A GUIDE TO YOUR BENEFITS

THE HBOS FINAL SALARY PENSION SCHEME
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INTRODUCTION

The HBOS Final Salary Pension Scheme (the Scheme) provides retirement, ill-health, and death benefits, which can provide important financial support for you and your family.

This is a guide to the wide range of benefits provided by the Scheme for service from 1 July 2006. Benefits relating to service before 1 July 2006 will be calculated in accordance with the rules of your Former Scheme. The Former Scheme guides can be found on the website at www.lloydsbankinggrouppensions.com/hbos_documents.

This guide gives a brief summary of the Scheme and does not confer any entitlement to benefits. Full details of the Scheme are in the Trust Deed and Rules. In cases of doubt, the provisions in the Trust Deed and Rules will take precedence.

Benefits for members living offshore (for example, in Jersey) may be restricted in order to comply with the requirements of the authorities in those jurisdictions. For more information, please contact the Scheme’s administrator (contact details are on page 28).

“The HBOS Final Salary Pension Scheme (the Scheme) provides retirement, ill-health, and death benefits, which can provide important financial support for you and your family.”
### Jargon Buster

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td><strong>Accrual Rate</strong></td>
<td>The rate at which your pension savings build up as Pensionable Service is completed. This is expressed as a fraction e.g. 1/60.</td>
</tr>
<tr>
<td><strong>Active Member</strong></td>
<td>A person who is employed by an Employer and is currently accruing benefits in the Scheme.</td>
</tr>
<tr>
<td><strong>Contracted out</strong></td>
<td>The Scheme is contracted out of the State Second Pension and therefore provides you with certain minimum benefits in place of the State Second Pension while you are a member of the Scheme. As a result, you pay reduced National Insurance contributions while you are in contracted-out employment.</td>
</tr>
<tr>
<td><strong>Deferred Member</strong></td>
<td>A person who has either left employment with an Employer or opted out of the Scheme but is not yet receiving a pension.</td>
</tr>
<tr>
<td><strong>Dependant</strong></td>
<td>A person who, in the opinion of the Trustees, was financially dependent on you at the date of your death.</td>
</tr>
<tr>
<td><strong>Additional Voluntary Contributions (AVCs)</strong></td>
<td>Additional contributions you can make to increase your retirement benefits.</td>
</tr>
<tr>
<td><strong>Employer</strong></td>
<td>An employer participating in the Scheme (including HBOS), and collectively ‘the Employers’.</td>
</tr>
<tr>
<td><strong>Annual Allowance</strong></td>
<td>The Annual Allowance (AA) is the maximum amount (from all registered pension arrangements excluding State Pension) your pension benefits can increase each year without incurring a tax charge. The AA is £40,000 for the 2015/16 tax year.</td>
</tr>
<tr>
<td><strong>Final Pensionable Pay</strong></td>
<td>Your highest yearly amount of Pensionable Pay, subject to the Pensionable Pay Cap, received in any of the last three consecutive complete years ending at the date your Pensionable Service ends. If you work or have worked part-time, your Final Pensionable Pay will be the full-time equivalent.</td>
</tr>
<tr>
<td><strong>Basic State Pension</strong></td>
<td>The pension available from State Pension Age to everyone who has made or been credited with sufficient National Insurance contributions during their working life.</td>
</tr>
<tr>
<td><strong>Consumer Prices Index</strong></td>
<td>The Consumer Prices Index (CPI) is a measure which examines the change in the cost of a fixed basket of products and services, including electricity, food and transportation but excluding most housing costs. The CPI is published each month and is the Bank of England’s preferred inflation measure.</td>
</tr>
<tr>
<td><strong>Child</strong></td>
<td>A child under age 18 (or under age 23 if in full-time education or training approved by the Trustees). If any child is dependent because of physical or mental impairment, he or she may continue to be treated as a child at the discretion of the Trustees.</td>
</tr>
<tr>
<td><strong>Guaranteed Minimum Pension</strong></td>
<td>Before 6 April 1997, to be contracted out of the State Second Pension, the Scheme had to promise to provide a pension at least equivalent in value to the pension a member would have received under the State Second Pension. This amount is known as the Guaranteed Minimum Pension (GMP). Up to 5 April 2002, the State Second Pension was known as the State Earnings Related Pension Scheme (SERPS).</td>
</tr>
</tbody>
</table>

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**Actuary** | A specialist appointed by the Trustees who uses statistics to assess the funds the Scheme needs to meet its obligations. |
**Former Scheme** | This means one of the following:  
- Bank of Scotland 1976 Pension Scheme  
- Birmingham Midshires Pension Scheme  
- Clerical Medical Staff Superannuation Fund  
- Halifax Retirement Fund  
- Clerical Medical International Staff Pension Scheme or any of their predecessor schemes. |
**Employer** | An employer participating in the Scheme (including HBOS), and collectively ‘the Employers’. |
**Lifetime Allowance**
The Lifetime Allowance (LTA) is the total amount of pension savings that you can build up without paying an additional tax charge. The LTA for the 2015/16 tax year is £1.25 million though you may have a higher LTA where you have applied to HMRC for certain protections.

**Non-contributory Member**
A member of the Scheme who has, for some or all of their membership, not paid contributions due to being a member of the former Bank of Scotland 1976 Pension Scheme.

**Normal Retirement Age**
This is usually age 62, but may be age 60 depending on the rules of your Former Scheme.

**Pensionable Pay**
Your annual rate of basic pay, subject to the Pensionable Pay Cap.

**Pensionable Pay Cap**
The cap on increases in Pensionable Pay, as described on page 6 of this guide.

**Pensionable Service**
Service in years and days for which you have been a member of the Scheme, including any service transferred in from another pension arrangement that has been used to increase your Pensionable Service. If you work or have worked part-time, your Pensionable Service will be pro-rated for any part-time period.

**Potential Pension**
A pension calculated on the basis of your Accrual Rate, your Final Pensionable Pay and the length of Pensionable Service that you would have completed if you had remained in service until your Normal Retirement Age. If you work or have worked part-time, your Final Pensionable Pay will be the full-time equivalent and your Pensionable Service will be pro-rated for any part-time period.

**Retail Prices Index**
The Retail Prices Index (RPI) is published by the Government each month and records the movement in prices of regular household expenditure, including mortgages, fuel and food.

**State Pension Age**
The earliest age you can take your State Pension benefits. For more information visit [www.gov.uk](http://www.gov.uk).

**State Pension Reduction**
The State Pension Reduction is a deduction from your Scheme pension to take account of the Basic State Pension. This is only applicable to members who are or have been non-contributory members or members of the Capital Bank Section (for service up to October 2002). However, the reduction will not apply to members who joined the Bank of Scotland 1976 Pension Scheme on or before 31 December 1975.

**State Second Pension**
This is paid in addition to the Basic State Pension. As the Scheme is contracted out of the State Second Pension, you are unlikely to have earned any State Second Pension for your period of membership of the Scheme.

**SmartSaver**
SmartSaver is the name given to the salary sacrifice arrangement offered to members. This can be a cost-effective way to make pension contributions as it can reduce the amount of National Insurance you pay.

