

The Clerical Medical Staff Superannuation Fund



SCHEME HANDBOOK

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CLERICAL MEDICAL STAFF SUPERANNUATION FUND MEMBERS' GUIDE

This is a guide to the wide range of benefits provided by the Clerical Medical Staff Superannuation Fund.

The Fund provides a pension related to salary, together with ill health and death benefits, which can provide important financial support to you and your family.

This guide gives a brief summary of the Fund. It is not a substitute for the Trust Deed and Rules, which constitute the legal basis of the Fund. If there is any inconsistency between the terms of the Trust Deed and Rules of the Fund and this guide, the Trust Deed and Rules as amended from time to time will prevail. Copies of these documents and further information about the Fund can be obtained from:



Group Pensions (Clerical Medical)

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1. DEFINITIONS

This section contains certain terms used in this guide.

- Actuary -** the actuary appointed by the Trustees as Scheme Actuary.
- Child or Children -** normally means a child or children under age 18 or 23 if in full-time education or training.
- Employers -** means the Principal Employer and any employer who employs members of the Scheme.
- Final Salary -** is the greater of:
- (a) basic salary received in the last year (i.e. the last twelve complete months) of service as a member of the Scheme,
- and**
- (b) the highest annual average of basic salary received in any three consecutive years in the last five years of service as a member of the Scheme;
- plus** (for relevant staff)
- (c) the highest annual average of pensionable sales bonus received over thirty-six consecutive months in the last ten years service.
- Normal Retirement Age -** means age 62.
- Pensionable Salary -** means your annual rate of basic salary, plus (for relevant staff) the highest annual average of pensionable sales bonus received over thirty-six consecutive months in the last ten years service.

- Pensionable Service -** means service as a full member of the Scheme (i.e. excluding any period of membership during which the member was only eligible for life assurance cover), plus for members who joined the Scheme before 1st January 1981, any most recent period of continuous paid employment before 1st January 1981 with any of the Employers while not a full member of the Scheme.
- Principal Employer -** HBOS plc.
- Scheme -** Clerical Medical Staff Superannuation Fund.
- Spouse -** means your legal spouse or civil partner.
- Trustees -** means the Trustees for the time being of the Scheme.

2. MEMBERSHIP

Can I join this pension scheme?

No, the Scheme was closed to new members on 31st December 2000.

Can I transfer my pension benefits from a previous employment?

The Trustees may, at the request of your Employer, accept transfer payments from other pension arrangements. Transfers will usually be accepted, provided that the transfer value is sufficient to pay for any Guaranteed Minimum Pension (refer to "10. STATE PENSION SCHEME") that is also transferred.

If you wish to consider such a transfer, you should contact Group Pensions Department.

Can I opt out of the Scheme?

Yes, but you must inform Group Pensions Department in writing. If you opt out, your membership will cease at the end of the month following that in which Group Pensions Department receives your letter. Your benefits for opting out are explained in "7. LEAVING HBOS OR THE SCHEME".

If you choose to opt out, but remain with your Employer, you will have life assurance cover (refer to "8. BENEFITS ON DEATH WHILE A CONTRIBUTING MEMBER") of four times your Final Salary.

If I leave the Scheme, may I rejoin at a later date?

No.

3. CONTRIBUTIONS

How much do I pay to the Scheme?

You currently pay 4% of your Pensionable Salary. The Principal Employer may vary this contribution from time to time and you will receive notice of any change. Your contributions will cease when your Pensionable Service ends.

Do I get tax relief on my contributions?

Yes, subject to limits set by HM Revenue & Customs (see "5. TAX RELIEF"). As contributions are deducted from salary before tax is calculated, you currently receive tax relief automatically at your highest rate(s) of income tax.

What happens to my National Insurance contributions?

As a contributing member of the Scheme you are contracted-out of the State Second Pension (refer to "10. STATE PENSION SCHEME") and, consequently, pay a lower rate of National Insurance Contributions.

Does HBOS contribute?

Yes. HBOS contributes the balance of cost necessary to provide the benefits of the Scheme, as advised by the Actuary.

What happens if I am absent from work through maternity/family leave?

