

SCOTTISH MUTUAL ASSURANCE plc

STAFF PENSION SCHEME

EXPLANATORY BOOKLET

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INTRODUCTION

This is intended to provide a clear and simple overview of the main benefits to which Members of the Scottish Mutual Assurance plc Staff Pension Scheme are entitled. The rights and obligations of Members are subject to the terms of the legal documentation governing the Scheme. In the event of any conflict between the terms detailed here and the legal documentation, the legal documentation will prevail.

The Scheme was closed to new Members as at 4 August 1996 and employees appointed to established positions after that date should refer to the Abbey National Group Pension Scheme Booklet.

Definitions

A number of terms have a particular meaning in accordance with the Scheme. These terms appear in bold and are defined later in the document. ([List of Definitions](#))

September 1992 Members

The Scheme was improved with effect from 1 September 1992. To provide consistency with the pre-improvement benefits, special consideration applies to those who were Members of the Scheme at that date ("September 1992 Members")

September 1996

At 1 September 1996, existing active Members of the Scheme were given an opportunity to opt to accrue pension benefits at an accrual rate of 50ths subject to a 1% employee contribution being payable. Illustrations throughout the 'site' therefore refer to accruals of Pensionable Service on two basis:

- all service at the 60ths accrual rate ("*60ths accrual basis*")
- 60ths accrual to 31 August 1996 and 50ths accrual thereafter ("*60ths/50ths accrual basis*").

MEMBERSHIP OF THE SCHEME

Members consist of established full-time and part-time employees of Abbey National Financial & Investment Services plc with a commencement date of 4 August 1996 or earlier.

Is membership compulsory?

No.

You may, by giving one months notice to the Trustees in writing, leave the Scheme and effect your own personal pension arrangement. The Company would not make any contribution to that personal pension. Cover under the Scheme for the lump sum payment on death in service ([illustrated](#)) will remain.

What about benefits from my previous employment?

You may, at the discretion of the Trustees, be able to transfer the value of preserved benefits from previous employment to purchase service in the Scheme. This would result in an additional period of service at a 60ths accrual rate, known as Transfer Credit, being included in your Pensionable Service.

The pension scheme administrator, [Jardine, Lloyd Thompson](#) (JLT), will be able to provide further information on this subject.

CONTRIBUTIONS

Do I contribute to the Scheme?

Yes, if you opted for the 50ths accrual rate from 1 September 1996. The employee contribution rate is currently 1% of Pensionable Salary.

No, if you remained with the 60ths accrual rate for future service.

The balance of the cost of the Scheme is met by the Company.

Can I pay additional contributions to increase my benefits?

Yes.

You can join the Voluntary Contribution Scheme at any time.

The Voluntary Contribution Scheme enables you to build up a fund free of taxes to purchase additional pensions for you and your dependants at retirement.

If you wish to take advantage of this facility please complete the appropriate form, [Request for Voluntary Contribution Illustration](#), indicating approximately how much per month you might contribute to the Scheme or the level of benefits you wish to achieve. An illustration of possible benefits will then be provided, together with full details of the Scheme including what happens to your contributions on leaving service or on death prior to retirement.

Can I reduce or increase my additional contributions?

You may reduce or cease your contributions to the Voluntary Contribution Scheme at any time. JLT, Pension Administrators, will be happy to provide an illustration of the likely effect of such a change on your retirement benefits.

RETIREMENT

When may I retire?

The Scheme has a Normal Retirement Age of 60.

You may seek the Company's permission to retire before age 60. If you retire before age 60, you will normally have to have attained age 50, although special arrangements are applicable to

those retiring on grounds of ill health. Requests for early retirement must be forwarded to the Scheme Administrator at least 3 months prior to the Member's chosen retirement date. The Scheme Administrator will liaise with the Company and the Trustees with regard to consent and will respond to the Member's request within 1 month.