**Spouse**
Your legal spouse (including a same sex spouse) or civil partner.

**Scheme**
HBOS Final Salary Pension Scheme.

**Trust Deed and Rules**
The Trust Deed and Rules are the documents which govern the Scheme.

**Trustees**
The Trustees of the Scheme: HBOS Final Salary Trust Limited.
MEMBERSHIP

Q. CAN I JOIN THE SCHEME?
A. No, the Scheme is closed to new members.

Q. CAN I OPT OUT OF THE SCHEME?
A. Yes, but you must inform your Employer and the Scheme’s administrator in writing (contact details for the Scheme’s administrator can be found on page 28). Once the Scheme’s administrator has received your letter, your membership will stop at the end of the following month. Your benefits if you opt out are explained on page 16.

It is strongly recommended that you consult a financial adviser if you are considering opting out of the Scheme and before you make any retirement planning decisions. Visit www.unbiased.co.uk to find a financial adviser in your area.

If you choose to opt out but remain employed by an Employer of the Scheme, you will still have life assurance cover of four times your Basic Pay. Further information can be found on page 18.

Q. IF I OPT OUT OF THE SCHEME, CAN I RE-JOIN AT A LATER DATE?
A. If you opt out, you will not be able to re-join the Scheme as it is closed to new members. However, if you opt out while you are still employed by Lloyds Banking Group, under certain circumstances, you may be automatically enrolled into Your Tomorrow at a later date, depending on your age and/or earnings. Your Tomorrow is the defined contribution pension scheme that is available to all employees of Lloyds Banking Group.

Q. WHAT IS AUTO-ENROLMENT?
A. From 1 July 2012, the Government introduced pension auto-enrolment to encourage UK workers to save more for retirement. The Scheme is already a ‘Qualifying Scheme’ which means it meets or exceeds the Government’s standards. This means that auto-enrolment will not affect your membership of the Scheme.

Q. CAN I TRANSFER MY PENSION BENEFITS FROM A PREVIOUS EMPLOYMENT?
A. No, the Scheme does not accept transfer payments from other pension arrangements.

PENSIONABLE PAY CAP

Lloyds Banking Group implemented a cap on increases to Pensionable Pay for all members of its defined benefit pension schemes with effect from 2 April 2010. Each year on 1 April, the increase to your Pensionable Pay had been capped at a maximum of 2%. From 2 April 2014, the cap on pension increases was reduced to 0%. This means that you continue to build up further pension benefits in the Scheme as you build up more Pensionable Service, but your Pensionable Pay may not increase on or after 2 April 2014. As a result your future Pensionable Pay will not increase above the amount declared as at 1 April 2014. Please refer to page 5 for the definition of Pensionable Pay.

Additional Voluntary Contributions

You can choose to pay Additional Voluntary Contributions (AVCs) if you wish to top up your pension, further information can be found on page 8.
CONTRIBUTIONS

Q. HOW MUCH DO I PAY TO THE SCHEME?
A. You currently pay 4% of your Pensionable Pay towards your pension, unless you are a non-contributory member. HBOS may vary the contribution rate from time to time and will give you notice of any change.

As contributions are deducted from your Pensionable Pay before tax is calculated, you currently receive tax relief automatically at your highest rate of income tax. This is subject to limits set by HM Revenue & Customs (see page 11 for more details).

As a member of the Scheme you are contracted out of the State Second Pension (see page 23 for more details) and pay a lower rate of National Insurance contributions.

Q. WHAT IS SMARTSAVER?
A. SmartSaver is the name given to the salary sacrifice arrangement offered to members. This can be a cost-effective way to make pension contributions. SmartSaver reduces the amount of National Insurance you pay and, as a result, usually increases your take-home pay.

Q. DOES MY EMPLOYER CONTRIBUTE TO THE SCHEME?
A. Your Employer is responsible for funding the balance of the costs of running the Scheme and providing your benefits.

The Trustees and the Employers agree what contributions need to be paid based on advice given by the Actuary and contributions may vary from time to time. The Actuary carries out regular valuations of the Scheme to ensure that the Scheme has enough money to pay the benefits promised to members. You will be provided with annual statements detailing the Scheme’s funding position.

Q. WHAT HAPPENS TO THE PENSION CONTRIBUTIONS?
A. Contributions from members and the Employers are invested 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.

MORE INFORMATION ABOUT SMARTSAVER

More information about SmartSaver is available on the Group Pensions website at: www.lloydsbankinggrouppensions.com/hbos_smartsaver
ADDITIONAL VOLUNTARY CONTRIBUTIONS

It is important to review your pension savings regularly and consider whether you will have enough for your retirement. If you would like to increase your income in retirement, you can make Additional Voluntary Contributions (AVCs). When you retire, you will receive benefits from the Scheme and from your AVCs.

You choose how much to contribute and, as your AVCs are deducted from your pay before tax, this is a simple and tax-efficient way to boost your pension.

There is no limit to the amount of AVCs you can make, although there are limits set by HM Revenue & Customs on the tax relief that you can receive on your contributions (see page 11) and limits in relation to SmartSaver.

Unless you are a non-contributory member of the Scheme, your employer will currently match half of your AVCs up to a limit of 4% of your Pensionable Pay (see the table opposite). This is usually paid into your AVC account each month. However, if you make lump sum or other irregular payments then the employer contribution may be paid on an annual basis.

Q. WHAT HAPPENS TO MY AVCs?
A. You can choose how your AVCs are invested from a range of investment options. The Trustees review and may change AVC provider and the investment choices from time to time. Any administrative charges made by the provider may also vary from time to time.

You can choose how and when you take your AVCs. At retirement, you can choose to take them as a cash lump sum (subject to legislation at that time and with the consent of HBOS and the Trustees). Alternatively, you can choose to use your AVCs to increase your pension.

<table>
<thead>
<tr>
<th>You pay (% of Pensionable Pay)</th>
<th>Your employer pays (% of Pensionable Pay)</th>
<th>Total contribution (% of Pensionable Pay)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2%</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>4%</td>
<td>2%</td>
<td>6%</td>
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<tr>
<td>6%</td>
<td>3%</td>
<td>9%</td>
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<tr>
<td>8%</td>
<td>4%</td>
<td>12%</td>
</tr>
<tr>
<td>10%</td>
<td>4%</td>
<td>14%</td>
</tr>
</tbody>
</table>
Q. WHAT BENEFITS DO AVCS PROVIDE?
A. When your pension starts, your AVC investment will allow you to increase your benefits. If you paid AVCs before April 2006, you may use them to buy a pension from the Scheme or an annuity on the open market. By purchasing your pension on the open market, you are able to ‘shop around’, which means that you can compare different providers. This is an important decision so you need to ensure that you are getting the best rates and a pension that is suitable for you. If you started to pay AVCs after April 2006, any pension purchased must generally be bought on the open market. Please see page 13 and pages 26 to 27 to find out how AVCs can be taken as a cash lump sum.

Q. WHAT IF I DIE IN HBOS EMPLOYMENT AND HAVE NOT TAKEN BENEFITS EARLY?
A. Your AVC fund will be paid to your Dependants or your estate as a lump sum. Although your nomination will not bind the Trustees, you are strongly advised to complete a nomination form to let the Trustees know who you would like to receive any benefits payable in the event of your death (which will include your AVCs). If you wish to change your nomination at a later date you should complete a new form.

