Your pensions explained
Ernst & Young Pension Plan
(2003) Section member’s guide

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Glossary

Actual Salary: Your Gross Basic Salary, after the reduction in your salary under EY PensionShare and PensionSharePlus.

Annual Allowance: This is the maximum limit on benefits built up each tax year in registered pension arrangements that receive tax relief. It is £235,000 per annum for the tax year 2008/09 and will rise to £255,000 in tax year 2010/11. The level of the Annual Allowance is expected to continue to be increased in future tax years, although the exact increases have not been confirmed at present. In addition, you will not receive tax relief on any contributions that you make to pension arrangements which are in excess of 100% of your taxable earnings. In the Plan, the value of benefits built up is calculated each Plan year (October to September) and equals the contributions made to your Personal Account during that Plan year plus any increase in the value of your FSS benefits during that year above the rate of inflation subject to limits outlined later in this guide.

Contractual Retirement Age: Your 65th birthday.

Contribution Salary: Your Notional Salary less an amount equal to the Upper Earnings Limit (see below). Contribution Salary is subject, where relevant, to the Notional Earnings Cap (see below).

Dependant: Your spouse and/or any person who in the Trustee’s opinion has any degree of financial dependency on you according to the criteria set out in the provisions of the Plan.

Notional Earnings Cap: The limit set by the Firm on earnings that can be taken into account when calculating your pension contributions or benefits if you joined the Plan after 1 June 1989. The Notional Earnings Cap replicates the effect of the Statutory Earnings Cap that was abolished with effect from 6 April 2006 and will be increased each year to reflect the rise in the cost of living. In the tax year 2008/09, the Notional Earnings Cap is £117,400.

Final Pensionsable Salary: The greater of pensionable salary at 30 September 2003 or pensionable salary averaged over the previous 12 month period.

Flexible Benefits: A programme which is also the portal for all benefits and services available to you via the Firm’s intranet.

Firm: Ernst & Young LLP.

Final Lifetime: This is the maximum benefit value from all pension arrangements that can be built up under one approved pension arrangements, is subject to standard tax rates. This is £1.8m for the tax year 2010/11. The level of the Final Lifetime is expected to continue to be increased in future tax years, although the exact increases have not been confirmed at present. If the value of your pension benefits at retirement exceeds the Final Lifetime the excess benefits will be subject to standard rates of tax.

Lower Earnings Limit: (LEX) is set by the Government each year for, and for the tax year 2008/09, is £4,680.

Normal Retirement Age: Your 63rd birthday. Some members with service in the Ernst & Young Pension Plan (2003) Section may be the total of those available from both Sections. Some members may also have benefits from the Money Purchase Plan (1997) Section and details of these benefits are available from Mercer, the Plan administrators, via the contacts given on page 40.

The Plan is designed to be flexible to suit your changing needs. It offers you choice in terms of the contributions paid to the Plan and the benefits you receive, as well as a variety of investment options. In particular it offers:

- Contributions from the firm;
- The opportunity to take advantage of generous tax benefits on contributions and benefits;
- Protection for your family;
- Control over your future.

This booklet is intended as a summary of the benefits of the Plan. The full details are contained in the Trust Deed and Rules, which set out the legal provisions of the Plan and which prevail in the event of any dispute between the terms of this booklet and the provisions of the Trust Deed. The full Trust Deed can be found on the pension pages of EYhelp Online. There is a separate detailed guide to the investment options offered by the Plan which is available on the Trustee’s website at www.eytrustees.co.uk.

Introduction to the Plan

This booklet outlines the contribution structure and benefits for former members of the Final Salary Section (FSS) of the Ernst & Young Retirement Benefits Plan who, upon the closure of the FSS to future accrual from 30 September 2003, elected for “Option One”, i.e. to join the Ernst & Young Pension Plan (2003) Section and to break the final salary link with preserved benefits earned in the FSS for pensionable service to that date. The benefits available to you at retirement will therefore be the total of those available from both Sections. Some members may also have benefits from the Money Purchase Plan (1997) Section and details of these benefits are available from Mercer, the Plan administrators, via the contacts given on page 40.

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For the current rates of contributions and benefits, please refer to the latest version of the Ernst & Young Retirement Benefits Plan member’s guide. Your pensions explained at www.eytrustees.co.uk. There is a separate detailed guide to the investment options offered by the Plan which is available on the Trustee’s website at www.eytrustees.co.uk.

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How does the Plan work?

Whilst pensions can be a complicated subject, in fact the way the Plan works is very simple. The contributions made to the Plan are paid into your Personal Account and invested by the Trustee on your behalf. When you retire, the funds that have built up in your Personal Account (including the investment returns) are used by the Trustee to either buy benefits for you, in addition to those available through the FSS, or put towards your maximum tax free cash entitlement. These options are explained further on page 16.

As a member of the Plan you will participate in EY PensionShare (unless you chose to opt-out of EY PensionShare when it was introduced in January 2005). As a result you will not contribute to the Plan but the firm will increase its contributions in return for a reduction in your Actual Salary equivalent to the selected pension contribution. This arrangement is known as a “Salary Sacrifice” and is a common feature of the pension arrangements adopted by a number of blue-chip organisations. The advantages to members are:

- A reduction in your National Insurance (NI) liability as pension contributions made by members are subject to NI contributions but those made by the firm are not;
- A share of the firm’s NI savings is paid to your Personal Account; and
- Under PensionSharePlus, you can sacrifice additional salary in return for further contributions to the Plan and a further reduction in your NI liability.

