

Copy of communication issued to all members of the Siemens Benefits Scheme on 22 December 2015

Dear member,

Siemens Benefits Scheme – Section 251 of the Pensions Act 2004

The Trustee has decided to exercise its powers to pass a resolution in three months' time under section 251(3) and 251(4) of the Pensions Act 2004. This is a highly technical section which requires trustees to pass a resolution before 6 April 2016 if they are to preserve existing powers to make payments to the employer. It is proposed that the Trustee's resolution will take effect on and from 5 April 2016.

The Trustees are not seeking to expand the circumstances in which payments can be made to the employer – only to preserve the status quo, which they believe is a reasonable thing to do. The circumstances are strictly limited by the Scheme's rules – however they do include power to pay surplus from the ongoing Scheme (subject to compliance with any legislation) and to repay any ultimate surplus if the Scheme was ever wound-up and all benefits had been fully secured.

To comply with legislation to pay surplus to the employer whilst the Scheme is ongoing would require the Scheme to be in surplus on a buy-out basis (i.e. the cost of buying-out the Scheme's liabilities with an insurance company and the most expensive way to value a pension scheme's liabilities) and the trustees must be satisfied that it is in members' best interests to use the refund power.

If you have any questions about this investment changes please contact AskHR using one of the below methods:

Email: askhr.uk@siemens.com
Phone: 0845 603 9972 (8.00am to 5.30pm, Monday to Friday)
Post: AskHR, PO Box 9011, Poole, BH12 9HW

Yours sincerely



Paul Waight
Head of Reward for HR FSS

Subsequent clarification of the letter

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).