NorthumbrianWaterPensionScheme

YOUR CARE PENSION GUIDE

For Northumbrian Water and WPS section members

A guide to your new CARE benefits from 1 January 2016

April 2019

CONTENTS

WELCOME TO YOUR CARE PENSION GUIDE

This guide explains how you build up benefits on a Career Average Revalued Earnings (CARE) basis from 1 January 2016 in the Northumbrian Water Pension Scheme ("the Scheme").

Exactly how your benefits are calculated will depend on which section of the Scheme you are in. If you are not sure which section you are in, you can check on your latest annual benefit statement.

This guide has been produced to help you understand your benefits in the Scheme. It summarises the benefits detailed in the Scheme's Trust Deed and Rules. The Trust Deed and Rules take precedence over this guide in the event of any conflict, uncertainty or misinterpretation.

If you are a member of the WPS section, some of your benefits will be calculated differently. Where this is the case, this is clearly marked in the text.

At the back of the guide is a section that explains in more detail some of the terms and technical items mentioned.

MEMBERSHIP

Your membership of the Scheme continued automatically when the Scheme changed to a CARE basis. Membership of your section of the Scheme, and all other defined benefit sections, is closed to new joiners.

OPTING-OUT

You can opt to leave your section of the Scheme by giving at least 60 days' notice in writing to the Trustee, but you would be unable to rejoin any of the defined benefit sections. You will need to complete an opt-out form. Forms are available from the Payroll and Benefits Team at Northumbrian Water, see page 16 for their details.

You would be able to apply to join the defined contribution section, but would need the agreement of the Trustee and company to do so. Your employer may automatically enrol you in the defined contribution section at a future date to meet their legal requirement to automatically enrol employees into a pension scheme. You would be notified if this was happening, and have the opportunity to opt-out of the defined contribution section at that time. Information on the defined contribution section is available from the Payroll and Benefits Team at Northumbrian Water.

If you are considering leaving your defined benefit section of the the Scheme, you should think carefully about what you are giving up, and consider taking advice from an independent financial adviser.

KEY POINTS

The defined benefit part of the Scheme is closed to new members.

If you opt-out you can only apply to join the defined contribution section.

Consider taking independent financial advice if you are thinking about opting-out.

HOW MUCH DO I PAY?

(if you are a WPS section member, please see page 19 for details of how much you pay).

You pay 7% of your pensionable pay to the Scheme.

If you contribute to the Scheme via salary sacrifice your pay is reduced by 7%. The company then pays contributions equal to your salary reduction into the Scheme in addition to its normal contribution. This salary sacrifice arrangement saves you and the company money on National Insurance contributions.

SALARY SACRIFICE AT A GLANCE

Your contractual pay is reduced	The company makes your contribution for you	You pay less NI contributions	Your take home pay is higher

The company contribution is reviewed periodically and the amount decided jointly between the Trustee and company, based on advice from the Scheme Actuary. The amount the company contributes is based on what is needed to pay benefits from the Scheme, once member contributions and the Scheme's forecast investment returns are taken into account.

The Scheme is registered with HMRC, which means that your contributions attract tax relief. You can find out more about this in the small print section on page 22.

PAYING MORE

You can choose to pay more into the Scheme. This is known as making Additional Voluntary Contributions (or AVCs). You may get tax relief on AVCs and you can pay them via salary sacrifice too.

Your AVCs will be invested in the defined contribution section of the Scheme. At retirement you can use the funds you have built up to provide extra income outside of the Scheme, or take them as a cash lump sum, or a combination of these options.

The value of your AVC benefits will depend on several factors, including how much you pay into your AVC fund, how your investments perform, any charges payable, the age at which you take your benefits, any costs involved in transferring your benefits, and the cost of buying a pension (an annuity), if that is what you choose to use your funds for.

You can't transfer any benefits built up in another pension plan into the defined benefit section of the Scheme.

KEY POINTS

Your contribution attracts tax relief.

If you contribute via salary sacrifice you save on your NI contributions.

You can pay AVCs to build up additional benefits.

HOW IS MY CARE PENSION WORKED OUT?

(if you are a WPS section member, please see page 20 for details of how your pension is calculated).

EACH CARE YEAR THAT YOU ARE A MEMBER OF THE SCHEME FROM JANUARY 2016:

(1) You earn 1/80th of your pensionable pay for that CARE year towards your pension.

(2) You earn 3/80th of your pensionable pay for that CARE year towards your lump sum.

(3) The CARE pension and lump sum that you built up in previous years is increased.

