NortelPensionsUK

Frequently Asked Questions – August 2018

This document is no longer relevant to the operation of the Plan following its exit from PPF assessment and is provided for historical information only

1. Introduction

This document is aimed at members, and their dependants, of the Nortel Networks UK Pension Plan ("Plan"). It provides answers to many of the commonly asked questions about the Plan.

The Plan provides pension benefits for most former employees of Nortel Networks UK Limited ("NNUK") together with employees of other Nortel UK companies and companies that have become part of the Nortel group over the years, such as STC and ITT. You can find a list of such companies on the Acquired Companies page of our website.

The definition of members' entitlement to benefits is set out in the Trust Deed and Rules ("Plan Rules"). The Plan Rules govern the administration and conduct of the Plan. On January 14, 2009 NNUK, and most other Nortel companies worldwide, went into administration. This automatically triggered the involvement of the Pension Protection Fund ("PPF") which is a statutory corporation established under the provisions of the UK Pensions Act 2004.

In brief, the PPF's main function is to provide compensation to members of eligible defined benefit pension schemes, in the event of insolvency of the employer and where there are insufficient assets in the pension scheme to cover PPF levels of compensation.
The Plan Rules now operate subject to the PPF rules. All members now in receipt of pensions will be aware of the compensation to which they are currently entitled.

The Plan is still in the PPF assessment phase but members who have been following our activities to maximise recoveries to the Plan from Nortel's global insolvency proceedings will know that in October 2016 all parties reached agreement on how to divide over US$ 7 Billion between various parties in the US, Canada and Europe. This agreement finally became effective in May 2017.

We wrote to members in November 2017 saying that we were increasingly confident of securing benefits outside the PPF and estimated a total recovery greater than £1.2 Billion.

Members will be kept up to date with progress by means of personalised letters and website announcements. If you have not received any letters through the post over the past few months, please check that we have an up-to-date address for you.

Much of the information in this document deals with the operation and level of PPF benefits. The information is given in good faith and results from interpretation of

information published on the Pensions Regulator and PPF websites. Whilst every effort has been taken to ensure accurate information is given it must be assumed to be for guidance only and not a definitive statement of entitlement or the law.

Any member who is considering drawing pension benefits from the Plan is strongly advised to seek professional guidance. Neither the Trustee nor NNUK can provide advice on your personal financial circumstances. To find an independent financial adviser in your area go to www.vouchedfor.co.uk, or www.unbiased.co.uk or https://directory.moneyadviceservice.org.uk*. This will give you a list of IFAs to choose from. Our November 2017 letter also gave details of some specific support arrangements for members as we move to secure benefits outside the PPF.*

Please note that the PPF does not hold details about Plan members and cannot comment on individual cases. They will be unable to help you if you contact them directly to ask about your personal circumstances. They will, however, be able to assist you if you have general queries about the PPF.

2. PPF General

▷Q2-1. What difference does being in assessment make to the Plan's operation?

Entering assessment meant that the PPF became the formal creditor of NNUK in place of the Plan, and is primarily responsible for the recovery of money from NNUK. However, the Trustee and the PPF have worked closely together to maximise the monies recovered from all sources.

During assessment the Trustee is obliged to operate in accordance with PPF procedures and has to seek approval on many issues that were previously a matter solely for the discretion of the Trustee. This meant, for example, that service accruals for active members ceased, restrictions on discretionary benefits commenced and pension entitlement became restricted to PPF compensation levels.

▷Q2-2. What triggers the end of the PPF assessment phase and what are the possible outcomes for Plan members?

There are three possible outcomes to a PPF assessment:

1. The Plan can be 'rescued' either as a result of NNUK coming out of administration and continuing to run the Plan or a new employer being found who is willing to take responsibility for the Plan **(note that this is no longer a possibility).**
2. The cash that the Plan receives during the administration process reaches a certain funding level, prescribed by statute, in which case the Plan will not enter the PPF. This means that the obligation to pay member benefits will be transferred from the Plan to insurer(s) or other arrangements.
3. If neither of the above outcomes can be achieved then at the end of assessment the Plan will become the responsibility of the PPF who will continue to pay pensions (which will then be referred to as 'Compensation') to members in accordance with the benefit levels described in this Q&A.

A statutory calculation (known as a Section 143 determination) has now been carried out by the PPF who have determined that the Plan has reached a funding level which should be sufficient for the Trustee to secure benefits for all members outside the PPF. Hence we are now pursuing Outcome 2 above.

If the Trustee cannot achieve Outcome 2 then Outcome 3 will apply to all Plan members.

▷Q2-3. How will the excess funds be allocated across the Plan membership in the event that the Plan manages to recover enough money such that its overall funds exceed the 'PPF Deficit' level and we end up establishing member benefits from insurer(s) or other arrangements?

Please refer to Q8-3 and Q8-4 of this FAQ – Leaving PPF assessment.

▷Q2-4. What effect is NNUK being in Administration and the involvement of the PPF having on the investment strategy for Plan assets?

In order to reflect PPF requirements, a new strategy was put in place in 2009 that was principally designed to match the impact of inflation and interest rate fluctuations on the cost of benefits. The current Statement of Investment Principles (SIP) for the Plan was approved by the Trustee on November 27, 2017.

The PPF's own SIP was last updated in September 2017.

Q2-5. What are the options for transferring my benefits out of the Plan since NNUK filed for administration?

With only a few exceptions, the Trustee is not permitted to make any transfers during assessment. All proposed transfers not fully completed by the start of assessment, January 14th 2009, were stopped. However, if the Trustee is successful in securing benefits outside the PPF (Outcome 2 in Q2-2 above) then transfers will again become possible for members who have not yet put their pensions into payment.

Whilst the Plan is still in PPF assessment, transfers may be made in certain circumstances (for example, as a result of a pension sharing order made by a court as part of divorce proceedings) but this would only be at the same level of benefit that would have been available under PPF rules.

If you have an AVC fund then please refer to Q4-3 for options available to you.

Q2-6. Do I have to declare the compensation I receive from the Pension Protection Fund to the Department for Work and Pensions?

If the Plan were to become the responsibility of the PPF and you are in receipt of means tested social security benefits then you would be required to declare any compensation payment(s) you receive from the PPF to the appropriate benefits authority, the Pension Service or local council. PPF compensation must also be declared to HMRC.

Q2-7. Under Plan Rules all pension increases occurred on April 1st each year – is the amount and timing still the same under PPF rules?

Note: The information provided in response to this question is relevant and correct whilst the Plan remains in the PPF assessment period. If we are successful in securing benefits outside the PPF then some of the detail set out below may change. Any new arrangements will be covered in personalised letters and other materials which will be sent to each member.

This answer and the table below deals with increases to **pensions in payment**. Please refer to Q7-10 for details of increases to **pensions in deferment**.

Future increases to pensions in payment will be in accordance with the table below – in all cases these will be lower than under the Plan. Only that part of your pension that you earned whilst working for NNUK on or after April 6, 1997 will increase. However, if your pension includes any amounts resulting from externally invested AVCs or redundancy payments taken into the Plan at the same time as start of retirement then any increases to these amounts will continue to be determined in accordance with Plan rules – see Q4-3 for more AVC details.

Element	**Increase Date**	**Pensions in Payment Increase Rate Capped At**
AVC/Redundancy amount *	April 1st	3% pa – RPI
Pension earned pre-April 1997	No increase	N/A
Pension earned April 1997 onwards **	January 1st	2.5% pa - CPI

* The amount of increase is determined by the increase in Retail Prices Index (RPI) in the twelve months up to the previous December 31st (capped at 3%). In cases where the RPI is negative then no increase (or decrease) applies. In the twelve months ending December 31, 2017 RPI was 4.1%. This means that with effect from April 1, 2018 the AVC/Redundancy increase will be 3.0%. Note that there are other 'money purchase' pension elements that are treated differently to the foregoing.