HOW CAN I MAKE AVCS?
You can start to pay AVCs by logging onto Your Pension www.lloydsbankinggrouppensions.com/hbos/yourpension. Alternatively you can print and complete the AVC form available on the website www.lloydsbankinggrouppensions.com/hbos/fs/active/forms_and_documents/forms.

HOW DO I CHANGE THE AMOUNT OF AVCS I MAKE?
Changes can be made at any time during the year by logging onto Your Pension www.lloydsbankinggrouppensions.com/hbos/yourpension. Alternatively you can print and complete the AVC form available on the website www.lloydsbankinggrouppensions.com/hbos/fs/active/forms_and_documents/forms.

For any queries please contact the HBOS Pensions Team by emailing HBOSFSPS@towerswatson.com or by calling 01737 227 522.
ABSENCE FROM WORK

A. Maternity and family leave
During any period of maternity or family leave (including paternity leave, adoption leave and shared parental leave), your death-in-service cover and Pensionable Service will continue but you will only have to pay contributions based on the pay you receive - your Employer will meet any shortfall in your level of contributions. Please note that this is a Lloyds Banking Group policy and may change subject to legal minimum requirements.

If you make AVCs, they will continue to be paid in respect of any basic pay received during the period of maternity or family leave, but will otherwise cease. It will be possible to make up any AVCs upon your return to work, but there is no requirement to do so.

Career break
If you leave your Employer under the Career Break Scheme, you will stop being an active member of the Scheme. This means that you will be treated as a leaver (see pages 16 and 17) and your life cover will cease. For more information, read the ‘Career Break Policy’. This is available on Interchange. Please note that your career break will be governed by the policy in place at the time your career break started.

You will be allowed to re-enter the Scheme on your return from a career break.

B. Illness
If you have to take time off work because of illness, your death-in-service cover and Pensionable Service will continue.

If you are a contributory member, you will continue to pay contributions on any pay you receive.

If you are a contributory member and you are not paid for any period of absence due to illness, you will not pay Scheme contributions. However, you may pay them when you return to work, if your Employer agrees. If you do not pay them, your Pensionable Service will be reduced accordingly. If you choose to pay missed contributions within 12 months of returning from a period of unpaid illness, no interest will be charged. If you do not pay contributions until you have been back at work for more than 12 months, interest will be charged based on the Bank of England Base Rate.

If you make AVCs, they will continue to be paid in respect of any Basic Pay received during the period of absence due to illness, but will otherwise cease. It will be possible to make up any AVCs upon your return to work, but there is no requirement to do so.

If you are absent for any other reason such as sabbatical leave, please refer to the policy on Interchange for further information on how this may affect your pension contributions, Pensionable Service and death-in-service cover.

“If you make AVCs, they will continue to be paid in respect of any Basic Pay received during the period of maternity or family leave, but will otherwise cease.”
TAX RELIEF

Your contributions and any AVCs are deducted from your pay before 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 on your contributions to all registered pension arrangements is only available up to 100% of your gross earnings in each tax year (or £3,600 if higher).

Q. WHAT IS THE ANNUAL ALLOWANCE?
A. There is also a limit, known as the Annual Allowance (AA), on the increase in the value of your pension benefits from all registered pension schemes. This limit is £40,000 for the 2015/16 tax year. Any increase in value above this limit is likely to be subject to income tax at your highest rate. The Pension Input Period used for the assessment against the AA runs from 6 April to 5 April the following year.

Your Pension Input Amount from the Scheme is available from the Your Pension website. If you complete a Self-Assessment Tax Return you will need to disclose the Pension Input Amount if it exceeds the AA. To work out whether you have exceeded the AA, you should add on the value of any contributions that have been made to, or benefits you have accrued in, any other pension arrangements during the period.

Any AVCs, additional employer contributions to your AVC fund(s) and increases in the value of your benefits from other registered pension schemes during the relevant period are also added to the increase in the value of your main Scheme benefits for the purpose of testing against the AA. If you are a deferred member of a pension arrangement then you are likely to have no Pension Input Amount for that arrangement. However this is subject to certain restrictions. You can request a pensions savings statement containing your Pension Input Amount from the scheme administrator of any other pension arrangement you are a member of.

Q. WHAT IS THE LIFETIME ALLOWANCE?
A. The Lifetime Allowance (LTA) is the value of benefits that you can take from all registered pension schemes in your lifetime, without incurring an additional tax charge. Scheme benefits will be assessed against the LTA 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 that you may have must be taken into account.

The LTA is set by HM Revenue & Customs and is £1.25 million for the 2015/16 tax year.

FINANCIAL ADVICE

If you think that you could be affected by the tax limits, you should consult a financial adviser. You can find details of financial advisers in your area on the website www.unbiased.co.uk
RETIREMENT BENEFITS

Q. WHAT BENEFIT WILL I RECEIVE AT NORMAL RETIREMENT AGE?

A. Your pension at Normal Retirement Age will be calculated as follows:

\[ \text{Annual Pension} = \text{Accrual Rate} \times \text{Final Pensionable Pay} \times \text{Pensionable Service} \]

Please note that the calculation of Final Pensionable Pay is subject to the Pensionable Pay Cap.

For example...

If you have an Accrual Rate of 1/60th*, you would earn one 60th of your Final Pensionable Pay for every year you work. If you retired with a Final Pensionable Pay of £25,000 after completing 30 years of Pensionable Service, your pension would be calculated as follows:

\[ \frac{1}{60} \times £25,000 \times 30 = £12,500 \text{ a year} \]

*Accrual Rates of 1/50th and 1/45th apply to certain Grade G colleagues who contribute to the Scheme. If you are eligible for the 1/50th or 1/45th Accrual Rate, you will have been notified.

If you are a non-contributory member, you should refer to page 20 for details of how your pension is calculated. If you were a member of the Bank of Scotland 1976 Pension Scheme, or a member of the Capital Bank Section (for service up to October 2002), your pension may be subject to a State Pension Reduction from State Pension Age. Please refer to your Former Scheme guide for more details. The Former Scheme guides can be found on the website at www.lloydsbankinggrouppensions.com/hbos_documents.

Q. ARE THERE ANY LIMITS ON THE PENSION I CAN TAKE FROM THE SCHEME?

A. No, but if the value of your benefits exceeds the LTA, you will have to pay an additional tax charge (please see page 11 for more details).

Q. WHAT HAPPENS IF I TRANSFER BETWEEN FULL AND PART-TIME EMPLOYMENT OR CHANGE MY HOURS OF WORK?

A. 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 Pensionable Pay is first worked out 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.

For example...

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

- **Corresponding full-time Pensionable Pay:**
  \[ £12,000 \times 35 \text{ (full-time hours)}/20 \text{ (part-time hours)} = £21,000 \]

- **Pension:**
  \[ \frac{1}{60} \times £21,000 \times 10 \text{ (full-time Pensionable Service)} = £3,500 \text{ a year} \]

\[ + \]

\[ \frac{1}{60} \times £21,000 \times 12 \times 20 \text{ (part-time hours)}/35 \text{ (full-time hours)} = £2,400 \text{ a year} \]

\[ = \]

**Total pension:** £5,900 a year (£3,500 plus £2,400)
Q. **CAN I GIVE UP PART OF MY PENSION FOR A CASH SUM?**

A. When you take your pension, you may exchange part of it for a cash sum that is currently tax free. You will be notified of how much cash you can take and it will normally be the maximum allowed 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. However, you do not need to take the full amount and may take a smaller amount if you prefer.

