

Halcrow Pension Scheme

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Halcrow Pension Scheme (HPS) – an important choice for your future Your questions answered

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Dear Member

We have been listening to the questions that members have asked us following the letter we sent in late April and the offer letter sent out to members on 31 May.

You have been asked to make a choice about your future retirement benefits. Your options are to transfer to the new pension scheme, which provides better benefits than the Pension Protection Fund (PPF), or to remain in HPS, in which case your benefits will be limited to the compensation provided by the PPF.

This is an individual choice and not a collective vote, so your benefits will not be affected by what other members decide to do.

We have put together this Q&A to answer some of the more frequently asked questions, and we hope it will help give you a better understanding of the background to inform your choice. You should read this together with the other documents you have received from us and Halcrow Group Limited (HGL).

We intend to update this Q&A while the offer remains open, so if you have a further question please contact the UK Pensions Team, contact details as above.

1 Your choice

1.1 What is the offer that is being made to members of the HPS?

HPS is not continuing. All members of HPS must choose between two options:

- Transfer to the new pension scheme, which will provide benefits that are **better** than the compensation that would otherwise be paid by the PPF; or
- Enter the PPF.

Details of the offer are described in the offer documentation that was sent to all members on 31 May.

We very much hope that you will come to the decision that you will transfer to the new pension scheme rather than enter the PPF.

1.2 Why are members being offered a choice between two options that are both worse than existing benefits under the HPS?

It is clear from HGL's historical financial results that HGL cannot support HPS without significant financial support from CH2M. HPS has been able to continue to this point because CH2M has been providing that support, but it is not under any legal obligation to do so.

Taking into account its discussions with CH2M, together with the advice it has received from its specialist financial advisers, BDO, the Trustee is satisfied that CH2M would withdraw its support if HPS's liabilities are not restructured, with the result that HGL would be unable to continue trading and HPS would go into the PPF with members receiving only compensation from the PPF.

1.3 Why do the factsheets compare the PPF and the new scheme, but don't show members what they are losing in comparison to their benefits in the HPS?

The offer documentation that was sent to all members on 31 May is designed to help members to understand and assess the options that are available to them – i.e. the new scheme and the PPF.

We fully appreciate that some members would like to see a comparison between their HPS benefits and the benefits they would receive if they chose to transfer to the new scheme.

The reason the factsheets don't show this is because there is no third option to stay in the HPS and keep your HPS benefits. Unfortunately, the only two choices available to members are to transfer to the new scheme or move to the PPF; so the factsheets focus on the comparison between those two choices.

1.4 What happens if I don't return my option form?

If we haven't received your completed option form by Friday 5 August 2016 indicating you want to transfer to the new scheme you will only be entitled to compensation provided by the PPF. This is because HGL and the Trustee need your consent to transfer to the new pension scheme.

1.5 What will happen if I choose to go into the PPF?

Shortly after members who choose to transfer have been transferred to the new scheme, HPS will enter what's known as a PPF assessment period. Members who are moving to the PPF will receive more information from the Trustee then about what will happen to their benefits.

During assessment, the PPF will want to ensure that all the data held for the HPS is accurate to ensure that members receive the right compensation payments. The PPF aims to get through the assessment period within two years, and during this time the HPS Trustee will remain responsible for informing members about the assessment process and the progress it is making.

The HPS Trustee will also remain responsible for paying pensions throughout the assessment period. Pensions will be reduced to the levels of PPF compensation with effect from the first day of the assessment period, expected to be by the end of September this year, but we will write to members who are moving to the PPF to confirm the date of this closer to the time.

Any questions relating to your personal circumstances and pension scheme entitlements during the assessment period should be directed to the HPS Trustee. We will inform you once the assessment period has come to an end and the PPF has taken over responsibility for the HPS.

Following the end of the assessment period, HPS will be “wound-up” and will cease to exist.

You can find more information on the PPF's website:

<http://www.pensionprotectionfund.org.uk/AssessmentPeriod/Pages/AssessmentPeriod.aspx>

(If you follow this link and are asked for a username and password, just click “cancel” and it takes you through to the right page).