** The amount of increase is determined by the increase in Consumer Prices Index (CPI) in the twelve months up to the previous May 31st (capped at 2.5%). In cases where the CPI is negative then no change is made. In the twelve months ending May 31, 2017 CPI was 2.9% so there was a 2.5% increase in the 'April 1997 onwards' pension on January 1, 2018.

By way of example, if a member had no pension resulting from AVCs and retired in April 2006 with exactly fifteen years continuous service then he/she would have six years service prior to April 1997 and nine years service from April 1997 onwards. This means that only 9/15 (or 60%) of his/her pension would be eligible for CPI increases capped at 2.5% per annum.

If your pension includes an amount resulting from a redundancy payment but you deferred taking your pension beyond your redundancy date then this amount is treated as being a part of your 'normal' pension so we would need to clarify whether this is treated as pre or post April 1997. The answer is - if you were made redundant (i.e. ceased NNUK employment) prior to April 6, 1997 then this amount is treated as 'pre April 1997' but if you were made redundant on or after April 6, 1997 then it is treated as 'April 1997 onwards'.

If your pension includes any **Defined Benefit (DB) AVCs** then it may not be obvious whether they are classed as being 'pre April 1997' or 'April 1997 onwards' for the calculation of any ongoing increases. In the rules below the references to start and end dates refer to the dates when **contributions** were actually made by members – note that all contributions ceased at the start of assessment on January 14, 2009:

- Contracts with a start and end date before April 6, 1997 will not qualify for increases
- Contracts with a start date on/after April 6, 1997 will qualify for increases
- Contracts with a start date before April 6, 1997 and an end date on/after April 6, 1997 will be split pro rata and only the period on/after April 6, 1997 will qualify for increases. For example, a contract that started contributions in April 1996 and ended in April 2000 will qualify for ongoing increases on three quarters (75%) of its value.

▷Q2-8. Can I go online and access PPF documents and information directly?

Yes. The main link to the PPF website is: http://www.pensionprotectionfund.org.uk/ and there is also a 'members' website: http://www.ppfonline.org.uk/

The Pensions Regulator website contains information about the work of the Regulator and detailed information for pension plan members: http://www.thepensionsregulator.gov.uk/

The following links may also be useful:
General description of compensation:

http://www.pensionprotectionfund.org.uk/Pages/Compensation.aspx

- More detailed compensation information including survivors/children, divorce and early payment : https://www.ppfonline.org.uk/mycompensation/hopl.chi/wui/genpr1ui.html?hopsess=naikjdikhdGpjwkbxnakbdObdkfVYPkk
- Frequently asked questions on the PPF 'members' website: https://www.ppfonline.org.uk/mycompensation/hopl.chi/wui/genpr2ui.html?hopsess=naikjdikhdGpjwkbxnakbdObdkfVYPkk
- Beginners Guide to the PPF (video): http://www.pensionprotectionfund.org.uk/News/Pages/details.aspx?itemID=317

Q2-9. I have read reports in the press that the Nortel scheme will double the number of pensioners that the PPF is responsible for and they may be forced to cut back benefits. Surely the government guarantees the PPF so that this couldn't happen?

The PPF has proved resilient through the recent recession and is confident that it has enough cash to continue to pay compensation. The PPF currently has over 235,000 members, and assets of £34.1 billion.

In August 2010 the PPF published its funding strategy on how it aims to be fully funded, without the need to collect any further levies, by 2030. Members may find that the Strategic Plan 2016 provides useful information on PPF future plans. The PPF believes it shows they are committed to having enough money to pay existing levels of compensation to current and future PPF members and becoming self-sufficient by the time the number of pension schemes paying levies reduces. The PPF can run at a deficit over a long period of time. Depending on the size of that deficit, it will decide if and when it needs to take any action to manage the deficit. There are various ways in which it may seek to do this and, currently, the PPF does not envisage one of those ways being a reduction in levels of PPF compensation.

The PPF believes that the pension protection framework is resilient and that there is no need for a Government bailout or guarantee of the PPF.

The PPF continues to receive income from the pension protection levy and intends to collect £615 million during the 2017/18 financial year. The PPF has said that it would raise the levy before considering reducing compensation.

Q2-10. Is the PPF currently in surplus or deficit?

The PPF Annual Report for 2016/17 reports a **SURPLUS of £6.1B,** which represents a funding position of 121.6%.

3. Trustee Issues

Q3-1. Do the members of the Trustee Board have the experience and knowledge to make sure that the Plan gets the largest possible settlement from Nortel? Do any of the Trustees have a conflict of interest with Nortel and what happens if a Trustee's term of appointment expires or he/she resigns?

The Trustee Board consists of seven Trustees:

- an independent chairman
- three elected by members of the Plan
- two originally nominated by NNUK
- one representing an independent professional Trustee company (BESTrustees)

Two of our Trustees have experience of working with the PPF due to other schemes going through assessment. Four Trustees are members of the Plan and two of these also have personal direct claims against NNUK arising from their former employment.

Once appointed, all Trustees are under a legal obligation to act in the best interests of all beneficiaries of the Plan. The Plan's website has a page that provides brief biographical details of each Trustee.

The Trustee Board has access to a team of professionals, covering a wide base of skills and knowledge:

- Pinsent Masons (Legal – UK for ongoing Plan and PPF related activities)
- Hogan Lovells (Legal – UK for deficit recovery activities)
- KPMG (Professional Services – for buyout activities)
- Travers Smith (Legal – for buyout activities)
- Thornton Grout Finnigan (Legal – Canada for litigation activities)
- Willkie Farr & Gallagher (Legal – USA and France)
- PricewaterhouseCoopers (Financial)
- Mercer (Investment)
- Willis Towers Watson (Actuarial)

The Trustees are working closely with the PPF, whose objectives going forward are broadly similar to those of the Trustee Board.

During assessment a Trustee's term of appointment does not automatically expire and in the event of any resignations, consideration would need to be given as to if and how the Trustee Board needs to be strengthened.

Q3-2. I understand that the Consultative Committee ("CC") has been disbanded because it was an NNUK sponsored body – are there any plans to reinstate it as a Trustee sponsored body during the PPF assessment process?

The Pensions Communication Group ("PCG") was formed in 2009 and is composed of former members of the CC. The PCG meets with the Trustee on a roughly quarterly basis and provides feedback to the Trustee on its communications with the Plan membership. The PCG also assists with Trustee communication, ensuring that the communication reaches as many members as possible, using their extensive networks amongst Plan members.

Members can contact the PCG at glawrence@iee.org.

Q3-3. The Trustees normally publish a Summary Funding Statement each year – will this continue during PPF assessment?

No. The issue of a summary funding statement is normally required under the terms of the Pensions Act 2004 but these terms do not apply, in certain circumstances, to schemes, such as the Plan, which are in assessment.

Q3-4. How is the Trustee addressing its obligations under the new GDPR data protection requirements?

The GDPR will replace the current EU Directive and will be directly applicable in all Member States from May 25, 2018. Please follow the **Privacy Notice** link on our home page for full details of how we use and protect your personal information.

4. Normal Pension Age, PPF Compensation Cap and Treatment of AVCs

▷Q4-1. What's the earliest I can retire without having my pension reduced?