A CARE year runs from 6 April to 5 April. If you leave the Scheme part way through a CARE year then you will build up an amount of pension and lump sum based on the pensionable pay you received during that part year. You also receive an amount of pension and lump sum for the period from 1 January 2016 to 5 April 2016 based on your pensionable pay during that part year.

Increases to the CARE pension and lump sum you have built up in previous CARE years are applied on 1 April each year while you remain an active member building up CARE benefits. The increases are in line with the rise in RPI over twelve months to the previous September, up to a maximum of 2.5% a year. If RPI is negative the pension and lump sum will not be reduced.

When you retire, the total pension and lump sum you have built up over the years will be paid to you.

KEY POINTS

You build up an amount of CARE pension and lump sum every year linked to your pensionable pay.

The CARE pension and lump sum from previous years will increase if there is an increase in prices as measured by the Retail Prices Index (RPI).

EXAMPLE

The example below shows a member's first three CARE years in the Scheme.

	PENSION	CARE YEAR 1	CARE YEAR 2	CARE YEAR 3	NOTES
A	Pensionable pay	£25,000	£25,250	£25,750	
B	CARE pension at the start of the CARE year (pa)	£0	£312.50	£631.25	
C	RPI	N/A	1%	2%	
D	Additional pension due to inflation	N/A	£3.12	£12.63	B x C
E	Pension built up during the CARE year	£312.50	£315.63	£321.88	A x 1/80
	Total CARE pension at the end of the CARE year (pa)	**£312.50**	**£631.25**	**£965.76**	B + D + E

	LUMP SUM	CARE YEAR 1	CARE YEAR 2	CARE YEAR 3	NOTES
A	Pensionable pay	£25,000	£25,250	£25,750	
B	CARE lump sum at the start of the CARE year	£0	£937.50	£1,893.76	
C	RPI	N/A	1%	2%	
D	Additional lump sum due to inflation	N/A	£9.38	£37.88	B x C
E	Lump sum built up during the CARE year	£937.50	£946.88	£965.63	A x 3/80
	Total CARE lump sum at the end of the CARE year	**£937.50**	**£1,893.76**	**£2,897.27**	B + D + E

WHAT ABOUT THE PENSION I BUILT UP BEFORE 1 JANUARY 2016?

The benefits that you built up before 1 January 2016 will be calculated under the rules of the section you are in, using your service to 31 December 2015 and your final pensionable pay at that date.

Your benefits built up before 1 January 2016 will be revalued between 1 January 2016 and the date that you take them from the Scheme. While you are an active member of the Scheme building up CARE benefits, this revaluation will be in line with the increase in the Consumer Prices Index (CPI), up to a maximum of 2.5% each year. If CPI is negative, your pension will not be reduced.

You must take your CARE benefits from the Scheme at the same time as the benefits you built up before 1 January 2016.

WHEN CAN I RETIRE?

NORMAL RETIREMENT

Normal retirement date is the day before your 65th birthday. This is when your pension benefits are paid in full.

RETIRING BEFORE NORMAL RETIREMENT DATE

You can retire before normal retirement date, but you will need your employer's consent if you want to retire before age 60. The earliest you can retire (except on the grounds of ill health) is age 55. Any benefits you take before normal retirement date will be reduced to reflect the fact that they will be paid for longer.

Special terms apply for your benefits built up 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. The Rule of 85 is the date when the sum of your age and qualifying service is at least 85 years.

If you are thinking of retiring early and want more information about your options on early retirement and how your pension will be reduced, contact the Payroll and Benefits Team at Northumbrian Water. When you take your CARE benefits, you will also need to take the benefits that you built up in the Scheme before 1 January 2016 at the same time.

You can choose to take your benefits before normal retirement date after age 55, and continue to work for the company. This is known as flexible retirement. You must stop building up CARE benefits to take flexible retirement, although you may be able to join the defined contribution section of the Scheme.

REDUNDANCY

If you are aged 55 or over and made redundant, you may be entitled to immediate and unreduced benefits from the Scheme.

RETIRING AFTER NORMAL RETIREMENT DATE

You can keep working after normal retirement date, and keep contributing to the Scheme. If you do this, your CARE pension will be calculated using your service and pensionable pay up to the date you retire. Your benefits built up before 1 January 2016 will also continue to be revalued up until the date you retire.

KEY POINTS

You can retire at any age from 55 onwards but you may need your employer's consent to retire before age 60.

There are different early retirement scenarios and you should check with the Payroll and Benefits Team what reductions would apply to your pension if you are thinking of retiring early.

