QUESTIONS & ANSWERS

WERE OTHER OPTIONS CONSIDERED?

Yes, as part of our comprehensive review, Clarks considered a number of potential options to change our pensions. We believe that the proposals we have outlined to you best meet our objectives.

WHO WOULD BE AFFECTED BY THE PROPOSED CHANGES?

The proposal affects all Clarks current and future employees in the UK because we are proposing to close all our existing pension arrangements to future accrual, not just Plan 18.

The proposals do not affect deferred or pensioner members of the Fund, who would continue to receive the benefits they have built up under the Fund.

HOW WOULD THIS CHANGE BE IMPLEMENTED?

Following consultation, if the proposals were to go ahead, we would propose to implement the changes by asking for your agreement to them (which would include you agreeing to opt out of Plan 18). This would mean that you would become a deferred member of Plan 18.

You should note that there are two ways commonly used to implement these types of changes: 1) the way we are proposing above, or 2) by the employer and the trustee agreeing a change to the rules that govern how a scheme is run and what benefits are paid under it.

In this case, however, the Rules of the Fund contain a restriction which means that it might not be possible for them to be changed so as to close the Fund and put in place the other elements of the proposals. This is why you would be asked to provide your agreement to the changes if they go ahead. We will provide further details on this during the consultation period.

FROM WHAT DATE IS IT PROPOSED THAT THE CHANGES TAKE EFFECT?

Subject to the outcome of this consultation, Plan 18 would close to future contributions on 31 July 2018.

CAN CLARKS LEGALLY PROPOSE CHANGES TO MY PENSION ARRANGEMENTS?

Yes, under pension law, Clarks can propose changes relating to the way in which future pension benefits are built up. The law requires that we actively engage in consultation with affected employees, which is what we're doing now. If the changes go ahead as proposed, we will be asking for your agreement to implement them.

HAVE THE TRADE UNIONS BEEN INVOLVED IN THE PROCESS SO FAR?

We have made the appropriate trade unions aware of our proposals.

WHAT IS THE ROLE OF THE TRUSTEE IN THESE PROPOSED CHANGES?

The Trustee of the Fund is aware of the changes Clarks is proposing. However, the proposals being made are company proposals and the Trustee has not been involved in formulating them. The agreement of the Trustee is not required to implement the proposed changes if they go ahead and are implemented in the manner proposed (by having individual members enter into contractual agreements with their employers).

Clarks will continue to liaise with the Trustee about the proposals during the consultation process and, should the proposals go ahead, until any final changes are documented and brought into effect.

WHEN DOES THE CONSULTATION END?

The law says we must consult on the proposed changes for a minimum period of 60 days. Our consultation ends on 15 March 2018.

WHAT WOULD THE CHANGES MEAN FOR ME PERSONALLY?

The impact of these proposals for all individuals would vary. Therefore, as part of the consultation and communication process, we have prepared some generic examples to show what impact the change might have on a typical employee who has benefits in Plan 18, based on a number of assumptions about what might happen in the future. These examples are enclosed in your pack and are also available on the consultation website: **www.clarkspensionsconsultation.co.uk**

WHAT ALTERNATIVE SAVINGS PRODUCTS WOULD BE AVAILABLE FOR EMPLOYEES?

The final details on the alternative savings products are still to be agreed but we expect ISAs to be one of the options available.

WHAT TYPE OF PENSION ARRANGEMENT IS THE NEW CLARKS FLEXIBLE SAVINGS PLAN?

The new Clarks Flexible Savings Plan is a DC mastertrust, which is a trust-based defined contribution scheme designed for multiple employers. Membership is set up and administered separately for each participating employer. The governance of a mastertrust is often delegated to a corporate trustee independent of the employers.

WHO WOULD RUN THE NEW CLARKS FLEXIBLE SAVINGS PLAN?

Should the proposals go ahead, Clarks would appoint a trusted and well-known UK pension provider to run the Clarks Flexible Savings Plan. We expect to be able to make details available to you in the coming weeks.

DO I HAVE TO JOIN THE CLARKS FLEXIBLE SAVINGS PLAN?

