ESSAR OIL (UK) PENSION SCHEME

A guide to your Scheme
Spring 2024

The Essar Oil (UK) Pension Scheme (the Scheme) pays retirement, ill-health, and death benefits, which can provide important financial support for you and your family.

This guide is a summary of the main benefits provided by the Scheme. It covers benefits payable to members of the Pre-2009 Section of the Scheme and members of the Post-2009 Section of the Scheme. And it answers some key questions you may have.

It includes useful information for those who have yet to start taking their pension and pensioners. It isn't necessarily meant to be read from beginning to end. You can refer to it when you want to know more about a particular subject.

There is also a Frequently Asked Questions section at the end of this booklet which focusses on questions we know are important to you.

ESSAR OIL (UK)
PENSION SCHEME

If you want to know more…

As this guide is just a summary, it can't cover everything to do with your benefits and the Scheme.

If you want to know more, you can visit the Scheme website www.essaroilukpensionscheme.co.uk where you can find additional information including past editions of newsletters, Scheme accounts and financial statements. From the website, you can also log into PRISM, run by the Scheme Administrator, where you can:

- See an overview of the pension you are receiving or can expect to receive in retirement.
- Manage the personal information the Scheme holds about you and change it if it's wrong or out of date.
- Tell us who you want to receive any death benefits your dependants may be entitled to.
- Find copies of correspondence you have been sent.
- Learn more about the Scheme so you can make decisions with confidence.
- If you are a pensioner, you can also review your pension history, access your payslips and P60s, and find out your tax code.
- If you haven't yet started taking your benefits, you can also use the pension planner modelling tool to get an idea of how these would change if you retire at different ages and request a transfer illustration.

It's quick and easy to register, or to change your password and or username if you have already registered but can't remember your log in details.

The Trustee has also teamed up with LV= who can provide you with expert advice to help you understand and navigate through your options. Your initial chat is free and LV= has also agreed a substantial discount to their standard fees for members of the Scheme.

The advice LV= gives you will be based on your personal needs and preferences and will not take into account the interests of the Trustee or the Company. For more information visit **www.lv.com/essaroil** or call **0800 023 4391** (lines are open Monday to Friday from 9am to 6pm).

Administrator contact details:

The Scheme Administrator should be your first port of call for general questions about your pension. Here's how to contact them:

essaroil@hymans.co.uk

0121 212 8102

Write to: Essar Oil (UK) Pension Scheme Administration, PO Box 27120, Glasgow G2 9NF

Please keep in touch:

We understand we might be low on your list of priorities if you move home or change your name, especially if retirement is a long way off.

However, please remember to update your details on PRISM, or email the Scheme administrator.

Please note

Whilst the Company has rebranded to EET Fuels, the Scheme name and website address will remain unchanged.

The Scheme is governed by its Trust Deed and Rules and by UK law. Any changes to legislation that come into effect after January 2024 may not be accurately reflected in this guide.

We have taken every care when producing this guide. However, if there is any difference between this guide and the Trust Deed and Rules, then the Trust Deed and Rules will apply instead of this guide.

Contents

Keeping it simple

We've written this guide in clear and straightforward English because we want you to understand how to make the Scheme work for you.

We have tried to avoid jargon because it's not easy to read. However there are some terms in this guide which only relate to pensions and which we must use.

Where these appear we have explained them in a 'Key Terms' box and have included more details in our 'Jargon Buster' at the end of this guide.

What's not included…

The Company closed the Scheme to the build up of further benefits on 31 December 2021. From 1 January 2022, Essar employees were able to join the Essar Group Personal Pension Plan (EGPPP) to earn pension benefits for future service. The EGPPP is run by AVIVA and is entirely separate from the Scheme, and is not covered in this guide.

As a member of the Scheme, you were also able to pay additional contributions (known as Additional Voluntary Contributions or AVCs) to provide additional pension benefits. AVCs are not covered in this guide. If you paid AVCs, they are treated as a separate pension arrangement. You do not have to take your AVC benefits when you take your final salary benefits from the Scheme. They are administered by L&G Workplace Pensions and if you have paid AVCs, you can find out more by visiting **www.legalandgeneral.com/essaroilukavc** where you can also log in to view and manage your AVC account. Also, there is no link between the EGPPP and the Scheme, and therefore EGPPP monies cannot be used in conjunction with this Scheme for tax-free lump sum on retirement.

Your Scheme at a glance

The Scheme is a final salary pension scheme.

Membership of the Scheme can provide:

- A regular pension income.
- A tax-free cash sum when you start taking your pension.
- Benefits for your family and dependants when you die.
- Help if you suffer from serious ill health before you start taking your pension**; and**
- The opportunity to transfer the value of benefits to another provider that provides alternative options for you when you want to start accessing your pension.

The sections:

Members will be in one of two sections of the Scheme, each of which provides slightly different benefits:

- The Pre-2009 Section You are in this section if you were previously a member of the Shell Contributory Pension Fund pre-2009 Section when you were transferred to Essar UK.
- The Post-2009 Section You are in this section if you were previously a member of the Shell Contributory Pension Fund post-2009 Section when you were transferred to Essar UK.

The key differences between these two sections are the rates at which members built up benefits, the retirement age (Pre-2009 age 60 and Post-2009 age 65), and the cap on increases to pension benefits, which is 7% a year for Pre-2009 Section members and 5% a year for Post-2009 Section members.

The members:

The Scheme currently supports Employed Deferred members, Deferred members and Pensioners (including those receiving a dependant's pension).

Key terms:

Deferred member

A member who is no longer building up benefits in the Scheme but has yet to start taking their pension, and is not an Employed Deferred member.

Employed Deferred member

A member who is no longer building up benefits and has yet to start taking their pension, but whose pension continues to be linked to their salary and who is entitled to discretionary ill-health and death-in-service benefits.

You will be an Employed Deferred member if you were contributing to the Scheme on 31 December 2021 when the Company closed the Scheme, unless you have subsequently left the Company's employment or opted out of the Scheme (in which case you will be a Deferred member), or you have started taking your pension.

Read on to find out more…

How your pension is calculated

The highlights:

- To work out your pension benefits in the Scheme, we consider how long you were paying into the Scheme and your income while you were paying into the Scheme.
- The exact way in which your pension is calculated differs slightly depending on the section of the Scheme that you belong to.
- The pension you have accrued (built up) will be increased each year until you start taking it.
- When you decide to take your pension, you have the option to swap some of your pension for a tax-free cash sum.