WHAT OPTIONS DO I HAVE AT RETIREMENT?

When you retire, you can choose to exchange some of your pension to increase the lump sum payment you receive (in the case of WPS or 80th section members, you will not have a lump sum payment unless you do this). You also have the option to exchange some or all of your lump sum to increase your pension from the Scheme.

The lump sum is currently payable tax-free.

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

TRANSFERRING YOUR BENEFITS OUT OF THE SCHEME

You can, with Trustee and company consent (company consent not required in the case of WPS section members) transfer your benefits out of the Scheme to a money purchase scheme, for example, if you wish to access them flexibly (by taking them as cash or flexible income from a drawdown product). You should take independent financial advice before transferring your benefits out of the Scheme and, depending on the value of your benefits, you may have to do so before you can transfer.

HOW IS MY CARE PENSION INCREASED ONCE IT'S BEING PAID?

Once your CARE pension comes into payment it is increased in line with CPI up to a maximum of 2.5% on 1 April each year. If CPI is negative, then no decrease is applied.

KEY POINTS

You can take some of your benefits from the Scheme as a tax-free cash lump sum.

Your CARE pension will be increased each year once it's being paid if there is an increase in the Consumer Prices Index (CPI).

WHAT HAPPENS... IF I LEAVE THE SCHEME?

If you stop being an active member of the Scheme you can keep your benefits in the Scheme and become a deferred member. You won't build up any more pension in the Scheme, but the pension you have already built up will be revalued between the date you leave and the date you retire (or to the date that you transfer your benefits out of the Scheme).

The CARE benefits you have built up will be revalued for the period between the date you left and when you retire or transfer, by the increase in the Consumer Price Index (CPI), up to a maximum of 2.5% per year. The benefits you built up before 1 January 2016 will be revalued in line with the rules of the section you are in.

You can take your deferred benefits before normal retirement date, but you will need the company's consent to do this before age 60. The earliest you can retire (except on the grounds of ill health) is age 55.

If you take your benefits before normal retirement date they will be reduced to take account of the early payment. Special terms apply for your benefits built up before 1 January 2008 if you qualify for the Rule of 85 at the date of your retirement or would have qualified for the Rule of 85 before age 65 if you had remained in service. The Rule of 85 is the date when the sum of your age and qualifying service is at least 85 years.

If you want more information about the options on taking a deferred pension early and how it will be reduced, contact the Scheme Administrators.

You can also take your benefits after normal retirement date with the consent of the company, and if you do this they will be increased because they are being paid later.

DEATH BENEFITS AFTER YOU LEAVE THE SCHEME BUT BEFORE TAKING A PENSION

LUMP SUM

For Northumbrian Water and MIS section members this is the value of your cash lump sum built up in the Scheme to 31 December 2007, plus your contributions to the Scheme from 1 January 2008 plus interest.

If you are in the WPS or 80ths section a lump sum is only paid if no pension is paid to any dependants. This lump sum would be the value of your contributions to the Scheme plus interest.

Any contributions made via salary sacrifice from 1 January 2008 are included when calculating the lump sum.

The Trustee has the final say as to who receives this lump sum, but you can nominate who you would like to receive it by completing an Expression of Wish Form.

PENSIONS FOR YOUR DEPENDANTS

Pensions are payable to your spouse or civil partner, and any children you have. The pensions will be a proportion of your deferred pension (including your benefits built up before January 2016), as shown below. The children's pensions shown are shared between your children while they meet certain conditions - see page 15 for more details on when pensions are payable to your children. If your spouse or civil partner is more than ten years younger than you, then their pension may be reduced.

Spouse or civil partner's pension	1/2	
CHILDREN'S PENSIONS	**ONE CHILD**	**TWO OR MORE CHILDREN**
If a spouse/civil partner's pension is payable	1/4	1/2
If no spouse/civil partner's pension is payable	1/3	2/3

TRANSFERRING YOUR BENEFITS

You have the right to transfer your CARE and pre-2016 benefits out of the Scheme at any point after you stop building up CARE benefits up until one year before normal retirement date. You may be allowed a transfer later than this, contact the Scheme Administrators if you need more details.

You can transfer any AVCs in the defined contribution section out of the Scheme at any time after you stop paying them.

If you choose to transfer your benefits, you need to check what you will be gaining in the scheme you are transferring to, as the benefits will be different to those you are entitled to in this Scheme. You should consider taking independent financial advice before transferring your benefits out of the Scheme.