1.6 How do I know whether you have received my option form?

If you want to receive an acknowledgement when we have received your option form, please complete the Acknowledgement Request Card (which was included with the offer documentation that was sent to all members on 31 May) and enclose it with your completed option form.

1.7 In order for it to proceed, do all or a majority of members need to accept the offer to transfer to the new pension scheme?

No. This is an individual choice for each member, it is not dependent on all or a majority of members voting for it to go ahead.

1.8 Can I take my pension from the HPS during the offer period?

Yes, we will continue to put pensions into payment in HPS during this period. So, if you reach your normal retirement date, or it's been agreed your pension will be paid early or late, then we will put your pension into payment in line with the timescales we discuss with you.

1.9 If I take early retirement now, would this change the compensation the PPF would pay me?

What PPF compensation is payable depends on whether you are under or over normal retirement age, not whether you are actually drawing a pension or not.

So if you take your pension before normal retirement age, and choose to move to the PPF, your benefits will still be subject to the cutbacks described in your factsheet, even though you are a pensioner.

The position can be different if you've retired on ill-health grounds, although the PPF will want to be satisfied you qualify for an ill-health pension under their own rules.

1.10 Who can give me advice on whether to transfer to the new scheme?

The UK Pensions Team are available to answer questions but cannot give you advice on what option to choose. You can also get more help understanding the option from JLT. JLT are specialist pensions advisers regulated by the Financial Conduct Authority who have worked with Halcrow employees in relation to other pension arrangements. JLT have been engaged by HGL to help members understand the choices available to them under HGL's offer. JLT have not provided advice to the Trustee at any point in its considerations of the proposals made by HGL and CH2M.

There is more information from JLT in your offer pack. For advice on your individual financial position you should speak to an independent financial adviser (IFA). You can find out about IFAs in your area through the Money Advice Service, who can be contacted by telephone from the UK on 0800 138 7777 or through their website at www.moneyadviceservice.org.uk.

1.11 I want to contact the JLT helpline, but I live abroad, what number should I call?

If you are calling from abroad, the number to dial is +44 20 7206 7442.

1.12 What should I do if I think my individual circumstances are different from the information I've been given so far?

These questions and answers are intended to give more information that applies to members generally. There may be members with special circumstances which mean some of the detail of the answers will be different in their case. If you have a query about special circumstances that you believe apply to you please contact the UK Pensions Team.

1.13 What if I change my mind?

If you have sent in your option form telling us whether you want to transfer to the new scheme, or move to the PPF, but then you change your mind, please contact the UK Pensions Team urgently to ask for another form.

Please remember that we will need to have received the form indicating your new choice by the closing date of **5 August 2016** in order for us to change our records to reflect this, otherwise we will follow the instructions on your previous option form.

2 Your benefits

2.1 Would my benefits under the new scheme be better than PPF compensation?

Yes, every member would get better benefits under the new pension scheme than the compensation that would otherwise be payable from the PPF.

2.2 What would my benefits be under the new scheme?

The offer documentation you received describes the benefits you would have if you choose to transfer to the new scheme. Essentially these are the same as your benefits under the HPS, apart from the changes to the way deferred pensions are revalued and pensions in payment are increased from date of transfer.

It's important to remember that your starting benefits in the new scheme will be higher than under the HPS because of the uplift described in the offer documentation, and if you choose to transfer to the new scheme you will receive better benefits than if you go into the PPF.

We are planning to provide benefit statements to all members of the new scheme as soon as we can after members have transferred:

- For all members, your starting pension, or deferred pension, in the new scheme will be the same as it was under the HPS, including all increases in payment, and revaluation in deferment that you have been granted in the HPS to the date of transfer, **plus** the uplift will be added;
- For members already receiving a pension, the statement will show your current level of pension and explain what increases will apply to which parts of your pension going forward;

- For deferred members, the statement will show the amount of your deferred pension including revaluation increases up to the date of the transfer. It will also explain what increases will apply to which parts of your deferred pension, both in deferment and once your pension has come into payment.