State Pensions and the Scheme

The state provides pensions in two forms:

- (i) the basic state pension; this is unaffected by your membership of the Scheme and you will, from State pension age, be eligible to receive this pension subject to meeting DSS requirements. It will be paid in addition to your Scheme pension.
- (ii) an earnings related pension; because you will receive a pension from the Scheme you and the Company pay reduced National Insurance contributions and therefore you will not receive the State earnings related pension. This is described as being "contracted out" of the State earnings related pension scheme (SERPS) and therefore part of your Scheme pension is deemed to be in lieu of these State benefits. This part is called the Guaranteed Minimum Pension (GMP). Because of its link to the State pension, the GMP is treated differently from the remainder of your benefits on attaining State pension age.

From April 1997, the legislation applicable to occupational schemes contracted out of SERPS, as explained above, changed and no further GMPs can be earned after 5 April 1997. Instead schemes now contract out by satisfying an overall quality test known as the "reference scheme" test and are required to provide pension benefits which satisfy this test. Your pension scheme remains contracted out on this basis.

YOUR PENSION – NORMAL RETIREMENT

What pension will I receive if I retire at age 60?

If you retire at the Normal Retirement Age, your pension will be:
 $1/60^{\text{th}}$ of Pensionable Salary for each year of Pensionable Service

or

$1/60^{\text{th}}$ of Pensionable Salary for each year of Pensionable Service up to
31 August 1996

plus

$1/50^{\text{th}}$ of Pensionable Salary for each year of Pensionable Service from
1 September 1996.

May I take cash instead of pension?

You may, with the Trustees' consent, give up part of your pension for a cash sum. This cash sum is tax free under present legislation. The maximum cash sum is normally:

$3/80^{\text{th}}$ of Pensionable Salary for each year or part thereof of Pensionable Service

The pension given up at Normal Retirement Age by taking this cash sum is obtained by dividing the cash sum by 12.5.

Example: Scheme pension at Normal Retirement Age, cash sum and residual pension

Table 1	60ths accrual basis	60ths/50ths accrual basis
Pensionable Salary	£16000	£16000
Pensionable Service	30 years	30 years
Scheme Pension p.a.	$30/60 \times £16000$ = £8000	$20/60 \times £16000 = £5333$ $10/50 \times £16000 = £3200$ Total = £8533
Maximum cash sum	$30 \times 3/80\text{ths} \times £16000$ = £18000	$30 \times 3/80\text{ths} \times £16000$ = £18000
Scheme pension p.a. given up (both Male and Female)	$£18000 \div 12.5 = £1440$	$£18000 \div 12.5 = £1440$
Residual pension p.a.	$£8000 - £1440 = £6560$	$£8533 - £1440 = £7093$

Notes:

Complete months of Pensionable Service count towards your pension as well as complete years.

If you became a Member of the Scheme on or after 1 June 1989 the Pensionable Earnings Cap may apply to the benefits which can be provided.

If the number of hours you work each week has changed since you joined the Scheme it will make a difference to your benefits.

With effect from September 1996, Scheme membership continues during maternity leave even though employee contributions, where appropriate, are suspended.

Illustrations of benefits for Members on the 50ths accrual rate are based on 20 years of service at the standard 60ths accrual rate with the balance being at the 50ths.

The pension administrators (JLT) will be happy to clarify the impact of points 2 to 4 above on your benefits.

YOUR PENSION – EARLY RETIREMENT

What will my pension be if I retire before 60?

Subject to the consent of the Company, if you retire on or after your 55th birthday your pension will be calculated as described in [Table 1](#) but based on Pensionable Salary and Pensionable Service at the date of early retirement.

Subject to the consent of the Company, if you retire before your 55th birthday the pension is calculated as described above but is reduced by a 1/3rd % for each complete month between your date of early retirement and your 55th birthday.

You may also give up pension for cash. The maximum cash is calculated as described in Table 1. The pension given up is calculated by dividing the cash sum by a factor which depends on your retirement age.