If you transfer your benefits out of the Scheme to a scheme where you can access them flexibly (for example, by taking them as cash or a flexible income from a drawdown product), then, depending on the value of your benefits, you may have to take independent advice before you can transfer.

You can request a statement of your transfer value from the Scheme Administrators. Once you have left the Scheme, you can get one free transfer value statement within a 12 month period. You may be charged for a second or subsequent statement.

Further information about transfers, or what you can do on leaving active membership, is available on request from the Scheme Administrators.

KEY POINTS

If you leave the Scheme you can become a deferred member and keep your benefits in the Scheme, or transfer them to another pension arrangement.

WHAT HAPPENS IF... I HAVE A PERIOD OF ABSENCE FROM WORK?

FAMILY LEAVE

If you are absent from work on maternity, paternity or other family leave, then you will normally continue to pay contributions to the Scheme based on your actual pay for that period and continue to build up your pension. If you have a period of unpaid family leave you do not pay contributions and your membership of the Scheme is suspended.

With the company's consent you can pay backdated contributions when you return to work or pay full contributions during your unpaid leave, if you want a period of unpaid leave to count towards your pension.

ILL-HEALTH

If you have an extended absence from work due to illness you will normally continue to pay contributions to the Scheme based on your actual pay for that period and continue to build up your pension.

If your illness means that you are permanently unable to do your occupation with the company, and are unable to take up alternative employment except at a significantly reduced rate of pay, you can apply for an ill-health pension from the Scheme. If an ill-health pension is granted the pension that you have built up is enhanced.

This pension will be based on your pension built up before 1 January 2016 plus the CARE pension you have built up to the date you retire, plus an enhancement. This enhancement is half of the CARE pension you could have built up to normal retirement date, based on your pensionable salary over the year to the date you retired. The number of years used to calculate the enhancement cannot exceed the number of years you have already been in the Scheme. Any lump sum you have built up will also be payable and calculated in a similar way.

You may also be able to start your pension early if you have retired due to illness, including before age 55, if you have left the Scheme and become a deferred member before you become ill. Your benefits may be paid without any reduction to reflect early retirement.

WHAT HAPPENS IF... I DIE?

DEATH AS AN ACTIVE MEMBER BUILDING UP CARE BENEFITS IN THE SCHEME

If you die as an active member, then a pension is payable to a surviving spouse or civil partner and to any dependent children. For the first three months after your death, a pension is paid based on 1/12th of your pay (this can be your pensionable pay in the year before you die, or in previous years if it has been higher). This pension is paid to a surviving spouse or civil partner or, if you don't have one, to any eligible children. After that, pensions are payable as follows.

SPOUSE OR CIVIL PARTNER'S PENSION

The spouse or civil partner's pension after the first three months is equal to half of the CARE pension you would have received, had you continued as an active member until normal retirement date, plus half of your pre January 2016 pension (calculated as at the date of your death). If you are still in the Scheme after normal retirement date, the CARE pension will be calculated up to your date of death. If your spouse or civil partner is over ten years younger than you, their pension may be reduced.

CHILDREN'S PENSION

A children's pension is payable to your children who were dependent on you at your date of death, and who were under 18, or under 21 and in full-time education. If, due to mental or physical disability, a child was being financially supported by you, they may continue to receive a pension after age 21 in some cases. Your children will only receive this pension while they continue to meet the qualifying conditions.

The children's pension will be a proportion of the CARE pension you would have received, had you continued as an active member until normal retirement date plus a proportion of your pre January 2016 pension (calculated as at the date of your death). The pension is split between your eligible children.

If you are still in the Scheme after normal retirement date, the CARE pension will be calculated up to your date of death. The proportions are shown below:

	ONE CHILD	TWO OR MORE CHILDREN
If a spouse/civil partner's pension is payable	1/4	1/2
If no spouse/civil partner's pension is payable	1/3	2/3

DEPENDANT'S PENSION

You can nominate someone other than your spouse or civil partner to receive the spouse or civil partner's pension. You must let the Trustee know who you nominate, and they must be financially dependent or interdependent with you at the time of your death, otherwise the Trustee will not be able to pay it to them.

The Trustee may have to pay some pension relating to contracted out benefits to your spouse or civil partner if you still have one when you die, even if you have nominated someone else to receive the spouse or civil partner's pension. For more information on contracted out benefits, see page 22.

If you wish to nominate someone to receive a dependant's pension, please contact the Scheme Administrators for a form.

Life cover is provided by the company in addition to these benefits and more details are available from the Payroll and Benefits Team at Northumbrian Water.

