

# **THE HALIFAX RETIREMENT FUND**



## **MEMBERS' GUIDE**

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## HALIFAX RETIREMENT FUND MEMBERS' GUIDE

This is a guide to the wide range of benefits provided by the Halifax Retirement Fund.

The Retirement 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 Retirement 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 Retirement Fund can be obtained from:



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## 1. DEFINITIONS

This section contains certain terms used in this guide.

<b>Actuary -</b>	the actuary appointed by the Trustees as Scheme Actuary
<b>Child or Children -</b>	normally means a child or children under age 18 or 23 if in full-time education.
<b>Employers -</b>	means the Principal Employer and any body associated with the Principal Employer that participates in the Scheme.
<b>Final Pensionable Salary -</b>	means your basic salary for the 12 month period ending at the date your Pensionable Service ends.
<b>Normal Retirement Age -</b>	means age 62.
<b>Pensionable Salary -</b>	means your annual rate of basic salary.
<b>Pensionable Service -</b>	means service in years and days for which you have been a member of the Scheme, including any service transferred in from another pension arrangement.
<b>Potential Pension -</b>	means the pension based on Final Pensionable Salary and the period of pensionable employment, which you would have completed if you had remained in service until your Normal Retirement Age.
<b>Principal Employer -</b>	HBOS plc
<b>Scheme -</b>	Halifax Retirement Fund
<b>Spouse-</b>	means your legal spouse or civil partner. It may also mean a person (other than a Child) who the Trustees regard as financially dependent on you to a substantial extent.
<b>Trustees -</b>	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 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 Pensionable 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. 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 based 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.

### **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 arrangements:

#### **HALIFAX DEPOSIT ACCOUNT**

This works like a bank account, except it pays you tax-free interest (and, of course, you have to leave your money there until you draw your pension). There are no charges and no possibility of surrender penalties. Interest rates are similar to any savings deposit account. Your money is safe on deposit but the returns may be lower than you might expect in one of the other accounts.

## CLERICAL MEDICAL WITH-PROFITS ACCOUNT

The with-profits account is an insurance policy. It works by Clerical Medical pooling all its individual with-profits policies together and investing them in company shares and other investments. Each year, the company distributes the investment returns as bonuses.

When you take your benefits, you also get a final bonus, which is any extra profits that have been earned over the years but which weren't paid out as annual bonuses

Annual bonuses usually come from the income generated by the investments (like dividends) and some of the capital growth (the increase in value of the shares and other investments). In good years, Clerical Medical will keep back some of the profits to help boost the returns from bad years.

The final bonus usually represents the rest of the capital growth. As you know, share prices go down as well as up, and so the final bonus is not guaranteed until it is actually paid.

Any investment in stock markets has some sort of risk. It is not as safe as cash, because you can't predict a stock market crash. But, in normal circumstances, a with-profits policy is not as risky as buying your own stocks and shares.

You also need to remember that, although bonuses are guaranteed once they are in your account, Clerical Medical will reserve the right to apply a surrender penalty. This is called a market value adjustment. They may apply this penalty to your account if it turns out that there is not enough money in the fund to pay for the bonuses. This can happen, for example, if stock markets crash. There will not be any adjustment made if you don't take the money until your Normal Retirement Age.

You have to pay charges on this account. There is an annual charge of 0.54% of the value of your account. This means that each year, for every £1,850 in your account, Clerical Medical will deduct a charge of £10.

You can switch your money between this account and the managed fund or deposit account at any time. There is no charge for doing this as long as you don't switch more than twice a year, although a market value adjustment may be applied to transfers from the with-profits fund in certain circumstances.

## CLERICAL MEDICAL MANAGED FUND

A managed fund is like a cross between a with-profits account and buying your own stocks and shares. The Clerical Medical managed fund aims to give good long-term growth by investing in a wide range of shares both in the UK and overseas, as well as in property and fixed interest investments.

Clerical Medical has lots of different managed funds. The Trustees have chosen the balanced managed fund. Each contribution you make buys units in the fund. This is sometimes known as 'unit linked'.

The managed fund invests more in assets that should give the best return over long periods. But, there is also the real risk that the value of the fund can fall over shorter periods.

However, the value of your account depends entirely on the value of the units on any one day. There are no bonuses on this type of account. The price of units can go down as well as up, which means that this type of account is less easy to predict than a with-profits account. You could also find that the value drops just as you are about to take your benefits. You could even find that your account is worth less than you have paid in.

Managed funds like this best suit people who have got some time to go before taking benefits. That way, if the investments do go down, there is still time to make up the lost ground.

You can switch your money between this fund and the with-profits or deposit accounts at any time. There is no charge for doing this as long as you don't switch more than twice a year. Some people decide to move their money to the other types of account, as they get closer to when they want to take benefits, in order to protect their balances.

You have to pay charges on this account. There is an annual charge of 0.54% of the value of your account. This means that each year, for every £1,850 in your account, Clerical Medical will knock off a charge of £10. There is no possibility of surrender penalties on this type of account.

There are no other charges, and units are bought and sold at the same price. Other managed funds don't always do this and you may have heard the term 'bid offer spread' used. A 'bid offer spread' is a bit like buying foreign currency when you go on holiday. It usually costs you more to buy it than you get when you sell it back. Clerical Medical doesn't do this.

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

### **Is there a facility for early payment/deferral of AVC benefits?**

You may withdraw your Pension Savings Plan AVC benefits at any time between the ages of 50 (age 55 from 6 April 2010) and 75, regardless of the date you start to receive your benefits under the Scheme. This means that you could take your AVC benefits either before, after, or at your retirement date when your main benefits from the Scheme have to be taken.