If you have made AVCs, you can use your AVC fund to provide additional pension or, alternatively, you can currently take all or part of your AVC fund as cash (provided that your AVC fund does not exceed the overall limit on cash). See pages 26 and 27 for more information on your AVC options. Please note that this approach may be subject to change in the future.

“When you take your pension, you may exchange part of it for a cash sum that is currently tax-free. You will be notified of how much cash you can take and it will normally be the maximum allowed by HM Revenue & Customs.”

Any cash sum that you take from your AVCs will use up part of your tax-free cash allowance. Using your AVCs for cash will reduce the amount of any further cash that you would need to take from your Scheme pension when exchanging benefits for a lump sum.

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 time. The factor is agreed between HBOS and the Trustees from time to time after considering advice from the Actuary.

Taking cash from the Scheme will not reduce the amount of any spouse’s pension payable on your death after taking benefits. See page 19 for more details.

Q. **CAN I GIVE UP PART OF MY PENSION FOR A DEPENDANT’S PENSION?**

A. If the Trustees allow, when your pension is due to be paid, you may choose to exchange part of it for a pension for one or more of your dependants. You would need to let the Trustees know in writing. The basis for converting a pension to a dependant’s pension is agreed between HBOS and the Trustees. This nomination only takes effect if both you and the nominated person survive until your pension starts. However, if the nominated person dies before you, the reduction to your pension will continue to apply.

Q. **HOW WILL MY PENSION BE PAID?**

A. Your pension will be paid in monthly instalments by credit transfer into your bank account.

Q. **DO PENSIONS FROM THE SCHEME INCREASE DURING PAYMENT?**

A. Any pension earned from the Scheme after 30 June 2006 will increase in line with changes in the Retail Prices Index (RPI) capped at 5%.

You should refer to your Former Scheme guide to find out how your Scheme pension earned before 1 July 2006 will be increased. The Former Scheme guides can be found on the website at www.lloydsbankinggrouppensions.com/hbos_documents.

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

If you have bought additional pension from the Scheme using your AVC fund, this will also be increased in line with RPI up to a maximum of 5%.

Any further increase is discretionary and will be decided by your employer and agreed with the Trustees.

The following points apply after you reach GMP payment age (currently 60 for women and 65 for men):

- As a result of contracting out, your pension from the Scheme may include a Guaranteed Minimum Pension (GMP) for benefits earned up to 5 April 1997. This replaces the ‘additional pension’ in respect of the pre-April 1997 service that you would otherwise have received as State Second Pension. Note: Up to 5 April 2002, the State Second Pension was known as the State Earnings Related Pension Scheme (SERPS).

- The State, and not the Scheme, is responsible for paying any inflationary increase on GMP earned between April 1978 and April 1988 once you reach State Pension Age. Increases (up to 3%) on GMP earned after April 1988 are paid through the Scheme and inflationary increases in excess of 3% will be paid by the State after you reach State Pension Age.

The State keeps a record of how much additional pension you would otherwise have received from the State Second Pension and ensures that it is protected against inflation. If the Additional State Pension is less than your GMP at State Pension Age, the State will only pay increases after it has caught up with your GMP. Any increase to your Additional State Pension will be paid with your Basic State Pension.
Q. WHAT BENEFIT WILL I RECEIVE IF I RETIRE EARLY?

A. If you are still employed by one of the Employers, you may retire early at any time from age 55 (subject to the agreement of HBOS). If you have a protected early retirement age of 50, we will have written to you to let you know this.

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

\[
\text{Annual Pension} = \text{Pensionable Pay} \times \frac{1}{\text{Accrual Rate}} \times \text{Years of Service} - \text{Reduction (see below)}
\]

Please note that the calculation of Final Pensionable Pay is subject to the Pensionable Pay Cap - see page 6 for more information.

As your pension will be paid for longer and will 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.

<table>
<thead>
<tr>
<th>Age at retirement</th>
<th>Pension reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>60+</td>
<td>0%</td>
</tr>
<tr>
<td>59</td>
<td>3%</td>
</tr>
<tr>
<td>58</td>
<td>6%</td>
</tr>
<tr>
<td>57</td>
<td>9%</td>
</tr>
<tr>
<td>56</td>
<td>12%</td>
</tr>
<tr>
<td>55</td>
<td>15%</td>
</tr>
<tr>
<td>54</td>
<td>18%</td>
</tr>
<tr>
<td>53</td>
<td>21%</td>
</tr>
<tr>
<td>52</td>
<td>24%</td>
</tr>
<tr>
<td>51</td>
<td>27%</td>
</tr>
<tr>
<td>50</td>
<td>30%</td>
</tr>
</tbody>
</table>

For example...

A member with an Accrual Rate of 1/60th retires at age 59 with a Final Pensionable Pay of £24,000 after completing 32 years’ Pensionable Service. A reduction of 3% would apply.

\[
\begin{align*}
\text{Annual Pension} &= \text{Pensionable Pay} \times \frac{1}{\text{Accrual Rate}} \times \text{Years of Service} - \text{Reduction (see below)} \\
&= 24,000 \times \frac{1}{60} \times 32 - 0.03(24,000) \\
&= 12,800 - 720 \\
&= 12,080 \text{ a year}
\end{align*}
\]

These reductions are decided by HBOS and the Trustees based on actuarial advice, although they will seek to give you advance notice of any change. Different reductions apply to deferred pensions taken early. See page 16 for more details.
RETIREMENT BENEFITS

Q. CAN I TAKE BENEFITS FROM THE SCHEME EARLY AND CONTINUE TO WORK FOR AN EMPLOYER?
A. If HBOS agrees, you can choose to take your pension at any time from age 55 (age 60 if you are based in Jersey) and continue to work for an Employer. This process is known as ‘flexible retirement’. If you do this, the conditions and reductions outlined on page 14 will apply and you will not be allowed to rejoin the Scheme. However, if you do take flexible retirement, under certain circumstances, you may be automatically enrolled into Your Tomorrow at a later date, depending on your age and/or earnings. Your Tomorrow is the defined contribution pension scheme that is available to all employees of Lloyds Banking Group.

You will continue to be covered by life assurance (see page 18), but any life assurance payment will be reduced by any lump sum payment payable on death after pension starts.

If you have already taken flexible retirement, i.e. taken your benefits but remained in employment, and then fall ill and have to leave your Employer due to your illness, your Scheme pension will not be adjusted to take account of your ill health.

Q. CAN I RETIRE FROM THE SCHEME LATE?
A. Yes, with the agreement of your Employer, you can continue to contribute to the Scheme if you continue to work after Normal Retirement Age. Your pension will be based on your Pensionable Service to the date that you take your benefits, or to your 75th birthday, whichever is the sooner.

Q. WHAT HAPPENS IF I HAVE TO RETIRE EARLY BECAUSE OF ILL HEALTH?
A. With the agreement of your Employer, a pension may be paid on special terms if you have to leave employment because of ill health. The Trustees must have received evidence from a registered medical practitioner that you meet a certain prescribed standard of ill health before such an ill-health pension can be paid.