Because we will need to update our systems for the new scheme, we can't provide these immediately. We are planning to send these out to members by the end of this year.

2.3 Will the new scheme be eligible for the PPF if things go wrong in the future?

Yes, the new scheme will be eligible for PPF protection and the benefits in the new scheme have been designed so that if the new scheme were ever to go into the PPF in the future, you would receive at least as much compensation as if you had chosen to go into the PPF now (based on the PPF's current rules).

2.4 Why are some members being offered uplifts of 2.5% and others only get 1%?

HGL put together the offer for members to transfer to the new scheme, but we negotiated with them on the uplifts to members' benefits.

The rationale for the difference in the uplift between different categories of members is that members who are below normal retirement age already have more to gain by transferring to the new scheme, because the 10% cutback and compensation cap that apply to their benefits in the PPF would not apply to members who are above normal retirement age.

Members below normal retirement age are therefore being offered a lower uplift to their benefits (1%) than members who are over normal retirement age (who get 2.5%).

2.5 Under the new scheme, would my pension in payment increase at the rate of CPI?

With the exception of any guaranteed minimum pension ("GMP") that you earned between 6 April 1988 and 5 April 1997, pension built up before 6 April 1997 will not increase in the new scheme. The "GMP" is the pension that the HPS provides as a substitute for some of your State pension and it increases each year in line with CPI up to 3% p.a.

Unfortunately, there will be some members whose pensions will not increase at all in the new scheme (but the same applies to PPF compensation). However, the benefits in the new scheme will be better than PPF benefits in other ways, e.g. better benefits for your spouse and a one-off uplift to your pension, as explained in more detail in the factsheet and the member booklet included with your offer pack.

Pension built up on or after 6 April 1997 will increase in the new scheme, and the measure of inflation used to determine the increase payable will be the Consumer Price Index (CPI) rather than the Retail Prices Index (RPI) used under the HPS. The precise rules that would apply to you depend on when you built up your pension, and this is explained in more detail in the factsheet and the member booklet included with your offer pack.

If CPI is negative, pensions in payment under the new scheme would not receive an increase for the relevant year, but they will *not* reduce.

2.6 I have not yet started receiving my HPS pension. Under the new scheme, would my pension increase during the period between the transfer and my normal retirement age?

Yes, all deferred pensions in the new scheme will increase between the date of transfer and normal retirement age. As with increases to pensions in payment, the measure of inflation used to determine the increase payable will be the Consumer Price Index (CPI) rather than the Retail Prices Index (RPI) used under the HPS. Your "GMP" will be revalued at a different rate, depending on when you left service. As mentioned above, your "GMP" (or guaranteed minimum pension) is the pension that HPS provides as a substitute for some of your State pension.

The precise rules that would apply to you depend on when you built up your pension, and this is explained in more detail in the factsheet and the member booklet included with your offer pack.

For deferred pensions, revaluation increases (i.e. increases to your pension before normal retirement age) are calculated when your pension comes into payment and take account of fluctuations in inflation over the period (both positive and negative). Over the long term, inflationary increases are normally expected to be positive rather than negative overall. If CPI were to be negative over the revaluation period, however, your deferred pension would not be increased over the period, but there is protection under the new scheme rules that means it would *not* reduce.

Also, remember that your starting pension in the new scheme will retain all the deferment increases it has earned to date under the existing HPS terms, it is only future deferment increases that will be calculated under the new terms.

2.7 What is my "normal retirement age"?

Your normal retirement age (or "NRA") is the age at which your benefits are payable under the rules of HPS. For the majority of members, NRA was 60 until 2001 but, if you elected for a later retirement age in 2001, your pension for subsequent service will have a different NRA. However, some members have special terms which mean that they have a different normal retirement age for some or all of their benefits.

If you are between 60 and 65, you may be under or over NRA, or may have part of your benefits over or under (referred to in the offer documents as a "split NRA"). If this applies to you, you should read both the "over" NRA and "under" NRA sections to understand the differences for the different parts of your pension.

