CHANGES TO YOUR PENSION

ESSAR OIL (UK)
PENSION SCHEME

The consultation outcome

Following a period of consultation, the Company confirmed that the Scheme would close to the build-up of further benefits on 31 December 2021.

As a result, since 31 December 2021 you:

- stopped paying contributions into the Scheme, including any Additional Voluntary Contributions you may have been paying;
- stopped building up any further benefits in the Scheme; and
- became an ‘employed deferred member’ of the Scheme.

Unless you chose to opt out of the new pension arrangement, you have been enrolled in the Essar Group Personal Pension Plan (EGPPP) to build up pension benefits for future service. The EGPPP is entirely separate from the Essar Oil (UK) Pension Scheme and is run by Aviva and not managed by us, the Trustee of the Scheme.

Key points to note:

- The benefits you earned up to the date of Scheme closure are not affected by the closure and will remain in the Scheme until you decide to take them (or transfer them to another scheme).
- While you remain employed by the Company, unless you opt out of the Scheme, you will be known as an ‘employed deferred member’ (also known as an in-service deferred member) and:
  - The pension you have built up will increase until your retirement in line with increases in your salary (as it did before the Scheme closed) or by the inflationary increase that would have been applied had you left employment on 31 December 2021 and became a deferred member, if higher.
  - You will remain eligible for death-in-service and discretionary ill-health benefits through the Scheme, which are typically more generous than those offered to deferred members who are no longer employed by the Company or who opt out of the Scheme.

What happens next?

You will receive a personalised ‘closing statement’ confirming the benefits you have built up in the Scheme (excluding any AVCs paid) up to 31 December 2021.

This process takes some time to complete as it relies on getting the relevant salary and contribution data for all members from the Company, which has been complicated due to the various backdated salary increases awarded. Once we have received the required information and carried out the necessary checks and calculations, we will send you your individual closing statement to your home address. We expect to provide you with your individual closing statement within the next few months.

If you have paid any AVCs you will receive a letter confirming the value of your AVCs following the transfer to L&G Workplace DC Pensions. You will then be able to log in to review your AVC statement or request a paper statement from L&G.

Key point to note:

You don’t need to take any action following receipt of your closing statement. Your benefits will automatically remain in the Scheme until you decide to take them or transfer them to another scheme.

Your Questions Answered

We have answered below some of the questions already raised with the Trustee and Scheme Administrator, as well as other questions you may have after reading this document and receiving your individual closing statement.

A Benefits payable following Scheme closure

How will my pension be calculated if I remain an employed deferred member until I reach my retirement and start taking my pension?

You will receive a closing statement within the next few months that will show the pension you have earned in the Scheme, based on your Final Pensionable Salary and Pensionable Service as at 31 December 2021.

If you remain an employed deferred member until you retire, on your retirement this pension will be increased by the greater of:

- Increases in your Pensionable/Final Pensionable Salary to reflect any pay awards you have received since 31 December 2021 over the period until your retirement; and
- The increase in the Retail Prices Index between 31 December 2021 and your retirement, capped at 7% per annum for pre-2009 members and 5% per annum for post-2009 members. Your service during this period in complete years and months is used in this calculation.

N.B. There is no change in the definition of Pensionable Salary or Final Pensionable Salary following the Scheme closure – these definitions remain the same as when you were an active member.

How will my pension be calculated if I leave the Company or opt out of the Scheme before I reach retirement?

If you leave the Company or opt out of the Scheme before retirement, you will become a deferred member of the Scheme. When you become a deferred member, your pension that was calculated as at 31 December 2021 and confirmed in your 'closing statement' will then be increased to reflect the time between the date of closure and your date of leaving/opting out.

The increase is calculated using the greater of:

- Increases in your Pensionable/Final Pensionable Salary to reflect any pay awards you have received since 31 December 2021; and
- The increase in the Retail Prices Index (RPI) since 31 December 2021, which is capped at 7% per annum for pre-2009 members and 5% per annum for post-2009 members, over the period until you leave the Company. Your service during this period in complete years and months is used in this calculation.

You will receive a 'leavers statement' confirming the amount of your deferred pension on leaving the Company. Further increases will be applied when you come to take your benefits, as explained in the answer to the question which follows.

Example: *Meet Tom...*

On 31 December 2021, the pension Tom had built up in the Scheme came to £8,000 per annum.

He remains an Essar employee and an employed deferred member of the Scheme until he retires.

On his retirement date of 31 December 2026, taking into account his salary increases since the Scheme closure, Tom's Final Pensionable Salary has increased by 20%.

