



INTRODUCING YOUR NEW TRUSTEE BOARD

For members of all sections of:

The Lloyds Bank Pension Scheme No. 1

The Lloyds Bank Pension Scheme No. 2

The HBOS Final Salary Pension Scheme



Spring 2016

CHAIRMAN'S WELCOME

In September 2015, Lloyds Banking Group (the Group) announced proposals to bring together the governance arrangements for the HBOS Final Salary Pension Scheme (HBOS), the Lloyds Bank Pension Scheme No. 1 (No. 1) and the Lloyds Bank Pension Scheme No. 2 (No. 2), with the aim of increasing efficiency, reducing duplication, and fostering a more effective relationship between the major pension schemes and the Group.

I'm writing to confirm that the new governance structure has now been put in place, and to introduce the new trustee board.

On 31 March 2016 Lloyds Banking Group Pensions Trustees Limited (LBGPTL) was appointed by the Bank as the trustee company for the HBOS, No. 1 and No. 2 Schemes. This new trustee company will fulfil the roles previously carried out by the three outgoing trustee companies.

The three schemes have not been merged, and there's no change to members' benefits or to the way that pensions are paid - these continue as previously.

The three schemes continue to be legally separate pension schemes, but now with a single trustee company and board. This will enable the schemes to be run in a more co-ordinated and 'joined up' way, where this is in the interests of members. The No. 1 and No. 2 Schemes have been run by combined boards in a similar way for many years.

The new trustee board has nine trustee directors; read more on the following pages.

The outgoing trustee directors have considered the proposal carefully, and discussed this with the Bank and the new trustee directors. The outgoing trustee directors set up committees to review the preparations for the change and took legal

advice to ensure they had discharged all of their responsibilities in connection with the transition. For good governance, these committees were chaired by trustee directors who haven't been appointed to the new trustee board.

"...there's no change to members' benefits or to the way that pensions are paid..."

Before taking on its new responsibilities the new trustee board carried out extensive preparations, supported by appropriate legal and professional advice, to ensure it was ready to take on the trusteeship of the three schemes and this advice was made available to the outgoing trustee directors. At the end of this process the new trustee board confirmed to the Bank that it was satisfied and ready to do so. As you would expect, the relevant authorities have been informed of the changes, including the Pensions Regulator.

I'd like to pay tribute to the diligent and collaborative work of all parties in preparing for the transition. On behalf of all members, I'd also like to sincerely thank the outgoing trustee directors for their dedicated service. **Details of the former trustee directors can be found on the Group Pensions website.**

My colleagues on the new trustee board and I are determined to continue to run the schemes in the best interests of the members and in the best traditions of the outgoing trustee boards. We have a strong team of colleagues provided by the Bank to support us. We'll continue to communicate regularly with members of the pension schemes and to report on the funding and running of the schemes.

Harry Baines
Chairman, Lloyds Banking Group Pensions Trustees Limited

MEET THE NEW TRUSTEE BOARD



Harry Baines

Harry is an Employer-Appointed Trustee Director and Chairman of the LBGPTL board of directors. He was previously Chair of the board of directors of the HBOS Scheme. He worked for the Group for 13 years before retiring from his role as Group General Counsel and Company Secretary. Harry is also Chair of the trustee board of the PACE Pension Scheme (for employees of the Co-operative Group) and is Vice Chairman of the Manchester Building Society.



Geoff Askew

Geoff is an interim Member-Nominated Trustee Director and a member of the Operations Committee. He was previously a member-nominated Trustee Director of the HBOS Scheme. He worked for the Group from 1980 until he retired from his role as a business manager with Bank of Scotland. In addition to his role as a Trustee Director, Geoff is also a Justice of the Peace.



Alison Batty

Alison is an interim Member-Nominated Trustee Director and a member of the Operations Committee and Governance, Audit and Risk Committee. She was previously a Member-Nominated Trustee Director of the No. 2 Scheme. Alison has worked for the Group for 23 years and currently works in the Consumer Finance Division.



Jocelyn Blackwell

Jocelyn is an Independent Trustee Director and member of the Operations Committee. She has particular experience in pension scheme administration and has previously set up a management consultancy to provide advice on pension scheme administration, systems and processes. She is also currently a member of the board of NOW: Pensions, an independent multi-employer pension scheme. Jocelyn was recently appointed as Trustee Director of the No. 1 and No. 2 Schemes.



Roger Boyes

Roger is an Employer-Appointed Trustee Director and Chair of the LBGPTL Investment and Funding Committee. He was the previous Chair of the Investment Committee of the HBOS Scheme. His career with the Halifax Group culminated in him holding the position of Group Finance Director from 1995 until he retired in 2001. Roger is also a director of Croda Pension Trustees Limited and Northern Foods Trustees Limited.



Sally Bridgeland

Sally is an Independent Trustee Director and a member of the Investment and Funding Committee. She is a qualified actuary and was previously a Trustee Director of the No. 1 and No. 2 Schemes. Sally has experience of large pension schemes as both Chief Executive of BP Pension Trustees from 2007 to 2014 and, currently, as a Trustee of NEST Corporation.



Graeme Down

Graeme is an interim Member-Nominated Trustee Director and a member of the Operations Committee and Investment and Funding Committee. He was previously a Member-Nominated Trustee Director of the No. 1 Scheme, a member of the Operations Committee, the Governance and Risk Committee and represented the No. 1 Scheme board on the Defined Contribution Operations Committee.



