

HERMES
GROUP PENSION SCHEME
CONSOLIDATED RULES AS AT 1 NOVEMBER 2011

Sackers

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Ref: PS/DAB/1705655_1.DOC

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By -

1. **HERMES FUND MANAGERS LIMITED** (formerly Hermes Pensions Management Limited), a company incorporated in England and Wales (registered number 1661776) whose registered office is at Lloyds Chambers, 1 Portsoken Street, London E1 8HZ ("**Hermes**");
2. **BT PENSION SCHEME TRUSTEES LIMITED**, a company incorporated in England and Wales (registered number 6009363) whose registered office is at Lloyds Chambers as above ("**the Company**"); and
3. **HERMES PENSION TRUSTEES LIMITED**, a company incorporated in England and Wales (registered number 6648909) whose registered office is at Lloyds Chambers as above as trustees of the Hermes Group Pension Scheme ("**the Trustees**").

RECITALS

- (A) This Deed is supplemental to:
1. Rules dated 16 September 1998, as amended, ("**the Previous Rules**") which established the Hermes Group Pension Scheme ("**the Scheme**"); and
 2. All deeds, resolutions and documents expressed to be supplemental to 1 above.
- (B) The Trustees are the present trustees of the Scheme.
- (C) The Company is the present trustee of the BT Pension Scheme.
- (D) In accordance with the Existing Rules, Hermes and the "trustee or trustees of the BT Pension Scheme" are together the "Principal Employers" in relation to the Scheme. The Company and Hermes are therefore together the Principal Employers in relation to the Scheme but the Company does not employ any Members of the Scheme.
- (F) Subject to provisos which are not material for the purposes of this Deed, Rule 32 provides that the Principal Employers and the Trustees may together by Deed change the Rules at any time (and may do so retrospectively).
- (G) Hermes has informed the Trustees of its proposal ("**the Proposal**") to close the Scheme to future pensionable service accrual with effect from 31 October 2011 ("**the Closure Date**").
- (H) Hermes, has consulted, as required by law, with those of its employees who on the Closure Date were in Pensionable Service (as defined in the Existing Rules) regarding the Proposal, and in relation to Former HPS Members regarding the changes to their terms and conditions of employment which are necessary to implement the terms of the Proposal.
- (I) Hermes warrants:
- (a) in relation to those Members who are not Former HPS Members that there will be no breach of their terms and conditions of employment if effect is given to the Proposal; and
 - (b) the terms and conditions of employment of Former HPS Members have been lawfully changed to implement the terms of the Proposal.
- (J) Hermes wishes to make changes to the Scheme by replacing the Existing Rules with the rules ("**the New Rules**") attached to this Deed:

- (a) in respect of those Members who are not Former HPS Members to give effect to the Proposal;
 - (b) in respect of Former HPS Members which are necessary in order to be consistent with the changes to their terms and conditions of employment; and
 - (c) amend the terms of the Rule dealing with transfers in.
- (K) In view of the warranties provided by Hermes under Recital (I) the Trustees have agreed to change the rules of the Scheme by the adoption of the New Rules.
- (L) The provisions of this Deed are not intended to affect adversely any subsisting right of any pension. For this purpose "subsisting right" means the same as in sections 67A to 67I of the Pensions Act 1995 (subsisting rights provisions).
- (M) The Actuary has provided the confirmation required under regulation 42 of the Occupational Pension Schemes (Contracting-Out) Regulations 1996.