This increase is greater than the increase in RPI (of 16%) between the same dates.

Therefore, Tom's starting pension is increased by 20% to £9,600 (£8,000 x 120%) in line with increases in his Final Pensionable Salary.

How will my pension be calculated at retirement after I have left the Company or opted out of the Scheme?

When you decide to take your benefits, the pension confirmed in your leavers statement (your deferred pension) will then be increased in line with increases in the Retail Prices Index (RPI) between the date you became a deferred member and the date you start taking your pension (capped at 7% per annum for pre-2009 members and 5% per annum for post-2009 members). The increase in RPI will be calculated as the overall movement in the RPI from the December preceding your date of leaving to the date of your retirement. The time between your date of becoming a deferred member and date of retirement in complete years and months is used in this calculation.

Example: *Meet Jamal...*

On 31 December 2021, the pension Jamal had built up in the Scheme came to £10,000 per annum.

On 31 December 2025, **Jamal left the Company** and became a deferred member of the Scheme.

On this date, taking into account his salary increases since the Scheme closure, Jamal's Final Pensionable Salary had increased by 20%.

This increase was greater than the increase in RPI (of 13%) between the same dates.

Therefore, his pension on leaving is calculated to be £12,000 (£10,000 x 120%).

On his retirement date of 31 December 2028, Jamal's pension on leaving is increased to reflect the increase in RPI (of 10%) over the relevant period since he became a deferred member, and his starting pension is £13,200 p.a. (£12,000 x 110%).

Can I start taking my Scheme pension while I am working for Essar?

Yes. If you are age 55 or over, you can start taking your pension from the Scheme while remaining employed by the Company, without needing Company consent. However, you would lose your entitlement to the higher level of death-in-service and discretionary ill-health benefits offered to employed deferred members. Once you start taking your pension you will become a pensioner member of the Scheme and therefore, on your death, the benefits payable on death as a pensioner would be payable from the Scheme. If you are still employed by Essar after taking your Scheme pension, a death-in-service benefit would also still be payable to you by the Company (not from the Scheme).

You should also be aware that if you take your pension before your Scheme Pension Age, your pension will be reduced to reflect early payment. In addition, your pension counts as income for tax purposes which, along with your income from employment, could push you into a higher income tax bracket.

At what age can I retire from the Scheme?

There is no change as to when you can take your Scheme pension. The Scheme Pension Age is 60 for pre-2009 members and 65 for post-2009 members. The Scheme also has a normal minimum pension age of 55 (the earliest age at which you can take your pension benefits), which is protected. If you choose to take your pension before your Scheme Pension Age, it may be reduced to account for it being paid for longer. There are specific instances where your pension may not be reduced, such as early retirement due to ill health.

Can I request a retirement quotation?

We cannot provide retirement quotations until the Scheme Administrator has received final data from the Company, performed the necessary checks, and resolved any queries with the Company. We hope this work should be completed within the next few months. However, members aged 55 or over can still access illustrative early retirement information through LV= Compass, although this won't reflect final salary information as at 31 December 2021.

Once the salary data has been finalised, we will provide you with a closing statement, confirming the benefits you have built up in the Scheme, and you will be able to request a retirement quotation. We hope to be able to issue your closing statement within the next few months.

The Scheme Administrator is endeavouring to process retirement quotations for members reaching their Scheme Pension Age in the usual way.

How have my discretionary ill-health and death-in-service benefits changed?

You will continue to be entitled to discretionary ill-health or death-in-service benefits from the Scheme while you remain an employed deferred member.

Any pension payable on death-in-service or ill health will continue to take into account your service up to the point of your death/ill health. This includes service up to the date of Scheme closure, service as an employed deferred member and, where relevant, prospective service up to your Scheme Pension Age.

Your Final Pensionable Salary used to calculate any cash sum or pensions payable on ill health or death-in-service will be calculated as at 31 December 2021. The benefit payable will then be increased to reflect the time between 31 December 2021 and your death or retirement due to ill health, in line with the greater of increases in your salary or increases in RPI (capped at 7% if you are a pre-2009 member and 5% if you are a post-2009 member).

As you remain eligible for these benefits, you will not be eligible for the death-in-service benefits or Group Income Protection offered to other members of the DC arrangement (the EGPPP).

Do you know who you've named on your Expression of Wish form?

If the answer is 'no' or you're not sure if you've ever completed one, now is the time to complete a new one.

To tell us who you wish to receive benefits in the event of your death, an Expression of WIsh form is enclosed with this letter for you to complete and return to the Scheme Administrator.

