

O2 Pension Plan – Section 1

Understand Pensions

Pensions don't have to be complicated. The following pages will tell you all you need to know about your O2 Pension Plan. You'll find out how much you should invest, learn about different ways to invest and then when you do retire, how you receive your benefits.

So take a few moments to read about the Plan and see how having a Pension is of significant benefit not just to you, but to those closest to you, should anything happen to you whilst you are working at O2.

Plan Basics

This section covers the basics of Section 1 of the O2 Pension Plan. By reading this section you will learn that the Plan is a valuable benefit to you as an employee of the Company. Membership allows you to decide how much you can afford to invest for the future, to choose a style of investment and, at retirement, to select the benefits which suit your particular circumstances. It also provides life cover and a pension for a Dependant if you die while you are working for the Company.

The information on this website is intended to be a summary guide only of the basics of Section 1. The full details can be found in the Trust Deed and Rules (as amended from time to time), which forms the legal basis of the Plan. If there is any conflict between this booklet and the Trust Deed and Rules, the terms of the Trust Deed and Rules will prevail. If you have any questions about the Plan, contact details for the Plan administrators are available in the help and contacts section.

This summary describes the current Plan benefits and arrangements. These may change from time to time as a result of changes made by the Company to the Plan or as a result of changes to the tax and legal requirements which apply to pension schemes. The Company reserves the right to amend or discontinue the Plan at any time. If the Plan were to discontinue, your benefits would be secured out of the assets of the Plan in accordance with the Trust Deed and Rules.

Joining the Plan

It is easy to join the Plan and the sooner you join, the greater the advantages to you. The earlier you start saving for your retirement, the more time you give your funds to grow and the better the death in service benefits that are available.

Membership is voluntary and you will be invited to join the Plan as a Contributing member when you join the Company. And whether you are a permanent or a temporary employee your application will be welcome.

Join as soon as possible

If you join early the Plan can offer you more. Joining within your first 12 months at O2 will mean that you will be entitled to all the benefits that the Plan has to offer. Should you join outside of this first 12 months period then you will be a 'Pension Only' member and will not be entitled to the extra death benefits that the Plan provides - you will be covered for a lump sum of 2 x salary on death in service only rather than the enhanced death in service benefits of early joiners.

How to Join

You simply need to log in to the [Your Total Reward](#) website, select the 'Flexing your reward' tab and follow the steps to join the plan.

There are specific enrolment windows during which you are able to join the plan.

1. New starter - when you first start at O2 you will receive a new starter pack enabling you to join.
2. Annual enrolment - opens each year during November only. (More information is available on the [Your Total Reward](#) site).

Life event - a defined life changing event such as a promotion, moving house, getting married, having children etc. Please see the [Your Total Reward](#) site for more details on this.

Making contributions

As a member of the Plan, you pay contributions at the rate of 4% of your Plan Salary. The Company will also contribute 4% to your Retirement Account. You may also make additional contributions and the Company will match any regular additional contributions you are making above 4% up to an overall maximum Company Contribution of 10%.

You may pay contributions up to a total of 100% of your Plan Salary on the condition that you are able to meet your other financial commitments from your salary (such as the payment of National Insurance). You should also give consideration to the Annual Allowance and Lifetime Allowance if you are a high earner and thinking about making substantial contributions.

You may increase or decrease your contribution rate subject to giving appropriate notice. If you would like to change your investments you need to do so through the **Your Total Reward** website.

There are two specific enrolment windows during which you are able to amend your contributions.

1. Annual enrolment - opens each year during November only. (More information is available on the **Your Total Reward** site).
2. Life event - a defined life changing event such as a promotion, moving house, getting married, having children etc. Please see the **Your Total Reward** site for more details on this.

Your contributions will be deducted from your pay before tax, giving you tax relief at your highest rate. Therefore, for example, if you pay tax at the rate of 20%, every £1 that you contribute only costs you 80p. If you are a higher rate tax payer, the net cost of every £1 you pay is only 60p.

In addition you are able to save National Insurance when making your pension contributions – see Salary Sacrifice.

Salary Sacrifice

Most people know that you do not pay tax on contributions you make to a pension scheme like The O2 Pension Plan. However, not all schemes enable you to save National Insurance (NI) on the contributions you make – the O2 Pension Plan does and it is called Salary Sacrifice.

Salary Sacrifice is the name given to the special arrangement whereby you save the NI on the cost of making payments to your pension. Under Salary Sacrifice, O2 instead makes payments on your behalf and therefore the payment is not assessed against you for NI. It's called Salary Sacrifice because although O2 pays for the benefit on your behalf, you literally have to give up, i.e. *sacrifice*, that much of your *salary* in return.

How much you save in National Insurance under Salary Sacrifice depends on your earnings and to which section of the O2 Pension Plan you belong. The table below illustrates what you save by paying contributions under Salary Sacrifice – don't be misled by the two columns; you pay different rates of NI depending on which section of the Plan you belong to, so your NI saving is different.

Saving in the cost of your pension contributions by paying for them by Salary Sacrifice		
Salary	Section 1 Pension Plan member	Section 2 or 3 Pension Plan member
£0 - £5,460	Nil	Nil
£5,460 - £40,040	11%	9.4%
£40,040 and above	1%	1%

Over the course of a few years this can lead to considerable savings so it's no surprise that paying pension contributions through Salary Sacrifice has become very popular.

Using Salary Sacrifice

Salary Sacrifice is accessible through flexible benefits at www.O2Rewards.com. On joining the Plan, you will have the option to make your contributions on a Salary Sacrifice basis. You will find that the Salary Sacrifice option box is pre-selected if, according to the advice the company has received, you would broadly benefit from Salary Sacrifice. You can opt out of Salary Sacrifice through the flexible benefits pages of www.O2Rewards.com

For those members who were pension members at 1 July 2007, unless you chose otherwise at flexible benefits enrolment, you may have been placed into Salary Sacrifice on the basis of the advice the company received. You should check your pension statement at www.O2Rewards.com

When not to use Salary Sacrifice

Your National Insurance (NI) contributions are important; they provide you with entitlement to many state benefits. Some state benefits disappear altogether if you do not pay NI, some are reduced. The following groups of pension member should take particular care before paying contributions under Salary Sacrifice.

<p>State Second Pension losses for members.</p> <p>Reduced Salary for NI purposes results in lower State Second Pension at retirement.</p>	<p>Does not affect those people earning above the Upper Earnings Limit (£40,040).</p> <p>Does not affect you if you are a member of Section 2 and 3 of the O2 Pension Plan as Contracted Out of the State Second Pension.</p> <p>For Section 1 members, the Salary Sacrifice option in the Flex option page is pre-selected to reflect those who we are advised will 'win' and 'lose' under Salary Sacrifice. By win, we mean that the State Second Pension forgone is more than compensated for by NI saving for most members. Details of this pre-selection can be sought from the pensions centre but there is a summary later on this page.</p>
<p>State Benefit losses for members.</p> <p>NI history is used to calculate certain benefits such as Statutory Sick Pay, Incapacity Benefit and Job Seekers allowance. A reduced NI record leads to inability to claim benefits in the future.</p>	<p>This affects those pension Plan members with salary which, following Salary Sacrifice, will be reduced below the NI limit of £5,460.</p> <p>For Section 1 members, the Salary Sacrifice option in the Flex option page is pre-selected to reflect those the Company are advised will 'win' and 'lose' under Salary Sacrifice.</p>
<p>Breach of Minimum Wage</p> <p>For plan members with earnings close to the minimum wage, Salary Sacrifice may take their earnings below the minimum wage.</p>	<p>This category of member will not be able to benefit from Salary Sacrifice; the system will not let you make a benefit choice that will reduce your income to this level.</p>

Help from the flexible benefits joining page

The enrolment page in flexible benefits goes a step further and will actually have pre-populated Salary Sacrifice for you if, under the advice that the company received from independent experts, you are someone who will broadly benefit from Salary Sacrifice. However, it is your responsibility to read and understand what you are signing up to and to make the right choice for you. Accordingly you have the option to select or unselect this should you choose.

The pre-populations works as below:

- Section 1 members – will be pre-selected into Salary Sacrifice unless earning less than £6,000 per annum or between £30,000 to £40,000 and aged over 50.
- Section 2 and Section 3 members – will be pre-selected into Salary Sacrifice unless earning less than £6,000 per annum.

Salary Sacrifice impact on other benefits such as bonus

Salary Sacrifice does not affect your salary figure used for any other calculations – for example any disclosure by O2 at your request for a mortgage application or in the calculation of any of your pay elements, such as bonus, where applicable. It will also not impact on the calculation of any pension benefits apart from refunds on leaving the Plan early (see below).

Salary Sacrifice for early leavers

One more consideration: when you make pension contributions on a Salary Sacrifice basis they do not count towards the early leavers' refund. So if you leave within three months of joining the Plan, you will receive no benefits. If you leave after three months but before you have completed two years in the Plan, you will need to transfer your pension to one of the many available alternatives (your new employer or an insurance company). We strongly recommend that you do this in order to maintain your retirement savings and also to ensure that your contributions are not lost.

Trustees' objectives

The Trustees have provided a range of investments that are suitable for your long and short-term retirement saving objectives. In doing so, the Trustees have decided to make a core range of funds available that is sufficient to meet the needs of the majority of Plan members. The Trustees will keep the range of investment funds available under review. You should also note that the Trustees monitor the current investment options on an ongoing basis and may decide in the future to remove some or all of these options.

First of all, we will explain some of the jargon that you will encounter when reading about the different investment choices, the different types of investments you may choose, and the decisions on risk that you need to make before investing.

The investment jargon

Fund Manager

The Fund Manager is the company/person that is responsible for choosing the stocks and shares within a fund in which your money will be invested.

