

Ombudsman's Determination

Applicant	Mr S
Scheme	Smiths Industries Pension Scheme (the Scheme)
Respondents	Smiths Group plc (Smiths) S I Pensions Trustees Limited (the Trustee)

Complaint Summary

Mr S has complained that the increase applied to his Scheme pension in excess of the Guaranteed Minimum Pension (**GMP**) from 1 May 2022 should have been 7.5% instead of the 5% increase that was actually awarded, in contradiction to a commitment made to members in August 1998.

He asks that this increase is paid along with the accumulated arrears.

Summary of the Ombudsman's Determination and reasons

The complaint is not upheld because there was no absolute commitment to pay the higher rate of increase and both Smiths and the Trustee have acted in accordance with the Rules.

Detailed Determination

Material facts

1. The sequence of events is not in dispute, so I have only set out the salient points. I acknowledge there were other exchanges of information between all the parties.
2. At the time of the matters Mr S has complained about the Scheme was governed by 'the 1999 Rules' (**the Rules**). The relevant wording is contained in Rule 7.1, 'Payment of benefits - Increase of pensions' (see Appendix 1).
3. Mr S joined the Scheme in 1980. He took early retirement on 2 October 2001.
4. Mr S says that:-
 - In 1998, all members of the Scheme received a newsletter entitled 'Pensioner Newsletter August 1998 Special Edition' (**the Newsletter**) from the Trustee advising them of an improvement in the inflation protection of pensions in payment (see Appendix 2).
 - This referred to 'adopting the aim of providing annual increases in line with the [Retail Price Index (**RPI**)] up to a maximum of 10% a year subject to the finances of the scheme' (**the Stated Aim**). There was no other condition applied. Previously the cap was 5% per year.
 - The introduction of the Stated Aim was a matter of great importance to beneficiaries. At the time there had been a lengthy period of high inflation. Smiths had awarded over time discretionary increases fully matching this inflation. The then Chairman was anxious that future managements should be obliged to continue this practice if the finances of the scheme allowed it.
 - Since 1998, the Trustee and Smiths have included the cost of meeting up to 10% increases in the Scheme's liabilities at every valuation and in consequent recovery plans.
 - In May 2022, the increase in pensions in payment was calculated as 7.5% (the RPI rate at the preceding December). However, an increase of 5% only was applied.
 - A similar scenario applied in May 2023, when the relevant RPI rate was above 10% but pensioners received only a 5% increase.
5. At the time of taking early retirement, Mr S received a document entitled 'Notes applicable to the option of early retirement' (**the Notes**). Under the heading 'Pensions Increases', the Notes said:

"Until age 65 the whole of your pension is subject to guaranteed increases of 5% pa (or the rise in the Retail Price Index if less). Increases above this level are at the discretion of the Trustee, although the stated aim is to match inflation up to 10%."

6. Mr S received a similarly worded statement attached to a letter dated 19 February 2007 from the Smiths Pensions administration team.
7. Mr S argues these statements show that the additional increase above 5% is at the discretion of the Trustee only.
8. He says the revised 1999 wording of Rule 7.1 (**the Rule amendment**) differs from the implied wording in the newsletters. The newsletters stated that the inflation protection of Scheme pensions would be improved to 10% RPI with the only condition being that it was “subject to the finances of the Scheme”.
9. The Rule amendment introduced a new condition, namely that the Trustee could only calculate any additional rate of increase above the guaranteed level at Smiths’ request.
10. Mr S says the Rule amendment does not reflect the commitment made to members in the Newsletter.
11. Mr S contends that in 2022 and 2023, Smiths failed to have regard to the Stated Aim. He points out that the Trustee has said that in its opinion the Scheme could afford to make the disputed increases.
12. On 15 May 2022, Mr S complained under the Scheme’s Internal Dispute Resolution Procedure (**IDRP**). His complaint was essentially the same as that set out in paragraph 11 above.
13. The Trustee issued its response on 22 August 2022. Its conclusions are set out in paragraphs 14 to 20 below.
14. The Trustee agreed that the Newsletter and an edition of “Simply Pensions” (for employees) were issued in August 1998 which announced various benefit improvements, including “the aim of providing annual increases in line with the RPI up to a maximum of 10% a year, subject to the finances of the Scheme”.
15. The Trustee uses the RPI as the Index for the purpose of pension increases. Rule 7.1, applicable to members of the main section of the Scheme, provides for pensions in payment in excess of the GMP to be increased on each 1 May by the lower of 5% and the percentage increase in the RPI published for the previous calendar year ending 31 December.
16. Rule 7.1 also states that if in a year the percentage increase in the Index is greater than 5% the Trustee may, at the request of Smiths, calculate the rate of increase for that year as if the 5% maximum percentage figure was 10% and that, in applying this rule, both Smiths and the Trustee will have regard to the Stated Aim.
17. The percentage increase in the RPI in the year to 31 December 2021 was 7.5%.
18. The Stated Aim has always been discretionary. It is not a contractual promise or commitment that it would definitely be paid. As it is discretionary, the Trustee may

