

THE GEC PLAN and SELECTED BENEFIT SCHEME

PLAN BOOKLET

APRIL 1997 EDITION

SPT

STANHOPE PENSION TRUST LIMITED



GLOSSARY OF TERMS

BASIC SOCIAL SECURITY PENSION

The Category A Social Security retirement pension for a single person.

COMPANY

The General Electric Company, p.l.c.

CREDITED INTEREST

Interest credited monthly on your contributions at a rate determined by the **Trustee**, by reference to the rate of return on the assets of the Plan, but not less than 2.5% per annum.

DEPENDANT

In relation to a member, a spouse, ancestor or descendent (however remote); a spouse of such an ancestor or descendent; a brother, sister, uncle or aunt (whether of whole or half blood) and a spouse or descendent of such a person; the same relatives of a spouse; an individual entitled to any interest in the member's estate under his will; and an individual towards whose maintenance or support the member has contributed.

EARNINGS

Your gross PAYE earnings, before deduction of pension contributions, but normally excluding the value of any benefits in kind. If you joined the Plan after 31 May 1989, an earnings limit (for the tax year 1997/98, £84,000) is applied by law to the maximum benefits that may be paid and your contributions may not exceed 15% of that limit (for 1997/98, £12,600 per annum). These limits are reviewed yearly by the Government.

EMPLOYERS

The **Company** and those of its subsidiary and associated companies which, with the consent of the **Company**, participate in the Plan and SBS.

FINAL PENSIONABLE EARNINGS

Take the last ten **Plan years** during which you have been a member and find the three consecutive **Plan years** which give the highest average **pensionable earnings**. These are your final pensionable earnings (if you have been a member for three **Plan years** or less, it is the average of **pensionable earnings** during the years of your membership).

PENSIONABLE EARNINGS

Your **earnings** in a complete **Plan year**. Special arrangements apply for determining pensionable earnings in any **Plan year** during which you were absent from work. If you joined the Plan on or after 1 June 1989 your benefits may be affected by the earnings limit referred to under the definition of **earnings**.

PENSIONABLE SERVICE

Your service with the **employers**, while a contributing member of the Plan and before age 65. Pensionable service is reckoned in complete years and months.

PLAN YEAR

Any twelve months beginning on a 6 April and ending on the next 5 April.

SPECIFIED DEPENDANT

In relation to a member or pensioner who dies without leaving a **surviving spouse**, a person nominated by him before attaining 65 and before his pension commences, who was financially dependent on him at the time of nomination and remained so at his death, and who was accepted as such by the **Trustee**.

SERPS

The State earnings-related pension scheme. This provides a pension related to the band of earnings between the State lower and upper earnings limits covering employment since April 1978. The pension is up to 25% of averaged band earnings for those who have participated fully in SERPS and reach State pension age on or before April 1999. Thereafter SERPS provides a pension reducing to 20% of averaged band earnings for those reaching State pension age on or after April 2010. Band earnings are revalued in line with a wages index each year. The State lower earnings limit for this purpose is approximately equal to the **basic Social Security pension** and the upper limit is about seven times that pension.

SURVIVING SPOUSE

In relation to a member, the person who was his only spouse at the time of his death.

In relation to a pensioner or deferred pensioner, the person who was his only spouse when his pension began or when he attained age 65 (whichever was earlier) and remained his only spouse until his death.

However, if they are no longer permanently living together, the spouse will not qualify if the member nominates a **specified dependant**.

An unmarried member may nominate a **specified dependant** before commencement of pension or at age 65 (whichever is earlier).

TRUSTEE

The Trustee of the Plan and SBS is Stanhope Pension Trust Limited. Its directors include nominees of the **employers** and of the Pension Consultative Committees which are elected to represent all members of the Plan.

CONTENTS

INTRODUCTION	2	PENSION INCREASES	8
THE GEC PLAN AND SELECTED BENEFIT SCHEME		BENEFITS ON DEATH	
What are the benefits?	2	In pensionable service at or before age 65	8
Value for your money	2	Form of benefit	8
Previous benefits	3	During deferment of pension and before age 65	8
Security	3	During deferment of pension and after age 65	8
Further information	3	After commencement of pension	8
The GEC Plan, or?	3	SBS death benefits	9
		Application of the benefits	9
		Expression of wish	9
JOINING THE GEC PLAN AND SELECTED BENEFIT SCHEME	4		
		... OR MAKE YOUR OWN ARRANGEMENTS?	10
CONTRIBUTIONS			
By you	4	SERPS OR AN APPROPRIATE PERSONAL PENSION?	11
By your employer	4		
Opting out	4		
		GENERAL INFORMATION ABOUT THE GEC PLAN AND SBS	12
BENEFITS ON RETIREMENT			
At age 65	5	WHICH WAY NOW?	14
Before age 65	5		
Early retirement option	5	FURTHER INFORMATION	14
After age 65	5		
Due to serious ill-health	6		
SBS	6		
Cash sum instead of pension	6		
Payment of pension	6		
Social Security pensions	6		
		APPENDIX	
BENEFITS ON CEASING PENSIONABLE SERVICE			
Deferred pension	7		
Transfer value	7		
Refund	7		
Other cessation of participation	7		

INTRODUCTION

Have you thought about where your income will come from when you retire? This may seem a distant prospect, but consider this fact - many people continue to lead active lives for twenty or more years after they stop working. This means that, in an average forty year working life, you will have to save enough to provide an adequate income for twenty years after you have stopped earning. So, even if you start now, the target is to set aside at least one year's pension for every two years you are at work. There is no time to lose!