Benchmark

The benchmark is the investment comparison that has been set for each Fund Manager. Typically, the benchmark is an investment index, which comprises stocks and shares that are representative of the market as a whole. Examples of investment indices of which you may have heard are the FTSE 100 Index and the Dow Jones Index.

Active or passive management

You have two types of investment management style available to you; active and passive.

A passive investment style will involve the Fund Manager trying to "track" the performance of the Benchmark; such funds are commonly referred to as "tracker" funds. Typically, the Fund Manager would do this by holding stocks in roughly the same proportions as the index. This approach takes most of the risk out of performing worse than a market. However, it does not remove the risk that the market itself will fall, or aim to beat the market even when the market falls.

An active investment style will involve the Fund Manager trying to "beat", ie perform better than, the Benchmark. The Fund Manager will attempt to do this by using his

knowledge of companies to select stocks and shares that will do better than the market on average.

An actively managed fund aims to give higher returns than a passive fund, but there is a risk of it giving lower returns.

Lifestyle

This is the default investment choice, it automatically changes how your money is invested as you approach your intended retirement age. The intention is to maximise returns while you are far away from retirement while switching your money into more "secure" assets as you approach retirement. The exact mechanics of the Plan's lifestyle arrangement are explained on the lifestyle investment option page. You should note that the Trustees maintain the discretion to change the mechanics of the lifestyle option.

This strategy may not be suitable for you and may not provide as favourable an outcome as another investment approach. You must keep the decision to invest in a lifestyle option under regular review.

The fund managers



Legal & General Investment Management's parent company is Legal & General Group Plc, which is one of the UK's top 100 companies, with a market capitalisation of over £9.7 billion as at 30 June 2007. It is responsible for the management of assets worth about £250 billion, including the assets of two of the largest pension schemes (British Telecom and Royal Mail) in the UK.

L&G has a great deal of expertise in managing assets for pension schemes using a passive (index-tracking) approach and is currently a market leader in this kind of business.



UBS Global Asset Management was formed from the merger in 2000 of Brinson Partners in the US and Phillips & Drew in the UK. The parent company is a publicly quoted Swiss Bank, UBS AG. The firm is one of the largest asset managers in the world, and manages about £375 billion worth of assets globally. UBS focus mostly on institutional (eg pension schemes) clients, specialising in active investment management.



HSBC Amanah is the global Islamic banking division of the HSBC Group, and was established in 1998 with the aim of making HSBC the leading provider of Islamic banking worldwide. With more than a hundred professionals serving the Middle East, Asia Pacific, Europe and the Americas, HSBC Amanah represents the largest Islamic banking team of any international bank.

Transfer from Hermes to L&G

Background

Prior to October 2007 the passive (i.e. index-tracking) funds within the Lifestyle and Selfstyle options were managed by Hermes Assured Limited ("Hermes"). In July 2007 Hermes announced that they were closing their passive management business.

Transfer to L&G

Having consulted with the Plan's investment advisors, the Trustee decided to replace Hermes with Legal & General Investment Management ("L&G"), who are the largest provider of passive investment management services in the UK.

The change was to the investment manager of the funds and did not represent any change to the investment choices offered by the Plan. L&G will continue to aim to match the market index returns on assets in the same way that Hermes did. As such there was no change to the way in which the investments are managed.

We have prepared a [Q&A](#) page regarding the transfer to L&G.

Investment Options

There are two investment choices under the O2 Pension Plan: Lifestyle and Selfstyle. If you would like the Plan to make your investments decisions for you then choose Lifestyle as your contributions will be invested for you and adjusted as you get closer to retirement. Selfstyle allows you to make your own choices.

Lifestyle option:

If you choose not to select an investment option, the Lifestyle strategy will apply.

Selfstyle Option

There are eight different types of fund within the self-style option of the O2 Pension Plan. Details of these funds are as follows:

- **UK Equity Fund – UBS (active)**
- **UK Equity Fund – L&G (passive)**
- **Global Equity Fund ex-UK - UBS (active)**
- **Global Equity Fund – L&G (passive)**
- **Index-linked Gilt Fund – L&G (passive)**
- **Long-dated Gilt Fund – L&G (passive)**

- Cash Fund – L&G (active)
- Sharia compliant - HSBC Amanah Fund

UK Equity Fund - UBS

These funds are invested in UK shares. The returns that you can expect from equities are volatile and therefore such funds are most appropriate when you are not too close to retirement and are prepared to invest for the long-term. The Plan currently offers you an actively managed fund run by UBS.

L&G UK Equity Index Fund

This fund invests in UK shares, collectively termed equities. The returns that you can expect from equities are volatile and therefore such funds are most appropriate when you are not too close to retirement and are prepared to invest for the long-term.

The Plan currently offers you a passive (index-tracker) fund managed by L&G.

Global Equity Fund ex-UK - UBS

These funds are invested in shares throughout the world. A significant amount of the investments are in foreign companies and are therefore not priced in sterling. Therefore, the price of your investments will also depend on the movements in exchange rates over time.

However, the Fund Manager has a larger universe to select shares, and therefore potentially has many opportunities to make money. The other benefit is that the larger universe allows the Fund Manager to reduce the concentration in the shares of any one company, reducing your risk in the event of a company becoming bankrupt.

The returns that you can expect from equities are volatile and therefore such a fund is most appropriate when you are not too close to retirement and are prepared to invest for the long-term.

The Plan currently offers you an actively managed fund run by UBS.

L&G Global Equity Fixed Weights (50:50) Index Fund

This fund invests in shares throughout the world, collectively termed equities. Around half of the investments are in foreign companies and are therefore not priced

in sterling. Therefore, the price of your investments will also depend on the movements in exchange rates over time.

However, the large universe of shares allows the Fund Manager to reduce the concentration in the shares of any one company, reducing your risk in the event of a company becoming bankrupt.

The returns that you can expect from equities are volatile and therefore such a fund is most appropriate when you are not too close to retirement and are prepared to invest for the long-term.

The Plan currently offers you a passive (index-tracker) fund managed by L&G.

L&G Over 5 Year Index-Linked Gilts Index Fund

The fund is invested in bonds issued by the British Government (also known as Gilts). These bonds pay a rate of interest that broadly increases in line with inflation.

The returns that you can expect from Gilts are fairly steady and at the moment tend to move broadly in line with the rates at which you will purchase pension when you come to retire. As Gilts are not perceived to be as "risky" an investment as equities, the expected returns are not as great as one might expect from equities. Therefore, such a fund is most appropriate when you are close to retirement.

The Plan currently offers you a passive (index-tracker) fund managed by L&G.

L&G Over 15 Years Gilts Index Fund

The fund is invested in bonds issued by the British Government (also known as Gilts). These bonds pay a fixed rate of interest.

The returns that you can expect from Gilts are fairly steady and at the moment tend to move broadly in line with the rates at which you will purchase pension when you come to retire. As Gilts are not perceived to be as "risky" an investment as equities, the expected returns are not as great as one might expect from equities. Therefore, such a fund is most appropriate when you are close to retirement.

The Plan currently offers you a passive (index-tracker) fund managed by L&G.

L&G Cash Fund

The fund is invested in cash-based investments in the UK money markets. These investments typically receive interest at rate similar to the Bank of England base rate.

The returns that you can expect from cash are very steady and it is very rare that the value of your investment will decrease. As cash investments are not perceived to be as "risky" an investment as equities or Gilts, the expected returns are not as great as from equities or Gilts. Therefore, such a fund is most appropriate when you are close to retirement, or wish to protect the capital value of your pension savings for short periods of time.

The Plan currently offers you an active fund managed by L&G.

HSBC Amanah Fund

The Amanah fund offers investors exposure to the largest 100 companies engaged in Shariah-compliant activities globally.

The fund aims to provide a specialist investment that is approved by a Shariah Supervisory Committee and therefore is compliant with Islamic law.

HSBC manage the fund and much more information on how the fund is operated can be found by clicking on the link below which will take you to O2 Pension Plan's bespoke section of HSBC's website (www.hsbcamanah.com).

Note: Under current legislation, members of Section 1 of the O2 Pension Plan will be required to purchase an Annuity on retirement. Members considering this option should consider taking financial advice.

[In October 2007 Legal & General Investment Management \("L&G"\) replaced Hermes Assured Limited as investment manager of the Plan's passive funds.](#)

Different classes of investment

There are three basic classes of investment available under the Plan — equities, bonds and cash. It is important that you understand the differences between them because they have different risk profiles.

Equities (or company shares)

These are shares in UK and overseas companies. The Trustees have been advised that, in their investment adviser's opinion, over the long term, the return from shares has the potential to rise by more than bonds and cash. However, the success of shares depends on economic and market conditions as well as the performance of the individual companies.

Share prices can rise and fall quite sharply, so there is no guarantee that you will get

back the capital you have invested. Sudden falls in share prices can be a particular problem if they take place immediately before your retirement, when your investments need to be sold. Investing in shares in overseas companies carries with it an exposure to currency risk.

The Trustees have been advised that shares are generally considered by their investment adviser to be more suitable for members at least five to ten years until retirement who can take advantage of long-term growth and may be better placed to bear any loss. But there is no guarantee that long-term growth will be achieved and shares may not be a suitable investment for all members. It is important to note that when losses arise they can be significant.

Bonds

Bonds are issued by companies or governments as a way of raising money. The issuer normally promises to repay the money at an agreed time and to pay interest in the meantime. The interest can be at a fixed rate, or the interest rate can be linked to increases in inflation.

Gilts are bonds issued by the UK Government.

Bonds are traded in the investment markets and the value of a bond can fall as well as rise depending on changes in interest rates, as well as supply and demand, and expectations about rises or falls in future inflation rates.

The Trustees have been advised by their investment adviser that the long-term return on bonds is expected to be lower than that offered by shares.

The amount of pension that you can buy at retirement is currently linked to the price of bonds and therefore such investments may be useful close to retirement, if you are trying to minimise any major changes to the amount of pension you will receive when you retire.