only pay any Stated Aim pension increase if there has been a request to do so from Smiths. No such request was received in relation to the 1 May 2022 increase.

19. It accepts that subsequent actuarial valuations have made allowance for the Stated Aim notwithstanding the fact that it was ultimately discretionary whether in any given year an increase would be provided under it.
20. The Trustee does not have any unilateral power to award Stated Aim increases without Smiths' agreement. The Trustee was disappointed that Smiths did not request that increases to pensions on 1 May 2022 reflect the higher RPI figure. However, the Trustee was unable to uphold Mr S' complaint because it acted in accordance with the Rules.

Summary of Mr S' position

21. His knowledge of the Stated Aim is extensive; he has been advised by the Company Executive who instigated the Stated Aim in 1998 and he was a Trustee in 2012 when Smiths made proposals to the Trustee to "defund" the Stated Aim. He has knowledge of the professional advice taken by the Trustee on the Stated Aim both in 1998 and 2012.
22. His primary complaint is that the Trustee and Smiths have jointly failed to deliver the benefits made available to members in the 1998 Newsletter. It is not about the application of the 1999 amended Rules. Smiths and the Trustee are able to make agreements other than those specified in the Rules.
23. The Newsletter was a clear statement of changed benefits including improvement to inflation protection. Subject to affordability, that was an unconditional and binding benefit improvement. Since the issue of the Newsletter neither Smiths nor the Trustee made any further statement to the membership to modify their 1998 commitment.
24. The improved RPI protection announced in the Newsletter was conditional only on being "subject to the finances of the Scheme". When the Rules were updated a further condition was inserted, making payment of the increased RPI protection dependent on a request by Smiths. This additional condition was not as promised in the Newsletter and was unknown to Scheme members.
25. Even if the disputed changed rules were to be accepted, they state that both Smiths and the Trustee will have regard to the Stated Aim of "providing annual increases in line with RPI up to a maximum of 10% a year, subject to the finances of the Scheme".
26. Mr S contends the key issue is good faith. He believes that Smiths has not shown good faith in relation to the Stated Aim. He says that in failing to implement the higher increases, Smiths is in breach of the mutual duty of good faith owed by employer and employee (the **Imperial Duty**), such as to seriously damage the relationship of confidence and trust between employer and employee.
27. He says that Smiths and the Trustee created expectations that inflation increases exceeding 5% would be paid. It features in material produced every year, and was of

great comfort to pensioners as inflation increased. It was not explained that Smiths could veto this.

Summary of Smiths' position

28. The Rules are unambiguous on the payment of pension increases and payment of an increase over 5% is not a legal entitlement of members; it is a discretionary benefit which is only payable at the request of the Company (with the consent of the Trustee). Thus there is no absolute commitment to provide discretionary increases above 5% per annum.
29. When the aim of increasing pensions was communicated in the Newsletter in 1998, the Scheme was fully funded on all of the relevant financial measures applicable at the time. The Company was still careful to make clear from the outset that higher increases could only be provided subject to the finances of the Scheme. More recently, the long-term funding target for the Scheme is to achieve full buy-out funding and, against this measure, the Trustee and Scheme Actuary reported there was a significant funding shortfall.
30. After careful consideration on both occasions, and having taken professional advice, the Company decided not to propose such discretionary increases due to the finances of the Scheme and other relevant factors.
31. The Company considered all relevant factors at the time these decisions were taken, including the desire to strengthen further the financial security of the Scheme for all its members over the long-term (recognising that approximately 40% of the membership would not benefit from the discretionary increase), enhancing the resilience of the Scheme against the macro-economic environment at the time and the fact that past increases had been based on RPI.

