

HEWLETT-PACKARD SECTION

TRUSTEES' REPORT TO MEMBERS 2016



WELCOME TO THE TRUSTEES' REPORT ON THE HEWLETT-PACKARD (HP) SECTION OF THE HEWLETT-PACKARD LIMITED RETIREMENT BENEFITS PLAN ('THE PLAN').

This newsletter is prepared by the Trustees of the Plan and the aim is to provide you with relevant information about how the Plan is run and to keep you updated on matters relating to it.

The most significant event which took place last year was that Hewlett-Packard Company was split into two new publicly-traded companies. Hewlett-Packard Company was renamed HP Inc and a new company called Hewlett-Packard Enterprise Company (HPE) was listed on the New York Stock Exchange. HP Inc comprises the printer and personal systems businesses of the old Hewlett-Packard Company, whilst HPE comprises the enterprise technology infrastructure, software and financial services businesses. With regards to the Plan, the sponsoring UK companies are now part of the HPE group of companies.

In the months leading up to the split of Hewlett-Packard Company, the Trustees worked closely with the Company to understand the impact the split would have on the ongoing support available to the Plan and to ensure that the security of member benefits would not be affected. During the discussions, the Trustees took legal, actuarial, employer covenant and investment advice and had discussions with the Pensions Regulator. As a result of these discussions, it was agreed that the Parent Company Guarantee from Hewlett-Packard Company would be replaced by a Parent Company Guarantee from HPE, the new parent company of the UK employers. This new Parent Company Guarantee with HPE has improved terms when compared to the previous guarantee. Details of the changes were communicated to members in December 2015 and are available on the member website: hp.xpmemberservices.com/HP/Library/Funding

During 2016, it is intended that the Bank of Ireland/Medas Section of the Plan will be merged into the HP Section.

The Bank of Ireland/Medas Section is small when compared to the HP Section. The merger will not have any effect upon, or result in any changes to, the benefits provided to the Bank of Ireland/Medas Section or HP Section members. Members will be notified when the merger has been completed.

This report also includes a financial summary of the Plan and a general 'Noticeboard' which includes topics such as recent changes to pension tax allowances and information on Additional Voluntary Contributions (AVCs). We are continuing to add information to the Plan website and would like to encourage members to visit the site regularly.

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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MEMBER NEWS

MEMBER WEBSITE

As part of our communications strategy, the Trustees would like to increase the use of electronic communications to members by making more use of email and the member website. The Plan website has been updated to provide members with access to information and key documents.

The website now includes:

- more information on how the Plan is managed and run
- information on how pensions are calculated at retirement
- a summary of the current benefit structure
- a section on Frequently Asked Questions (FAQs)
- a section on Additional Voluntary Contributions (AVCs)
- a tool to enable non-pensioner members to obtain an estimated forecast of what their Plan benefits might be on specified dates
- online access to payslips and P60s for pensioners
- a section on responsibilities and activities of the Plan Trustees.

KEEPING IN TOUCH BY EMAIL

In recent years we have sent communications announcing that we intend to use email to keep in touch with members in the future, where members are happy to receive email communications from us and can access them easily. Hard copies of communications will still be available to members who request them.

Members who have not provided an email address, or have not requested hard copy documents, will be sent a final letter saying that this will be the last time they will be notified in writing when documents have been added to the website. This letter will include information on how to request hard copies.

In future, an email will be sent to members that will include a link to the relevant documents when they have been uploaded. To advise us of your email address, or if you have changed your email address, please contact the Administrator by email at emailupdate@equiniti.com

If you do not have an email address or you wish to continue to receive hard copies of Plan documents, please call or write to the Administrator, Equiniti Paymaster, using the details on [page 12](#).



RETIREMENT PLANNING

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

The website includes a section on Additional Voluntary Contributions, or 'AVCs', which active members can choose to pay in order to top up their retirement funds. Both active and deferred members are encouraged to regularly review how their AVCs are invested and consider when changes need to be made to better reflect their circumstances and risk preferences.