During any period of paid maternity / family leave, your Pensionable Service will continue but you will not be required to pay Scheme contributions.

For periods of unpaid maternity leave, you will not pay Scheme contributions. However, you may pay them on your return if the Principal Employer agrees. If you do not pay them, your Pensionable Service will be reduced accordingly.

If you opt to pay missed contributions within 12 months of returning from a period of maternity leave, no interest will be charged. If, however, your missed contributions are paid when you have been back in employment for over 12 months, following a period of maternity / family leave, interest will be charged based on the Bank of England Base Rate.

What happens if I am absent from work through illness?

If you are absent through illness and continue to be paid, your Scheme contributions will continue to be deducted from your pay and your Pensionable Service will not be interrupted.

If you are not paid for any period of absence, you will not pay Scheme contributions. However, you may pay them on your return if the Principal Employer agrees. If you do not pay them, your Pensionable Service will be reduced accordingly.

If you opt to pay missed contributions within 12 months of returning from a period of unpaid illness, no interest will be charged. If, however, your missed contributions are paid when you have been back in employment for over 12 months, following a period of unpaid illness, interest will be charged on the Bank of England Base Rate.

4. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

Can I pay Additional Voluntary Contributions (AVCs) to provide additional benefits?

Yes, you have a choice of investment options as detailed below.

What are the advantages of AVCs?

Additional Voluntary Contributions (AVCs) allow you to increase your benefits and provide one of the most tax-effective ways of saving because:

- contributions currently attract income tax relief at your highest rate(s) - refer to "5. TAX RELIEF".
- the fund in which your contributions are invested benefits currently from tax concessions on its income and capital gains.
- there is currently an additional HBOS contribution (see below)

How do AVCs work?

AVCs allow contributing members to build up a fund of money to purchase extra benefits.

Your contributions build up in a separate investment account. When you take your main Scheme benefits, the accumulated contributions and investment returns in your AVC fund may be used to buy extra benefits. This means that you carry the investment risk and the level of benefits cannot be guaranteed.

How much can I contribute?

Whilst the amount of your AVCs is unlimited, your tax relief is subject to limits set by HM Revenue & Customs (refer to "5. TAX RELIEF").

Does HBOS contribute towards AVCs?

HBOS will currently match half of your contribution up to a limit of 4% of your basic salary. We pay this into your investment account each month, based on your monthly basic salary.

The HBOS contribution is a concessionary benefit for colleagues and may be reviewed.

The table below shows examples of the HBOS current contribution to AVCs.

YOU PAY (BASIC PAY)	HBOS PAYS (BASIC PAY)	TOTAL CONTRIBUTION (BASIC PAY)
2%	1%	3%
4%	2%	6%
6%	3%	9%
8%	4%	12%
10%	4%	14%

If you pay AVCs to more than one of the funds listed below, any HBOS contribution will be paid in the same proportions as your own AVCs.

Can my AVCs be changed?

Yes. You can start or stop your AVCs at any time. You can also increase or reduce the amount you pay if you have a pay increase or if your personal circumstances change. In either case, the payment of AVCs is on whatever terms the Trustees decide from time to time.

What benefits do AVCs provide?

When your pension starts, your AVC investment will allow you to increase your benefits.

If you elected to pay AVCs before April 2006, you may use them to buy pension from the Scheme or an annuity on the open market. If you elected to pay AVCs after April 2006, any pension purchased must be bought on the open market.

What if I die in HBOS employment and have not taken benefits early?

Your AVC fund will be paid to your dependants or your estate as a lump sum.

Although your choice will not bind the Trustees, you are strongly advised to complete a Nomination Form to let the Trustees know to whom you would like your AVCs to be paid. If you wish to change your nomination at a later date you should complete a new form.

Where are the contributions invested?

You may choose to invest your contributions in one or more of the following funds:

BALANCED MANAGED FUND

The aim of this fund is to achieve long-term capital growth by matching the performance of a fund invested about 80% in UK and international equities and the rest in cash, property, and fixed interest and index-linked stocks.

