

Frequently Asked Questions – Section 251 letter sent to all members 22 December 2015

Q Please explain this letter in layman's terms?

A We have received a number of enquiries and requests for clarification regarding the letter issued at the end of last year (22 December 2015) by Siemens AskHR on behalf of the Trustees of the Siemens Benefits Scheme. This statement is intended to provide some further clarification and reassurance to members.

Please note that the letter was sent for information and there is no need for members to take any action in response to it. The purpose of the letter was to notify member of the Trustees' intention to pass a resolution with effect from 5 April 2016. The proposed resolution will simply allow the Trustees to keep their existing powers to make payments to Siemens plc and any other Scheme employers from Scheme assets. There will be no change to the current position. In particular, please be assured the proposed resolution will not have any impact on members' Scheme benefits.

Importantly for members, the existing powers which allow the Trustees to make payments to the Scheme employers can only be used in very narrow circumstances. Essentially payments are only allowed where there is a clear funding surplus in the Scheme (i.e. assets exceed liabilities) and where there is no detriment to members. The two key scenarios where surplus assets may be "returned" to Siemens or other employers are either (1) where the Scheme is being "wound up" (i.e. closed down) and all members' benefits have been secured in full, or (2) where the Scheme continues to operate on a day-to-day basis, and the Scheme is so well funded that there would still be surplus if all members benefits were secured in full and the Trustees are content it would be in members' interests to make a payment to the employers. Currently, neither of these scenarios apply to the Scheme and neither are expected to apply in the near future.

The reason why the Trustees are proposing to pass a resolution now is because if one is not passed before 6 April 2016, because of a change in the law, the power to make a payment to the Siemens employers in the second of the scenarios described above would fall away. In line with trustees of many other Schemes up and down the country, the Trustees are therefore passing a resolution to keep things as they are. Having taken professional advice and in light of the strong protection which exists for members, they believe it is reasonable to pass a resolution to keep the existing powers (even though they may not apply in practice for a very long time, or may never apply at all).

Q Do I need to take any action?

A No, you do not need to take any action. The notice is provided for information only.

Q I am an Investor Plan (DC) member- why have I received this letter?

A The Investor Plan is a section within the same Scheme as the final salary sections. As there is a single Scheme under the same umbrella trust, powers within the trust relating to how it is administered are potentially relevant to all members. However, you do not need to take any action in response to the notice.

Q How does the proposal impact on the pension that I currently receive?

A The proposal has no impact on the pension that you currently receive.

Q I have a deferred pension - does the proposal affect this pension?

A The proposal has no impact on the level of your deferred pension.

Q Please can you explain how this will change or affect my future pension payments and benefits?

A The proposal will not change or affect the pension benefits you are entitled to receive from the Scheme.

Q Why have the Trustees decided to exercise their powers now?

A The Trustees have decided to pass a resolution now following a request from Siemens which has been duly considered by the Trustees with their professional advisors. The deadline for passing a resolution is 5 April 2016 and this explains the timing of Siemens' request. However, to be clear the Trustees are not exercising a power to make a payment to Siemens now; rather in common with many other trustees of pension Schemes, they are simply preserving their ability to make a payment in the future, should the circumstances warrant it.

Q The letter states the intention is to preserve the existing powers, does this mean that the employer can receive monies from the Scheme at present?

A Yes, as explained in the further statement issued, there are very narrow circumstances in which the employer can receive monies from the Scheme.

Q My understanding is that the original deadline for setting up a mechanism for payments was April 2011, why wasn't a resolution passed at this time? Has something changed in the health / status of the Scheme?

A The deadline for passing a resolution was extended from 5 April 2011 to 5 April 2016 following a change to the legislation. The timing of the proposed resolution is not linked to a change in the health / status of the Scheme.

Q Please clarify why trustees must retain the right to make payment to employer?

A The Trustees have decided to retain the right to make a payment out of future surplus to the employer, because (1) this is consistent with the original Scheme design (2) there are strong protections in the legislation which appropriately limit the future payment of any surplus to the employer (3) if Siemens was denied the right to ever be entitled to participate in any surplus in the Scheme, it may have a negative impact on member security, for example it make Siemens more reluctant to fund the Scheme (for fear of over-funding).

Q Is the Siemens Benefit Scheme in surplus?

A No, the Siemens Benefits Scheme is not in surplus. However, it is possible that a future surplus may arise at some point in the future.

Q Why is the surplus not used for the benefits of the members?

A There is currently no surplus in the Scheme. No decision has been made about the use of any future surplus.

Q Wouldn't it be in the interests of the members to retain any surplus in the Scheme?

A There are strong protections for members in the legislation and the Scheme rules as to when surplus assets could be paid out to employers, which means that surplus can only be paid out where members' benefits are considered to be secure. Beyond that, if an employer was denied the right to ever be entitled to participate in any surplus in the Scheme, it may make the employer more reluctant to fund the Scheme (for fear of over-funding) which cannot be in members' interests.

Q Why would it be in the interests of the members to return a surplus to the employer?

A If an employer was denied the right to ever be entitled to participate in any surplus in the scheme, it may for example make the employer more reluctant to fund the Scheme (for fear of over-funding) which cannot be in members' interests. That is not to say it would be always be appropriate for a surplus to be returned to the employer; if a surplus ever arose, the circumstances would need to be considered carefully by the Trustees (taking into account what is in members' interests). There are in any event strong protections in the legislation for members limiting the circumstances in which surplus may be returned to the employer.

Q Can the surplus be used to improve member benefits, increase pensions in payment rather than return to the employer?

A On a winding up, there is scope for members benefits to be improved and if there is any surplus at that time. This would be considered at the relevant time.

Q If there is a surplus why can't this be used to fund an employee's pension contributions holiday?

A There is no surplus currently in the Scheme but the trust deed does not in any case permit future surplus to be used in this way.

Q If the pension fund is for the benefit of Siemens Employees why would money be transferred out that might prevent this money being reinvested for the benefit of the employee?

A The pension Scheme was set up for the benefit of Siemens employees, but the members do not have legal rights to benefits over and above those set out in the rules. In the event of any surplus, the courts have generally recognised that in defined benefit schemes where an employer would be required to meet any deficit it would be inequitable for the employer not to benefit at all from any surplus.

Q What guarantee is there if this money is drawn out as I believe some pensions Schemes have in the past (pension contributions holiday) that there will be adequate funding for the pensions when they need to be taken?

A There are now robust protections in the legislation for members relating to paying out surplus to employers which in past cases you may have in mind may not have existed. The two key scenarios where surplus assets may be “returned” to Siemens or other employers are either (1) where the scheme is being “wound up” (i.e. closed down) and all members’ benefits have been secured in full, or (2) where the Scheme continues to operate on a day-to-day basis, and the Scheme is so well funded that there would still be surplus if all members benefits were secured in full and the Trustees are content it would be in members’ interests to make a payment to the employers.