HBOS 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. Your Employer will decide, in light of independent medical evidence, which benefit applies:

TOTAL INCAPACITY
If you are granted a total incapacity pension, you will receive a pension based on your Final Pensionable Pay at the date of your ill-health retirement, the Pensionable Service you have built up, and the Pensionable Service you could have built up to Normal Retirement Age (in other words, your Potential Pension). The calculation of Final Pensionable Pay is affected by a Pensionable Pay Cap, as described on page 6.

Your life assurance cover will continue for five years after your retirement date or until you reach Normal Retirement Age, whichever is the earlier, based on your Basic Pay at the date of retirement.

PARTIAL INCAPACITY
If you are granted a partial incapacity pension, you will receive a pension based on your Final Pensionable Pay at the date of ill-health retirement and the Pensionable Service you have built up, plus half the Pensionable Service you could have built up to Normal Retirement Age. The calculation of Final Pensionable Pay is subject to the Pensionable Pay Cap, as described on page 6.

Your life assurance cover 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, based on your Basic Pay at the date of retirement.

Medical examinations
If you retire on an ill-health pension, HBOS 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.

Tax charge
In certain circumstances, the payment of an ill-health pension may give rise to a personal tax charge. In such circumstances, the Trustees reserve the right to reduce the level of ill-health pension in order to meet the tax liability on the member’s behalf.
LEAVING YOUR EMPLOYER AND/OR THE SCHEME

Q. WHAT HAPPENS TO MY PENSION IF I STOP WORKING FOR AN EMPLOYER OR OPT OUT OF THE SCHEME?
A. You will be entitled to a deferred pension payable from your Normal Retirement Age, calculated as follows:

\[
\text{Accrual Rate} \times \text{Final Pensionable Pay} \times \text{Pensionable Service} = \text{Deferred Pension}
\]

You will receive a statement of pension entitlement shortly after you leave. The calculation of Final Pensionable Pay is subject to the Pensionable Pay Cap - see page 6 for more information.

For example...
A member with an Accrual Rate of 1/60th leaves with a Final Pensionable Pay of £18,000 after completing 20 years’ Pensionable Service:

\[
\frac{1}{60} \times £18,000 \times 20 \text{ years} = £6,000 \text{ a year}
\]

If you are a non-contributory member, you should refer to page 20 regarding the calculation of your pension. If you were a member of the Bank of Scotland 1976 Pension Scheme, or a member of the Capital Bank Section (for service up to October 2002) your pension may be subject to a reduction from State Pension Age. Refer to your former Scheme guide for more details. The Former Scheme guides can be found on the website at www.lloydsbankinggrouppensions.com/hbos_documents.

Q. WILL MY DEFERRED PENSION INCREASE AFTER I LEAVE?
A. As a deferred member (i.e. before your pension starts to be paid), your pension in excess of any Guaranteed Minimum Pension (GMP) is currently increased in line with the increase in the Consumer Price Index (CPI) for each complete year to the payment date, up to a maximum of 5% a year.

Your GMP is revalued 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.

Q. CAN I TAKE MY DEFERRED PENSION BEFORE NORMAL RETIREMENT AGE?
A. If the Trustees agree, you can take your deferred annual pension at any time from age 55 (or age 50 if you have a protected early retirement age). As your pension will be paid for longer and will cost more, in the interests of the Scheme and all its members, your pension will be reduced in line with a scale advised by the Actuary. This scale is different from the scale described on page 14. Please contact the Scheme’s administrator for further details (contact details are on page 28).

If you become ill as a deferred member, early payment of your deferred pension will be considered at any age, subject to receipt of satisfactory medical evidence. As described above, your pension will be reduced to reflect the fact that it will be paid for longer.
LEAVING YOUR EMPLOYER AND/OR THE SCHEME

Q. WHAT HAPPENS IF I DIE BEFORE MY NORMAL RETIREMENT AGE AND HAVE NOT STARTED TO TAKE MY DEFERRED PENSION?

A. Your spouse may receive a pension of two thirds of the pension you would have received on retirement, calculated as at the date you left the Scheme, including any increases awarded to the date of death. Children’s pensions may also be paid based on the same calculation of your pension. See page 18 for details. A pension payable to a spouse who is more than 10 years younger than you may be reduced. If your spouse is neither living with nor dependent on you, the Trustees may decide to pay a pension of a smaller amount. If the Trustees do this, they may also pay a pension to one or more of your Dependents.

If you are a non-contributory member, you should refer to pages 21 and 22 regarding the calculation of your spouse’s pension. If you were a member of the Bank of Scotland 1976 Pension Scheme or a member of the Capital Bank Section (for service up to October 2002), your spouse’s pension may be subject to a reduction from State Pension Age. Refer to your Former Scheme guide for more details. The Former Scheme guides can be found on the website at www.lloydsbankinggrouppensions.com/hbos_documents.

If no spouse’s or child’s pension is payable on your death, a lump sum may be payable instead, depending on when you became a deferred member. This lump sum would be equal to five times your deferred annual pension and would include any increases awarded on that pension up to the date of death.

Q. HOW WILL MY TRANSFER VALUE BE CALCULATED?

A. Your transfer value will be 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 will be 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. If you have any money purchase AVCs, their transfer value is simply the value of your AVC investment. A guarantee period does not apply to the value of your AVCs.

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.

Q. CAN I TRANSFER MY PENSION BENEFITS TO ANOTHER PENSION ARRANGEMENT?

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

- your new employer’s scheme;
- a personal pension plan;
- another registered pension arrangement; or
- an annuity contract purchased from an insurer.

You may request a transfer value statement at any time, although the Trustees may limit the number of calculations to one a year.
If you are a non-contributory member, you should refer to pages 21 and 22 regarding the calculation of your spouse’s and children’s pensions. If you were a member of the Bank of Scotland 1976 Pension Scheme or a member of the Capital Bank Section (for service up to October 2002), your spouse’s pension may be subject to a reduction from State Pension Age. Refer to your former Scheme guide for more details. The Former Scheme guides can be found on the website at www.lloydsbankinggrouppensions.com/hbos_documents.

**Q. WHAT PENSION IS PAYABLE TO MY SPOUSE WHEN I DIE?**

A. Your spouse will normally receive an annual pension of two thirds of your Potential Pension in the Scheme, unless you have opted out and taken flexible retirement.

For example...

A member dies with an Accrual Rate of 1/60th four years before Normal Retirement Age after completing 20 years’ Pensionable Service. The member’s Final Pensionable Pay was £24,000:

\[
\frac{2}{3} \times \frac{1}{60} \times £24,000 \times (20+4) = £6,400 \text{ a year}
\]

If legislation allows and the Trustees agree (subject to any conditions they consider appropriate), before the benefit comes into payment, the spouse may choose to take the cash value of this benefit as a lump sum. In this case, the spouse will be recommended to take financial advice.

The calculation of Final Pensionable Pay is subject to the Pensionable Pay Cap (see page 6 for further information).

The pension payable to a spouse who is more than 10 years younger than you may be reduced.

If you continue to work after Normal Retirement Age and subsequently die in service, your spouse’s pension will be equal to two thirds of the pension you would have received had you retired immediately before your death without giving up any pension for a lump sum or optional dependant’s pension on retirement.

If your spouse is neither living with nor dependent on you, the Trustees may decide to pay a pension of a smaller amount. If the Trustees do this, they may also pay a pension to one or more of your dependants.