Last year we contacted members with some information about the new pension flexibilities which were introduced by the Government in April 2015. Please follow the link below to download the 'Retirement Options Guide':

hp.xpmemberservices.com/HP/How-to-Guides

WATCH OUT FOR PENSION SCAMS

With the increased flexibilities available to pension scheme members, there has also been an increase in individuals being scammed. Many rogue companies target pension savers and operate by offering to help members release money from their pension funds before they are legally able to (ie before age 55), or by transferring benefits to investments that promise highly attractive returns but may not actually exist. These companies may either promise tax-free cash or offer a loan based on your pension fund. The practice, also known as 'pension liberation', can be illegal, and you may lose your pension savings and become liable for a significant tax charge. If the offer made to you by a pension company appears too good to be true, it probably is. You can find out more on this website:

<http://www.thepensionsregulator.gov.uk/pension-scams.aspx>

MEMBER RECORDS

EXPRESSION OF WISH FORMS

To ensure that no Inheritance Tax liability arises on the death of a member, the Trustees use their discretion to decide which of the member's 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 nomination(s) stated on a member's Expression of Wish form. It is therefore important that members keep this form up to date. Please complete a new form if your personal circumstances change.

An Expression of Wish form can be downloaded from the website: hp.xpmemberservices.com. Once completed, it should be returned in the post to the Administrator, Equiniti Paymaster (address details are on [page 12](#)).

IMPORTANT PERSONAL INFORMATION

It is important that the Administrator has 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.

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 email hp2@equiniti.com

TRUSTEES OF THE PLAN

THE TRUSTEE BOARD

As Trustees of the Plan we have responsibility for the stewardship of its assets. This means it is our duty to work towards a financially stronger and safer Plan in order to ensure that it can meet its commitment to pay benefits as they fall due. We are caretakers of the Plan, entrusted to pay out members' benefits in line with the law and the Plan's Rules.

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 by the Company and the active members
- the assets of the Plan and contributions received are properly invested.

Additionally, we ensure 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.

SUB-COMMITTEES

The full Trustee Board is responsible for making all strategic decisions but, to help it operate effectively, it has six 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 full Trustee Board met four times during the year to review the ongoing management of the Plan.

More information about the activities of the Trustees and the sub-committees can be found on the Trustees' Section of the website: hp.xpmemberservices.com/Trustee-Quick-Links/Trustees



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



CHANGES TO THE TRUSTEE BOARD

There have not been any changes to the Trustee Board since our last Report. By law, at least a third of the Trustees on the Board must be nominated by members of the Plan. These are known as Member Nominated Trustees (MNTs). The next MNT selection process takes place in 2016.

MEMBER NOMINATED TRUSTEE (MNT) SELECTION

All active, deferred and pensioner members of the Plan are eligible to take part in the MNT selection process. Members will receive details about the nomination and selection process either by email, if an email address has been provided, or by post. Information will also be available on the member website. Nominations to stand for selection as an MNT should be sent to the Secretary of the Trustees by 31 May 2016.

If you want to find out more about the role of a Trustee, the Trustees' Section on the Pensions Regulator website contains useful information:

<http://www.thepensionsregulator.gov.uk/trustees>

WHO ARE THE TRUSTEES OF THE PLAN?