Cash

You will be familiar with deposit accounts from your bank or building society. Cash and deposit funds are similar. Because the money which is lent or placed on deposit is payable back on demand or on giving a short period of notice, the rate of interest earned on the money tends to be lower than the rate of return available on bonds. The interest earned on a cash or deposit fund may not keep up with price inflation.

The Trustees have been advised that cash and deposit funds are normally considered by their investment adviser to be low-risk, in that the amount of the investment never normally decreases. However, in return for this security, the returns that can be expected over the long-term are lower than those expected from equities and bonds. The Trustees have been advised that currently cash and deposit funds are not considered to be suitable for achieving long term investment growth.

Investment risk

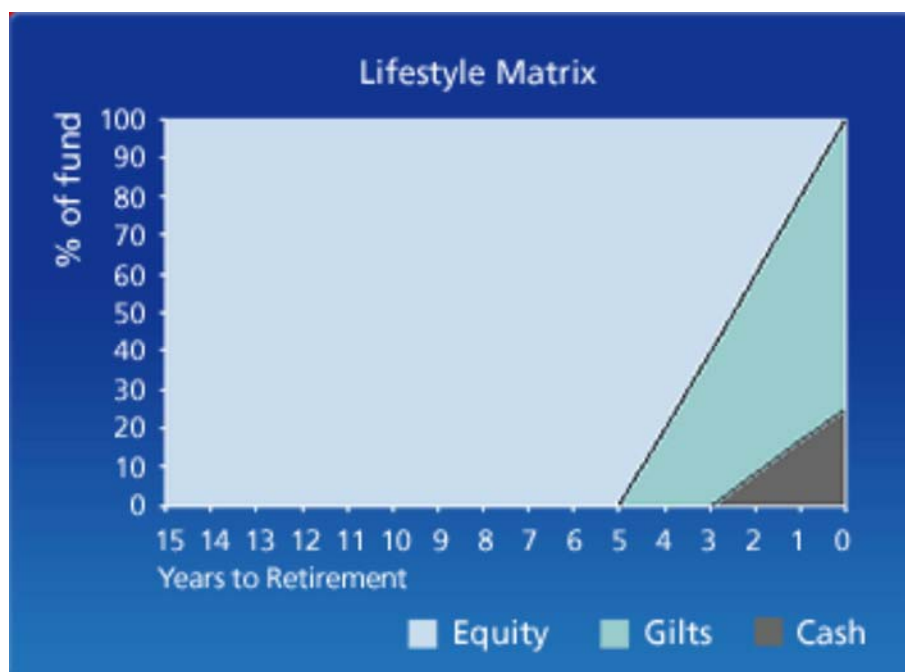
When you hear people talk about investment risk, they usually mean the risk that the value of your investments may fall as well as rise - this is also known as volatility. But there are other kinds of risk that are equally important. The value of your investments may be eroded by inflation, and the buying power of your investments may be eroded as the price of buying pension can also change. The key to successful investment is balancing these different kinds of risk against each other.

In the earlier part of your career, it may be appropriate to accept a higher level of short-term volatility (or risk) in order to reap the potential reward of higher long-term growth. However, as you approach retirement age you may wish to protect the value of your investments and minimise the risk of them going down in value. When you retire, under current laws you must use some of your investment to buy a pension in the form of an Annuity. In exchange for a lump sum, the annuity company will provide you with an income for the rest of your life. The cost of buying a pension varies. As you approach retirement, you may wish to protect the buying power of your investments.

Your attitude to risk may change over a period and the levels of the different investment risks will also change. This means that you need to review your investments on a regular basis. You may wish to change the mix of your investments from time to time.

Lifestyle investment option

The Lifestyle strategy will automatically switch your investments over time. Up until 5 years before your designated retirement age, your assets will be invested in the L&G Global Equity Fixed Weights (50:50) Index Fund. From then on, your assets will be switched into a combination of the L&G Over 5 Year Index-Linked Gilts Index and the L&G Cash funds over the period to retirement so that you will not be invested in equities when you come to retire. The chart below illustrates how the proportions in each type of investment will vary over time:



The Trustees retain the discretion to vary the matrix and the underlying funds of the Lifestyle approach, although you would be informed of any changes.

This strategy may not be suitable for you and may not provide as favourable an outcome as another investment approach. You must keep the decision to invest in a lifestyle option under regular review. If you choose not to select an investment option, the Lifestyle strategy will apply.

Switching investments

If you are a current plan member you will need to change your investment options through the [Your Total Reward](#) website.

There are two specific enrolment windows during which you are able to change your investment options.

1. Annual enrolment - opens each year during November only. (More information is available on the [Your Total Reward](#) site).
2. Life event - a defined life changing event such as a promotion, moving house, getting married, having children etc. Please see the [Your Total Reward](#) site for more details on this.

If you are a deferred member you can switch between different investment options at any time by completing a switch form. Once completed this should be returned to the Plan administrator. You can also change your instructions for the investment of future contributions from a given month, provided your revised investment form is received by the Plan administrators before the end of the previous month.

Transfer in benefits

You may be able to transfer benefits you have from being a member of a previous pension scheme.

Should you be interested in this, please complete the transfer in form and return to the Plan administrators who will investigate the feasibility of transferring your benefits.

Transferring your benefits may result in leaving service options changing such that you may not take a refund of your contributions if leaving prior to 2 years service. The pensions centre will advise.

Retirement benefits

Retirement age

There is much flexibility and choice in retirement under the Plan and more details on how you can arrange your retirement can be found in the following pages. This first page provides details on the ages from which you can draw your pension.

Normal retirement age

The retirement age under the Plan changes from 60 to 65 from 1 October 2006. This means that from the 1 October 2006 you have the following rights:

- You may retire from age 60 if you wish and take benefits without penalty. This will be classified as an early retirement (see early retirement and flexible retirement).
- You may continue to be employed by the Company up until your 65th birthday* without needing consent of the company. You can continue to save through the Plan with entitlement to all the benefits of membership.
- You may request to remain in service later than your 65th birthday.

The change in your retirement age from 1st October 2006 represents an additional right to you to work for as long as you wish or retire as early as suits you.

See also normal retirement.

Minimum retirement age

You can currently retire and use your Retirement Account to purchase benefits at any time from age 50. However, government changes mean that this will increase to 55 from 6th April 2010.

More information on early retirement, including details of ill health pensions and how you set up your early retirement benefits, can be found under early retirement and flexible retirement.

Maximum retirement age

If you are considering delaying your retirement, you will have to take your pension no later than your 75th birthday.

Also see late retirement.

Choosing your retirement age for investment purposes

Under the Lifestyle investment strategy you will need to select a target retirement age. This must be between the Minimum and Maximum retirement ages above. To find out more about how the Lifestyle investment strategy works see the Investment

Options page. If you do not make an active choice regarding your retirement age, the Plan will assume you wish to retire at age 65.

*The Company's intranet pages provide further information on your employment rights.

Normal retirement

The Normal Pension Age under the Plan is age 60 until 1 October 2006 when it is 65. When you retire, the value of your accumulated Retirement Account will be used to purchase the benefits of your choice. As well as a pension for yourself, these benefits can include:

- a tax-free sum
- a pension payable to your spouse should you die first
- a pension for your Dependants should you die first

The maximum* amount of the tax-free sum you are able to take is normally restricted to 25% of the value of your Retirement Account.

Any pension provided (except for any pension provided from any additional contributions which you have made) must increase with inflation each year, up to 5%.

Your pension will be paid directly to your bank or building society account and will be subject to tax. It is payable for life.

Example:

A member is age 60 in 3 months time with a Retirement Account value of £40,000. The member is given following options:

- use all the £40,000 for a pension for himself that will be paid for the rest of his life and increased with inflation each year, up to 5%.
- take a lower pension but have pension increases each year up to a higher maximum.
- take up to £10,000 as a tax-free cash lump sum and use the rest of the money to buy a pension.
- take a lower pension for himself and use some of his Retirement Account to provide a pension for his partner, when he dies.
- take a pension with a guarantee period so that if he died during the first five years of retirement, his beneficiaries would receive an amount equivalent to any unpaid installments.

The Plan administrators will contact you six months before you reach age 60 to let you know:

- how much is in your Retirement Account
- how much pension this could buy
- what your options are
- what to do next

*If your entitlement to tax free cash was greater immediately prior to the 6th April 2006 you may take the higher value. See Cash Allowance.

Early retirement

As with normal retirement, you can use your Retirement Account to purchase retirement benefits for yourself and your Dependants. If you retire early, your benefits will be lower because:

- Less contributions will have been made and the monies in your Retirement Account will have had less time to grow.
- Your pension is expected to be paid for a longer period and therefore is more expensive to purchase.

You can currently retire and use your Retirement Account to purchase benefits at any time from age 50* (or earlier if on the grounds of ill-health). If you are under age 60 (under 65 from 1 October 2006), you will require the Company's permission which will not ordinarily be withheld should the appropriate period of notice be provided. Should you wish to consider this please discuss this with your line manager. Once approved you should contact the Plan administrators who will arrange for a quotation to be sent.

*Note that the Government has announced a change in this minimum age to 55 from 2010.

Late retirement

If, with the Company's agreement, you continue in employment after your Normal Pension Age, further contributions will be paid into your Retirement Account. The existing monies in your Retirement Account will continue to be invested and together with future contributions, will accumulate investment income until you actually retire.

You should note that up until 1st October 2006, members need to seek the Company's agreement to stay in service past their 60th birthday. From 1st October 2006, there is no such requirement until you reach age 65. More details can be found under Retirement Age.

Current law requires you to put your benefits into payment no later than your 75th birthday.