Summary of the Trustee's position

32. The Rules govern members' benefits. Mr S has no contractual entitlement to any increases beyond those set out in Rule 7.1, nor has the Trustee otherwise made any commitments to pay further increases.
33. The percentage increase in the RPI in the year to 31 December 2021 was 7.5%, and in the year to 31 December 2022 it was 13.4%.
34. The Trustee was, in principle, prepared to agree to the additional Stated Aim increases (i.e. 7.5% and 10% respectively) being awarded in May 2022 and May 2023, should Smiths request this. Smiths, however, decided not to request payment of the Stated Aim increases in either year.
35. The Trustee was disappointed with Smiths' decision, but it does not have any unilateral power to award Stated Aim increases without the Principal Company's agreement.

Conclusions

36. Mr S has made extensive and detailed representations in support of his case, including the background to the drafting of the Stated Aim and the intentions and understanding of the various parties involved in it at the time. Clearly, he also believes that Smiths has its own reasons, beyond affordability, for not agreeing to the higher levels annual increase to pensions in payment in 2022 and 2023.
37. It is not for me to speculate what the aims of each party may have been, nor do I have to agree with Smiths' and the Trustee's decision. My role is to consider whether the decisions and actions of Smiths and the Trustee are in accordance with legislation and the Rules.
38. Mr S has relied heavily on the wording of the Newsletter in forming his view that there was a commitment to pay annual increases of RPI or 10%, whichever was the lower, to pensions in payment.
39. The relevant wording in the Newsletter says:
- “The Scheme will also improve the future inflation protection of qualifying pensions by adopting the aim of providing annual increases in line with the RPI up to a maximum of 10% a year, subject to the finances of the Scheme.”
40. I consider this wording does not give an absolute commitment to providing increases up to 10% a year. It clearly states that this is an aim, there is no guarantee.
41. Furthermore, a reasonable reading of the phrase “subject to the finances of the Scheme” is that such an increase would be provided only if the financial position of the Scheme allowed. That is not to say that if the finances so allowed, an increase would definitely be provided.
42. I acknowledge that the Notes imply that any additional increase is at the discretion of the Trustee only, but in my view this is not material to the outcome of Mr S' complaint. Rule 7.1 (3) (b) states that:
- “If in a year (b) is greater than (a) the Trustee *may* [my emphasis], at the request of the Principal Company...”
- So, it is correct that any such increase, if requested by the Principal Company, is payable at the discretion of the Trustee.
43. Mr S has said that his complaint is that Smiths and the Trustee have failed to deliver the Stated Aim in the 1998 Newsletter and is not about the application of the Rules. However, in a situation where there is an apparent conflict between the wording of a scheme document and the rules (to the extent that there is one in this case), it is the rules which are overriding.

Application of discretion

44. The Trustee and Smiths are jointly responsible for managing the Scheme. Both have a duty to consider the financial interests of all the members and not just one section or class of beneficiary. They also have to consider the long-term financial position of the Scheme, weighing the interests of a particular category of member against the need to protect the security of the beneficiaries as a whole and the impact that any decision they make may have in the future.
45. In this case, Rule 7 requires that Smiths must first request that the Trustee increases the rate at which pensions in payment are revalued above 5%. If Smiths makes such a request, the Trustee then has a discretionary power to grant the increase. However, without a request from Smiths I find that, the Trustee is unable to decide unilaterally to grant an increase to pensions in payment above 5%.
46. I consider that the power conferred on Smiths in deciding whether to make a request to the Trustee is discretionary. However, the remaining wording of the rule does not confer a purely discretionary power on Smiths, but it is constrained by the requirement under the Rule that it “will” have regard to the Stated Aim (of providing increases of up to 10%), which is itself stated to be subject to the finances of the Scheme.
47. So, in my view this requires Smiths to consider first the finances of the Scheme, then to have regard to the Stated Aim. There is no further elucidation of what “finances of the scheme” mean in this context. It could simply mean, in the broadest sense that the increase is “affordable”. Mr S has not advanced the argument that Smiths ought to fund any increase, rather that the funding position of the scheme is sufficient that the increase can be funded from its ongoing surplus. Smiths has advanced the argument that although the scheme is in surplus on an ongoing valuation basis, it is significantly underfunded on a full buyout basis.
48. Although the phrase “finances of the scheme” derives from the 1998 Newsletter, a communication to lay members, and so one which may not have been intended to be subject to extended legal analysis, the drafter of the 1999 amendment chose to include the same phrase in the Rules. Neither interpretation of the phrase is unreasonable, but given the extremely broad range of reasonable meanings of the phrase, there is no scope for me to find that one reasonable interpretation is correct over another.
49. Even if I considered that the phrase meant that an increase only had to be “affordable” in the broadest sense, the clause still does not require the Principal Company to request the Trustee to increase by 10% if the increase was affordable, only that it must have *regard* to the Stated Aim in the context of the finances of the Scheme. I consider that for the employer to fulfil the requirement to have regard to the Stated Aim, it must consider it as a factor, but it may also consider or ascribe weight to other factors.