KEY POINTS

Pensions are payable to your dependants if you die.

Life cover is also provided by the company.

DEATH AFTER RETIRING

(if you are a WPS section member, please see page 21
for details of what happens if you die after retiring)

If you die after starting to take your pension from the Scheme, then the following will be payable.

For the first three months after your death, a pension is paid of 1/12th of the annual pension you were receiving when you died (ignoring any reductions for early payment). This is paid to your spouse or civil partner or, if you don't have one, to any eligible children.

SPOUSE OR CIVIL PARTNER'S PENSION

The spouse or civil partner's pension after the first three months is equal to half of the pension you were receiving at the date you died.

Any spouse or civil partner's 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 or civil partner is over ten years younger than you, their pension may be reduced.

CHILDREN'S PENSION

A children's pension is payable to your children who were dependent on you at your date of death, and who were under 18, or under 21 and in full-time education. If, due to mental or physical disability, a child was being financially supported by you, they may continue to receive a pension after age 21 in some cases. Your children will only receive this pension while they continue to meet the qualifying conditions.The children's pensions will be a proportion of the pension you were receiving at the date you died ignoring any reductions for early payment which may have applied. The pension is split between your eligible children.

The proportions are shown below:

	ONE CHILD	TWO OR MORE CHILDREN
If a spouse/civil partner's pension is payable	1/4	1/2
If no spouse/civil partner's pension is payable	1/3	2/3

DEPENDANT'S PENSION

If when you die you do not have a surviving spouse or civil partner, the Trustee may decide that a pension should be paid to one or more adult dependents. They must be financially dependent or interdependent with you at the time of your death for the Trustee to consider this option.

LUMP SUM

The Scheme provides at least five years' worth of pension payments after you retire. This means that if you die less than five years after starting to take your pension, a lump sum equal to the remaining instalments will be payable (excluding future increases).

The Trustee has the final say as to who receives this lump sum, but you can nominate who you would like to receive it by completing an Expression of Wish Form. This form will be sent to you by the Scheme Administrators to complete when you retire.

KEY POINTS

Pensions are payable to your dependants if you die.

A lump sum may also be payable.

WHERE CAN I GET MORE INFORMATION ABOUT THE SCHEME?

YOUR FIRST POINTS OF CONTACT

The day-to-day administration of the Scheme is carried out on behalf of the Trustee by the Scheme Adminstrators, Capita.

You can find out more information about the Scheme by going to the Scheme website and logging on at www.hartlinkonline.co.uk/nwps.

If you need details of your benefits, please contact the administrators at:

Northumbrian Water Pension Scheme
Administration Team
Capita
PO Box 555
Stead House
Darlington
DL1 9YT

Tel: 0114 273 7331

Email: nwlpensions@capita.co.uk

If you have any questions about the Scheme in general that are not answered by this guide, then please contact the Payroll and Benefits Team team at:

Northumbrian Water Payroll and Benefits Team
Boldon House
Wheatlands Way
Pity Me
Durham
DH1 5FA

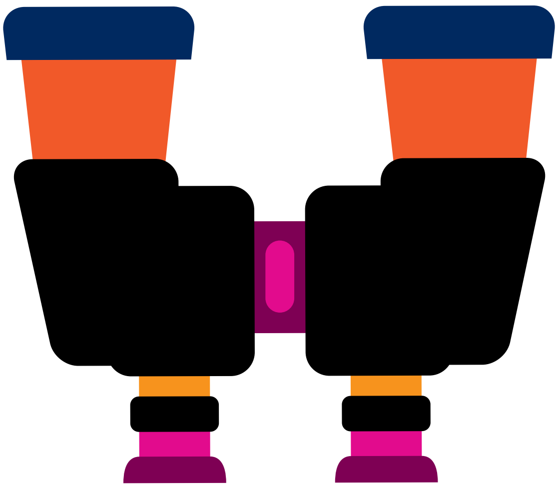
Tel: 0191 301 6628

Email: yourpension@nwl.co.uk

KEY POINTS

Contact Capita if you have any questions about your Scheme benefits.

Contact the Payroll and Benefits Team if you have any other questions about the Scheme.



IF YOU HAVE A COMPLAINT

From time to time, problems or misunderstandings may arise with how the Scheme and your benefits are managed. Most issues are normally resolved informally by the Scheme Administrators or the Payroll and Benefits Team at Northumbrian Water. However, if this does not resolve your problem, you can make a formal complaint through the Internal Dispute Resolution Procedure (IDRP). This is a procedure the Trustee uses to deal with complaints or disputes that arise between the Trustee and any person entitled (or potentially entitled) to benefits under the Scheme.