Flexible retirement

Flexible retirement has been introduced from the 6th April 2006. Flexible retirement means exactly what it sounds like it means - more freedom to draw your pension in the way that most suits you. You may wish to consider:

1. Taking your pension whilst continuing to work

Subject to being at least the Minimum Retirement Age, you may put your pension benefits into payment without leaving O2. This is a change to the position prior to 6th April 2006 where the law meant that you had to leave the Company you worked for in order to take your pension benefits. You may use this approach in conjunction with 3 and 4 below.

2. Postponing your benefits

You will not be forced to take your pension when you reach age 60 or 65 or on leaving the Company at either of those ages. You can choose to take your pension anytime before your 75th birthday at which time tax rules require that you put your Retirement Account into payment.

3. Take your benefits over staggered periods

This is more complicated and the example below is intended to help you understand your options. You are able to use part of your fund to set up a pension and tax free cash. The remainder of the fund will stay invested until you choose to put it into payment. There are a few conditions that apply to ensure that the process works well and complies with tax law but there are no conditions that are designed to inconvenience you.

Example

On reaching age 58 Ramon decides to put part of his pension fund into payment and reduce his hours of work with O2 to 3 days a week.

Ramon opts to put half his fund of £90,000 into payment. Of this £45,000, Ramon opts to take 25% (£11,250) as tax free cash to pay off his mortgage and uses the other £33,750 to purchase a pension which is arranged by the O2 Pensions Admin team.

The remaining element of Ramon's retirement account (£45,000) continues to be invested until his 65th birthday when Ramon puts his entire fund into payment. Between age 58 and 65 Ramon continues to contribute to the O2 Pension Plan and his contributions along with the Company's matching contributions and tax relief are invested in his Retirement Account.

Ramon was covered for death benefits as follows:

- Up to age 58 - 3 x salary and a 30% dependent's pension.
- Age 58 to 65 - 3 x salary and any dependent's pension set up by purchasing a pension.
- 65 onwards - any dependent's pension set up by purchasing a pension.

Conditions

- The first payment must not commence prior to your Minimum Retirement Age.
- All benefits must be in payment before or on your 75th birthday.
- Tax free cash relating to an element of your Retirement Account must be taken at the same time as the pension to which it relates.
- Subject to (iii) above you may continue to contribute to the Plan under 4 below.

4. Make more savings

If you choose to take only some of your pension (under 1, or 3 above), you may continue to contribute to the Plan. You will need to be in the employment of the Company and either under age 65 or have Company consent. You will also need to maintain a balance of at least £2,000 in your Retirement Account. You will continue to benefit from Company Contributions as set out in Making Contributions. However, your death benefits will be altered as noted below.

5. Partial transfer of your benefits

You may opt to transfer part of your Retirement Account should you wish. The conditions that apply are as noted in conditions (ii), (iii) and (iv) in 3 above. You are strongly recommended to take Financial Advice should you be considering this option.

Death benefits under flexible retirement

Should you be in receipt of pension from the Plan but remain in service you will be entitled to the following death benefits:

1. If you do not make further contributions to the Plan under 4 above, you will be entitled to 2 x salary as though a non member.

2. If you continue to contribute at least 4% of salary to the Plan under 4 above you will be entitled to a lump sum death benefit of 3 x salary. Entitlement to 30% dependent's pension will cease from the date that your first pension payment is made. The dependent's pension by virtue of being an active member ceases as pension in payment may provide a dependent's pension.

Death Benefits

There are three types of death benefit available in the Plan:

- **Death in Service**
- **Death After Leaving the Plan**
- **Death in Retirement**

Death in service

If you die in service then a range of benefits are payable:

- A lump sum - an amount equal to 3 times your Plan Salary at the date of your death plus an amount equal to that part of your Retirement Account attributable to the contributions you have made to the Plan.
- A spouse/Dependant's Pension. This will normally be equal to 30% of your Plan Salary.

However, you should note that if you joined the Plan late (see Joining the Plan) then you may be a 'Pension Only' member and covered for death in service at the level of a non-member which means a lump sum of 2 times your Plan Salary at the date of your death will be paid.

Death after leaving the Plan

If you die before retirement the Trustees will use your Retirement Account to pay a lump sum or to provide a pension for your Dependents.

Death in retirement

On your death in retirement, your spouse and Dependents will receive any pension or death benefits, which you purchased for them from your Retirement Account at the time of your retirement.

Please ensure that you have an up to date Expression of Wish form to let the Trustees know your wishes in the event of your death.

Leaving the Plan

Your membership of the Plan will end when you leave the employment of the Company. You can also leave the Plan (while remaining an employee of the Company) by giving six weeks' notice to the Plan administrators.

If you chose to leave the Plan, you will only be able to rejoin the Plan in the future with the agreement of the Company but will be admitted as a Pension Only member (see Joining).

If you chose to leave the Plan, your options depend on whether you have:

- **been a member for less than 3 months**
- **been a member for 3 months or more but less than 2 years**
- **been a member for more than 2 years**

Less than 3 months

If you joined the Plan and opted to make contributions on a Salary Sacrifice basis, no benefits are payable if you leave the Plan within 3 months of your date of joining the Plan. Take a look at the Salary Sacrifice page to find out more.

If you did not opt to make contributions on a Salary Sacrifice basis when you joined the Plan and leave within 3 months of joining the Plan, you will receive a refund of the value of your accumulated contributions less tax (currently at 20%). No benefits will be received in respect of the contributions paid by your employer.

3 months or more but less than 2 years

If you have been in the Plan for 3 months or more but less than two years, you have two options:

- A refund of the value of your accumulated contributions less tax (currently at 20%). No benefits will be paid in respect of the contributions made by your employer which includes contributions paid to the Plan on a salary sacrifice basis. Please see the Salary Sacrifice page to find out more.
- Transfer the full value of your Retirement Account to another approved arrangement, which is able and willing to accept a transfer payment. You will have 3 months to decide to take a transfer from the date that a letter summarising your options is sent to you by O2 Pensions Administration.

More than 2 years

If you have been in the Plan for more than two years, you have two options:

- Leave your accumulated contributions in your Retirement Account where they will continue to be invested until retirement. At retirement, the accumulated value will be used to purchase the benefits of your choice. (You may retire early in the same circumstances as set out under Early Retirement)
- Transfer the full value of your Retirement Account to another approved arrangement, which is able and willing to accept a transfer payment. You may opt to take a transfer value at any point up to a year prior to your Retirement Age.

Your state pension

The State scheme is in two parts — the State Basic Pension and the State Second Pension. Both are paid from State Pension Age (currently age 65 for men and 60 for women but this will be equalised to age 65 for all in the period from 2010 to 2020).

Section 1 of the Plan is not contracted out of the State Second Pension and therefore you will normally receive the State Basic Pension and the State Second Pension in addition to your Plan benefits.

Further information

Queries and disputes

All pension queries, including problems or complaints regarding the membership of the Plan should, in the first instance be directed to:

O2 Admin Team
Accenture HR Services
Venture House
Venture Way
Chesterfield
S41 8NR
Tel: 0800 731 2638

Email: O2adminteam.hrservices@accenture.com

A copy of the annual report of the Plan is also available from the Plan administrators on request.

The Plan has a formal procedure in place for resolving disputes. You may request a copy of the full formal disputes procedure from the Plan administrators at the above address.

If you are dissatisfied with the outcome of the internal dispute procedure, the following external organisers are available to investigate complaints.

The Pensions Advisory Service (TPAS) and the Pensions Ombudsman

TPAS is available at any time to assist members and other beneficiaries of the Plan in connection with any pension query that they may have or difficulty which they failed to resolve with the Trustees or administrators of the Plan.

Complaints may also be referred to the Pensions Ombudsman who will investigate and determine any complaint or dispute of fact or law.

TPAS and the Pensions Ombudsman can be contacted at:

11 Belgrave Road
London
SW1V 1RB
Tel: 01273 627600

The Pensions Regulator

The Pensions Regulator is able to intervene in the running of pension schemes where trustees, employers or professional advisers have failed in their duties.

The Pensions Regulator can be contacted at:

*The Pensions Regulator
Napier House
Trafalgar place
Brighton
BN1 4DW
Tel: 0870 6063636*

Tax advantages of the Plan

The Plan has been approved under Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988. This approval results in the following tax advantages.

- both your contributions and those of the Company qualify for tax relief
- your lump sum payable at retirement is tax-free
- tax advantages in respect of the Plan's investment income and capital gains

Pension scheme registry

The Plan is registered with the Registrar of Occupational and Personal Pension Schemes. It acts as a central tracing agency to help individuals keep track of their former pension arrangements as they move jobs. The Register is held at:

*PO Box 1NN
Newcastle upon Tyne
NE99 1NN*

The Data Protection Act 1998

The Data Protection Act 1998 imposes various obligations on organisations, which process information about you – this includes an obligation to notify you that information is held about you. In order to administer the Plan, data about you and your Dependants will be processed by the Trustees, administrators and advisors of the Plan. Data may also be disclosed (including outside the European Union) to insurers, employers, any potential purchaser of your employer or its business and any administrator or adviser of another pension arrangement in the context of any transfer of your pension rights.

Important tax allowances

Pensions enjoy certain tax privileges and it is for this reason that tax legislation has such a strong bearing on shaping the benefits provided by pension schemes such as the O2 Pension Plan. The tax savings under the Plan are:

- Your contributions are free of income tax which saves you 20% on the cost of your pension if you are a basic rate tax payer and 40% if you are a higher rate tax payer;
- Investment growth is partially free of tax;
- Lump sum payments on death are usually free of inheritance tax;
- On retirement, you can take up to a quarter of your entitlement as tax free cash; and
- You may also save National Insurance on your contributions, see Salary Sacrifice.

To benefit from these tax privileges the Plan has in place limits on benefits that can be paid. There are also limits on the amounts of savings you can make and still enjoy the tax privileges. This section details your limits.