50. Smiths has set out its reasoning for not requesting the higher increase in 2022 and 2023, namely that there was a significant funding shortfall on a full buy-out funding basis and that it wished to strengthen the financial security of the Scheme for all members. In deciding this, it has also had regard to the members who would not benefit from an increase in pensions in payment. Furthermore, it took professional advice before deciding not to request the Trustee to increase pensions in payment above 5%.
51. I find that Smiths did have regard to the finances of the Scheme and to the Stated Aim when making its decision not to request the Trustee to increase pensions in payment above 5%.
52. In cases involving the exercise of discretion, it is not for me to make my own decision based on the evidence provided. I do not have to agree with the decision and I will not intervene just because I consider the decision-maker could have reached a different decision.
53. I accept that once Smiths had considered the finances of the Scheme and the Stated Aim, it retained a discretionary power to request the Trustee to increase pensions in payment. Mr S has submitted that its decision not to exercise its discretionary power to make such requests in December 2021 and December 2022 was a breach of its “Imperial Duty”. In its most commonly applied formulation by Lord Steyn in *Malik v BCCI* [1997] 3 All ER, the duty is set out in an implied term in an employment contract that requires that an employer:
- “shall not without reasonable and proper cause conduct itself in a manner calculated or likely to destroy or seriously damage the relationship of trust and confidence between employer and employee.”*
54. The implied term was formally extended to the pension scheme context by the decision in *Imperial Group Pensions Trust Limited v Imperial Tobacco* [1991] 1 WLR 589.
55. In *Imperial*, the context was the employer's discretionary power to consent, or to withhold its consent, to an amendment to the scheme proposed by the trustees to increase pensions in payment. It was held that the employer was not exercising a fiduciary power, but nonetheless one which had to be exercised within the limits of the implied obligation of good faith. The obligation to act with good faith requires that a discretionary power should not be exercised capriciously or in a manner that fetters future decision making. A power should be exercised with a view to the efficient running of the scheme and not for a collateral purpose.
56. However, the obligation to act with good faith does not require an employer to act to an objective standard of reasonableness or to reach a decision which is “fair” between the parties. It preserves the entitlement of an employer to take into account its own interests, financially and otherwise, in the future operations of the scheme, even where those interests conflict with those of active and pensioner members: *National Grid Co Plc v Laws* [1997] OPLR 207.

57. In *Prudential Staff Pensions Ltd v The Prudential Assurance Company Ltd & Ors* [2011] EWHC 960 (Ch) it was held that acting capriciously means, by analogy to cases which considered the implied duty of mutual trust and confidence in an employment context, acting perversely or irrationally. It was held that a discretionary power to increase a pension requires a “genuine and rational, as opposed to an empty or irrational, exercise of discretion.”
58. Members’ interest and expectations may be of relevance when considering whether an employer has acted irrationally or perversely. Where a power is fiduciary, it is incumbent on the decision maker to show that it has given proper consideration to relevant matters and excluded consideration of irrelevant matters. It was held in *Prudential* that where a power is not fiduciary, the court will consider overall whether the decision reached was irrational or perverse not whether regard has been had to particular matters. Members’ interests and expectations may be of relevance when considering whether an employer has acted irrationally or perversely.
59. In *IBM United Kingdom Holdings Ltd & Anor v Dalgleish & Ors* [2017] EWCA Civ 1212, the Court of Appeal held that the correct test where an employer is exercising a non-fiduciary discretionary power under an occupational pension scheme is:
- was the discretionary decision exercised for a proper purpose;
 - was the decision reached in a rational manner taking into account all relevant factors (and no irrelevant factors): and
 - was it a decision that could have been reached by a reasonable decision maker in the position the employer was in when it made it.
60. In making its decision whether to request the Trustee to increase pensions in payment above 5%, Smiths was not exercising a fiduciary power. So, I consider the correct test to apply is that set out in paragraph 59, taking into account the comments made about relevant and irrelevant factors in *Prudential*. If the answer to any of these questions is “no”, Smiths will have breached its Imperial Duty. However, if the answer to each is “yes”, there is no scope to set its decision aside.
61. Under the first limb, Smiths has stated that it decided not to propose to the Trustee to increase pensions in payment above 5% in December 2021 and December 2022 due to the finances of the Scheme and other relevant factors. I consider that this is sufficient to meet the first limb. The power was exercised in response to a request by the Trustee to propose an increase, and the purpose of exercising the power was to reach a decision about whether to request the increase.
62. Under the second limb, Smiths has stated that, having taken professional advice, it did not propose increases based on the following factors:
- 62.1. The finances of the scheme;