If you are not sure what your normal retirement age is, please contact the UK Pensions Team who can confirm this for you.

2.8 How will temporary pensions be increased and revalued for members who transfer to the new scheme?

As with the other parts of your pension, the increases to pensions in payment and revaluation of pensions in deferment that currently apply under the HPS will no longer apply, and the increases and revaluation set out in your factsheet will apply instead for the future (whether you choose to transfer or you decide you want to move to the PPF).

2.9 Can I transfer my benefits out of the HPS other than to the new scheme?

If you transfer to the new scheme, and are a deferred pensioner, you will have the option of transferring out of that scheme to another scheme of your choice (i.e. a UK tax registered pension scheme or certain overseas pension schemes) after the transfer to the new scheme has been completed. You will also

have a lot of flexibility about the timing of when you want to transfer out (subject to some restrictions if you are close to retirement).

However, if you decide to move to the PPF, you won't have the option to transfer your benefits in future.

We will not process any new transfer value calculation requests until the transfer to the new pension scheme (for those members who choose to transfer) has been completed. We currently expect that transfer values are likely to be higher under the new scheme. However, for a transitional period of six months, transfer values in the new scheme will be calculated on a "better of both" basis, so that if the HPS transfer value would have been higher, this will be paid instead.

Remember that in order to take a transfer payment you will first need to transfer to the new scheme.

2.10 What happens to my additional voluntary contributions (AVCs)?

If you have been paying AVCs to the Halcrow Pension Scheme these will transfer with you to the new pension scheme and will be treated in the same way as under the HPS.

However, if you move to the PPF, the PPF will transfer your AVCs to a separate insurance policy (or possibly a personal pension arrangement) and they will be entirely separate from your other Halcrow benefits going forward.

2.11 Does the offer affect the timing of future pension increases?

Pensions in payment have been increased as normal this year. For members who choose to transfer to the new scheme, the next increase to pensions in payment will be a full annual increase¹ paid with effect from 1 January 2017.

3 Your new pension scheme

3.1 When will the transfer to the new scheme take place?

We expect that all the arrangements for the transfer to the new scheme will be completed during September, and we will write to members nearer the time to confirm the date.

3.2 How do I know that the new scheme will always be able to pay my benefits under it?

No occupational pension scheme can be absolutely guaranteed for the long-term. However, we have sought to ensure that the new pension scheme will be financially viable for the future and able to meet its liabilities.

- A substantial payment of £80m is being made to the HPS. If all members were to transfer to the new scheme, the full £80m would then be transferred to the new scheme. In practice it is recognised that a proportion of the £80m will be transferred to the new scheme, reflecting the share of the HPS liabilities for members who choose to transfer. In addition, an equivalent share of the HPS assets at the time of transfer will be paid to the new scheme.

¹ Unless your pension has come into payment during 2016, in which case you would receive an increase for the part of the year during which your pension has been in payment

- HGL will be primarily responsible for funding new scheme going forward.
- However, CH2M is providing a guarantee so that if HGL defaults in the future, CH2M is legally obliged to meet HGL's obligations to the new scheme, up to a limit of £50m.

Having taken extensive professional advice, we believe that the new scheme is financially viable on this basis. However, the new scheme will be eligible for the PPF so that members will be protected if things go wrong in the future.

3.3 Who will be the Trustee of the new pension scheme?

The Trustee will be the same corporate entity (with the same directors) as for the HPS.

Derek Pollock	Company nominated director
Roger Abraham	Member nominated director
Jim Billinghamurst	Member nominated director
Roger Hoad	Company nominated director
Independent Trustee Services Limited (represented by Chris Martin)	Company nominated director – professional independent trustee
John Irwin	Member nominated director
Catherine Merlane	Company nominated director

The Trustee's professional advisers are:

BDO LLP	Specialist financial (employer covenant)
Deloitte LLP	Audit
Lane Clark & Peacock LLP	Actuarial and investment
Sacker & Partners LLP	Legal

4 Some background

4.1 Why won't the Trustee pass on the 2011 and 2014 actuarial valuations to members? Were they ever finalised?

At the time of the 2011 valuation, HGL told the Trustee that, due to the state of its finances, it was not in a position to engage with the Trustee on the valuation for some time. It became clear in early 2013 that the valuation would not be agreed within the required 15 month window and the Trustee informed the Regulator that it was unable to reach agreement with HGL.