From 5 April 2006, also known as A-Day, the existing Inland Revenue limits on benefits and contributions were replaced with a new set of simplified limits. Three tax-free allowances will now apply to benefits and contributions in all types of pension scheme.

These are legislative allowances in regard to the tax efficient benefits through all schemes registered with the HMRC (Her Majesty's Revenue and Customs). The actual benefits provided by a pension scheme remain in accordance with the rules specific to that scheme.

The three tax-free allowances are:

- **Lifetime Allowance** (an allowance on the total value of your pension saving).
- **Annual Allowance** (an allowance on the amount of increase to your fund over the tax year)
- **Cash Allowance** (an allowance on the total amounts of tax free cash you can take at retirement).

It is important to understand these limits in order to ensure that your pension savings are tax efficient.

Lifetime Allowance

The Lifetime Allowance is the total amount of pension saving that you may make under the tax privileged treatment that pensions enjoy.

For Section 1 members, the total value of your Retirement Account at retirement will be measured against the Lifetime Allowance. The Lifetime Allowance will start at £1.5 million in 2006 and increase each year until 2010, when the Government will review it.

Tax Year	Lifetime Allowance
2006/7	£1.5m
2007/8	£1.6m
2008/9	£1.65m
2009/10	£1.75m
2010/11	£1.8m

Exceeding the Lifetime Allowance

Under the O2 Pension Plan you will not be prevented from exceeding the Lifetime Allowance, however you may wish to consider carefully whether you wish to make savings that do not enjoy the same tax privileged status as those savings within the Lifetime Allowance. When your fund is used to generate pension benefits it will be subject to tax. Those benefits deriving from a fund in excess of the Lifetime Allowance are taxed at a higher rate than those below it; the table below illustrates.

	Tax Free Cash	Pension
Fund below the Lifetime Allowance	May take 25% of fund as tax free cash (see Cash allowance)	Pension taxed as income your marginal rate of income tax of (either basic rate of 22% or higher rate of 40%)
Fund above the Lifetime Allowance	No tax free cash allowed	Pension taxed as above plus an additional 25%. May take as cash with total tax of 55%.

Those members of the Plan who exceeded the Lifetime Allowance purely through their membership of the O2 Pension Plan on the 6 April 2006 have been written to individually.

If you have benefits that are close to or exceed the Lifetime Allowance you should consider taking financial advice to ensure that you are saving in the most efficient way for you. Help on finding a financial adviser can be found at [Financial Advice](#).

Annual allowance

The Annual Allowance for Section 1 members is the amount you and your employer can contribute towards your pension in a tax year.

The Annual Allowance will not apply in the year when your benefits under the Plan are taken in full.

The Annual Allowance will start at £215,000 in 2006 and increase each year up to 2010, when the government will review it.

Annual Allowance Figures

Tax Year	Annual Allowance
2006/7	£215,000
2007/8	£225,000
2008/9	£235,000
2009/10	£245,000
2010/11	£255,000

Exceeding the Annual Allowance

Under the O2 Pension Plan you will not be prevented from exceeding the Annual Allowance, however you may wish to consider carefully whether you wish to make savings that may result in you exceeding the Annual Allowance. Benefit accrual and contributions above the Annual Allowance will be subject to immediate tax at your marginal rate. Furthermore, these benefits may also be taxed on them being paid.

Should you be making contributions that may result in you exceeding the Annual Allowance, you should consider taking financial advice to ensure that you are saving in the most efficient way for you.

Cash Allowance

Previous tax rules meant that calculating your tax free cash on retirement was complicated but the position from 6th April 2006 is much simpler.

From 6th April 2006 you will be able to take 25% of the value of your Retirement Account as tax free cash at the date you retire subject to a government imposed upper limit being 25% of the Lifetime Allowance, so a maximum in 2006/7 of £375,000.

In some cases, this may mean you will be able to take more tax-free cash at retirement than you could under the current Rules. In other cases you may be able to take more tax free cash under the pre 6th April 2006 rules and O2 has put in place a rule within the Plan to ensure, if the tax free cash you were entitled to immediately before 6th April 2006 was higher, that you may take that if you prefer.

You should note that if you transfer your benefits from O2 to another pension arrangement the tax law does not allow you to take the entitlement to the pre 6th April 2006 tax free cash with you; your tax free cash will be based purely on the 25% rule.

More details on tax free cash can be found under Retirement.

Protection

Pension law has changed regularly over the last 40 years and it is likely that it will continue to develop over coming years. In the course of the last set of changes at 6th April 2006 O2 approach was to, where possible, protect members existing entitlements to benefits. Under Section 1 of the Plan most of the benefits that members enjoyed prior to the 6th April 2006 were able to be maintained and improvements to benefits, such as the ability to contribute more and flexibility in retirement, have been added. However, there are some aspects that O2 has been unable to maintain and these are listed below:

Tax treatment of your benefits

The tax treatment of your benefits is subject to the prevailing legislation. The change in legislation at 6th April 2006 will be to the benefit of the majority of O2's Pension Plan members but, for those that are detrimentally affected, O2 and the member is bound by the new tax law. (Full details on the implications of the change in tax law can be found under Important tax allowances).

Children's Pensions

Pensions to Children must, post 6th April 2006, cease by the child's 23rd birthday even if the child remains in full time education.

Pension Statements

For current employees, pension statements showing your up dated entitlement under the Plan can be found on your Total Reward Statements at www.o2rewards.com. You can print off a complete statement, which is updated monthly, from this site. To access this site click on the link above; if you have lost or can not remember your password, you can get this by following the advice on the password page.

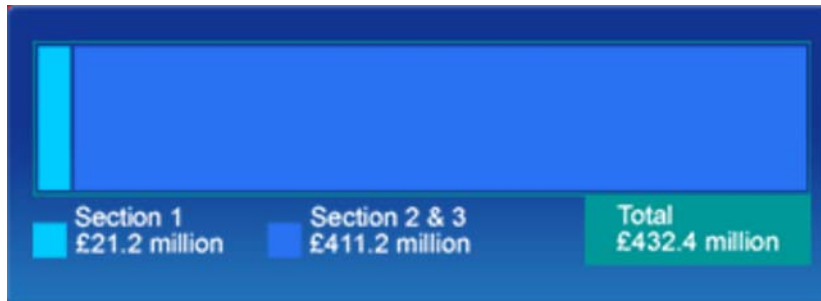
For those pension members who no longer work at O2, statements are distributed at the point that you leave. They are normally posted within 3 months of leaving and for Section 1 members and members with AVC funds an annual update of your fund performance is provided by post so you should contact the pension team whenever you move home to ensure statement can continue to be sent.

Trustee's annual report

Each year the Trustee produces an annual report. We have produced a summary of the information contained in the report of the Trustee for the year to 30 September 2005, so that you can view the main elements.

Value of the Plan

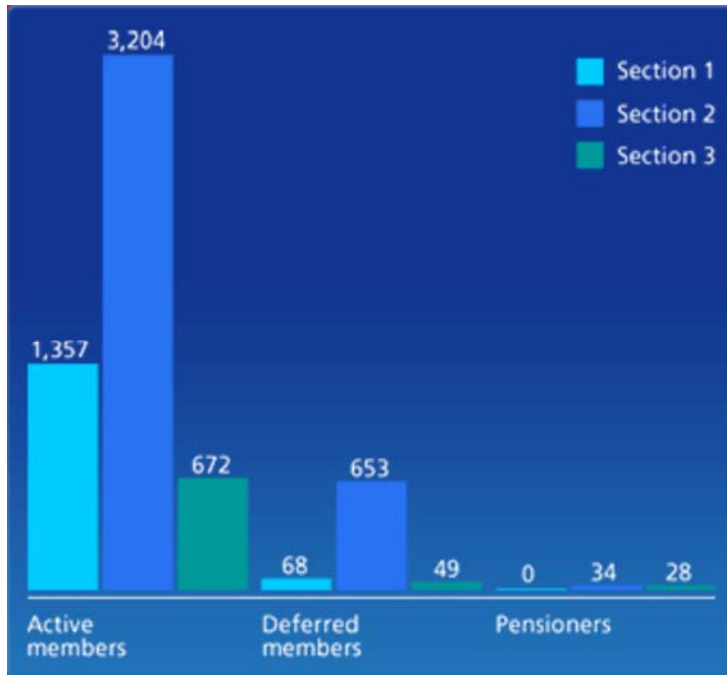
The Plan's assets were valued at £318,107,027 at 30th September 2005. This is illustrated below:



Section	Value
Total	£432.4m
Section 1	£21.2m
Section 2 & 3	£411.2m
Total	£432.4m

Plan membership

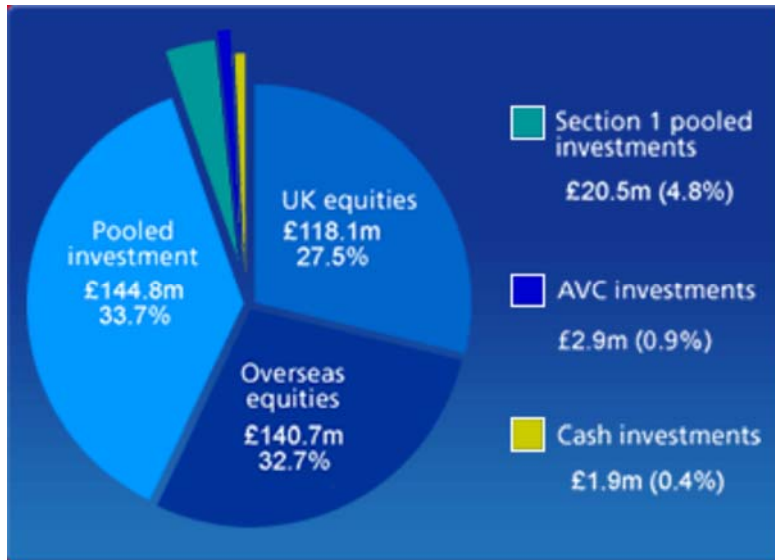
Membership of the O2 Pension Plan is split across the three sections. Sections 2&3 have three different types of members - active, deferred and pensioner members. Membership of the Plan at 30th September 2005 was as follows:



	Section 1	Section 2	Section 3
Active members	1,357	3,204	672
Deferred members	68	653	49
Retired members	0	34	28

Where the funds are invested

The chart below shows how the O2 Pensions Plan's assets were invested at 30 September 2005:



Investment	Value	%
Overseas equities	£140.7m	32.7%
UK equities	£118.1m	27.5%
Section 2/3 pooled investment	£144.8m	33.7%
Section 1 pooled investments	£20.5m	4.8%
AVC investments	£2.9m	0.9%
Cash investments	£1.9m	0.4%

Income

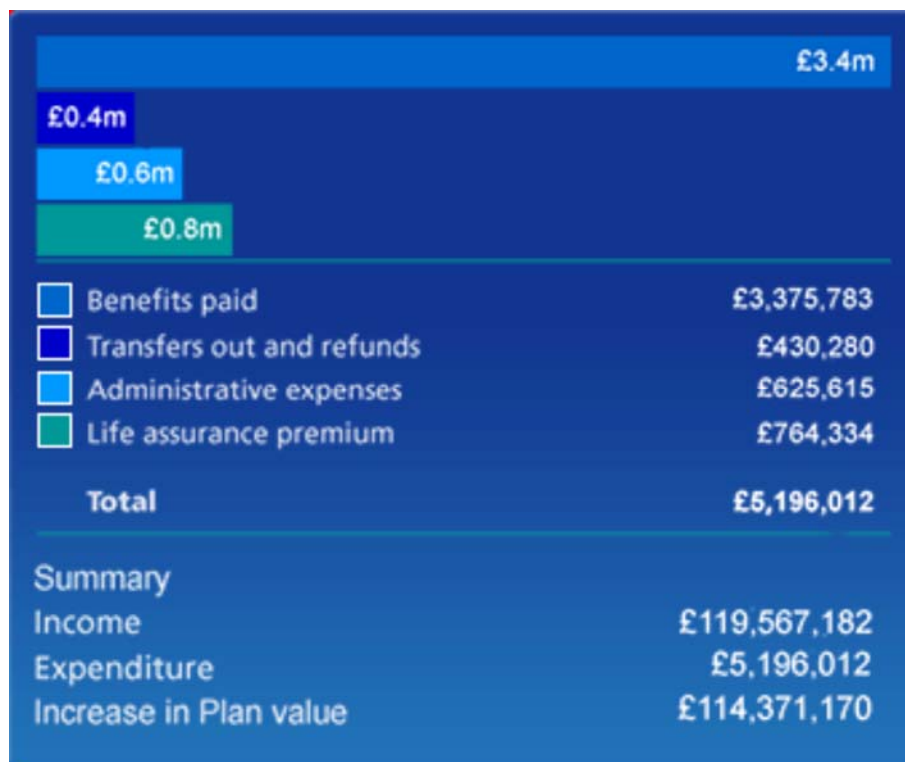
Over the year to 30 September 2005 a significant amount of money has flowed into and out of the Plan. Below, you can see the main sources of income:



Income	Value
Total	£119,567,182
Company contributions	£29,194,539
Member contributions	£11,235,054
Transfers from BT pension schemes	£118,748
Transfers from other pension schemes	£399,980
Other income	£514,451
Net returns on investments	£78,223,158
Total	£119,567,182

Expenditure

Illustrated below are the Plan's expenses for the year to 30 September 2005:



Expenditure	Value
Total	£5,196,012
Benefits paid	£3,375,783
Transfers out and refunds	£430,280
Administrative expenses	£625,615
Life assurance premium	£764,334
Summary	Value
Increase in Plan value	£114,371,170
Income	£119,567,182
Expenditure	£5,196,012
Increase in Plan value	£114,371,170

Who's who

The O2 Pension Plan is run by two principle teams, the Trustees and the management team. The Trustees have overall responsibility while the management team are responsible for the day-to-day running of the Plan.

The management team

The management team are responsible for the day-to-day running of the O2 Pension Plan. The members of the management team are as follows:

James Kirkland

Group Pensions Manager



James has been with O2 since 2005. As well as overseeing all of Telefonica O2 Europe's pension arrangements, James has responsibility for developing policies to enhance retirement provision within O2 making it a successful and valued element of the remuneration package.

James is an Associate of the Pensions Management Institute and formerly was a pensions and benefits adviser to companies and trustees.

Steve Bane

Pensions Manager



Bringing 19 years of pensions experience gained in a number of leading companies, Steve joined the team in February 2008. Steve's role is to ensure the smooth running of the O2 Pension Plan, providing support to the Trustee and Company alike and strengthening O2's place at the forefront of UK pension provision.

The Trustees

The Trustees of the O2 Pension Plan are responsible for the running of the plan. They are advised by independent professional advisors.

Andrew Harley (Chairman)

Formerly Group HR Director, Telefonica O2 Europe plc

Andrew joined O2 as Group HR Director in February 2001 from BT Openworld, the broadband and internet arm of BT. He has been a Trustee of the O2 Pension Plan since it began in July 2002 and the Chairman since November 2006. He left Telefonica O2 Europe plc on 31 March 2008 but remains chair of the Trustee Board on a short term basis.

Kate Jarvis

Chief Legal Counsel, O2 UK

Kate has been a Trustee of the O2 Pension Plan since April 2008. She has been with O2, and BT before, since 1999.

Ian Clarke

Devices and Solutions Director, O2 UK

Ian began as a Trustee of the O2 Pension Plan in April 2008. He has been with O2, and BT before, since 1992.

Cheryl Black

Customer Care Director, O2 UK

Cheryl joined O2 in November 2006 and was nominated by the company as a Trustee from November 2007.

Jeannie Drake

Deputy General Secretary, Communications Workers Union

Jeannie is a Deputy General Secretary with the Communication Workers Union (specialising in IT & Telecommunications) and has been a Trustee of the O2 Pension Plan since it began in July 2002, having been elected by the members from November 2007.

Arvind Ladwa

O2 Technology Directorate; Senior Lay Officer, Connect

Arvind has been in Cellnet/O2 (UK) since 1989 and is currently responsible for the Transmission Performance, Supplier documentation and QMS, and has been a Trustee of the O2 Pension Plan since it began in July 2002, having been elected by the members from November 2007.

Gordon Millar

Head of Management Services, O2 UK

Gordon has been in Cellnet/O2 (UK) since 1997 and is employed within the technology team as the Head of Management Services. Gordon was elected as Trustee of the Plan in November 2007 following the initial member elections.

Robert Harwood (Secretary)

Assistant Secretary, Telefonica O2 Europe Plc

Robert is Assistant Secretary in Telefonica O2 Europe's Company Secretariat and has been the Secretary to the Trustees of the O2 Pension Plan since it began in July 2002.

Trustee Elections

There are six Trustee Directors ('Trustees') who constitute the Trustee Board. From autumn 2007, three of the Trustee Directors are elected by the members – these will be known as Member Nominated Directors ("MNDs"). The next few pages explain what is involved in being a Trustee and the election process. You may be visiting because it is election time and you are looking to find out a little more about what being a Trustee involves and the process for becoming a MND or you may just be interested in how the people who are responsible for your pension benefits are selected.

Being a Trustee

The work of a trustee of the O2 Pension Plan is of great importance. Millions of people in the UK are receiving pensions from such schemes and many millions more have growing entitlements which will be payable in the future.

Picture in your mind's eye being a Trustee of the O2 Pension Plan ("the Plan") ...

The beneficiaries of the Plan look to you and your fellow Trustees to make sure that the Plan is run honestly and well. You need not find this situation daunting, because expert help and advice is available to you on the technical matters involved. You will, however, need to grasp basic principles because the ultimate responsibility for the Plan lies with the Trustee.

As a Trustee of the O2 Pension Plan, your duties would be summarised as follows:

- To act in accordance with the Plan rules and the framework of the law.
- To act prudently, conscientiously and honestly and with the utmost good faith.
- To act in the best interest of the beneficiaries and strike a fair balance between the interests of different classes of beneficiaries.
- To take advice on technical matters and any other matters which you do not understand.
- To invest the assets of the trust.

As far as possible, the Trustees must put aside their personal views on the ethical or political aspects of a particular issue. Furthermore, the Trustee is not a representative of a particular group or interest from which they are drawn. The Trustee's duty is to serve all the different classes of beneficiaries impartially. Nor, by the same token, is the Trustee a negotiator, particularly between members of the pension scheme and the employer.

If a Trustee carries out some act in relation to the trust which is not authorised by the terms of the trust or the law, or if he or she fails to do something which should have been done under the same provisions, then this is called a breach of trust. If it causes a loss to the Plan, the Trustee is personally liable for the loss. However, the Plan contains a provision exempting Trustees from personal liability provided that the Trustee has acted honestly and prudently.

At least four Trustee Meetings are held each year, each lasting a whole working day, and there is an expectation that you will attend each meeting along with any subcommittee meetings that might reasonably be arranged.

You will be allowed paid time off to undertake your Trustee duties, and you will be required to attend an initial training course – called a Trustee Briefing Session. This will be a one day course and then further training will take place regularly.

