a guide to **your**...

pension & death benefit plan

Parker

contents

introducing **you** to the Plan

The Defined Benefit section of the Parker Hannifin Pension & Death Benefit Plan is an Occupational pension scheme which has been set up to provide defined benefits. The Plan is run by a Trustee company (Parker Hannifin Pension Trustees Ltd) which operates independently from the Company.

The Plan is an HMRC registered pension scheme which means you enjoy tax advantages by being a member.

This guide is a summary of the provisions of the Plan and should answer all of your basic questions. Its formal legal terms are governed by the Trust Deed and Rules of the Plan which will override this guide.

Throughout this guide, certain key words and technical terms have been used. These words are explained at the back of this booklet.

The Plan is managed by the Pension Trustees in conjunction with the administrators.

summary of the main benefits

The main benefits of the Parker Plan are:

- A pension at retirement, payable for the rest of your life, based on your final pensionable salary and pensionable service.
- The opportunity to exchange part of your pension for a tax-free cash sum at retirement, subject to HMRC limits.
- The option to retire early, with the consent of the Company, at any time after age 55, with a reduced pension.
- An enhanced pension payable immediately if you have to retire early due to serious illness or disability.
- A lump sum death benefit payable to your dependants in the event of your death whilst a contributing member of the Plan.
- A pension for your spouse or dependants in the event of your death, either before or after retirement.
- The opportunity to increase your retirement benefits by tax-efficient savings, through Additional Voluntary Contributions (AVCs).

AND

- The option of a deferred pension or, a transfer of benefits if you leave pensionable service before retirement.

guaranteed minimum pension (GMP)

The GMP element of your pension is the amount that the Plan needed to provide to enable it to contract out of the State Earnings Related Pension Scheme (SERPS) – see page 12.

GMPs began on 6 April 1978 and ended on 5 April 1997.

A GMP is payable as part of your Plan pension and not in addition to it. However, your Plan pension and your GMP may be subject to different conditions.

// Your tax-free cash option (page 6)

Your tax-free cash sum may be restricted to ensure your reduced pension is not less than your GMP.

// Pension reviews (page 7)

Once in payment, the GMP element of your Plan pension may increase each year. Whether these increases are paid by the Parker Plan or by the State, and at what rate of increase, depends upon when GMPs were earned. Full details of increases will be given at the time.

// Early retirement (page 8)

The Plan must make sure that the pension you are receiving at State Pension age is not less than your GMP. This may restrict your ability to take an early retirement pension.

// Leaving the Plan (page 10)

If you leave the Plan with a right to a deferred pension, the GMP element of that deferred pension will be increased by the Plan in line with section 148 Government orders.

contributions

// Plan contributions

Both you and the Company contribute towards the cost of your Plan benefits:

- You pay 8% of your pensionable salary each year (deducted from your pay, before it is taxed, so your contributions are tax-free).
- The Company meets all the remaining costs of providing the benefits for you and your dependants, including the administrative costs of the Plan.

The financial status of the Plan is assessed independently by the Plan's actuary at least every three years, to determine the future cost of the benefits promised. The Company has undertaken to meet the balance of costs as advised by the actuary. The Company's contributions will, therefore, vary from time to time - the exact amount each year is shown in the annual Trustees' Report.

// Can I pay extra contributions?

You can supplement your retirement benefits by making Additional Voluntary Contributions (AVCs), which are a flexible and tax-effective way of saving. You may wish to consider paying AVCs if:

- Your pensionable service is unlikely to be sufficient for you to qualify for the maximum pension: AVCs can boost your retirement income.
- You are thinking of retiring early, as your early retirement pension will be reduced to take account of the longer period of payment. AVCs can help you increase your early retirement benefits.

// Tax allowances

Annual Allowance (AA)

There is a limit to the amount you can build up in pension savings each year before being taxed, which is known as the AA. The current AA can be found on the pension website at www.parkerpensionplan.com and this covers:

- The increase in the value of your pension in the Defined Benefit section of the Parker Plan.
- The amount of your Additional Voluntary Contributions (and any contributions to personal pension arrangements).

Lifetime Allowance (LTA)

The LTA is the maximum amount of pension benefits (excluding the State Pension) that you can save tax efficiently in your lifetime. The current LTA can be found on the pension website at www.parkerpensionplancom.

