

Husqvarna UK Limited

Pension Scheme

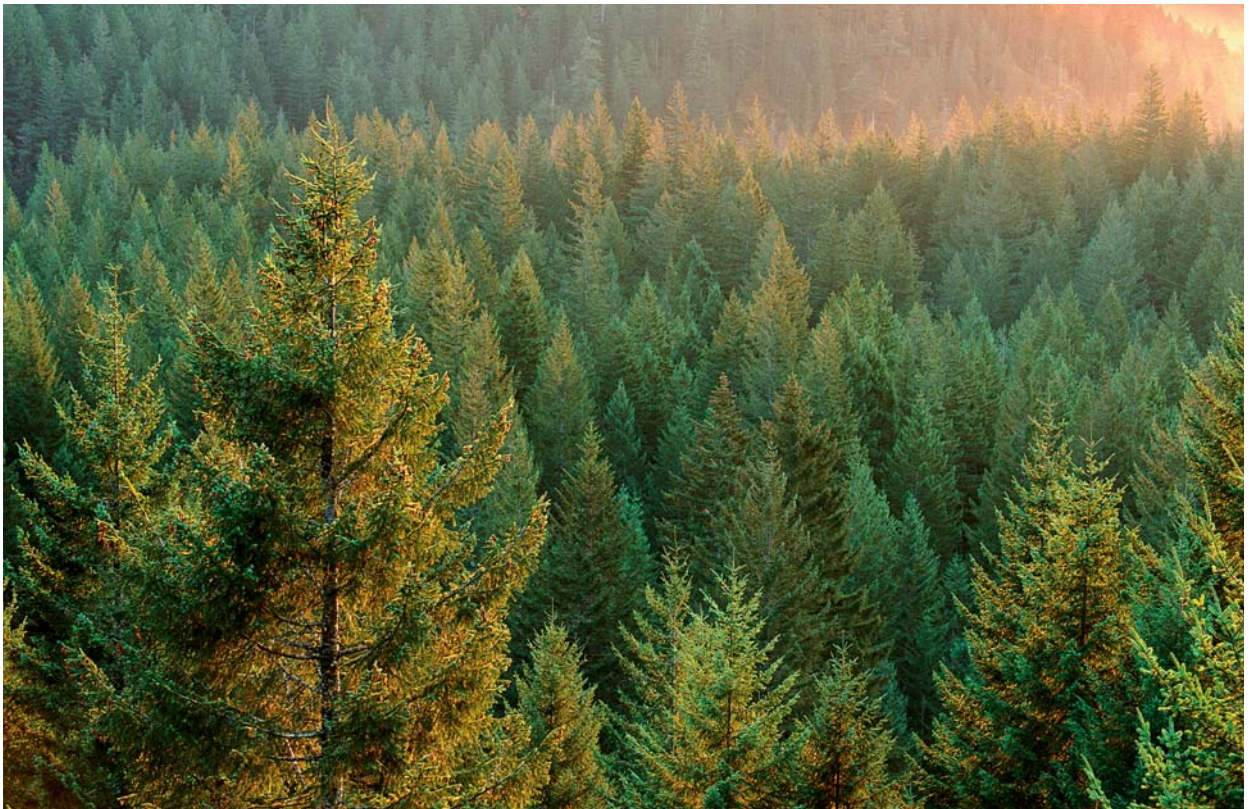
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Husqvarna UK Limited Pension Scheme

Final Salary section



This booklet only applies to members who joined the Scheme before 1 January 2004 and who are therefore members of the closed Final Salary section.

If you joined the Scheme after 1 January 2004 you will be a member of the CARE section. There is a separate booklet for this section, which is available from the Group Pensions Department or from your local Human Resources personnel.

...helping to

Introduction

This booklet summarises the rules of the Scheme. The Scheme is governed by the Trust Deed and Rules. In the event of a conflict between the booklet and the Trust Deed and Rules, the Trust Deed and Rules will prevail.

The booklet describes the benefits payable to members of the Final Salary section of the Husqvarna UK Limited Pension Scheme. If you are an active member of the CARE section of the Husqvarna UK

Limited Pension Scheme then some of the benefits described here will not apply to you. There is a separate booklet for CARE members which is available from the Group Pensions Department.

Special terms

Throughout the booklet we refer to special terms that apply to some members. This includes members who have transferred their benefits into the Husqvarna UK Limited Pension Scheme from other schemes by a

group transfer. These schemes include Flymo and Hyett Adams. These members may be entitled to different benefits from the Scheme than we set out in this booklet. Please contact the Group Pensions Department if you require further information.

Pensions can appear complicated. If you have a specific query and cannot quickly find the answer in this booklet, please contact the Group Pensions Department directly on 01582 588441.



*clear away
your pension worries...*

Some terms explained

Although we have aimed to keep this booklet as free of jargon as possible, there are several pension terms which have to be used when describing your benefits. On this page we explain what each of them means. If you have any queries, please contact the Group Pensions Department.

Annual Allowance

is the maximum tax-free increase in the value of your pension benefits which is allowed in any one tax year. (For the year from 6 April 2007 this is £225,000.)

Contribution Pay

means your actual gross earnings, excluding any non pensionable emoluments, on the date the contribution is deducted, less the appropriate proportion of the Lower Earnings Limit on the same date. This takes into account whether you are paid monthly, weekly or at some other interval. If you joined the Scheme on or after 1 June 1989 your Contribution Pay cannot exceed the Earnings Cap.

Earnings Cap

For members joining on or after 1 June 1989 the Earnings Cap was a limit set by the Government on the pay that can count for the purposes of calculating the maximum contributions and benefits allowed by HMRC (Inland Revenue). This has been retained by Husqvarna UK Limited as a Scheme specific Earnings Cap following legislative changes in 2006. For the year from 6 April 2007 it was £112,800 and it will be increased each year in line with the Retail Prices Index. It applies to both contributions and Pensionable Pay.

