Railways Pension Trustee Company Limited

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19 January 2018

Dear [Member Name]

Carillion Rail (GTRM) Shared Cost Section of the Railways Pension Scheme

The purpose of this letter is to update you on developments which are likely to affect your pension arrangements in the Carillion Rail (GTRM) Shared Cost Section of the Railways Pension Scheme ("the Carillion GTRM section"). I know that this is a difficult time and you may have a lot of questions. This letter is intended to tell you what we know of the situation at the moment and explain where you can get more information. However, I hope you can understand that we are in the very early stages of what may be a lengthy process and we will be in touch with you again as things develop further.

What has happened?
On 15 January 2018, Carillion Construction Limited ("the Company") entered into an insolvency process known as compulsory liquidation. Carillion Construction Limited sponsors the Carillion GTRM Section, so we appreciate the difficulties this may give you.

We have been very closely involved in all discussions with stakeholders over the last few months in order to protect members' interests as far as possible and will continue to work to understand the next steps and what these may mean for members of the Carillion GTRM Section. This includes working with the Pension Protection Fund ("the PPF"), which provides compensation to members of defined benefit schemes whose sponsoring employer becomes insolvent.

How might this affect your pension?
At this stage, we do not know what the impact on the Carillion GTRM section will be. One of the possible outcomes is that it will need to enter an assessment period with the PPF. Further detail about the PPF and potential outcomes are included as an appendix to this letter.

We will look to keep you updated with developments that may impact your pension in the Carillion GTRM section. However, in the meantime, please note that:

- If you were an active member on 15 January 2018, but are made redundant on the Company entering liquidation, you will not be able to build up any further benefits in the Carillion GTRM section and contributions will have stopped from the date your employer entered liquidation. Therefore, you are now a preserved member (deferred pensioner) of the Carillion GTRM section. **Please note that this means you are no longer covered for death-in-service lump sum benefits, so you may wish to make alternative life cover arrangements.** Transfers into and out of the Carillion GTRM section have also been put on hold.

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- If you are retained by the liquidator/Special Managers as an employee, there is a real possibility that a PPF assessment period will be confirmed to have started on 15 January 2018, so you should not assume that you are currently building up any further benefits in the Carillion GTRM section. Contributions are therefore not being collected. **Importantly you cannot assume you are covered by the Carillion GTRM section's lump sum death-in-service benefits, so you may wish to make alternative life cover arrangements**. Transfers into and out of the section have also been put on hold.

- If you are a pensioner under the Carillion GTRM section, there will be no immediate change to your pension payments. You will continue to receive the full amount of pension for the time being. However, if there is a PPF assessment period, you should plan for a reduction in your pension payments if you were not aged 60 by 15 January 2018 and you are not in receipt of benefits as a consequence of ill-health retirement or the death of a member. Further details are included within the appendix to this letter. Because the amount of PPF compensation would be less than the Carillion GTRM section benefits, we may need to recover any overpayment in due course for elements of pension paid from 15 January 2018. Dependants' pensions, both those currently in payment and those that may become payable upon a retired member's death, will be unaffected for the time being.

- If you are a preserved member (deferred pensioner) of the Carillion GTRM section, please note that there will be a reduction in your benefits if the section enters a PPF assessment period and you were not aged 60 by 15 January 2018. Further details are included within the appendix to this letter. In addition, if you are considering applying for your pension to be put into payment, we will need to take account of the possible impending PPF assessment period in determining the benefits that can be paid to you. There are also restrictions on transfers out of the Carillion GTRM section. As with retired members, any entitlement to dependants' pensions remains unaffected at the moment, so if you die before the longer-term future of the Carillion GTRM section is known, your dependants' entitlements will be unchanged for the time being.

Where to go for more information
If you have questions about your pension, please contact RPMI's Helpline on 0800 2 343434 (or on 0800 012 1117 if you are already in receipt of your pension).

You may also wish to visit the PPF website (www.pensionprotectionfund.org.uk) and read the leaflet called "What is the Pension Protection Fund…and what do we do?" This is available at www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/what_is_the_ppf.pdf.

Once again, we understand this will be a worrying time for you, but at this stage we are unable to provide more detailed information about your individual benefits. We will contact you again when further details are known.