Please read this booklet carefully. Your benefits from employment with GEC are important for you.

*Some technical terms are shown in **bold type** and they are explained on the cover at the front of this booklet.*

THE GEC PLAN AND SELECTED BENEFIT SCHEME

A major benefit of your employment with a GEC company is the opportunity to join a good pension plan. The G.E.C. 1972 Plan, comprising The GEC Plan ('the Plan') and Selected Benefit Scheme ('SBS'), offers far more than just a pension when you retire. It protects you and your family with a valuable range of benefits throughout your career and after you retire.

WHAT ARE THE BENEFITS?

The benefits include:

- a pension for life when you retire, at any time after age 50
- a lump sum for your **dependants** if you die before retirement
- a pension if you have to retire before age 65 because of ill health
- the choice of taking part of your pension as tax-free cash
- a pension for your **surviving spouse** or other dependant on death after retirement
- a lump sum payment if you die within five years after retiring
- the opportunity for you to enhance your benefits by making voluntary contributions to SBS.

Your benefits will be protected, or the cash equivalent can be transferred, if you leave the Plan.

VALUE FOR YOUR MONEY

You can enjoy the full range of benefits for a contribution of 3% of your **earnings**, that is equivalent to £8.78 per week, after tax relief at 23%, for someone earning £380 per week. On average, the benefits of the Plan actually cost more than three times members' contributions. The balance of the cost is met by contributions from your **employer** and from investment returns on the assets set aside to provide the benefits for all the members.

You can increase your benefits further by contributing more, to SBS, up to a maximum total contribution of 15% of your **earnings**.

The Plan offers you a pension in addition to the Social Security pensions. The Plan pension is the highest amount related to three calculations:

- allowing for **pensionable service** and pay when such service ceases;
- based on your contributions - if you retire at age 65 you will be certain to receive your money back within the first two years after retiring; and
- allowing for a rate of interest credited to your contributions, and dependent on the returns obtained on the Plan's investments.

Your pension is calculated using whichever of the three methods produces the highest figure. Full details are given on page 5 of this booklet.

Your pension is kept under regular review (see page 8 and the Appendix).

PREVIOUS BENEFITS

You may already have built up benefits in a former employer's pension scheme, or in a personal pension arrangement. The **Trustee** may accept transfers from other schemes, to the Selected Benefit Scheme.

SECURITY

The assets of the Plan and SBS are invested by the **Trustee** and are entirely separate from the assets of the **employers**.

FURTHER INFORMATION

If you would like a personal quotation of your benefits, please complete form P30, at the back of this booklet.

On request you will be given further information by your Personnel Department including

- application forms to join the Plan and SBS
- financial and other information about the fund from the **Trustee's** last report and accounts

After you become a member, you will receive periodic statements showing your own contributions and estimated benefits. When benefits become due, they will be explained to you, or to your dependants.

In addition to benefits from the Plan, members are entitled to Social Security pensions and participate fully in **SERPS**. You can obtain information about **SERPS** from your local DSS office. If you wish, you may contract out of **SERPS** using an 'appropriate personal pension'. Further information is given on page 11.

THE GEC PLAN OR?

Membership of the Plan is voluntary. You have three choices, to:

- apply to join the Plan (and SBS if you wish to purchase additional benefits)

OR

- make your own arrangements and possibly buy a personal pension

OR

- do nothing, in which case you will receive only Social Security pensions when you retire.


As a separate issue, you also have a choice concerning some of your Social Security pensions.

These choices are considered in more detail in the remainder of this booklet.





JOINING THE GEC PLAN AND SELECTED BENEFIT SCHEME

 You may apply to join, or rejoin, the Plan and SBS if you are employed by one of the **employers**, provided you are under age 65. An application form can be obtained from your Personnel Department.

The **Trustee** will normally require evidence of good health before you can be covered for ill-health and lump sum death benefits.

CONTRIBUTIONS

BY YOU

Your contributions to the Plan will be 3% of your **earnings**. They will be deducted from all **earnings** paid from the sixth day of the month coincident with or next following the day you are admitted to the Plan. Contributions cease when **pensionable service** ends.

As a member of the Plan, you may pay whatever contributions you wish to SBS, for additional retirement benefits or death benefits, or both, subject to a maximum total contribution to the Plan and SBS of 15% of your **earnings**. As you pay 3% of your **earnings** to the Plan, you could pay additional voluntary contributions of up to 12% of **earnings** to SBS. Membership of SBS commences on the first day of any month and contributions are due from that day.

Under present law, your contributions to the Plan and SBS receive income tax relief at your marginal rate. The effect of this on SBS contributions is that if, for example, you contribute an additional £19.50 a month, the net monthly cost is £15.02 or £11.70 if your marginal tax rate is 23% or 40% respectively.

You may apply your contributions to SBS to provide retirement benefits, death-in-service benefits or a combination of both. Such provision will produce a capital sum which will be applied on retirement or death to provide selected benefits for you and/or your

dependants. Contributions to SBS for retirement benefits may be increased, reduced or suspended from the first day of any month, and for death benefits on the anniversary of joining SBS.