Final Pay

is the highest annual average of your Pay over any three consecutive years out of the last ten years before leaving, retirement or death.

Final Pensionable Pay

is the highest annual average of your Pensionable Pay over any three consecutive years out of the last ten years before leaving, retirement or death. Special terms apply to some members.

Guaranteed Minimum Pension (GMP)

is the minimum pension the Scheme is obliged to pay as a result of being contracted-out of the State Earnings Related Pension Scheme (SERPS). GMPs ceased to be earned for Pensionable Service after 5 April 1997. Even if you joined after 5 April 1997, you may have a GMP if you have transferred in previous scheme benefits.

Lifetime Allowance

is the limit set by the Government, which is measured against the value of your benefits from all pension arrangements you belong to. If your total benefits exceed this limit the excess will be subject to tax. (For the year from 6 April 2007 this is £1.6 million.)

Lower Earnings Limit

is an amount set each year by the Government. It is approximately equal to the Basic State Pension for a single person. As at 6 April 2007, the Lower Earnings Limit is £4,524.

Normal Retirement Date

is age 65 for all members. You can continue to pay into the Scheme after this date if you are still employed by Husqvarna.

Pay

means at any time, your P60 earnings for PAYE purposes during the 12 months immediately preceding that time. Pay includes overtime, shift allowances, commission and some bonuses. It does not include car or petrol allowances, or other fluctuating emoluments unless otherwise determined by Husqvarna UK Limited. The full definition is set out in the Trust Deed and Rules.

Pensionable Pay

means your Pay less the Lower Earnings Limit averaged over the same period as Pay. The Lower Earnings Limit used to calculate your Pensionable Pay is the one that applied two years before the period in which Pensionable Pay is calculated. Special terms apply to

Keeping

some members. If you joined the Scheme on or after 1 June 1989 your Pensionable Pay cannot exceed the Earnings Cap.

Pensionable Service

is the length of time you have been a member of the Scheme. It is measured in complete years and days.

Retail Prices Index (RPI)

is a measure of price inflation, or any replacement of that index which the government might use to measure inflation in the future.

Scheme

means the Husqvarna UK Limited Pension Scheme Final Salary section.

Trustees

means the Board of Directors of Husqvarna Pension Scheme Trustee Limited (see **page 18** for more details of the Trustees).



things tidy



Look

Membership

With effect from 1 January 2004, the Final Salary section was closed to new entrants.

The cost to you

As a member of the Scheme you make contributions to help pay for the benefits provided. Your contribution is either 5% or 8% of your Contribution Pay, depending on the level of benefits you have opted to receive when you retire (see **page 8**). However, it actually costs you less than this because you get tax relief on your contributions and you pay lower National Insurance contributions as a Scheme member, see **pages 22** and **23**. You can work out what you actually pay using the examples on **pages 22** and **23**.

Your contributions are deducted from your pay automatically. Check your payslip to see this.

You can pay extra contributions if you wish, known as 'Additional Voluntary Contributions' (AVCs). You will get tax relief on your AVCs. Under current Her Majesty's Revenue & Customs (HMRC – formerly the Inland Revenue) rules, when you retire, part of your AVCs can be taken as a tax-free lump sum. You can read more about AVCs on **page 16**.

The cost to Husqvarna

The contributions members make would not be sufficient on their own to meet all the costs of running the Scheme and providing all the benefits. Husqvarna meets the balance of the cost of providing the benefits.

Husqvarna UK Limited and the Trustees consult with the Scheme Actuary and reach agreement on how much Husqvarna contributes to the Scheme.

The contribution from Husqvarna forms a valuable part of your pay and benefits package.

Where the money goes

Your contributions and those made by Husqvarna are paid into a fund which is looked after by the Scheme's Trustees. It is kept completely separate from the finances of Husqvarna. The money in the fund is invested and used to pay members' benefits as and when they become payable.



to the future

When you retire

Reaching retirement

The Scheme's Normal Retirement Date is your 65th birthday for men and women. You may be able to leave at an earlier age and receive your pension if you wish. Currently the earliest age at which you can retire and receive your pension is 50, but from April 2010 it will be 55. Early retirement is subject to the agreement of Husqvarna UK Limited and the Trustees and to your pension meeting certain minimum statutory requirements.

Your pension

The amount of pension you receive depends on your salary close to retirement, the length of time you have been a member of the Scheme and the rate of contribution that you pay.

If, from 1 January 2005, you opted to pay 8% of Contribution Pay, the calculation is one sixtieth of your Final Pensionable Pay for every year of Pensionable Service.

If, from 1 January 2005, you opted to pay 5% of Contribution Pay, the calculation is one sixtieth of your Final Pensionable Pay for every year of Pensionable Service up to 31 December 2004 and one eightieth of your Final Pensionable Pay for every year of Pensionable Service thereafter.

Pensionable Service is calculated in years and days, so all your Pensionable Service is included right up to the day you retire.

An example of how this is calculated is shown on **page 23**.

If you were a Scheme member on 1 December 1998, your pension in respect of service to 6 April 1998 will

be uplifted by 4%. This uplift does not apply to any transferred-in benefits or to added years purchased with AVCs.

Receiving your pension

Your pension will be paid either monthly or quarterly direct to your bank or building society account. It will be taxed under the PAYE system and is paid for life.

Taking your pension early

If you retire early, your pension will be lower than it would be at age 65 because it will be based on your Final Pensionable Pay and Pensionable Service at the date you retire. It will also be reduced to make allowance for the fact that it is being paid earlier and so will be paid for longer.

For all members joining the Scheme after 1 April 1988, and who have service after 1 November 1996, the reduction is 3% a year for each year and completed month to age 65. This applies unless you have completed more than 12.5 years' Pensionable Service, in which case the reduction is 3% a year for each year and completed month to age 60.