The PPF legislation states: *"Normal pension age is the age specified in the admissible rules as the earliest age at which the pension or lump sum becomes payable without actuarial adjustment."*

Using the above definition, the **NPA for the Plan is age 60** with the following exceptions:

NPA is 65 for MALE MEMBERS ONLY who:

- are holding Equivalent Pension Benefits (EPB) or Q entitlements*
- were a member of the STC Employees (UK) Pension Plan (including STC Non-Contributory and Works Plans) who left service prior to April 6, 1988
- were a member of the STC Senior Staff (UK) Pension Plan who left service prior to April 6, 1988
- were a member of the ICL Pension Fund who left service prior to April 6, 1988
- were a member of Northern Telecom Retirement Benefits Scheme who left service prior to April 6, 1990
- were Nortel Networks UK members who left service prior to May 17, 1990 at their own request

NPA is 62 for MALE MEMBERS ONLY who:

- were Nortel Networks UK members who left service prior to May 17, 1990 at the company's request
- were STC Executive Plan members
- were Supplementary Category 3 (ex-ICL and ex-STC) members who left service prior to May 17, 1990

NPA is 57 for members who:

- were female STC Executive Plan members
- were Supplementary Category 1 (ex-ICL and ex-STC) members
- were Supplementary Category 2 (ex-ICL and ex-STC) members

NPA is 58 for members who:

- were Female STC Senior Executive Plan Members

* If your NPA is anything other than age 65 and your pension includes EPBs or Q scheme pension, it is only those elements (i.e. the EPBs or Q scheme pension) that have an NPA of 65.

If you have service both before and after 17 May 1990, you may have a different NPA applied to different tranches of your pension. This is due to NPAs needing to be equalised between men and women from this date.

▷Q4-2. What is the PPF's "Compensation Cap" and how does it work?

Important Note: With effect from April 6, 2017 the Compensation Cap is increased for members having more than 20 years' service in the Plan. The increase is at the rate of 3% for each complete year in excess of 20 years up to a maximum of double the standard Compensation Cap applicable at your date of retirement or January 13, 2009 whichever is the later. Members affected by this change have been notified individually.

First, if you reached your NPA on or before January 13, 2009 you will not have been

subject to the Compensation Cap or the restriction to the 90% level referred to below.

For those members who were under their NPA on January 13, 2009, the Cap sets a limit on the annual pension receivable from the PPF.

The Cap is only applied once. If you were not already in receipt of a pension on January 13, 2009 the Cap will be applied at the date your pension first comes into payment.

As of April 1, 2017, the standard Cap at age 60 is £32,769.97. This is then further reduced to £29,492.97 due to all pensions for members under NPA on January 13, 2009 being restricted to 90% of their entitlement.

Typically the Cap is revised once a year but it could be changed more frequently if required.

The key factor to determine how your pension will be reduced is your NPA, which can vary depending on which category of Plan membership applies to you (see full definition in Q4-1).

To demonstrate the Cap, we'll show a worked example using the following hypothetical situation:

- Your NPA is 60
- You have less than 21 years' service in the Plan
- You were aged 59 on January 13, 2009 (i.e. you were under your NPA)
- You had accrued an annual pension of £30,000
- You took your pension in January 2010 when you reached your NPA, but without taking any of it as a lump sum payment

Using the RPI index of 216.6 in November 2009 (two months before your retirement date) and comparing it with 216.0 in November 2008 (two months before assessment date) your Plan pension entitlement would have increased to £30,083.33 – note that inflation increases for pensions in deferment is limited to a cumulative 5% per annum.

The Cap at age 60 was £28,924.65 in January 2010. Your Plan pension was over the Cap so your pension would have been restricted to £28,924.65 which was then reduced to the 90% level to give a starting pension of £26,032.19 i.e. a reduction of 13.5% compared to the Plan entitlement.

In the example above we have ignored any AVCs or redundancy payments that may have been taken into the Plan at the time of retirement. If these elements are present then they will have to be used to buy benefits on the open market (e.g. an insurance company).

Please refer to Q4-3 for more details of the treatment of AVCs and redundancy payments.

▷Q4-3. I saved into an AVC as part of my Nortel pension saving. How is this affected?

Note: If your AVC was with Equitable Life, please also read the answer to Q4-4. The answer to this depends on whether or not you were receiving your pension at the start of the assessment process:

If you were NOT in receipt of your pension at the start of assessment then any AVC

sums that are invested with external providers (e.g. Equitable Life, Winterthur Life, London Life or MGM) cannot be brought into the Plan when you retire and will have to be used to purchase an annuity with an approved external provider of your choice. This type of AVC is referred to as a **Money Purchase benefit** and does not form part of PPF compensation.

Members who currently have AVC funds with external providers should have received personal letters giving details of options available to them. Briefly, during assessment and ***before*** your take retirement benefits from the Plan, you may ask for your fund to be transferred from the current provider to another registered pension plan like a personal pension plan or a stakeholder scheme in your own name or even a new employer's plan if this is allowed by its rules. Alternatively, if you retire from the Plan during assessment you may be able to take your AVC fund in full as cash if it is less than the tax-free cash entitlement available to you from the Plan. If you do not take any of the above actions then ultimately at the end of assessment the Trustee will have to discharge any outstanding AVC Money Purchase liabilities by purchasing an individual policy for you in your name - this applies whether or not the Plan enters the PPF. If the foregoing affects you and you have not received a personal letter then you should immediately contact Willis Towers Watson. These liabilities are being dealt with by the Trustee as part of the process to secure benefits outside the PPF as described in the Introduction section of this FAQ.

Note that if you received a redundancy payment prior to the start of assessment and elected to use some or all of this payment to increase your pension benefits at a **future** retirement date then this **does** form part of PPF compensation and hence is restricted to the 90% level and, potentially, the Cap. The same applies to **Defined Benefit ('DB')** AVCs since they purchased additional years of service in the Plan.

If you were in receipt of your pension at the start of assessment then that part of your pension resulting from externally invested AVCs (e.g. Equitable Life, Winterthur Life, London Life or MGM) and any pension resulting from a **redundancy payment** (provided retirement was not deferred beyond the date of redundancy) are classed as Money Purchase benefits and will not become part of PPF compensation at the end of assessment– please note that where a redundancy payment was used to provide a lump sum under the Plan, the Money Purchase benefits which fall outside the PPF calculation will be reduced by the amount of that lump sum. Initially, these Money Purchase benefits will continue to be paid as part of your normal pension payment and, as noted in Q2-7, inflation increases will be added on April 1st each year.

At some time during assessment, the Trustee will arrange to 'buy out' these Money Purchase benefits with an external insurance provider and the cost will be charged to Plan funds. Note that the benefits that will be purchased will be the same as those which members were entitled to under the Plan – i.e. will include RPI inflation (up to 3% per annum) and, if selected at the time of retirement by a member, a future 50% benefit for member's surviving partner/spouse. If the Plan enters the PPF then you will receive a separate payment from an external insurer in respect of this part of your pension but if we recover sufficient funds to secure member benefits outside the PPF then we anticipate that it will continue to be paid as part of your total pension.

Note that the foregoing also applies to any 'survivor' pensions in payment at the start of assessment.

▷**Q4-4. I had AVCs invested with Equitable Life through Nortel payroll and I understand I may be entitled to compensation as a result of regulatory failings –**

what is the current situation?

Members who used Equitable Life for their AVCs may be aware that regulatory administration issues led to the establishment of the Equitable Life Payment Scheme ("ELPS"), which, as the name suggests, has been making payments to policyholders who are judged to have suffered a loss.

We were contacted by ELPS in connection with the Nortel scheme and have provided them with contact details for policyholders identified by ELPS. The scheme is now closed and is not accepting any new claims.

If you used companies other than Equitable Life for your AVCs then the information above does not affect you.

▷Q4-5. Now that the Plan is in assessment I understand that the amount of pension that can be paid cannot exceed PPF limits but are there any circumstances where PPF rules would mean that a member is entitled to more than would be payable under the Plan?