Your contributions to SBS for retirement benefits earn **credited interest** each month. A record of **credited interest** over recent years is shown in the Appendix.

BY YOUR EMPLOYER

The balance of the cost of funding for Plan benefits is met by the **employers**. The rate of their contribution will vary from time to time and is stated in the annual accounts of the Plan (see page 12). The **employers** do not contribute towards SBS benefits.

OPTING OUT

You may opt out of the Plan and/or SBS while you remain in service on giving one month's notice by completing a form which is available from your Personnel Department. Your benefits on opting out will be similar to those on leaving service (see page 7). You may request the **Trustee** to pay a cash equivalent of your deferred pension to another pension arrangement.

BENEFITS ON RETIREMENT

The Plan provides a pension or, if you wish, a cash sum with a reduced pension, payable when you retire. So that benefits can take account of individual circumstances, calculations are made on three bases, related to **earnings** and length of **pensionable service**, the contributions you have paid and past rates of **credited interest**.

The benefits are more fully described below.

AT AGE 65

Calculations are made on each of the bases set out below:

'Basis 1'

2% of your **final pensionable earnings** multiplied by your **pensionable service**,

less 2% of the average of the **basic Social Security pension** in force at the beginning of the last three **Plan years** of membership multiplied by your **pensionable service**,

and also less an amount (relating to **SERPS**) based on the excess of your **final pensionable earnings** over the average of the **basic Social Security pension** in force at the beginning of the last three **Plan years** of membership; the excess being limited to six times such average. The amount of this deduction is 0.9% of the said excess for each year of your **pensionable service** up to a maximum of 20 years after 5 April 1978 and before the beginning of the **Plan year** in which you attain age 65.

'Basis 2'

50% of your total contributions to the Plan.

'Basis 3'

17.5% of your total contributions to the Plan with **credited interest**.

The yearly amount of your Plan pension will be the greatest of the above calculations.

BEFORE AGE 65

If you retire between ages 50 and 65, you will qualify for an immediate pension.

Amounts will be calculated according to each of the three bases shown in the previous column, by reference to your **pensionable service**, contributions and **final pensionable earnings** at the date of retirement.

These amounts will then be reduced to allow for the longer period for which your pension is expected to be paid. Reduction rates for early retirement pensions are determined by the **Trustee**, after consulting the actuary, and with the agreement of the **Company**. Rates are reviewed yearly in April. If you have attained age 50, an estimate of your benefits on early retirement, using the current rates, will be shown in your annual statement of benefits and contributions. Further quotations may be obtained by writing to the **Trustee**.

EARLY RETIREMENT OPTION

If you retire before State pension age, other than due to serious ill-health (see page 6), you may elect to take an increased Plan pension until you attain that age, when any Social Security pensions to which you are entitled would normally become payable. If you choose this option then, on attaining State pension age, an appropriate reduction will be made to your increased Plan pension.

AFTER AGE 65

If your retirement is deferred beyond your 65th birthday, the amount of your pension will be calculated as if you had retired at that age and will be increased by $\frac{2}{3}\%$ for each month that retirement is postponed, together with any increases applicable to pensions in payment (see page 8).

Increases will not apply to the pension equivalent of any cash sum taken.



Victorian silver crowns



DUE TO SERIOUS ILL-HEALTH

You may retire at any age, if you apply for, or your **employer** recommends, ill-health retirement, provided that the **Trustee** is satisfied that you are suffering from serious ill-health or disablement, such that it is not likely that you will ever again be capable of carrying out the duties of your current employment. Your pension will be the greater of:

- (i) the pension described on page 5, except that there will be no reduction for earlier payment, and
- (ii) the pension calculated according to 'Basis 1', to which you would have been entitled if you had remained in **pensionable service** until age 65, assuming no change in **pensionable earnings** or Social Security pensions.

SBS

Benefits arising from SBS depend on the accumulation of your retirement benefit contributions to that scheme, together with **credited interest**, and are payable *in addition* to your Plan pension. Capital arising from SBS will normally be converted into additional pension payable from the Plan when you retire, as in the example below, which may be particularly important if you intend to retire early. Alternatively, you may be able to increase the cash sum described below, or use it to provide an additional pension for your **surviving spouse** or **specified dependant** when you die, with increases as described on page 8.

If your retirement is deferred beyond your 65th birthday, capital arising from SBS will be converted into pension at age 65, and this will be subject to increases described on page 5 under 'After age 65'.

As an example of the retirement benefits available from SBS, a contribution of £10 per month (which, after tax relief at 23%, would cost £7.70 per month) will produce an estimated capital benefit as shown below, assuming **credited interest** of 9% per annum.

Years to retirement	Estimated capital benefit - £	Net cost of benefit - £
35	26,930	3,234
25	10,570	2,310
15	3,660	1,386
5	740	462

Estimated single life pensions, increasing as described on page 8, provided by £10,000 of capital benefit at retirement would be:

Age at retirement	Men - £ p.a.	Women - £ p.a.
50	650	600
55	720	650
60	810	720
65	930	810

CASH SUM INSTEAD OF PENSION

On retirement, or in any event on attaining age 65, you may take a cash sum with a correspondingly reduced pension. The reduction in your pension depends on annuity rates in force when you retire.

