

2013 Trustees' Report to Members

Hewlett-Packard Limited Retirement Benefits Plan

DIGITAL SECTION

Welcome to the Trustees' Report on the Digital Section of the Hewlett-Packard Limited Retirement Benefits Plan ('the Plan').

As Trustees of the Plan we have responsibility for the stewardship of its assets. We are caretakers of the Plan, which Hewlett-Packard Limited ('the Company') has entrusted to us, in order to pay out members' benefits in line with the law and the Plan's Trust Deed and Rules. Stewardship in this context means working towards a financially stronger and safer Plan in order to ensure that it can meet its commitment to pay benefits as they fall due.

To this end, in April 2012, the Trustees and the Company signed a new Funding Agreement; this included a Parent Company Guarantee for both the Digital and HP Sections of the Plan. The Funding Agreement includes a new approach to how the risks in the Plan's investments are managed. The aim is to reduce investment risk more quickly than may otherwise have been the case. The Parent Company Guarantee gives the Trustees legal recourse to Hewlett-Packard in the United States in certain situations. This is in addition to legal recourse to the Hewlett-Packard UK companies which has always existed. We are pleased to be able to report that these measures increase the long term security of members' benefits.

During the year the Trustees appointed Lincoln International, a specialist firm, to assist them in monitoring the strength of the Company Covenant which underwrites the Plan. Lincoln will analyse in detail the Company's UK and Global businesses in order to inform the Trustees' view as to whether the Company could meet its financial commitments to the Plan in a range of circumstances. This in turn will inform the Trustees' approach to any future funding negotiations with the Company that may occur.

I would like to draw your attention to an article on the Notice Board (page 6) about Pension Liberation where members of the public are being offered an early release (or liberation) of pension fund cash. The Pensions Regulator and HMRC are very concerned about this and are trying hard to make the public aware of this situation.

We hope you find this Report interesting and useful.

For and on behalf of the Trustees of the Plan



Jonathan Lord
Chairman of the Trustees

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Moving online

As part of our communications strategy the Trustees would like to increase the use of electronic communications to members through increased use of email and the member website, where appropriate. The website provides members of the Plan with access to information and key documents about their pension.

It has recently been updated to provide:

- more information on how the Plan is managed and run
- information on how pensions are calculated at retirement
- a section on Frequently Asked Questions (FAQs)
- a modelling tool to enable non-pensioner members to run some calculations and estimate what their benefits might be at certain dates
- online access to payslips and P60s for pensioners

Members can visit the website via <http://hp.xpmemberservices.com>

We believe that the updated website is now a much more useful tool for you and will provide the answer to most of your questions. However, if there are topics that you need to raise with the Plan Administrators you can contact them at digital@equiniti.com or call the pensions helpline **01293 604844**.

Keeping in touch by email

We intend to use email to keep in touch with members in the future where members are happy to receive e-mail communications and can access them easily. Hard copies of communications, but not payslips from May 2013, will still be available to members who would like them. However, we know that many of our members find e-mail and web based communications more efficient and effective and so we will move to new methods of communication in line with our members' needs.

We already hold e-mail addresses for active members and the majority of our pensioners. If you have not already advised us of your e-mail address, please let us know by contacting the Administrators at digital@equiniti.com.

Personal Retirement Planning

Active members receive benefit statements from the Plan annually and from October 2013 will be able to use online modelling tools. Deferred members are able to perform their own pension calculations via the website. We hope that these facilities are useful to members and enable you to assess what proportion of your total retirement income will be provided by the Plan.

The Notice Board (page 6) contains information on the new maximum levels of contribution and pension that are permitted from 6 April 2014, in order for tax reliefs to apply.

Members have differing periods of service in the Plan; those with relatively short service in particular will need to consider all sources of potential retirement income and decide how any potential shortfall can be made up. The general rule is that the sooner you start saving the better.

The website includes a section on AVCs, which active members are eligible to pay in order to top up their retirement funds. Both active and deferred members need to periodically review how their AVCs are invested and consider when changes need to be made to better reflect their circumstances and risk preferences.