No, but we expect that the Clarks Flexible Savings Plan would be our only pension arrangement, so you would be missing out on valuable company contributions, if you choose not to join. Note that under current legislation, if you meet certain criteria, we have to automatically enrol you into a pension scheme. Even if you choose not to join the Clarks Flexible Savings Plan, you may be automatically enrolled into it at a later date.

WOULD I STILL MAKE CONTRIBUTIONS VIA SMART PENSIONS?

Yes, you would contribute via Smart Pensions in the same way that you do now.

IS THE DEFINITION OF PENSIONABLE PAY THE SAME IN THE CLARKS FLEXIBLE SAVINGS PLAN?

No, currently you contribute 4% of Pensionable Pay to Plan 18. Pensionable Pay is your Basic Pay less the amount of the single person's Basic State Pension (£6,360 for 2017/18 tax year). For these purposes, your 'Basic Pay' is equal to your gross earnings and excludes any bonuses or other allowances you may receive and that the company treats as non-pensionable. So if you earn £22,000, you would pay contributions on £15,640. There would be no deduction in respect of the Basic State Pension in your eligible pay for the Clarks Flexible Savings Plan.

WHAT WOULD THE IMPACT ON MY TAKE-HOME PAY BE IF I JOINED THE CLARKS FLEXIBLE SAVINGS PLAN?

This table illustrates how your monthly take-home pay may change if you joined the Clarks Flexible Savings Plan and paid contributions of either 4% or 7% of your Basic Pay (see below), compared to your current contributions of 4% of Pensionable Pay in Plan 18.

Contribution rate into Clarks Flexible Savings Plan (% of Basic Pay)	Approximate impact on your monthly take-home pay of joining the Clarks Flexible Savings Plan if your annual Basic Pay is…		
	£10,000	**£20,000**	**£30,000**
4%	£21 lower	£17 lower	£17 lower
7%	£46 lower	£57 lower	£77 lower

The figures shown are examples only and may not reflect your own circumstances. The figures assume that you pay your contributions through Smart Pensions (salary sacrifice) in both Plan 18 and the proposed Clarks Flexible Savings Plan, and that your gross earnings are equal to your Basic Pay (and excludes any bonuses or other allowances you receive and that the company treats as non-pensionable).

Please note that your Pensionable Pay is lower than your Basic Pay as it includes a deduction in respect of the State Pension Offset. For example, if your Basic Pay is £20,000 (and your gross earnings are also equal to this amount), then your Pensionable Pay would be £13,640 (based on the current Basic State Pension of £6,360 or a pro-rated amount if you are part time).

This means that, if you pay the same percentage of your Basic Pay into the Clarks Flexible Savings Plan as you currently pay into Plan 18 from your Pensionable Pay, you would be paying more into your pension and your take-home pay would therefore be likely to reduce. You would also get the benefit of Clarks paying contributions based on your Basic Pay rather than your Pensionable Pay.

CAN I STILL CONVERT MY PLAN 18 PENSION ACCOUNT INTO A PENSION (ANNUITY) IN THE FUND?

The Rules of the Fund allow members to convert their Plan 18 accounts into a pension within the Fund but only if the Trustee agrees to do so. This means that you would only be able to convert your Plan 18 account into a pension within the Fund if the Trustee gave its consent.

COULD I CHANGE MY CONTRIBUTION RATE FROM 4%?

Yes, in the proposed Clarks Flexible Savings Plan you could choose what contribution you paid. If you continued to pay 4%, Clarks would contribute 7%, which is 1% more than Clarks currently pays in Plan 18. If you choose to contribute more, you could get even higher contributions from Clarks.

Details of how to change your contribution rates will be provided if the proposed changes go ahead.

I WORK PART TIME. WHAT DOES THIS MEAN FOR ME?

You would be able to choose to pay a contribution as a percentage of your pay in the same way that you do now. Contributions are based on your actual part-time salary rather than full-time equivalent earnings.

COULD I STILL RETIRE EARLY?

Yes – although you would need to have left service and would require the consent of the Trustee of the Fund to take your Plan 18 benefits before your 65th birthday. Currently, the earliest age that you can retire is age 55 unless you are retiring early due to ill health (further details on the benefits that would be payable on ill-health are noted overleaf). Note that the government may change this age in the future.