OPERATIVE CLAUSES -

1. The Principal Employers and, in reliance of the warranties given under Recital (I) above, the Trustees, in exercise of the power recited at (F) above and every other power enabling them to do so, change the Existing Rules by substituting them with the New Rules as set out below with effect from the 1 November 2011 ("**the Operative Date**").
2.
 - (a) Notwithstanding the other provisions of this deed, this deed and the New Rules within it shall not operate so as to have an adverse affect (in the Actuary's opinion), on any Member of the Scheme (without his or her consent) in respect of his or her subsisting rights (as defined in Section 67 Pensions Act 1995) or diminish benefits or rights which have accrued in respect of any Member before the Operative Date by reference to Salary and Pensionable Service on the Closure Date.
 - (b) In the event that a Member's subsisting rights would, but for this clause 2, be adversely affected, then the amendments made by this deed shall be restricted so far as may be necessary to ensure compliance with clause 2(a) above, but not further or otherwise, and shall in other respects operate as set out in this Deed.
 - (c) Each Rule and sub-Rule, and each paragraph and sub-paragraph of the Rules is separate and, if and to the extent that any such Rule, sub-Rule, paragraph or sub-paragraph is not permitted under the law, it shall not affect the other Rules, sub-Rules, paragraphs and sub-paragraphs of the New Rules set out below.
 - (d) The calculation of any benefit payable to and in respect of a Member of the Scheme who left Service before the Operative Date will not be affected by the execution of this deed.
3. This Deed may be executed in any number of counterparts and this shall have the effect as if the signatures on the counterparts were on a single copy of this Deed.

Rules

Part I Definitions and Contributions

1 Meaning of words used

“**2004 Act**” means the Finance Act 2004.

“**Actuary**” means the actuary for the time being appointed by the Trustees under Rule 25.2 (Actuarial valuations and statements).

“**Added Years**” means years of additional Pensionable Service purchased under Rule 3.4 (Purchase of Added Years).

“**Annual Allowance**” has the meaning given in section 228 of the 2004 Act (broadly the annual amount of tax relieved pension benefits, contributions or accrual a Member can acquire in a given tax year).

“**AVCs**” means additional voluntary contributions made under Rule 3.3 (Additional Voluntary Contributions for money purchase benefits) or a previous corresponding rule (including a corresponding rule under HPS). Where the context requires references to AVCs include investment returns on AVCs, whether positive or negative.

“**Care Year**” means each of the following periods:

- 1 January 2009 to 31 March 2009;
- 1 April 2009 to 31 March 2010;
- 1 April 2010 to 31 March 2011; and
- 1 April 2011 to 31 October 2011.

“**Cash Transfer Sum and Contribution Refund Laws**” means the cash transfer sum and contribution refund laws set out in sections 101AA to 101A1 of the Pension Schemes Act 1993.

“**Child**” means a child who is a:

- child (legitimate, illegitimate or legally adopted) of the Member or his or her spouse or Civil Partner; or
- step child of the Member or of his or her spouse or Civil Partner; or
- child of a deceased brother, sister, half brother or half sister of the Member; or
- child of a deceased child of the Member; or
- brother, sister, half brother, or half sister of the Member

and, at the Trustees’ discretion, may also include a child who is a:

- child whom the Trustees are satisfied that the Member had, at the date of his or her retirement or death in Service, formed an intention of legally adopting; or
- child whom the Trustees are satisfied had been, at the date of the Member’s retirement or death in Service, dependent on the Member for at least two years (or, if less, for at least half of the child’s life).

A child (not being a child of the Member) who becomes the child of the spouse after the termination of the marriage to the Member will not count as a Child.

A child remains a Child for so long as he or she is:

- under age 17; or
- under age 23 (or under age 25 in the case of a Member who was a Member before 6 April 2006) and in at least 2 years' full-time education or full-time training and receiving either no remuneration or remuneration that does not exceed £2,433.57 per annum increased from time to time by the amount of increase after April 1998 that would be applied under the Pensions (Increase) Act 1971.

("Children" has a corresponding meaning.)

"Civil Partner" means the civil partner of a Member as defined in the Civil Partnership Act 2004.

"Closure Date" means 31 October 2011.

"Commencement Date" means 16 September 1998.

"Contracting-out Laws" means the contracting-out laws of the Pension Schemes Act 1993 (see Rule 11.7 (Contracting-out)).

"Defined Benefit Lump Sum" means a benefit within paragraph 13 of Part 2 of Schedule 29 of the 2004 Act.

"Dependant" means any person who in the opinion of the Trustees is wholly or partly financially dependent on the Member or other person concerned, or was so dependent at the time of the death of that Member or other person. The Trustees' decision as to whether someone is another person's Dependant will be final.

"Dependent Child" has the meaning given to it in Rule 8.7 (Children's pension).

"Disclosure Laws" means the laws as to disclosure of information set out in regulations made under Section 113 of the Pension Schemes Act 1993.