The Law Debenture Trust Corporation Represented by Mark Ashworth

Mark represents Law Debenture as an Independent Trustee Director and is Chair of the Operations Committee. Law Debenture was previously a Trustee Director of the No. 1 and No. 2 Schemes. He has been an independent trustee for 15 years, and sits on a number of other trustee boards including GSK, Royal Mail, Sainsbury's and Your Tomorrow. He trained as an economist, is also a qualified barrister, and was previously Head of Group Pensions at NatWest. Mark chairs Law Debenture's pension trustee practice, and is a past president of the Society of Pension Professionals.



Peter Shepherd

Peter is an Employer-Appointed Trustee Director and member of the Investment and Funding Committee. He is a Managing Director in the Commercial Bank's Client Asset Management business. Peter was previously a Trustee Director of the No. 1 and No. 2 Schemes.

The nine directors of the Trustee Board are legally responsible for looking after the investments in the Scheme and for ensuring that benefits are paid out as they become due.

There are three Trustee Directors who have been chosen by Lloyds Banking Group as the sponsoring employer, three who are professional Independent Trustee Directors and three who have been nominated by the membership (one from each of the three schemes). The Member-Nominated Trustee Directors are appointed on an interim basis.

In order to carry out their duties the board delegates some responsibilities to its three committees. These committees focus on Operations, Investment & Funding and Governance, Audit & Risk.



FREQUENTLY ASKED QUESTIONS

Will the change affect my benefits?

No, there is no change to your benefits.

How will the change affect me?

You will receive communications from the new trustee board, but in all other ways there should be no changes as a result of the change in the trustee board. You do not need to take any action.

Are the schemes being merged?

No, the schemes are not being merged. They remain legally and financially separate schemes. No proposals to merge the schemes have been made or suggested.

When will the members be able to nominate Trustee Directors?

The new trustee board includes three trustee directors who were nominated by members to the three outgoing trustee boards. In order to provide continuity and to allow for a period of stability before the

possibility of changes at board level, these trustee directors will continue on an interim basis for between 12 and 24 months. The new trustee board will decide on and put in place a process for the appointment of Member Nominated trustee directors, and further details will be announced later in the year.

Why was the change made?

The Bank proposed the change, and in its announcement in September 2015 it said: "We believe that the governance structure for all the schemes would be strengthened by appointing a single Trustee Board for all three schemes." You can see the Bank's announcement in full at lloydsbankinggroup.pensions.com

Who should I contact for more information?

There are more Frequently Asked Questions and details of the former trustee directors on the Group Pensions website. If you need any further information, contact details can be found on the back of the newsletter.

PENSIONS NEWS

Changes to the State Pension

Prior to 5 April 2016, the UK State Pension was made up of two parts - the basic State Pension (BSP) and the State Second Pension (S2P).

The government introduced a new single-tier, flat-rate pension which will affect people reaching State Pension age (SPA) from 6 April 2016 onwards. If you reached SPA before 6 April 2016, you'll receive your State Pension in line with previous rules.

The end of contracting out

As a result of the above changes, contracting out in the UK was abolished for all Defined Benefit (DB) schemes.

Prior to April 2016 members of the Schemes were contracted out of the S2P, which means they've been paying reduced National Insurance (NI) contributions. Going forward, UK members will see an increase in NI contributions which will result in a reduction in take-home pay. The Group will also pay higher Employer's NI as a result of the changes.

These changes will not apply to members who are contracted out on the Isle of Man, which is not currently changing its State Pension system.

Visit lloydsbankinggroup.pensions.com to find out more.

What's SPA?

The SPA is the earliest you can claim your State Pension and depends on when you were born.

SPA for both men and women is set to rise to 66 by 2020 and then gradually increase to age 67 between 6 April 2026 and 5 March 2028. Further increases to age 68 are expected in the mid-2030s and will be in line with life expectancy after that.

You can find out your SPA by using the calculator at gov.uk/calculate-state-pension

Changes to pension increases

The government will no longer pay increases in respect of the Guaranteed Minimum Pension element of scheme pensions for members who reach SPA on or after 6 April 2016. Further information is available at lloydsbankinggroup.pensions.com/pensioninc

Changes to pension allowances

The Annual Allowance (AA)

The AA is the amount of pension benefits you can build up in a tax year before incurring a tax charge. In 2015, the government announced changes to the AA from the 2016/17 tax year onwards where the AA is now tapered based on your level of income. The AA for 2016/17 is between £10,000 and £40,000. If your earnings including pension contributions are in excess of £110,000 you may be impacted by the change.

The Lifetime Allowance (LTA)

The LTA is the maximum value of pension benefits that you can build up over your lifetime without triggering an extra tax charge.

The LTA was reduced to £1 million from £1.25 million on 6 April 2016.



SCHEME INFORMATION

You'll find all the information about your Scheme on the Group Pensions website, including forms and documents, and previous newsletters.

You'll also find the latest Annual Report and Financial Statements along with other financial information such as funding updates.

WHEN DID YOU LAST UPDATE YOUR NOMINATION FORM?

It's important to keep your nomination form up to date as your circumstances change.

You can download a nomination form from the Group Pensions website.

Visit the Group Pensions website at lloydsbankinggroup.pensions.com

CONTACT US



If you have any questions about your Scheme, visit:
lloydsbankinggroup.pensions.com

Alternatively, you can contact your Scheme administrator:



Equiniti Limited, Pensions Administration, PO Box 2712, Bristol BS1 9WD



0345 300 5797



pensionsadminenquiries@equiniti.com

Disclaimer

The full terms and conditions of the Scheme are contained in the Trust Deed and Rules. The Trust Deed and Rules are formal documents that are the legal basis of the Scheme and will prevail in the event of any disagreement. Nothing in this document confers any entitlement to benefits.