If you are an Employed Deferred member, you will have been sent a closing statement, and if you are a Deferred member you will have been sent a leaver's statement, confirming the level of pension you have accrued in the Scheme.

This is how your pension was worked out:

Your Final Pensionable Salary

×

Years and months of Pensionable Service

×

Your pension accrual rate

- Members of the Pre-2009 Section had an accrual rate of 1/54 of Final Pensionable Salary
- Members of the Post-2009 Section had an accrual rate of 1/60 of Final Pensionable Salary.

Key terms:

Final Pensionable Salary

This is your earnings used to calculate your pension benefits. (More details are included in the Jargon Buster).

Pension accrual rate

This is the rate at which pension benefits build-up. This is the fraction of your Final Pensionable Salary used to calculate your pension benefits.

Pensionable service

This is the total in years and months of your Scheme membership. Except where stated, no Pensionable Service after 31 December 2021 will count.

Your pension will reflect if you worked part time when building-up benefits in the Scheme. Absence from work, including maternity, paternity and adoption leave, may also have had an effect on your pension.

Please see the FAQs at the end of this booklet for further details and an example.

Pension increases before retirement

When you choose to take your benefits, the amount confirmed in your closing statement (if you are an Employed Deferred member at the time) or your leavers statement (if you are a Deferred member) will be increased to help offset inflation between the statement date and the date you start taking your pension.

The increase that is applied will depend on whether you are an Employed Deferred member or a Deferred member when you decide to start taking your pension:

Employed Deferred members

Your pension at the Scheme closure date of 31 December 2021 will be increased to reflect the greater of either:

- Increases in your Final Pensionable Salary to reflect any pay increases you have received since 31 December 2021; **or**
- The increase in the Retail Prices Index since 31 December 2021 (capped at 7% per annum for pre-2009 members and 5% per annum for post-2009 members) or a broadly equivalent index at the Trustee's discretion.

Deferred members

Your pension will be increased to reflect the increase in the Retail Prices Index between the date you stop being an Employed Deferred member (or the date you stopped building up benefits in the Scheme if that was before 31 December 2021) and the date you start taking your benefits (capped at 7% per annum for pre-2009 members and 5% per annum for post-2009 members).

You can find more information and examples in the FAQ section at the end of this guide.

And this bit's important…

Don't worry if you can't find your closing statement or leavers statement. If you log into PRISM via the Scheme website, you can see the amount of pension you have built up and you can also see how much tax-free cash you could take. **Visit: www.essaroilukpensionscheme.co.uk**

Taking your pension benefits

The highlights:

- You have a choice as to how and when you take your pension benefits. **You can:**
  1. Take your benefits from the Scheme at any age from Minimum Pension Age although a reduction will apply if you take your pension before Normal Pension Age**; or**
  2. Choose to take a tax-free cash sum and a reduced pension income**; or**
  3. Transfer the value of your benefits in the Scheme to another approved pension provider that offers a range of different options for you to choose from.
- The Trustee has teamed up with LV= who can advise you on the best course of action based on your personal needs and circumstances.

When can I start taking my pension benefits?

In most cases you can start taking your pension benefits at any time after you reach Minimum Pension Age. If you decide to take your pension before Normal Pension Age, you will receive a lower pension as it is likely to be paid for longer.

If you decide to take your pension after your Normal Pension Age, you may receive a higher pension as it is likely to be paid for less time. Remember, the Normal Pension Age is 60 if you are a Pre-2009 member and 65 if you are a Post-2009 member.

Can you tell me more about exchanging some of my pension for a tax-free cash sum?

If you decide to take your pension from the Scheme, you will be given a one-off opportunity to give up some of your pension for a tax-free lump sum. You can normally take up to 25% of the value of your pension in this way, so long as this doesn't reduce your pension below a certain level. Additionally, if you have AVCs in the EOUK AVC scheme you may be able to use these towards your lump sum, reducing the amount by which your pension needs to be reduced. Please note that it is only monies in the EOUK AVC scheme that can be used here. AVCs from elsewhere or DC monies cannot be used.

Taking a tax-free cash sum will not reduce the pension payable to a spouse, adult dependant or any children on your death.

Key terms:

Minimum Pension Age

This is the minimum age at which you can take your pension benefits from the Scheme.

Normal Pension Age

This is age 60 if you are in the Pre-2009 Section or 65 if you are in the Post-2009 Section, unless you have been advised of a different age.

What if my pension is small?

You may be able to take your pension from the Scheme as a one-off cash lump sum if you're over Minimum Pension Age and:

- The total value of your pension in the Scheme is less than £10,000**; or**
- The total value of all your pensions (not just from the Scheme but in any other Registered Pension Schemes) is less than £30,000.

Only the first 25% of your cash sum will be paid tax free, and if you take this option, you will give up all rights to a pension from the Scheme for you, your Spouse or Adult dependant and any children.

What are my other pension options?

There may be some circumstances when the standard Scheme pension is not the best fit for your needs. For example, you may benefit from a different pension, tailored to your health or personal circumstances, or maybe you'd prefer to draw money from your pension as and when you need it instead of receiving a regular income.

In these circumstances, you would need to transfer the value of your benefits to a pension provider that offers these options.

It's important to note that if you were to transfer out of the Scheme you would lose the valuable guarantees the Scheme provides. You would also need to take financial advice. The Trustee has teamed up with LV= to provide financial advice services which you can find out more about in the box on the right.

Do I have to stop working to start taking my pension?

No. You can carry on working for the Company or another employer and start taking your pension benefits. If you take your pension from the Scheme, you will be treated as a pensioner when it comes to the death-in-service benefits payable (see page 11).

How will my pension income be taxed?

We will pay your pension income after deducting any income tax payable. The amount of tax deducted will depend on your tax code. You will also pay National Insurance contributions on any pension income before you reach State Pension Age.

Tax treatment of pensions paid overseas depends on whether there is a double taxation agreement in place with the United Kingdom.

If I take my pension from the Scheme, will my pension increase to reflect inflation?

If you take your pension from the Scheme it will be increased annually in line with increases in the Retail Prices Index (subject to an annual cap of 7% per year for Pre-2009 members or 5% per year for Post-2009 members) or a broadly equivalent index at the Trustee's discretion.

