

Position paper:

Pensions



April 2013



At a **Glance.**

Providing appropriate pension benefits is critical for the long term security of staff and their retirement plans.

But the devastating economic landscape, coupled with our propensity to live far longer, means that the future of pension provision is not quite as certain as it was.

Where we **Stand.**

Veolia already has an appropriate pension vehicle in place to address the changing market.

It ensures that all our employees can join a Defined Contribution scheme and thereby comply with legislation.

In this age of economic uncertainty and unspectacular growth, the proper provision of benefits for retirement is more important than ever. We are committed to ensuring that the right pension arrangements are put in place to enable our staff to provide for a long and happy retirement.

The Situation.



A new law to ensure everybody has **enough money to live on in retirement** was introduced by the Government on 1 October 2012.

Providing appropriate pension benefits is critical for the **long term security** of staff and their retirement plans.

But the devastating economic landscape, coupled with our propensity to live far longer, means that the future of pension provision is not quite as certain as it was.

It's easy to appreciate where the problem lies; catastrophic market events over recent years, combined with attacks on pension benefits and changes to accounting rules regarding pension deficits, have all taken their toll. Add to that our increasing longevity and the result has been a seismic collapse in many private sector pensions. Many Final Salary Schemes, (Defined Benefit) have either closed to future contributions from existing staff, or have closed entirely.

Veolia's Final Salary Scheme is no exception. The scheme was closed in 2011, although many of our staff have deferred benefits that are held within the fund to be paid at a future date.

To ensure everybody has enough money to live on in retirement, the Government has stipulated that all employers must enrol their employees into a pension scheme. This means that any employee aged 22-65 years earning more than £8,105, will automatically be enrolled in a Money Purchase Scheme, also known as a Defined Contribution plan. They also have the right to positively "opt out" of the scheme, something which will have a dramatic effect on the provision of Pension

benefits in the UK. Veolia, due to its number of employees, was required to commence auto enrolment from 1 March 2013 but took the option to defer this to May 2013.

Where we Stand.



Veolia already has an appropriate pension vehicle in place to address the changing market. It **ensures that all our employees** can join a Defined Contribution scheme and thereby comply with legislation.

All our employees had the right (though not the obligation) to join the Money Purchase Division of the Veolia Pension scheme before the new rules came into force. In fact many people had already decided to do just that. The scheme is structured in such a way that both employer and employee contribute to the pension plan and the differing rates of contribution are adjusted upwards with age.

What's more, because many of our employees have transferred from Public Sector schemes, we've also put other arrangements in place. Where the scheme concerns a relevant participating employer and the relevant division of the Local Government Pension Scheme (LGPS), we enable those employees to continue with their pension benefits.

Alternatively we provide a "Passport" section of our own scheme, which those employees can choose to join in the future.

We've taken our commitment to pension provision a step further too. Specific arrangements have been made in some of our key Private Finance Initiative (PFI) contracts and with our Public Sector clients. It means that some staff can continue with their LGPS membership on the basis of an appropriate risk-share mechanism between Veolia and partners in the Public Sector.

In this age of economic uncertainty and unspectacular growth, the proper provision of benefits for retirement is more important than ever. We are committed to ensuring that the right pension arrangements are put in place to enable our staff to provide for a long and happy retirement.

The total Veolia pension contributions in 2012 was **£24.5M** and the total Veolia employees in a pension scheme to-date is **3,843**