In almost every case PPF benefits are either the same for members over NPA or less for members who are under NPA – the latter because of the automatic restriction of pension to the 90% level. However, we have identified a few isolated cases (retirements since assessment date only) where the application of more generous PPF early retirement and other factors means that PPF benefits are marginally better than Plan benefits. Since the Trustee is obliged to apply the lesser of Plan or PPF benefits then payments for these members will continue at Plan levels.

If the Plan does enter the PPF at the end of assessment then the few members affected by the above would have their compensation increased to PPF levels and backdated accordingly. However, if a member had received a lump sum which was lower because of the application of Plan Rules then no additional lump sum would become payable and all necessary adjustments would be reflected in the compensation calculation. Willis Towers Watson has advised all such members individually.

▷Q4-6. I retired early and took a lump sum that means I have had a reduced pension for a number of years. Unfortunately, I was under NPA on January 13, 2009 and had my pension capped because they used figures that assumed I didn't take a lump sum. Since I have been effectively 'paying back' the lump sum in reduced pension over the years this surely can't be correct?

Most members who take a lump sum and a reduced pension do so because it is a tax efficient way of receiving benefits from the Plan and/or it suits their circumstances at the time – e.g. pay off a mortgage, invest it for the future or even a once in a lifetime holiday. The compensation cap calculation rules are set up this way so that somebody who took a lump sum and reduced pension is still subject to the same, capped benefit from the PPF when compared to a member in exactly the same circumstances who elected not to take a lump sum on retirement.

5. Dependants and Ill-Health Pensions

▷Q5-1. Are the PPF rules about pensions for surviving spouses, partners and dependants the same as for the Plan?

Note: The information provided in response to this question is relevant and correct whilst the Plan remains in the PPF assessment period. If we are successful in securing benefits outside the PPF then some of the detail set out below may change. Any new arrangements will be covered in personalised letters and other materials which will be sent to each member.

PPF compensation of 50% of member's pension is payable to surviving spouses, qualifying unmarried partners and civil partners following the death of a member upon production of the relevant evidence e.g. marriage/civil partnership certificate. In the case of unmarried partners, evidence will have to be provided of cohabitation and that they were financially dependent or interdependent with the Plan member to qualify for benefits.

In accordance with PPF rules, compensation will be paid to dependent children up to age 18 or age 23 if they are either in qualifying further education or are incapable of working by reason of a disability under the Disability Discrimination Act 1995. No compensation is payable beyond the age of 23.The amount of compensation depends on whether compensation is being paid to a surviving spouse or partner. If it is being paid, the amount of compensation will be:

- One child – 25% of the member's compensation
- Two or more children – 50% of the member's compensation, divided equally between the children

If no other compensation is being paid, the amount of compensation will be:

- One child – 50% of the member's compensation
- Two or more children – 100% of the member's compensation, divided equally between the children
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▷Q5-2. I am aged over 65 and when I retired I seem to recall that my wife's future pension was more than 50% of my own – if she survives me will she get more than 50% of my pension at that time?

Note: The information provided in response to this question is relevant and correct whilst the Plan remains in the PPF assessment period. If we are successful in securing benefits outside the PPF then some of the detail set out below may change. Any new arrangements will be covered in personalised letters and other materials which will be sent to each member.

No. You may recall that when you retired you had the option to take your full pension entitlement or a lump sum and a reduced pension entitlement. Under Plan Rules, a surviving partner or spouse would have been entitled to a maximum of 50% of your full pension even if you decided to take a lump sum. You may also have elected to take 'early retirement' which would have further reduced your initial pension without affecting your spouse/partner pension. This may mean that the illustrative partner/spouse pension appeared to be significantly greater than 50% of your initial pension.

In summary, whatever arrangement or entitlements you may have had under the Plan, PPF compensation for a future surviving partner or spouse will be precisely 50% of your pension at the time of your death.

Q5-3. What are the PPF rules about ill health pensions?

With effect from the beginning of the assessment (January 14, 2009) no new ill health pensions have been or will be considered/put into payment. Existing ill health pensions continue to be subject to periodic review in accordance with Plan rules.

Note: The information provided in response to this question is relevant and correct whilst the Plan remains in the PPF assessment period. If we are successful in securing benefits outside the PPF then some of the detail set out below may change. Any new arrangements will be covered in personalised letters and other materials which will be sent to each member.

Legislation changed in April 2009 meaning that during assessment it is now possible for a member who is terminally ill to apply to the PPF for a Terminal Illness Lump Sum. The fundamental requirement is that the member must have a progressive illness (with a life expectancy of less than six months) and must not yet be receiving pension benefits from the Plan. If you think that that you might qualify for such a payment then you should immediately contact Willis Towers Watson and they will be able to assist you with the application process. The foregoing will continue to be available if the Plan transfers to the PPF at the end of assessment.

6. Existing Pensioners

▷Q6-1. I am a retired pensioner (over NPA) and my last pension statement referred to a number of elements of my pension e.g. GMP before and after April 1988, pension built up before and after April 1997, AVC pension, sacrifice pension, non-increasing elements, etc. Are they all treated the same under PPF rules and will there be any changes to my state pension which has reductions because I was 'contracted out' while at Nortel?

The impact on AVCs and sacrifice pension is dealt with in Q4-3. Non-increasing elements will remain unchanged. The remainder of the elements will continue to be paid in full (because you were over NPA) and increases will be as set out in Q2-7. Your state pension will continue to be paid as normal and changes to your Plan pension described in this Q&A will not lead to a reduction of any state pension benefits you may be entitled to. Please also refer to Q8-19 for further details on the GMP element.

▷Q6-2. Will my pension still be paid on the same day during assessment?

Historically, member pensions for each month were paid on or immediately before 18th of each month – being two weeks in advance and two weeks in arrears. As required by PPF procedures, from April 2010 pensions have been paid in advance, on or immediately before the 1st of each month. We anticipate that this will continue if we are successful in securing benefits outside the PPF.

▷Q6-3. Will I have to pay back any of the tax-free cash I received when I retired?

No.

7. Deferred Pensioners

▷Q7-1. I have not yet taken my pension and I am under NPA – what are the PPF rules about taking lump sums and the resulting pension reduction and do they differ from the Plan Rules?

Note: The information provided in response to this question is relevant and correct whilst the Plan remains in the PPF assessment period. If we are successful in securing benefits outside the PPF then some of the detail set out below may change. Any new arrangements will be covered in personalised letters and other materials which will be sent to each member.

Under the PPF's rules, members can commute part of their pension (i.e. reduce it) in return for a lump sum. Commutation is only undertaken at the time of retirement, and is restricted to a maximum of 25% of a member's pension entitlement. For most members these provisions are the same as under the Plan Rules. However under the PPF rules there are different factors that need to be applied to work out how much your pension will be reduced to provide you with a lump sum.

▷Q7-2. If a deferred member dies before reaching NPA then how much pension will his/her partner or spouse be entitled to?

Note: The information provided in response to this question is relevant and correct whilst the Plan remains in the PPF assessment period. If we are successful in securing benefits outside the PPF then some of the detail set out below may change. Any new arrangements will be covered in personalised letters and other materials which will be sent to each member.

If a member had not taken early retirement prior to the start of assessment and died before reaching his/her NPA for the Plan then the age of the member immediately prior to death will be deemed to be his/her NPA. This means there will be no early retirement reduction and compensation will be payable from this date. Compensation will be payable at 50% of what the member would have been entitled to at NPA but subject to the application of 90% and the Cap. It is irrelevant whether or not the member still works for NNUK since all active members became deferred members on January 14, 2009, the date the company entered administration. Please see Q4-2 and Q5-1 for further details.