And this bit's important…

We know that decisions around your pension can be complex. Even if you keep your pension in the Scheme, you'll need to decide when to start taking it and how much of your pension, within the legal limits, you want to exchange for a tax-free cash sum. And, if you're considering transferring out of the Scheme to take advantage of some of the other options, you must take financial advice if your transfer value is more than £30,000.

So, to give you a helping hand, the Trustee has teamed up with LV= who can provide you with expert advice to help you understand and navigate through your options. Your initial chat is free and LV= has also agreed a substantial discount to their standard fees for members of the Scheme.

While the Trustee has negotiated a deal for members, the advice LV= gives you will be based on your personal needs and preferences, and will not take into account the interests of the Trustee or the Company.

HELP FROM LV=

LV= is one of the UK's leading retirement solutions providers offering regulated financial advice to people looking to access their pension safely and securely.
For more information visit lv.com/essaroil

To speak to an adviser call:

0800 023 4391 (lines are open from Monday to Friday from 9am to 6pm)

If you prefer, you can use your own Financial Adviser instead. However, you should also ensure that your adviser is registered with the Financial Conduct Authority to give advice on retirement options. More information about finding a financial adviser is included on page 15 of this guide.

Benefits payable if you are sick before you start taking your pension

The highlights:

- Not everyone is lucky enough to remain in good health throughout their working life. The Scheme can help you if you fall seriously ill and your ability to work is affected.
- If you are an Employed Deferred member, you may qualify for one of three types of pension that can be paid, from any age, to members on medical grounds.
- Deferred members and Employed Deferred members with less than one year to live may be able to convert their pension to a cash sum.
- Ill health benefits are payable at the discretion of the Company after taking medical advice and may be reviewed periodically and adjusted if there is a change to your medical condition.

What pension could I receive if I am unable to work due to a medical condition, including a mental or physical impairment?

There are three types of pension that could be granted to Employed Deferred members on medical grounds. The pension you receive would depend on how your ability to work is affected, as summarised in simple terms below:

1. **A total incapacity pension** may be paid, from any age, if you are unable to work again.
2. **A partial incapacity pension** may be paid, from any age, if you are unable to continue in your current occupation and your earnings capacity is seriously affected.
3. **An ill health pension** may be paid if you can no longer remain in employment with the Company and are over Minimum Pension Age (currently age 55).

Both the level of pension and the benefits payable on death differ for each of these types of pension. Any pension payable may be reviewed periodically and adjusted if there is a change to your medical condition.

What benefits could I receive if I am unable to work again?

This is referred to as 'total incapacity'. If you are an Employed Deferred member, and there is medical evidence that you can't continue working because of a physical or mental impairment, you may be paid a total incapacity pension (which will be no less than two thirds of your Pensionable Salary if you are a member of the Pre-2009 section) on your date of ill-health retirement.

No reduction will be applied for early retirement.

You would receive:

- A pension for life based on your Final Pensionable Salary on the date of your ill-health retirement, taking into account notional service from the date of Scheme closure (31 December 2021) up to your Normal Pension Age, as well as your service as an active member up the date of Scheme closure**; plus**
- A temporary pension (paid up to your Normal Pension Age) based on your deferred pension in the Shell Contributory Pension Fund (SCPF) at the date your active membership of the SCPF ceased. No reduction will be applied for early retirement.

You can find out more about ill health and part time working in the FAQ section at the end of this guide.

What could I receive if I am unable to continue in my current role but may be able to take another job or do some other form of paid work?

This is known as 'partial incapacity'. If you are an Employed Deferred member and there is medical evidence of a physical or mental impairment which prevents you from following your current occupation and which seriously impairs your earning capacity, you may be paid a Partial Incapacity Pension of no less than one third of your Pensionable Salary on your date of ill-health retirement with Company consent. No reduction would be applied for early retirement.

You would receive:

A pension for life based on your Final Pensionable Salary and on the date of your ill-health retirement, taking into account notional service from the date of Scheme closure (31 December 2021) up to the date of your ill-health retirement.

What could I receive if I am unable to continue working for the Company due to ill health but do not meet the above criteria for a total incapacity or partial incapacity pension?

If you do not meet the criteria to receive a total incapacity or partial incapacity pension, and you are over Minimum Pension Age, you may be granted an ill-health pension. This will be calculated in the same way as an early retirement pension (see page 7), however the reduction for early retirement may be slightly lower if the Company agrees.

Key terms:

Final Pensionable Salary

This is your earnings used to calculate your pension benefits. (More details are included in the Jargon Buster).

Minimum Pension Age

This is currently age 55, increasing to age 57 on 6 April 2028 (note that this won't impact your Essar DB scheme).

Normal Pension Age

This is age 60 if you are in the Pre-2009 Section or 65 if you are in the Post-2009 Section, unless you have been advised of a different age.

Service

The years and months of your Scheme membership used to calculate your pension benefits.

What if my life expectancy is less than a year?

If you haven't started taking your pension from the Scheme, the Trustee and Company may allow you to exchange your pension for a lump sum at any age, if your doctor confirms that your life expectancy is 12 months or less. If you choose this option, pensions payable to your dependants or beneficiaries on your death would be payable as if you were a pensioner.

Can I swap some of an incapacity or ill-health pension for tax-free cash sum?

Yes – you can choose to take some of your pension as a tax-free cash sum along with a lower annual pension, in the same way as you can when retiring at your Normal Pension Age (see page 7).

Benefits payable on your death

The highlights:

- The Scheme offers a generous level of benefits to help you provide for your family after your death.
- A pension may be payable to a spouse or adult dependant and/or children, or a refund of contributions with interest if you have yet to start taking your pension.
- Lump sums may also be payable.

Key terms:

Adult dependant

Someone who is financially dependent on or interdependent with you.

Child

Your natural or adopted child, unmarried and under the age of 18. Step children may also be granted a pension if, in the Trustee's opinion, they are dependent on you when you die.

Children over the age of 18, but under the age of 23 may be granted a pension at the discretion of the Company, if they are in full time education or vocational training.

Children with a disability that existed at the age of 18 may be granted a pension at the discretion of the Company.

Spouse

Someone you are legally married to or in a civil partnership with at the time of your death.

What pensions could be payable on my death?

Your spouse or an adult dependant, and any eligible children, will receive a pension from the Scheme:

If you have a spouse:

- Your spouse will be paid a pension of 60% of your pension.
- If you also have one child who is eligible to receive a pension they would receive a pension of 20% of your pension. If you have two or more eligible children, they will share 40% of your pension.