Further information on these arrangements can be found on page 6.

As a member of the Plan you have life cover and provision for dependants’ pensions should you die in the service of Ernst & Young - see page 24.

If you have any questions on the pension arrangements there are a number of contacts who can help you. Further details can be found on page 40.

Employees who have opted out of EY PensionShare will not benefit from the additional savings mentioned in the above bullet points although they will continue to build up retirement benefits in the usual way.

Further information on the pension arrangements can also be found on the Trustee’s website www.eytrustees.co.uk.
What if I currently contribute to a personal pension?

As a member of the Plan you will also be able to contribute to other registered pension arrangements. However, please note that the firm has a policy of not contributing to private pension arrangements either as an alternative, or in addition to, the Plan. Please also note that if the total contributions paid to the Plan, together with any further contributions paid by you to other pension arrangements, exceed the “Annual Allowance” (£235,000 in the tax year 2008/09), or if the contributions you make to all pension arrangements exceed 100% of your earnings, you may be subject to an additional tax charge levied by the Her Majesty’s Revenue & Customs (HMRC).

Can I transfer my benefits from a previous scheme?

If you are a contributing member of the Plan, with the consent of the Trustee and the firm, you can transfer benefits held in a previous arrangement into the EYPP (2003) Section. You should contact the Pensions Helpline on 0870 240 0569 for further information. Each request is considered individually as there may be regulatory reasons why such requests may be refused.

Can I opt-out of the Plan in the future?

Having joined, you may opt-out of the Plan by completing the “opt-out” form available from EYhelp at least one month in advance. The funds in your Personal Account will be treated as described on page 28. Should you elect to opt-out of the Plan you will not be able to rejoin it. If you wish to recommence pension contributions at a later date you will be required to join the firm’s contract based arrangement.

Please note that opting-out of the Plan should be related to one of the defined list of “lifestyle” changes that Her Majesty’s Revenue & Customs (HMRC) have agreed can result in members amending their benefit choices outside the annual renewal of benefit choices that takes place in November each year. Further details on these changes, which include marriage or the birth of a child, can be found on EYhelp Online. However, if your decision to opt-out is NOT related to one of these “lifestyle” events, your salary sacrifice will continue to apply until the next FlexEY year beginning 1st January even though you will no longer be a member of the Plan, i.e. your salary will not increase by the amount of the pension contribution previously sacrificed until the end of that FlexEY year.

Your life cover - If you opt-out of the Plan you will continue to receive life cover protection of four times your notional salary, subject to the Notional Earnings Cap if relevant. If you subsequently join the firm’s contract based pension arrangement, your life cover protection will then be provided from a different arrangement.
EY PensionShare

Under EY PensionShare, in return for an equivalent reduction in your Actual Salary, the firm makes contributions on your behalf to the Plan. This arrangement will reduce both your own, and the firm’s, National Insurance Contributions (NICs). In addition, an extra 6% of the salary you forego will be paid to your Personal Account as a share of the firm’s NIC saving.

You will be able to alter your level of matching contributions annually during the November renewal of your benefit options. The changes would then take effect from the January of the following year. In order to satisfy tax rules, arrangements must be in place for a minimum of 12 months unless certain lifestyle events occur (e.g., marriage or birth of a child).

The cost to you is actually even lower than it first appears. Because you are contracted-out of the State Second Pension, S2P, you pay lower National Insurance contributions but do not accrue any benefit within S2P.

Under current legislation, your Personal Account will grow free from most taxes on investment income and capital gains. This means your investment will normally grow faster than other forms of investment that do not enjoy the same tax advantages.

The following Basic and Matching PensionShare contribution rates apply to members who chose “Option One” when joining the EYPP (2003) Section. The firm makes a range of Basic PensionShare contributions to the Plan and will pay the employer Matching PensionShare contributions of 5% for the period of your membership regardless of whether you choose to pay employee Matching PensionShare contributions.

Basic and Matching contributions

The table on page 8 shows the Basic and Matching PensionShare contributions which you forego from your contribution salary, and which the firm pays to the Plan on your behalf, and the amounts the firm will pay by way of its own contributions. The Basic contribution, in the chart overleaf, is the minimum contribution paid on your behalf to the Plan. All contributions made to the Plan are invested on your behalf by the Trustee, in your Personal Account. If you are under the age of 40 the firm pays an amount equal to your Basic PensionShare contribution of 5%. Between the ages of 40 and 49, the firm increases its Basic PensionShare contribution to 10%. After age 50 the firm increases its Basic PensionShare contribution to 15% and from age 55 to 20%.
Guaranteed Matching PensionShare contributions

Because your benefits are linked to the value of your Personal Account, the more money that is paid into your Personal Account the higher your benefits will be. The firm therefore pays guaranteed Employer Matching PensionShare contributions of 5% on an ongoing basis regardless of your selections. You can have the firm pay up to 5% Matching PensionShare contributions on your behalf as well in return for an equivalent reduction in salary.