By August 2013 it had become clear that there was no prospect of agreeing a normal valuation, and this has remained the position since then. The Trustee is not able to conclude actuarial valuations unilaterally, and although the Regulator has certain powers that it can exercise where an actuarial valuation is not agreed within the specified period, it did not seek to exercise those powers in relation to the HPS. Given the offer that has now been made to members, actuarial valuations for the HPS as at 2011 and 2014 will not now be concluded.

However, throughout this period, HGL has continued to pay the contributions required by the recovery plan which was agreed as part of the 2008 valuation.

4.2 What is the current funding deficit in HPS?

Any deficit figure is necessarily an estimate based on numerous assumptions. There are a range of different actuarial methodologies which are used for different purposes.

The "PPF basis" values a scheme's liabilities by looking at its ability to provide benefits at the level of compensation the PPF provides. The "buy-out basis" (sometimes known as the "solvency basis") represents the expected cost of securing the liabilities outside the scheme with an insurance company. The "ongoing basis" is used for the purposes of setting contribution rates and is calculated using a range of "scheme-specific" assumptions which must be agreed between the Trustee and HGL.

The last agreed valuation for HPS as at 2008 revealed a deficit of £201 million calculated on an ongoing basis. The deficit was £151 million on the PPF basis and £395 million on the buy-out basis.

By the time the Trustee and HGL came to consider the 2011 valuation it was clear that HGL's financial circumstances meant that HGL could not afford to support the HPS without support from CH2M. This is still the situation today.

Although the exact ongoing deficit in HPS has not been agreed, it falls within the range between the PPF deficit and the buy-out deficit (which, as at 2014, were approximately £226m and £600m respectively). It is therefore clear that, on any measure of the deficit, HGL cannot support HPS.

4.3 Did HPS's investment performance contribute to the problem?

Since the last agreed valuation as at 2008, HPS's overall investment return has been positive.

Over that period, the value of HPS's assets has increased by 7.7%, slightly more than the target (or "benchmark") of 7.4% which was set as part of the 2008 valuation. Unfortunately, the combination of that positive investment return and the contributions paid by HGL has not proved sufficient to eliminate the deficit.

4.4 If the Scheme valuation hasn't been updated, does that mean HGL has stopped contributing?

No. Throughout this period HGL (with the financial support of CH2M) has continued to make payments to HPS in accordance with the agreed schedule of contributions from the 2008 valuation. These contributions are currently in excess of £1 million per month and will continue until the transfer takes place.

4.5 Why didn't the Trustee object to CH2M's takeover of HGL in 2011?

Prior to CH2M's takeover in 2011, the Trustee took professional advice and ultimately concluded that there was no valid legal basis for opposing the Court application which paved the way for CH2M's purchase of the Halcrow group. (The case is reported as *Re Halcrow Holdings Limited* [2012] Pens LR 113 and contains further details about the detailed discussions that were had at the time).

Indeed, the Trustee concluded that the financial position of the Halcrow group was worsening and that any delay to the takeover was unlikely to be in the interests of members; HGL's ability to financially support the HPS was expected to be materially improved by CH2M's acquisition.

That conclusion has been supported by HGL's financial results since the takeover; HGL has only been able to pay the contributions due to HPS because of the financial support provided by CH2M.

A number of the HPS members objected to the acquisition, expressing concerns to the Court about whether, if the acquisition proceeded, CH2M/HGL would support the HPS. The judge understood the significance of this objection, but he concluded that there was no evidence that CH2M had an intention to cut HGL adrift or damage the HPS and so the acquisition went ahead.