Sample Trustee Agenda

1. **Introduction**
2. **Minutes of the previous meeting** – Ensuring that the minutes are a true reflection of what was said. Minutes have been used in court cases and cases with the Pensions Ombudsman, so it is crucial that they are clear and correct.
3. **Plan administration review** – The administration of the Plan is crucial. The administration is done by a third party specialist company but the Trustee must ensure that it is working properly; did contributions get collected and invested in time? Did benefits get paid? Are there trends in the behaviour of the members that the Trustee can react to?
4. **Benefit payment** – From time to time members of the Pension Plan die and the Trustee needs to decide how to distribute benefits.
5. **Investment review** – With more than £600m under investment the Trustee spends a lot of time ensuring that the investments are appropriate and the investment managers are performing properly. This involves meeting with the investment managers regularly and understanding their approach and performance.
6. **Discussion with the Plan actuary** – The Plan actuary is one of the Trustee's specialist advisors. He regularly updates the Trustee on whether there are sufficient funds held in the Plan to pay benefits. The actuary assists the Trustee agree the contribution rate with O2.
7. **Communications update** – Making sure the Plan is well run can be an internal facing activity but the Trustee are responsible for promoting the Plan to make sure it is well understood and appreciated by O2 employees, pension members and pensioners.

The O2 Pension Plan Trustee Board

The O2 Pension Plan was set up in 2002 and since then it has been run by a Trustee Board. Up until Autumn 2007, the Trustee Board was constituted of five Trustees Directors ('Trustees'), three of these being appointed by the company whilst two were appointed by the two trade unions that are recognised at O2 – Connect and CWU.

From Autumn 2007, the law changed so that at least one third of the Trustees must be elected by the members of the Plan. O2 went a step further and from November 2007 half the Trustees are elected by the Plan members and there will be six Trustees in total.

The current structure of the board can be found at the Who's Who page.

Voting Process

In the Code of Practice on electing trustees, the Pension Regulator states that the voting process must be fair, proportionate and transparent. These are principles that the Trustee has adhered to in designing the election process. This process is in 4 stages:

This process is in 4 stages. Click on the links below for more details:

1 Nomination There are two elements to nominations:

- Nominees must be eligible – To be eligible for election, nominated persons must be active members (i.e. contributing to the Plan), or be union representatives put forward by the Unions. Importantly, nominations must expect to continue to be pension members over at least the next year otherwise Trustees will resign before they have begun to make a difference.
- Nominees must follow the nomination process – Two nominations will be required. Firstly, all three Member Nominated Directors (MNDs) will need to nominate themselves and secondly a supporting nomination from at least one active member, pensioner or union is required. At the time of nomination, letters are issued to all active members of the Plan inviting nominations. To nominate yourself you will need to contact Electoral Reform Services on 020 8889 9203 or customerservices@electoralreform.co.uk quoting 'O2 Trustee'. You can only nominate during the nomination period – see Timetable

2 Briefing sessions for nominated individuals

Once the nomination period has closed, all those nominated must attend a briefing session. The purpose of this is to ensure that future Trustees fully understand the

responsibilities they will have and the time acting as a Trustee will take up. Every effort will be made to accommodate nominees in setting up a briefing session but attendance is compulsory. The dates of these briefing sessions can be seen on the Timetable page. During this session nominees will be briefed on how to put together a short biography to issue along with voting packs so that voters can learn about the candidates. There will be five days following the briefing session where nominees may choose to withdraw from the elections.

3 Voting

Letters are sent to everyone eligible to vote (active members and pensioners) and there will be the option to either vote by post or electronically. Electoral Reform Services will be running the voting to ensure that it is officiated properly. Each person eligible to vote will have one vote for each available post. The Timetable details when you may expect to see this letter. In the event that you do not receive a letter and you believe you are eligible to vote you should contact the pensions centre who will assist (see help). Should the number of nominations be equal or less than the posts available, there will be no election and the nominations will automatically be appointed.

4 Training and appointment

The victorious Trustee(s) will be provided with suitable training from O2 Pension Team and the Trustees' advisers. Whilst there will be training prior to the first Trustee Meeting, training will be on going and the pace of trustee meetings will accommodate new trustees. To be formally appointed as a Trustee, a submission to Companies House will be made which appoints the individual as a Director of the O2 Pension Trustee Limited company. It will not be possible to appoint an individual who is disqualified or barred from acting as a company director.

A-Day changes

From the 6 April 2006 (or A-Day as it has been christened) the previously complex sets of tax Rules that governed pensions have been swept into a single simplified set of rules. The government has also taken the opportunity to add greater flexibility and security for pension members.

We are pleased to announce that O2 has embraced these changes and, as a result, the O2 Pension Plan is easier to understand, more flexible, quicker to join and offers greater security than ever before.

Learn more about the changes that took place to the Plan from 6 April 2006.

A-Day Changes affecting Section 1 members

A clearer approach

Rules imposed by HM Revenue and Customs ('the Revenue') have always shaped pensions. For many years these rules have been criticised as being far too complicated and as a result have been blamed for putting people off saving for their retirement. From A-Day the way the Revenue views pensions will change and become simpler. There will be those with large amounts of pension's savings that will have some difficult decisions to make as a result of this but, for the majority of pension savers, pensions will be much clearer.

Freedom to save

You will continue to enjoy the tax favourable basis that pension savings provide but will now have the freedom to make pension savings at times when saving most suits you. Up until A-Day, government rules meant that members of the O2 Pension Plan have been only able to put up to 15% of their salary in to their pension and most people could only save with one pension arrangement at a time.

From A-Day you can contribute up to 100% of your salary to the O2 Pension Plan and recover tax relief on those contributions. Furthermore, you can save with more than one pension arrangement at once.

More tax-free cash at retirement

From A-Day you will be able to take up to 25% of the value of your retirement benefits as tax-free cash and for most this will mean an opportunity to take more tax-free cash than before. Tax free cash will be subject to an overall maximum but this will not affect the majority of members. You should note that by taking more tax free cash your pension will be reduced in compensation.

Flexibility to retire the way you want

Changes in the law have allowed us to make significant improvements in the way you may choose to take pension benefits from A-Day, for example you may:

- Continue to work for O2 whilst drawing your retirement pension.
- Draw your pension early but continue to make more pension savings if you continue to work for O2.
- Take part of your pension before the rest.

In certain circumstances O2 and/or the Trustees of the Plan may need to give their consent to you taking your benefits and continuing to work.

Improvement for leavers

Up until A-Day, those employees leaving with less than two years membership of the Plan were provided with a refund of their contributions less tax. From A-Day, those with just a short period of service with O2 of 3 months or more will be entitled to transfer their fund to another pension arrangement therefore maintaining the pension saving made at O2.

Rights to work later than age 60

Currently, O2 employees retire at age 60 but from 1 October 2006 members will have the right to continue to work until age 65 if you like. You will also have the right to ask to work past 65 which O2 will be required to consider carefully.

As a result, your contractual and Plan retirement age will change to age 65. But, because O2's aim is provide more flexibility rather than to force you to work longer, all rights to draw your pension or leave the Company at age 60 will be protected; you will even be written to at age 60 with a reminder you that you can draw your pension without penalty.

Investment choices for all

Unconnected to the A-Day changes, but representing another improvement, the Trustees of the Plan have put in place an investment fund that is compliant with Islamic law – the HSBC Amanah Fund. Under Islamic law there are certain activities which are not permitted to be invested in such as alcohol, tobacco, arms and conventional financial companies. The fund has a specialist supervisory committee made up of Islamic Scholars to make sure that such investments do not take place. It is a fund designed for Muslims but is open to all.

Protection of your current rights

From the outset, O2's approach to adopting the pension's legislation has been centred on protecting existing rights under the Plan but adding flexibility for members. As a result of the A-Day changes, there is no detrimental impact to the benefits provided through the O2 Pension Plan for you.

Financial Advice

The information contained on this website is not intended to be definitive advice or individual financial advice and does not confer any legal right to benefits. In cases of dispute the Rules of the Plan take precedence. If you are unsure how any of the matters mentioned on this website affect you, you should consider seeking independent financial advice.

There are a number of ways of finding a financial adviser, often it can be as simple as asking a trusted friend or colleague who they would suggest. However, you can obtain a list of financial advisers in your area via www.unbiased.co.uk or by telephoning 0800 085 3250.

Thanks A Million

Paying your Thanks A Million bonus into the O2 Pension Plan

You can choose for O2 to pay your Thanks A Million payment straight into the O2 Pension Plan. Visit www.o2pensions.co.uk to download the form and we will arrange this for you. If you put this payment into the O2 Pension Plan you'll be helping with your retirement plans and saving yourself a lot of tax in the process.

The only condition is that you are an O2 Pension Plan member, but if you are not in the Plan already there is still time to join if you want to take advantage of this offer.

You will probably have plenty of questions about how this works and how you are affected; the FAQs may help.

FAQs

- [Thanks A Million payments](#)
- [Tax and National Insurance](#)
- [Pensions and Thanks A Million](#)
- [Further help](#)

Thanks A Million payments FAQs

1. How do I pay my Thanks A Million payment into the O2 Pension Plan?

It couldn't be easier. There are just four steps;

1. Join the O2 Pension Plan if you are not already a member.
2. Print out the form.
3. Complete it, choosing your investments.
4. Send it to the Pension Centre at the address on the form by **31st January 2008. Late forms will not be accepted.**

2. What happens to my Thanks A Million payment if I choose to put it into the O2 Pension Plan?

Your contribution is paid into the O2 Pension Plan and invested in accordance with your wishes until you retire. If you are a Section 1 member (in the defined contribution or 'money purchase' part of the Plan, who joined after April 2001), it will be invested with your other contributions.

For those in Section 2 and 3 (the defined benefit or 'final salary' part of the Plan that you joined before April 2001), your Thanks A Million payment will be put into an investment fund and invested in accordance with your instructions. This means it is invested as a 'money purchase' or defined contribution pot. If you already make Additional Voluntary Contributions (AVCs) then you'll be familiar with this concept, however your Thanks A Million payment is slightly different and held separately from any AVC fund as it is classified as an employer contribution.