For an active member who joined the Scheme on or before 1 April 1988, and who was still a member at 1 November 1996, the reduction is 3% a year for each year and completed month to age 60 unless you have completed 12.5 years' Pensionable Service, when it is 3% a year for each year and completed month to age 55.

Different reductions may apply to members who have bulk-transferred benefits in from other schemes. They may also apply if you left active service before the date of this

booklet. Please contact the Group Pensions Department for further information.

If you would like an idea of what your pension will be if you are able to retire early, the Group Pensions Department will be happy to provide an estimate.

It is not possible to take your retirement benefits while you remain in employment with the Company.

Taking your pension late

If, with Husqvarna UK Limited's agreement, you continue working after you have reached age 65, you may with the agreement of the Trustees take your pension late. If you do so, you will remain covered for death in service benefits under the Scheme and you will have to choose whether to cease your contributions or to continue paying and delay your retirement.

If you choose to cease contributing at age 65, your pension accrued to this date will be calculated and then increased by a late retirement factor to reflect the delay in payment.

If you continue contributing after age 65, you will continue to build up pension on the basis of either 1/60th or 1/80th for each year of Pensionable Service (depending on your contribution rate) so that the actual date of retirement is treated as your Normal Retirement Date.

Tax-free lump sums

At retirement, you can take up to four times your pension as a tax-free cash sum. Your pension at retirement will include your pension from the Scheme and any AVCs you have.

making the right choice



The only restriction on this is if the value of all your pension arrangements adds up to more than the Lifetime Allowance (see below).

It is important to remember that taking a tax-free cash sum will reduce the amount of pension payable, and the larger the cash sum taken, the lower your annual pension will be.

The Lifetime Allowance

Since 6 April 2006 the Government requires that the value of your benefits from all pension arrangements you belong to (including those not with Husqvarna) is measured against a new Lifetime Allowance (LTA). If the value of your total pension benefits exceeds the LTA the excess will be subject to tax.

The LTA was initially set at £1.5m for 2006/07 and increases each year to reach £1.8m by 2010, after which it will be reviewed. An example of the way it is calculated is shown in the panel on the right.

Pension increases before State Pension Age

Your total pension will increase during payment in line with the annual rise in the Retail Prices Index (RPI), subject to a maximum of 5% a year.

Pension accrued before 6 April 2001 will receive a minimum increase of 3% a year.

Pension accrued after 5 April 2005 is subject to a maximum increase of 2.5% a year.

Pension increases after State Pension Age

Your Guaranteed Minimum Pension (GMP) which accrued between 6 April 1988 and 5 April 1997 will receive increases from the Scheme of 3% a year or the rise in RPI, if less.

Your pension in excess of the GMP

will increase by the rise in the RPI, subject to a maximum of 5% a year and, on pension accrued before 6 April 2001, a minimum of 3% a year. Pension accrued after 5 April 2005 is subject to a maximum increase of 2.5% a year.

Discretionary increases may be awarded at the discretion of Husqvarna UK Limited (on the advice of the Scheme Actuary).

Example of LTA calculation

A member retiring on 6 May 2007 has pensions from two company defined benefit pension schemes and also a pension from a Personal Pension Plan:

Company final salary pensions – at retirement

Pension A:	£5,000 pa
Pension B:	£2,000 pa
Total	£7,000 pa

Personal Pension Plan

Fund value on retirement:	£40,000
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To check if the LTA has been exceeded:

1. Multiply the pensions from the company defined benefit schemes by 20
 $£7,000 \times 20 = £140,000$
2. Add the above total to the value of the Personal Pension Plan
 $£140,000 + £40,000 = £180,000$

Since £180,000 does not exceed the LTA of £1.6m, there is no LTA tax payable by the member. Pension income is, however, subject to income tax.

As the LTA has been set at a high level (your pension would need to be over £80,000 a year multiplied by 20, ie £1.6 million), very few people are likely to be affected by it. If your total benefits do add up to more than the LTA, you will have to take this excess as a lump sum when you retire, which would then be taxed at the rate of 55% at the time of payment. It is your responsibility to let the Group Pensions Department know of all your pension arrangements to help with the LTA calculation when you retire.

Help if you're ill



Stopping work

If, while a contributing member of the Scheme, you become seriously ill and have to stop working at any age, you may be eligible to receive an incapacity pension from the Scheme. To be able to apply for an incapacity pension, you must have been a member of the Scheme for at least five years.

Payment of an incapacity pension is subject to the agreement of Husqvarna UK Limited and the Trustees. The Trustees will want medical evidence regarding your illness.

Your incapacity pension

There are two levels of incapacity pension: total incapacity and partial incapacity.

Total incapacity

This is where, in the opinion of the Trustees, your illness is likely to be permanent and such that you will not be able to follow any gainful employment in the future. If this is the case and you are a contributing member your pension will be calculated in a similar way to your normal retirement pension (see [page 8](#)).

It will be based on your potential Pensionable Service and the greater of your Pensionable Pay and your Final Pensionable Pay. In other words, it will be based on the amount of service you could have built up if you had been able to carry on working until Normal Retirement Date.

Partial incapacity

This is where, in the opinion of the Trustees, you are not totally incapacitated but your illness is beyond that which is normally associated with advancing age or simply due to a decline in energy or ability and as a result of which you are prevented through illness from following your normal employment with Husqvarna. In these circumstances, you would receive your pension based on completed Pensionable Service. However, it would not be reduced on account of being paid early.

If you recover

In either case, if your health improves, your incapacity pension will be reviewed by the Trustees and payment may be stopped or reduced.

Increases to your incapacity pension once it is in payment

Your incapacity pension will be increased in the same way as normal retirement pensions (see [page 9](#)).

Deferred pensioners

If you are a deferred pensioner and become seriously ill and have to stop working, you may be eligible for an incapacity pension at the discretion of the Trustees (see [page 15](#)).