Full details of the IDRP are available from the Payroll and Benefits Team at Northumbrian Water. If you need to use the IDRP, put your complaint in writing, telling us who you are, what you think has gone wrong, explaining that you want it to be considered under the IDRP, and setting out what you think we should do. Once you have given us all the necessary information, we will look into your complaint.

You will normally receive a formal response to your complaint within two months. If your complaint is not addressed within this time, you will be sent a letter explaining the reason for the delay and informing you when you can expect a formal response.

To use the IDRP, you need to write to:

Group Pensions & Benefits Manager
HR Department
Northumbrian Water Limited
Abbey Road
Pity Me
Durham
DH1 5FJ

If you are not satisfied with the formal response, you can take your complaint further by using the second stage of the IDRP. You must do this within six months of the formal response being made. Your complaint will then be considered by 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 Money and Pensions Service and the Pensions Ombudsman.

OTHER USEFUL CONTACTS

The Money and Pensions Service is an independent organisation that is available at any time to help members and beneficiaries with pension questions. They can also help with issues that members and beneficiaries have been unable to resolve with the Trustee of the Scheme. The Money and Pensions Service can be contacted at the following address:

The Money and Pensions Service
Holborn Centre
120 Holborn
London
EC1N 2TD

Telephone: 0115 965 9570

Website: www.moneyandpensionsservice.org.uk

KEY POINTS

Problems or misunderstandings can normally be resolved informally.

There is a formal complaints procedure if your complaint cannot be resolved informally.

If, after contacting the Money and Pensions Service and following the IDRP, you feel a complaint has not been dealt with, you can contact the Pensions Ombudsman. The Ombudsman's role is to investigate and determine complaints or disputes of fact or law in relation to occupational pension schemes. The Pensions Ombudsman can be contacted at the following address:

The Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB
Telephone: 020 7630 2200

Website: www.pensions-ombudsman.org.uk

Email: enquiries@pensions-ombudsman.org.uk

THE PENSIONS REGULATOR

The Pensions Regulator (TPR) is able to intervene in the running of pension schemes where the trustees, employers or professional advisers have failed in their duties. TPR can be contacted at the following address:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

Telephone: 0845 600 0707

Website: www.thepensionsregulator.gov.uk

Email: customersupport@tpr.gov.uk

THE PENSION TRACING SERVICE

The Department for Work and Pensions operates the Pension Tracing Service, which holds basic information on all approved occupational and personal pension schemes to help pension scheme members who have lost touch with their scheme to re-establish contact. Relevant information concerning the Scheme, including the address at which the Trustee can be contacted, has been supplied to the Pension Tracing Service. The Pension Tracing Service can be contacted at the following address:

The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: 0345 600 2537

Website: www.gov.uk/find-lost-pension

FURTHER INFORMATION ABOUT THE SCHEME

The Scheme produces an annual report and accounts that is available on request.

APPENDIX 1 – FOR MEMBERS WHO ARE IN THE WPS SECTION OF THE SCHEME

HOW MUCH DO I PAY?

You pay 8% of your pensionable pay to the Scheme.

If you contribute to the Scheme via salary sacrifice your pay is reduced by 8%. The company then pays contributions equal to your salary reduction into the Scheme in addition to its normal contribution. This salary sacrifice arrangement saves you and the company money on National Insurance contributions.

PAYING MORE

You can choose to pay more into the Scheme. This is known as making Additional Voluntary Contributions (or AVCs). You may get tax relief on AVCs and you can pay them via salary sacrifice too.

Your AVCs will be invested in the defined contribution section of the Scheme. At retirement you can use the funds you have built up to provide extra income outside of the Scheme, or take them as a cash lump sum, or have a combination of these options.

SALARY SACRIFICE AT A GLANCE

Your contractual pay is reduced	The company makes your contribution for you	You pay less NI contributions	Your take home pay is higher

The company contribution is reviewed periodically and the amount decided jointly between the Trustee and company, based on advice from the Scheme Actuary. The amount the company contributes is based on what is needed to pay benefits from the Scheme, once member contributions and the Scheme's forecast investment returns are taken into account.

The Scheme is registered with HMRC, which means that your contributions attract tax relief. You can find out more about this in the small print section on page 22.

The value of your AVC benefits will depend on several factors, including how much you pay into your AVC fund, how your investments perform, any charges payable, the age at which you take your benefits, any costs involved in transferring your benefits, or the cost of buying a pension (an annuity), if that is what you choose to use your funds for.