Whichever section of the 2 plans you belong to, on your retirement you can use the proceeds of the invested fund to buy a pension. You can also choose to take 25% of it as tax free cash. If you leave O2, subject to having at least 3 months service in the O2 Plan, you can transfer your fund to your new pension scheme (subject to the consent of the trustees of your new pension).

3. I just want to put part of my Thanks A Million payment into my O2 pension, can I do that?

Unfortunately not, it's all or nothing. We are asking that you decide to put either the whole Thanks A Million payment into the O2 Plan or it's all taken as a cash payment and not put into the O2 Plan at all.

4. Why isn't my Thanks A Million payment tax free anyway?

The Thanks A Million payment is a payment in cash and therefore is subject to tax and NI in the same way as salary, bonuses, overtime payments, etc.

5. I get bonuses from O2, can I pay them as pension contributions?

No. O2 is always looking at ways to help improve choice for people, but right now this facility is not available.

6. I don't want to pay my Thanks A Million payment into my pension this year but I'd like to with other future payments, can I?

No. It is not currently possible to put other types of payment into the O2 Pension Plan in this way.

7. Why do I have to make my decision without knowing the amount of the Thanks A Million payment?

The reason is timing. To make sure that the process works smoothly and the administration is all in place, we need you to make a decision early, before you know what your actual Thanks A Million payment is.

Most eligible employees can have a good idea of what their Thanks A Million payment will be - check out VitalO2 for the payment criteria click [here](#).

8. I don't know my APR rating yet. What happens if I find out in January that I am APR 4 and therefore won't have a Thanks A Million payment?

If you want to take advantage of this offer we recommend you complete a form and send it to the Pensions Centre anyway. If it turns out that you do not qualify for the Thanks A Million payment because of your APR rating, then your form will not be processed.

9. What happens if I change my mind and decide not to put my Thanks A Million payment into my pension?

You can change your mind up until the end of January by submitting a revised form or contacting the Pension Centre in writing to cancel your previous instruction. After 31 January 2008 it will be too late - whatever instructions we have from you at that date will be actioned.

10. What about if I leave before the Thanks A Million payment date?

You will not receive your Thanks A Million payment, regardless of whether you have chosen to put it into pension or not.

Tax and National Insurance FAQs

1. How much tax and NI will I save by putting my Thanks A Million payment into the O2 Pension Plan?

This will depend on your tax status. The table below outlines how much you can save if you are entitled to the full £1,000 Thanks A Million payment:

Approximate Earnings per annum	Your tax and NI savings %	Your tax and NI savings ££s
Less than £5,500	Nil	Nil
£5,500 to £40,000	33%	£330
Greater than £40,000	41%	£410

Section 2 and 3 members (in the defined benefit or 'final salary' part of the Plan) pay a reduced rate of NI so for them the savings would be 1.6% less than shown above.

The figures above will vary depending upon your personal tax position and are intended as an illustration only.

2. But don't I need to pay my NI to qualify for some state benefits?

Yes you do but your state benefits will be as though you had not received this payment. This is because the payment is treated as a contribution by O2 straight into the O2 Plan, so the money is never yours to pay NI on.

Benefits such as Job Seekers Allowance, Statutory Sick Pay, Incapacity Pay and your State Pension can be affected. If you earn less than £5,460 then you may miss out on some of the benefits above. If you are a member of Section 2 or 3 of the O2 Plan (the defined benefit or 'final salary' part of the Plan) or earn more than the Upper Earnings Limit (approximately £40,040), then your State Pension will not be affected.

3. Why isn't my Thanks A Million payment tax free anyway?

The Thanks A Million payment is a payment in cash and therefore is subject to tax and NI in the same way as salary, bonuses, overtime payments, etc.

Pensions and Thanks A Million FAQs

1. How do I pay my Thanks A Million payment into the O2 Pension Plan?

It couldn't be easier. There are just four steps;

1. Join the O2 Pension Plan if you are not already a member.
2. Print out the form.
3. Complete it, choosing your investments.
4. Send it to the Pension Centre at the address on the form by **31st January 2008. Late forms will not be accepted.**

2. What happens to my Thanks A Million payment if I choose to put it into the O2 Pension Plan?

Your contribution is paid into the O2 Pension Plan and invested in accordance with your wishes until you retire. If you are a Section 1 member (in the defined contribution or 'money purchase' part of the Plan, joined after April 2001), it will be invested with your other contributions.

For those in Section 2 and 3 (the defined benefit or 'final salary' part of the Plan that you joined before April 2001), your Thanks A Million payment will be put into an investment fund and invested in accordance with your instructions. This means it is invested as a 'money purchase' or defined contribution pot. If you already make Additional Voluntary Contributions (AVCs) then you'll be familiar with this concept, however your Thanks A Million payment is slightly different and held separately from any AVC fund as it is classified as an employer contribution.

Whichever section of the 2 plans you belong to, on your retirement you can use the proceeds of the invested fund to buy a pension. You can also choose to take 25% of it as tax free cash.

If you leave O2, subject to having at least 3 months service in the O2 Plan, you can transfer your fund to your new pension scheme (subject to the consent of the trustees of your new pension).

3. When will the payment be made into the O2 Pension Plan?

The payment will be sent to the O2 Plan shortly after the March 2008 payroll. You will then get a letter from Pensions Centre confirming the details of your payment.

4. I know that if I leave O2 or leave the Plan early (within 2 years of joining the O2 Plan) I am entitled to a refund of my contributions. Would my Thanks A Million payment count as my contribution?

No it doesn't. Employee contributions are refunded if you leave within 2 years of joining the O2 Pension Plan. As the Thanks A Million payment is treated as being made by O2, so that NI can be saved, it can't be refunded if you leave O2 or the Plan within 2 years. It is an employer contribution, not an employee contribution. However, if you have been in the O2 Pension Plan for at least 3 months you can transfer your pension on leaving to another scheme. If you have been in the O2 Plan for more than 2 years then you can simply leave your payment invested in the O2 Plan until you retire.

5. If I choose to have my Thanks A Million payment put into pension, when can I get my money out?

You will have to wait until you retire. Once a payment is made to a pension scheme it remains locked away until you retire.

6. I just want to put part of my Thanks A Million payment into my O2 pension, can I do that?

Unfortunately not, it's all or nothing. We are asking that you decide to put either the whole Thanks A Million payment into the O2 Plan or it's all taken as a cash payment and not put into the O2 Plan at all.

7. I'm not a member of the O2 Pension Plan, can I still put my Thanks A Million payment into a pension?

You can but you need to join the Plan first.. Because you join the Plan through flexible benefits, it is unlikely that you will be able to join in time to put your Thanks A Million bonus in the Plan.

8. How will I know how my payment is doing once it is in the O2 Pension Plan?

Once in the O2 Pension Plan, you will be given regular investment performance updates via Your Total Reward.

9. I am a Section 2 or Section 3 member, will my Thanks A Million payment be invested in additional final salary benefit?

No, it will be invested in an investment fund (like a defined contribution pot) in accordance with the investment instructions you put on your form. See question 2 above.

10. I've heard of AVCs, would the Thanks A Million payment be an AVC?

Nearly. An AVC is an employee contribution, but the TAM payment is an employer contribution. The TAM payment is just like an AVC but is held separately from AVCs because it is a requirement that employer contributions are held separately from employee contributions.

11. I am Section 1 member paying less than 10% contributions, should I pay my Thanks A Million payment into the O2 Plan?

You may wish to consider increasing your contributions first - don't forget O2 matches your contributions up to 10% of your salary.

12. I am a Section 2 or Section 3 member, how do I set up an investment to accommodate the payment?

Simply complete the form downloadable above.

13. If I set up a fund to accommodate my Thanks A Million payment can I make additional one off payments into it?

You can liaise with the pensions centre to make one off payments. However these contributions will not benefit from NI saving in the same way as the Thanks A Million payment as they will be contributions from you, not contributions from O2.

14. Where can I get help in choosing the investments?

You are half way there as you have accessed the pension website to read this FAQ. You can start from the home page by selecting from the left hand drop down menu or the buttons which Section member you are and then selecting 'Plan Basics' which will show you the investment pages for each of the Sections of the plan.

15. Can I have this money directed into my personal pension?

No, but you can pay your Thanks A Million payment into a personal pension once you have received it, and reclaim the tax already deducted. You will not be able to save the NI this way. Your personal pension provider will be able to provide more assistance.

Further Help FAQ's

1. How do I get more help?

The Pension Centre can help with any questions you might have in relation to pensions, and can help to explain any of the points above. They are not able to discuss the details of Thanks A Million, just how the payment can be made to the O2 Pension Plan. Phone Talk2HR on 0800 731 2638 and select the pension option. You can also browse the rest of this website - click on the logo at the top to start from the home page.

If you need more information on Thanks A Million. The pages on VitalO2 have lots of information.

2. What else do I need to know?

Just that the FAQ's are designed to help you understand how to make a Thanks A Million payment into the O2 Plan. The Rules of the O2 Pension Plan and tax and employment law preside in areas of dispute.

Help and contacts

If you ever have a query or want some advice we're happy to help, just call

talk2hr:
0800 731 2638

Write:
O2 Admin Team
Accenture HR Services
Venture House
Venture Way
Chesterfield
S41 8NR

Or Email:
O2adminteam.hrservices@accenture.com

Members of the Pension Plan can also request to see certain documents from HR such as the Statement of Investment Principles and the latest annual report and accounts.

Pension scheme registry

Information about the Plan will be given to the Registrar of Occupational and Personal Pension Schemes. It's a central tracing agency to help individuals keep track of their former pension arrangements as they move jobs.

If you want to use their service, write to:

Registrar of Occupational and Personal Pension Schemes
PO Box 1NN
Newcastle upon Tyne
NE99 1NN

Financial Advice

If you are unsure how any of the matters mentioned on this website affect you, you should consider seeking independent financial advice. You can obtain a list of financial advisers in your area via **www.unbiased.co.uk** or by 0800 085 3250.