The cash sum is normally calculated as 3/80ths of your **final pensionable earnings** for each year of **pensionable service**. If you also contribute to SBS, this amount may be increased, subject to Inland Revenue limits.

Under present law, the cash sum at retirement is tax-free.

PAYMENT OF PENSION

Your pension begins, if you retire on the first day of the month, on that day, and in any other case on the first day of the month following that in which retirement takes place.

Your pension can be paid into a bank, building society or giro account.

Pensions are treated as earned income for tax purposes and tax is deducted under the PAYE system.

If you are not resident in the UK when you retire, you may elect to have your pension denominated in a currency other than sterling.

Your pension ends with the instalment payable for the month of your death.

SOCIAL SECURITY PENSIONS

Any Social Security pensions to which you are entitled are payable in addition to benefits from the Plan and SBS. Further details are given on page 10.

BENEFITS ON CEASING PENSIONABLE SERVICE

DEFERRED PENSION

A pension, payable from age 65, will be calculated when you leave service, initially according to 'Basis 1', but by reference to your **pensionable service** to and **final pensionable earnings** at the date of leaving. This pension will be increased in line with increases to Plan pensions until payment begins (see page 8).

Your contributions continue to accumulate **credited interest** until your pension begins, so that the 'Basis 3' amount on leaving service will also increase.

When your pension begins, the higher of the amounts calculated under 'Basis 1' and 'Basis 3' will be compared with 'Basis 2' and the pension payable will be the highest produced by this comparison.

Any retirement benefits accumulated in SBS at the date of leaving service will continue to earn **credited interest** until payment begins and they are converted to additional Plan benefits.

Part of any deferred pension may be exchanged for a cash sum, when payment commences (see page 6).

The **Trustee** may, at your request, arrange that your pension will begin at any time after age 50 and before age 65, provided that you are not then in the employment of one of the **employers**. If your pension commences before age 65, it will be reduced to allow for the longer period of payment (see page 5).

In the event of subsequent ill-health or disablement that would have prevented you from carrying on working if you had still been in **pensionable service**, the **Trustee** may arrange for your pension to begin on the basis that it will not be reduced despite the earlier payment. If such an event occurs, you should let the **Trustee** know.

Any death benefits provided under SBS will cease if you leave service.

Benefits payable on death during deferment of pension are described on page 8.

TRANSFER VALUE

As an alternative to the deferred pension, you may ask the **Trustee** to transfer a cash equivalent to another employer's approved pension scheme or to a personal pension arrangement. The cash equivalent represents the expected cost, taking account of likely future pension increases and investment yields, of providing your deferred benefits in the Plan, together with any contributions for retirement benefits in SBS, with **credited interest**, less an allowance for expenses.

The cash equivalent available (before the allowance for expenses) will not be less than the sum of your Plan contributions and your accumulated contributions for retirement benefits in SBS, together with **credited interest** on each. This option is available up to your 64th birthday.

You may obtain a quotation of the cash equivalent, guaranteed for three months, by writing to the **Trustee**.

In addition, while you are still in **pensionable service**, you may obtain an estimate of the cash equivalent by writing to the **Trustee**.

REFUND

It is not possible to take a refund of your Plan or SBS contributions, unless you have completed less than two years' **pensionable service**. Tax is deducted from any such refund.

OTHER CESSATION OF PARTICIPATION

Your **employer** may cease to participate in the Plan, in which case your **pensionable service** will cease, and you will become entitled to a deferred pension or cash equivalent as described above.



PENSION INCREASES

Plan pensions, whether in payment, deferred or contingent, are increased on 1 May each year. The Plan Rules provide for increases of the smaller of 5% per annum and the increase in the General Index of Retail Prices (RPI). Increases above these rates, having regard to changes in the RPI and the resources of the Plan, are at the discretion of the **Trustee** and are subject to the approval of the **Company**. After your pension begins, you will be advised yearly of the rate of increase applicable.

Proportionate increases are granted in the first year to any pension (or deferred pension) beginning after 1 May.

Pension increases over recent years are shown in the Appendix.

BENEFITS ON DEATH

IN PENSIONABLE SERVICE AT OR BEFORE AGE 65

The benefit will be:

Twice your **pensionable earnings**

PLUS

your total Plan contributions and **credited interest**

PLUS

half of your **pensionable earnings** multiplied by the number of your qualifying dependants (ie, your **surviving spouse** or **specified dependant**, and each child under age 18).

The **Trustee** has discretion to include others as your dependants, such as any child over age 18 who is in full-time education.

A maximum of four dependants will count.

The death benefit payable under the Plan will be increased by any contributions to SBS for retirement benefits, with **credited interest**, and any death benefits under SBS (see page 9).

FORM OF BENEFIT

The **Trustee** has discretion to which **dependants** to pay the benefit. Under current legislation, a tax-free lump sum can be paid of up to four times your **pensionable earnings**, plus a return of your contributions to the Plan and to SBS for retirement benefits, with **credited interest**.

Any benefit in excess of this limit must be paid in the form of a pension to your dependants.

DURING DEFERMENT OF PENSION AND BEFORE AGE 65

If you are entitled to a deferred pension and you die before it comes into payment, a benefit equal to 150% of the total of your Plan contributions and **credited interest** will become payable, together with any contributions for retirement benefits and **credited interest** arising from SBS.