Plan membership



Membership types

Active members

Members who are employed by the Company and pay contributions into the Plan.

Deferred members

Members who no longer contribute to the Plan. Their benefits are held in the Plan until the earlier of their retirement, their death (when dependent pensions may become payable), or when they choose to transfer out.

Pensioner

Members who have retired and are collecting their Plan pension.

Dependants

Widows, widowers, partners, children and dependants of deceased members.

Who looks after the Plan?

The Trustee Board

As Trustees we have a number of responsibilities.

The main ones are to make sure that:

- the right benefits are paid on time to the right people
- the right amount of money is paid into the Plan
- the assets of the Plan and contributions received are properly invested.

Additionally, we make sure that the Plan follows all the complex rules and regulations which govern pensions. In order to carry out our role successfully, we hold regular meetings of the full Trustee Board, attend training courses and receive help and assistance from our professional advisers. The Trustees also appoint appropriate sub-committees, which meet regularly.

The full Trustee Board met four times during the year to review the on-going management of the Plan.

The Trustees of the Plan



*Standing: Philip Lawman, Gill Manning, Keith Norrington, Mike Jackson, Paul Early.
Seated: Andrew Dodd, Jonathan Lord, Philippa Oram.*

Company Appointed

*Jonathan Lord – Chairman and Independent Trustee
Andrew Dodd
Keith Norrington
Gill Manning
Philippa Oram*

Member Nominated

*Paul Early
Mike Jackson
Philip Lawman*

Changes to the Trustee Board

We have seen some change to the Trustee Board since our last Report. Company Appointed Trustee Rob McMicking retired on 28 September 2012 and the Trustees would like to thank Rob for his valuable contribution to the HP Plan, and to the Digital Plan prior to merger, over his many years in office. Rob was first appointed as a Trustee on 1 October 1994, but had been providing advice and support to the Trustees on investment matters for some years before that. The Trustees would also like to thank Phil Ladds for his contributions during his term as a Member Nominated Trustee, Phil stood down on 20 October 2011.

The Trustees welcomed a new Company Appointed Trustee Gill Manning who took office on 27 August 2012. Gill is a deferred member of the Plan having left HP in 2009 after 23 years' service primarily spent in financial roles.

Sub-committees

The full Trustee Board is responsible for making all strategic decisions but to help it operate effectively, it has five major sub-committees which meet regularly. The sub-committees have certain delegated duties and for significant decisions, they act as advisory bodies, making recommendations to the full Trustee Board.

The table below provides information of the current membership of each sub-committee.

Trustees	Investment	Operations	Funding	Covenant	De-risking
A Dodd		✓	✓		
P Early		✓			
M Jackson	✓				
P Lawman		✓	✓		
J Lord	✓		✓	✓	✓
G Manning	✓		✓	✓	✓
K Norrington	✓				✓
P Oram		✓	✓	✓	

New Secretary to the Trustees

In September 2012, Inside Pensions were appointed to the role of Secretary to the Trustees, taking over from Hymans Robertson. The main duties of the Secretary are:

- to manage and provide oversight for all activity of the Trustees. Work collaboratively with the Trustees, ensuring that they are effectively supported and that the legal documents and Trustee minutes and papers are retained
- to act as 'trusted advisor' providing leadership support to the Chair of Trustees, Chairs of sub-committees and to the individual Trustees
- ensure the Plan operates in accordance with good market practice
- facilitate appropriate communication with the Company on non-strategic matters, liaising with the Pensions Manager and any other Company personnel or functions as appropriate
- to work with advisers to ensure that the Trustees receive advice at the appropriate time and that work is delivered on time and cost effectively.

Contact details for Inside Pensions can be found at the end of this Report.

Financial Review

Here we summarise the key information from the Trustees' Annual Report and Accounts, which covers the 12 month period from 1 November 2011 to 31 October 2012. The Trustees' Annual Report and Accounts has been subject to independent audit and received an unqualified opinion that they represented a true and fair view of the Plan's affairs.