- 62.2. The aim of strengthening the financial security of the Scheme for all of its members over the long term (recognising that approximately 40% of the membership would not benefit from the discretionary increases)
- 62.3. Enhancing the resilience of the Scheme against the macro-economic environment at the time
- 62.4. Past increases to pensions in payment have been based on RPI.
63. Expanding on the finances of the Scheme, Smiths has stated that by not paying increases over 5% in 2023, it was estimated that this has shortened the time to achieve the long-term funding target of full buyout funding by more than two years. A delay in reaching this could result in adverse effects caused by external factors to this aim. It has also taken into account its other stakeholders and business needs in reaching its decision. I consider that these are relevant factors to take into account.
64. Expanding on the point about RPI increases, Smiths has stated that in practice, RPI frequently overstates the actual rate of inflation and members have received higher increases historically than they would have had increase been calculated by reference to CPI.
65. Under the Rules, members are entitled to receive increases based on RPI. The fact that RPI may or may not be an accurate measure of inflation, or that CPI is lower, is not, I consider, relevant in itself to the question about whether it should exercise the power. However, to consider the protection members receiving pensions in payment have had historically against inflation, and to weigh this against the long term future financial security of the Scheme and the interests of all members, is a relevant factor and I do not consider that this in any material sense renders the decision flawed, taking into account *Prudential* and the fact that Smiths is not exercising a fiduciary power.
66. I acknowledge that Mr S has formed an expectation of annual increases up to 10% based on the wording of the 1998 Newsletter. Although it was decided at first instance in *IBM v Dagleish* that the exercise of a power in a manner contrary to a member's "Reasonable Expectations" or in a manner that failed to take these into account could result in the Imperial Duty being breached, this was overturned by the Court of Appeal. The Court of Appeal held that Reasonable Expectations had no special status and are simply a relevant factor to take into account. In any event, in this case, I consider that Smiths did have regard to any expectations engendered by the wording of the 1998 Newsletter, and indeed was required to, due to Rule 7 incorporating the requirement for it to have regard to the Stated Aim in its decision making.
67. Under the third limb, Smiths has reached a decision based on evidence, relevant factors, and having taken advice. I can see no indication that it was irrational or perverse to reach the decision it did, or that it is a decision that no reasonable decision maker could have reached. I find that, in reaching its decision not to request

the Trustee to increase pensions in payment by 10%, Smiths has not breached its Imperial Duty.

68. Mr S' submission places a good deal of weight on a measurement of Smith's conduct against a semi objective standard of good faith and fairness, but that is not the correct standard under case law.
69. The requirement for an employer to act with good faith simply requires it to act in a way that is not irrational or capricious. In this case, the requirement in the Rules is only to have "regard to" the Stated Aim. Even if what Mr S alleges were true, that Smiths has had regard to it, but chose to weigh other factors ahead of the Stated Aim, including its own financial interests, that is not sufficient to breach the requirement of good faith, provided it reached a rational decision and did not fetter its discretion.
70. I do not uphold the complaint.

Dominic Harris

Pensions Ombudsman

26 November 2024

Appendix 1

Extract from the Rules

7.1 **INCREASE OF PENSIONS**

- (1) This rule relates to all pensions payable under the Scheme except -
- (a) any Guaranteed Minimum (as defined in the Previous Rules), GMP or EPB;
 - (b) any pension provided on Special Terms which did not provide for it to be increased in the same manner as standard pensions under the Scheme;
 - (c) any other pension to which the Trustee and the Principal Company agree this rule should not apply.
- (2) This rule governs only increases taking effect on or after 1 May 1999. The Previous Rules govern the time and rate of increases to pensions (including prospective and contingent pensions) under the Scheme before that date.