"Employed Deferred Member" means a person who was an active member of the Scheme on the Closure Date and after that date remains in Service.

"Employee" means any employee or director of an Employer, except a non-executive director.

"Employer" means the Principal Employers or a Participating Employer.

"Former HPS Members" has the meaning given to the expression "Transferring Active Members" in Appendix 4, Rule 6 (broadly Members who were previously active members of HPS.)

"GMP" means a guaranteed minimum pension (or accrued rights to one) under the Contracting-out Laws.

"HMRC" means Her Majesty's Revenue and Customs and where the context so requires it shall also mean the Board of the Inland Revenue.

"HPS" means the Hermes Pension Scheme referred to in Appendix 4.

“Insurance Company” has the meaning given in section 275 (Insurance company) of the 2004 Act and is a person who has permission under Part 4 of the Financial Services and Markets Act 2004 (or premiums similar enactment) to effect or carry out contracts of long term insurance or an EEA firm or friendly society which has permission to carry on long term business.

“Lifetime Allowance” has the meaning given under section 218 of the 2004 Act (broadly the amount of an individual’s tax advantaged pensions savings from all Registered Pension Schemes).

“Lifetime Allowance Charge” means the charge to income tax described in sections 214 and 215 of the 2004 Act (broadly a charge arising where a Member’s benefits on certain events occurring are in excess of the Lifetime Allowance).

“Member” means a person who has been admitted to membership.

Note: This term covers those who transfer in from other schemes including HPS.

“Minimum Pension Age” means

- age 50 up to 5 April 2010; and
- age 55 after that date;

unless the Member has a “protected pension age” for any purpose (essentially, the right to take benefits before the normal minimum pension age in the 2004 Act with such a lower protected pension age being protected under Schedule 36 to the 2004 Act) in which case.

“Minimum Pension Age” means that Member’s protected pension age for that purpose.

“Normal Retirement Age” means a Member’s 60th birthday or such earlier age as is calculated under Rule 17.2 (Service in unhealthy places) taking into account Service in unhealthy places listed in Appendix 1.

“Participating Employer” means an employer who has been admitted to participate in the Scheme under Rule 26 (Participating Employers).

“Partner” means in relation to a Member who is not married and not in a Civil Partnership an adult person of either sex with whom the Member had been living in a relationship in the nature of marriage for at least five consecutive years. The Trustees may treat an adult person of either sex as the Partner of a Member even though that person has not lived in a relationship in the nature of marriage with the Member for at least five consecutive years if they are satisfied that that person is a Dependant of the Member.

“Pensionable Salary” means the greater of:

- (i) the highest Salary in any year of Service in the last 3 years of Service; and
- (ii) the best average Salary in any 3 consecutive tax years of Service in the last 10 years of Service.

For the purpose of (i) above, a year means either a calendar year or, if Service is discontinuous, 365 consecutive days of Service ending in either case:

- on the last day of Service; or
- 91 days before the end of Service; or
- any multiple (from 2 to 8) of 91 days before the end of Service.

In calculating years of Service prior to the last day of Service, Salary in an incomplete year of Service will be calculated by multiplying the Salary applicable by the proportion 12 months bears to the incomplete year. Where Salary has been voluntarily surrendered in whole or in part, or reduced in the national interest, the full rate will count as Pensionable Salary.

For the purposes of calculating the benefit under Rule 7.1 (Death in Service), Pensionable Salary will not be less than Pensionable Salary as at the Closure Date increased each year by the increase in the Consumer Prices Index (capped at 5% each year for Members who are not Former HPS Members).

“Pensionable Service” means the Member’s Service completed up to and including the Closure Date after joining the Scheme (but excluding any Service after opting out (under Rule 16) or ceasing to be eligible to remain in the Scheme). It includes Pensionable Service credited on a transfer to the Scheme and Added Years.

Note: The calculation of Pensionable Service, as with all other provisions of these Rules, is subject to Scheme Limits.

“Pensions Acts” means the Pension Schemes Act 1993 and the Pensions Acts 1995 and 2004.

“Pensions Regulator” means the body corporate referred to in Section 1 of the Pensions Act 2004.