The Trustee also explored whether the Halcrow Trust could have paid some of the funds it received on the takeover to the HPS, but as a trust for employees, it didn't have power under its legal documents to pay funds to the pension scheme.

Even if a substantial part of the purchase price had been paid to the HPS, the HPS would still have been unaffordable for HGL without the support of CH2M.

More importantly, both the survival of HPS to this point and the current offer have only been possible because the takeover did go ahead. Without the financial support that CH2M has provided, the Trustee believes that HPS would already be in the PPF.

4.6 After the takeover, why didn't the Trustee take action against CH2M to insist that it fund the existing schedule of contributions that was agreed as part of the 2008 actuarial valuation?

We are conscious there may be some ongoing misunderstanding on this. CH2M has never had a legal obligation to support the HPS. The Trustee sought to change this by agreement with CH2M both at the time of the takeover and since then, but CH2M has never agreed to take on any legal liability for the HPS.

When the Trustee learned of the proposed CH2M acquisition in about September 2011, it entered into correspondence with CH2M, seeking to secure improved funding for the HPS; in particular requesting a guarantee from CH2M, a cash injection and a shorter period for paying off the HPS's deficit. The discussions about this continued through September and October 2011 and the Regulator was kept informed of developments.

The Trustee was ultimately unable to reach any agreement with CH2M on this. Although this was extremely disappointing, CH2M was not legally required to provide the HPS with financial support. This was expressly recognised by the judge in the *Halcrow Holdings* case when he said:

"...it is to be noted that, despite the repeated requests in correspondence and even some indications, no legally binding commitments to support the HPS had been offered or provided by [CH2M]."

Nonetheless, CH2M has voluntarily provided HGL with financial support since the takeover which has enabled it to continue for almost a further 5 years for the benefit of members and with monthly contributions being paid to the HPS.

4.7 But didn't CH2M enter into an agreement with the Trustees in 2011 to support the HPS?

Some members have asked about a "covenant" CH2M made with the Trustees in 2011, referring to a covenant report prepared by the financial advisory practice Ernst & Young for CH2M at the time of the takeover.

In pensions terms the word "covenant" is used when evaluating an employer's financial strength and ability to support a scheme; it doesn't mean a binding agreement or contract as it might do in another context.

So, when the Trustees were looking at HGL's covenant in 2011, they were looking at how likely it was HGL would be willing and able to continue to support the HPS on its own, and whether the position would be improved if HGL were to become part of the CH2M group. They concluded that HGL's financial position was so weak in 2011 that HGL was more likely to be able to continue to support the HPS as part of the CH2M group.

4.8 Why did the Trustee go to Court in 2015 to seek approval of the proposal to transfer members to a new scheme? Will Court approval be sought for the choice that members are now being offered?

The Trustee sought Court approval of the proposal last year because it involved a **compulsory** transfer of all members to a new scheme which would have provided for pensions in payment and deferment to increase at a lower level than under the HPS. Although the Trustee considered that the proposal was in members' best interests, it was unclear whether it was legally possible to make the transfer without individual member consent. So it was necessary for the Trustee to obtain the Court's ruling on the point.

Although the Court decided the wording of the pensions legislation meant that members could not be transferred without giving their individual consent, the judge did comment that *"it is clear to me that the Trustees undertook a careful and proper review of all the relevant issues and took full and proper professional advice in relation to all of the relevant issues which arose... had I taken a different view in relation to the legal issues, I would have approved the Trustees' decision to enter into the transaction"*.

For further information about the Court hearing, please refer to the letter to members issued in late April 2016.

The Trustee will not be seeking Court approval of the current offer because only those members who consent to the transfer will be transferred to the new scheme, with non-transferring members entering the PPF. It is clear that this is legally possible and, as is required by legislation, the legal arrangements have been approved by the Pensions Regulator and the PPF has confirmed that it does not object.

4.9 In the past you've told me you can't take my accrued benefits away, but that seems to be exactly what you are doing here

It's true that pension legislation normally protects accrued rights, so these can't be reduced without a member's consent.