You would be able to access your pension account in the Clarks Flexible Savings Plan from age 55.

WHAT BENEFITS WOULD BE PAYABLE IF I HAD TO RETIRE EARLY DUE TO ILL-HEALTH?

If the changes go ahead, the benefits that you would receive if you retired because of ill-health and satisfied the criteria for 'incapacity' specified under the Rules of the Fund would be different. Under the current Rules of the Fund, if the company and the Trustee are both satisfied that you are unable to work because of ill-health, you are entitled to a pension that is calculated as though you were a Plan 18 member (this means that a pension would be payable calculated by reference to your 'Final Pensionable Pay' at the date you retire and the Pensionable Service you have completed in the Fund (for these purposes, you would be treated as having stayed in Pensionable Service until your 65th birthday).

If the changes go ahead, this pension would no longer be payable. Your Plan 18 account would still be available to secure a pension, but the amount of that pension would depend on the value of your account at the date of your retirement and the cost of securing a pension at that date. You would also be able to access your pension account in the Clarks Flexible Savings Plan if you satisfied the relevant ill-health criteria.

WHAT BENEFITS WOULD BE PAYABLE IF I DIED IN SERVICE?

If the changes go ahead, the benefits payable from the Fund if you die in service would change.

Currently, if you die in service before your 65th birthday, the following benefits are payable:

(a) a lump sum equal to four times your Final Earnings (this is your annual earnings at the date of your death or, if higher, your gross earnings in any complete tax year in the five years before your death) plus an amount equal to the contributions you have paid into the Fund, together with any investment return on those contributions determined by the Trustee;

(b) a pension for your spouse, payable for life, equal to 25% of your Final Earnings; plus

(c) a pension for each of your eligible children calculated as 5% of your Final Earnings, up to a maximum of four children.

Full details of the benefits currently payable under the Fund on death in service are shown on pages 14 and 15 of the enclosed explanatory booklet.

If the changes go ahead and you die in service after 31 July 2018, a lump sum equal to eight times your Basic Pay (see - What would the impact on my take-home pay be if I joined the Clarks Flexible Savings Plan?) would be payable from a separate arrangement, together with a lump sum equal to your pension account under the Clarks Flexible Savings Plan.

However, your spouse and any eligible children or dependants would not receive a pension from the Fund calculated on the basis described above. Instead, the value of your Plan 18 account would be used to secure a pension for your spouse, with any balance used to secure a pension for any eligible children or other dependants or to provide a lump sum. Depending on the value of your account, this may mean that the pension payable to your spouse and to any dependants or children from the Fund would be lower than if the Fund had remained open.

WHO IS THE PENSIONS REGULATOR?

The Pensions Regulator (TPR) is the UK regulator of work-based pension schemes. It works with trustees, employers, pension specialists and business advisers, giving guidance on what is expected of them. If you have any concerns about this consultation process that you are unable to resolve by speaking to the Clarks Pensions Department first, you can contact TPR:

Napier House
Trafalgar Place
Brighton
BN1 4DW

Telephone: 0845 600 0707
Email: customersupport@tpr.gov.uk

HAVE A QUESTION?

We know that the proposed changes might raise a number of questions, so we will try to answer as many of these as possible in a set of questions and answers on the website. The questions and answers will be updated regularly in response to questions raised by employees during the consultation. If you can't find the answer to the question you are looking for, you can submit a question through the website.

If you are based at HQ or one of our Distribution Centres, you will also be able to attend one of the seminars, where you can put questions to members of the Pensions Team and our advisers. For our colleagues in stores or on long-term leave, we have also prepared a video to explain the changes. Or, you can email your enquiry to pensionshelpdesk@Clarks.com or call us on 01458 842664.

PLEASE NOTE

This document and its contents are intended for consultation purposes only and do not confer any rights to benefits. If there is any conflict between the Trust Deed and Rules of the C & J Clark Pension Fund (Plan 18) and this document, the Trust Deed and Rules would prevail. This document is based on our understanding of current tax and pensions law at January 2018.