



2014 Trustees' Report to Members

Hewlett-Packard Limited Retirement Benefits Plan

HEWLETT PACKARD SECTION

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

As Trustees of the Plan the Trustees 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 continually working towards a financially stronger and safer Plan in order to ensure that it can meet its commitment to pay the promised benefits as they fall due.

A formal actuarial valuation of the Plan is obtained by the Trustees at least once every three years. The main purpose of the actuarial valuation is to review the financial position of the Plan by comparing the Plan's assets to its pension liabilities measured on a prudent basis. The Trustees then agree with the employer the contributions required to make good any deficit. A second purpose of the valuation is to agree employer contribution rates for new service benefits such that those benefits are funded on a prudent basis. The last completed formal actuarial valuation for the Plan was as at 31 October 2012 which showed that the funding level was 76% on the prudent "on-going" basis which the Trustees are required to use. You can find further details on page 4. In addition a more up to date view is provided as at 31 October 2013 which showed a funding level of 82%. You will have received more information on this in the Summary Funding Statement which was sent to all members in April 2014.

This report includes an investment report and it is pleasing to note that the returns for the fund have exceeded the target over one year, three year and five year periods.

As you may be aware, I have been Chairman of the Trustees' Investment Sub-Committee as well as Chairman of the Board of Trustees for some time. I am pleased to inform you that the role of Chairman of the Investment Sub-Committee is being taken over by Gill Manning from June 2014. Gill worked in HP finance for many years and joined the Trustee Board in August 2012 and is very well equipped to take on this role. Andrew Dodd continues as Chair of the Operations Sub-Committee which is responsible for administration of benefits and member communications. I would like to extend my thanks to all the trustees who put in a large amount of time to ensure that the HP Plan is managed in a rigorous and professional manner.

Finally, I would like to draw your attention to the Notice Board (Page 6) where there is information about changes which were announced in the recent budget which could affect your pension benefits. There is also an update on Pension Liberation where members of the public are being offered an early release (or liberation) of pension fund cash, but may not be aware of the large tax payment and other charges which can be taken from this amount. 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.

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

We believe that the updated website is now a much more useful tool for members and will provide the answer to most of your questions. However, if there are topics that members need to raise with the Plan Administrators you can contact them at hp2@Equiniti.com or call the pensions helpline **01293 604844**.

Personal Retirement Planning

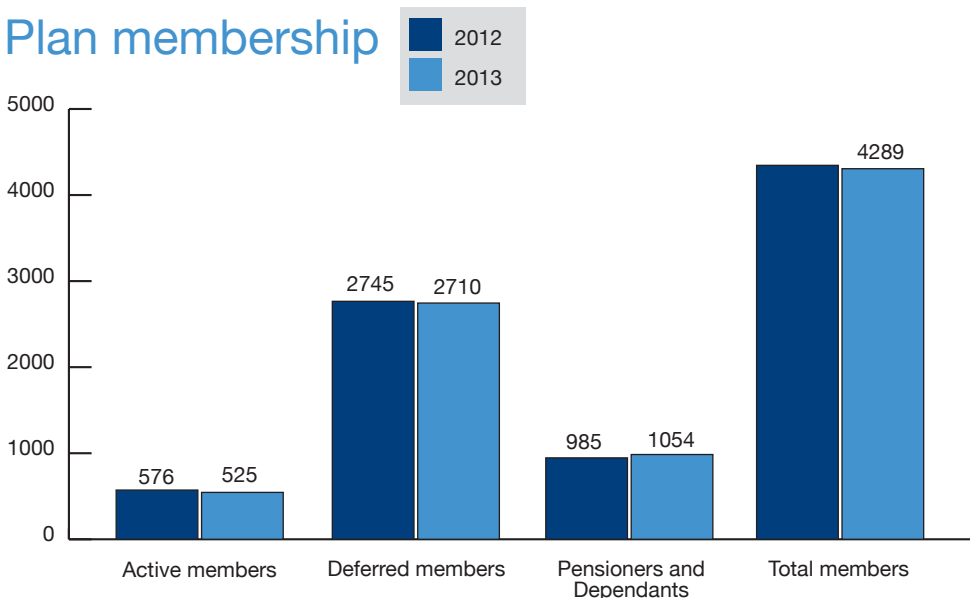
Active members receive benefit statements from the Plan annually and from October 2013 will be able to use online modelling tools. We hope that these facilities are useful to members and enable you to assess what proportion of your total retirement income will be provided by the Plan.