What's different here is that if we were to try and continue to run the HPS on an "as it is" basis, HGL would not be able to support the scheme, and it would enter the PPF, with all members' benefits being reduced to PPF compensation levels. These reductions happen by operation of law when a scheme enters the PPF.

So unfortunately we can't offer members the option of continuing to benefit from increases to pensions in payment, and revaluation of their deferred pensions at the levels that apply now under HPS. The only choices members have are to choose to transfer to the new scheme which provides better benefits than PPF compensation, or move to the PPF.

4.10 Why did the Trustee not consult with members ahead of negotiating with CH2M in relation to the choice that members are now being offered?

As was explained in the letter to members in late April this year, the Trustee has been legally restricted in their ability to keep members informed about developments for some time while we have been involved in confidential negotiations with CH2M and HGL to try and secure a sustainable future for members' benefits.

Not only was this true in relation to the proposal that went to Court last year, it is also true of the ongoing negotiations since then.

We appreciate members have been frustrated by this lack of information, but the confidentiality was a necessary part of the negotiations, as CH2M and HGL were not prepared to disclose the necessary financial information to the Trustee, or explore a new proposal, without the Trustee agreeing to keep all this information completely confidential.

4.11 Has the Trustee considered this independently from HGL?

The Trustee has taken extensive advice from its actuarial, financial and legal advisers on the offer HGL is making to members. The Trustee has reached the decision, completely independently, that HGL is not capable of continuing to support HPS in its current form.

However, the Trustee believes that with the substantial cash injection that is being made for the new scheme, the lower level of liabilities and the guarantee from CH2M, the new scheme will have a viable funding plan within the range acceptable to the Pensions Regulator and is sustainable for the future.

None of the Trustee's advisers have been involved in advising CH2M or Halcrow in relation to HGL's offer.

4.12 What did the Trustee do to negotiate the choice that members are now being offered? Could a better offer have been achieved?

It is not possible to provide members with details of the negotiation process because it is confidential. But members can be assured that the Trustee fought to secure the best offer possible for all members of the HPS.

Despite this assurance, some members may wonder whether the Trustee could have achieved a better outcome. Unfortunately, it may never be possible to satisfy all members about the outcome. But it may be helpful to know that, as part of achieving the best possible offer for members, it was necessary for the Trustee to balance the sustainability of funding the benefits in the new scheme against maximising those benefits. This was an important part of seeking to achieve overall fairness between members, both in the short term and until the final beneficiary's benefits have been paid or secured.

Furthermore, in addition to achieving an outcome that CH2M was prepared to accept, the offer also needed to be on terms that the Pensions Regulator would approve and the Pension Protection Fund would not object to. These are statutory conditions and, without them having been satisfied, there could not have been an offer. The sustainability of funding the new pension scheme was again a significant factor in this regard.

The level of benefits that are being provided under the new scheme together with the very significant up-front cash payment (£80 million will be paid into the HPS ahead of the transfer to the new scheme) and the guarantee of £50 million from CH2M contribute to a situation which the Trustee considers to be sustainable for the future.

The Trustee wishes that it was possible to continue to provide all members with their full benefits under the HPS, and appreciate that many members are (or will be in the future) totally dependent upon their pension for their retirement income. But after a lot of very careful scrutiny, the Trustee concluded that that was simply not achievable given HGL's financial position. While members' benefits in the new scheme will not be as good as in the HPS, they are designed to be better for all than PPF compensation whilst retaining PPF eligibility for the new scheme.

4.13 If CH2M won't support the HPS now, why will it be any different with the guarantee they're giving to the new scheme?

CH2M has put in place a guarantee with the trustee of the new scheme which means that for the first time it will have a legal liability to support HGL's UK pension obligations.

The guarantee is essentially a legal agreement with CH2M that if HGL doesn't meet its obligations to contribute to the new scheme, CH2M will meet those obligations instead of HGL, up to a maximum of £50m.

It isn't a pot of money that gets put aside at the out-set, rather it's an ongoing commitment that CH2M will support HGL's obligations to the scheme, and CH2M can't decide unilaterally to withdraw from the agreement.