In addition, there is a service related firm’s contribution based on your service in the FSS. This is fixed at the closure date as it recognises that the funding of “past service” benefits costs more the longer an employee has been in the Plan. The additional firm’s contributions based on membership of the FSS are:-

<table>
<thead>
<tr>
<th>Length of FSS Service prior to 30th September 2003</th>
<th>Firm contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-4 years</td>
<td>1.5%</td>
</tr>
<tr>
<td>5-9 years</td>
<td>2.5%</td>
</tr>
<tr>
<td>10-14 years</td>
<td>4.0%</td>
</tr>
<tr>
<td>15-19 years</td>
<td>6.5%</td>
</tr>
<tr>
<td>20-24 years</td>
<td>8%</td>
</tr>
<tr>
<td>25+ years</td>
<td>10%</td>
</tr>
</tbody>
</table>

Age band

<table>
<thead>
<tr>
<th>30-39</th>
<th>5%</th>
<th>5%</th>
<th>upto 5%</th>
<th>5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>40-49</td>
<td>5%</td>
<td>10%</td>
<td>upto 5%</td>
<td>5%</td>
</tr>
<tr>
<td>50-54</td>
<td>5%</td>
<td>15%</td>
<td>upto 5%</td>
<td>5%</td>
</tr>
<tr>
<td>55-65</td>
<td>5%</td>
<td>20%</td>
<td>upto 5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

- Basic member
- Basic firm
- Matching member
- Guaranteed matching firm
**PensionSharePlus**

You can increase the value of your retirement benefits by participating in PensionSharePlus. Under PensionSharePlus you select extra NI efficient contributions to your Personal Account as an alternative to Additional Voluntary Contributions (see page 11). You can choose to have the firm replace almost all of your salary with tax-free employer contributions (subject to your receipt of at least the National Minimum Wage).

Please bear in mind that to satisfy HMRC requirements and in order to continue to receive tax concessions conferred to the Plan, any EY PensionShare and PensionSharePlus selections must remain in place for 12 months, unless a lifestyle change occurs. Common lifestyle changes are marriage or birth of a child and these apply to all FlexEY benefits. You will, however, be able to alter contributions at the annual FlexEY renewal each November once 12 months have elapsed.

**Additional Voluntary Contributions (AVCs)**

Members with historic AVC contracts (for example with Equitable Life, Prudential or Standard Life) can continue these payments, although the arrangements are now closed to new members. These contributions do not attract the NI relief created by PensionSharePlus and members who began AVCs after April 1987 will not be able to commute any of their AVC fund for cash at retirement. Members may therefore wish to consider switching to PensionSharePlus contributions at a future FlexEY annual renewal.

At retirement members can defer receipt of their AVCs up to the age of 75. It will not be possible, however, to transfer the AVCs to an alternative pension arrangement once they have been deferred.
Investment options

The Plan offers a range of investment funds in which you may invest your Personal Account and the EY PensionShare and PensionSharePlus contributions. A brief description follows. For more detailed information please refer to the separate “Investment Guide” which is available via the Pensions Helpline, the Trustee’s website, where you can also find details of the charges levied by the funds and the past investment performance, and EYhelp Online.

You have several options in the way that your Personal Account can be invested. You can opt for the “lifestyle” investment strategy arranged by the Trustee or you can define your own “freestyle” investment strategy. Separate investment strategies can be made for EY PensionShare and PensionSharePlus contributions.

Your choice of funds should be influenced by your own circumstances and your personal view of different types of investment risk. This booklet does not give investment advice and the Trustee cannot give you investment advice. If you are in any doubt about which options to choose, you should read the investment guide and seek independent financial advice.

What charges will I pay?

The Trustee will not levy any charges on your benefits if you leave the Plan, although your Personal Account will continue to attract the relevant investment charges. Details can be obtained from the Secretary to the Trustee.
Lifestyle Investment Strategy

The lifestyle investment strategy has been designed to maximise potential investment growth over the long term by investing in equities until near your retirement and then switching savings into more secure investments. You can choose the length of this switching period and the age at which the switching process will be completed.

Freestyle Investment Strategy

If you decide that you want to determine your own personal investment strategy, the Plan gives members the option to invest in any proportions in a number of funds. The Trustee regularly reviews fund options and may introduce new choices or remove existing funds as considered appropriate.

You can change the way in which your existing funds and/or your future contributions are invested at any time free of charge, although charges will apply for any subsequent changes made within a 12 month period. If you do not make a decision on which investment strategy to follow, all contributions will automatically be invested in the lifestyle investment strategy with a target retirement age of 63 and a 5 year switching period.

There are two main types of investment funds:

Index tracking funds

These funds closely follow a specific index (like the FTSE All-Share Index) and are intended consistently to achieve a return close to the average performance of the index.