COMPANY NOMINATED

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

MEMBER NOMINATED

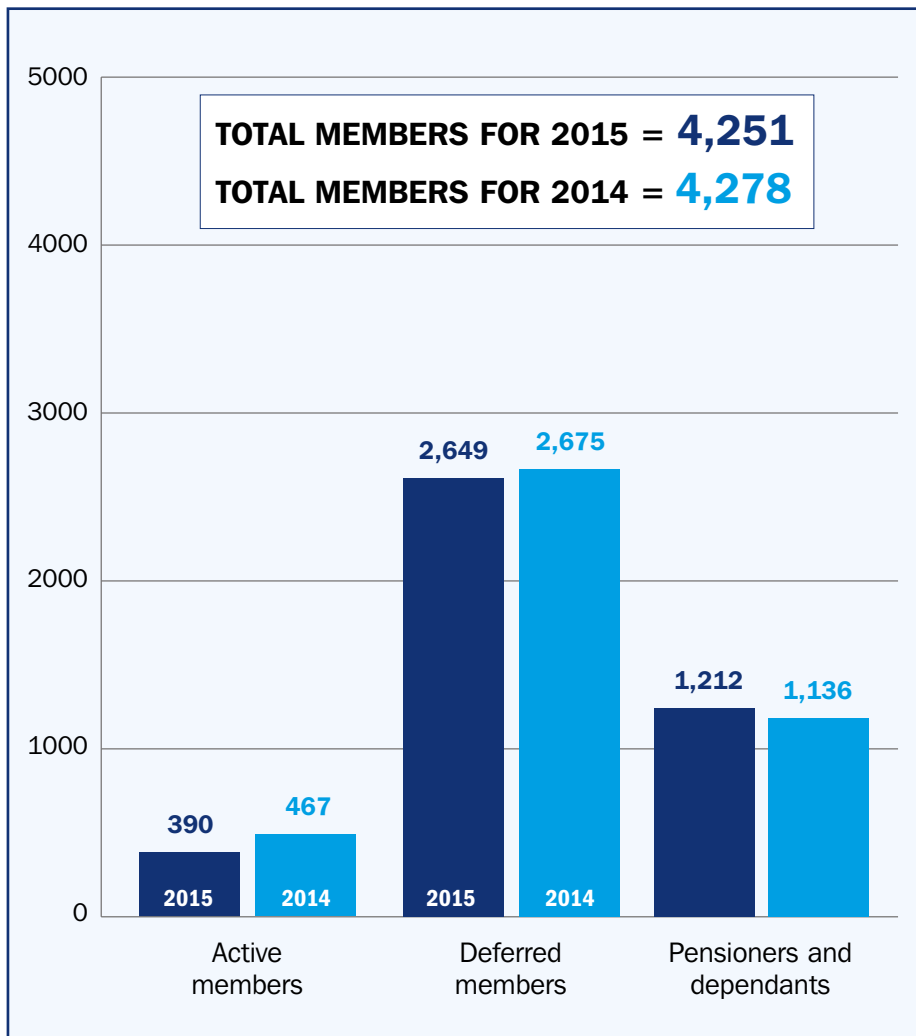
Paul Early
 Mike Jackson
 Philip Lawman

The table below provides information on the Trustee membership of the main sub-committees.

TRUSTEES	INVESTMENT	OPERATIONS	FUNDING	COVENANT	DE-RISKING	AUDIT
J Lord	●		●●	●●	●	●●
A Dodd		●●	●			●
G Manning	●●		●	●	●●	●
K Norrington	●				●	
P Oram		●	●	●		
P Early		●				
M Jackson	●					
P Lawman		●	●			●

● Denotes Chairman

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 dependant pensions may become payable), or when they choose to transfer out.

PENSIONERS

Members who have retired and are collecting their Plan pension.

DEPENDANTS

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

FINANCIAL REVIEW

HERE WE SUMMARISE THE KEY INFORMATION FROM THE TRUSTEES' ANNUAL REPORT AND ACCOUNTS, WHICH COVERS THE 12-MONTH PERIOD FROM 1 NOVEMBER 2014 TO 31 OCTOBER 2015.

The Trustees' Annual Report and Accounts has been subject to independent audit and received an unqualified opinion that they represent a true and fair view of the Plan's affairs.

VALUE OF THE PLAN

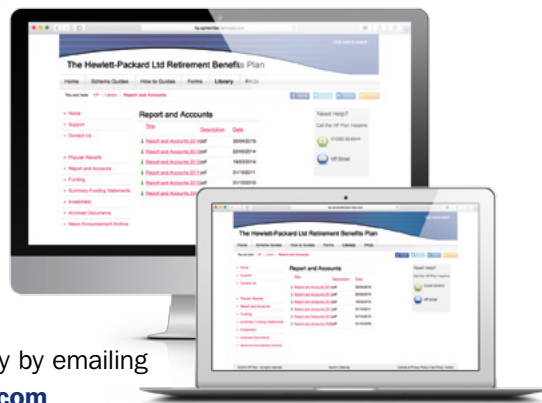
	Plan year 2015	Plan year 2014
Value of Plan at start	£1,098.32m	£979.73m
Income	+ £131.74m	+ £32.73m
Outgoings	- £36.02m	- £33.48m
Change in the value of investments	+ £79.87m	+ £119.34m
Value of Plan at end	£1,273.91m	£1,098.32m