#### **EARLY PAYMENT OF AVC BENEFITS**

This involves taking your AVC benefits at any time between age 50 (age 55 from 6 April 2010) and your retirement date. You might do this if you felt that you could benefit from some income, whilst the rest of your investment continues to grow.

Each year you must withdraw an amount from your investment account within limits prescribed by the Government. The remainder of your AVCs remain invested until you take your benefits. You may continue to pay AVCs.

This is a very complex area of pension provision and there are risks involved. Therefore, the trustees will not permit you to use your AVCs to provide benefits before you retire, unless you have first obtained independent financial advice and confirmed this in writing to the Trustees.

## DEFERRAL OF AVC BENEFITS

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 or subject to early payment penalties that might not apply in the future. 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 increases 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:  
 $1/60 \times \text{Final Pensionable Salary} \times \text{Pensionable Service}$

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 Pensionable 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 Pensionable 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 age at or after age 50 (age 55 if on or after 6 April 2010) with an immediate pension, provided that you give six months' notice.

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

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

These reductions are decided by the Trustees from time to time based on actuarial advice although they will seek to give you advance notice of any change.

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 Pensionable 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 choose to take all of your pension 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 "7. 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".

### **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 Pensionable 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 IN WHILE A CONTRIBUTING MEMBER") will continue until you reach Normal Retirement Age.

#### **Partial incapacity**

You will receive a pension based on your Final Pensionable 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 until you reach Normal Retirement Age.

#### **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").

## **How and when is my pension paid?**

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

## **Do pensions from the Scheme increase during payment?**

Yes. Pensions increase on 1st April each year by 5% or by the rate of change in the Retail Prices Index (RPI), if lower. However, for pension accrued up to 31 March 2004, 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%.

Any further increase is discretionary and will be decided by the Principal Employer and agreed with the Trustees.

***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 your Normal Retirement Age calculated on the following basis:

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

#### **Example:**

A member leaves with a Final Pensionable 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 is re-valued in line with the rise in national average earnings each year.

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?**

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), provided that you give the Trustees six months' written notice. 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"**. Please contact Group Pensions Department, Trinity Road for further details.

## **What happens if I die before my deferred pension comes into payment?**

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").

If no Spouse's or Children's pension is payable on your death, a lump sum may also be payable. This lump sum is equal to five times the pension you would have received on the date you left the Scheme, and will include any increases awarded to the date of death.

## **Are there any conditions relating to Spouse's and Children's pensions?**

Yes. The pension payable to a Spouse who is more than 10 years younger than you is reduced.

If you marry or enter into a civil partnership after leaving the Scheme and then die within six months, your Spouse is entitled only to the statutory proportion of your Guaranteed Minimum Pension (refer to "10. STATE PENSION SCHEME").

Further information will be given on request.

## **Can I transfer my pension benefits to another pension arrangement?**

As an alternative to a deferred pension, you may transfer 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?**

Your transfer value is calculated on a basis agreed by the Trustees on the advice of the Actuary. It is worked out as the amount that needs to be invested to produce your expected benefits at retirement. 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 any money purchase AVCs, the transfer value of which 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?**

Your Spouse will receive an annual pension of two-thirds of your Potential Pension in the Scheme.

#### **Example:**

A member dies four years before Normal Retirement Age after completing 20 years' Pensionable Service. The member's Final Pensionable 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 Spouse's pension may be paid to someone who, in the opinion of the Trustees, is financially dependent on you at that time to a substantial extent.

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

Yes, if you die leaving a Child or Children. In addition to any pension payable to your Spouse, Children will be entitled to annual pensions equal in total to one-third of your Potential Pension.

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 your Potential Pension. If there are more than three Children, they will be entitled to annual pensions equal in total to your Potential Pension.

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

### **Are there any conditions relating to Spouse's and Children's pensions?**

Yes. The pension payable to a Spouse who is more than 10 years younger than you is reduced.

Further information will be given on request.

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

Life assurance cover of four times your Pensionable 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 of two-thirds of your pension. 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 on taking benefits 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. 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 and will include increases after that date to the date of your death.

### **Are there any conditions relating to Spouse's and Children's pensions?**

Yes. The pension payable to a Spouse who is more than 10 years younger than you is reduced.

If you marry or enter into a civil partnership after your retirement and then die within six months, your Spouse is entitled only to the statutory proportion of your Guaranteed Minimum Pension (refer to "10. STATE PENSION SCHEME").

Further information will be given on request.

### **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?**

If you die less than five years after your pension starts, a lump sum equal to the total pension 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").

In addition, a grant of up to £1,000 may be paid to your family, at the Trustees' discretion. This is intended to provide assistance where there is financial hardship.

## **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 5th 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 at any time by the Principal Employer with the agreement of the Trustees.

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 changes made to the Scheme.

### **Who administers the Scheme?**

The Trustees are responsible for the administration of the Scheme in accordance with the Trust Deed and Rules. They have expert advisers to help them in financial, investment and legal matters.

There are nine Trustees, four of whom are selected from the members of the Scheme. Their names are available from Group Pensions Department.

### **When can I get a transfer value estimate?**

If you are a contributing member or have a deferred pension, you may ask for an estimated transfer value of your benefits at any time although the Trustees may limit the number of calculations to one a year.

## **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](http://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@hbosplc.com](mailto:$group pensions@hbosplc.com) or write to us at:



Group Pensions Department  
HBOS plc  
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 will need to put your complaint in writing to the Pensions Manager, Trinity Road, and you will receive a written decision, where possible within two months. If you are still

dissatisfied, you have the right of appeal to the Trustees. You can obtain a copy of the procedure from Group Pensions Department.

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](http://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.thepensionsservice.gov.uk](http://www.thepensionsservice.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.