Summary funding statement

Hewlett-Packard Limited Retirement Benefits Plan

DIGITAL SECTION

Welcome to this year's update on the funding of the Plan. Last April we sent you a funding statement which set out the results of the actuarial valuation as at 31 October 2012 and the results of the annual funding assessment as at 31 October 2013. The Scheme Actuary has carried out a further funding assessment as at 31 October 2014 and the results of that assessment are set out in this update.

This statement includes background information to help you understand the Plan's funding, but you can also find more information about the Plan on our website at hp.xpmemberservices.com. If you would like to contact the Trustees, please write to us using the address at the bottom of the page or e-mail us at **hpplantrustees@insidepensions.com**.

You may be aware that Hewlett-Packard is splitting into two companies. Given the guarantee that is currently in place for the Plan, the Trustees are in dialogue with the company about how the split will impact the Digital Section. The next full actuarial valuation will be carried out as at 31 October 2015 and a key part of this will be to ensure funding remains appropriate in light of the split.

The next summary funding statement will not be produced until after the completion of the actuarial valuation as at 31 October 2015. The statutory deadline for completion is 31 January 2017, and so you may only receive the next summary funding statement in spring 2017.

Finally, please make sure that you keep your personal information up to date with the Plan administrators Equiniti Paymaster. This includes your postal address, your email address and your Nomination of Beneficiary form. Equiniti Paymaster can be contacted on 01293 604844 or by e-mailing **digital@equiniti.com**. Nomination of Beneficiary forms can also be downloaded from our website.

Yours faithfully

J C Lord.

Jonathan Lord
Chairman of the Trustees
Hewlett-Packard Limited Retirement Benefits Plan

Lynn Wilkinson
Secretary to the Trustees of
the Hewlett-Packard Limited
Retirement Benefits Plan
Inside Pensions
Third Floor
54 – 56 Victoria Street
St. Albans
Herts
AL1 3HZ

Your summary funding statement

Introduction

This statement explains the funding that supports your benefits in the Digital Section of the Hewlett-Packard Limited Retirement Benefits Plan (the Plan). It tells you about the longer-term outlook for the Plan and the substantial financial support Hewlett-Packard Limited (the Company) provides.

Funding the Plan

Under the Pensions Act 2004 we are responsible for setting a funding target for the Plan and agreeing it with the Company. The Plan's funding is the money it has to support the benefits. The Scheme Actuary helps us to consider our funding target in detail, check the Plan's progress against it and take action to deal with any shortfall or surplus. Long-term, the aim of the requirements is to make sure that plans like ours are building up enough money to pay for the benefits due to members.

How the Plan operates

The Company pays contributions to the Plan so that the Plan can pay benefits to Plan members. Contributions are also paid by or on behalf of active members.

The money to pay for members' pensions is held in a common fund. It is not held in separate funds for each individual.

Key terms

This statement is based on the scheme-specific funding requirements set out in the Pensions Act 2004. Here are some key terms and what they mean:

Statutory funding objective

The statutory funding objective is that any plan should hold assets whose value is no less than its 'technical provisions'.

Technical provisions

This is the amount that the Trustees determine the Plan will need to pay members' benefits for service up to the valuation date.

Funding level

The Scheme Actuary compares the technical provisions with the market value of the assets to derive the funding level which is expressed as a percentage. A funding level of 100% means that the value of assets exactly equals the technical provisions.

Statement of funding principles

This is a document that sets out the Trustees' policy for meeting the statutory funding objective. It covers:

- The method and assumptions to use
- How the Scheme Actuary works out Company contributions
- How quickly the Trustees and the Company aim to make up any shortfall

Recovery plan

If the value of assets is less than the technical provisions (i.e. there is a funding shortfall), the Trustees and Company must agree steps to be taken – usually involving additional company contributions – to eliminate the shortfall. These steps are recorded in a document known as a recovery plan.

What is an actuarial valuation?

The aim of an actuarial valuation is to suggest:

- How much money the Plan needs to cover the benefits members have already earned
- What contributions the Plan needs for benefits building up in future

No one can predict what will happen in future with certainty, but by choosing sensible assumptions, it is possible to estimate how much money is needed now to provide benefits in future. As Trustees, we then use our judgement to decide on an appropriate funding plan. It is a legal requirement that we discuss and agree with the Company the assumptions to be used and the funding plan to be adopted. The Trustees also seek the advice of the Scheme Actuary, one of our professional advisers, before making any decisions.

In the actuarial valuation, the Scheme Actuary compares:

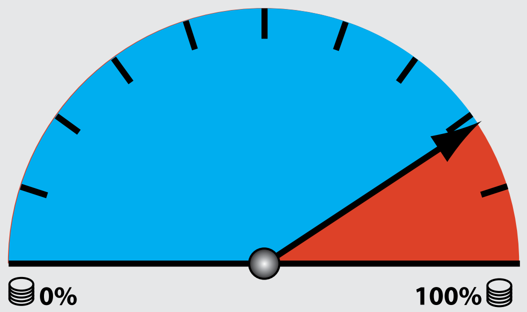
- The assets the Plan is building up through its investments, in its bank balances and any money owed to the Plan; with
- The liabilities the Plan has to pay, including administrative expenses and benefits for members and their families, based on the assumptions chosen

Recovery Plan

During the actuarial valuation process, the Company paid £42.6 million into the Plan in March 2013, and a further contribution of £27.8 million on 31 October 2013. These were not sufficient to eliminate the funding shortfall, so the Trustees and the Company agreed a plan to return the funding back up to 100% by 31 October 2020 based on the position as at 31 October 2013. In practice, contributions payable by the Company will be recalculated each year.