▷Q7-3. What happens to death in deferment benefit under PPF rules – I believe the Plan refunded member's contributions?

Member's contributions are not refunded – see Q7-2 for details of survivor's benefits

▷Q7-4. I have had two periods of service with Nortel – I was already a deferred pensioner for my earlier service and ceased to be an active member for my ongoing current employment at the beginning of assessment. How are these two periods of service treated under PPF rules when I eventually take my pension?

Note: The information provided in response to this question is relevant and correct whilst the Plan remains in the PPF assessment period. If we are successful in securing benefits outside the PPF then some of the detail set out below may change. Any new arrangements will be covered in personalised letters and other materials which will be sent to each member.

Your accrued benefit for each period of service will be calculated separately. Assuming you were under NPA on January 14, 2009 then if your total benefit is greater than the Compensation Cap (see Q4-2 for more about the “Cap”) at the time you retire then your benefit will be reduced accordingly. Finally, the 90% factor will be applied to arrive at your initial pension amount.

▷Q7-5. I have a ‘defined benefit’ pension from Nortel and from a previous employer. For the purpose of determining whether or not I am over the Compensation Cap will the PPF take into account my other pension when I retire?

No. The PPF will only take into account your NNUK pension. Even if your previous employer became insolvent and their pension scheme became the responsibility of the PPF each of your pensions would be treated completely separately.

▷Q7-6. I am over 50 – can I still take early retirement?

Note: The information provided in response to this question is relevant and correct whilst the Plan remains in the PPF assessment period. If we are successful in securing benefits outside the PPF then some of the detail set out below may change. Any new arrangements will be covered in personalised letters and other materials which will be sent to each member.

During assessment members can apply for early retirement because the Plan Rules allow it. Benefits are payable at PPF levels using PPF early retirement factors and the PPF rates for exchanging pension for a cash lump sum. In a very few cases PPF benefits could be greater than Plan benefits and in such cases Plan benefits would apply – see Q4-5 for more details. Note the relevant notice periods set out in Q7-9.

▷Q7-7. I understand that the minimum age at which a pension can be first put into payment rose from 50 to 55 in 2010 – does this mean that under Plan/PPF rules no member under 55 will be able to draw a pension or will members who currently have a right to retire at 50 under the Plan Rules continue to have this right?

Note: The information provided in response to this question is relevant and correct whilst the Plan remains in the PPF assessment period. If we are successful in securing benefits outside the PPF then some of the detail set out below may change. Any new arrangements will be covered in personalised letters and other materials which will be sent to each member.

PPF Miscellaneous Amendment Regulations have clarified that those members’ with a right to retire at age 50 will be preserved irrespective of whether or not the Plan eventually becomes the responsibility of the PPF. This right also applies during the assessment phase. Note the relevant notice periods set out in Q7-9.

▷Q7-8. I will be 60 next year and I left Nortel in 1999 after about 16 years’ service – do I have to take my pension when I reach 60 and, if not, what are my options and what is best for me?

Note: The information provided in response to this question is relevant and correct whilst the Plan remains in the PPF assessment period. If we are successful in securing benefits outside the PPF then some of the detail set out below may

change. Any new arrangements will be covered in personalised letters and other materials which will be sent to each member.

For the purposes of this answer we will assume that you will have no AVC entitlement, that your Normal Retirement Date as defined in the Plan Rules (NRD) is 65 and that 60 is your NPA – please see Q4-1 for other NPA definitions that may apply to you.

Whilst the Plan is in assessment you can take your pension at age 60 without any actuarial reduction but you are not obliged to take your pension until you reach the age of 65.

If you do decide to take your pension at age 60 then please refer to Q7-10 for details of how your initial pension will be calculated. Once you have taken your pension then future increases will be in accordance with Q2-7. In your case, only about two years of your service is after April 1997 so, in accordance with PPF rules, only 2/16 (or about 12%) will be eligible for future increases, which are capped at 2.5% per annum.

If you decide to defer your pension beyond age 60 then you may do so for any period up to your 65th birthday but note that the Trustee has no powers to defer beyond this age. Again, Q7-10 will determine your initial pension at your chosen start date, which will then increase in accordance with Q2-7.

If the plan formally becomes the responsibility of the PPF, under PPF rules you may be able to take compensation beyond age 60 and receive an adjustment to reflect the period for which the compensation has been postponed. The adjustment will be calculated according to factors published by the PPF. Compensation can be taken either periodically or as a lump sum, both of which will be paid less income tax. Depending on your own personal tax circumstances this could result in you paying income tax at a higher band. However, HMRC does recognise that 'long standing underpayment of pension' can result in too much tax being paid and, following a request from the taxpayer, payments can be 'spread back' over the relevant tax years.

Due to the way that inflation is taken into account in Q7-10 and Q2-7 it is also possible that a pension you deferred beyond age 60, but is actually in payment at the time the Plan becomes the responsibility of the PPF, could be reduced if inflation has been at a high level.

If the Plan does not become the responsibility of the PPF at the end of assessment then there will be no changes to your pension if you deferred it beyond age 60 and it will continue to be paid by external insurer(s) or other arrangements when the Plan is wound up – see Q2-2.

Whenever you put your pension into payment you will usually have the option to take a lump sum and a reduced pension.

Any decision on the best way forward for you will be driven by your own individual circumstances so please see the paragraph on independent financial advice in the Introduction section of this Q&A.

▷Q7-9. How much notice do I need to give to put my Nortel pension into payment during the assessment period?

Currently you need to give Willis Towers Watson two months' notice of your intention to take your retirement benefits and have returned all completed paperwork to them within that timeframe. However if the Plan enters the PPF at the end of assessment then the notice period will increase to six months.

▷Q7-10. I understand that deferred pensions are no longer being revalued annually – how will my future pension take into account ongoing inflation?

Note: The information provided in response to this question is relevant and correct whilst the Plan remains in the PPF assessment period. If we are successful in securing benefits outside the PPF then some of the detail set out below may change. Any new arrangements will be covered in personalised letters and other materials which will be sent to each member.

Revaluation of your deferred pension from the date you left the Plan up to the start of assessment on January 14, 2009 will be carried out in accordance with Plan Rules as before. Although you will not receive annual statements, your pension benefits will rise.

Revaluation from the start of assessment until your chosen retirement date will be carried out using PPF procedures and the calculation is done immediately prior to putting your pension into payment. This calculation starts with the RPI index for November 2008 (two months prior to the start date of assessment) and ends with the index two months before the date your pension is put into payment. RPI is used for this calculation until January 2011 but changes in legislation mean that the Consumer Prices Index (CPI) is used thereafter. To make the calculation, the following index values are used: RPI in November 2008 was 216.0, RPI in January 2011 was 229.0 and CPI in January 2011 was 116.9.

In addition, the overall increase from the start of assessment until your date of retirement is limited to a cumulative 5% per annum.

By way of example, if your revalued pension benefit at the start of assessment was £5000 per annum, you put your pension into payment in January 2017 and the CPI in November 2016 was 129.8 then your final pension benefit would be:

£5000 x 229.0/216.0 = £5300.9259 (RPI from November '08 to January '11)
£5300.9259 x 129.8/116.9 = £5885.8869 (CPI from January '11 to November '16)

Final Pension Benefit = £5885.89

If you decide to take a lump sum and/or early retirement then there will of course be further adjustments but when the final figure has been calculated, payment will be restricted to the 90% level and could be less if you are subject to the compensation cap – see Q4-2 for full details.

Deferred members were previously able to use the online ePA system to perform "what if" scenarios on future pension benefits. Since deferred pensions are no longer revalued annually as per Plan Rules, the calculation of future pension benefits could be misleading and we have therefore decided not to re-establish this facility. However ePA can still be used for administrative functions such as change of address, etc.