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 members' 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



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 are still 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.

This will be the last hard copy version of the Trustees' Report which will be issued to members unless hard copies are specifically requested in writing. In future an email will be sent to members which will include a link to the relevant documents which have been added to the member website. If you do not have an email address or you wish to continue to receive hard copies of Plan documents please write to Equiniti Paymaster, the Plan Administrators. Contact details for Equiniti Paymaster can be found on page 8.

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 ongoing 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

There have not been any changes to the Trustee Board since our last Report.

The next Member Nominated Trustee selection process will take place in 2016.

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 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		✓	✓	✓	✓

Financial Review

Here we summarise the key information from the Trustees' Annual Report and Accounts, which covers the 12 month period from 1 November 2012 to 31 October 2013.

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

	Plan year 2012	Plan year 2013
Value of Plan at 1 November	£763.61m	£846.26m
Income	+ £34.94m	+ £51.11m
Outgoings	- £18.84m	- £27.12m
Change in the value of investments	+ £66.55m	+ £109.48m
Value of Plan at 31 October	£846.26m	£979.73m

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 hpplantrustees@insidepensions.com or contacting the Plan Secretary. Contact details can be found at the end of this report.

Income analysis:

- During 2013 the Plan's income included £3.29m in regular Company contributions and £749,000 through the active members' salary sacrifice arrangement. The Company also paid £32.8m to help towards the deficit reduction and to cover the Plan's expenses
- The Plan also received £7.59m income from its investments
- The remaining income was received from transfers-in and other sources.

Expenditure analysis:

- The Plan's expenditure included £19.85m in benefits payable to members and £4.55m 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.

Actuarial Valuation

The results of the actuarial valuation as at 31 October 2012

The Scheme Actuary has certified the results of the actuarial valuation as at 31 October 2012. The Plan's funding target was £1,085.9m. The value of the assets at the same date was £828.9m, giving the Plan a shortfall of £257m and a funding level of 76%.

The results of the funding assessment as at 31 October 2013

The Scheme Actuary carried out an updated funding assessment as at 31 October 2013. This showed that the Plan's funding target was £1,166.7m, whilst the value of the assets was £961.0m, giving the Plan a shortfall of £205.7m and a funding level of 82%.

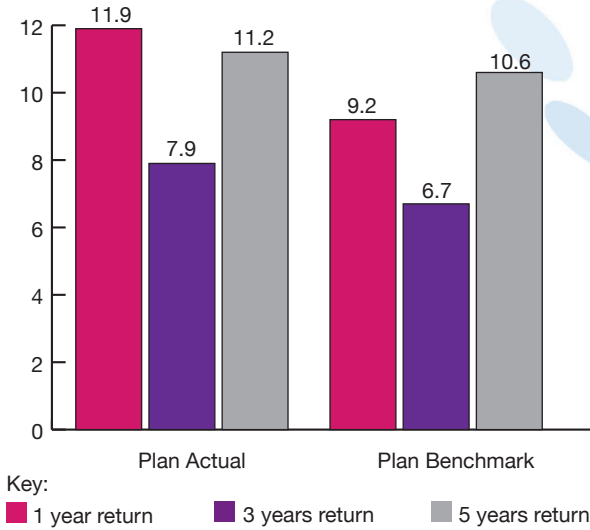
The funding level increased over the year, with the shortfall in the funding decreasing by £51.3m. The main reason for this was the contribution of £32.8m paid into the Plan by the Company over the year.

Based on the position as at 31 October 2013, the Company was required to pay £20.1m to the Plan by 30 April 2014. This was paid on 27 March 2014.

Investment report

Investment performance

The chart below shows the investment performance for the 1, 3 and 5 year periods to 31 October 2013. Over the one period from 1 November 2012 to 31 October 2013, the HP Section returned 11.9% and the benchmark was 9.2%, giving an outperformance of 2.7% (net of fees)



What is the Benchmark?