If you have no spouse:

- If you have one or two eligible children, they will receive a pension of 40% of your pension each. If you have three or more eligible children they will share 100% of your pension.
- An adult dependant's pension may be payable at the Company's discretion to someone who is financially dependent on or interdependent with you. This pension would not exceed 100% of your pension less the pensions being paid to any eligible children.

These pensions will be increased each year to help offset the effect of inflation in the same way as your pension.

The way in which your pension is calculated for the purposes of incapacity or ill-health pensions is detailed on the next page.

If you die as a Deferred member:

If you die before Normal Pension Age, these pensions will be based on 60% of your pension on the date you left service, allowing for cost-of-living increases (subject to a cap) between the date you left service and your death.

If you die as an Employed Deferred member:

These pensions will be based on your Final Pensionable Salary on the date of your death.

However, your Pensionable Service used to calculate your pension will not only include Pensionable Service up to the date of Scheme closure (31 December 2021) but the years and months from the date of closure up to your Normal Pension Age, or the date of your death if you have passed your Normal Pension Age.

If you die as a pensioner (and are not in receipt of an incapacity or ill-health pension):

These pensions will not reflect any reduction made to your pension as a result of taking tax-free cash on retirement.

If you retired early, these pensions will take into account any reduction for early payment. In this case the Spouse's pension will also reflect the reduction for early payment.

If you die as a pensioner receiving a Total Incapacity Pension:

If you die before Normal Pension Age, these pensions will be calculated based on your Final Pensionable Salary when your employment ceased adjusted to reflect cost-of-living increases (subject to a cap). However, this pension will not reflect your Pensionable Service in the Shell Contributory Pension Fund.

If you die as a pensioner receiving a Partial Incapacity Pension:

These pensions will be the lesser of:

- The relevant percentage of the Partial Incapacity Pension you were receiving at the date of your death ignoring any reductions made to your pension if you took a tax-free cash sum on retirement.
- The relevant percentage of the pension you would have received if you had remained an Employed Deferred member until your Normal Pension Age, based on your Final Pensionable Salary when your employment ceased, adjusted to reflect cost-of living increases (subject to a cap). However, this pension will not reflect your Pensionable Service in the Shell Contributory Pension Fund.

If you die as a pensioner receiving an Ill Health Pension:

The benefits payable are the same as those payable on death as a pensioner outlined above.

Key terms:

Final Pensionable Salary

This is your earnings used to calculate your pension benefits. (More details are included in the Jargon Buster).

Normal Pension Age

This is age 60 if you are in the Pre-2009 Section or 65 if you are in the Post-2009 Section, unless you have been advised of a different age.

Pensionable service(s)

The years and months of your Scheme membership used to calculate your pension benefits.

If you were diagnosed with a serious medical condition before reaching your Normal Pension Age and you swapped all your pension for a cash sum, pensions will be provided to your spouse (or an adult dependant at the Company's discretion) and children based on the pension you would have received had you retired early on the date you took your cash sum.

You can find more information in the FAQ section at the end of this guide.

What lump sums might be payable on my death?

If you die before taking your pension and you have no spouse, children or adult dependant, a refund of your contributions (including interest) will be payable to your estate**; plus**

If you are an Employed Deferred member or are receiving a Total Incapacity pension a lump sum of three times your Pensionable Salary on the date of your death may be payable at the Company's discretion. If you are receiving a Total Incapacity pension, any lump sum that you took will be deducted and your residual pension will be adjusted to reflect cost-of-living increases subject to a cap, as mentioned on page 8.

If you are a pensioner (including pensioners in receipt of an incapacity or ill health pension):

- If you die within five years of retirement, a lump sum of five times your annual pension less the total amount of pension you have already received will normally be paid to your estate. (This amount cannot exceed three times your Pensionable Salary on the date your employment ceased, adjusted to reflect cost-of-living increases and is at the Trustee's discretion).
- If you are under the age of 75, a bereavement grant of up to two months' pension payments may also be paid to a spouse.

What if I am unmarried but in a long-term relationship?

An adult dependant's pension may be payable to someone who is financially dependent on you or interdependent with you, as outlined on page 11, but this will be at the discretion of the Company.

What should my next of kin do if I die?

Your next of kin or the administrator of your will should contact the Scheme Administrator to advise them of your death. The Scheme Administrator will then provide them with more information and ask for any necessary certificates and supporting documents needed in order to assess and pay any benefits due.

And this bit's important…

You need to tell the Trustee who you would like to receive any lump sums payable on your death, and let it know of any dependent adults or children who may be eligible for a pension on your death. While the final decision around the payment of lump sums rests with the Trustee and/or Company, they will take your wishes into account if it knows what they are. This way the payment is made outside your estate and so is free of inheritance tax.

It only takes a few minutes to give you the reassurance that the Trustee knows who you would like it to look after when you die. All you need to do is fill in an Expression of Wish form – you'll find it in the Resources section of the Scheme website: **www.essaroilukpensionscheme.co.uk**

Other questions

How does tax affect my pension?

If you are an Employed Deferred member:

The Government sets a limit (known as the Annual Allowance) on the amount of benefits that individuals can build up on a tax-efficient basis each year in all workplace or private pension schemes. This limit is set high enough not to affect most people.

As an Employed Deferred member, annual increases to your pension may count towards your Annual Allowance. Each tax year, we will advise you how much of any increase in the value of your Scheme benefits would count towards your Annual Allowance. You will need to check whether this amount, when added to the increase in any other pensions you may have and any contributions paid into defined contribution arrangements such as the Essar Group Personal Pension Plan, has exceeded the Annual Allowance and pay any tax due as a result. Each year we will send you a summary of the key figures you need to know in relation to your membership of the Scheme so you can take action to avoid an unnecessary tax bill.

Allowances

On 6 April 2024, the lifetime allowance (LTA) was abolished and two new allowances were introduced. The LTA was the limit on the total amount of pension savings you could build up over your lifetime without facing additional tax charges. It also provided a limit to the amount of tax-free cash sum a person could take in their lifetime.