HMRC requirements

Please note that HMRC (formerly Inland Revenue) impose certain additional conditions on pensions paid early on incapacity grounds. The Trustees will apply these conditions when considering your eligibility for an incapacity pension.



Protection for your loved ones

Death in service

If, as an active member of the Scheme, you die while still working for Husqvarna, valuable benefits will be payable to your dependants.

A tax-free cash sum of all the contributions you made to the Scheme plus three times your Pay will be paid at the Trustees' discretion (see 'Payment of benefits' on **page 13**). If there is no pension payable, the cash sum is increased to four times your Pay.

If you were married or in a civil partnership at the time of death, your spouse or civil partner will receive a pension. If you were not married or in a civil partnership, but living with someone who was financially dependent on you, a dependant's pension may be payable at the Trustees' discretion. The spouse's or dependant's pension will be half of your retirement pension based on the greater of your Pensionable Pay and your Final Pensionable Pay on the date you die, and your potential Pensionable Service to age 65.

Children's pensions are also payable. Like the spouse's, civil partner's or dependant's pension, the amount they receive is a proportion of the pension you would have received if you had continued working to age 65. See 'Payment of benefits' on **page 13**.

If you have chosen not to join the Scheme and you die in service, then a lump sum equal to one times your Pay at date of death is payable at the Trustees' discretion. No pension will be payable to your spouse, civil partner or children.

Death after retirement

If you die after you have retired, pensions are paid to your dependants.

If you were married or in a civil partnership at the time of death, your spouse or civil partner will receive a pension. If you were not married or in a civil partnership, but living with someone who was financially dependent on you, a dependant's pension may be payable at the Trustees' discretion. The spouse's or dependant's pension will be half of your total pension ignoring any reduction for taking cash at retirement.

Children's pensions are also payable. Like the spouse's, civil partner's or dependant's pension, the amount they receive is a proportion of your total pension, ignoring any reduction for taking cash. See 'Payment of benefits' on **page 13**.

Bereavement grant – more than five years

If you die more than five years after you have retired, a tax-free bereavement grant of £1,650 is payable, provided you had completed at least five years' Pensionable Service at retirement.

However, for those retiring after 6 April 2006 and who die aged 75 and over, the Government will require this benefit to be taxed.

Pension guarantee – less than five years

Your pension is guaranteed for five years, so if you die within five years of your retirement, a cash sum equal to the balance of five years' pension

will be paid or, if higher, the bereavement grant described above.

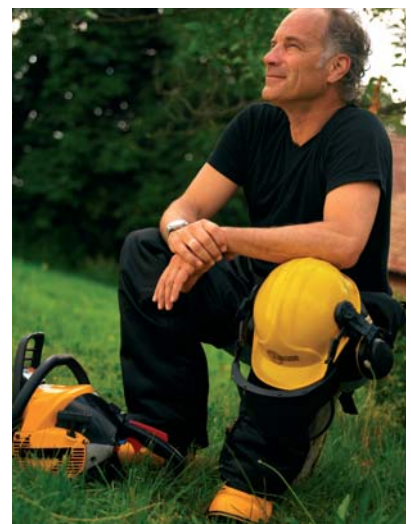
If you are receiving an incapacity pension and you die within five years of retirement and before Normal Retirement Date, a higher lump sum may be payable. Contact the Group Pensions Department for further information.

Civil Partnerships

The Civil Partnership Act came into force on 5 December 2005. Civil partnership is a new legal relationship which can be formed by two people of the same sex.

The legal requirement is that for Pensionable Service from 5 December 2005, death benefits payable to spouses are paid to registered civil partners. The Husqvarna Scheme goes further than this and treats ALL Pensionable Service in this way.

In the same way, if a registered civil partnership comes to an end, the ex-civil partner is treated in the same way for pension sharing as an ex-spouse would be for pension sharing on divorce.



Payment of benefits

Cash sum

When you join the Scheme you are asked to complete an Expression of Wish Form on which you state who you would like to receive any cash sum payable on your death. This form is kept on record, and the Trustees would refer to it if a cash sum became payable. To ensure that the cash sum will not be liable for Inheritance Tax, the Trustees will not be legally bound to make the payment to the person(s) you have nominated. However, they will take your wishes into account when deciding how to allocate the cash sum.

For this reason, it is very important that you update your Expression of Wish Form if there are any changes in your personal circumstances. Further forms are available from the Group Pensions Department or your Human Resources Department.

Spouse's or dependant's pension

Your spouse's, civil partner's or dependant's pension will be paid for life regardless of whether he or she remarries. If your spouse, civil partner or dependant is more than ten years younger than you, the pension may be reduced.

At the discretion of the Trustees, the spouse's or civil partner's pension may be payable to someone who you are living with and who

is financially dependent on you, provided that there is no legal spouse or civil partner.

If you marry or enter into a civil partnership in retirement and die within six months of doing so, a spouse's or civil partner's pension will not be payable unless the Trustees and Husqvarna UK Limited decide otherwise.

Children's pensions

If, at the date you die, you have any children who are financially dependent on you and are under the age of 16 (or 23 if they are in full-time education), they will also be paid a pension.

The amount they receive is a proportion of your pension (or if you die in service your Formula Pension, but including your potential Pensionable Service to age 65 without reduction). The proportions are:

20% for one child
30% for two children
40% for three children
50% for four or more children

Each child's pension ceases when the child reaches age 16, or 23 if they are in full-time education. If there is no other pension payable, the children's pensions are doubled.

For death in deferment, see **page 15**.

*... your dependants
will be
looked after*



Choices if you leave

Leaving before retirement

If you leave Husqvarna you will automatically leave the Scheme, unless you immediately take up employment with another employer in the Scheme. You may also be able to leave your pension in the Scheme.