When pension plan benefits come into payment, the value of your pensions and lump sums in payment from all sources (excluding State Pensions and any widow/widower's pensions of which you may be in receipt of) must be checked against the Lifetime Allowance (LTA) that has been set by the Government.

If your Parker Plan savings are over the AA in any tax year, we will write to you separately setting out your Pension Input Amount for the current year and three earlier years. Please note that these figures will not take into account any pension savings you may have made to other pension schemes – so, if you are making pension savings to other arrangements, you will need to allow for these separately.

retirement

// Normal retirement

At normal pension age, your Plan benefits are:

- A pension, payable for the rest of your life, and the option to exchange part of your pension for a tax-free cash sum.
- Protection for your dependants in the event of your death after retirement.

When you retire, you will receive an annual pension of: 1/60 x pensionable service x final pensionable salary at the time of your retirement.

Example

A member retires with 20 years' pensionable service and a final pensionable salary of £12,000:

1/60 x 20 x £12,000

= a pension of £4,000 a year

// Your minimum pension

The Plan must ensure that the pension you receive at normal pension age is at least equal to the minimum required by law to contract out of the State Second Pension (see page 12 - The State Pension schemes).

// Your tax-free cash option

When you retire, you may exchange part of your pension for a cash sum payment. Your annual pension will be reduced accordingly, but the cash sum payment is tax-free and can be used in any way you wish, making it a valuable benefit.

// What happens if I die after retirement?

Your dependants are covered by the death in retirement benefits described on page 9 - Your family's security.

// Your pension in payment

Your pension will be paid from the date of your retirement and monthly in advance thereafter, directly into your chosen bank or building society account. Pensions are taxed in the same way as salary, under the PAYE system.

Please remember to notify the payroll provider of any change of address or account details.

On your retirement, XPS Administration will write to you with details of the benefit options available to you and the procedures to be followed.

// Pension reviews

The Plan aims to protect all members against the effects of inflation. Pensions in payment, including dependants' pensions and deferred pensions, are reviewed on 1 April each year in line with the Plan Rules.

Where a pension has not been in payment for a full year, the increase will be pro-rated on the basis of the number of months between your pension start date and the first review date.

After reaching State Pension Age, your pension will be split into more components to include the State element (GMP).

Full details of increases and component changes will be given at the time.

// Late retirement

Abolition of the 'default retirement age' and impact on Plan benefits

Employment legislation means the 'default retirement age' of 65, no longer applies. The change does not affect your pension benefits in the Plan, or the age at which you have a right to take your pension (your Normal Retirement Date). However, it might affect when you want to take your pension. You have flexibility to choose to work beyond age 65.

- Active members of the Plan who reach 65 and carry on working for the Company will continue accruing benefits. After the maximum of 40 years' pensionable service has been reached, the member will become entitled to accrue additional pension benefits in the defined contribution section of the Plan.
- Any active member who reaches age 65 and carries on working for the Company, may instead choose to cease accruing pension. The member can either defer receipt of their pension or with the consent of the Company and the Trustees elect to begin receiving their pension whilst continuing to work.
- Active members of the Plan who continue working after reaching age 65, will still be eligible for life cover of 4x salary.

At State Pension Age, you will also receive your Basic State Pension from the State. You will automatically receive a statement from the Department of Work and Pensions (DWP), advising you of the amount.

early retirement

You can choose to take early retirement at any time from the age of 55 with the consent of the Company. Once the Pensions Department has been notified of your intentions, you will be sent details of your early retirement options.

If you are thinking of taking early retirement, you should consider the following points:

- Your early retirement pension is calculated in the same way as your normal retirement pension, i.e. based on your final pensionable salary and your completed pensionable service at the date of early retirement.

However, your pension will be reduced to take into account the longer payment period

- If you choose to exchange part of your early retirement pension for a tax-free cash sum, this will reduce your pension.

Your pension is paid in the same way as described under Normal retirement on page 6.