CASH FUND

The aim of this fund is to provide the best return consistent with the protection of capital and match the performance of a fund invested in cash and fixed interest stocks.

CAUTIOUS MANAGED FUND

The aim of this fund is to achieve long-term capital growth by matching the performance of a fund invested about 50% in UK equities and the rest in cash and fixed interest and index-linked stocks.

RETIREMENT PROTECTION FUND

The aim of this fund is to broadly match the performance of those UK gilt edged stocks that influence market yields for pension annuity rates.

The annual management charge applicable to the above funds is 0.54% of your AVC investment.

For each fund, you will receive an annual statement that shows how your investment has performed.

Further details about these fund options are included in the Clerical Medical Investment Funds document, which can be found on the internet at: <http://reference.clericalmedical.co.uk/docs/EX1973.pdf>.

Can I defer taking my AVC benefits?

Yes. This involves leaving your AVCs invested after taking your main Scheme benefits until any time up to age 75. You might do this if you felt that, at the time of taking benefits, your AVCs were undervalued. If you defer drawing your AVC benefits, further contributions cannot be paid, but your AVCs continue to be invested until you withdraw them.

This is a complex area and there are risks involved. Therefore, the Trustees strongly recommend that you take independent financial advice before you decide to defer taking your AVC benefits.

What do I do next?

Within GroupNet/HR in HBOS/Pensions:

- The Retirement Planner/AVC Calculator is available to help you plan your benefits.
- A form is available to start/stop/change your AVCs

If you need more information on AVCs, you can contact Group Pensions Department (refer to "12. FURTHER INFORMATION").

5. TAX RELIEF

Your contributions and any AVCs are deducted from your pay before you are assessed for income tax. In this way, full tax relief is given on your contributions up to certain limits.

Although there is no actual limit on contributions, tax relief is only available on your contributions to all registered pension arrangements up to 100% of your gross earnings in each tax year (or £3,600 if higher),

There is also a limit, known as the Annual Allowance, on the increase in the value of your pension benefits. This limit is £215,000 for the 2006/07 tax year and any increase in value above this limit will be subject to tax at 40% for which you would be liable. However, this limit does not apply in the tax year in which your benefits are taken in full or in which death occurs.

In assessing the increase in value of your Scheme benefits against the Annual Allowance, a multiple of 10 is applied to any increase in the value of your pension during a tax year. For example, for the 2006/07 tax year, your pension would have to increase by more than £21,500 before you would be liable for this tax charge. In assessing this figure, any tax relievable AVCs and additional HBOS contributions to your AVC fund(s) are added to the value of the increase in your main Scheme benefits and any increase to the value of your benefits under other registered pension schemes during the relevant period.

Any other pension plans, which you may have, must be taken into account when completing a self-assessment Income Tax return.

6. RETIREMENT BENEFITS (including taking benefits from the Scheme early, whilst continuing to work for HBOS)

What benefit will I receive at Normal Retirement Age?

Your annual pension will be calculated as follows:

$1/60 \times \text{Final Salary} \times \text{Pensionable Service}$

A 50ths accrual rate applies to colleagues at level 5 and 6. If you are eligible for such an accrual rate, you will have been notified individually.

Example:

A member retires with a Final Salary of £24,000 after completing 32 years of full time Pensionable Service.

$1/60 \times £24,000 \times 32 = £12,800$ a year.

What happens if I transfer between full and part time employment or change my hours of work?

A separate calculation is made for each period worked at a different number of hours and the results are added together.

The corresponding full time salary is first obtained, as explained below. The number of hours you are required to work as a proportion of full time hours is then calculated and applied to your Pensionable Service.

Example:

A member retires after completing Pensionable Service of 10 years working full time (35 hours) followed by 12 years working 20 hours per week with a Final Salary of £6,000.

Corresponding full time salary:

$£6,000 \times 35 \text{ (full time hours)} / 20 \text{ (part time hours)} = £10,500$

Pension:

$1/60 \times £10,500 \times 10 \text{ (full time hours)} = £1,750$ a year

Plus

$1/60 \times £10,500 \times 12 \times 20 \text{ (part time hours)} / 35 \text{ (full time hours)} = £1,200$ a year

Total Pension = £2,950 a year

What benefit will I receive if I retire early?