DURING DEFERMENT OF PENSION AND AFTER AGE 65

If you die after your 65th birthday, having deferred payment of your pension, it will be assumed that you had retired immediately before your death and there will be available a benefit equal to the cash sum described on page 6 (if this has not already been paid to you) plus a sum equal to five times the yearly amount of the remaining pension.

In addition, any **surviving spouse's** or dependant's pension will become payable.

AFTER COMMENCEMENT OF PENSION

(a) pension for **surviving spouse**

If you die while receiving a pension under the Plan and leave a **surviving spouse**, a pension will be payable for life to your spouse.

The amount of pension will be one half of your Plan pension (as it would have been had you not taken cash, or adjusted your pension to provide additional spouse's or dependant's pension).

Any adjustment chosen by you to apply between retirement date and State pension age (see page 5) will be disregarded for this purpose.

(b) pension for specified dependant
 If there is no person entitled to the pension described in (a) above, you may ask the **Trustee** to provide a corresponding benefit to some other **specified dependant**. Formal application must be made before the commencement of your pension and your 65th birthday, whichever is earlier, and a form for this purpose, available from your Personnel Department, should be completed shortly in advance of either of those events occurring.

(c) additional pension for dependants
 You may give up part of your pension (or apply SBS benefits) to provide a pension for your **surviving spouse** or other dependant additional to that described above. Application should be made via your Personnel Department shortly before your pension commences, or you attain age 65, whichever is the earlier. Such provision cannot be revoked after your pension commences, even if the nominee dies.

Any spouse's or dependant's pension begins on the first day of the month after your death.

(d) Five year guarantee
 If you die within a period of five years after the commencement of your pension, a cash sum will be calculated equal to the last instalment of the pension multiplied by the number of further instalments which would have been paid if you had lived until the end of the five year period.
 This benefit is payable in addition to any pensions payable under (a), (b) or (c).

SBS DEATH BENEFITS

Additional capital benefits may be provided from SBS, if you need extra cover to provide for your **dependants**. This benefit is insured by the **Trustee** and, as an example of rates currently applicable, a contribution of £1 per month (cost after tax at 23%, 77p per month) would provide benefits on death during the year of:

Age next birthday	Men - £	Women - £
30	17,391	17,391
40	10,619	15,384
50	3,296	5,309
60	1,063	1,646

The cost is recalculated each year to allow for any change in cover, and for the increase in premium rate with age.

Provided that you satisfy evidence of health as required by the insurer (see page 12), a lump sum can be provided under SBS. This facility is available, even if your benefits under the Plan have been restricted for health reasons.

Part of the lump sum may be converted into a pension for the life of your spouse or other dependant, increasing in line with Plan pensions. This will have to be done if the total sum exceeds the limit described in 'Form of benefit' on page 8.

The capital required, as a multiple of your earnings, to provide a target pension equal to a proportion of those earnings, is typically:

Capital required to provide pension of:

Age of spouse on death of member	1/4 of earnings	1/3 of earnings (Inland Revenue maximum)
30	5.1	9.1
40	4.7	8.4
50	4.2	7.4
60	3.5	6.1

As an example, a man earning £17,000, with a wife aged 30, wishing to provide her with an annual income of a quarter of his earnings, will need cover of 5.1 x £17,000, which is £86,700.

The **Trustee** can supply an estimate of the capital you would require to produce a target lump sum and/or pension, and the additional contribution needed to provide that cover.

APPLICATION OF THE BENEFITS

Lump sum death benefits are held by the **Trustee** under a discretionary trust and are paid to or applied for the benefit of **dependants** selected by the **Trustee** or to your estate. They are not, under present practice, subject to Inheritance Tax.

EXPRESSION OF WISH

In the event of your death, the **Trustee** will consider your wishes in exercising its discretionary powers. To guide the **Trustee** in the payment of benefits, you are invited to complete the form P7 at the back of the booklet entitled 'DISPOSAL OF DEATH BENEFITS' and return it to the **Trustee** via your Personnel Department. You should complete a new form P7, if your personal circumstances change.

Krugerrands - one ounce of fine gold



...OR MAKE YOUR OWN ARRANGEMENTS?

A PERSONAL PENSION

Personal pension arrangements are individual pension schemes in the form of investment savings accounts, which enjoy similar tax advantages to the Plan. You pay in contributions, which are invested to buy you a pension at retirement. With a personal pension:

- the level of pension you receive will be entirely dependent on your contributions, as your **employer** will not pay contributions to personal pensions
- all the investment risks are yours - if investments perform well, this will be reflected in the level of your retirement income, but if they perform badly, your income will suffer accordingly
- unlike the benefits provided by the Plan, there is no guarantee that the pension will bear any relationship to the level of your pay (and hence your standard of living) at retirement
- other benefits - such as spouse's pension or guaranteed increases - can be provided only through additional contributions by yourself or by diverting contributions away from the provision of retirement income
- salesman's commission and administration charges may materially reduce the proportion of your contributions actually invested.

The Plan is likely to provide you with benefits in aggregate value at least twice that which might be obtained from a similar contribution to a typical personal pension arrangement.

Furthermore life insurance, which is part of the package of Plan benefits, would increase the cost of a personal pension.

THE GEC PLAN OR A PERSONAL PENSION?