New allowances

Although the LTA no longer exists, there are still restrictions on the value of the lump sums that you or your beneficiaries can receive without paying tax. Instead of the LTA, there are two new tax-free allowances:

- The lump sum allowance (LSA)
- The lump sum and death benefit allowance (LSDBA)

The lump sum allowance (LSA)

The rules around the LSA remain similar to the previous rules when taking a tax-free cash lump sum. For most people, the maximum you could take tax-free was 25% value of your pension savings from your pension arrangements, capped at £268,275. The LTA capped you so that you were only eligible for a maximum amount of tax-free cash in your lifetime. The LSA works the same way.

For most people, this means that you are allowed to take up to 25% of the value of your pension benefits or £268,275, whichever is lower, from your pension arrangements as a tax-free cash sum. You will need to pay tax on the rest of your pension benefits.

However, each time you take a tax-free cash sum from a pension arrangement, the amount is deducted from your lump sum allowance of £268,275.

Once the allowance has been taken in full you will have to pay tax on any other cash sum payments paid to you from your other pension arrangements.

The lump sum and death benefit allowance (LSDBA)

The LSDBA acts as a person's cap for different payments and, for most people, this cap will be £1,073,100.

Like the LSA, certain types of payments or events will use up your LSDBA. Every time one of these payments is taken, the amount will reduce your LSDBA.

The payments that apply when you take your pension savings are:

- The tax-free elements that are taken from your pension savings.
- Serious ill-health lump sums.

There are a number of payments that are related to death benefits. They include payments like defined lump sum benefits and pension protection lump sum death benefits. As with the LSA, if you exceed the limit of LSDBA, you or your beneficiary will need to pay tax on the excess amount.

Other scenarios

There are a number of other factors to take into account in relation to the replacement tax-free allowances; these include a new overseas transfer allowance, how existing LTA protection will work, and a new transitional tax-free amount certificate.

For more information, go to www.gov.uk/government/publications/abolition-of-the-lifetime-allowance-from-6-april-2024

The Scheme Administrator will check if you are within both new allowances when you decide to take your benefits or transfer from the Scheme. They will also check the LSDBA if you were to die.

Your tax is your responsibility, so it's important to check your pension and allowances in case you need to take action to avoid an unnecessary tax bill.

You can find more information and guidance from HMRC about tax and pensions at **www.gov.uk**

If you are a Deferred member:

You do not have to pay any tax on your Scheme pension while you are a Deferred member.

If you are a pensioner:

Your pension income is subject to income tax in the same way as your income from employment. However, you only have to pay National Insurance on your pension income until you reach State Pension Age.

How are the benefits paid for?

You contributed towards the cost while you were building up benefits in the Scheme, and the Company must fund the balance. The Trustee must make sure the Scheme has enough money to pay members' benefits both now and in the future. So, every three years a full valuation of the Scheme is undertaken, with annual checks in between. These calculations are carried out by an expert (known as an Actuary) appointed by the Trustee. If the valuation shows that more money is likely to be needed to provide the benefits payable to members, then a plan is agreed with the Company to address this. We will update you on the financial position of the Scheme each year in the Scheme's annual newsletter.

For cases where a company goes out of business and doesn't have the money to pay the benefits promised, the Government has set up the Pension Protection Fund (PPF) which can pay compensation to members. You can find out more about the PPF on its website: **www.ppf.co.uk**

How is the Scheme managed?

The Trustee of the Scheme is legally responsible for managing the Scheme in the interests of you, its members, and other beneficiaries. The Trustee is a company which has a board of six directors – half are chosen by the Company (including the Chair who will be an independent, professional trustee) and half are elected by members. The Trustee Directors are not expected to be experts in everything they have responsibility for, so they seek professional advice to help them. Daily management of the Scheme is done by the Scheme Administrator, who reports to the Trustee Board.

How is the Pension Scheme invested?

The Trustee has overall responsibility for the Scheme's investment strategy, but appoints specialists to advise it and to take the day-to-day decisions that put the strategy into action.

We will update you on changes to the investment strategy and the performance of the Scheme's investments in the Scheme's Annual Newsletter. You can find the current and previous versions of the Scheme newsletter in the News section of the Scheme website **www.essaroilukpensionscheme.co.uk** along with our Statement of Investment Principles which explains our investment strategy and how we manage our investments.

You can also find lots of other useful information in the Resources section of the website.

Can I transfer my pension to another Scheme or pension provider?

Yes. You can transfer the value of your Scheme pension to another provider at any time before you start taking your pension benefits. However, because of the increasing problem of pension scams, the Trustee has the right to refuse a transfer request if it believes that the scheme you wish to transfer to may be fraudulent. You can find out what your estimated transfer value is if you log into PRISM and, if you are a Deferred member, you can request a formal transfer value. (If you don't have access to the internet, you can request this information from the Scheme Administrator). It's important to remember that if you do transfer out you would lose the valuable guarantees the Scheme provides.

If you are an Employed Deferred member and decide to transfer out of the Scheme, you will lose your salary link on your Scheme benefits.

If your transfer value is £30,000 or more, you must take impartial financial advice, before we can legally allow you to transfer out.

Even if your transfer value is less than £30,000 it may be helpful to speak to a financial adviser, who will help you look at all of your options and create a recommendation based on what's right for you and your circumstances.

You can use your own financial adviser. Or we have teamed up with LV= who can provide you with expert advice to help you navigate your pension options at substantially discounted rates. For more information see page 2 or visit **www.lv.com/essaroil**

And this bit's important…

To keep your pension safe, be particularly wary of anyone contacting you out of the blue about your pension (which is now illegal), or adverts claiming to offer free pension reviews or consultations.

You can read more about avoiding scams on the FCA ScamSmart website **www.fca.org.uk/scamsmart.** If you are think you are being targeted by scammers you can report it on the ScamSmart website and you should inform Action Fraud by calling **0300 123 2040** or via **www.actionfraud.police.uk**

How do I find my own financial adviser?

If you do not wish to take advantage of the service offered to Scheme members through LV= (more information is provided on page 2) and you don't already have a financial adviser **www.moneyhelper.org.uk** is a good place to start. MoneyHelper has lots of tips and advice on finding an adviser, making sure they're qualified, what fees to expect and the advice process. You can check if your financial adviser is listed on the Financial Conduct Authority's (FCA's) Financial Services Register. Or you can ring the FCA free on **0800 111 6768.**

Neither the Company, the Trustee nor the Scheme Administrator can give you financial advice.

Does my membership of the Scheme affect my state pension?

Your Scheme pension is paid on top of your state pension.