Example: Scheme pension on early retirement, cash sum and residual pension

Table 2	60ths accrual basis	60ths/50ths accrual basis
Early Retirement Age	54 exact	54 exact
Pensionable Salary	£16000	£16000
Pensionable Service	24 years	24 years
Actuarial Reduction applicable at age 54	$12 \times 1/3 \% = 4\%$	$12 \times 1/3 \% = 4\%$
Scheme pension p.a.	$24/60 \times £16000 = £6400$ $\times 96\% = £6144$	$20/60 \times £16000 = £5333$ $\times 96\% = £5120$ $4/50 \times £16000 = £1280$ $\times 96\% = £1229$ Total = £6349
Maximum Cash Sum	$24 \times 3/80 \times £16000 = £14400$	$24 \times 3/80 \times £16000 = £14400$
Scheme pension p.a. given up (both Male and Female)	$£14400 \div 13.94 = £1033$	$£14400 \div 13.94 = £1033$
Residual pension p.a.	$£6144 - £1033 = £5111$	$£6349 - £1033 = £5316$

Notes:

Complete months of Pensionable Service count towards your pension as well as complete years.

If you became a Member of the Scheme on or after 1 June 1989 the Pensionable Earnings Cap may apply to the benefits which can be provided.

If the number of hours you work each week has changed since you joined the Scheme it will make a difference to your benefits.

With effect from September 1996, Scheme membership continues during maternity leave even though employee contributions, where appropriate, are suspended.

Illustrations of benefits for Members on the 50ths accrual rate are based on 20 years of service at the standard 60ths accrual rate with the balance being at the 50ths.

The pension administrators (JLT) will be happy to clarify the impact of points 2 to 4 above on your benefits.

DEPENDANT'S BENEFITS – DEATH IN SERVICE

If I die while still an employee, what will my dependants receive.

Depending on your circumstances, the following will be paid.

Lump Sum

A lump sum equal to four times Pensionable Salary. This is payable, at the Trustees' discretion, to your dependants or to your estate. You are encouraged to indicate on the [Nomination Form](#) the name(s) of those whom you wish the Trustees to consider when exercising their discretion. The completed form should thereafter be forwarded to JLT. Should your circumstances change at any time, please remember to advise JLT.

Dependant's Pension

This is two-thirds of the pension you would have received based on your Pensionable Salary at date of death and Pensionable Service at age 60.

Children's Pension

If you leave children, a pension of 1/12 th of your Pensionable Salary at date of death will be paid in respect of each child up to a maximum of 4 children. Payment will continue for each child until age 16 or until full time education ceases, whichever is the later.

Example: Dependant's & Children's Death-in-Service Benefits:

Table 3	60ths accrual basis	60ths/50ths accrual basis
Pensionable Salary	£18000	£18000
Pensionable Service to age 60	30 years	30 years
Lump Sum	4 x £18000 = £72000	4 x £18000 = £72000
Dependant's pension p.a.	$\frac{2}{3}$ of $\frac{30}{60}$ x £18000 = £6000	$\frac{2}{3}$ of $\frac{20}{60}$ x £18000 = £4000 $\frac{2}{3}$ of $\frac{10}{50}$ x £18000 = £2400 Total = £6400
Children's pension p.a. (per child to a maximum of 4)	$\frac{1}{12}$ x £18000 = £1500	$\frac{1}{12}$ x £18000 = £1500

DEPENDANT'S BENEFITS – DEATH DURING RETIREMENT

If I die while receiving a pension, what will my dependants receive?

Depending on your circumstances, the following will be paid.

Lump Sum

If you die within five years of your retirement there will be payable to your dependants or estate, a lump sum equal to your then current monthly pension multiplied by the number of complete months between the date of your death and the fifth anniversary of retirement.