You cannot contribute to the Plan (or the SBS) while contributing to a personal pension. So this is the main choice for you to make - unless you decide to do nothing.

Whichever decision you make will not affect your **basic Social Security pension** or any **SERPS** pension to which you are entitled.

You should satisfy yourself that the personal pension salesman or your independent financial adviser has compared the Plan benefits and complied with all the requirements of the Securities and Investments Board (or other regulatory authority) before deciding to contribute to a personal pension instead of to the Plan.

SOCIAL SECURITY PENSIONS

Social Security pensions are payable in addition to any benefits under the Plan or a personal pension.

However, if you do nothing about a pension, you will have to rely on the Social Security pension for an income when you retire.

Since April 1978, this has been made up of two parts:

- the **basic Social Security pension** paid to everyone who has enough National Insurance credits; and
- **SERPS**

Taken on its own, the income you receive from the State is not likely to provide a particularly high standard of living, especially if you will be retiring after the year 2000, when **SERPS** is due to be scaled down.

A quotation of your Social Security pension may be obtained by writing to

The Department of Social Security
PO Box 1NN
Newcastle upon Tyne
NE99 1NN.

Social Security pensions are also inflexible - you cannot draw benefits until you reach State pension age and there is no option to exchange pension for tax-free cash when you retire.

SERPS OR AN APPROPRIATE PERSONAL PENSION?

There is another choice, called an appropriate personal pension. This is a special type of personal pension which allows an employee to 'contract out' of **SERPS**.

Unlike personal pensions, appropriate personal pensions are available to members of the Plan. The contributions, which are paid by the State, depend on your age.

So, a further decision - regardless of whether or not you are in the Plan - is whether to take an appropriate personal pension in substitution for **SERPS**.

Appropriate personal pensions are sold by various institutions, including insurance companies, and are subject to special terms that do not necessarily apply to personal pensions. For example, the benefits are payable only from State pension age, and there is no cash option, where the appropriate personal pension is used solely to contract out of **SERPS**.

DO YOU ALREADY HAVE AN APPROPRIATE PERSONAL PENSION?

If you already have an appropriate personal pension, you should request advice from its provider, who will be able to take into account the credits you have already built up in your appropriate personal pension, in advising you whether or not you should continue to contract out of **SERPS** in that way.

DO YOU WISH TO CONSIDER A PERSONAL (OR APPROPRIATE PERSONAL) PENSION?

Neither the Personnel Department nor the Pensions Office can give you specific advice on personal (or appropriate personal) pensions. Such advice should be sought from an independent financial adviser, who is authorised under the Financial Services Act 1986.

In reviewing the advice you receive from your independent financial adviser, be sure to check

- that comparisons are made on a like-for-like basis
- that the underlying assumptions are appropriate for the investment choice you wish to make
- that the charges are disclosed and are allowed for in the analysis
- whether or not a minimum period of remaining contracted-out is advantageous
- what other risks there may be, such as a further change in the contributions payable by the Department of Social Security
- how often you ought to review your position, and
- that a formal fact-find has been completed by your adviser.

Iron age torc - from an alternative investment hoard





GENERAL INFORMATION ABOUT THE GEC PLAN AND SBS

ACTUARIAL REVIEW

An independent actuary, appointed by the **Trustee**, reviews the finances of the Plan at intervals of not more than three years. This review is made so that the **Company** can determine the contributions required to fund all the Plan benefits described in this booklet. If the review discloses a surplus, benefits may be improved or contributions by the **employers** may be reduced. If the review discloses a deficiency, and the **employers** are not willing to meet it by increasing their contributions, it may be necessary to adjust the benefits.

ANNUAL ACCOUNTS AND REPORT OF THE TRUSTEE

A summary of the annual report of the **Trustee** and the audited annual accounts is issued to all members. Copies of the full Report and Accounts of the Plan and SBS are available on request from your Personnel Department.

BENEFITS ON SPECIAL TERMS FOR SERVICE BEFORE JOINING THE PLAN

Some members of the Plan have transferred from other GEC group pension schemes and are entitled to benefits from the Plan relating to service prior to the date of transfer. Benefits applicable for such prior service are described in circulars appropriate to these schemes and are included in members' individual benefit statements.

CONSTITUTION OF THE PLAN AND SBS

The Plan and SBS are constituted by a deed dated 13 April 1972, and a definitive deed dated 4 March 1982, as amended.

The Plan is approved by the Inland Revenue under Chapter I Part XIV of the Income and Corporation Taxes Act 1988.

The **Trustee** is registered under the Data Protection Act 1984.

The information given in this booklet is intended as a summary of the main features of the Rules of the Plan and SBS applicable to members in pensionable service on and after 1 April 1997 and does not override the Trust Deed and Rules which prevail at all times. Copies of the latter are available for inspection in Personnel Departments.

In accordance with current practice, the **Company** has power to discontinue or, subject to the consent of the **Trustee**, to alter the Plan and SBS in whole or in part. In the event of such discontinuance, appropriate benefits will be provided out of the fund available and there will be no further liability for contributions from you or, subject to statutory requirements, from the **employers**.

DISPUTE RESOLUTION PROCEDURE

There is a two-stage procedure for resolving disputes, which may be used by any member, or other person with a relevant interest in the Plan. At the first stage, you should write with your full details (or those of the member in respect of whom you are raising the matter) to the Benefits Manager at the address given on page 14. He (or in his absence the Assistant Pensions Manager - Administration) will consider the matter and reply within three weeks, after discussing his response with the Pensions Manager.