However, if you were a member of the Scheme or the Shell Contributory Pension Fund prior to April 2016, then you will have paid lower National Insurance contributions before April 2016.

In return, the starting amount of your state pension will be reduced to take into account benefits provided by the Scheme.

You can find out more about the state pension and obtain a state pension forecast at **www.gov.uk/new-state-pension**

What if I change my address?

It is important to make sure we have your updated contact details. You can update your personal details quickly and easily if you log into PRISM on the Scheme website **www.essaroilukpensionscheme.co.uk**, or you can contact the Scheme Administrator with details of any changes.

What if I get married or divorced?

You can update your personal details quickly and easily if you log into PRISM via the Scheme website. You should also update your Expression of Wish form to confirm who you would like to receive a lump sum and who may be eligible for a pension on your death. You'll find it in the Resources section of the Scheme website: **www.essaroilukpensionscheme.co.uk** or you can speak to the Scheme Administrator.

If you divorce, or terminate your civil partnership, the courts may take your pension rights into account when drawing up a settlement so that your pension is shared with your former Spouse. If your pension rights are shared, your former Spouse will receive a transfer value of their share of your pension rights in the Scheme which they must transfer to another approved pension arrangement of their choice. The Trustee does not need your permission to make the transfer and can only act based on a court order.

Alternatively, the court may decide to 'earmark' some of your pension which means that some of your pension rights will be shared with your former Spouse when you start taking your pension.

And this bit's important…

If your circumstances change, you need to let us know who you would like to receive any lump sums, and advise us of any dependent adults or children who may be eligible for a pension on your death.

It only takes a few minutes to complete these details on an Expression of Wish form, which you'll find it in the Resources section of the Scheme website: **www.essaroilukpensionscheme.co.uk**

What if I have a problem?

We make every effort to get things right, but if you do have a complaint, please contact the Scheme Administrator so we can put things right as quickly as possible.

If we cannot resolve your complaint informally, we have a formal disputes procedure, which can be found in the Resources section of **www.essaroilukpensionscheme.co.uk.** This procedure relates only to matters for which the Trustee is responsible, so matters which depend on the Company's discretion, such as the granting of incapacity pensions or death in service lump sums, must be referred to the Company.

If you are not happy with the response to your complaint, you can get in touch with the Pensions Ombudsman via their website **www.pensions-ombudsman.org.uk** or by calling **0800 917 4487** and they can investigate your case.

How do you look after my personal data?

We (the Trustee) hold information about you and your pension. This is so we can look after the Scheme, make sure it runs properly, and that you receive your benefits on time when you retire. To do this we may need to pass on some of your information to the Scheme Administrator, auditor or another third party. We will keep your information secure and only disclose it in line with data protection legislation. We will also take all reasonable steps to make sure that if we share your data it remains in safe hands.

Because we are responsible for holding your personal data we are called the "Data Controller" under data protection law. If you would like to read more about how we use your data, you can view the Scheme's privacy notice which sets out:

- Why we hold data about you and how we use it.
- Who processes your data**; and**
- The rights you have about your data.

You can find our privacy notice online in the Resources section of **www.essaroilukpensionscheme.co.uk**

Can I use my pension as security for a loan?

No. You cannot give or assign your benefits from the Scheme to anyone else. This includes using them as security for a loan.

Other useful websites

As you can imagine, there's a huge amount of information on the internet about saving for retirement – but some websites are less reliable than others. Helpful resources and websites include:

www.gov.uk

The best place to find government services and information.

This is the UK government's own website – the pension section is under the 'Working, jobs and pensions' link. Here you can find trusted information on State and workplace pensions.

You can also find more information and guidance from HMRC about tax and pensions.

You can also go to: **www.gov.uk/find-pension-contact-details** to access the Pension Tracing Service and search for details of a lost pension.

www.moneyhelper.org.uk

Free and impartial guidance about money, set up by government.

This website has some useful tools and calculators to help with general money and debt management, and pension information.

You can also find details of a financial adviser near you.

www.fca.org.uk/scamsmart

For everything to do with scams.

Find out more about how to avoid pension scams as well as other financial scams, use a 'scam checker' to see whether an investment or pension opportunity could be a scam and report any scams.

Jargon buster

Accrual Rate	This is the fraction of Final Pensionable Salary that you will receive for each year of Pensionable Service.
Active Member	These were members who were employed by the Company and earning benefits in the Scheme before 1 January 2022. As the Scheme was closed to the build up of benefits on 31 December 2021 there are no longer any Active members in the Scheme.
Adult Dependant	Someone, other than a spouse, who is financially dependent on or interdependent with you.
Annual Allowance	The Government sets limits on the pension contributions and benefits you can build up tax-free in the UK, and one of these limits is called the Annual Allowance. This is a limit on the amount of tax-efficient pension benefits which you can build up each tax year in all workplace or private pension schemes. This limit is set high enough not to affect most people. If you are an employed Deferred member, annual increases to your Scheme pension may count towards your Annual Allowance. Each tax year, we will send you a leaflet with more details on the Annual Allowance and will advise you how much of any increase in the value of your Scheme benefits would count towards your Annual Allowance. You will need to check whether this amount, when added to the increase in any other pensions you may have, and any contributions paid into defined contribution arrangements, has exceeded the Annual Allowance in any tax year and pay any tax due as a result.
Child	Any one of your unmarried children (legitimate, legitimated, illegitimate, lawfully adopted, or step) who has not yet reached 18 years, or is under 23 years and in full-time education, or has a disability that means they are dependent on you.
Company	Essar Oil (UK) Limited.
Deferred Member	A member who is no longer building up benefits in the Scheme but has yet to start taking their pension, and is not an Employed Deferred member.
Employed Deferred member	When the Company closed the Scheme on 31 December 2021, 'active members' stopped building up further benefits in the Scheme and became 'Employed Deferred members' of the Scheme. Their pension will continue to be linked to their salary (as explained in this guide) and they are entitled to discretionary ill-health and death in service benefits through the Scheme. They will be Employed Deferred members while they remain employed by the Company, unless they opt out of the Scheme.