This answer only applies if you are retiring from the Scheme. **It does not apply if you leave HBOS and choose to draw your pension early at a later date.**

You may retire early from HBOS at any time at or after age 50 (age 55 if on or after 6 April 2010) with an immediate pension, provided that you give the Principal Employer six months' notice.

If you retire early you will receive an annual pension of:

$1/60 \times \text{Final Salary} \times \text{Pensionable Service}$ - a reduction

In these circumstances, because your pension will be paid for longer and cost more, in the interests of the Scheme and all its members, reductions are applied to the amount of your pension. The reductions are shown in the table below. If you retire between birthdays, the reduction will be adjusted accordingly.

RETIREMENT AGE	PENSION REDUCTION
60+	0%
59	3%
58	6%
57	9%
56	12%
55	15%
54	18%
53	21%
52	24%
51	27%
50	30%

Different reductions apply to deferred pensions drawn early (see "7. LEAVING HBOS OR THE SCHEME" for more information).

Example:

A member retires at age 59 with a Final Salary of £24,000 after completing 32 years of Pensionable Service.

$(1/60 \times £24,000 \times 32) - 3\% = £12,416$ a year.

Can I take benefits from the Scheme early and continue to work for HBOS?

If your Employer agrees, you can by notice in writing to the Trustees choose to take all your pension at any time at or after age 50 (age 55 if on or after 6 April 2010) and continue to work for HBOS (a process known as 'flexible retirement'). If you do this, the conditions and reductions above will apply and you will not be allowed to re-join the Scheme. However, you will be allowed to join the HBOS Group Money Purchase Scheme in respect of your continued employment.

You will continue to be covered by life assurance (refer to "8. BENEFITS ON DEATH WHILE A CONTRIBUTING MEMBER"), but any life assurance payment will be reduced by any lump sum payment under "9. BENEFITS ON DEATH AFTER PENSION STARTS".

Can I retire from the Scheme late?

Yes. If your Employer allows you to continue working after Normal Retirement Age, you may, by giving not less than three months' written notice to the Trustees, choose to continue as a member of the Scheme until you cease to be an employee (or reach age 75 if earlier).

If you decide to continue as a member of the Scheme after Normal Retirement Age, you must notify the Trustees by three months before this time whether you want to continue accruing Pensionable Service and making contributions to the Scheme for this period, or whether you would prefer to cease contributing and defer taking your pension to a later date. If you defer taking your pension, the benefits will be increased to take account of the later payment.

What happens if I have to retire early because of ill health?

A pension may be paid on special terms with the consent of the Principal Employer if you have to leave employment because of ill health, provided that you have been a member of the Scheme for five years. In addition, the Trustees must by law have received evidence from a registered medical practitioner that you meet a certain prescribed standard of ill-health before such a pension can be paid.

The Principal Employer considers each case of ill-health retirement on an individual basis, and its decision on whether you are sufficiently ill for ill-health retirement is final.

There are two levels of ill-health pension. The Principal Employer will decide, in the light of the independent medical evidence, which benefit applies:

Total incapacity

You will receive a pension based on your Final Salary at the date of ill-health retirement and your Pensionable Service you have built up, plus the pensionable employment you could have completed to Normal Retirement Age.

Your life assurance cover (refer to "8. BENEFITS ON DEATH WHILE A CONTRIBUTING MEMBER") will continue for five years after your retirement date or until you reach Normal Retirement Age, whichever is the earlier.

Partial incapacity

You will receive a pension based on your Final Salary at the date of ill-health retirement and your Pensionable Service you have built up, plus half the period of pensionable employment you could have completed to Normal Retirement Age.

Your life assurance cover (refer to "8. BENEFITS ON DEATH WHILE A CONTRIBUTING MEMBER") continues at one half of the normal rate for five years after your retirement date or until you reach Normal Retirement Age, whichever is the earlier.

Medical Examinations

If you retire on ill health, the Principal Employer may require you to be medically examined from time to time and if you are no longer incapacitated, your pension may be reduced or suspended.