If you are not satisfied by the answers that have been given, you may apply in writing within six months of the date of the response to the Secretary to the **Trustee** at the same address, asking for the dispute to be reconsidered and giving your reasons. This application will be referred to the **Trustee** and its decision will be communicated within one month.

If you still require further consideration of the matter, it will then be open to you to approach OPAS or the Pensions Ombudsman (see page 13).

EVIDENCE OF GOOD HEALTH

On first joining the Plan, on first applying for SBS death benefit cover, on applying for SBS death benefit cover in excess of £150,000, or on applying to increase the amount of existing cover, satisfactory evidence of good health is required by the **Trustee** and, for SBS, by the insurer. Any restriction on disability or lump sum death benefits will be set out by the **Trustee** in writing to the member concerned.

INDIVIDUAL BENEFIT STATEMENTS

The **Trustee** issues annual statements to contributing members and to members with deferred benefits, showing contributions paid under the Plan and SBS, and estimated benefits payable. Similar statements are issued to pensioners.

INLAND REVENUE LIMITS

Limits to contributions and benefits apply to occupational pension schemes under tax law. For most members, the maximum pension on retirement at 65 (including benefits from other approved retirement schemes, but excluding Social Security pensions) is two-thirds of final remuneration, and the maximum dependant's pension is four-ninths of final remuneration at the date of death. Stricter limits may apply, depending on your length of service and age at retirement. Final remuneration is an Inland Revenue definition, usually similar to **final pensionable earnings**.

Retirement and death benefits and member's contributions under the Plan and SBS will be adjusted as may be necessary to comply with the requirements for Inland Revenue approval.

OPAS/PENSIONS OMBUDSMAN

The Occupational Pensions Advisory Service (OPAS) is available to assist members and beneficiaries of the Plan and/or SBS in connection with any difficulties which they have been unable to resolve with the **Trustee** of the Plan.

The Pensions Ombudsman may investigate and determine complaints or disputes of fact or law concerning occupational pension schemes made or referred to him.

OPAS and the Pensions Ombudsman can both be contacted at:

**11 Belgrave Road
London
SW1V 1RB.**

OPRA

The Occupational Pensions Regulatory Authority (OPRA) is able to intervene in the running of pension schemes where trustees, employers or professional advisers have failed in their duties and in certain other circumstances.

OPRA can be contacted at:

**Invicta House
Trafalgar Place
Brighton
East Sussex
BN1 4DW.**

OVERSEAS MEMBERS

If you have been employed on GEC contracts outside the United Kingdom, the adjustment for **SERPS** (see page 5) may not produce the intended result. The **Trustee** will exercise its discretion to increase benefits in such cases.

In certain cases, a notional salary, equivalent to that paid for a similar post in the UK, will be used to determine **pensionable earnings**.

PENSION CONSULTATIVE COMMITTEES ('PCCS')

There are four PCCs operating on a regional basis. If you are an active member of the Plan, you are entitled to vote in the election of a committee member to represent pension scheme members employed by **employers** in your area. Elections are normally held every four years. Committee members who become pensioners or deferred pensioners may continue their membership of the PCC for a period.

The functions of PCCs are:

- To consult with the Pensions Office on matters relating to GEC pension schemes.
- To assist the Pensions Office, **Trustee** and Management in the communication of information to members.
- To represent the views of pension scheme members as to matters affecting their interests.
- To nominate one representative from each PCC (being an active member or a pensioner of the Plan) for appointment by GEC as a Director of Stanhope Pension Trust Limited.



PERSONAL PENSION OR APPROPRIATE PERSONAL PENSION

You may not contribute to the Plan or to SBS while contributing to a personal pension scheme unless it is an 'appropriate personal pension' in substitution for future benefits from, and contributions to, **SERPS**. Whether you choose an appropriate personal pension or **SERPS**, the calculation of your Plan and SBS pensions will be unaffected.

REGISTRAR OF OCCUPATIONAL AND PERSONAL PENSION SCHEMES

The Registrar of Occupational and Personal Pension Schemes has been provided with all the information required concerning the Plan and SBS, including the name and address of the **Trustee**.

If you were a member of another pension scheme, and you subsequently have difficulty in contacting its trustees or administrators, the Registrar may be able to help.

The address is:

*The Registrar of Pension Schemes
PO Box 1NN
Newcastle upon Tyne
NE99 1NN.*

WHICH WAY NOW?

The decisions you have to make are:

A) BENEFITS FOR GEC SERVICE

- apply to join the Plan (and also SBS if you wish to purchase additional benefits)

OR

- make your own arrangements and possibly buy a personal pension

OR

- do nothing, in which case you will receive only Social Security benefits when you retire.

B) SERPS

- continue to participate in **SERPS**

OR

- choose an appropriate personal pension instead.

It's up to you. We have laid down the facts about your pension choices in this booklet to help you decide which is the best for you and your family. The key points to consider are:

- VALUE FOR MONEY
- COST
- SECURITY
- FLEXIBILITY

The choice you make now is going to have an effect on your standard of living when you retire, so you must consider it carefully. Remember that, the sooner you start to prepare for retirement, the greater the rewards will be when it's time to collect.