Actively managed funds

The aim is to produce greater gains than the index tracking approach, but there is a higher risk level and greater volatility in individual years. This approach gives the investment manager greater freedom in deciding how to invest. The manager will carry out research to analyse sectors and companies which will enable them to decide where to invest.
How are my benefits calculated

Your benefits at retirement will be made up from both the FSS (where applicable) and EYPP (2003) Section, and these benefits, together with any other benefits under the Retirement Benefits Plan, must be taken at the same time. AVC benefits can be deferred up to age 75 but cannot be taken before your main Plan benefits. You will be able to take up to 25% of the total value of your benefits (see below) as tax free cash with the residual amount taken in the form of pension income.

Final Salary Section

Your FSS pension was preserved in the Plan on 30 September 2003 and, from 1 September 1989, was calculated as an annual pension of 2% of Final Pensionable Salary for each year (months counting on a proportionate basis) of Pensionable Service. Slightly different calculations apply to members of the Ernst & Whinney final salary scheme with Pensionable Service prior to 1 July 1988 and former members of the Arthur Young final salary scheme who chose to retain that benefit structure for their future service.

Whilst employed by the firm, deferred FSS benefits in excess of the Guaranteed Minimum Pension (GMP) will be inflation-proofed in line with the Retail Prices Index (RPI) up to an average of 7.5% each year from the date of closure of the FSS to future accrual until the date your pension benefits come into payment. On leaving the firm prior to your pension coming into payment, inflation-proofing will revert to the normal terms applied to leavers and will increase in line with RPI to a maximum of 5% per year. The GMP will be subject to statutory increases in the period until payment.

Whenever you retire, the benefits that your “notional” Personal Pension Account could provide will also be calculated and you will receive the higher of this and the salary related benefits.

Increases to pensions in payment

Once in payment your FSS Pension will increase each year as follows:

- benefits from service prior to 6 April 1997 in excess of the Guaranteed Minimum pension (GMP) will increase at a fixed rate of 5% per annum. GMP pension amounts will be subject to statutory pension increases in payment.
- benefits from service between 6 April 1997 and 30 June 1999 will increase at a fixed rate of 5% per annum except that the part of your benefits which represents the Reference Scheme Test (RST) benefit, what the Plan is obliged to pay as a consequence of contracting out of the state second pension (see page 34), will increase in line with RPI up to a maximum of 5% per year.
- your FSS Pension in relation to service from 1 July 1999 will increase in line with RPI up to a maximum of 5% per year.

Pensions will be increased on 1 April each year with a proportionate amount applying if a pension has not been in payment for a full year. RPI is measured over the 12 months to 30 September prior to the 1 April increase.
EYPP (2003) Section

Whenever you retire, the benefits you receive will be purchased with the value of your Personal Account at that time. The level of your benefits will therefore depend on:

- the total contributions that have been paid into your Personal Account, plus
- the investment returns on that money, and
- the cost of buying benefits when you retire.

Within certain limits, the choice of which retirement benefits are provided is up to you and can be tailored to suit your personal circumstances. You may wish to utilise the entire amount of your Personal Account in the EYPP (2003) Section towards your tax free cash entitlement, topping that up by commuting pension from the FSS for further tax free cash up to the maximum permitted by HMRC.

Alternatively you may choose to supplement the pension payable from the FSS with further pension purchased by the Trustee with your Personal Account. You should bear in mind that the more options you select to have included with the pension that is purchased (e.g. spouse's pension, pension increases, etc) the greater the cost of the pension and the lower the initial amount of pension that would be paid.

The benefits you choose must comply with certain minimum requirements under the Reference Scheme Test which the Plan is required to meet as a result of contracting out of the State Second Pension (see page 34).

The Lifetime Allowance

Retirement Benefits from all of your pensions added together will be subject to the “Lifetime Allowance”, set at £1.65m in the tax year 2008/09. If your retirement benefits exceed this Lifetime Allowance your pension fund will be subject to a tax charge of up to 55% on the excess.

In order to compare the value of your benefits against the Lifetime Allowance, your total pension benefits will be given a capital value, which is calculated as follows:-

- Defined Contribution Schemes (e.g. The EYPP (2003) Section) - value of the fund;
- Defined Benefit Schemes (e.g. Final Salary Section) - valued using a factor of 20 to 1;
- Lump sum cash payments - amount of lump sum;
- Pensions in Payment at 6 April 2006 - valued using a factor of 25 to 1.

For example, a member with a final salary annual pension of £30,000 and a defined contribution fund of £100,000 at retirement would be assessed as having a capital value of (£30,000 x 20 = £ 600,000) + £100,000 = £700,000, well below the current Lifetime Allowance of £1.65m.

The benefits available to you at retirement will be identified on the Benefit Statement issued to you when you leave the firm.
How are my benefits paid?

The Trustee has made arrangements so that you will be provided with an indication of the estimated benefits available to you shortly before your retirement. This will reflect the deferred benefit payable from the FSS and the value of your Personal Account in the EYPP (2003) Section, with an estimate of the pension purchasable from that fund based on standard benefit options (e.g. pension only, cash, spouse’s pension, etc).

You will also be provided with a form that asks you to confirm the format of the benefits that are to be purchased by your Personal Account.

Once you have confirmed the benefit format, and if that choice involves the purchase of an annuity (pension) with some or all of your EYPP (2003) benefit, the Trustee will obtain quotations from a number of external pension providers who are regarded at that time as being competitive. The quotes will not necessarily be the lowest possible quotes available from the market as the arrangements agreed by the Trustee include a measurement of the quality of the various pension providers.

