

June 2016

Dear Members,

Over the last few months we have been in correspondence with Hewlett Packard Enterprise (HPE) which is now the sponsoring company for our pensions. The purpose of this correspondence has been twofold. Firstly to seek a relationship with the new company and explore ways in which its former employees in the UK can work for the company's benefit as happens in the USA. The second reason has been to press the case of the members of the Digital pre 1997 scheme.

For those who would like to see the full exchange of letters this is available at http://www.hppa.org.uk/protected/PI_2016.htm (Note HPPA site username is hpway and password is toplay)

The following is a summary of what has been learned.

The position of the pre 1997 Digital pensioners is that the scheme has no automatic provision for index linking although there is a facility for discretionary increases. Sadly, since 2002 this discretion has been exercised only in 2004 and 2008 and then for just 1% in each case, as a result of which many pensioners are now facing real hardship. Our objective has been to draw this situation to the attention of HPE's management and to enquire under what circumstances they might expect an increase. We have acknowledged the company's problem with its pension schemes in deficit and the need for it to present a positive image to market analysts. Nonetheless we have argued that former employees are important, not only from the point of view of corporate responsibility but also because of the image of the company which they can present to the wider public, especially deferred pensioners still working in the high technology industry.

Our standpoint has been that where there exists the possibility to award a discretionary increase this should be the default position and that the only reason for not granting an increase is if it would cause damage to the company's financial integrity. What we fear happened under the old regime was that no increase had come to be considered the norm. We were, therefore, particularly disappointed to note that HPE seemed to be following on the same path by awarding no increase this year despite reporting a good first quarter result.

It is our belief that there are essentially only two reasons for not granting an increase: either the company cannot afford it or they are simply unwilling to do it. Hoping that it was the former we asked if we could be given an indication of under what circumstances we might expect an increase. To avoid breaching commercial confidentiality we suggested that this be based on publicly available information, such as beating the earnings target by x%, something similar to the type of criteria that are used to justify executive remuneration.

In response we were told that pension increase decisions are based on a number of considerations that change from time to time and that the company is not prepared to say what these are.

Individual members will need to put their own interpretations on this statement.

Before closing we would like to make a couple of additional points.

Firstly, we are aware that some employers have used imaginative financial approaches to reduce or, in some cases, remove their pension deficits. We offered to share this information with the company and were told that we could do so, although they doubted if we could come up with anything that the plethora of pensions consultants that for some reason they find it necessary to employ had not already suggested. We do not intend to pursue this matter because we fear that the company has no intention of paying any increase no matter what we might suggest.

Secondly a number of members have offered to supply us with data that demonstrates that there are many employers paying increases to their pre 1997 pensioners. We do not intend to advance this line of argument because the decisions to provide index linking to such pensioners were taken back in 1995 when most schemes appeared to be in surplus. Today, because of historically low interest rates, most schemes appear to be in deficit and many companies now regret their 1995 decisions. We do not think HPE is likely to be persuaded to make the same mistake (as they would see it) now as many companies unwittingly made some twenty years ago. Interestingly, a recent article in the Financial Times suggested that a interest base rate of 4% would be sufficient to eliminate most pension scheme deficits; but who is to say how long we will have to wait for this?

We are extremely sorry not to be able to give you more encouraging news. It may be, of course, that the company's financial position is much worse than they are suggesting (such a situation is not uncommon) so we will be keeping an eye on their results and will revisit the matter if things seem to be going well for them.

Yours

Scott McLean HPPA Chairman

Steve Spillane HPPA Secretary & co-Founder