NortelPensionsUK

Nortel Networks UK Pension Plan (‘the Plan’)

Deferred Pension Factsheet

As you are under Normal Pension Age you are entitled to receive a pension in the future, which, once in payment, would then be payable for the rest of your life. This is called a deferred pension.

When the Plan exits Pension Protection Fund (PPF) assessment, the Trustee will provide benefits for you outside the Plan. Under a **Deferred Pension** option, we will use your Share of the Funds to secure a deferred pension for you with our chosen insurance provider.

Our chosen insurance provider would then take over the responsibility of paying your pension for the rest of your life from whenever you choose to retire, either before (subject to limits) or at Normal Pension Age.

To comply with legal requirements, when the Trustee secures your pension with our chosen insurance provider it will secure a pension that increases in payment for any pension that you earned after 5 April 1997, unless you choose otherwise.

This factsheet gives information about these increases and the deferred pension that would be secured for you. It should be read in conjunction with your **Option Letter, Personal Statement** and any other enclosed factsheets.

Please refer to the **Glossary Factsheet** for an explanation of any terms used in this factsheet which are unfamiliar to you.

Contents

1. What is a deferred pension?

A deferred pension means that we will secure a pension with our chosen insurance provider, based on your Share of the Funds, for you to take in the future.

Your pension would be payable from your Normal Pension Age. You could instead choose to put your pension into payment earlier than this (normally from age 55 onwards) and accept a reduced annual pension. Our chosen insurance provider's rules may also permit retirement earlier than this on ill-health grounds.

This pension would then be payable for the rest of your life and would be taxed like any other regular earned income.

2. How would my deferred pension increase before it comes into payment?

If your **Personal Statement** confirms that your deferred pension would increase between now and when you retire, it would increase for each complete year between the date your benefits are secured with the chosen insurance provider and retirement, based on the increase in the **Retail Prices Index** ('**RPI**') over the period up to a maximum increase of **5%** a year over the period.

The increase in RPI would be measured over the year to the previous September.

Some Plan members' deferred pension will not increase before it comes into payment. Please see your **Personal Statement** to see if this applies to you.

3. How would my pension increase in payment?

If some or all of your pension entitlement was earned after 5 April 1997, to meet legal requirements, we will secure a pension which increases in different ways depending on when it was earned, as follows:

- Pension earned before 6 April 1997 will not increase in payment;
- Pension earned after 5 April 1997 and before 6 April 2005 will increase in payment in line with RPI up to a maximum increase of **5%** a year; and
- Pension earned after 5 April 2005 will increase in payment in line with RPI up to a maximum increase of **2.5%** a year.

Any increases due would be applied in January each year. The increase in RPI would be measured over the year to the previous September. If RPI is negative (i.e. prices have fallen) then your pension will not reduce.

This is different from the increases you would have been entitled to in the PPF. Under PPF rules, pension earned after 5 April 1997 is increased in line with the change in the Consumer Prices Index (CPI) and is subject to certain lower or equivalent caps than those set out above.

If all of your pension was earned before 6 April 1997, it will not increase in payment. This is the same position as under PPF rules.

4. Can I choose a pension which does not increase?

If you have pension earned after 5 April 1997, then instead of receiving the pension increases described in section 3 above, you may be able to choose a higher initial deferred pension that does not increase in payment. If this option is available to you, your **Personal Statement** will show an option called **Deferred Pension with No Increases In Payment,** in which case you should also read the **Pension Increases Factsheet** enclosed which gives more information on this option.

If all of your pension was earned before 6 April 1997, then the pension we secure for you will not increase in any event.

5. What dependant's pension would be secured under the Deferred Pension option?

On your death, a pension may be payable to an Eligible Dependant. Please see your **Personal Statement** for confirmation if this applies to you. If your **Personal Statement** shows that this applies to you, the following pensions would be payable to an Eligible Dependant:

On death before you take your pension

A surviving Eligible Dependant would receive a pension of half of your deferred pension, after increases have been applied in accordance with **2 above**, up to the date of your death.

On death after you take your pension

A surviving Eligible Dependant would receive half of the pension you would have been receiving at the date of your death, ignoring any reductions applied to your own pension if you chose to retire early or give up some of your pension for tax-free cash.

Please note that there may be a reduction to this pension payable if your Eligible Dependant is more than 10 years younger than you.

6. What Children's Allowances would be secured?

A pension may be payable to an Eligible Child on your death.

The pension payable to an Eligible Child is 50% of the pension that is or would be payable to an Eligible Dependant, provided there are no more than two Eligible Children. If there are more than two Eligible Children, then each Eligible Child's pension will be reduced accordingly.

The pension payable to an Eligible Child can be doubled if there is no pension payable to an Eligible Dependant.

7. What flexibility would I have when I receive my pension?

When you retire, based on current legislation you would be able to choose to take up to a quarter of the value of your pension at retirement as a tax-free cash lump sum in exchange for giving up some of your pension. The remainder of your pension would be taxed like regular earned income.

We are unable to quote these figures to you as part of your **Personal Statement**, as they will be calculated at the time you retire by our chosen insurance provider.

8. What if I have Additional Voluntary Contributions (AVCs)?

If you have paid AVCs, the options available to you in relation to your AVCs are set out in your **Personal Statement.**

The Deferred Pension estimates exclude your Additional Voluntary Contributions (AVCs). The current intention is that your AVC fund would be secured separately from your main Plan benefits and you could use them to supplement your benefits when you retire. Your AVC fund would remain invested, although this may be with a different insurer from your current AVC provider. Further details would be provided nearer to when the Plan exits PPF assessment.

9. What is happening to Guaranteed Minimum Pensions?

Part of your Plan benefit may currently include an element known as a 'Guaranteed Minimum' or 'GMP'. A GMP is the part of your pension in the Plan (if any) which was earned as a result of you (or your late spouse) being contracted out of the State Earnings Related Pension Scheme (SERPS) before 6 April 1997 whilst a member of the Plan.

To simplify the process for providing benefits to you, and to provide more flexibility as to how your Share of the Funds can be applied, the Trustee will, as permitted by legislation, convert members' benefits so that they no longer include a specific GMP component. This conversion process will be carried out before any benefits are secured outside the Plan. It will not affect the overall value of your benefits nor the calculation of your Share of the Funds.

The effect of this conversion process will be that any GMP component will be converted into normal Plan benefit. Your benefits, and the pension we secure for you with our chosen insurance provider, will no longer include any GMP element.

For more information please refer to our letter dated November 2017 or the FAQ section at www.nortelpensions.com.

10. How to choose a Deferred Pension option

Check your options letter and **Personal Statement** to find out what would be your ‘default’ option if you do not return any **Option Form.**

If you choose a **Deferred Pension With Annual Increases In Payment** and this is your default option, you do not need to take any action. If it is not your default option, you will need to follow the instructions in your **Personal Statement** and on the relevant **Option Form** to accept this option.

If you wish to choose a **Deferred Pension With No Increases In Payment** then you should read the **Pension Increases Factsheet** and complete and return the relevant **Option Form.**

You may also want to consider taking financial advice before making any decisions.