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

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: hp.xpmemberservices.com/HP/Library/Report-and-Accounts

Alternatively, you can request a copy by emailing hpplantrustees@insidepensions.com



INCOME ANALYSIS:

- During 2015 the Plan's income included £2.53m in regular Company contributions and £655,000 through the active members' salary sacrifice arrangement.
- The Company paid £119m to help towards the deficit reduction.
- The Plan received £8.06m income from its investments.
- The remaining income was received from augmentations and Additional Voluntary Contributions (AVCs).

EXPENDITURE ANALYSIS:

- The Plan's expenditure included £22.98m in benefits payable to members and £8.79m in transfers on behalf of members leaving the Plan.
- The remaining expenditure was made up of administration fees, fees to advisers, and the Pension Protection Fund levy.

ACTUARIAL VALUATION

EVERY THREE YEARS A FULL ACTUARIAL VALUATION IS CARRIED OUT WHICH LOOKS AT HOW WELL THE PLAN IS FUNDED. IN THE YEARS BETWEEN THE FULL VALUATIONS ESTIMATES OF THE FUNDING ARE PRODUCED TO MONITOR MOVEMENTS IN THE INTERIM.

The most recent actuarial valuation for the HP Section of the Plan looked at its funding position as at 31 October 2012 and the most recent actuarial report shows the position at 31 October 2014. You have received this information in the HP Section Summary Funding Statement and a summary of the information is shown below.



	Actuarial Report at 31 October 2014	Actuarial Report at 31 October 2013	Actuarial Valuation at 31 October 2012
Value of the liabilities was	£1,372.7m	£1,036.1m	£1,085.9m
The assets were valued at	£1,079.7m	£952.1m	£828.9m
This means that there was a shortfall of	£293m	£84m	£257m
The funding level was therefore	79%	92%	76%

A formal actuarial valuation of the HP Section is now being carried out as at 31 October 2015. This actuarial valuation has yet to be completed but, based on the position as at 31 October 2015, the Company paid a contribution of £34.3 million to the HP Section in March 2016.

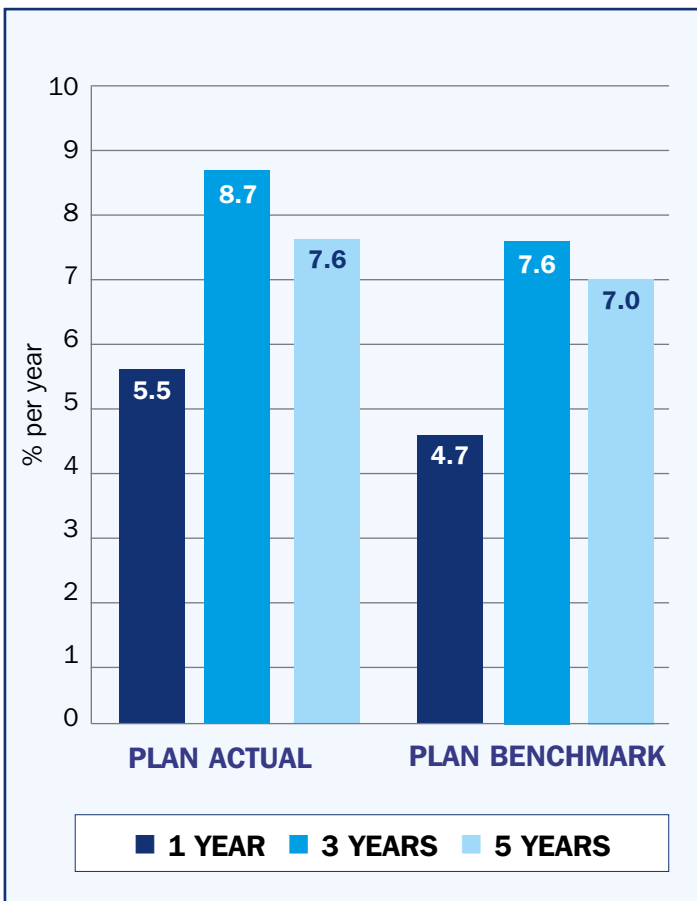
The Schedule of Contributions sets out the contributions payable in future years, but these contributions will be recalculated as at 31 October on an annual basis and a new schedule will be put in place, if appropriate.