**Q. WHAT IF I AM NOT MARRIED OR DO NOT HAVE A CIVIL PARTNER WHEN I DIE?**

A. If you are not married or do not have a civil partner when you die, the Trustees may pay part or all of the spouse’s pension to one or more of your dependants.

**Q. WILL A PENSION BE PAID FOR THE BENEFIT OF MY CHILDREN?**

A. In addition to any pension payable to your spouse, your children (if any) will be entitled to annual pensions equal in total to one third of your Potential Pension in the Scheme (or, where you continue to work after Normal Retirement Age and subsequently die in service, the pension you would have received had you retired immediately before death without giving up any pension for a lump sum or optional Dependant’s pension). This amount will be shared between your children as the Trustees decide. Any pension payable to a child will stop being paid when the child is no longer a Child (see page 4 for the definition).

**Q. DO SPOUSE’S, CHILDREN’S AND DEPENDANT’S PENSIONS INCREASE DURING PAYMENT?**

A. Spouse’s, children’s and dependant’s pensions are increased on a similar basis to retirement pensions in payment (see page 13 for more details).

**Q. WHAT IS MY LIFE ASSURANCE COVER?**

A. Life assurance cover of four times your Basic Pay is payable in addition to any spouse’s or children’s pensions, unless you die in service after reaching age 75. If you have chosen to opt out of the Scheme, you will still have this life assurance cover while you remain in service with an Employer participating in the Scheme. If you work part-time, this payment would be four times your actual Basic Pay and not the full time equivalent pay used in calculating pension benefits. Basic Pay for this purpose is not subject to the Pensionable Pay Cap described on page 6.

Although your choice is not binding on the Trustees, you are strongly advised to complete a nomination form to let the Trustees know to whom you would like this cash to be paid. If you wish to change your nomination at a later date you should complete a new form. If you made a nomination for lump sum death benefits from your Former Scheme and you haven’t completed a new form, your nomination under your Former Scheme will be considered by the Trustees of this Scheme.
BENEFITS ON DEATH AFTER PENSION STARTS

If you are a non-contributory member, you should refer to pages 21 and 22 regarding the calculation of your spouse’s and children’s pensions. If you were a member of the Bank of Scotland 1976 Pension Scheme or a member of the Capital Bank Section (for service up to October 2002), your spouse’s pension may be subject to a reduction from State Pension Age. Refer to your Former Scheme guide for more details. The Former Scheme guides can be found on the website at www.lloydsbankinggrouppensions.com/hbos_documents.

Q. WHAT PENSION IS PAYABLE TO MY SPOUSE WHEN I DIE?
A. Your spouse will normally receive a pension of two thirds of your pension from the Scheme. If your spouse is neither living with nor dependent on you, the Trustees may decide to pay a pension of a smaller amount. If the Trustees do this, they may also pay a pension to one or more of your dependants.

Your spouse’s pension will be based on the amount of your original pension calculated when you took your benefits on retirement, before any pension was exchanged for a cash sum or optional dependant’s pension, and will include increases granted after that date to the date of your death. The pension payable to a spouse who is more than 10 years younger than you may be reduced.

If legislation allows, before the benefit comes into payment, your spouse (or dependants) may choose to take the cash value of this benefit as a lump sum. In this case, your spouse (or dependants) will be recommended to take financial advice. This definition of spouse includes same sex marriage.

Q. WHAT IF I AM NOT MARRIED OR DO NOT HAVE A CIVIL PARTNER WHEN I DIE?
A. If you are not married or do not have a civil partner when you die, the Trustees may pay the spouse’s pension to one or more of your dependants.

Q. WILL A PENSION BE PAID FOR THE BENEFIT OF MY CHILDREN?
A. The child’s pension will be calculated and paid as detailed on page 18, except that it will be based on your original pension calculated when you took your benefits on retirement, before any pension was exchanged for a cash sum or optional dependant’s pension, and will include increases after that date to the date of your death.

Q. DO SPOUSE’S, CHILDREN’S AND DEPENDANT’S PENSIONS INCREASE DURING PAYMENT?
A. Spouse’s, children’s and dependant’s pensions are increased on a similar basis to retirement pensions in payment (see page 13).

Q. IS A LUMP SUM PAYABLE?
A. If you die less than five years after your pension starts, a lump sum equal to the total pension instalments that would have been paid to you for the remainder of the first five years of retirement is payable (though disregarding any future increases). It will be paid in addition to any pension that becomes payable.

If you retired early due to ill health and die before reaching Normal Retirement Age, the lump sum payable on your death may be higher (see page 15 for more details).
NON-CONTRIBUTORY MEMBERS

If you are a non-contributory member of the Scheme (or have had a period of non-contributory membership), the following provisions apply to that period of service and should be read in conjunction with the corresponding sections of this guide:

STATE PENSION REDUCTION

The State Pension Reduction (SPR) is a deduction from your Scheme pension to take account of your Basic State Pension. This deduction is made from State Pension Age when you start to receive your Basic State Pension. The SPR will not apply to those who joined the Bank of Scotland 1976 Pension Scheme on or before 31 December 1975. The SPR is calculated at the date you leave active service and will not be revalued to State Pension Age. At the discretion of the Trustees, the SPR may be reduced if the Basic State Pension you actually receive is lower than the SPR being applied.

RETIREMENT BENEFITS (INCLUDING ‘FLEXIBLE RETIREMENT’)

Q. WHAT BENEFIT WILL I RECEIVE ON LEAVING SERVICE AT NORMAL RETIREMENT AGE?

A. Your annual pension will be calculated as follows:

\[
\text{Accrual Rate} \times \text{Final Pensionable Pay} \times \text{Pensionable Service}
\]

Minus a deduction for the SPR at State Pension Age:

\[
\frac{1}{133} \times \text{Pensionable Service} \times \text{Single person’s Basic State Pension in force at the date of taking benefits}
\]

Please note that the calculation of Final Pensionable Pay is subject to the Pensionable Pay Cap (see page 6 for more information).

For example...

A non-contributory member with a 1/60th Accrual Rate retires with a Final Pensionable Pay of £24,000 after completing 32 years' full-time Pensionable Service. The single person’s State Pension as at April 2012 is £5,587:

\[
\frac{1}{60} \times £24,000 \times 32 \text{ years} = £12,800 \text{ a year}
\]

Minus a deduction for the SPR at State Pension Age:

\[
\frac{1}{133} \times 32 \text{ years} \times £5,587 = £1,344.24 \text{ a year from State Pension Age}
\]

The reduced pension would be: £11,455.76 (£12,800 - £1,344.24)
LEAVING HBOS OR THE SCHEME

Q. WHAT HAPPENS TO MY PENSION?
A. You will be entitled to a deferred pension payable from your Normal Retirement Age:

\[
\text{Final Pensionable Pay} = \text{Accrual Rate} \times \text{Final Pensionable Pay} \times \text{Pensionable Service}
\]

Minus a deduction for the SPR at State Pension Age:

\[
\left(\frac{1}{133}\right) \times \text{Pensionable Service} \times \text{Single person's Basic State Pension in force at date of leaving}
\]

Please note that the calculation of Final Pensionable Pay is subject to the Pensionable Pay Cap (see page 6 for more information).