You can't transfer any benefits built up in another pension plan into the Scheme.

KEY POINTS

Your contribution attracts tax relief.

If you contribute via salary sacrifice you save on your NI contributions.

You can pay AVCs to build up additional benefits.

HOW IS MY CARE PENSION WORKED OUT?

EACH CARE YEAR THAT YOU ARE A MEMBER OF THE SCHEME FROM JANUARY 2016:

(1) You earn 1/60th of your salary for that year towards your pension.

(2) The CARE pension that you built up in previous years is increased.

A CARE year runs from 6 April to 5 April. If you leave the Scheme part way through a CARE year then you will build up an amount of pension based on the pensionable pay you received during that part year. You also receive an amount of pension for the period from 1 January 2016 to 5 April 2016 based on your pensionable pay during that part year.

Increases to the CARE pension you have built up in previous CARE years are applied on 1 April each year while you remain an active member building up CARE benefits. The increases are in line with the rise in RPI over twelve months to the previous September up to a maximum of 2.5% a year. If RPI is negative the pension wouldn't be reduced.

When you retire, the total pension you have built up over the years will be paid to you.

KEY POINTS

You build up an amount of CARE pension every year linked to your pensionable pay.

The CARE pension and previous years will increase if there is an increase in the Retail Prices Index (RPI).

EXAMPLE

The example below shows a member's first three CARE years in the Scheme.

	PENSION	CARE YEAR 1	CARE YEAR 2	CARE YEAR 3	NOTES
A	Pensionable Pay	£25,000	£25,250	£25,750	
B	CARE pension at the start of the CARE year (pa)	£0	£416.67	£841.67	
C	RPI	N/A	1%	2%	
D	Additional pension due to inflation	N/A	£4.17	£16.83	B x C
E	Pension built up during the CARE year	£416.67	£420.83	£429.17	A x 1/60
	Total CARE pension at the end of the CARE year (pa)	**£416.67**	**£841.67**	**£1,287.67**	B + D + E

DEATH AFTER RETIRING

If you die after starting to take your pension from the Scheme, then the following will be payable.

For the first three months after your death, a pension is paid of one twelfth of the annual pension you were receiving when you died (ignoring any reductions for early payment). This is paid to your spouse or civil partner or, if you don't have one, to any eligible children.

SPOUSE OR CIVIL PARTNER'S PENSION

The spouse or civil partner's pension after the first three months is equal to half of the pension you were receiving at the date you died.

Any spouse or civil partner's pension will be calculated based on your pension when you die but ignoring any reductions for early payment which may have applied in respect of pension built up after 1 January 2008. If your spouse or civil partner is over ten years younger than you, their pension may be reduced.

CHILDREN'S PENSION

A children's pension is payable to your children who were dependent on you at your date of death, and who were under 18, or under 21 and in full-time education. If, due to mental or physical disability, a child was being financially supported by you, they may continue to receive a pension after age 21 in some cases. Your children will only receive this pension while they continue to meet the qualifying conditions.

The children's pensions will be a proportion of the pension you were receiving at the date you died ignoring any reductions for early payment which may have applied in respect of pension built up after 1 January 2008. The pension is split between your eligible children.

The proportions are shown below:

	ONE CHILD	TWO OR MORE CHILDREN
If a spouse/civil partner's pension is payable	1/4	1/2
If no spouse/civil partner's pension is payable	1/3	2/3

DEPENDANT'S PENSION

If when you die you do not have a surviving spouse or civil partner, the Trustee may decide that a pension should be paid to one or more adult dependents. They must be financially dependent or interdependent with you at the time of your death for the Trustee to consider this option.

LUMP SUM

The Scheme provides at least five years' worth of pension payments after you retire. This means that if you die less than five years after starting to take your pension, a lump sum equal to the remaining instalments will be payable (excluding future increases).

The Trustee has the final say as to who receives this lump sum, but you can nominate who you would like to receive it by completing an Expression of Wish Form. This will be sent to you by the Scheme Administrators to complete when you retire.

KEY POINTS

Pensions are payable to your dependants if you die.

A lump sum may also be payable.

THE SMALL PRINT

This guide has been produced to explain how your CARE benefits build up in the Scheme. You may also need to refer back to the previous Scheme guide and read it together with this guide for more details of the benefits you built up before 1 January 2016 and how these have changed as a result of the change to CARE benefits. Although we have made every effort in preparing this guide to ensure that it is accurate, it is only a summary of the benefits payable from the Scheme. The precise benefits are governed by the Scheme's Trust Deed and Rules, which may be amended from time to time. If there is any conflict between the Trust Deed and Rules and this guide or the previous Scheme guides, the Trust Deed and Rules take precedence.