▷Q7-11. I have now reached NPA and am considering when to put my pension into payment. Is there an advantage to taking my pension before the outcome of the PPF

assessment phase is determined? Or is it better to wait until afterwards?

Deciding when to start taking a pension is a complex decision which will largely depend on a member's personal financial circumstances. As stated in the Introduction, members are strongly advised to seek professional guidance in this respect. The Trustee is unable to provide financial advice.

If the Plan makes recoveries from the various global insolvency processes which enable us to improve our funding so that we can secure members' benefits outside the PPF then the starting point will be the PPF benefit levels that each member was entitled to on January 13, 2009.

8. Leaving PPF assessment

▷Q8-1. How have we got here?

Before 2009, your pension was provided by the Plan in accordance with its rules. The cost of paying Plan pensions were covered in part by your contributions, but mainly by Nortel Networks UK (NNUK) as the sponsoring employer.

When NNUK went into administration in January 2009, all funding ceased and the Plan entered an assessment period with the Pension Protection Fund (PPF). During this period the Plan has been required to pay benefits in line with the rules of the PPF, which for most members means a lower benefit than the Plan.

In 2009, we began a process to ensure members of the Plan recovered as much as possible from their lost Plan benefits. Our recovery activities over the past nine years have resulted in us increasing our funds and we are now able to offer our members pension benefits which are collectively more valuable than those in the PPF. However, we did not recover enough funds to provide members with full Plan benefits.

This means that we are now able to start the process for exiting the PPF assessment period and securing your pensions externally.

▷Q8-2. Why are we leaving the PPF assessment?

Pension schemes which are in assessment or actually enter the PPF are only able to pay pensions in line with the rules of the PPF. Generally these PPF pensions are lower than the pensions our members had built up in the Plan. When we add recoveries to existing Plan assets, we expect to be able to provide most members with benefits which are better than the value of PPF benefits.

▷Q8-3. What is the difference between my PPF Pension Value, my Share of the Funds, and my Plan Pension Value?

These three terms are used to determine your entitlement in the Plan and the options you have with regards to your entitlement. They are calculated based on the expected cost of paying your annual pension until your death, and if applicable, any pension due to any eligible spouse/dependant after your death. The terms may be used in your future personalised statements.

- Your PPF Pension Value is the amount it would cost to secure all of your future pension payments based on the rules of the PPF, including any eligible spouse's/dependant's pension, with an insurer.
- Your Share of the Funds is your allocation of the Plan funds, which is at least equal to your PPF Pension Value. Please see question Q8-4 for an explanation of how this is calculated.
- Your Plan Pension Value is the amount it would cost to secure all of your future pension payments based on your original Plan benefits before entering the PPF, including any eligible spouse's/dependant's pension, with an insurer.

▷Q8-4. How is my Share of the Funds calculated?

The calculation is carried out by the Scheme Actuary in accordance with legal requirements. The precise method is complex but broadly speaking:

All members will receive a Share of the Funds at least equal to their PPF Pension Value. Members for whom their Plan Pension Value would have been greater than this will receive additional funds based on a proportion of the shortfall. The proportion will be the same for all members and will be dependent on the total remaining funds in the Plan, after securing PPF level benefits for all members, compared with the total shortfall across all members.

As a simple example, if your PPF Pension Value was £100,000, and your Plan Pension Value was £120,000, you would have a shortfall in benefits of £20,000.

Now suppose after all members' PPF benefits were secured there was £10 million remaining, and the total shortfall to insure all members' full plan benefits was £100 million, the additional proportion for all members would be 10%.

You would then receive an additional £2,000 (which is equal to 10% of your shortfall of £20,000). This would be used to secure additional pension with our chosen insurance provider, or would be included in any other options that are available to you.

▷Q8-5. What is the difference between the increases the PPF pay on a pension in payment and the pension increases that will be provided for me (if I do not choose an alternative option)?

The table below shows the different increases payable by the PPF on a pension in payment, compared to the default pension increases that the Trustee will secure in order to meet statutory requirements. The increases payable depend on when you built up your pension.

If any of your pension relates to service in the Plan after 5 April 1997, in order to take account of the cost of paying for the default statutory pension increases, the initial amount of your pension may be less than you are currently being paid. However, you will also have the option to choose to give up your entitlement to future statutory pension increases and receive a higher initial pension that does not increase in payment.

Pension increases in payment		
	PPF pension increases	**Statutory pension increases**
Service in the Plan before 6 April 1997	nil	nil
Service after 5 April 1997 to 5 April 2005	in line with the annual increase in the Consumer Prices Index (CPI) capped at 2.5% a year	in line with the annual increase in the Retail Prices Index (RPI), capped at 5% a year
Service after 5 April 2005	in line with the annual increase in the Consumer Prices Index (CPI) capped at 2.5% a year	in line with the annual increase in the Retail Prices Index (RPI), capped at 2.5% a year

▷Q8-6. What is the difference between RPI and CPI?

Both RPI and CPI are measures of inflation i.e. how quickly the cost of goods and services are increasing each year.

Each measure looks at a different set of goods and services and applies a different calculation method to assess changes in their cost. A key difference is that RPI includes the cost of housing (e.g mortgage interest cost and council tax) whereas CPI does not. This means that RPI will usually be higher than CPI and hence RPI linked pensions will probably increase faster than CPI linked pensions. Please note that we are not offering an option for pension increases to be linked to CPI.

Q8-7. When do I have to make a decision about my pension options?

We will write to you in early 2018 to explain your options and, if applicable, provide personalised illustrations to help you to compare your options. You will then have three months to return the paperwork to indicate which option you choose.

Depending on which option you choose, you may have a further point in time where you can change your mind. We will confirm whether this is the case for each option when we write to you in early 2018.

Q8-8. If I am legally obliged to speak to an IFA why aren't you paying for it?

Not all members will have to speak to an IFA, and in most cases, you do not have to take advice if you do not want to. This is only legally required for non-pensioners for whom their Plan Pension Value would have been over £30,000 and who wish to take a transfer option to another provider. The letters to be sent in early 2018 will confirm whether you are required to take financial advice.

However, as we only have a finite amount of money to pay benefits to our members, we want to make sure that this money is used fairly across all our members. Therefore, we made the decision that anyone wanting to exercise the options would need to cover the cost of their independent advice. But we wanted to ensure this service was readily available and have therefore facilitated this advice with a company of Financial Conduct Authority (FCA) registered financial advisers, called **LEBC**, to give you tailored financial advice or guidance as appropriate, at a significantly reduced price.

Of course, you can use your own IFA for advice or guidance but they will not have been specifically trained on the specifics of the Plan and members' options.

Please note that financial advice or guidance, as appropriate, will be available from LEBC for eligible members in relation to the transfer option and, for members with post 1997 Plan service, in relation to the pension increase option.

Q8-9. What is the difference between impartial financial advice and impartial financial guidance? (Pensioners only)

As part of either process, LEBC (or your chosen advisor) will explain your options and consider your current situation and future plans to help you make a decision. However, if you purchase financial advice, LEBC will make a recommendation for you regarding your options.

Q8-10. Who is 'our chosen insurance provider'?

As part of the process, the Trustee, having sought advice from their advisors, will choose the insurance provider for securing pension benefits based on a number of criteria. Pensions may be secured with more than one provider depending on the approach that best satisfies our requirements. The specific providers are not likely to be known until shortly before we exit the PPF assessment period.

▷Q8-11. Will I receive more from future recoveries?