For example...
A non-contributory member with a 1/60th Accrual Rate leaves with a Final Pensionable Pay of £18,000 after completing 10 years' Pensionable Service:

\[
\left(\frac{1}{60}\right) \times £18,000 \times 10 = £3,000 \text{ a year}
\]

Minus a deduction for the SPR at State Pension Age:

\[
\left(\frac{1}{133}\right) \times 10 \times £5,587 = £420.08 \text{ a year from State Pension Age}
\]

The reduced pension would be: £2,579.92 (£3,000 - £420.08)

BENEFITS ON DEATH BEFORE PENSION STARTS (BUT AFTER LEAVING EMPLOYMENT)

Q. WHAT PENSION IS PAYABLE TO MY SPOUSE WHEN I DIE?
A. Your spouse will normally receive a pension of 50% of the pension you would have received on retirement, calculated as at the date you left the Scheme, including any increases awarded to the date of death. For members who die before State Pension Age, 50% of the SPR, calculated at the date your pension started (or the date you left the Scheme, if earlier), will be deducted. If your spouse is under the age of 45, no deduction will be made for the SPR. However, once your spouse reaches age 45, 25% of the SPR will be applied with an additional 25% being applied when they reach age 50. A pension payable to a spouse who is more than 10 years younger than you may be reduced. See page 22 for details of the pension that will be paid for the benefit of your children.
NON-CONTRIBUTORY MEMBERS

BENEFITS ON DEATH WHILE IN EMPLOYMENT BEFORE PENSION STARTS

Q. WHAT PENSION IS PAYABLE TO MY SPOUSE WHEN I DIE?
A. Your spouse’s pension on death in service is normally worked out as 50% of your Potential Pension.

For example...

A non-contributory member with a 1/60th Accrual Rate dies four years before Normal Retirement Age after completing 20 years’ Pensionable Service with a Final Pensionable Pay of £24,000:

\[
\frac{1}{60} \times \£24,000 \times (20+4) \div 2 = \£4,800 \text{ a year}
\]

Minus a deduction for the SPR* at State Pension Age:

\[
\frac{1}{133} \times \£5,587 \times (20+4) \div 2 = \£504.09
\]

Total spouse’s pension would be:

\[
\£4,295.91 (\£4,800 - \£504.09)
\]

* For members who die before State Pension Age, 50% of the SPR, calculated at the date your pension started (or the date you left the Scheme, if earlier) will be deducted. If your spouse is under the age of 45, no deduction will be made for the SPR. Once your spouse reaches age 45, 25% of the SPR will be applied with an additional 25% being applied when they reach age 50.

The calculation of Final Pensionable Pay is subject to the Pensionable Pay Cap (see page 6 for further information). A pension payable to a spouse who is more than 10 years younger than you may be reduced. See below for details of the pension that will be paid for the benefit of your children.

BENEFITS ON DEATH AFTER PENSION STARTS

Q. WHAT PENSION IS PAYABLE TO MY SPOUSE WHEN I DIE?
A. Your spouse’s pension will normally be 50% of the amount of your original pension when you took your benefits, before any pension was exchanged for a cash sum or optional dependant’s pension, and will include any increases granted after that date to the date of your death. For members who die before State Pension Age and did not have the SPR deducted at the time of retirement, 50% of the SPR, calculated at the date your pension started (or the date you left the Scheme, if earlier) will be deducted. If your spouse is under the age of 45, no deduction will be made for the SPR. However, once your spouse reaches age 45, 25% of the SPR will be applied with an additional 25% being applied when they reach age 50. A pension payable to a spouse who is more than ten years younger than you may be reduced. See below for details of the pension that will be paid for the benefit of your children.

Q. WILL A PENSION BE PAID FOR THE BENEFIT OF MY CHILDREN?
A. In addition to any pension payable to your spouse, in the event of your death, your children will be entitled to annual pensions equal to:

- \(\frac{1}{5}\)th of spouse’s pension for the first child
- \(\frac{1}{10}\)th of spouse’s pension multiplied by the number of additional children (up to a maximum of three additional children).

The children’s pensions will be doubled if no spouse’s or dependant’s pension is payable.
STATE PENSION

Q. HOW DOES MY MEMBERSHIP OF THE SCHEME AFFECT MY PENSION FROM THE STATE?

A. State Pension benefits are in two parts as follows:

THE BASIC STATE PENSION
This pension is payable in addition to your pension from the Scheme. The amount of the Basic State Pension depends on your history of National Insurance contributions.

THE STATE SECOND PENSION
All members of the Scheme under State Pension Age are contracted out of the State Second Pension on a salary-related basis. This means that, instead of receiving this additional state benefit, the Scheme must ensure it provides you with benefits meeting prescribed standards, and you pay a lower rate of National Insurance contributions. Up to 5 April 2002, the State Second Pension was called the State Earnings Related Pension Scheme (SERPS).

For benefits you earned from service up to 5 April 1997, your pension from the Scheme includes an element of Guaranteed Minimum Pension (GMP). In respect of benefits you earned from service on or after 6 April 1997, rather than there being a specified GMP, the Actuary instead 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 the State Second Pension.

“The Basic State Pension is payable in addition to your pension from the Scheme. The amount of the Basic State Pension depends on your history of National Insurance contributions.”
Q. CAN I ASSIGN MY BENEFITS?
A. No. The benefits described in this guide are personal to you. They cannot be assigned or used as security for a loan. However, it is possible for you to give up part of your pension before it starts to provide a pension on your death for one or more of your dependants.

Q. CAN THE SCHEME BE AMENDED OR TERMINATED?
A. The Scheme may be amended at any time by HBOS with the agreement of the Trustees.

However, no change can be made that would prejudice your rights in respect of any benefits you have already accrued. 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.

Q. WHO ADMINISTERS THE SCHEME?
A. The Trustees are responsible for the administration of the Scheme in accordance with the Trust Deed and Rules. Expert advisers help with financial, investment and legal matters.

The Trustees of the Scheme take the form of a corporate trustee, the HBOS Final Salary Trust Limited. HBOS Final Salary Trust Limited operates through a Trustee Board, which consists of nine directors: three appointed by the Employers, three nominated by members and three independent directors.

Q. WHEN CAN I GET A TRANSFER VALUE ESTIMATE?
A. If you have not taken your benefits from the Scheme, 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. Please contact the Scheme’s administrator if you would like to request an estimate (contact details are on page 28).

Q. IS THE SCHEME REGISTERED WITH HM REVENUE & CUSTOMS?
A. 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. Contributions and benefits will be taxed in accordance with the law and HM Revenue & Customs practice at the relevant time.

Q. WHO REGULATES THE TRUSTEES AND THEIR ADVISERS?
A. 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:

Web: www.thepensionsregulator.gov.uk

Q. WHERE CAN I GET FORMAL DOCUMENTATION RELATING TO THE SCHEME?
A. 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 the Group Pensions website www.lloydsbankinggrouppensions.com or by contacting the Scheme’s administrator. The contact details can be found on page 28.

You can also ask to see a copy of the Rules of the Scheme.
Q. WHO SHOULD I CONTACT WITH PENSION QUERIES OR COMPLAINTS?

A. If you have any queries you should contact the Scheme’s administrator (details are on page 28).

The Trustees have established an internal procedure to cover the resolution of disputes between the Trustees, members and beneficiaries.