If you wish to leave the Scheme but remain working for Husqvarna, you must give the Group Pensions Department one month's written notice of your wishes. You should bear in mind that if you leave the

Scheme and later want to rejoin, you will only be allowed to do so at the discretion of the Trustees and Husqvarna UK Limited, and on such terms as they decide.

If you have completed less than three months' Pensionable Service, you will receive a refund of the contributions you have made to the Scheme. Tax (currently at the rate of 20%) will be deducted from your refund, along with the cost of buying you back into the State Second Pension.

If you have completed more than three months' but less than two years' Pensionable Service, you will be entitled to transfer your benefits to another pension arrangement as an alternative to having a refund of your contributions as described above.

If you have completed more than two years' Pensionable Service, you will be entitled to your pension at date of leaving. This is called your deferred pension. You can either leave your deferred pension in the



Scheme until retirement or you can transfer the value of your benefits to your new employer's pension scheme or to an individual pension policy.

Deferred pension

If you decide to leave your pension in the Scheme, it will become payable once you reach age 65.

However, if Husqvarna UK Limited and the Trustees agree, you can take your pension from age 50 (age 55 from April 2010), provided that the remaining pension is greater than any Guaranteed Minimum Pension (GMP). Your pension will be reduced to make allowance for the fact that it is being paid earlier. Special terms apply to some members.

During the period up to State Pension Age, any GMP will be increased to meet contracting-out requirements. In the period between leaving and retirement, your pension in excess of any GMP will be increased each year in line with the rise in the Retail Prices Index up to a maximum of 5.0%. For pension accrued to 5 April 2001, a minimum increase of 3% a year applies to the excess over GMP.

If you die with a deferred pension

If you defer your benefits and die before you reach retirement, a refund of your contributions is payable as a cash sum. If no spouse's, civil partner's, children's or other dependant's pension is payable, interest of 4% a year will be added between the date you leave and the date you die.

If you were married or in a civil partnership at the date of your

death, your spouse or civil partner will receive a pension. If you were not married or in a civil partnership, but were living with someone who was financially dependent on you, a dependant's pension may be payable at the Trustees' discretion. The pension will be one half of your deferred pension at the date of death. Children's pensions may also be payable.

If you become seriously ill with a deferred pension

If you choose to defer your benefits and then become seriously ill and have to stop working, you may be entitled to an incapacity pension at the discretion of Husqvarna UK Limited and the Trustees.

This will be based on your completed Pensionable Service in the Scheme and will be reduced for early payment. Special terms apply to some members. Please contact the Group Pensions Department for further information.

Transferring your benefits

If you choose to transfer the value of the benefits you have built up in the Scheme, a transfer value will be calculated and quoted to the pension arrangement you wish to transfer it to. The transfer value will be guaranteed for three months from the date it is calculated. Transfer values are calculated in accordance with legal requirements.

You do not have to transfer your benefits out of the Scheme straight after you leave. You may decide to transfer them at a later date. If so, a new transfer value will be calculated. It is recommended that you take

independent financial advice before taking a transfer to another arrangement.

Keeping in touch

If you leave Husqvarna and choose to defer payment of your benefits until retirement, you should make sure that you keep the Group Pensions Department informed of any change of address. They need to know where to contact you when the time comes to pay your pension.

Information about the Scheme (including the address at which the Trustees may be contacted) has been given to the Pension Tracing Service, which is managed by the Department for Work and Pensions. This acts as a central tracing agency to help individuals keep track of their deferred benefit entitlements with previous employers' schemes.

Pension Tracing Service

The Pension Service
Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA

Phone: 0845 6002 537
www.thepensionservice.gov.uk



You can reap more benefits

Additional Voluntary Contributions (AVCs)

As a member of the Scheme you pay contributions of either 5% or 8% of Contribution Pay and are entitled to a wide range of benefits. However, you can choose to make extra contributions known as Additional Voluntary Contributions (AVCs). AVCs can be used to increase your benefits and are particularly useful if you have a short period of service or you are planning to retire early and wish to make up a shortfall in your pension.

How they work

The Trustees have previously made two types of AVC arrangement available.

In the added years option members pay a percentage of their Contribution Pay to purchase extra Pensionable Service. This option was closed to new entrants as from December 2006.

In the money purchase option your AVCs are paid to an AVC provider, currently Zurich. You will be kept in touch with how they build up over the years.

Your chosen level of AVCs are deducted from your pay along with your normal contributions before tax so you benefit from tax relief. You cannot pay more than 15% of your gross earnings (including your normal contributions of 5% or 8%) into the Scheme in any tax year.

You can, however, pay more money into other pension arrangements (see panel below).

What they provide

You may be able to take some or all of your AVCs as a tax-free lump sum (see [page 9](#) for more details). Alternatively they could be used to purchase extra pension. It is worth remembering that AVCs are a long-term investment for retirement.

If you die before retirement

If you die before you reach retirement and you have not bought added years with your AVCs, your total AVC fund will be refunded free of tax. It will be paid to a dependant in the same way as other cash sums (see [page 13](#)).

If your AVCs are used to buy added years of Pensionable Service, your spouse or civil partner will receive a pension of half the resulting pension.

If you leave

If you leave the Scheme before you reach retirement, your AVCs must be treated in the same way as your other Scheme benefits. (See [pages 14-15](#) for more details.)

Finding out more

This page gives a brief overview of AVCs. More details are available from the Group Pensions Department.

Freedom to pay into more than one pension scheme

Since April 2006, you have the opportunity of paying into other pension arrangements such as a Personal Pension Plan at the same time as contributing to the Scheme, as long as the total paid into all schemes does not exceed your annual earnings (or the Annual Allowance – see below). You can pay up to 15% of your earnings into the Husqvarna Scheme.