Please check the 'Latest News' section of our homepage for information on recoveries received to date and expectations for future recoveries. The options pack to be sent in early 2018 will explain whether you are eligible to receive more from future recoveries.

▷Q8-12. Can I cash in my pension if I'm currently receiving my pension? (Pensioners only)

This is only an option for members who are in receipt of a pension with a Share of the Funds less than £18,000 (or £30,000 if you are already receiving a spouse's/dependant's pension). If this is an option available to you, then we will confirm when we write to you in early 2018.

▷Q8-13. Will I still be able to take a tax free cash lump sum when I retire? (Deferred members only)

Current legislation allows you to exchange some of your pension for a tax free cash lump sum when you retire. If you choose to take a deferred pension you would still have this option when you retire, subject to no changes in legislation.

▷Q8-14. Would my eligible spouse/dependant receive a pension on my death?

If you choose one of the pension options, and your benefits under the Plan provided a pension to your eligible spouse/dependant on your death, then a pension would be paid to your eligible spouse/dependant.

Please note that under the Plan Rules an eligible spouse/dependant pension is not payable in respect of any Q Scheme or EPB (Equivalent Pension Benefits) elements of your pension entitlement.

Further information on your spouse/dependant pensions will be provided with your options.

▷Q8-15. What happens if the value of the assets held by the Plan fall significantly?

Following advice, the Trustees have selected an investment strategy such that members' benefits should be largely protected against adverse market conditions. For example, we do not invest in the stock market which typically fluctuates very frequently.

In the unlikely scenario that the value of Plan assets fall below the value of members' pensions at their level in the PPF, all pensions would be maintained at their PPF level.

▷Q8-16. What happens if your chosen insurer becomes insolvent?

Insurers are required by law to hold a high level of assets in order to pay your benefits. If in

the unlikely scenario our chosen provider becomes insolvent, your entire pension is protected by the Financial Services Compensation Scheme.

▷Q8-17. What are the benefits of taking my pension now versus waiting for this process to complete before taking my pension? (Deferred members only)

If you are not sure when to take your pension, it may be useful to contact **LEBC** after you receive your options pack. They will consider your personal circumstances and explain the different options that will be available to you (or will no longer be available to you), depending on when you decide to take your pension.

▷Q8-18. What are the 'Pension Freedoms' introduced in 2015?

The Government has transformed the pensions landscape over the last couple of years. Pension savers now have more control and flexibility over how defined contribution (DC) pension savings are accessed. Individuals can now access their DC savings at retirement by:

- Keeping their money invested and taking it a bit at a time in retirement (called drawdown)
- Taking it all as cash
- Using it to buy a pension (by buying an annuity from an insurance company).

The full flexibility does not apply to your defined benefits in the Plan. However, if your Plan benefits are not yet in payment and you are under Normal Retirement Age, you could access the new flexibilities by transferring the value of your benefits to an approved DC pension scheme.

This means greater flexibility for members, but also greater responsibility on members to make sure they do not run out of money. Under these alternative options, up to 25% of a member's pension savings may currently be paid tax free; the remainder is taxed in the same way as other income.

▷Q8-19. What is a GMP and what is happening to GMP benefits in the Plan?

If relevant, Guaranteed Minimum Pension ('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.

Specific statutory requirements set out when GMP must be paid and how it must be calculated. For example, GMP becomes payable from age 65 for males and age 60 for females and builds up at a different rate for men and women. Different rules apply to how GMP is increased before and after GMP payment age. These differences in the way that GMPs are calculated and paid to men and women can mean that a male and female member with identical service and pay history could receive different amounts of pension in payment.

As part of the process for determining your Share of the Funds, and if you have a GMP, we will carry out a check to determine whether your benefits earned after 17 May 1990[1] and before 6 April 1997 would have been more valuable if you had been of the opposite sex. If so, an allowance for this will be made when calculating your Share of the Funds.

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

[1] This date has been chosen because the law allows benefits accrued before 17 May 1990 to be different for men and women.

9. Option Letters

▷Q9-1. I think my numbers are wrong – can you help?

If you think any of the numbers in your Option Letter or Personal Statement are incorrect, please contact the Plan Administrator by emailing **nortel.networks@willistowerswatson.com** or calling 01707 607601.

▷Q9-2. Why are some or any of the options not available to me?

The options available to you depend on your Share of the Funds (please see the **Glossary Factsheet** for an explanation of this), when your pension was earned, your age and whether or not you have started to take your pension. For some members this may mean you have no options.

▷Q9-3. Why is the Plan not paying for financial advice to help me decide?

As explained in your letter, the Plan has limited assets. We are not able to pay for financial advice to members, as the cost of this would need to be met by the Plan and this would reduce the benefits we can offer to all members. However, we have negotiated preferential fixed fees for support from our selected financial adviser – please refer to your Option letter to see if this applies to you

▷Q9-4. When/Who will the Trustee select their chosen insurance provider?

The Trustee expects to select their chosen Insurance Provider later this year following a robust selection process including stringent 'due diligence'.

▷Q9-5. Why do I have to complete a form / why is there no form?

The Trustee is writing to approximately 30,000 members and most have more than one option so you will need to complete an Option Form if you do not wish to take your 'default' option. You may also need to contact us to start the process for some options or complete a Payment Form – please check your letter to see if this applies to you.
Some members may not have options and therefore a form is not included in their letters.

▷Q9-6. How were my benefits calculated?

While the assets in the Plan (following receipt of the recoveries from the insolvency proceedings) are greater than the amount required to secure benefits equal in value to PPF Compensation (PPF Pension Value), there are insufficient assets to secure Full Plan Benefits for all members. As a result, the Scheme Actuary has calculated each members' individual share of the assets which are available to provide benefits for that member.
Your individual share of the assets (or Share of the Funds) is at least equal to the value of your PPF Compensation. If the value of your Full Plan Benefits (your 'Plan Pension Value') is greater than the value of your PPF Compensation, your Share of the Funds will reflect a fixed proportion of the difference between your Plan Pension Value and PPF Pension Value. The fixed proportion will be the same for all members and will be dependent on the total remaining assets in the Plan after the cost of securing benefits equivalent to PPF Compensation for all members is taken into account.

Your benefits have been calculated by the Scheme Actuary and reflect the benefits we expect to be able to afford to secure with our chosen Insurance Provider, based on your Share of the Funds.

▷Q9-7. I am in poor health – if I get my doctor to confirm this then will you be able to increase my pension?

If you are already receiving a pension, the pension secured with our chosen Insurance Provider cannot be adjusted to reflect your health status.
However, if you are not yet receiving your pension and will be under Normal Retirement Age when the Plan exits PPF Assessment, you have more flexibility around how you take your benefits. Please see the Transfer Value factsheet for more information on this.

▷Q9-8. What are the chosen insurance provider's terms?

These are the terms that apply to the policies issued by our chosen Insurance Provider who will provide details to policy holders once benefits have been secured.

▷Q9-9. Is there anything in this process which would lead us to a similar situation as British Steel?

The Trustee is aware of the British Steel situation and understands why this may cause members concern. Although we believe this exercise to be different to that of British Steel and present less risks to our members we have taken steps to reduce any similar risks and advised the following bodies of our approach.

- The Pensions Regulator **www.thepensionsregulator.gov.uk**
- The Pensions Advisory Service **www.pensionsadvisoryservice.org.uk**
- The Financial Conduct Authority **www.fca.org.uk**

In particular, when reviewing the British Steel process, the key concerns raised by the Government, were:

- members had a short time frame to make an important decision around whether or not to transfer their benefits to an authorised provider or remain in the PPF, and
- the financial advisers who contacted members may have been incentivised to promote transfers.