TAX

The Scheme is a registered scheme with HMRC which means that it receives certain pension tax benefits. This includes tax relief on contributions, and on some payments made from the Scheme (eg your cash lump sum at retirement). In order to receive these tax benefits, the Scheme has to follow rules set down by HMRC. These include only making certain types of payment from the Scheme, known as authorised payments. If any benefits described in this guide cannot be paid, or cannot be paid in full, as an authorised payment then they will normally be restricted to avoid a tax penalty.

You usually pay tax if your pension savings go above certain HMRC limits:

- 100% of your earnings in a year - this is the limit on tax relief you get
- the annual allowance
- the lifetime allowance

Your annual benefit statement will show your benefits in the Scheme as a proportion of the lifetime allowance.

The annual and lifetime allowances apply to all your pension benefits, not just those in the Scheme. If you want to find out more about them, go to www.gov.uk/tax-on-your-private-pension.

CONTRACTING OUT

Your period of membership of the Scheme up to 6 April 2016 is contracted out of the Additional State Pension. This means that instead of building up Additional State Pension benefits, you paid reduced National Insurance contributions and the Scheme agreed to provide a minimum level of benefits to you. From 6 April 2016, the Additional State Pension will be abolished and replaced with a single-tier state pension, and contracting out will cease.

The benefits the Scheme agreed to pay you in place of the Additional State Pension have certain conditions attached to them, which may affect how you can take your benefits from the Scheme. For example, contracted out benefits must provide a minimum amount of pension for a spouse or civil partner in the event of your death.

DIVORCE

Pension benefits are often included in calculating any divorce settlement. This means that you will need to know the value of your benefits, and, depending on how they are shared out, the Scheme may need to transfer some of them to your ex-partner. In this case, please contact the Scheme Administrators who will be able to provide the details you need and advise of any costs.

TERMS USED IN THIS GUIDE

Below is an explanation of some of the terms used in this guide.

CPI OR THE CONSUMER PRICE INDEX

This is the amount by which the cost of goods is estimated to have gone up by over a period. It is a measure of inflation and is calculated by the Office for National Statistics.

RPI OR THE RETAIL PRICE INDEX

This is another way of calculating the amount by which the cost of goods has gone up by over a period. Like CPI it is a measure of inflation and is calculated by the Office for National Statistics.

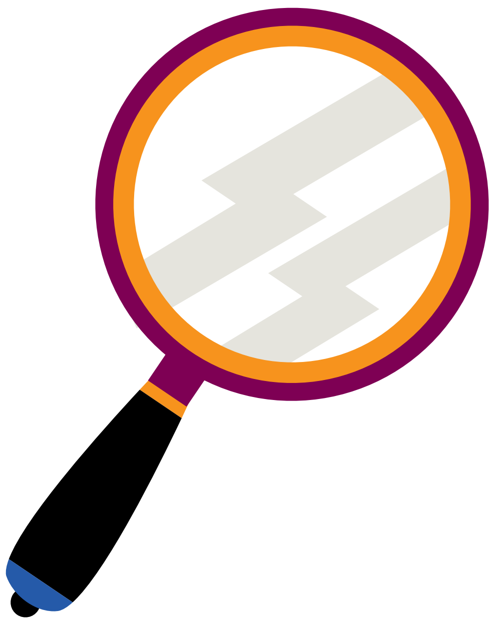
CPI and RPI are calculated in different ways and measure slightly different things.

NORMAL RETIREMENT DATE

This is the day before your 65th birthday for your CARE benefits. Benefits built up before 1 January 2016 might have a slightly different normal retirement date, depending on which section you are in. This is detailed in your old Scheme booklet dealing with benefits built up before 1 January 2016.

PENSIONABLE PAY

This is your basic pay, plus any other payments that the company has told you count for pension purposes. If you take part in the Scheme via salary sacrifice, your benefits will be calculated on the basis of your notional pensionable pay (that is, your pensionable pay before any deductions were applied for salary sacrifice).



If you have any questions about the Scheme in general that are not answered by this guide, then please contact the Payroll and Benefits Team at:

Northumbrian Water Payroll and Benefits Team
Boldon House
Wheatlands Way
Pity Me
Durham
DH1 5FA

Tel: 0191 301 6628

Email: yourpension@nwl.co.uk