If you wish to examine a wider range of options than those offered by the Trustee at your retirement you should obtain independent financial advice. An Independent Financial Advisor (IFA) would also be able to identify the option most suitable to your personal circumstances, which may not coincide with the options offered by the Trustee. Further details of an IFA made available to contributing members of the Plan by the Trustee and the firm are provided on page 41.

Note that the Plan does not facilitate the use of a ‘draw down’ facility.

If you retire before Normal Retirement Age

The Plan’s Normal Retirement Age is 63, however you can retire at any time after your 50th birthday. Please note that members who remain employed by the firm may only bring their pension benefits into payment if they have reached Normal Retirement Age or such age that early retirement reduction factors cease to apply. From 6 April 2010, the earliest age from which members will be able to take their retirement benefits will remain at age 50, rather than 55 as will be the norm under the legislation. This is because under the rules of the FSS, members can retire without the consent of the firm or the Trustee. However, in order to take advantage of the lower retirement age, former FSS members must take all their benefits under the Plan at the same time and cease to be employed by the firm. Members will also lose the lower retirement age if they transfer their benefits out of the Plan.

An early retirement pension from the FSS will be calculated as outlined on page 16, but with a reduction applied to take account of the longer time for which it is expected to be paid. Details of the early retirement reduction factors currently applied to pension benefits are available from Mercer, the Plan administrator.

When you retire the value of your Personal Account under the EYPP (2003) Section will be used to provide benefits for you in line with your personal choices.

Life cover of four times salary, subject where relevant to the Notional Earnings Cap, continues to Normal Retirement Age if you joined the Plan before 1 October 1991, if you retire on incapacity or if you remain in employment having taken your Plan benefits at age 63.
If you retire early through Ill-health

If you are in ill-health and qualify for benefit under the firm’s Discretionary Sick Pay Scheme and Prolonged Disability Insurance Scheme you will normally continue as a member of the Plan during this period. In the event that a pension becomes payable your benefits will be brought into payment as outlined on page 20.

If your retirement is on the grounds of incapacity your benefits can be brought into payment before the age of 50. Incapacity means, for this purpose, a condition sufficiently serious to prevent you continuing to carry on your normal occupation or which substantially reduces your earnings capacity.

If you retire after Normal Retirement Age

The firm’s Contractual Retirement Age is now 65 and you may continue to work until your 65th birthday and remain a contributing member of the Plan if you so wish. Life cover arrangements will remain as outlined on page 24, subject to meeting the requirements of the external insurers of the life cover arrangements.

With the firm’s agreement you may continue working beyond age 65, however, all contributions to the Plan will cease. Life cover will also end at age 65 unless the firm tells you otherwise.
The Plan offers valuable financial protection in the event of your death.

**If you die in service before Normal Retirement Age**

**Lump sum salary related benefit and refund of contributions**

There will be payable;

- a lump sum equal to four times your Notional Salary, subject to the Notional Earnings Cap where relevant, at your date of death.

plus

- a refund without interest of all the contributions you have made to the Plan (both to the FSS and EYPP (2003) Section) and including your EY PensionShare and PensionSharePlus contributions (ie the contributions paid by the firm in return for an equivalent reduction in your salary).

The benefit of four times your Notional Salary is insured under a policy specifically to provide this benefit. Payment of the benefit is subject to acceptance and any terms and conditions imposed by the insurer.

In order to avoid a possible inheritance tax liability, and the lengthy delays that can occur when payments are made through an estate, the Trustee, in its discretion, decides who will receive the lump sum. Normally it will follow your wishes, if it has been notified of them beforehand. To do this, you should complete an “Expression of Wish” form indicating who you would like the Trustee to consider but your wishes are not binding on the Trustee. You should always complete a new form when your circumstances change. Forms are available from the employee self-service section of EYhelp Online or from the Trustee’s website.

**Spouse’s/Dependant’s Pensions**

The Trustee has the following discretionary powers:

- If you are married, to pay a pension to your widow, widower, Civil Partner or adult Dependant. However, as you are contracted-out of the State Second Pension, a pension of at least the level required by law must first of all be paid to your spouse before any balance of pension is paid to a Dependant.

- If you are not married, to pay a pension to an adult Dependant.

The total pension is calculated as one-half of the pension you would have received from the FSS based on potential service to Normal Retirement Age and Final Pensionable Salary at the date you died.

If your widow or adult Dependant is more than 10 years’ younger than you, the pension may be reduced to take account of the longer time for which it is likely to be paid. This pension will increase in the same way as your own pension.

The Trustee will decide the terms and conditions which will apply to Dependant’s pension. If you wish the Trustee to consider whether a pension should be paid to a Dependant in this way, please provide details to the Trustee.
It should be noted that any benefits built up within the EYPP (2003) Section in respect of the firm’s contributions will be transferred to the FSS to offset the cost of paying any Dependant’s pension. In addition, the Trustee may enter into insurance contracts to help reduce the risk to the FSS of the high occurrence of death cases. For this purpose, the firm’s contributions to the Plan exclude “your” EY PensionShare and PensionSharePlus contributions – ie the contributions paid by the firm in return for an equivalent reduction in your salary.