Dependant's Pension

This is two-thirds of the pension being paid to you at your date of death. However, if at retirement you opted to give up part of your pension to provide a cash sum, the dependant's pension will be based on the gross pension you would have received had you not exercised that option.

If you opt for early retirement, prior to age 55, the dependant's pension will be based on your pension prior to the application of the reduction of 1/3% per month shown in [Table 2](#).

Example: Dependant's pension on death during retirement

Table 4	60ths accrual basis	60ths/50ths accrual basis
Dependant's pension per annum	2/3 of £8000 = £5333	2/3 of £8533 = £5689
This does not make allowance for any discretionary increases to the pension between retirement and date of death		

Children's Pension

If you leave children of an eligible age, the children's pension described [earlier](#) will also be payable. It will be based on your Pensionable Salary at the date of your retirement increased by any discretionary increase granted to pensions between the date of your retirement and the date of your death.

PENSION BENEFITS – OTHER POINTS

How frequently are pensions payable?

All pensions are payable monthly.

Will pensions be increased?

The Scheme has a history of increasing pensions in payment. This has been done on a discretionary basis and while the Company currently intends to continue this practice, it has no obligation to do so. However, pension accruing from 1 January 1997 will as a minimum, be increased in line with the Retail Prices Index or 5%, whichever is the lower.

Scheme increases do not apply to the Guaranteed Minimum Pension element of a pension for which separate increase arrangements apply.

The dependant's pension on death during retirement illustrated in [Table 4](#) will be based on the Member's pension including discretionary increases.

LEAVING SERVICE

What benefits will I receive if I leave the Company's service?

Full details will be made available to you at the time. However, as a general guide the following will apply.

Leaving the Company's employment having completed at least two years' Pensionable Service, you will be entitled to preserved benefits. These preserved benefits consist of a pension payable to you from age 60 and, if appropriate, a dependant's pension payable on your death. On your death after age 60, if you have eligible children, the children's pension described previously will also be payable. Broadly speaking, the benefits are as described earlier but based on Pensionable Salary and Pensionable Service at your date of leaving. The benefits will be increased between your date of leaving and date of retirement in accordance with legislative requirements.

Can I pay a transfer value to my new employer's pension scheme?

Generally, yes.

The Remuneration & Benefits team will provide details of the transfer value which may be taken in lieu of your preserved benefits. This transfer value will take account of the history of discretionary increases in pension. Once you have arranged the formalities with your new employer we shall arrange for the transfer value to be paid direct to their pension scheme.

You may also transfer the value of the preserved benefits to an appropriate insured pension policy or to a personal pension arrangement.

Transfer values are guaranteed for three months from the date at which they are calculated.

ADMINISTRATION

How is the Scheme administered?

The Scheme is operated in accordance with a Trust Deed and set of Rules and any Member may request a copy of these.

Your interests are looked after by six Trustees who ensure that the Scheme complies with these Rules. The Trustees are also responsible for exercising a number of discretionary powers granted to them by the Rules. A list of the current Trustees is available from the Scheme administrators.

The Scheme also has an Investment Manager responsible for investing the Scheme's assets and an Actuary who regularly determines the rate of Company contribution required to provide the benefits of the Scheme. In addition, a Treasurer is appointed with responsibility for monitoring and controlling the flow of monies to and from the Scheme.

The Trustees are provided with information on the Scheme and they meet regularly with the Administrator, the Investment Manager, the Actuary and the Treasurer.

The day-to-day business of the Scheme is dealt with by JLT. They report to the Scheme Administrator who is appointed by the Trustees.

SCHEME INFORMATION

Where can I get information on the Scheme in general or my benefits in particular?

Your first line for any enquiry should be JLT. They are located at:

Staff Pensions Unit
JLT Benefits Solutions Ltd
Bancroft House
251 High Street
Orpington
Kent
BR6 0NT
Abbey Schemes Telephone Number: 01689 887500

Fax Number: 01689 887501

Email: SPU@JLTGroup.com

Information on your benefits is provided during the 3rd quarter of each year. This consists of a statement showing what your benefits will be based on your current Pensionable Salary and on your Pensionable Service should you continue to work until age 60. If you wish information on your benefits at any other time, please contact JLT as above.

