the **Scheme**.

Your Contributions

Most members pay contributions under the **SMART** arrangement. The booklet refers to these contributions as **your contributions** whether or not you participate in the **SMART** arrangement.