If you should die in service after your main plan benefits have been brought into payment your life cover entitlement will remain four times your Notional Salary, subject to the Notional Earnings Cap where relevant. However, your life cover benefit will be reduced by any remaining balance of the five year pension payment guarantee (see below). Life cover beyond age 63 will be provided subject to meeting the life assurance providers’ requirements.

If you die in retirement

A lump sum will be payable if you die within 5 years of retirement from the FSS, plus Dependant’s and Children’s pensions as appropriate under the rules of the Plan. In addition, any lump sum or Dependant’s pension you purchased at retirement from your Personal Account will be payable.

Children’s Pensions

If you are survived by a Qualifying Child, there will be payable in respect of each child (with a maximum of 3 children to count as Qualifying Children at any one time) a pension of one-third of the Spouse’s/Dependant’s pension described above. A Child’s pension will increase in the same way as your own pension but will only be payable in respect of a child for as long as they are a Qualifying Child. The Child’s pension will be doubled in amount for any period when he has no parent (whether natural, adoptive or step-parent).

The Trustee decides how and to whom payment of any Qualifying Child’s Pension is to be made.

A Qualifying Child includes an adopted child and may also include any other child who is financially dependant on you. A Qualifying Child must be under age 18 or under age 22 and in full-time education or training or must be dependant on you due to disability.
If you leave the firm or the Plan there are 2 options available to you:-

**Leave your benefits in the Plan**

Your FSS benefits will continue to receive the inflation protection outlined on page 16. Benefits within the EYPP (2003) Section will remain in the Plan, continue to attract investment returns up to your retirement or death and be used to secure benefits as described in the relevant sections of this guide.

**Transfer all your benefits to another Plan**

If you leave service at least one year before your Normal Retirement Age, you may be able to transfer the cash equivalent of your preserved benefits in the FSS together with the value of Personal Account in the EYPP (2003) Section to your new employer’s scheme, to a personal pension or to an individual insurance policy. You would lose the benefit of the lower retirement age (50) in the Plan once your benefits have been transferred.

At any time, whether you have left service or not, you may ask the Trustee for an estimate of the cash equivalent of your Plan benefits on a particular date. If an estimate of a cash equivalent is needed for a divorce settlement, you should tell the Trustee this when asking for the estimate as the Trustee may need further information from you. Within three months of your request, the Trustee will give you a written statement showing your entitlement. The cash equivalent is guaranteed for three months from the date it is calculated and the Statement is normally given to you within ten days of this date. The Trustee is not obliged to give you another Statement within 12 months of your last request, but may do so subject to a charge being paid.

If you die in deferment before Normal Retirement Age

A refund of all the contributions you have made to the Plan will be paid.

In addition, the Trustee has the same discretionary powers with regard to the payment of a pension as outlined on page 25.

The total pension is calculated as one half of the pension you have built up within the FSS plus a benefit purchased using the accumulated value of the firm’s contributions to the EYPP (2003) Section.

If your widow or adult Dependant is more than 10 years younger than you, the FSS pension may be reduced to take account of the longer time for which it is likely to be paid.
Please note that changes in your future working arrangements with the firm will not affect the value of your pension built up in the FSS prior to 30 September 2003.

**Absence from work**

Most absences from work are for a relatively short period of time and do not affect your membership of the Plan. However, if you are absent for a long time your membership may be affected.

If you are away due to illness or injury, amounts equal to those being contributed through the EY PensionShare arrangement will continue for as long as the firm pays you, whether through the firm’s Prolonged Disability Insurance (PDI) Scheme or otherwise. EY PensionShare will not change the amount of sick pay that you receive. Sick pay will continue to be based on Notional Salary. Similarly the amount of benefit an individual receives from the PDI Scheme will continue to be based on Notional Salary and so will be unaffected.

**Career breaks**

If you take a Career Break you do not remain a member of the Plan although you will be able to re-join the Plan if you return to work within 2 years.

**Unpaid leave**

For periods of up to 26 weeks the firm will pay both your own and the firm’s EY PensionShare contributions and you will continue to be a member of the Plan and obtain the benefits of EY PensionShare. For periods of Unpaid Leave longer than 26 weeks, no pension contributions are paid into the Plan and you will not receive any benefits from EY PensionShare. On the resumption of paid employment with the firm, you will continue to participate in EY PensionShare.
Maternity leave

Whilst you are on maternity leave, you will continue to be treated as a fully participating member of the Plan.

The first 39 weeks of maternity leave will be treated as continuous service unless you resign or return earlier. EY PensionShare contributions for this period will continue to be based on your Notional Salary. However, you will only be required to forego salary equal to the contributions based on your actual maternity pay above Statutory Maternity Pay (SMP) with the contribution to your Personal Account from the firm being based on the pay which you would have received if you were working normally (including the share of the firm’s National Insurance saving). In the event that you do resign, your pensionable service will cease at your leaving date from the firm. Should you return to work at an earlier date, EY PensionShare contributions will resume.