An audited annual report on the Scheme is issued to Members prior to each year's Annual General Meeting.

Resolving Disputes

Complaints or disputes can usually be resolved informally by JLT. However, the Scheme also has a formal procedure for disputes and this involves, as a first stage, the consideration of complaints by the **Director, Corporate Resources**. If necessary as a second stage, the Trustees can be asked to review the first stage decision. If you want to use the formal dispute resolution procedure please contact JLT who will advise.

You are also at liberty to contact the Trustees with any questions you may have.

Additional Contact Points

In the unlikely event that you have a question on either your current or a previous pension scheme which cannot be resolved by the above routes, the following services can assist you: The Occupational Pensions Advisory Service, OPAS, was set up to give help and advice to individuals experiencing problems with pension rights. They can be contacted at 11 Belgrave Road, London, SW1V 1RB. Telephone 0171 233 8080

In the event that neither the Company involved nor OPAS can resolve your problem you may wish to refer the matter to the Pensions Ombudsman. A Government appointed official, he is able to investigate complaints and disputes of fact or law relating to any pension scheme. His decisions are legally binding.

The address is also 11 Belgrave Road, London, SW1V 1RB,
Telephone 0171 834 9144

In order to trace previous pension rights where you no longer have a previous employer's address you may wish to contact the Registrar of Pension Schemes,
PO Box 1NN, Newcastle-upon-Tyne, NE99 1NN, Telephone 0191 225 6393.

All approved company pension schemes have to register with this body and therefore the relevant details of this Scheme have been provided.

The Occupational Pensions Regulatory Authority is available to intervene in the running of schemes where Trustees, employers or professional advisers have failed in their duties.

It can be contacted at Invicta House, Trafalgar Place, Brighton, BN1 4DW
Telephone 01273 627600

OTHER INFORMATION

Is there anything else I need to know?

Yes

The Scheme is approved for tax purposes by the Inland Revenue. One consequence of this is that the benefits provided under the Scheme are subject to maximum limits, but if they have to be restricted you will be informed.

The Company contributes to a fund which is accumulated to meet the cost of the benefits. Information about the fund is provided annually in the audited accounts accompanying the Annual Report. Although the Company intends continuing the Scheme, it has the power to cease paying contributions and terminate the Scheme. However, in the event of the Scheme being wound-up and its resources not being adequate to meet the liabilities under the Scheme at that time, the shortfall will be a debt on the Company.

DEFINITIONS

Bonus Credit

This is granted entirely at the discretion of the Company in recognition of service with a previous employer. Bonus credit accrues solely at the 60ths rate of accrual.

The relevant figure to be included in the calculation of Pensionable Service is $A / B \times C$ years where:

A = years and complete months from date Bonus Credit granted to date of retirement or date of leaving service

B = years and complete months from date Bonus Credit granted to age 60

C = years and months of Bonus Credit granted assuming retirement at Normal Retirement Age.

Dependant

Your widow or widower or any other person who in the opinion of the Trustees was financially dependent on you immediately prior to your death.

Guaranteed Minimum Pension

The pension deemed to be in lieu of your State earnings related pension (see State Pensions and the Scheme). Your pension under the Scheme will not be less than the Guaranteed Minimum Pension.

Member

An established employee of Abbey National Financial & Investment Services plc who is eligible to be a member of the Scheme and who has not opted out of the Scheme.

Normal Retirement Age

Age 60

Pensionable Earnings Cap

Under the Finance Act 1989 the Pensionable Earnings Cap was introduced. This limits the earnings which count in determining maximum benefits and maximum contributions in an approved scheme. The cap is normally indexed on an annual basis in line with changes in the Retail Prices Index. Employees who became Members of the Scheme on or after 1 June 1989 are affected by the Pensionable Earnings Cap.