// Ill-health early retirement

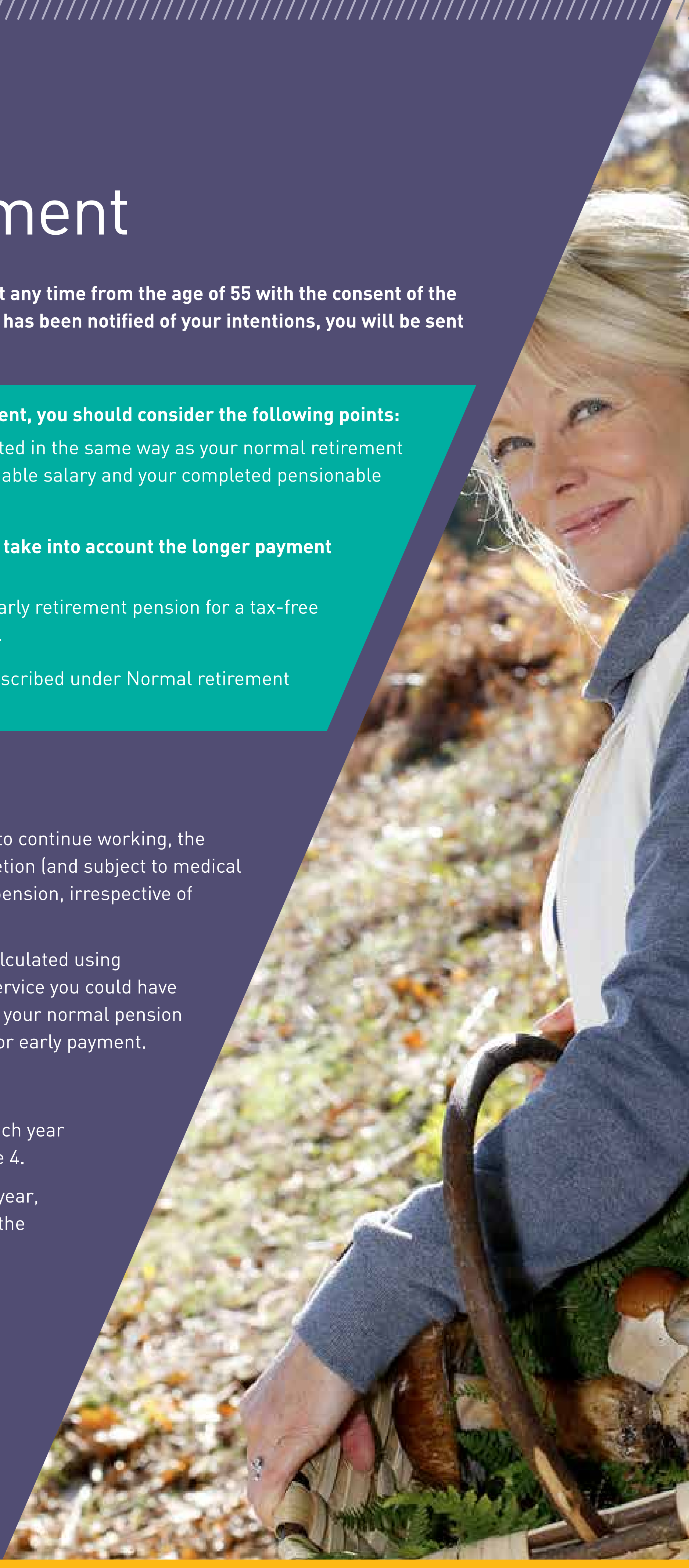
If you become seriously ill and are unable to continue working, the Trustees and Company may, at their discretion (and subject to medical evidence), award an immediate ill-health pension, irrespective of your age.

Ill-health early retirement pensions are calculated using prospective pensionable service (i.e. the service you could have completed had you been able to work until your normal pension age) and are not subject to any reduction for early payment.

// Pension reviews

Your pension will be reviewed on 1 April each year and will be increased as described on page 4.

This increase will be pro-rated in the first year, in accordance with the number of months the pension has been in payment.



your family's **security**

// What happens if I die whilst a member of the Plan?

The following benefits are payable on your death whilst a contributory member of the Plan, irrespective of your age, sex or length of service:

- A life assurance sum of four times your basic salary at the date of death (the Trustees will regard your completed nomination form as an indication of your wishes, although it is not binding on them), and
- A refund of your Plan contributions (including the value of any AVCs), and
- A spouse's pension, payable immediately, equal to one half of the pension you would have received at age 65, and
- A pension for each of your dependent children, up to a maximum of three, equal to one third of your spouse's entitlement (if your children are orphaned, these pensions will be doubled).