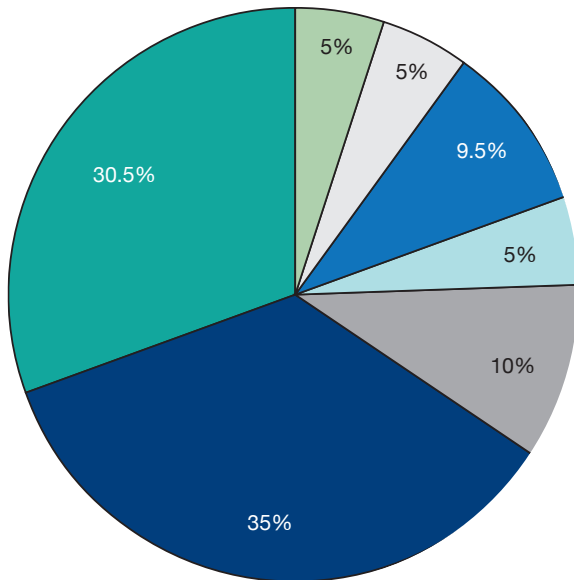
The measure against which fund performance is judged. For example, we might measure the performance of a fund by comparing it with the total returns of the top 100 leading company shares as measured by the FTSE100 index.

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 2013 the HP 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%
- Hedge fund of funds 5%
- Property 10%
- International Equity 35%
- 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
Hedge funds of 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

State Pension provision

The Government announced that it intends to replace the existing two-tier State Retirement Pension (the basic pension and additional pension) with a single flat rate pension from April 2016. Contracting out will end and National Insurance contributions will therefore increase for affected members. Anyone over State Pension age by the time the changes come into effect will have their benefits calculated on the current basis (rather than the new basis). The state pension age will also increase from age 66 to age 67 between 2026 and 2028.

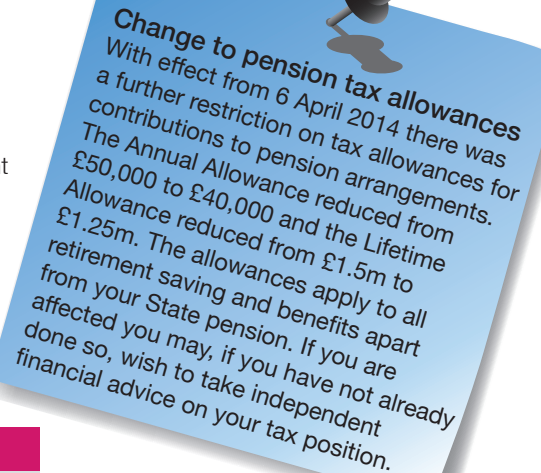
Pension Liberation

Pension Liberation is the process of gaining access to pension savings before the tax laws allow. Such action can result in severe tax consequences for the member. This remains a concern and the Pensions Regulator and HM Revenue & Customs (HMRC) continue to keep a watchful eye on companies claiming to be able to “release” or “unlock” members’ savings early. The Pensions Regulator is strongly against pension liberation and has identified it as a potential fraud. HMRC have recently issued a Guidance Note following the March 2014 budget to help combat pension liberation activity and preserve pension savings. Information on pension liberation can be found on the HMRC website using the following link: <http://www.hmrc.gov.uk/pensionschemes/liberation.htm>

Under the Rules of the Plan you cannot start to receive your pension until age 55, unless you are retiring due to ill-health. This reflects the legislative requirement that benefits taken before age 55 will usually be “unauthorised” and therefore likely to suffer a tax charge. If you have been approached and been told you can access your pension saving early if you transfer your Plan benefits to another pension scheme then you should exercise caution. For example, members are sometimes told there is a “legal loophole” if the pension is taken from a certain scheme as a lump sum or taken as a loan – there is no such legal loophole and taking up such an offer is likely to incur charges on your savings which would reduce their value substantially in the following ways:

- An ‘unauthorised payment charge’ of 55% is likely to be payable to HMRC
- The company providing the offer, may charge fees or commission (and these are often substantial)
- Further penalties might be payable if the payment is not declared on time.

The Trustees have worked with the Plan Administrators to ensure that there are robust procedures in place to identify potential pension liberators if members request a transfer out. Information on the consequences of transferring to a pension liberator is provided to members along with their transfer out details. The Plan Administrators and the Trustees continue to be vigilant to update their processes to protect member’s benefits against pension liberation.



Change to pension tax allowances
With effect from 6 April 2014 there was a further restriction on tax allowances for contributions to pension arrangements. The Annual Allowance reduced from £50,000 to £40,000 and the Lifetime Allowance reduced from £1.5m to £1.25m. The allowances apply to all retirement saving and benefits apart from your State pension. If you are affected you may, if you have not already done so, wish to take independent financial advice on your tax position.