Value of the Plan

The figures are a summary of the Fund Account and Net Assets Statement.

	Plan year 2011	Plan year 2012
Value of Plan at 1 November	£980.21m	£973.98m
Income	+ £12.16m	+ £28.88m
Outgoings	- £37.66m	- £37.20m
Change in the value of investments	+ £19.27m	+ £84.01m
Value of Plan at 31 October	£973.98m	£1,049.67m

Want to know more?

If you would like more information, this can be found in the full Trustees' Annual Report and Accounts which is available on the Plan's website, or you can request a copy by emailing hplantrustees@insidepensions.com

Income analysis:

- During 2012 the Plan's income included £2.19m in regular Company contributions and £1.44m through the active members' salary sacrifice arrangements. The Company also paid £16.1m to help towards the deficit reduction and to cover the Plan's expenses
- The Plan also received £8.14m income from its investments
- The remaining income was received from transfers-in and other sources.

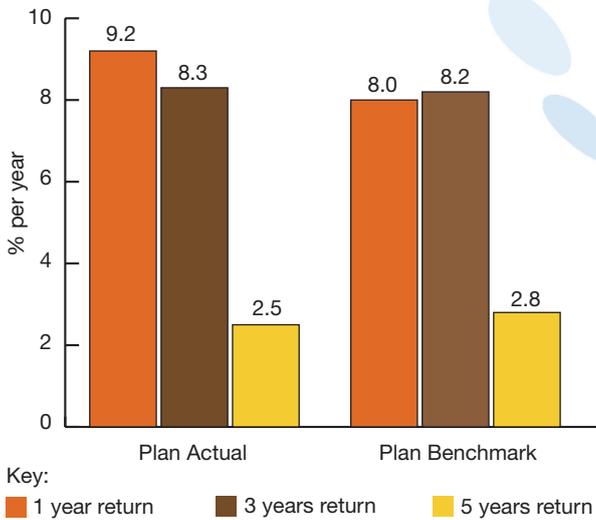
Expenditure analysis:

- The Plan's expenditure included £31.31m in benefits payable to members and £1.91m in transfers on behalf of members leaving the Plan
- The remaining expenditure was made up of administration fees, fees to advisers, and a Pension Protection Fund levy.

Investment report

Investment performance

The chart below shows the investment performance for the 1, 3 and 5 year periods to 31 October 2012. Over the one year period from 1 November 2011 to 31 October 2012 the Digital Section returned 9.2% and the benchmark was 8.0% - an outperformance of 1.2% (net of fees).



What is the Benchmark?

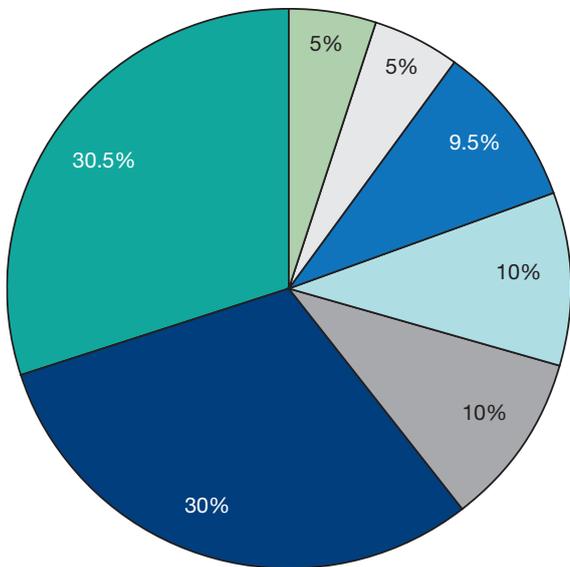
The measure against which fund performance is judged. For example, we might measure the performance of a fund by comparing it with the total returns of the top 100 leading company shares as measured by the FTSE100 index.

Where are the funds invested?