Children's pensions are payable until the age of 23. If at the time of your death your children, or any of them, are not living with you, each is still eligible for a dependent child's pension provided they are financially dependent on you.

// Spouse's pensions

Any pension paid to your legal spouse is based on your final pensionable salary at the date of your death and the prospective pensionable service you could have completed had you worked until your normal pension age.

Example

A member dies at age 60 with 15 years' pensionable service and a final pensionable salary of £11,000. The prospective service (had the member worked until normal pension age) is therefore, 20 years (15 years plus 5 years from age 60 to 65).

The spouse's pension would be calculated as: 50% of 1/60 x 20 x £11,000 = a pension of £1,833 per annum.

The pension may be reduced if your spouse is more than ten years younger than you, to take account of his/her longer life expectancy.

Common-law partners are not usually eligible for pension benefits under pensions law (unless they are financially dependent on the member) but any children from common-law relationships are.

// What happens if I die in retirement?

Once you retire, your pension will be paid for the rest of your life. On your death, the following benefits are payable:

Spouse's pension

Your spouse (to whom you were married at your date of retirement) will be entitled to receive a pension of 50% of your full pension at retirement (excluding any reduction if you took a tax-free cash sum, and including any increases awarded up to the date of your death). This becomes payable from the date of your death and remains payable for the remainder of your spouse's life, irrespective of any remarriage.

Dependent children's pensions

Pensions will be paid as described under 'What happens if I die whilst a member of the Plan?'.

Pensions are fully guaranteed for five years after retirement. If you die within the five year guarantee period, the balance of those five years' pension payments will be paid as a tax-free cash sum to your spouse or dependants. This is in addition to the other death in retirement benefits described here.

Payment of death benefits

Once in payment, dependants' pensions are treated as earned income and subject to tax under the PAYE system.

ACTION

It is essential to update your nomination form should your personal circumstances change, as it informs the Trustees about your wishes regarding the payment of any cash sum death benefit.

leaving the Plan

If you leave the Plan before your Normal pension age (other than in the event of death whilst a member of the Plan, or ill-health early retirement) and you do not or cannot take an immediate pension, certain options will be available to you, irrespective of how long you have been a member of the Plan.

// Your options on leaving

1) Leave your pension with the Plan until you retire – a deferred pension

Your pension entitlement is calculated in the same way as your pension at Normal pension age but is based on your final pensionable salary and period of pensionable service at the date you leave.

The deferred pension is calculated as follows:

- 1/60 x pensionable service x final pensionable salary

Example

A member leaves with 10 years' pensionable service and a final pensionable salary of £10,000:

1/60 x 10 x £10,000

= a pension of £1,667 a year

Your deferred pension is reviewed each year to help off-set the effects of inflation, all increases taking effect from January 2011 onwards will be linked to CPI. You will receive full details of this when you are informed about your leaving options.

Your usual options at retirement, such as exchanging part of your pension for a tax-free cash sum, also apply to deferred pensions.

If you die before your deferred pension becomes payable, your spouse will receive an immediate pension equal to half the value of your deferred pension, including any increases applied up to your date of death. In addition, the contributions you paid while a member of the Plan will be refunded to your spouse or dependants. Any relevant children's pensions will also be payable.

2) Transfer your pension to a new arrangement

As an alternative to a deferred pension, you may choose to transfer your Plan pension to a new employer's scheme, a personal pension or an individual insurance arrangement. If you wish to investigate this option, the Pensions Department will calculate a transfer value (cash equivalent) of the benefit entitlement you have built up during Plan membership. This is calculated using professional guidelines laid down by the Institute and Faculty of Actuaries. Your new employer or provider will then tell you what equivalent benefits can be secured under their scheme, using this transfer value.

The Trustees have directed that transfer values shall not be increased to take into account any additional benefits resulting from the exercise of any discretion vested in themselves or the Company.

At any time, whether you have left the Plan or not, you may ask the Trustees for an estimate of the transfer value available to you on a particular date. The Trustees will let you have this within three months of your request and, if you have already left service, the transfer value shown will be guaranteed for three months from the date it was calculated. The Trustees are not obliged to give you another statement within twelve months of the date of your last request.

// Your choice

Once the Pensions Department has been notified that you have left the Plan, you will be informed of the leaving options available to you. If you do not advise the Department of your preferred option within one month of leaving, your benefits will automatically become a deferred pension under the Plan.