The results of the funding assessment as at 31 October 2014

The Scheme Actuary carried out an updated funding assessment as at 31 October 2014. This showed that the Plan's funding target was £1,646.7 million, whilst the value of the assets was £1,334.5 million, giving the Plan a shortfall of £312.2 million and a funding level of 81%.



If the Plan is 100% funded it has the full amount it needs to provide benefits under its technical provisions, which is	**£1,646.7 million**
The value of the Plan's assets	**£1,334.5 million**
The shortfall in the funding	**£312.2 million**

Changes in the funding level since your last summary funding statement

The funding assessment as at 31 October 2013 showed that the funding level was 83%, resulting in a shortfall of £248.6 million. The funding level has therefore decreased over the year and the shortfall in the funding has increased by £63.6 million.

The main reason for the increase in the funding shortfall is because the funding target increased from £1,463.2 million to £1,646.7 million. The increase was primarily due to a fall over the year in the expected return on bonds, meaning that more money is needed to be set aside now in order to pay benefits in the future. The increase was also as a result of a pre-agreed strengthening in the funding approach.

The increase in the funding target was offset to some extent by higher than expected investment returns.

Updated contributions

Because there was a shortfall in the funding of the Plan as at the formal valuation, the Trustees agreed a plan with the Company to get the funding back up to 100%. As part of this plan it was agreed that additional contributions should be paid to the Plan with the aim of removing the shortfall by 31 October 2020. In practice, contributions payable by the Company are recalculated each year and also cover the cost of future accrual and expenses incurred in running the Plan.

Based on the position as at 31 October 2014, the Company paid £98.0 million to the plan in March 2015, which was significantly higher than the payment agreed as part of the 2012 actuarial valuation.

The security of your benefits

We check the money available to support the Plan regularly but the Plan relies on the Company and its financial support to:

- Make contributions to fund the cost of the benefits building up, over and above the amount members contribute
- Make extra contributions when there is a shortfall
- Pay the future expenses of running the Plan each year (including payments to the Pension Protection Fund)

There have not been any payments to the Company from the assets of the Plan since the date of the last statement.

The Pensions Regulator can change the Plan, give directions about working out its technical provisions or impose a schedule of contributions. The Regulator has not needed to use any of these powers for the Plan.

What if the Plan started to wind up?

As part of the funding assessment, the Scheme Actuary must also look at the Plan's solvency if it started to wind up (come to an end). This does not mean that the Company is thinking of winding up the Plan.

The Scheme Actuary looks at whether the Plan had enough money as at the valuation date to buy insurance policies to provide members' benefits. Since insurance companies have to invest in 'low risk' assets, which are likely to give low returns, and their policy prices will include administration charges and a profit margin, the cost of purchasing such policies tends to be very high. This means that even if the Plan was to have a funding level of 100% against its technical provisions, it is unlikely that there would be enough money to buy out all benefits in full unless additional money was provided by the Company.

At the valuation as at 31 October 2012 the solvency estimate for the Plan was 57%, corresponding to a shortfall of £792.0 million compared with the amount the Plan would need to ensure benefits were paid in full by an insurance company. The solvency estimate had risen to 66% as at 31 October 2014, corresponding to a shortfall of £692.6 million.

The Pension Protection Fund

If the Plan starts to wind up before you retire, the Company has to pay whatever the Plan needs to buy the insurance policies for members. If the Company becomes insolvent, the Pension Protection Fund (the PPF) may step in and pay some compensation to members.

There are more details on the PPF's website at www.pensionprotectionfund.org.uk. Or you can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

What is the Plan invested in?

The Trustees regularly review the Plan's investments and the investment strategy was last updated in March 2013. As at 31 October 2014, the Trustees' target was to invest 40% of the investments in company shares, 10% in property, 5% in hedge funds and 5% in emerging market debt with 40% in bonds, debt and other assets that closely match the liabilities of the Plan. At any one time, the Plan will hold small amounts of cash for cashflow purposes.

Additional documents available on request

You are entitled to request a number of Plan documents including the following:

- The latest Trustees' Report and Financial Statements
- The full report by the Scheme Actuary on the valuation as at 31 October 2012
- The Scheme Actuary's report assessing the funding level as at 31 October 2014
- The Statement of Funding Principles
- The Statement of Investment Principles
- The Schedule of Contributions
- The Recovery Plan
- The Member's booklet (which you should have received when you joined the Plan)

If you would like a copy of any of the above please contact the Trustees by writing to the address on the front page or by e-mailing **hpplantrustees@insidepensions.com**.

By law, we cannot give you advice about your pension arrangements. If you are thinking about making any changes, you may want to obtain independent financial advice. The Money Advice Service has useful information about finding financial advice. You can visit their website at www.moneyadviceservice.org.uk or phone their consumer helpline on 0300 500 5000.

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