INVESTMENT REPORT

INVESTMENT PERFORMANCE

The chart below shows the investment performance for the one, three and five year periods to 31 October 2015. Over the one year period from 1 November 2014 to 31 October 2015, the HP Section returned 5.5% and the benchmark was 4.7%, giving an outperformance of 0.8% (net of fees).

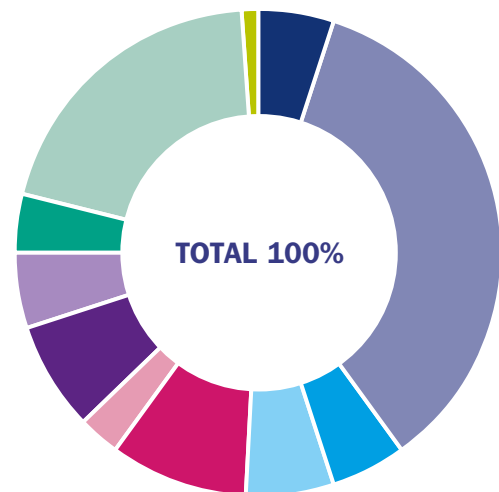


WHERE ARE THE FUNDS INVESTED?

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 reasonable investment returns on the assets of the Plan. We do this by working with our investment advisers to agree which asset types are likely to generate the appropriate returns and creating a diversified set of investments within a carefully risk managed framework. 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.

At 31 October 2015 the HP Section's funds were invested in the asset classes indicated in the chart below:

ALLOCATION AS AT 31 OCTOBER 2015



ASSET CLASS

UK Equity	5%
International Equity	35%
Fund of Hedge Funds	5%
Diversified Growth Fund (DGF)	6%
Property	9%
Non-Government Fixed Interest Bonds	3%
Global Bonds	7%
Absolute Return Bonds	5%
Multi Asset Credit	4%
Liability Driven Investment (LDI)	20%
Passive Currency Hedge, and other Cash	1%

WHAT IS THE BENCHMARK?

The benchmark is 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.

INVESTMENT REPORT CONTINUED

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.

FUND OF HEDGE FUNDS

A fund of hedge funds invests in a portfolio of different hedge funds to provide broad exposure to this asset class and to diversify the risks associated with a single hedge fund.

DIVERSIFIED GROWTH FUND (DGF)

DGFs invest in a wide variety of asset classes in order to deliver real capital appreciation over the medium to long term. Typically, the long-term aim is to produce a similar level of return to equities, but with a much lower level of volatility. The manager's target is to produce a return of 5% p.a. over a cash benchmark. DGFs use a variety of instruments including investing in other pooled funds and using derivatives to target specific ideas or protect the fund against market falls.

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.

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.

GLOBAL BONDS

Bonds issued by overseas governments and companies.

ABSOLUTE RETURN BONDS

Absolute return bond funds aim to achieve positive returns in all market conditions regardless of whether interest rates are rising or falling. They do this by investing in a combination of money market securities, bonds and bond market derivatives. Manager targets are to achieve a return of 4-6% p.a. over a cash-type benchmark.

MULTI ASSET CREDIT

Dynamic investment across a broad credit spectrum, including high yield debt, secured loans and a range of other credit instruments.

LIABILITY DRIVEN INVESTMENTS (LDI)

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.

PASSIVE CURRENCY HEDGE

The objective of passive currency hedging is to reduce currency risk from exposure to international assets.



NOTICEBOARD

CHANGE TO PENSIONS TAX ALLOWANCES

With effect from 6 April 2016 there were changes applied to certain tax allowances for pension arrangements.