Can I give up part of my pension for a cash sum?

When your pension is due to be paid, you may exchange part of it for a cash sum that is currently tax-free. The amount of your cash sum will be notified to you at the time of taking your benefits and it will normally be the maximum allowed as prescribed by HM Revenue & Customs. As a guide, the figure will be, broadly, up to a maximum of five times your pension before cash is taken.

You can use your AVC fund to provide benefits when you take your pension from the Scheme. When you decide to take your pension, you can use your AVC fund to provide additional pension or, alternatively, you can take all or part of your AVC fund as cash (provided that your AVC fund does not exceed the overall limit on cash).

Any cash sum that you take from your AVCs will reduce the amount of cash you can take from the Scheme.

If you elected to pay AVCs before April 2006, you may use them to buy pension from the Scheme or an annuity on the open market. If you elected to pay AVCs after April 2006, any pension purchased must be bought on the open market.

If you choose to exchange part of your pension for a cash sum, the pension given up will be based on a factor (called a commutation factor), which depends on your age at the relevant time.

Taking cash from the Scheme will not reduce the amount of any spouse's pension payable on your death after taking benefits (refer to 9. "BENEFITS ON DEATH AFTER PENSION STARTS").

Can I give up part of my pension for a Dependant's pension?

When your pension is due to be paid, you may elect by written notice to the Trustees to exchange part of it for a pension for one or more of your Spouse or a Dependant. This nomination only takes effect if both you and the nominated person survive until your pension starts. However, if the nominated person dies after your pension has started, the reduction to your pension will continue to apply.

How and when is my pension paid?

Your pension is paid in arrears in monthly instalments by credit transfer into your bank account.

Will my pension increase during payment?

Yes. Pensions increase on 1 December each year by 5% or by the rate of change in the Retail Prices Index (RPI), if lower. However, for pension accrued up to 5 April 2006, a guaranteed minimum increase of 3% is payable.

Your first increase will be calculated proportionately. Your increase will be based on the length of time you have been receiving your pension.

If you have any additional voluntary contributions, any additional pension purchased from the Scheme will be increased in line with RPI up to a maximum of 5%.

The following points apply after you reach State Pension Age:

- As a result of contracting-out, your pension from the Scheme may include a Guaranteed Minimum Pension (GMP) for benefits accrued up to 5 April 1997. This replaces the amount of 'additional pension' that you would otherwise have received as a member of the State Earnings Related Pension Scheme known as SERPS (refer to "10. STATE PENSION SCHEME" in this document for further details).
- Pensions in payment above the GMP are guaranteed to increase each year as set out above.
- The State (and not the Scheme) is responsible for paying any increase on GMP earned between April 1978 and April 1988. Increases on GMP (up to 3%) earned after April 1988 are paid through the Scheme.

The State keeps a record of the 'additional pension' that you would otherwise have received as a member of SERPS and ensures that it is protected against inflation. If less than your GMP at State Pension Age, the State will only pay increases on such 'additional pension' when it has caught up with your GMP. Any increase to your 'additional pension' will be paid with your state pension.

7. LEAVING HBOS OR THE SCHEME

What happens to my pension?

You will be entitled to a deferred pension payable from Normal Retirement Age calculated on the following basis:

$1/60 \times \text{Final Salary} \times \text{Pensionable Service}$

Example:

A member leaves with a Final Salary of £18,000 after completing 10 years of Pensionable Service.

$1/60 \times £18,000 \times 10 = £3,000$ a year.

A Statement of Pension Entitlement will be sent to you shortly after you leave.

Will my deferred pension increase after I leave?

Yes. While you remain a deferred member (i.e. before your pension starts to be paid), your pension in excess of GMP (refer to "10. STATE PENSION SCHEME") is currently increased in line with the increase in the Retail Prices Index for each complete year to the payment date up to a maximum of 5% a year.

Your Guaranteed Minimum Pension will be increased in line with statutory Fixed Rate Revaluation Orders (currently 4.5% a year compound).

When in payment, your pension will be increased in the same way as other pensions (refer to "6. RETIREMENT BENEFITS").