The Trustee sees the guarantee from CH2M as an important part of the commitments that make the new scheme secure.

4.14 Could the Regulator take action now so that members' benefits could be better than under the new scheme?

The Regulator has been involved in the solution and has agreed to exercise its powers to enable the solution to be implemented. The Regulator considers that individual members should be free to choose how they wish to exercise the choice they are being offered but neither endorses nor recommends a particular option.

5 The Pension Protection Fund

5.1 What is the Pension Protection Fund ("PPF")?

The PPF is the compensation scheme for members of eligible UK defined benefit pension schemes. You can find more information on its website at <http://www.pensionprotectionfund.org>

5.2 I'd just feel safer with something that's backed by the government. That's the case with the Pension Protection Fund, isn't it?

No, it's not. The Pension Protection Fund was established by the government but isn't funded or guaranteed by it. It's funded by UK pension funds, who pay into the Pension Protection Fund in order to be eligible for it.

5.3 If I join the Pension Protection Fund, are my compensation levels guaranteed?

Members won't get a guaranteed level of compensation from the Pension Protection Fund. In future, the law could change so that it could base its compensation on reduced revaluations or pension increases, and it could reduce the overall compensation level.

Roadshows – where and when?

A reminder - roadshows will shortly take place where speakers from Halcrow, CH2M and the Trustee will take you through the options and will be available to answer your questions in person.

Due to the space limitations at each venue we require members to pre-register for the roadshow of their choice. We are sorry that we are unable to accommodate members wishing to attend more than one presentation. To pre-register to attend a roadshow at your preferred location and/or time, please contact:

UK Pensions Team
CH2M HILL
Burderop Park
Swindon
Wiltshire SN4 0QD
☎ +44 (0) 1793 816549
✉ pensionsteam@ch2m.com

We would respectfully ask members to arrive at least 30 minutes before the time of the roadshow to ensure everyone is able to be registered, before being seated promptly so as to not miss any of the roadshow. To speed up the registration process, if attendees could please bring along valid ID that being passport, driving license or bank card.

We appreciate that some members may not be able to attend due to the dates available or proximity to the locations but we have endeavoured to provide roadshows at locations to match as close as possible to the majority of members both employed and no longer employed by the company.

The roadshows will be held on the following dates:

Monday 27th June

12.00 to 13.15	London	Hilton Olympia Hotel, Kensington High Street
14.00 to 15.15	London	Hilton Olympia Hotel, Kensington High Street
18.00 to 19.15	Milton Keynes	Mercure M.K. Parkside House, Woughton on the Green

Tuesday 28th June

11.00 to 12.15	Worcester	Pear Tree Inn and Country Hotel, Smite
16.00 to 17.15	Swindon	Swindon Marriott, Swindon
18.00 to 19.15	Swindon	Swindon Marriott, Swindon

Wednesday 29th June

10.30 to 11.45	Bristol	Novotel Bristol City Centre, Bristol
16.00 to 17.15	Birmingham	Holiday Inn Birmingham, Birmingham

Thursday 30th June

9.00 to 10.15	Warrington	Best Western Warrington Fir Grove, Warrington
16.00 to 17.15	Glasgow	Glasgow City Hotel Jurys Inn, Glasgow

Friday 1st July

9.00 to 10.15	Edinburgh	Radisson Blu, Edinburgh
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If you are unable to make the roadshows but have further questions, please contact the UK Pensions Team or the JLT helpline on **0800 980 4058** (UK) or **+44 207 206 7442** (Overseas)

The helpline is open from 9.00am until 5.30pm Monday to Friday (excluding bank holidays) until August 5th.

We recognise that members have been frustrated by the lack of information available prior to the offer documentation being sent out. This is an important decision for each member and we would strongly recommend that if you have any questions or concerns that you seek clarification from the UK Pensions Team or JLT who are fully aware of the facts and are best placed to answer any queries, and/or that you attend one of the Roadshows.

**The Trustee of the Halcrow Pension Scheme
9 June 2016**