Final Pensionable Salary	This is the Pensionable Salary used to calculate the pension benefits payable. • For members of the Post-2009 Section, it is the highest average annual Pensionable Salary during any 36 consecutive months in the five years immediately before you became a Deferred member (or ceased to be an Employed Deferred member). For members with less than three years' Pensionable Service it is the average Pensionable Salary over that shorter period. • For members of the Pre-2009 Section, it is the annual equivalent of your Pensionable Salary on the date you became a Deferred member (or ceased to be an Employed Deferred member).
HMRC	His Majesty's Revenue and Customs.
Minimum Pension Age	This is set by the Government and is currently age 55, increasing to age 57 for people retiring on or after 6 April 2028.
Normal Pension Age	This is the age at which you can take your pension without Company consent and without having your pension reduced for early payment. This is usually age 60 if you are in the Pre-2009 Section (although some members may have an earlier age for historic reasons) or 65 if you are in the Post-2009 Section.
Pensionable Salary	This is your basic salary plus an element of pensionable shift allowance (as determined by the Company), but excluding bonuses, overtime and non-pensionable allowances.
Pensionable Service	This is the years and months (rounded up or down to the nearest month) that you were an active member of the Scheme.
Post-2009 Section	The Scheme is divided into two sections. Members of this Section were previously members of the Shell Contributory Pension Fund post-2009 Section when they were transferred to Essar UK.
Pre-2009 Section	The Scheme is divided into two sections. Members of this Section were previously members of the Shell Contributory Pension Fund pre-2009 Section when they were transferred to Essar UK.
Pensioner	Members in receipt of a pension, including those receiving a dependant's pension.
Pensionable Salary	This is the earnings on which your contributions to the Scheme were based which would have included your basic salary and a shift allowance.
PRISM	PRISM is a secure part of the Scheme website, run by the Scheme Administrator, where you can log in to see the details of the pension you are receiving or could receive in retirement and make changes to your personal details. (More details of what you might be able to do or see on PRISM are outlined on page 2).
Scheme	The Essar Oil (UK) Pension Scheme.
SCPF / Shell Contributory Pension Fund	The Essar Oil (UK) Pension Scheme was set up for members of the Shell Contributory Pension Fund at the time of their transfer of employment to Essar UK.

How is my pension calculated?

Numerical examples:

Example 1 - Deferred members:

Jack is a member of the pre-2009 section of the Scheme who left active service and became a Deferred member on 30 June 2020. His Final Pensionable Salary was £40,000 p.a. Jack was in full-time employment for the entire period of service between the date the Scheme opened (1 August 2011) and when he left service.

Jack therefore has 8 years and 11 complete months of service between 1 August 2011 and 30 June 2020. As a pre-2009 member of the Scheme, his pension accrual rate is 1/54.

Jack's deferred pension at 30 June 2020 is then calculated as:

£40,000 x (8+11/12) x (1/54) = **£6,605** p.a.

This amount will then increase over the period between 30 June 2020 and Jack's chosen date of retirement, by the rate of the Retail Prices Index (RPI) subject to a maximum of 7% each year (this maximum is 7% p.a. for pre-2009 members and 5% p.a. for post-2009 members) or a broadly equivalent index at the Trustee's discretion.

Jack reached his Normal Pension Age of 60 and decided to start receiving his pension in the Scheme on 1 October 2023. Over the period between 30 June 2020 and 1 October 2023, RPI increased by 30%. However, RPI inflation was above 7% p.a. for part of the period between 30 June 2020 and 1 October 2023. Allowing for the 7% p.a. cap the increase to the member's pension is 19.5%.

Therefore, the pension that Jack started receiving on 1 October 2023 was:

£6,605 x (1 + 19.5%) = £7,893 p.a.

Example 2 - Employed Deferred members:

Nikita is a member of the post-2009 section of the Scheme and was in active service at the date of closure (31 December 2021). Nikita's Final Pensionable Salary at the date of closure was £30,000 p.a. She was in full-time employment for her entire period of service between the date the Scheme opened (1 August 2011) and the date of closure.

Nikita therefore has 10 years and 5 complete months of service between 1 August 2011 and 31 December 2021. As a post-2009 member of the Scheme, her pension accrual rate is 1/60.

Nikita's pension at 31 December 2021 was therefore calculated as:

£30,000 x (10+5/12) x (1/60) = **£5,208** p.a.

This amount will then increase over the period between 31 December 2021 and Nikita's chosen date of retirement by the highest of increases in her Final Pensionable Salary and increases in RPI (subject to the same caps of 7% p.a. for pre-2009 members and 5% p.a. for post-2009 members). This means that you will never be disadvantaged by choosing to remain an Employed Deferred member of the Scheme – your pension will always increase by at least as much as if you had chosen to leave the Scheme and become a Deferred member.

Nikita remained in employment with the Company until she reached her Normal Pension Age, and decided to start taking her pension on this date. As a post-2009 member, this is her 65th birthday, which falls on 1 December 2023.

Her pension of £5,208 p.a. at 31 December 2021 will increase by the greater of:

a. RPI inflation between 31 December 2021 and 1 December 2023, capped at 5% p.a. (as Nikita is a post-2009 member).
b. Increases in Final Pensionable Salary over the same period.

Over this period, RPI increased by 26%. However, RPI inflation was above 5% p.a. for part of the period between 31 December 2021 and 1 December 2023. Allowing for the 5% p.a. cap the increase to the Nikita's pension is 10%.

However, over the same period Nikita's Final Pensionable Salary increased by 22%. As this is higher than the increase in capped RPI, the pension that Nikita received on her retirement on 1 December 2023 was: **£5,208 x (1 + 22%) = £6,354 p.a.**

FAQs

I. How does my pension increase if I was Employed Deferred when the Scheme closed on 31 December 2021 but left employment at the Company and became deferred before I retire?

Your pension will increase in line with the greater of RPI (capped at 5% or 7% p.a. depending on whether you are a pre, or post-2009 member) or a broadly equivalent index at the Trustee's discretion, and increases in Pensionable Salary over the period between 31 December 2021 and the date you become a Deferred member.
This works in the same way as example 2b described earlier. For the period between your date of leaving and when you retire, your pension will increase in line with (capped) RPI (i.e. there is no salary-link as you will no longer be in employment at the Company). This works in the same way as example 2a described earlier.

Your pension will increase in line with the greater of RPI (capped at 5% or 7% p.a. depending on whether you are a pre, or post-2009 member) or a broadly equivalent index at the Trustee's discretion.

II. How does part-time service from before the Scheme closed affect my pension?

If you worked part-time in the period before 31 December 2021, this was taken into account when your pension was calculated for your closure statement (or for your leaver statement if you left before 31 December 2021). For example, if you worked 50% of your full-time equivalent hours for 1 year, this would contribute 6 months' worth of Pensionable Service into your pension calculation.

