VALUE FOR MONEY PENSIONS

REUTERS PENSION FUND (RPF)

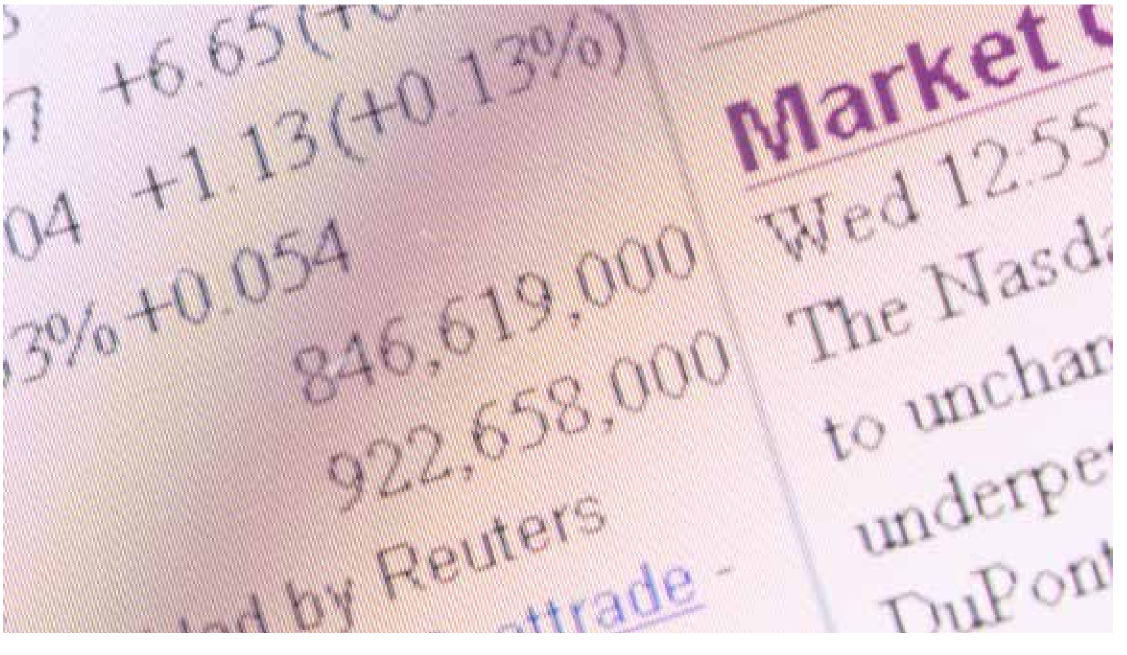
OCTOBER 2013

This fact sheet describes the rules that ensure your RPF pension provides value for the contributions you have paid into the Fund if you leave the Company and do not retire immediately.

WORKING THEM OUT

Page 11 of 'Reuters Pension Fund – A Guide for Members' gives a brief overview of the Money Purchase underpin, or 'Value for Money' pension, which RPF provides for deferred members. The underpin ensures that your RPF pension represents value for money when you leave RPF. There are several steps to working it out.

Members of RPF are 'contracted out' of the second level of State pension. This means that RPF must pay a minimum level of benefits in place of this State pension. For contracted-out service before 6 April 1997, RPF must pay a Guaranteed Minimum Pension (GMP) to replace the benefits under SERPS (the State Earnings Related Pension Scheme). RPF's Value for Money pension acts as an underpin to the rest of your RPF pension – the excess over the GMP.



STEP 1 – VALUE FOR MONEY CONTRIBUTIONS WITH INTEREST

These are your own contributions (apart from your AVCs);

- plus 3% of your salary (as defined on page 2 of 'Reuters Pension Fund – A Guide for Members') for each year of your service in RPF after 1 January 1988;
- plus interest to the date you leave;
- less the value of any GMP you built up in RPF between 5 April 1988 and 5 April 1997.

The Trustees of RPF decide the rate of interest to be used, which has varied over time as shown:

until 30 June 1990	10% a year
from 1 July 1990 to 31 December 2002	7% a year
from 1 January 2003 to 30 June 2012	4% a year
from 1 July 2012 onward	2.5% a year

STEP 2 – VALUE FOR MONEY YEARLY PENSION

The yearly pension this amount could provide is calculated by looking at the level of pension that would have a transfer value equal to the Value for Money contributions with interest to the date you leave.