What happens to my Scheme benefits if I opt out of the DC arrangement (the EGPPP)?

Opting out of the EGPPP will not affect the benefits you are entitled to receive from the Scheme. Regardless of whether you join or opt out of the EGPPP, you will remain an employed deferred member of the Scheme until you leave the Company, opt out of the Scheme, or decide to take or transfer your benefits. The EGPPP is a separate arrangement to the Scheme, and therefore decisions you make regarding the EGPPP do not affect your benefits in the Scheme.

B Deferred members and employed deferred members

What are the differences between the benefits offered to 'employed deferred members' and 'deferred members'?

In the following table we have summarised the key differences between the benefits that may be payable. Full details of the benefits payable to deferred members are included in your Scheme handbook.

<table>
<tr><th></th><th>Employed deferred members</th><th>Deferred members</th></tr>
<tr><td>Increases applied to your pension.</td><td>When you reach retirement or become a deferred member (if earlier), your pension will be increased by the greater of either:
increases in your Pensionable/Final Pensionable Salary to reflect any pay increases you have received since 31 December 2021; and
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).</td><td>When you reach retirement, your pension will be increased to reflect the increase in the Retail Prices Index between the date you stop being an employed deferred member 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).</td></tr>
<tr><td>Benefits that may be payable on death before retirement</td><td>A lump sum of three times your Pensionable Salary (subject to the Lifetime Allowance); and
A refund of contributions is payable if you have no dependants.
Pensions shall be paid to a Qualifying Spouse (or may be paid to a dependant if there is no spouse) and Qualifying Children. These pensions will be based on the pension you would have received, taking into account prospective service from the date of your death up to your Normal Pension Age, as well as your service as an active member and an employed deferred member of the Scheme.</td><td>A refund of contributions is payable if you have no dependants.
Pensions shall be paid to a Qualifying Spouse (or may be paid to a dependant if there is no spouse) and Qualifying Children, based on a percentage of your pension on the date you left service, allowing for deferred member increases to your pension between the date you left service and your death (as described above).</td></tr>
<tr><td>Benefits payable on ill-health</td><td>A pension may be paid on full incapacity, partial incapacity, or ill health, subject to the discretion of the Trustee and the employer. Determining the pension payable can be complex and may depend on the severity of your ill health.
If you have less than one year to live, you may be able to exchange your pension benefits for a cash sum.</td><td>If you have less than one year to live, you may be able to exchange your pension benefits for a cash sum.</td></tr>
</table>

I am considering opting out

You should think carefully before opting out of the Scheme as this decision cannot be reversed. If you choose to opt out and become a deferred member, you cannot change your mind, re-join and become an employed deferred member. This needs careful consideration as, if you opt out, your benefits will remain in the Scheme but you will have lost the advantages of being an employed deferred member.

To opt out of the Scheme you would need to complete an Opt Out form, which is available from the Company.

Neither the Company or Trustees can provide you with advice and if you're not sure about what is right for your personal situation, we would recommend seeking impartial financial advice.

C Your tax and allowances following Scheme closure

Will my Scheme benefits still count towards the Annual Allowance and Lifetime Allowance for tax purposes?

The Annual Allowance and Lifetime Allowance are limits to the amount you can build up in your pension arrangement each year and over the course of your lifetime. These limits are set high enough not to affect most people. The value of your Scheme benefits may still count towards your Lifetime Allowance and, as employed deferred members will still retain a salary link, the Annual Allowance may remain a consideration for members. This is a complex area, and we intend to produce a separate leaflet explaining the details for members who may be affected by these allowances.

D Pension transfers

Can I transfer my final salary benefits out of the Scheme and into another pension arrangement or the EGPPP?

Yes. You can choose to transfer your benefits out of the Scheme to another approved pension arrangement, by taking what's called a 'transfer value' – sometimes known as a 'Cash Equivalent Transfer Value' ('CETV').

Your transfer value is intended to be a best estimate monetary value of the benefits you have earned in the Scheme. It includes all the benefits you have earned (including any benefits that would be payable to your spouse on your death). It also includes the increases to your pension that are built into the Scheme's rules. So, your transfer value can be quite a large sum of money.

However, if you transfer your benefits out of the Scheme, neither you nor your family or dependants will be entitled to any benefits from the Scheme. In addition, if you remain in employment with Essar, you will lose your entitlement to the higher level of death-in-service and discretionary ill-health benefits offered to employed deferred members of the Scheme. You will also break the link between your benefits and your Final Pensionable Salary.