III. Suppose I moved from a full-time role to a part-time role after Scheme closure. How will this affect my pension?

If you choose to work part-time at any point after 31 December 2021, this will not affect your pension. This is because you are no longer building up new service in the Scheme. Your pension received on retirement will be based on the higher of increases in your full-time equivalent salary since closure or RPI (capped at 7% p.a. for pre-2009 or 5% p.a. for post-2009 members) or a broadly equivalent index at the Trustee's discretion.

However, other benefits in the Scheme that are linked to service might be affected. For example, the allowance for prospective service within the death in service or ill health/ incapacity benefits provided in the Scheme would be reduced to reflect your current working hours.

IV. What happens if my pensionable salary falls after 31 December 2021?

If you are an Employed Deferred member your pension will increase in line with the greater of (capped) RPI and increases in Pensionable Salary over the period between 31 December 2021 and your normal pension date. This means that even if your Pensionable Salary falls after 31 December 2021, your pension will continue to increase in line with (capped) RPI or a broadly equivalent index at the Trustee's discretion.

V. What happens if I choose to retire before my normal pension age?

If you are a Deferred member, your pension will increase between the date you became deferred and your early retirement date in line with RPI (capped at 5% or 7% p.a. depending on whether you are a pre or post-2009 member) or a broadly equivalent index at the Trustee's discretion. If you are an Employed Deferred member your pension will increase in line with the greater of (capped) RPI and increases in pensionable salary over the period between 31 December 2021 and your early retirement date. This pension calculated at your early retirement date will then be reduced to reflect that it is expected to be paid over a longer period than if you retired at normal.

You can choose to retire in the Scheme from any age on or above 55.

VI. I am over 55. Am I able to take my pension from the Scheme and continue working?

Yes, once you have reached age 55 you can start taking your pension from the Scheme even if you are still working. You can either continue working at the Company or work elsewhere. However, there may be tax limits on how much can be paid into another pension arrangement whilst receiving a pension from elsewhere and you should speak to a financial adviser about this before taking your pension.

VII. What happens if I choose to retire after my normal pension age?

If you are a Deferred member, your pension will increase between the date you became deferred and your normal pension date in line with RPI (capped at 5% or 7% p.a. depending on whether you are a pre or post-2009 member) or a broadly equivalent index at the Trustee's discretion. Your pension calculated at your normal pension date will then also be increased by a "late retirement factor" to reflect that it is expected to be paid over a shorter period than if you retired at normal pension age.

If you are an Employed Deferred member your pension will increase in line with the greater of (capped) RPI and increases in pensionable salary over the period between 31 December 2021 and your normal pension date. This pension calculated at your normal pension date will then be increased by the greater of:

a. Any further increases in your Pensionable Salary between your normal pension date and late retirement date**; and**
b. The same "late retirement factor" applicable for Deferred members.

VIII. What would happen to my pension if the Company goes bankrupt / ceases trading?

For cases where a company goes out of business and doesn't have the money to pay the benefits promised to its pension scheme members, the Government has set up the Pension Protection Fund (PPF) which can pay compensation to members. The PPF is not intended to replicate each member's originally promised pension benefits, but to ensure that members receive most of their pension. There is an overall cap on pensions, which may apply, and any increases to pensions once in the PPF are less generous than the increases that the Scheme would have provided. Additionally, the pensions of any employed-deferred members would no longer be linked to their salary increases. However, the minimum pension payable will be 90% of current value. You can find out more about the PPF on its website: **www.ppf.co.uk**

IX. Will my pension continue to allow for Shift Pay after closure of the Scheme?

Yes, the Final Pensionable Salary definition is unchanged from the closure of the Scheme and still incorporates an allowance for pensionable shift pay.

As illustrated in the earlier examples, your deferred pension upon leaving the Company (or at retirement if earlier) will be based on the higher of:

a. Your Final Pensionable Salary at the date of leaving the Company (or retirement if earlier)**; or**
b. Your Final Pensionable Salary at the date of Scheme closure on 31 December 2021, increased by RPI between this date and the date of leaving the Company (subject to a maximum cap of 7% per year for a Pre-2009 member or 5% per year for a Post-2009 member).

For Pre-2009 members, Final Pensionable Salary is based on current basic salary plus an allowance for shift pay being the greater of (i) the shift pay allowance for the last 12 months, or (ii) the shift pay allowance averaged over the best consecutive 36 months during the last 13 years. For Post-2009 members, Final Pensionable Salary is based on basic salary plus an allowance for shift pay, both averaged over the best consecutive 36 months during the last 5 years.

Therefore, a Post-2009 Employed Deferred member who has not built up any shift premium during the last 5 years would not have allowance for this within their current Final Pensionable Salary. If as a result, increases to their Pensionable Salary (under option 1 above) have been lower than increases in RPI (subject to the cap under option 2 above), then option 2 will apply.

Member example

For illustration purposes, consider Sarah, a Post-2009 Employed Deferred member of the Scheme who chooses to retire on her 65th birthday on 1 December 2027. Sarah had an allowance for shift pay within her Pensionable Salary until the end of 2021, which resulted in a Final Pensionable Salary of £45,000 at 31 December 2021 (based on Sarah's Pensionable Salary in the best consecutive 36 months in the 5 years to 31 December 2021).

Sarah stopped working shifts in 2022 and as a result her Pensionable Salary in each of the most recent 5 years before her retirement included no allowance for shift pay. As a result, her Final Pensionable Salary on her retirement on 1 December 2027 was £42,000.

The increases in RPI over the period between 31 December 2021 and 1 December 2027 (subject to the annual cap of 5% per year, as a Post-2009 member) totalled 20%.

Sarah's pension on retirement is therefore based on the higher of:

a) Her Final Pensionable Salary on retirement of £42,000.
b) Her Final Pensionable Salary on 31 December 2021 of £45,000, increased by 20%. This gives £54,000.

Her pension will therefore be based on a salary of £54,000 and option 2 will apply in this scenario.

Administrator contact details:

If you require any more detailed information about how this might impact your own pension benefits then please contact the Scheme administrators.

essaroil@hymans.co.uk

0121 212 8102

Write to: Essar Oil (UK) Pension Scheme Administration, PO Box 27120, Glasgow G2 9NF

ESSAR OIL (UK)
PENSION SCHEME