After 39 weeks of Maternity leave, and up to a maximum of 52 weeks, you will qualify for pensionable service and EY PensionShare contributions subject to:

- you remaining in the employment of the firm for a further 3 months after your return.
- the arrears of contributions for this period of absence being repaid by means of an equivalent reduction in salary on return to work (the firm will also contribute).

PensionSharePlus

If you have selected to take additional contributions from the firm in return for an equivalent reduction in salary through PensionSharePlus, you can suspend this arrangement when you go on Maternity Leave. If you do continue with your PensionSharePlus arrangements, and the value of the reduction in salary exceeds your monthly maternity pay, the amount will accrue and will be deducted from your salary on your return to work. If you resign, the PensionSharePlus arrangement will cease at the end of the Maternity Leave Period.

Please Note: The firm will guarantee that the level of maternity pay you receive will not reduce because of EY PensionShare while you remain an employee of the firm. The firm will take steps to offset any potential fall in Statutory Maternity Pay that results from lower earnings that attracts NICs.

Reduced hours

For as long as you are employed on a “reduced hours” basis your pension arrangements will be dealt with in a similar way to that described under maternity leave above (though without the 39 week threshold). In other words, you will only be required to forego salary equal to the contributions based on your actual pay but the credit to your Personal Account will be based on the pay which you would have received if you were working full-time hours.
The Basic State Pension

A flat rate amount is paid to nearly everybody who has a complete National Insurance Contributions history. It is reviewed by the Government each year and increased in line with the cost of living.

The State Second Pension (S2P)

The second part of the State Pension was known as the State Earnings Related Pension Scheme (SERPS). From 6 April 2002, the State Second Pension (S2P) has replaced SERPS although SERPS pensions already earned before that date will continue to apply. S2P will give employees on low earnings (ie, less than £10,000 per year) a better pension than was available under SERPS.

The Plan is contracted-out of S2P and so you will not accrue any benefits under S2P whilst you are a member of the Plan. However, in order to contract out of S2P the Plan must provide a minimum level of benefits that the Plan actuary has to certify is met.

One advantage of contracting-out of S2P is that both the members and the firm pay a reduced rate of National Insurance Contributions. The reduction for you is currently 1.6% of your earnings between the Lower and Upper Earnings limits.

Management of Plan

The Retirement Benefits Plan is set up under a trust, and the assets are held completely separately from those of the firm. The Plan is managed by a separate Trustee Company, E&Y Trustees Limited, the Directors of which are responsible for the administration of the benefits and investment of the Plan’s assets. There are 8 Directors, 4 of whom are elected by the membership (3 employees and 1 pensioner), to serve for 4-year terms. The 4 remaining Directors, including the Chairman, are appointed and removed by Ernst & Young LLP (the “firm”), the principal sponsoring employer.

The Trustee has a legal obligation to protect the interests of the Plan’s members and pensioners at all times, and to ensure that the Plan is run in accordance with the Trust Deed and Rules. You can inspect a copy of the Trust Deed and Rules by contacting the Pensions Department or by reference to the pensions pages on EYhelp Online.

The investments of the Plan are managed by a variety of investment managers, further details of which are available on the Trustee’s website, together with a summary of recent investment performance.

The Trustee uses other expert professional advisers to help carry out its duties, including auditors, solicitors, administrators and pensions specialists. The Plan Actuary will carry out valuations of the Plan at least once every three years. All of the Plan’s advisers are named in the Trustee’s Annual Report and Accounts – a copy of which will be available on request from the Secretary to the Trustee.
Her Majesty’s Revenue & Customs (HMRC)

The FSS and EYPP (2003) Section are separate sections of the Ernst & Young Retirement Benefits Plan (the “Plan”) which is registered with HMRC under the Finance Act 2004, as a result of which it attracts valuable tax concessions. In return, the Plan must meet the requirements of the Act and other rules laid down by HMRC.

In certain circumstances it may be necessary to restrict the level of your Plan benefits, or the options open to you, in order to comply with these limits.

Pensions Tax Regime for 6 April 2006 (A-Day)

With effect from 6 April 2006, the so-called “A-Day”, the Government introduced one simple set of rules to govern the operation of approved pension arrangements. Some of the main features of the new regime include:-

- The introduction of a Lifetime Allowance (see page 19)
- The introduction of an Annual Allowance (see page 19)
- Protection for members whose benefits either exceed the Lifetime Allowance at A-Day, or may do in the future. For further information, please contact the Pensions helpline on 0870 240 0569.
- Changes to the minimum retirement age (see page 23)

Data Protection

In accordance with the Data Protection Act 1998, the Trustee is the data controller and the Plan has been notified to the Office of the Information Commissioner.

The Trustee and its advisers and administrators will need to process certain data about you to calculate and pay benefits, for statistical purposes and to administer the Plan as a whole. This may include items categorised under the Data Protection Act 1998 as “Sensitive Data”, such as medical details or information about your family for death benefits etc. The Plan administrator may hold your data outside the European Union but, if it does so, it is required to ensure that it is adequately protected.

Payment of Benefits

All benefits arising from the Plan must be paid to members or their beneficiaries in accordance with the terms of the Trust Deed and Rules. This means that you may not assign your future benefits to someone else, or use them as security for a loan.