Yours sincerely

John Chilman
Chairman, Railways Pension Trustee Company Limited

cc Trustee Directors
Trade Union contacts

APPENDIX

We understand that you may have questions at this worrying time. This document is designed to support you by answering some of those questions, based on the details we presently have. Please take some time to read this information.

Contents

1. What happens when a section's sponsoring employer enters liquidation?

In such a situation, there are complex legal requirements affecting how the section operates in future and procedures to go through. We are very early in the process of identifying how this will affect the Carillion GTRM Shared Cost Section of the Railways Pension Scheme ("the Carillion GTRM section") and further details will be provided when they are known with more certainty. We are in contact with the liquidator/Special Managers and will be in contact with the Pension Protection Fund ("the PPF").

An application is being made to the PPF which, in certain circumstances, may take over an insolvent employer's pension arrangement. The PPF was set up in 2005 to provide compensation to members of pension schemes which have insufficient funds to provide full pensions to members and whose employers are unable to support the scheme. The PPF is a statutory fund run by a statutory corporation set up under legislation for that purpose. More information about the PPF can be found on its website at www.pensionprotectionfund.org.uk.

At this stage it is too early to say whether the PPF will ultimately assume responsibility for the Carillion GTRM section.

PPF assessment period

If the PPF accepts that the Carillion GTRM section is eligible, then an assessment period will begin. It will be treated as beginning on the date of the Company's entry into liquidation, 15 January 2018. The assessment period would establish whether the Carillion GTRM section has sufficient assets to pay the members' benefits which are equal to or higher than the level of compensation offered by the PPF (see further details below). If this is the case, the Trustee will try to secure members' benefits outside the PPF. If the Carillion GTRM section's assets are not adequate, the PPF will take over the section and pay compensation to its members.

If the Carillion GTRM section is in an assessment period, the Trustee will look after the day-to-day running of the section until a formal decision has been made about whether it qualifies for support from the PPF.

2. What if the Carillion GTRM section is rescued?

If it becomes evident that Carillion Construction Limited is able again to continue to meet the Carillion GTRM section's liabilities, or any other person (usually another company as a buyer) assumes responsibility for the section, the liquidator/Special Managers will let the PPF know if the section is rescued. However, if a section rescue is not possible in the short term, it is likely an assessment period process will begin.

At this stage, we are still waiting to see if there will be a section rescue in the short term or, if not, whether the PPF will confirm that an assessment period will be treated as starting from 15 January 2018.

If, due to a section rescue later on, the assessment period comes to an end, you may (if you are staff retained by the liquidator/Special Managers) then have the opportunity to pay contributions in respect of your service during the assessment period. This would mean you can gain entitlement to benefits that would have accrued had the assessment period not taken place. You would need to pay these contributions within one year of the end of the assessment period, and no later than 28 days before the date on which you ask the Trustee to put your entitlement to a pension (or another benefit) into payment. If you pay your contributions, your employer must also pay the contributions that would have been due from it in respect of you.

3. What if there is a PPF assessment period?

A PPF assessment period has not yet been confirmed. If it is, we will formally let you know within 28 days of the date that the Trustee receives notification from the PPF that the assessment period has officially begun.

If it is confirmed, the Trustee will continue to pay Carillion GTRM section pensions during the assessment period and will help the PPF during the assessment process. No further employer or employee contributions can be paid to the section during the assessment period unless they relate to the period before the assessment period began. No further benefits can be built up from the start of the assessment period. Ordinarily, you would not be able to make an application to transfer benefits to another section or scheme, although the PPF does have the discretion to allow these and may do so.

Early retirement

If you are not already receiving a pension from the Carillion GTRM section, you may be able to take your benefits early. The earliest age you can take your pension will generally depend on when you first became an active member of the Railways Pension Scheme ("the RPS"). If you were an active member of the RPS on 5 April 2006, you may have the right to apply for your scheme benefits from age 50. Otherwise, you can apply for your scheme benefits from age 55.

Should you wish to retire early, please note that a reduction will be applied to your benefits to reflect the longer period over which your benefits will be payable. It should be noted that, if you are a member of more than one section of the RPS, you would need to take all your benefits from all of your sections if you wish to take your Carillion GTRM section benefits from before age 55 during the PPF assessment period.

You should contact RPMI in writing to make any application: RPMI, PO Box 300, Darlington, DL3 6YJ

All the benefits payable during the assessment period must not exceed the PPF level of compensation (see below).