May I have my deferred pension paid before Normal Retirement Age?

Yes. Instead of a deferred annual pension, you may have an immediate annual pension paid at any time at or after age 50 (age 55 if on or after 6 April 2010). Because pensions will be paid for longer and cost more, in the interests of the Scheme and all its members, reductions in pensions are applied on a scale advised by the Actuary. **This scale is different from the scale described in "6. RETIREMENT BENEFITS"**. No reduction will be applied if you have reached age 60. Please contact Group Pensions , Trinity Road, Halifax for further details.

What happens if I die before Normal Retirement Age with a deferred pension that has not started?

Your Spouse will receive a pension of two-thirds of the pension you would have received on the date you left the Scheme, including any increases awarded to the date of death. Children's pensions may also be paid (refer to "8. BENEFITS ON DEATH WHILE A CONTRIBUTING MEMBER").

A lump sum is also payable equal to the capital value of your pension at the date of death less, where applicable, the cost of providing the Spouse's and Children's pensions. If the cost of providing these pensions equals or exceeds the capital value of your deferred pension, no lump sum will be paid.

Can I transfer my pension benefits to another pension arrangement?

As an alternative to a deferred pension, you may transfer your pension rights under the Scheme to:

- your new employer's scheme
- a personal pension plan
- another insured pension arrangement.

You may request a Transfer Value Statement at any time, although the Trustees may limit the number of calculations to one a year.

How will my transfer value be calculated?

The transfer value is calculated by the method laid down by the Actuary. The calculation basis includes an allowance for guaranteed pension increases and the Trustees have also asked the Actuary to include an allowance for discretionary pension increases. The calculation of your transfer value is based on your age and on certain assumptions about future inflation rates, average life expectancy and investment returns.

You should note that the transfer value would depend on investment conditions at the time of the quotation. For this reason, a transfer value can go up or down. However, the amount shown on your quotation will be guaranteed for three months. This does not apply to your AVCs (because they are held on a money purchase basis). Their transfer value is simply the value of your AVC investment.

In the unlikely event that there are insufficient funds in the Scheme, it may be necessary to reduce the amount of the transfer payment; if this applies, you will be given details in the Statement issued with your calculation notice.

8. BENEFITS ON DEATH WHILE A CONTRIBUTING MEMBER

What pension is payable to my Spouse when I die before Normal Retirement Age?

Your Spouse will receive an annual pension of two-thirds of the pension you would have received based on Final Salary and the period of pensionable employment which you would have completed if you had remained in service until Normal Retirement Age.

Example:

A member dies four years before Normal Retirement Age after completing 20 years' Pensionable Service. The member's Final Salary was £24,000.

$2/3 \times 1/60 \times £24,000 \times (20 + 4) = £6,400$ a year.

Your Spouse may choose, before the benefit comes into payment, to take the cash value of it as a lump sum. In this case, your Spouse will be recommended to take independent financial advice.

What if I am not married or do not have a civil partner when I die?

If you are not married or do not have a civil partner when you die, the Trustees may pay a Spouse's pension to someone who, in the opinion of the Trustees, was wholly or partly financially dependent on you at that time.

Will a pension be paid for the benefit of my Children?

Yes, if you die leaving a Child or Children from your last marriage. In addition to any pension payable to your Spouse, Children will be entitled to annual pensions equal in total to one-third of the pension you would have received based on Final Salary and the period of pensionable employment which you would have completed if you had remained in service until Normal Retirement Age.

If a Spouse's pension is not payable, each Child, up to a maximum of three, will be entitled to an annual pension equal to one-third of the pension you would have received based on Final Salary and the period of pensionable employment which you would have completed if you had remained in service until Normal Retirement Age. If there are more than three Children, they will be entitled to annual pensions equal in total to this notional pension.

The Principal Employer may direct that a Child's pension be paid in respect of a Child other than from your last marriage.

Any pension payable to a Child will cease to be paid when the Child is no longer a Child.

What is my life assurance cover if I die in HBOS employment?