STEP 3 – COMPARING THE BENEFITS

If you leave on or after 20 January 2003

For anyone leaving RPF after 20 January 2003, the comparison takes place at the date you leave the Fund. After comparing the pension you have built up in RPF (above the GMP) with the Value for Money pension, the higher of these two values plus your GMP becomes your deferred pension.

The pension is updated (re-valued) when you reach normal retirement date broadly in line with the increase in inflation since you left, subject to a maximum. (Please see the 'Leaving the Company' section of 'Reuters Pension Fund – A Guide for Members' for full details. Pensions law sets out the level of revaluation for the GMP and a minimum level for other pensions.

If you left before 20 January 2003

For anyone leaving RPF before 20 January 2003, the comparison takes place at normal retirement date. RPF pays:

- the GMP revalued in line with pensions law; and
- the higher of:
  - the Value for Money pension; or
  - the excess pension including revaluation between the date you left and the date you retire broadly in line with the increase in inflation over the period, subject to a maximum. (Please see the 'Leaving the Company' section of 'Reuters Pension Fund – A Guide for Members' for full details.)

THE LIKELY EFFECT ON YOUR PENSION

Whether your RPF pension is more or less than the Value for Money underpin depends on several factors and so it is not easy to predict. However, in general, members who leave RPF at a younger age or with a shorter period of service are more likely to need the underpin.

EXAMPLES – IF YOU LEFT BEFORE JANUARY 2003

James left RPF aged 47 on 1 January 2000 with a deferred pension of:	£1,000 GMP £4,000 excess over GMP
Total	**£5,000**

This is the RPF pension payable when James reaches his normal retirement date on 1 January 2015 (before we include any revaluation). The GMP is revalued between James leaving RPF and retiring, in line with social security regulations and let's say it will be £2,500 in January 2015. James' Value for Money pension at his normal retirement date is £7,000 a year.

Example 1, if price inflation is 3%

If we assume that the rise in inflation averages 3% a year between 2000 and 2015, this means that the excess pension increases from £4,000 a year when James leaves to £6,232 a year when James retires. £6,232 is less than James' £7,000 Value for Money pension and the underpin therefore takes effect.	James' total pension is: the revalued GMP £2,500 plus the underpin £7,000 **which is £9,500 a year**

Example 2, if price inflation is 4%

If we assume that the rise in inflation averages 4% a year between 2000 and 2015, the excess pension is £7,204 a year at January 2015 when James retires. As £7,204 is higher than James' £7,000 Value for Money pension at that date, the underpin has no effect.	James' total pension is: the revalued GMP £2,500 plus the revalued excess £7,204 **which is £9,704 a year**

EXAMPLE – IF YOU LEAVE AFTER 20 JANUARY 2003

Claire leaves RPF aged 42 on 1 January 2005. She joined after April 1997, and so does not have a GMP. Her normal retirement date is 1 January 2025 and her deferred pension is £5,000.

Claire's Value for Money pension is £6,000. As she leaves RPF after 20 January 2003, her deferred pension at leaving is compared to her Value for Money pension. The Value for Money pension is higher than the deferred pension at leaving. So Claire's pension when she reaches her normal retirement date of 1 January 2025 will be:	£6,000 a year increased by revaluations between 2005 and 2025

WHY IS THE IMPACT OF THE UNDERPIN FOR CLAIRE SO MUCH GREATER THAN FOR JAMES?

The underpin is more likely to be needed for members who left at younger ages with shorter service periods. In the examples shown, Claire is five years younger when she leaves than James was when he left. It is also likely that Claire has less service than James.

ADDITIONAL INFORMATION ABOUT VALUE FOR MONEY PENSIONS

Please note that the pension payable to you at retirement will be restricted to the maximum allowable pension under the Inland Revenue limits in force at the time you joined the Company.

If you retire earlier than your normal retirement date, your Value for Money pension will be reduced to reflect that your pension is starting early and will therefore be paid for longer. Conversely, if you retire later than your normal retirement date, your Value for Money pension will be increased to reflect that your pension is starting late and will therefore be paid for a shorter period.

For more information about retiring early or late, please see the ‘Taking your benefits’ section of ‘Reuters Pension Fund – A Guide for Members’.

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