4. How would my pension and death benefits be affected by the section going into an assessment period with effect from 15 January 2018?

The PPF pays benefits in the form of “compensation”. The level of compensation paid will depend on your age at 15 January 2018 and the type of benefits payable.

These benefits are not at the same level as the benefits the RPS would have paid from your section. The main differences between the benefits paid by the PPF and the Carillion GTRM section are set out below. More detail will be provided in due course.

a. If you are a pensioner and were at least aged 60 on 15 January 2018, then there will be no change in the current level of your pension. However, future increases in benefits from the PPF will be in line with inflation limited to 2.5% per annum on the pension earned after April 1997. Pension earned before then does not increase in payment. Under the RPS the whole of your pension would have increased in line with inflation whilst in payment.

b. If you had reached age 60 before 15 January 2018, but you are not yet in receipt of your benefits, your accrued benefits at 15 January 2018 will be available in full and will need to be brought into payment. The same restrictions on pension increases in payment apply as described above.

c. If you had not reached age 60 before 15 January 2018, your benefits will be lower from the PPF than they would have been under the RPS. In broad terms, benefits are reduced to 90% of their level under the RPS and are subject to an overall annual cap. The maximum annual pension payable from 60 for the 2017/2018 year is just under £32,800 (before the 90% level is applied), although this amount is increased for members who have 21 or more years of service in the scheme and a lower limit applies at lower ages. The same restrictions on pension increases in payment apply as described above.

d. If you are in receipt of a benefit either through ill health or as a dependant, then there is no change in the current level of your pension. Again, future increases are restricted as described above.

e. During an assessment period, any life assurance or other lump sum provision on death are no longer payable.

f. During the assessment process, survivors’ (dependants') benefits which are payable under the section rules will still be paid but, where appropriate, they will be restricted to the PPF level.

If your pension needs to be reduced, you will be told in advance. As any change needs to be backdated to 15 January 2018, please be aware that initially there may be a further reduction to your PPF compensation to take account of any overpayment between that date and the date your pension is actually reduced. You will be notified of any such changes.

For further information on compensation paid to survivors, please refer to the compensation information on the PPF website at www.pensionprotectionfund.org.uk.

Impact on BRASS funds

If you are in receipt of your pension from the Carillion GTRM section and this includes pension based on your BRASS funds, then this additional pension will generally be subject to the usual PPF compensation rules.

If you are not in receipt of your pension from the Carillion GTRM section and you have BRASS funds, these will remain invested. This will remain the case until you take payment of your benefits, or until such time as the future of the section (i.e. whether the section will be rescued, secured outside the PPF or taken over by the PPF) is known.

If the PPF does assume responsibility for the Carillion GTRM section, it is unable to accept any BRASS funds and therefore these will be secured in full elsewhere, such as with an insurance company or an arrangement of your choice. We will contact you closer to the time if this applies to you.

5. What will happen if I am a "Protected Person" under the terms of the Railways Act 1993?

In the event that the Carillion GTRM section enters a PPF assessment period, Protected Persons will be treated in the same way as other section members and will be entitled to receive the normal levels of PPF compensation (rather than a higher level).

The Trustee is aware that Protected Persons will be disappointed to learn that they will receive PPF compensation levels rather than full benefits if the section goes into an assessment period and subsequently transfers to the PPF. The Trustee has previously received legal advice on this following the insolvency of the Jarvis companies in 2010. The legislation relating to Protected Persons under the terms of the Railways Act 1993 has never provided protection to members in the event of employer insolvency, although the PPF provides at least some protection in such an event. However, as mentioned above, ordinarily, you would not be able to make an application to transfer benefits to another section or scheme once an assessment period has commenced. However, the PPF does have the discretion to allow transfers and may do so. Indeed, the PPF has exercised this discretion in the past in respect of Protected Persons who had joined another section of the RPS.

6. Data Protection

The PPF assessment process would involve passing personal data about members of the Carillion GTRM section to the PPF to help with the scheme review. Additionally, data is supplied for statutory reasons and, depending on whether the PPF assumes responsibility for the Carillion GTRM section, data may be needed to pay compensation to members. In order to carry this out, the PPF may need to pass data to appropriate third parties. If you are concerned about this, please contact RPMI on 0800 2 343434 (or on 0800 012 1117 if you are already in receipt of your pension) or by writing to: RPMI, PO Box 300, Darlington, DL3 6YJ.