Life assurance cover of four times your Final Salary is payable in addition to any Spouse's or Children's pension. If you have chosen to opt out of the Scheme, you will still have this life assurance cover while you remain in HBOS employment.

Although your choice will not bind the Trustees, you are strongly advised to complete a Nomination Form to let the Trustees know to whom you would like this lump sum to be paid. If you wish to change your nomination at a later date you should complete a new form.

9. BENEFITS ON DEATH AFTER PENSION STARTS

What pension is payable to my Spouse when I die?

Your Spouse will receive a pension equal to two-thirds of your pension from the Scheme. The Spouse's pension will be based on the amount of your original pension on taking benefits before any pension was exchanged for a cash sum or Dependant's pension and will include increases granted after that date to the date of your death.

Your Spouse may choose to take the cash value of this benefit as a lump sum. In this case, your Spouse will be recommended to take independent financial advice.

Will a pension be paid for the benefit of my Children?

Yes, if you die leaving a Child or Children from your last marriage. The Child's pension will be calculated and paid as shown under "8. BENEFITS ON DEATH WHILE A CONTRIBUTING MEMBER" except that it will be based on your original pension on taking benefits before any pension was exchanged for a cash sum or Dependant's pension and will include increases after that date to the date of your death.

Do Spouse's and Children's pensions increase during payment?

Yes. Spouse's and Children's pensions are increased on a similar basis to retirement pensions in payment (refer to "6. RETIREMENT BENEFITS").

Is a lump sum payable?

Yes. If you die less than five years after your pension starts, a lump sum equal to the total pension instalments which would have been paid to you for the remainder of the five year period is payable. It will be paid in the same way as the lump sum referred to under "8. BENEFITS ON DEATH WHILE A CONTRIBUTING MEMBER" and will be paid in addition to any pension which becomes payable. However, if you retired with an ill-health pension, the lump sum payable on your death may be increased (refer to "6. RETIREMENT BENEFITS").

10. STATE PENSION SCHEME

How does my membership of the Scheme affect my pension from the State?

State pension benefits are in two parts as follows:

The State basic pension

This pension is payable in addition to your pension from the Scheme. The amount of the State basic pension depends upon your history of National Insurance contributions.

The State Second Pension (S2P)

All contributing members of the Scheme under State Pension Age are contracted-out of S2P on a salary-related basis and, consequently, pay a lower rate of National Insurance contributions. Up to 5 April 2002 contributing members were contracted out of the State Earnings Related Pension Scheme (SERPS).

For membership before April 1997, as a result of contracting-out, the Scheme must pay at least the Guaranteed Minimum Pension as explained below:

Guaranteed Minimum Pension (GMP)

This replaces the amount of additional pension that you would otherwise have received as a member of SERPS.

Your pension from the Scheme includes a Guaranteed Minimum Pension for benefits accrued up to 5 April 1997.

GMPs will not accrue for benefits earned after 5 April 1997.

For membership from 6 April 1997, the Actuary has to certify that the Scheme has passed the reference scheme test. This means that the Scheme must provide overall benefits for members and their Spouses that broadly match or are better than the benefits they would have received from SERPS/S2P.

In fact, the benefits provided by the Scheme are better than those provided under SERPS/S2P.

What is the State Pension Age?

State Pension Age is 65 for men and for women born after 5 April 1955. Women born between 6 April 1950 and 5 April 1955 will have a State Pension Age between 60 and 65. For women born before 6 April 1950, State Pension Age is 60.

11. OTHER IMPORTANT MATTERS

What is the Lifetime Allowance?

The Lifetime Allowance is the value of benefits that you can draw from all registered pension schemes in your lifetime, without incurring an additional tax charge. Scheme benefits will be assessed against the Lifetime Allowance by applying a multiple of 20 to your Scheme pension. Any AVC fund(s) and lump sum death benefits are assessed at face value and any other pension plans, which you may have, must be taken into account.

The Standard Lifetime Allowance is set by HM Revenue & Customs (£1.5 million for the 2006/07 tax year).

What happens to pension contributions?