The Trustees and the Trustee Investment Sub-Committee (TISC) must balance the need to maintain the security of members' benefits with the aim of achieving the investment returns on the assets of the Plan, within an agreed level of risk. We therefore work with our investment advisers to agree which asset types are likely to generate the appropriate returns. The Trustees review the Plan's investments regularly with their investment advisers and managers and continue to take a long term view, bearing in mind that payments from the Plan to members will continue for a long time into the future.

The Plan's Investment (%)

At 31 October 2012 the Digital Section's funds were invested in the asset classes indicated in the chart below.



- UK Equity 5%
- Emerging Market Debt 5%
- Liability Driven Investments 9.5%
- Fund of Hedge Funds 10%
- Property 10%
- International Equity 30%
- Non-Government Fixed Interest Bonds 30.5%

Description of each asset class

UK Equity	Shares in public companies traded on the UK stock market
International Equity	Shares in public companies traded on other stock markets around the world
Non-Government Fixed Interest Bonds	Investments issued by companies who wish to borrow money and in return promise to pay interest and eventually repay the face value of the loan on a specified date in the future
Fund of Hedge Funds	A fund of funds investment holds a portfolio of other investment funds rather than investing directly in shares, bonds or other securities. A hedge fund of funds invests in a portfolio of different hedge funds to provide broad exposure to the hedge fund industry and to diversify the risks associated with a single hedge fund
Property	This is an investment in a range of commercial property (e.g. shopping centres). There is generally little, if any, exposure to residential property
Liability Driven Investment	A form of investing in which the main goal is to match the asset proceeds to the payments that will need to be made to members, both current and future. As a result, the performance of the investments and therefore the value of the investments are more closely matched to the movements in the expected cost of paying the pensions than other asset classes.
Emerging Market Debt	Emerging Market Debt is a term used to encompass bonds issued by less developed countries



Notice Board

State Pension provision:
The Government has announced that it intends to replace the existing two-tier State Retirement Pensions with a single flat rate pension from April 2016. Anyone already receiving a State Retirement Pension by that time will be unaffected.

Pension Liberation

On 14 February 2013, the Pensions Regulator (tPR) and HMRC launched a joint information campaign for consumers and pensions professionals, as part of an on-going multi-agency crackdown on companies claiming to be able to release pensions cash to individuals, as a loan or lump sum before the law allows.

The perpetrators often work alongside “introducers” or “advisers” who try to entice the public with spam text messages, cold calls or website promotions into transferring their existing workplace or private pension with the promise of being able to release a portion as cash before the age of 55 (the earliest age at which most members’ pension benefits can be taken under a registered pension scheme without higher tax charges applying).

tPR fears that “people may be misled or not properly informed that tax charges and fees can erode their pension pot by more than half, leaving them with little to live on in retirement. The remainder of their funds are likely to be invested in highly dubious and risky, unregulated investment structures, often based overseas. The amount that has been ‘liberated’ from pension schemes in this way is known to be in the hundreds of millions of pounds, with thousands of members affected”. To combat this, tPR has worked with other agencies, including HMRC, to produce information carrying distinctive scorpion imagery illustrating the threat to people’s pensions if they are taken in by such offers.

They also suggest five steps to avoid becoming a victim:

1. Never give out financial or personal information to a cold caller
2. Find out about the company’s background through information online. Any financial advisers should be registered with the Financial Conduct Authority (FCA)
3. Ask for a statement showing how your pension will be paid at your normal retirement date, whether there are any tax charges, and question who will look after your money until you retire and draw your pension
4. Speak to an adviser that is not associated with the deal you’ve been offered, for unbiased advice
5. Never be rushed into agreeing to a pension transfer.

Additionally, in line with tPR guidance our Administrators Equiniti Paymaster, have set up controls in their processes to identify signs of pension liberation and provide information to members to warn them of the possible dangers.

Change to pension tax allowances

The 2013 budget included a further restriction on tax allowances for contributions to pension arrangements with effect from 6 April 2014. The Annual Allowance will reduce from £50,000 to £40,000 and the Lifetime Allowance will reduce from £1.5m to £1.25m. If you are affected you may wish to take independent advice on your tax position.