The Annual Allowance

The Annual Allowance (AA) is the maximum tax-free increase in the value of your pension benefits which

is allowed in any one tax year. Effectively, since April 2006, you are allowed to contribute up to 100% of your earnings to pension arrangements as long as this is within the AA.

The AA was set at £215,000 for 2006/07 and will increase each year to reach £255,000 by 2010/11, when it will be reviewed. This will affect only a very small number of people, but if your pension benefits do increase by more than the AA, you will be liable to an additional tax bill.

Her Majesty's Revenue & Customs (HMRC – formerly the Inland Revenue) will monitor the increase

in your pension benefits through your annual tax return. For this purpose, you will find the increase in your Scheme benefits on your annual Benefit Statement.

Scheme specific Earnings Cap

The Scheme has a cap on Pensionable Pay. This was £112,800 in the 2007/08 tax year and it will be increased in line with the Retail Prices Index each year. Consequently the maximum contribution you can make to the Husqvarna Scheme each year will be 15% of this Earnings Cap (or your Pensionable Pay if less) if you joined after 1 June 1989.

State provision

What the State provides

The State Scheme is in two parts, the Basic State Pension and a second, earnings-related pension. Both are paid from State Pension Age, which is currently age 65 for men and for women born after 6 April 1955. Women born between 6 April 1950 and 5 April 1955 have a State Pension Age of between 60 and 65. For women born before 6 April 1950, State Pension Age is 60.

Basic State Pension

This is based on your history of National Insurance contributions. If your National Insurance contributions record is sufficient, you will receive the full Basic State Pension in addition to your pension from the Scheme. If you do not have a full National Insurance history, a reduced Basic State Pension may be paid.

State Second Pension

Until April 2002, the second tier of State pension was the State Earnings Related Pension Scheme or SERPS. From April 2002, SERPS was replaced by the State Second Pension or S2P, although you keep any benefits you built up in SERPS.

S2P is based on earnings, like SERPS. But since the Government aims to provide increased benefits for those on lower than average earnings, it is calculated differently.

Contracting-out

The Scheme is contracted-out of the second tier of State pension. This meant that under SERPS the Scheme was legally obliged to provide members with a pension equivalent to, or better than, the State scheme.

For contracted-out members, therefore, benefits from the Scheme replace the benefits they would otherwise have received from SERPS. This also means both you and Husqvarna pay lower National Insurance contributions

Following the introduction of S2P, those Scheme members who were contracted-out of SERPS are instead contracted-out of S2P.



*don't let the
grass grow*

Some other matters



Running the Scheme

The Scheme is run by Husqvarna Pension Scheme Trustee Limited. Currently there are seven Trustee Directors, four of whom are appointed by Husqvarna UK Limited and three by the members.

Together they are responsible for ensuring that the Scheme is run smoothly and always in accordance with the Trust Deed and Rules, the legal basis of the Scheme. The Trustees employ various professional advisers to assist them with the day-to-day running of the Scheme. These include investment managers, solicitors, auditors and actuaries.

Registered with HMRC

The Scheme is registered with HMRC (formerly the Inland Revenue). This currently means that:

- you receive full income tax relief on your contributions to the Scheme, including any AVCs
- the Scheme has some tax relief on its investment income and capital gains
- the cash sums payable on retirement or death are usually free of tax

In return for these valuable tax concessions, HMRC imposes a maximum on the amounts of benefits and contributions that can take advantage of these tax concessions through the Lifetime

Allowance and the Annual Allowance (see **pages 9 and 16**).

Changes or closure

Husqvarna UK Limited may, with the consent of the Trustees, change at any point the type of future benefits provided under the Scheme. Husqvarna UK Limited also reserves the right to discontinue the Scheme at any time. You will be informed of any changes as they take place.

If the Scheme were to be discontinued, your benefits would be secured out of the Scheme's assets in accordance with the Trust Deed and Rules. Husqvarna UK Limited would be required to make good any financial deficiency in the Scheme on its closure, in accordance with legal requirements. (See 'How safe is your pension?' on **page 21**.)

Statement of Funding Principles

The Trustees, on advice from the Scheme Actuary, have prepared a Statement of Funding Principles setting out the assumptions made in the actuarial valuations and their policy for meeting the statutory funding objective (SFO). The SFO is the requirement that the Scheme 'must have sufficient and appropriate assets to cover its technical provisions', that is, there must be sufficient assets to cover all the Scheme's liabilities both now and in the future.

Statement of Investment Principles

The Trustees have prepared a statement of the principles

*covering
all
bases*

governing their decisions about the Scheme's investments. This covers:

- **the Trustees' policy for complying with the Statement of Investment Principles**
- **the types of investments they hold and the balance between them**
- **their investment objectives, including any constraints they might impose in conjunction with their investment advisers**

A copy of this statement will be made available on request to any member who wishes to see one.

Appointment of Advisers

The Pensions Act states that the Trustees of occupational schemes must appoint formal advisers to certain roles. The Scheme's Trustees have appointed Jane Curtis of Hewitt Bacon & Woodrow as the Scheme Actuary, Hewitt as investment adviser, Horwath Clark Whitehill LLP as Auditors and Sacker & Partners LLP as legal advisers.

Secretary to the Trustees

The Pensions Act requires that the Trustees formally appoint a Secretary. They have appointed Russell Williams to this post.

Benefits as security

You must not promise your benefits to anyone else or use them as security for a loan. This is strictly forbidden under the Rules of the Scheme and any attempt to do so may result in a loss of benefit.

Divorce and your pension

If you divorce, your pension entitlement can form a substantial part of your assets. For divorce proceedings that started on or after 1 December 2000, the law now

allows courts to order the sharing of pension rights between divorcing partners. This applies equally to the break-up of a civil partnership.

If you are getting divorced or ending a civil partnership, and need information about your pension rights for the purposes of your settlement, you should contact the Group Pensions Department.