You will need to put your complaint in writing to the Pensions Manager, Group Pensions, at the address below 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:

HBOS Final Salary Pension Scheme
Towers Watson Limited
PO Box 545
Redhill
Surrey
RH1 1YX

Tel: 01737 227 522
(+44 (0)1737 227 522 from outside the UK)
Email: HBOSFSPS@towerswatson.com

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

- Pension query they may have; or
- 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.

Web: www.pensionsadvisoryservice.org.uk

Q. HOW CAN I TRACE ANY PREVIOUS PENSION SCHEMES?

A. 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.

Web: www.gov.uk/find-lost-pension

Data Protection

The Trustee Privacy Notice, as amended or superseded from time to time (the ‘Notice’) identifies in detail the personal information we collect and hold and describes how we use, share and secure it.

We control and process information about you and your dependants which may be provided by you or otherwise obtained or generated by us. This may include, but is not limited to, personal data (as that term is defined by applicable law) such as financial details and employment history (your personal data). The Trustees of the HBOS Final Salary Trust Limited are the data controllers of your personal data.

You consent to your personal data (including sensitive personal data, such as details of your health) being processed by the Trustee, and being shared with or transferred to and processed by your employer, pension scheme administrators, professional advisers including legal and financial advisers, or any other third parties, in each case for the purpose of the administration of your pension under any Lloyds Banking Group pension scheme. Further information regarding use of your personal data is available at www.lloydsbankinggrouppensions.com/hbos/fs/active/home/data_protection.

Your personal data may be transferred outside the EEA. The jurisdictions to which your information may be transferred may not be deemed to offer an adequate level of protection under applicable law. By submitting your personal data, you agree to this transfer.

Please address any questions, comments and requests regarding our data processing practices to philhamnett@lloydsbanking.com.
BUDGET UPDATE 2014

In his 2014 Budget speech, the Chancellor announced that, from 6 April 2015, members of Defined Contribution (DC) pension schemes would have greater flexibility around how they access their pension benefits from age 55.

Q. WHAT NEW RETIREMENT OPTIONS DO I HAVE FROM APRIL 2015?

A. If you do wish to take full advantage of the new flexibilities, you can transfer your benefits into a DC pension scheme, but with effect from 6 April 2015 you will be required to take financial advice before deciding to do this (unless your benefits are worth less than £30,000, although it is still strongly advised that you seek financial advice before making any transfer). The pension arrangement you transfer to will also need to see evidence that you have taken financial advice, before it can accept the transfer. Please note that neither the Trustees, the administrator nor the Lloyds Banking Group are able to provide you with financial advice. You can find a financial adviser in your area by visiting www.unbiased.co.uk. You can transfer your benefits out of the Scheme at any time (subject to the Trustees’ consent if you are within a year of Normal Retirement Age). However, if you transfer out, you will no longer be a member of the Scheme and will not be able to re-join.

If you have paid AVCs (excluding Added Years contributions), those funds are treated as a DC arrangement, and so these changes may affect you in relation to those benefits. You may, with the Trustees’ consent, transfer your AVC benefits out of the Scheme while leaving your final salary linked benefits in the scheme. The new rules from 6 April 2015 provide that, from age 55, members of DC arrangements can:

• Take all of their benefits as a cash lump sum (normally the first 25% will be tax-free, with the remainder taxed at their marginal rate);
• Enter a drawdown arrangement, which allows pension benefits to be accessed on a flexible basis in a similar way to a bank account (the first 25% of each payment will be tax-free, with the remainder taxed at the member’s marginal rate);
• Buy an annuity, to provide a guaranteed income for the rest of their life (or another specified period); or
• A combination of the above.

Pension Scams

If you are taking a cash lump sum from your pension to invest somewhere else, or plan to take income drawdown, be aware that scammers may operate in these markets. You can find out more about how to identify scams here:


Q. DOES THIS CHANGE MY AVC OPTIONS?

A. Under the previous rules, you could take up to 25% of the value of your total pension benefits as a tax-free cash lump sum. You will now be able to take your AVCs in cash even if they are more than 25% of your total pension benefits (though only the first 25% will be tax-free). This may affect the amount of your Annual Allowance going forward, so if you intend to continue contributing into any pension arrangement you should consider this carefully and seek advice from a financial adviser. You should also consider the impact of taking a lump sum on your personal tax circumstances, including the possibility that you may have to pay a higher rate of tax than normal depending on the amount of cash withdrawn. Taking cash withdrawals may have implications for people with debt or who may be entitled to means-tested benefits. People concerned about this can contact Pension Wise, the Citizens Advice Bureau, or the Money Advice Service.

You should note that although the Government has changed the law to allow drawdown arrangements, pension schemes are not obliged to offer this. The Trustees have decided that the Scheme will not offer a drawdown facility for DC (money purchase AVC) benefits at this stage. If you wish to use your AVC as a drawdown facility you will need to transfer your AVC funds out of the Scheme first. If you are an active member you would need to opt out of the Scheme in order to do this.

Q. I HAVE A VERY SMALL PENSION – DO THE CHANGES AFFECT ME?

A. In addition to the increased flexibility for members of DC arrangements, the Government also introduced new rules around very small pensions, which took effect from 27 March 2014.

This applies to you if you are aged 55 or over and:

• All your benefits across all your registered pension schemes (up to three) are valued at £30,000 or less (equal to a DB pension of around £1,500 a year or less), or
• All your benefits in the Scheme are worth £10,000 or less (equal to a DB pension of around £500 a year or less).

At retirement you will have the option to convert your small pension into a lump sum (normally the first 25% will be tax-free, with the remainder taxed at their marginal rate).

Q. IS THE MINIMUM RETIREMENT AGE CHANGING?

A. The Government intends to raise the minimum retirement age that people can access their pension savings from 55 to 57 from 2028. The minimum retirement age would then rise in line with State Pension Age, remaining ten years below this. You can find your current State Pension Age by using the calculator at www.gov.uk/calculate-state-pension.
Q. HOW DO I DECIDE HOW TO TAKE MY DC BENEFITS?
A. It’s very important to choose the right option(s) for your circumstances, to give you the best chance of a comfortable retirement. So, the Government plans to ensure that all DC members receive appropriate guidance to help them decide how to take their benefits. The Pensions Advisory Service and the Money Advice Service have been named as the organisations that will be able to help members – you can visit their websites at pensionsadvisoryservice.org.uk and moneyadviceservice.org.uk. The Government has set up a guidance service offering free, impartial advice about the new pension options. You will be able to access this via a telephone helpline, face to face or an online portal. Find out more at www.pensionwise.gov.uk.

Q. WHERE DO I FIND OUT MORE?
A. If you have any queries about this information, you can contact the Scheme administrator – contact details are on the back page.

Please note that this document is just a summary of the main changes that took place in April 2015. The full details of your rights and options are set out in the Trust Deed and Rules governing the Scheme, and they take precedence in the event of any conflict with this document.
FURTHER INFORMATION

Further information about the Scheme can be found on the Group Pensions website at: www.lloydsbankinggrouppensions.com
If you have any questions or would like to provide your feedback on this guide, please use the contact details below:

Write to: HBOS Final Salary Pension Scheme, Towers Watson Limited, PO Box 545, Redhill, Surrey RH1 1YX
Telephone: 01737 227 522 (+44 (0)1737 227 522 from outside the UK)
Email: HBOSFSPS@towerswatson.com