- (3) In this rule -

"Index" means the Government index of retail prices for all items, or such other published index which the Trustee may decide is the nearest readily available equivalent index if it stops being published or its constituents are, in the Trustee's opinion, substantially altered.

"Pension" means the current yearly amount of a pension. If the pension has been re-arranged under rule 4.10 (or a corresponding provision of the Previous Rules) it means that amount of the pension after re-arrangement.

"Rate" means, in relation to any 1 May and a Member's pension or pension payable following his death, the smaller of (a) and (b) below, divided by 12 and then multiplied by the smaller of 12 and the number of complete Months since the Member left Service.

- (a) 5%; and
- (b) the percentage increase in the Index published for the previous calendar year ending 31 December. The percentage will be taken as zero if it would otherwise be negative. If the Index is not published in respect of the relevant period, the Trustee may substitute such percentage as it considers to be a reasonably likely figure on the basis of Information available to it.

If in a year (b) is greater than (a) the Trustee may, at the request of the Principal Company, calculate the Rate for that year as if the figure in (a) was 10% (instead of 5%). In relation to this provision both the Principal Company and the Trustee will have regard to the aim (stated in the "Simply Pensions" Newsletter of August 1998) of "providing annual increases in line with the RPI up to a maximum of 10% a year,

subject to the finances of the Scheme". Any price inflation increases above 10% may be provided under rule 6.5, but not under this rule.

(3) *Pensions in payment*

Each Pension, whilst the pension is in payment before State Pension Age, will increase on 1 May each year by the Rate.

The excess over the GMP of each Pension, whilst the pension is in payment on or after State Pension Age, will increase on 1 May each year by the Rate.

The GMP will increase as provided under the Previous Rules.

(4) *Pensions in deferment*

The excess over the Guaranteed Minimum (as defined in the Previous Rules) of the prospective Pension of a Deferred Pensioner will increase on 1 May each year by the Rate.

The Guaranteed Minimum of the Deferred Pensioner will increase as provided under the Previous Rules.

(5) *Statutory increases*

The increases under (3) and (4) above will be treated as satisfying (to the maximum extent consistent with the Pension Schemes Act 1993 and the Pensions Act 1995) the requirement to revalue accrued rights to GMPs under the Previous Rules and the following provisions of those Acts -

- (a) the "anti-franking" requirement;
- (b) the requirement to revalue deferred pensions;
- (c) the requirement to provide increases on that part of any GMP attributable to earnings in the Tax Years from (and including) 1988/89; and
- (d) the {limited price) indexation requirement under section 51 of the Pensions Act 1995.

Appendix 2

Extract from the Newsletter

A message from the Chairman

*“It gives me great
pleasure to be
able to bring
you news of
these benefit
improvements”*

I am delighted to write to you with news of significant benefit improvements in the Smiths Industries Pension Scheme.

As you will be aware, the Scheme provides that qualifying pensions receive annual increases, which match the increase in the Retail Prices Index (RPI), up to a maximum of 5% each year. In practice greater increases than this have been awarded in times of high inflation.

I have, however, been concerned for some time that the pensions of our older pensioners have lost some ground against inflation. Three special increases, in 1987, 1989 and 1990 were made to try to make-up some of this ground. More recently inflation rates have been more subdued and the pensions of members who retired from 1990 onwards have fully matched increases in inflation.

I am very pleased to announce that another special increase will be made as at 1st October 1998, which will ensure that all Smiths Industries pensioners, whose pensions qualify for normal annual increases from the Scheme, will have their pensions increased, where necessary, to fully restore them against increases in inflation.

The Scheme will also improve the future inflation protection of qualifying pensions by adopting the aim of providing annual increases in line with the RPI up to a maximum of 10% a year, subject to the finances of the Scheme.

It gives me great pleasure to be able to bring you news of these benefit improvements. At the same time the Company is re-organising its pension schemes by merging them all into one – the combined scheme will then have assets of nearly £750 million and will provide strong security for the benefits promised to members.

As many of you will know, I will be retiring from Smiths Industries in November and I extend my best wishes to you all.



Sir Roger Hurn
Chairman