Temporary absence

If you are temporarily absent from work, because of illness or injury for example, your membership of the Scheme may be continued at the discretion of the Trustees, with the consent of Husqvarna UK Limited. If your membership is continued, you will continue to pay contributions and accrue benefits in the normal way.

Maternity and other family leave

Your period of paid maternity, paternity, parental or adoption leave will be treated as Pensionable Service and contributions will be deducted as normal. Any period of unpaid maternity, paternity, parental or adoption leave will not count towards your Pensionable Service unless Husqvarna UK Limited agrees and you pay the contributions after your return to work, or legislation requires it to be counted.

If you decide not to return to work, you will be treated as having left the Scheme at the point at which you ceased to pay contributions.

Part timers

If you work part time your pension will be adjusted to reflect this. For example, if you change from full time to part time work, your pension will reduce pro rata with the reduction in your earnings. If this applies to you, please contact the Group Pensions Department for more information.

Further information

Communication is given a high priority within the Husqvarna UK Limited Pension Scheme. The Trustees want to ensure that members understand their benefits and are kept fully informed about the progress of the Scheme. For this reason, you will receive an annual benefit statement while you are an active member which shows how your benefits are building up. In addition members receive an annual review which covers highlights of the Scheme's financial year, an annual summary funding statement and other information of interest to members. There is also a range of information which is available on request. This includes:

- **Trust Deed and Rules**
- **Actuarial Valuation Report**
- **Full Annual Report and Accounts**
- **Statement of Investment Principles**
- **Statement of Funding Principles**
- **Recovery Plan (if applicable)**
- **Schedule of Contributions**
- **Disputes procedure**

If you would like to see any of these items, or if, at any time, you have a query about the Scheme or your benefits, please contact:

Husqvarna UK Limited
Pension Scheme
Addington Way
Luton
Beds LU4 9QQ

Phone: 01582 588441 / 588446
Fax: 01582 588702
Internal: 7013441 / 7013446

If there's a dispute

Disputes

Any problems connected with your Scheme membership can normally be resolved quickly and easily by the Group Pensions Department. In those rare circumstances where the Group Pensions Department cannot resolve your problem, you can use the formal procedure which the Scheme has in place for resolving disputes. You can ask for a copy of the full formal disputes procedure from the Group Pensions Manager at the address on the previous page.

If, after following the procedure, you are unhappy with the outcome, the following external organisations are available to investigate complaints.

TPAS (The Pensions Advisory Service)

TPAS is available at any time to assist members and beneficiaries of the Scheme in connection with:

- any pensions query they may have
- any difficulty which they have failed to resolve with the Trustees or administrators of the Scheme

The Pensions Advisory Service
11 Belgrave Square
London
SW1V 1RB

Phone: 0845 601 2923
www.pensionsadvisoryservice.org.uk

The Pensions Ombudsman

The Pensions Ombudsman, appointed under section 145 (2) of the 1993 Act, may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme made or referred in accordance with that Act.

The Pensions Ombudsman
11 Belgrave Square
London
SW1V 1RB

Phone: 0207 834 9144
www.pensions-ombudsman.org.uk

Pensions Regulator

On 6 April 2005 the Pensions Regulator was established as the new regulator of work-based pensions in the UK, having wider and more flexible powers under the Pensions Act 2004. It is able to intervene in the running of pension schemes where trustees, employers or professional advisers have failed in their duties.

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Phone: 0870 606 3636
www.thepensionsregulator.gov.uk

Data Protection Act 1998

The Trustees and Husqvarna UK Limited need to hold personal data about you in order to run the Scheme efficiently and in your best interests. To do this, from time to time they may need to pass your data to the Scheme's actuary, auditor, administrator or other professional advisers.

The Trustees and Husqvarna UK Limited are regarded as 'Data Controllers' under the Data Protection Act 1998. This means they will only use your data to run the Scheme and not for any other purpose. If you want to see the details the Trustees hold about you, please contact the Group Pensions Department at the address on the previous page.



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How safe is your pension?

Guaranteed benefits?

Members may have been concerned about press coverage a while back, highlighting the plight of some groups of workers who lost their defined benefit pensions because of employer insolvency.

Defined benefit pensions such as the Husqvarna UK Limited Pension Scheme are often referred to as 'guaranteed' benefits. However, any guarantee is dependent on the financial strength of the employer who pays the balance of cost for providing the promised benefits.

The Government has recently introduced new legislation to further protect members' benefits, although the protection is subject to limitation. The new legislation includes:

Debt on Employer Regulations

Where an employer wishes to withdraw from an ongoing pension scheme, or the scheme is being wound up, the employer must ensure that the scheme is fully funded in order that the Trustees have sufficient assets to cover the pension liabilities.

Pension Protection Fund

The Pension Protection Fund (PPF) was set up by the Government and is paid for by a levy on all defined benefit pension schemes such as the Husqvarna Scheme.

The PPF's aim is to help members of defined benefit schemes if their scheme's sponsoring employer becomes insolvent and their scheme is under-funded, meaning there is not enough money to pay the benefits promised. In such cases the PPF will pay compensation to members. The PPF aims to provide:

- **100% level of compensation for people who have reached a scheme's normal retirement age, and for younger members who are in receipt of an ill health or incapacity pension**
- **90% of the benefits for other members, subject to a cap on the annual pension that can be paid. The amount of the cap will depend on a member's age when he/she starts to receive a pension, but it is likely to be £25,000 each year for members who start to receive a pension at age 65**
- **for pension earned before 6 April 1997, a level pension in payment (ie no increases)**
- **for pension earned after 5 April 1997, increases in payment in line with RPI up to a maximum of 2.5% a year**

The PPF reserves the right to decrease these benefits if the funding is not available.

The Pensions Regulator

The regulatory regime for pensions has been strengthened. If an employer acts (or fails to act) in a way that the Regulator believes is to avoid a pension debt, the Regulator can issue a Contribution Notice to the employer. This legislation is designed to prevent employers restructuring companies in order to avoid pension obligations.