Budget changes 2014

In the recent Budget the Chancellor announced changes and introduced flexibility to the way in which individuals can take their pension benefits at retirement. The most significant changes affect defined contribution (DC) benefits but changes were announced that impact defined benefit (DB) benefits as well.

A brief summary of some of the key changes is set out below. If you would like more information on the Government’s proposed changes, and how they may impact any decisions you make, the link below should provide further useful information.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/293743/budget_2014_greater_choice_in_pensions_explained.pdf

Key changes expected from 2015

From April 2015 it is expected that members of DC arrangements will no longer be required to buy an annuity. It is expected that members will still be able to take up to 25% of their accounts as tax free cash, as at present – but any funds not taken as tax free cash can be taken as cash and/or can be used to buy a pension as the member chooses (but any cash taken over the 25% tax free limit will be taxed at the members’ marginal rate). There will therefore be much more flexibility so people may choose an annuity, drawdown their pension over time, take cash – or a combination of these.

The Government is not thinking of changing the rules for DB schemes such as the HP Plan and so you will still have to take most of your benefits as pension with increases and benefits payable on death as described in the Plan Rules. Currently, deferred members have the right to transfer their benefits in the Plan to another pension scheme (such as a personal pension scheme) and some such members may find the flexibility offered by the new rules attractive. However, the Government is consulting as to whether to restrict transfers from DB to DC in the future. The consultation period will end on 11 June 2014 and the Government is expected to announce its decision shortly afterwards. Clearly, we cannot predict what the Government will do (and indeed we do not know for sure whether any of these changes will come in their proposed form) but you should bear in mind that if the Government's plans are implemented it is possible that transfers out to DC schemes may be prohibited in the near future. This is a complex issue and there are many factors to consider – but if you are considering a transfer we strongly recommend that you take independent financial advice before taking any decision relating to your benefits.

Other expected changes are:

- A new guarantee will be introduced, requiring DC members to be offered free and impartial face-to-face guidance on their choices at the point of retirement.
- There is a proposal to increase the minimum age at which benefits can be taken from age 55 to age 57 (with effect from 2028)
- There is to be a new scheme of voluntary NI Contributions to allow pensioners to top-up their additional state pension. (This will be open for 18 months from October 2015 and will be available to everyone reaching state pension age before 6 April 2016.)

Small lump sums and trivial commutation - Changes applying with immediate effect

From 27 March 2014 the amount of a single pension pot that can be taken as a lump sum from age 60, regardless of your total pension wealth, is increased from £2,000 to £10,000 (subject to certain limits on personal pension schemes).

From 27 March 2014 the overall trivial commutation limit increased from £18,000 to £30,000. This means that you can, from age 60 and with Trustee consent, take all your pension benefit as a lump sum provided that your total savings in registered pension schemes do not exceed £30,000. There are also changes to the rules on “drawdown” – but drawdown is not available under the Plan.

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.



How to update your records:
Members are able to update some of their relevant information online, such as a change of home address. Access to the website is through a secure login process and all members should have received details of their login username and password. If you do not have these details please contact hp2@Equiniti.com.

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	Legal and General Investment Management PIMCo Europe Limited Wellington Management International Limited Morgan Stanley Investment Management Limited Threadneedle Asset Management Lothbury Investment Management Mesirow Financial Product Group Stone Harbor Investment Partners LP Shoreline Investment Management Company Insight Investment Management (Global) Limited State Street Associates UBS Global Asset Management Fauchier Partners Management Limited
Investment Advisers	Mercer Limited
AVC providers	Equitable Life Assurance Society Legal & General Assurance Society Limited Clerical Medical Investment Group Limited MGM Assurance Standard Life Assurance Limited
Custodian	State Street Bank Europe Limited
Covenant Review Adviser	Lincoln International

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). You can contact the Plan Administrators by telephone or in writing to update your records. The contact details are shown below:

Contact Details

Administrators



Email:
hp2@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:
01727 733150



Write to:
Lynn Wilkinson, Secretary to the Trustees
Hewlett-Packard Limited Retirement Benefits Plan
Inside Pensions, 3rd Floor, 54-56 Victoria Street
St Albans, AL1 3HZ

HP HR

For members who have left HP the following website provides information to allow ex-employees to stay connected with HPHR. Visit the member website at:
<http://www.hp.com/go/UKandI-HRSupport>

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.