The Lifetime Allowance was reduced from £1.25m to £1m. The Annual Allowance remains at its 2015/16 level of £40,000, however, for some members with 'adjusted income' of over £150,000 per year, this will be reduced below the current £40,000 limit. 'Adjusted income' includes income from all sources as well as the value of pension earned over the year. In this case, the £40,000 Annual Allowance is reduced by 50p for each £1 of adjusted income over £150,000, tapering down to a minimum of £10,000 for anyone earning at least £210,000.

The allowances apply to all retirement savings and benefits apart from your State Pension. If you are affected, you may wish to take independent financial advice on your tax position, if you have not already done so.

PAYING AVCS

If you are currently employed by the Company and would like to pay money purchase AVCs into the Plan, they are available with Legal & General. You can choose to make a regular AVC selection or a one off AVC; an application form can be found on the member website: hp.xpmemberservices.com/HP/Forms



THE NEW STATE PENSION

The State Pension system changed on 6 April this year and anyone who reaches their State Pension Age (SPA) after this will receive their State Pension under the new State Pension system. For information, please go to <https://www.gov.uk/browse/working/state-pension>

The State currently 'tops up' the increases that pension schemes provide to Guaranteed Minimum Pensions (GMPs) in payment to full Consumer Prices Index (CPI) inflation through the additional State pension. Individuals with GMPs who reach SPA after 6 April 2016 will no longer receive these State funded increases on GMPs. This issue relates to State Pension payments and, therefore, falls outside the control of the Trustees.

DATA PROTECTION

The Trustees, the Company and some of the Plan's professional advisers are 'Data Controllers' of the Plan for the purposes of the UK Data Protection Act 1998. They hold and process personal data relating to you and your dependants (such as date of birth and salary) to help them administer the Plan. The use of this data is regulated under the Data Protection Act, which places certain responsibilities on the Data Controllers.

The Trustees may disclose personal information about you and your dependants to professional advisers (such as the Plan Actuary), service providers, administrators (ie Equiniti), Hewlett Packard Enterprise Limited (as the sponsoring employer of the Plan) and its advisers and members of its group of companies and insurance companies as may be necessary or desirable to administer the Plan. This may require the personal information to be sent to, and stored or processed in, a country outside of the European Economic Area. Where the country to which the personal information is transferred may not offer an equivalent level of protection for personal information to the laws in the UK, we will take reasonable steps to ensure that the personal information is treated securely by the parties described above in accordance with the Data Protection Act. If you have any queries on data protection, please contact the Secretary to the Trustees.

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

Independent Auditors

KPMG LLP

Banker

Lloyds Bank Plc

Solicitor

Linklaters LLP

Plan Secretary

Inside Pensions Limited

Investment Managers

Legal and General Investment Management

CQS Asset Management 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

(mandate terminated during the year)

Shoreline Investment Management Company

Insight Investment Management (Global) Limited

State Street Associates

State Street Global Advisors

UBS Global Asset Management

Invesco Asset Management Limited

Investment Consultants

Mercer Limited

AVC providers

Equitable Life Assurance Society

Legal & General Assurance Society Limited

Clerical Medical Investment Group Limited

(Mandate terminated February 2015)

MGM Assurance

Standard Life Assurance Limited

Custodian

State Street Bank Europe Limited

Employer Covenant Adviser

Lincoln International Pensions Advisory Limited

GENERAL INFORMATION

General information and announcements can be accessed through the member website: hp.xpmemberservices.com. 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

ADMINISTRATOR

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

Email: hp2@equiniti.com

Call the pensions helpline on: 01293 604844

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

Visit the member website:
hp.xpmemberservices.com

TRUSTEES

If you have an enquiry for the Trustees, their contact details are shown below:

Email: hpplantrustees@insidepensions.com

Telephone: 01727 733150

Write to: Beryl Whittaker, Secretary to the Trustees, Hewlett-Packard Limited Retirement Benefits Plan, Inside Pensions, Third 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 HP HR.

Visit the member website: https://content.ext.hpe.com/sites/CountrySupport/UKI_External_HRSupport.page

TELL US WHAT YOU THINK

Please let us have any feedback about this report by emailing us at hpplantrustees@insidepensions.com so that we can make sure 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.