Amendment or Winding-Up of the Plan

The firm intends that the Plan should continue indefinitely, but the Trust Deed and Rules contain provisions for its amendment or termination. In the event of the Plan being discontinued, the assets would be used to provide benefits in accordance with the Rules.
Keeping you informed

You will receive an annual statement showing the contributions made over the previous year to the EYPP (2003) Section and the total current value of your Personal Account. You will also receive a projection of your benefits from the FSS at retirement. In addition you will receive a “Statutory Money Purchase Illustration” (SMPI) that provides an illustration of the benefits that might be available at your retirement using assumptions prescribed by law.

The Trustee’s full Annual Report & Accounts, which includes details of the Plan’s general progress and investment information, is available from the Secretary to the Trustee.

Transfer value quotations

All members of the Plan have the right, once every 12 months, to request a quotation of the transfer value of their benefits if they were to leave the Plan at no cost. The Trustee reserves the right to charge for any subsequent transfer value quotations that are requested within 12 months of the most recent quotation.

Losing touch

If you leave the firm with preserved benefits, the Trustee will keep a record of your last known address so that you can be contacted about your benefits or any issues affecting the Plan. To help the Trustee do this, it is important that you keep the Trustee informed of any changes in your address once you leave.

If, for any reason, you lose track of the Trustee’s address, you will be able to make contact through the Registrar of Occupational and Personal Pension Schemes. In common with all other pension plans, the Trustee provides information to the Registrar about the Plan for inclusion in the Register. The address to write to is, The Pension Schemes Registry, PO Box 1NN, Newcastle upon Tyne, NE99 1NN.

Pensions Regulator

The Pensions Regulator (TPR) is the supervisory body for occupational pension schemes in the UK. It has the power to intervene in the running of a pension scheme where trustees, employers or professional advisers have failed in their duties. The address to contact TPR is Invicta House, Trafalgar Place, Brighton, East Sussex BN1 4DW.
Questions about the Plan

There are a number of contacts who can help members with pension enquiries, including:

- **EYhelp**: EYhelp can assist current employees with enquiries of a general nature, particularly those linked to an employee's contract of employment, and will generally be the first port of call for pension enquiries for current employees. EYhelp can be contacted on 0141 626 5555 or ext. 65555 (Selecting option2).

- **Pensions Helpline**: The administration of the firm's pension arrangements is outsourced by the Trustee to Mercer, based in Glasgow. Mercer hold detailed records of all members' pension benefits and are able to answer detailed questions both about member entitlements and also provide factual information on a range of issues, including the transfer of benefits in and out of the plans and early retirement quotations. The Helpline number is 0870 240 0569 and they can be contacted via e-mail on e&yquestions@mercer.com.

- **EY Pensions Department**: The Pensions Manager and Secretary to the Trustee is Tim Carney. Tim is based in London and deals with matters related to the pension policy of the firm whilst also providing support to the Trustee. He can be contacted on 020 7951 8669 (ext 18669). Tim is supported by Julianna Oladipo on ext 11454.

 Neither the Trustee nor the firm is authorised to provide members with financial advice. If current employees require financial advice, they may wish to contact Cavanagh Financial Management (formerly Ernst & Young Financial Management) on 01444 475402 or e-mail financialadvice@cavanagh.co.uk. Alternatively, you may wish to access a wider range of IFAs via [www.unbiased.co.uk](http://www.unbiased.co.uk).
Problems with pension arrangements?

The Trustee and the firm's Pensions team aim to provide members with help and information about the Plan as and when they need it. Normally, this ensures that problems or misunderstandings are dealt with as they arise. As required by the Pensions Act 1995, however, the Plan also has a formal, internal procedure for resolving any disputes. This is a two stage process and full details are available from Mercer, the plan administrator, via the Pensions Helpline or from the Trustee's website.

Under Stage 1 of the process, you should make an application in writing to Tim Carney, Pensions Manager and Secretary to E&Y Trustees Limited, at 1 More London Place, London SE1 2AF for a decision. Normally you will receive a full written response within 2 months. If you are not satisfied with this response, or the Trustee's action following it, you may write to the Chief Executive of E&Y Trustees Limited at 1 More London Place, London SE1 2AF within 6 months of receiving the Stage 1 decision asking for the Trustee to reconsider the matter under Stage 2 of the process.

The Trustee will then reply directly to you, where possible within 2 months.

Usually, any dispute will be resolved by either the Pensions Manager or the Trustee (see above). However, if this is not possible there are a number of independent organisations that may be able to help.

If you are still not satisfied you may refer the matter for consideration by the Pensions Ombudsman (appointed under the Pensions Schemes Act 1993), who may investigate and determine any complaint of maladministration by the Trustee or managers of an occupational pension scheme or dispute of fact or law made or referred to him under the Act. He is located at 11 Belgrave Road, London, SW1V 1RB (020 7834 9144).

At any time you can refer a dispute for preliminary external investigation to The Pensions Advisory Service (TPAS), at 11 Belgrave Road, London, SW1V 1RB (telephone 0845 601 2923). TPAS is a free service which is available to assist members and beneficiaries of the Plans in connection with any difficulty with the Plans, which remains unresolved. After investigation TPAS may recommend that an approach to the Pensions Ombudsman would be appropriate.