To address these issues, we have undertaken a stringent selection process to select a financial adviser which is not incentivised in any way related to any decision you make and ensure you have at least 3 months to make any decision, plus cooling off and reconfirmation periods where applicable.
Please also refer to the Pension Scams leaflet included with your Option letter.

▷Q9-10. I am a pensioner with an estimated back payment. How has this been calculated?

If you have an estimated back payment, it means that the pension you have received from the Plan during the PPF assessment period (i.e. since January 2009) has been restricted to comply with the PPF compensation rules. At the end of the assessment period the Trustee will calculate how much your Plan pension has been restricted over the whole period, and a proportion of this amount will be paid to you as a back payment. The proportion will be the same for all members and will be dependent on the total remaining funds in the Plan after the cost of securing benefits equivalent to PPF Compensation for all members is taken into account. This is the same proportion used to calculate your Share of the Funds – **see Q8-4**

The restriction is equal to the difference between the pension you have been paid during the assessment period and the pension that you would have been paid under the Plan rules. The complex and detailed calculation will depend on a number of factors, including when your pension started to be paid, the amount your pension was restricted at that point (or at January 2009 if later) and the subsequent restrictions on each annual pension increase. If you started to receive a dependant's pension during the assessment period, it will also include any earlier assessment period restrictions that were applied to the deceased member's pension, or any lump sum death benefits (including bereavement grants) payable under Plan rules.

▷Q9-11. Can I transfer to my SIPP if I take advice through LEBC?

LEBC have arrangements in place with selected pension providers that are able to accept transfers from Plan members. If you have a SIPP in place, or another pension arrangement, and you wish to consider transferring your Share of the Funds to this personal arrangement, LEBC will need to send a letter of authority to you to complete so that they can obtain the necessary information. Please note that obtaining information about personal arrangements can take time and the Trustee is not able to extend the option deadline due to the overall insurance timeframe. However, if you select the Transfer Value option you will have a right to change your mind when we write to you with an updated Transfer Value as we approach the expected date of transfer. Up until then, if you elect to transfer, LEBC can consider your own personal arrangement (if this cannot be completed before the option deadline) to see if this is a better alternative for you than the arrangement that LEBC has in place. This would form part of the transfer processing stage and charge.

In addition, please note that personal pension schemes typically do not require advice to switch from one personal pension to another. LEBC, through their advice process, can discuss this further with you.

▷Q9-12. Why is my dependant's pension less than 50% of my own pension?

If you are a pensioner member who retired before 13 January 2009 and had either AVCs or redundancy sacrifice monies applied to buy extra pension at retirement, then your letter will show a DC pension that includes the current level of this AVC/sacrifice pension separately to your main Plan pension. You will also have a DC Dependant pension shown, which is usually 50% of this AVC/sacrifice pension. Members who retired before 2009 and took a tax-free lump sum at retirement, along with redundancy sacrifice monies being paid into the Plan, saw adjustments made to their pension in 2016 as a result of changes to the way the PPF recognised these payments. These adjustments were caused by part of the member's pension now being regarded separately as DC pension, which meant that PPF cutbacks no longer applied to that pension.

The 2016 adjustment did not, however, change dependants' pensions under the Plan. As a result DC pensions for members were increased, but as DC dependant pensions were not, the DC dependant's pension is relatively lower. The allocation of dependant's pension in the main Plan remained the same. Therefore, members with the 2016 adjustment are likely to see in their letter a DC dependant's pension which is less than 50% of their DC member's pension.

Note that DC pensions already in payment will be payable in their current form with our chosen insurance provider. They are unaffected by any decisions regarding options set out in members' letters.

▷Q9-13. I understand that market conditions are constantly changing and that my Share of the Funds may purchase more or less pension but I don't understand how my Transfer Value (equal to my Share of the Funds) can reduce but my pension increases. Can you please explain?

*First, please note that this question and the answer below is only relevant for our deferred members i.e. those who are not yet in receipt of their pension. A Transfer Value is **not** available to members who are already in receipt of their pension.*

The Transfer Value and pension estimates in your original Option Letter were based on the value of Plan assets (including expected recoveries from the insolvency process) and indicative insurer pricing as at 31 December 2017. Updated estimates provided to members who previously indicated an interest in a Transfer Value are based on the value of Plan assets and insurer pricing as at 31 May 2018.

Plan assets have **decreased** over this period so it will come as no surprise that your Transfer Value has also decreased. In addition, insurer pricing has also changed since 2017 and as a result the funding position across the Plan as whole has improved – improved funding means that we need less assets to purchase the same amount of pension, another reason why some transfer values have decreased. Your Transfer Value is equal to your **Share of the Funds** so do follow this link if you would like to remind yourself of the full definition.

The Trustee has in place an investment strategy which largely protects the amount of pension that can be purchased as a result of a change (decrease or increase) in Plan assets. This protection and improved insurer pricing mentioned above more than compensates for the decrease in your Plan assets so although the Transfer Value has fallen, your **Share of the Funds** will purchase a higher pension.

Remember though, your Transfer Value will always represent the cost to the Plan of securing your alternative pension benefit with our chosen insurer, so all the numbers may change again between 31 May and when the Plan is expected to leave PPF assessment in October.

▷Q9-14. I have just received an updated transfer value for my pension entitlement and realise the amount is not guaranteed and the final figure will not be known until October. How can I be expected to make a final decision now on whether to take a transfer or pension when I don't have firm figures to work with?

*First, please note that this question and the answer below is only relevant for our deferred members i.e. those who are not yet in receipt of their pension. A Transfer Value is **not** available to members who are already in receipt of their pension or over normal pension age.*

The key here is that in the case of transfers from a Defined Benefit (DB) scheme whose sponsoring employer is **solvent**, a 3 month guarantee period is required by law and is usually underwritten by the employer. However, in our case the sponsoring employer (NNUK) is not solvent and has been in administration since 2009. As there are no other sources of funds we cannot currently underwrite transfer values for some members without putting the benefits of other members at risk.

You will recall that the Trustee's prime objective since 2009 has been to secure sufficient recoveries from Nortel's global insolvency process to be able to secure benefits of higher value than PPF compensation from an external insurer for the membership as a whole. If we had failed to meet this objective, then the Plan would have entered the PPF and no members would have had the option of a transfer.

The fact that we now expect to achieve this objective means that the Plan should leave PPF assessment in October 2018 and is then required by legislation to wind-up the Plan and secure benefits for all Plan members with an insurer. In the case of members who are under normal pension age, they would have the right to take a future transfer on terms set by the insurer.

However, the Trustee recognised that many Plan members under normal pension age may want to take a transfer immediately upon leaving PPF assessment instead of securing an annuity from an insurer. The Trustee has therefore run an option process in advance of this, so that members wishing to transfer can receive a full **Share of the Funds** rather than a transfer on the insurer's terms. The Trustee will still secure annuities for all other members immediately on leaving PPF assessment. The Pensions Regulator (TPR – which regulates the way the Plan is operated) and the Financial Conduct Authority (FCA – which regulates the member advice process) are aware of this option process and members taking transfer advice received a letter jointly signed by TPR, FCA and the Pensions Advisory Service (TPAS).

When the Plan leaves PPF assessment, benefits will immediately be secured that reflect each member's Share of the Funds at that time. This process will happen simultaneously for all members, so it is not possible to provide members with options at that stage. It is also not possible to know the final amount of any member's Share of the Funds in advance as it will depend on asset values, insurer pricing and insolvency recoveries at the time the Plan leaves PPF assessment. Therefore, we cannot offer guaranteed transfer values and is the reason why all figures quoted to date were also expressed as being 'estimated'.

For the same reasons as above, the amounts illustrated to certain members by way of Winding-up Lump Sums or Trivial Commutations are also not guaranteed.