Member records



Expression of Wish forms

To ensure that no Inheritance Tax liability arises, the Trustees use their discretion to decide which of members' relatives, dependants or beneficiaries should receive any lump sum benefit payable at the time of death. When the Trustees are making their decision, they will take into account the nominations stated on members Expression of Wish form. It is therefore important that members keep this form up to date. Please complete a new form if personal circumstances change. An Expression of Wish form can be downloaded from the web site. Once completed, it should be returned to the Administrators Equiniti Paymaster.

Important personal information

It is important that the Plan Administrators have a record of your most up to date contact details which includes:

- your current home address
- your email address
- an Expression of Wish form, which reflects your preferred beneficiaries in the event of your death.

Useful websites

You can also visit these websites for more general information on pensions:

www.direct.gov.uk – Government information and public services online. You can find pensions information by clicking on 'Pensions and retirement planning'.

www.pensions-ombudsman.org.uk – The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation to an occupational or personal pension scheme. It should be noted that the Pensions Ombudsman will not normally consider a dispute between the member and the Trustees unless the Plan's formal dispute resolution procedure has been completed.

www.pensionsadvisoryservice.org.uk – Assists members and beneficiaries with any pension queries they may have or any difficulty that they have failed to resolve with the Trustees or the Plan Administrator.

www.gov.uk/state-pension/what-youll-get – This section of the DWP's website has information on your State pension.

www.thepensionsregulator.gov.uk – The Pensions Regulator holds the position of the regulator of work-based pension schemes in the UK. The website includes such information as the requirements for good scheme administration and the duties of Trustees.

www.ageuk.org.uk/money-matters – The money matters section of the Age UK website has useful information about finances to help members who are later in life.

www.unbiased.co.uk – If you are thinking of leaving the Plan or making any changes to your pension arrangements, we recommend you take advice before making any decision. Neither the Trustees nor our advisers can give financial advice; this should be obtained from an IFA. A list of advisers can be found on this web site.

Plan information

Advisers and Investment Managers

The Plan Trustees have appointed the following advisers and investment managers to assist them in carrying out their duties and responsibilities:

Plan Actuary	David Eteen FIA, Aon Hewitt Limited
Administrator	Equiniti Paymaster (previously called Xafinity Paymaster)
Independent Auditors	KPMG LLP
Banker	Lloyds Bank Plc
Solicitor	Linklaters LLP
Plan Secretary	Inside Pensions Limited
Investment Managers	Fauchier Partners Insight Investment Management (Global) Limited Lothbury Investment Management Legal & General Investment Management Mesirow Financial Product Group PIMCO Europe Limited, Shoreline Investment Management Company State Street Associates Stone Harbor Investment Partners LLP Threadneedle Asset Management Wellington Management International Limited Morgan Stanley Investment Management Limited
Investment Advisers	Mercer Limited
AVC providers	Equitable Life Assurance Society Legal & General Assurance Society Limited Phoenix Life and Pension (formerly Royal & Sun Alliance)
Custodian	State Street Bank Europe Limited
Covenant Review Adviser	Lincoln International Pensions Advisory Limited

General information

General information and announcements can be accessed through the member website. Current HP employees can access this information via the pensions section of the HP portal. Equiniti Paymaster, the Plan Administrator, can provide member specific information and benefit quotations for retirement at different ages.

Contact Details

Administrators



Email:
digital@equiniti.com



Call the pensions helpline on:
01293 604844



Write to:
The Administrators of the Hewlett-Packard
Limited Retirement Benefits Plan
Equiniti Paymaster
Sutherland House
Russell Way
Crawley
West Sussex
RH10 1UH

Visit the member website at:
<http://hp.xpmemberservices.com>

Trustees



Email:
hpplantrustees@insidepensions.com



Telephone:
08454 377321



Write to:
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Secretary to the Trustees
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Tell us what you think

Please let us have any feedback about the Report by emailing us at hpplantrustees@insidepensions.com so that we can make sure that it continues to be helpful and informative. If there is a particular topic you are interested in, we would be very happy to hear from you.