FURTHER INFORMATION

If you need advice on personal pensions or on contracting out of **SERPS** using an appropriate personal pension, you should consult an independent financial adviser. Hand him a copy of this booklet and ensure that any quotations you receive compare like for like.

If you wish to find out more about the Plan and SBS and how you could benefit from joining it, please fill in form P30, on page 15, and send it to your Personnel Department.

Members may contact Pension Consultative Committee representatives through their Personnel Department.

If you require any further information about the Plan and SBS which cannot be supplied by your Personnel Department, please write to

*Membership Services Department
Stanhope Pension Trust Limited
P.O. Box 20
Lichfield Road
Stafford
ST17 4LN.*

Please quote your National Insurance number on all correspondence.

NOTE:

The GEC Plan and the Selected Benefit Scheme include provision for death benefits to be held by the Trustee under a discretionary trust and to be paid or applied to or for the benefit of persons selected by the Trustee or to your estate.

The Plan and the Scheme are designed to minimise the effect of Inheritance Tax in respect of benefits payable on death; as the law now stands, it is understood that these death benefits would not be subject to this tax. For this reason, you have no legal control over the disposition of the death benefits, e.g. by will.

To assist the Trustee, you may use this form to indicate how you would like death benefits to be disposed. Any views which you express can of course be changed at any time.

Persons named on the form must qualify as dependants. For this purpose 'dependants' shall mean one or more of:

- (i) any spouse, ancestor or descendant (however remote) of the member, or the spouse of such ancestor or descendant, and the same relatives of the member's spouse, and
- (ii) any brother or sister, uncle or aunt (whether of whole or half blood) of the member, or any spouse or descendant of any such person, and the same relatives of the member's spouse, and
- (iii) any individual or individuals entitled to any interest in the member's estate under any will or testamentary disposition or dispositions, and
- (iv) any individual or individuals towards whose maintenance or support the member has contributed in cash or otherwise.

The persons who may be selected by the Trustee as beneficiaries include persons related to you, persons dependent on you or for whom you might have been expected to provide and persons entitled to any interest in your estate under your will. In certain cases a trust set up for these persons may be selected. It will assist the Trustee if you will use the column headed 'Relationship to me' to indicate the relationship, if any, or other ground for selection by the Trustee of the person or persons named.

If you have made a will, it is suggested that you show this form to your solicitor before returning it to the Trustee.

If you want to send this form in a sealed envelope, please mark the envelope clearly with the heading 'DEATH BENEFITS', your name and National Insurance number, and the date.

APPENDIX

CREDITED INTEREST

Credited interest is used in the calculation of 'Basis 3' pensions, refunds of contributions on death and SBS retirement credits.

The rate of **credited interest** is determined by the Trustee, on the advice of the actuary, having regard to past rates of return on investments. The minimum rate of **credited interest** is 2.5% per annum.

Rates applicable since 6 April 1988 are set out in the table below:

Plan year ended 5 April	Rate applied to contributions and interest at previous 6 April %
1989	17.00
1990	16.50
1991	20.00
1992	17.00
1993	17.00
1994	13.25
1995	13.50
1996	12.50
1997	11.00
1998	11.00

Past rates of credited interest are not necessarily a guide to the future.



PENSION REDUCTIONS ON EARLY RETIREMENT

Currently, the reduction rate for a 'Basis 1' or 'Basis 2' pension, or a deferred pension arising from a transfer into the Plan, is 2% for each year between ages 65 and 60 by which the pension is taken early, and 4% for each such year between ages 60 and 50. For a 'Basis 3' pension, the reduction rate is 2% for each year between ages 65 and 50 by which the pension is taken early.

Actual rates are calculated on the basis of complete years and months.

The following are examples of this:

Age at retirement	Reduction	
	Bases 1, 2 and deferred	Basis 3
50	50%	30%
55	30%	20%
60	10%	10%

These rates are reviewed annually, as described on page 5.

INCREASES TO PENSIONS IN PAYMENT AND DEFERRED PENSIONS

Plan pensions and deferred pensions are reviewed yearly.

The Plan Rules provide for increases of the smaller of 5% per annum and the increase in the General Index of Retail Prices (RPI). Increases above these rates, having regard to changes in the RPI and the resources of the Plan, are at the discretion of the **Trustee** and are subject to the approval of the **Company**.

The following table shows rates of increase awarded during the past 10 years to Plan pensions, other than those subject to fixed increases. The same rates apply to deferred pensions calculated under Basis 1 from the date of cessation of **pensionable service**.

Increase with effect from 1 May	Rate of increase %
1988	5.0
1989	9.1
1990	8.5
1991	9.1
1992	4.5
1993	1.9
1994	2.5
1995	3.3
1996	2.9
1997	2.8
Average	4.9

Increases apply from 1 May following the date of cessation of **pensionable service**.

Proportionate increases apply in the first year to any pension (or deferred pension) beginning after 1 May. Increases do not apply to the pension equivalent of any cash lump sum taken.

BASIC SOCIAL SECURITY PENSION

The three year average in the **basic Social Security pension** for a single person with a full National Insurance contribution record has been:

Plan year	Three year average for Basis 1 calculation -£
1993-94	2,690.33
1994-95	2,849.67
1995-96	2,909.33
1996-97	2,990.67
1997-98	3,078.33