You should also note that the Scheme has a normal minimum pension age of 55 (the earliest age at which you can take your pension benefits), which is protected. However, if you transfer your pension elsewhere you will lose this protection and, when the normal minimum pension age is increased, the earliest age at which you can take your pension will also increase. There is currently draft legislation in place that would increase the normal minimum pension age from 55 to 57 from 6 April 2028 for members with no protected pension age.

If you are considering a transfer

If you are over the age of 55 and considering a transfer, an illustrative transfer value is available on LV=Compass. However, this transfer value is only illustrative and not 'guaranteed'. You must opt out of the Scheme and become a deferred member before you can obtain a guaranteed transfer value and/or transfer your benefits out of the Scheme. The illustrative transfer value is likely to differ to the guaranteed figure if you decide to transfer. Guaranteed transfer values are calculated using financial conditions at the time of calculation, which may have changed since the illustrative transfer value was calculated. The guaranteed transfer value will also use your final salary data. Deferred members can request one free guaranteed transfer value quotation each year.

To opt out of the Scheme you would need to complete an Opt Out form, which is available from the Company. However, you should think carefully before opting out of the Scheme because once you have opted out and become a deferred member, you cannot change your mind, re-join, and become an employed deferred member. This means that if you opt out and then decide not to transfer, your benefits will remain in the Scheme, but you will have lost the advantages of being an employed deferred member.

The Scheme Administrator is working with the Company to obtain final salary information. It is hoped that in the next couple of months, final salary information for all members will be received and the checks completed.

...answer continued overleaf ▶

If you require a CETV urgently (for example, for divorce purposes), then the Administrator will try and prioritise the checks on your salary information, if possible, to help process any urgent transfer requests. Once the data has been finalised, we will issue you with a closing statement and, if you opt out of the Scheme and become a deferred member, you can then request a guaranteed transfer value quotation.

Seek advice before requesting a transfer value

There is a lot to take into account when deciding whether transferring your benefits to another pension arrangement is right for you. And once you have transferred you cannot change your mind a few months or years later, even if you wish you hadn't made the transfer. You also need to be wary of pension scammers who could target you and pressure you into transferring your pension savings.

If you're considering transferring out of the Scheme and 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.

If a financial adviser considers a transfer value is in your best interests, they will also consider which alternative pension arrangement is best suited for you. That will depend on a range of personal circumstances including your health, attitude towards risk, investment fund charges and when and how you wish to access the monies.

Members have the opportunity to use LV= for financial advice if they wish to. Further information can be found at **www.LV.com/essaroil**. Alternatively, you can use your own financial adviser, although the transfer of final salary pensions is a highly complex area and you should ensure your adviser has the appropriate expertise and regulatory permissions. You can find a list of financial advisers at **https://directory.moneyadviceservice.org.uk**. If you find someone you like, make sure you look them up – see if you can find testimonials or reviews of the individual or firm (just like you would with any other service you're thinking of purchasing). And you should always agree any fees for the services with your adviser beforehand.

Can I transfer my AVCs into another pension arrangement such as the EGPPP?

Yes. You can transfer your Additional Voluntary Contributions (AVCs) from the Scheme's arrangement (currently being moved from Reassure to Legal & General Workplace DC Pensions) to another pension arrangement, subject to the rules of that receiving arrangement.

If you transfer your AVCs but leave your final salary benefits in the Scheme, while you remain an Essar employee your Scheme benefits will remain linked to your salary on retirement or leaving and you will retain your entitlement to the death-in-service and discretionary ill-health benefits offered to employed deferred members.

However, if you are going to take a cash lump sum from the Scheme on retirement, you should consider the points below carefully before deciding whether or not to transfer your AVCs away from the Scheme:

- On retirement, you can choose to take up to approximately 25% of the value of your Scheme pension (including any AVCs) as a tax-free cash sum in exchange for a reduction in the pension payable.
- If you have AVCs in the Scheme you can take your AVCs as part or all of your tax-free cash, which means that your final salary pension will not be reduced or would be reduced by a lesser amount.
- If you transfer your AVCs to another pension arrangement, they will no longer be part of the Scheme and you'd have to give up some of your valuable guaranteed final salary pension from the Scheme if you wished to take tax free cash.

Neither the Company nor the Trustees can provide you with advice and if you're not sure about your options, we would recommend seeking impartial financial advice.

What if I have any more questions about my Scheme benefits?

If you have any questions about your pension in the Essar Oil (UK) Pension Scheme that we haven't answered in this leaflet, please contact the Scheme Administrator:

Essar Oil (UK) Pension Scheme,
PO Box 27170, Glasgow G2 9NF

0121 212 8102

essar@hymans.co.uk