This does not mean that you lose your right to transfer your benefits to a new arrangement. You may still choose to do this at any time.

// Temporary absence

Most absences from work are for a relatively short period of time and, in these circumstances, your membership of the Plan will continue as usual, provided your contributions continue. If, however, you are absent for a considerable period, the HR Department will consider the individual circumstances of your absence and the terms of your Plan membership may be reviewed accordingly.

// Maternity leave

If you are on maternity leave, you will be treated as having continuous pensionable service for the period of your leave. Pension benefits for this period will be calculated on the same basis as if you were working normally. Benefits will accrue during any period of unpaid maternity leave and are based on the pay you would have received had you been working.

You will continue to be covered for life assurance, including pensions for your spouse and children, throughout your period of maternity leave.

the **State Pension** schemes

The State provides two levels of pension benefits:

- The Basic State Pension (BSP).
- The State Second Pension (S2P).

The Basic State Pension (BSP)

Your membership of the Plan does not affect your entitlement to a BSP, which is based on your National Insurance record during your working life. You will receive the full BSP if you have paid full-rate National Insurance contributions for 30 or more qualifying years of your working life.

If you have not made full contributions, your BSP may be reduced. To find out how much BSP you can expect when you retire visit **www.gov.uk/state-pension**. Due to data protection laws, the Parker Pensions Department cannot enquire about your BSP on your behalf.

The State Second Pension (S2P)

This is the State second tier of pension provision and is based upon you making additional full-rate National Insurance contributions. Prior to 6 April 2002 it was known as the State earnings-related pension scheme (SERPS).

Before 2016, the Plan was "contracted out" of S2P meaning that you paid a reduced National Insurance rate. However, in 2016, the rules around State Second Pension changed and the Plan was no longer able to contract out of the S2P. From 2016, members paid higher National Insurance contributions.

To find out how much S2P benefit you have accumulated throughout your entire working life, visit **www.gov.uk/additional-state-pension**.

further information

The Plan is managed by a Trustee company – Parker Hannifin Pension Trustees Limited – which is totally separate from all other companies and operations within the Company.

This booklet gives only a summary of the benefits provided by the Plan and doesn't cover everything in the Trust Deed and Rules. In the event of any conflict between this booklet and the Rules, the Rules will prevail. If you want to see a copy of the Trust Deed and Rules, they are available for inspection on request to the Pensions Department.

How the Plan works

Contributions from members and the Company are invested in a central fund, which is separate from the Company's assets and used solely for the benefit of Plan members and their dependants. All the benefits described in this booklet are provided from the Plan's fund, subject to limits imposed by the HMRC.

Amendments to the Plan or discontinuance

The Company intends to continue the Plan indefinitely. However, because future legislation affecting pension rights cannot be predicted, the Company has the right to amend or discontinue the Plan at any time.

No amendment to the Plan will affect the benefits you have already earned. In the unlikely event of the Plan being discontinued you will receive benefits according to the funds available. The benefits payable under the Plan are payable out of its resources, but the Company is obliged to make good any statutory deficiency in the event of the winding up of the Plan.

Wherever possible, members will be informed of any proposed changes to the Plan in advance.

Assigning your benefits

Your benefits from the Plan are strictly personal and cannot be given to anyone else.

help and assistance

Plan enquiries

For more information about any aspect of your Plan benefits, contact:

Parker Hannifin Pension and Death Benefit Plan
XPS Administration
Albion, Fishponds Road
Wokingham
RG41 2QE

Telephone: 0330 202 0770
E-mail: parkerhannifin@xpsgroup.com

Queries and problems

The Trustees aim to ensure the Plan is administered and managed to high standards but it is possible there may be times when you are unhappy about something concerning your benefits or another matter relating to your membership of the Plan.

Although the Trustees have set procedures for resolving complaints and disputes about matters relating to the Plan (i.e. the internal dispute resolution procedure described on the right) any query or problem should initially be referred to the Pensions Department. Most queries and problems stem from a misunderstanding of information and normally can be quickly and informally resolved without the need for the formal procedure to come into play.

If, after referring your query or problem to the Pensions Department, you are still unhappy about the matter, you may then wish to consider making a formal complaint through the Internal Dispute Resolution procedure.