Members' pension contributions and those made by the Employers are invested with the aim of providing income and capital gains, in a risk controlled environment, to secure Scheme benefits. The Scheme is managed by the Trustees who hold the investments and other assets separately from those of the Employers. Although the Trustees are responsible for managing the Scheme, they take expert advice where appropriate.

Can I assign my benefits?

No. The benefits described in this guide are personal to you. They cannot be assigned or used as security for a loan.

Can the Scheme be amended or terminated?

The Scheme may be amended from time to time by the Principal Employer or the Trustees, subject to the conditions set out in the Trust Deed and Rules.

The Principal Employer has the power to terminate the Scheme without replacing it. The Employers are not obliged, except as required by law, to pay benefits if the resources of the Scheme are insufficient to provide them.

If the Scheme is wound up, the assets of the Scheme will be used to provide benefits according to the provisions of the Trust Deed and Rules.

You will be kept fully informed of any material changes made to the Scheme.

How is the Scheme administered and invested?

The Scheme is established as a Trust. There are nine individual Trustees of which five are appointed by the Principal Employer, three elected by active members of the Scheme and one elected by pensioners.

The Trustees are responsible for ensuring that the Scheme is administered in accordance with the Trust Deed and Rules and legislation. They are responsible for the appointment of the Auditor, Actuary and Investment Manager.

At present, Insight Investment Management (Global) Limited is acting as Investment Manager under its 'Pension Fund Management' service. This means that the assets of the Scheme are invested separately from the Company's other funds.

Is the Scheme registered with the HM Revenue & Customs?

Yes. The Scheme is registered with HM Revenue & Customs under Chapter 2 of Part 4 of the Finance Act 2004.

This guide refers to a number of tax advantages enjoyed by the Scheme and its members. The tax position may, however, change from time to time.

12. FURTHER INFORMATION

Who regulates the Trustees and their advisers?

The Pensions Regulator is able to intervene in the running of schemes where trustees, employers or professional advisers have failed in their duties. The address is:



Invicta House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

www.thepensionsregulator.gov.uk



01273 627600

Where can I get further information?

Each year the Trustees present a Report on the progress of the Scheme together with the formal Accounts. A copy of the formal Report and Accounts is available on request from Group Pensions Department. You can also ask to see a copy of the Trust Deed and Rules of the Scheme.

Who should I contact with pension queries?

If you have a query or problem or would like to request a Benefit Statement, you should contact Group Pensions Department who will make every effort to help you. You can email \$Group Pensions Clerical Medical or write to us at:



Group Pensions
HBOS plc
5th Floor Collinsons
Trinity Road
Halifax
West Yorkshire
HX1 2RG



0845 128 1400

The Trustees have established an internal procedure to cover the resolution of disputes between the Trustees, current members, beneficiaries, and prospective members. You can obtain a copy of the procedure from the Secretary.

TPAS (The Pensions Advisory Service) is available at any time to assist members and beneficiaries of the Scheme in connection with any:

- pensions query they may have
- difficulty that they have failed to resolve with the Trustees or administrators of the Scheme.

If any complaint or dispute of fact or law relating to the Scheme cannot be satisfactorily resolved by TPAS, the Pensions Ombudsman may investigate and determine the matter.

The address of both TPAS and the Pensions Ombudsman is:



11 Belgrave Road
London
SW1V 1RB

www.opas.org.uk



TPAS – 0845 601 2923



PENSIONS OMBUDSMAN – 0207 834 9144

Tracing previous pension schemes

If you are trying to trace a pension from a previous employment, help is available. The Department of Work and Pensions operates a tracing service that can help former members contact pension schemes with which they have lost touch. The address is:



The Pension Service
Tyneview Park
Whitley Road
Newcastle Upon Tyne
NE98 1BA

www.thepensionservice.gov.uk



08456 002537

Data Protection Act 1998

In order to administer the Scheme, it is necessary for the Trustees to hold and process personal data on you. This data will be held for the duration of your membership of the Scheme or for any longer period necessary to enable the Trustees to answer questions relating to your benefits. This data may be shared with or transferred to your Employer or third parties (for example insurers and pension scheme administrators) providing services in connection with the administration of the Scheme. Every care is taken to ensure that personal data is held securely.