

Veolia UK Pension Plan – Final Salary Divisions

How does the Plan work?

Final Salary (Defined Benefit) schemes are pension arrangements where your pension at retirement depends on your length of pensionable service and your final pensionable salary. The accrual rate, i.e. the amount of pension you earn each year, also has an impact in the calculation.

For example:

Jane Smith has 10 years pensionable service, her final pensionable salary is £24,000 and her accrual rate is 1/60th a year.

Her pension would be calculated as service/accrual rate x salary = $10/60 \times 24,000 = £4,000$

This pension would be payable annually for the rest of her life

This is a simple example and there are other possibilities within the Plan. All members are entitled to receive a pension commencement lump sum under current legislation. This cash sum is currently paid tax free on retirement from the Plan as long as the lifetime allowance is not exceeded.

Therefore, in a standard final salary scheme taking some of the benefits as a cash sum will reduce your pension.

There are, however, some members who have a 1/80th accrual rate for pension and for these members the cash sum is payable on top of the pension and is calculated as 3/80^{ths} for each year of pensionable service.

For example:

John Smith has 10 years pensionable service, his final pensionable salary is £24,000 and his accrual rate is 1/80th a year for pension and 3/80^{ths} a year for the cash sum.

His pension would be calculated as service/accrual rate x salary = $10/80 \times 24,000 = £3,000$

His cash sum would be calculated as service x 3 divided by 80 x salary = $(10 \times 3/80) \times 24,000 = £9,000$

This pension would be payable annual for the rest of his life. The cash sum is a one off payment.

Member contributions are based on set percentages of your pensionable salary.

Other things to consider

There are some other important points for you to understand such as:

- what happens when you leave the Plan;
- how revaluation works;
- what commutation factors are;
- how pension increases work; and
- what spouse's pension is payable.

However, the above information gives a simple explanation of how a final salary pension scheme works.

If you have any specific questions about your benefits please contact the Plan Administrator or the Veolia Pensions Department.

Veolia UK Pension Trustees Limited
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