Internal dispute resolution procedure

If you have a serious complaint about your benefits or the service that you have received in connection with the Plan, you should write to the Payroll Officer, Parker Hannifin Pension Trustees Ltd; Dukesway, Team Valley Trading Estate, Gateshead, NE11 0PZ.

You should identify the nature of your complaint, specifying that you are acting under Stage 1 of the internal dispute resolution procedure. You will receive a response within four weeks.

If the matter is not resolved to your satisfaction, you should write to the Pensions Manager, Parker Hannifin Pension Trustees Ltd; Parker House, 55 Maylands Avenue, Hemel Hempstead, HP2 4SJ, detailing the reasons for your disagreement and confirming that you are acting under Stage 2. This letter will be acknowledged by return, with a full reply being sent to you within two months.

If you are still not satisfied with the response, you have the right to appeal to the Trustees for up to six months. Write to the Chairman of the Trustee Directors, c/o Parker House, stating that you want the matter reconsidered and explaining why you are dissatisfied with the earlier decision.

You will receive a response within two months of the date on which the Chairman receives your letter. This decision will be final and the Trustees will not reconsider the matter again.

If you are still dissatisfied, you should approach the Pensions Advisory Service (TPAS) – page 15.

External providers

Pensions are complex and subject to considerable State regulation. The following bodies have an interest in pensions. Each has a different role to play, ranging from supervising pension schemes' compliance with legislation to providing services to individual members. These organisations include:

The pensions regulator

The Pensions Regulator is able to intervene in the running of schemes where Trustees, employers or professional advisers have failed in their duties. The Regulator can be contacted at:

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

Telephone: 0345 600 1011
Website: www.thepensionsregulator.gov.uk

The pensions advisory service (TPAS)

TPAS is an independent and voluntary organization giving free help and advice to members of the public who have a problem concerning either a company or personal pension scheme. TPAS is available at any time to assist members and beneficiaries in connection with any pension query they may have or any difficulty which they have failed to resolve with the Trustees. It cannot, however, give specific advice on an individual's State Pension.

TPAS is available to anyone who believes they have pension rights including, working members of pension schemes, pensioners, those with deferred pensions from previous employment, and dependants. TPAS can be contacted through your local Citizens Advice Bureau or at the following address direct:

TPAS
11 Belgrave Road
London,
SW1V 1RB

Telephone: 0800 011 3797
Website: www.pensionsadvisoryservice.org.uk

Pensions ombudsman

You can also contact the independent Pensions Ombudsman, who may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme. The Ombudsman was appointed under Section 145(2) of the Pension Schemes Act 1993 and may be contacted at the same address as TPAS.

Telephone: 0207 630 2200
Website: www.pensions-ombudsman.org.uk

Pension tracing service

If you had a pension in a previous job but you no longer have the details, the Pension Tracing Service may be able to help you. You can download a pension tracing form from **www.thepensionservice.gov.uk/find-lost-pension** or contact the Pension Tracing Service at:

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

Telephone: 0800 731 0193

Finding an independent financial adviser (IFA)

By law, under the Financial Services and Markets Act 2000, no one within the Company will be able to give you personal financial advice. The Pensions Department, for instance, can explain the options available to you, but cannot advise you whether to join, how much to pay, or which funds to invest in. If you would like specific advice based on your personal financial circumstances, you should consider talking to an IFA. To find details of independent financial advisers close to where you live or work, visit:

Website: www.unbiased.co.uk

pension **terms** defined

Children	Any of your children (up to a maximum of three) under the age of 23 for whom the Plan provides benefits in the event of your death.
Final pensionable salary	The greater of your pensionable salary on your last review date before you leave, or your highest average pensionable salary figures as at any three consecutive review dates in the thirteen years before you leave.
Lower earnings limit (LEL)	The level of earnings at which you start paying National Insurance contributions, set by the Government.
Normal pension age	65 for men and women.
Pensionable salary	Your basic salary at your review date less an amount equivalent to the lower earnings limit (LEL).
Pensionable service	Your number of completed years and months of continuous service as a Plan member, plus any other service you are advised of that counts towards your pension, up to the date you retire or leave the Plan.
Review date	The date on which your basic salary is revised each year at your location.
Spouse	Your legal husband, Wife or Civil Partner.
The Company	Parker Hannifin Manufacturing Ltd and associated companies.
The Plan	The Parker Hannifin Pension and Death Benefit Plan.