Your pension examples

The difference in your take-home pay

Choose the correct example below for your contribution rate (5% or 8%) and by following the method shown, you can work out the real cost to you of being a member of the Husqvarna UK Limited Pension Scheme Final Salary section.

Contribution rate of 5%

After taking account of tax relief and National Insurance savings, the net cost (the difference you'll see in your take-home pay) is more like 2% than 5% of your Pay. In the example below the employee earns £22,800 a year and the net cost is only 1.9% or £434.76 a year (£36.23 a month).

Try your own figures using the following examples

Pay in the month of March 2007	£1,900 (22,800 / 12)
Lower Earnings Limit for March 2007	£364 (4,368 / 12)
Contribution Pay in March 2007	£1,900 - £364 = £1,536

To calculate contribution in March 2007

Multiply Contribution Pay by 5%	£1,536 x 5% = £76.80
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To calculate Tax Relief (assuming tax at 22p in the pound)

Multiply contribution by 22%	£76.80 x 22% = £16.90
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To calculate savings in NI Contributions *

	(£1,900 - £420.33 = £1,479.67)*
Multiply	£1,479.67 x 1.6% = £23.67

To calculate the net cost

Subtract tax relief and saving in NI contributions from monthly contribution	£76.80 - £16.90 - £23.67 = £36.23
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* Saving is 1.6% on monthly earnings between £420.33 (threshold figure) and £2,795.00 (the upper earnings limit) for tax year 2006-07.

Contribution rate of 8%

After taking account of tax relief and National Insurance savings, the net cost (the difference you'll see in your take-home pay) is more like 4% than 8% of your Pay. In the example below the employee earns £22,800 a year and the net cost is only 3.8% or £866.16 a year (£72.18 a month).

Try your own figures using the following examples

Pay in the month of March 2007	£1,900 (22,800 / 12)
Lower Earnings Limit for March 2007	£364 (4,368 / 12)
Contribution Pay in March 2007	£1,900 - £364 = £1,536

To calculate contribution in March 2007

Multiply Contribution Pay by 8%	£1,536 x 8% = £122.88
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To calculate Tax Relief (assuming tax at 22p in the pound)

Multiply contribution by 22%	£122.88 x 22% = £27.03
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To calculate savings in NI Contributions *

	(£1,900 - £420.33 = £1,479.67)*
Multiply	£1,479.67 x 1.6% = £23.67

To calculate the net cost

Subtract tax relief and saving in NI contributions from monthly contribution	£122.88 - £27.03 - £23.67 = £72.18
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* Saving is 1.6% on monthly earnings between £420.33 (threshold figure) and £2,795.00 (the upper earnings limit) for tax year 2006-07.

Normal retirement example

A woman retires on her 65th birthday on 6 October 2007, having completed 30 years, 183 days of Pensionable Service in the Husqvarna UK Limited Pension Scheme. She has paid contributions at the rate of 8% since 1 January 2005. Her leaving date is exactly half way through a Scheme year, which runs from 6 April to 5 April. Her earnings have increased each year. Her pension calculation is as follows:

Year	Pay	LEL deductions**	Pensionable Pay
2004/05	£18,000	£3,744	£14,256
2005/06	£19,000	£3,900	£15,100
2006/07	£20,000	£4,004	£15,996
2007/08	£10,500*	£2,054	£8,446

* Pay from 6 April 2007 to 6 October 2007 ** The LEL deduction has a two-year time lag. See **page 4**.

Final Pensionable Pay will be: $\frac{£14,256}{2} + £15,100 + £15,996 + £8,446 = \frac{£46,670}{3} = £15,556$

Pension will be: $\frac{30.5}{60} \times £15,556 = £7,907$ a year

A 4% bonus applies to Pensionable Service accrued to 5 April 1998 for members in service at 1 December 1998, excluding transferred-in service and added years service from AVCs.

Bonus will be: $\frac{21}{60} \times £15,556 \times 4\% = £217$

Total pension including bonus will be: $£7,907 + £217 = £8,124$ a year

Early retirement example

Here we assume that the woman in the normal retirement example is 53.5 years old rather than 65, that her earnings and service are the same and that she is not subject to any special early retirement terms. Her pension before reduction for early retirement is £8,124 a year. The standard early retirement terms for members active at the date of this booklet are as follows:

Date Joined Scheme	Pensionable Service	Amount of reduction
Before or on 1 April 1988:	More than 12.5 years	3% for each year before age 55
After 1 April 1988	More than 12.5 years	3% for each year before age 60
	Less than 12.5 years	3% for each year before age 65
She has completed more than 12.5 years Pensionable Service and joined the Scheme before 1 April 1988. She is not subject to any special early retirement terms. Therefore the early retirement reduction which applies is 3% a year to age 55.		
As she is 53.5 years old, the reduction is:		$3\% \times 1.5 = 4.5\%$
Therefore her early retirement pension is:		$£8,124 \times 95.5\% = £7,758$

Calculation of cash at retirement

The maximum tax-free cash available is equal to four times the pension at retirement.

To obtain a tax-free lump sum you have to give up part of your pension. The amount of lump sum you get for each £1 of pension given up is known as the commutation rate. This varies by age, so for example, currently at age 55 it is 18.3, at age 60 it is 16.4 and at age 65 it is 14.4. These rates are reviewed from time to time.

Assuming a pension at retirement at age 60 of £5,000 a year, the lump sum would be £20,000. The amount of pension given up to obtain the £20,000 would be:

$$\frac{£20,000}{16.4} = £1,220 \text{ a year}$$

Therefore the remaining pension payable would be: $£5,000 - £1,220 = £3,780 \text{ a year}$



*Husqvarna UK Limited Pension Scheme
Addington Way, Luton
Beds LU4 9QQ*