Pensionable Salary

At any time, the greater of:

- (a) basic salary paid in the last 12 months plus the annual average of

pensionable earnings received in the previous 3 years in respect of the same appointment to which the basic salary relates,
or

- (b) the average of basic salary plus pensionable earnings in any 3 consecutive calendar years during the last 10 years.

Pensionable earnings consist of a number of fluctuating emoluments deemed by the Company to be pensionable. They currently include business production bonuses to Sales Consultants/Managers and exclude overtime payments.

Pensionable Service

At any dates where benefits are being calculated, Pensionable Service is: complete years and months from the date of joining the Scheme to the relevant date

plus Transfer Credit *plus* Bonus Credit *plus* September 1992 Credit. Transfer, Bonus and September 1992 Credit are granted solely at the 60ths rate of accrual.

September 1992 Credit

This applies only to September 1992 Members and accrues solely at the 60ths rate of accrual. The relevant figure to be included in the calculation of Pensionable Service is $D / E \times 2$ years where

D = years and complete months from 1 September 1992 to the relevant date

E = years and complete months from 1 September 1992 to age 60.

September 1992 Member

A Member who was a Member of the Scheme on 1 September 1992.

Transfer Credit

Additional years of Pensionable Service granted at a 60ths accrual rate in respect of a transfer value received from another employer's scheme (as noted before).

**SCOTTISH MUTUAL ASSURANCE plc
STAFF PENSION SCHEME**

Request for Voluntary Contribution Illustration

Full Name :

Employee Number :

Date of Entry :

A Voluntary Contribution Illustration provides you with an indication of the additional benefits which could be achieved by regular monthly contributions. It can be prepared on any of the following bases:

- (A) You specify the percentage of current Pensionable Salary you wish to pay. The Inland Revenue maximum contribution allowable is 15% of earnings in a tax year (including the 1% employee contribution payable for 50ths accrual).
- (B) You specify the level of monthly contribution you wish to make, e.g. £50 per month.
- (C) You specify the equivalent extra years of Pensionable Service in the Scheme you would like to achieve at a specific age.

Full details of any preserved pension benefits that you may have with other organisations **must** be provided when requesting a Voluntary Contributions Illustration. This will enable us to check that Inland Revenue maximum benefits are unlikely to be exceeded.

Please indicate which basis you wish the Illustration prepared on. There is no restriction to the number of options you may select.

% of Current Pensionable Salary	
A	

Monthly Contribution	
B	

Equivalent Additional Pensionable Service		At Age
C		

Signed Date

Please return the completed form to Staff Pensions Unit, JLT Benefits Solutions Ltd,
Bancroft House, 251 High Street, Orpington, Kent BR6 0NT

**SCOTTISH MUTUAL ASSURANCE plc
STAFF PENSION SCHEME**

**NOMINATION FORM
Regarding Disposal of Death Benefits**

I fully understand that a decision regarding the recipient of the Scheme benefits payable on my death is made, in accordance with the Scheme rules, at the complete discretion of the Trustees. I should, however, like the Trustees to consider the person or persons named below as possible recipients.

Lump Sum	Name & Address	Relationship
% to be paid to
% to be paid to
% to be paid to
% to be paid to

Dependant's Pension	Name & Address	Relationship
% to be paid to
% to be paid to
% to be paid to
% to be paid to

Signed : Full Name :
.....
(Block Capitals)
Employee Number : Date :

Notes:

- (1) If you wish the whole of the benefits to be paid in accordance with the terms of your Will, complete the Form as follows :- "100% to be paid to the Executors of my Will".
- (2) The Trustees are not legally bound to follow your wishes in this matter but they will obviously have regard to them when exercising their discretion under the Scheme.
- (3) In the event of a change to your wishes you should submit a new Form. Your earlier Form will be returned to you.