“Pension Commencement Lump Sum” means a lump sum payable to a Member that satisfies the conditions set out in Section 166(2)(a) of Schedule 29 and, where specifically stated, Schedule 36 of the 2004 Act.

“Pension Protection Lump Sum Death Benefit” means such benefit as described in paragraph 14 of Part 2 of Schedule 29 of the 2004 Act.

“Permitted Maximum” is defined in Appendix 2.

“Post-2008 Scale Pension” has the meaning given in Rule 4.1.1.

“Pre-2009 Scale Pension” has the meaning given in Rule 4.1.1.

“Preservation Laws” means the laws as to preservation of benefit set out in Chapter I of Part IV of the Pension Schemes Act 1993.

“Previous Rules” means the Scheme rules dated 16 September 1998 (as amended) in force immediately before the effective date of these Rules and to which these Rules are supplemental.

“Principal Employers” means the trustee or trustees of the BT Pension Scheme (currently BT Pension Scheme Trustees Limited) and Hermes Fund Managers Limited or such other employer or holding company or person or body of persons as may take over the role of the Principal Employers under Rule 27 (New Principal Employers).

“Qualifying Recognised Overseas Pension Scheme” has the meaning given in section 169 of the 2004 Act.

“Qualifying Service” means Pensionable Service (excluding Pensionable Service credited on a transfer to the Scheme) and employment which qualified the Member for retirement benefit under any occupational pension scheme from which a transfer payment in respect of the Member has been made to the Scheme, or to a “buy-out” policy or personal pension

scheme and subsequently to the Scheme. Rule 12.8 (Qualifying Service) will apply if the Member's Qualifying Service has been broken.

"Registered Pension Scheme" has the meaning given in section 150(2) of the 2004 Act.

"Retail Prices Index" means the Government index of retail prices for all items or such other published index of prices which the Trustees and the Principal Employers may agree to be the retail prices index instead following a change in the compilation of the Government's index of retail prices for all items.

"Retired on Medical Grounds" means, in relation to a Member, retired because the Principal Employers are satisfied that the Member concerned is likely, through physical or mental disablement, to be permanently unable to give regular and efficient service in the duties of his or her post. The Principal Employers must be satisfied that the Member meets the ill-health condition set out in Schedule 28 to the 2004 Act.

"Revaluation Date" means in relation to any relevant Care Year, the 1 April in the calendar year after the calendar year in which the relevant Care Year ends, and each succeeding 1 April.

"Revaluation Factor" means in respect of any Revaluation Date the lesser of 5 per cent and the percentage increase on the Retail Prices Index for the year ending in the September preceding that Revaluation Date. The percentage will be taken as zero if it would otherwise be negative.

"Revalued Salary" means in respect of any Care Year, the Member's Salary earned during any period of Pensionable Service in that Care Year, increased until the Member leaves Service by the Revaluation Factor on every Revaluation Date.

"Revaluation Laws" means the laws as to revaluation of accrued benefits set out in Chapter II of Part IV of the Pension Schemes Act 1993.

"Revenue Approval" means up to and including 5 April 2006 approval by HMRC of the Scheme under Chapter I of Part XIV of the Income and Corporation Taxes Act 1988.

"Salary" means basic annual pay. Hermes may however from time to time agree with a Member that some or all of the Member's basic annual pay shall not be treated as Salary. If so, the Member's Salary under this Scheme shall be treated as amended to the extent of the agreement with the Member.

"Scheme" means the Hermes Group Pension Scheme.

"Scheme Administrator" means the person or persons responsible for the functions conferred or imposed on the administrator of the Scheme under section 270 of the 2004 Act.

"Scheme Earnings Cap" has the meaning given to it in Appendix 2.

"Scheme Limits" means the limits on Member contributions and benefits referred to in the Rules and set out in Appendix 2. By way of example only, in Rules 3.2 (Basic contributions by Members) and 3.3 (AVCs) and 11.6 (Scheme Limits).

"Service" means employment with the Employers.

"Transfer Value Laws" means the laws as to transfer values set out in Chapter IV of Part IV of the Pension Schemes Act 1993.

"Trustee Company" means any corporate trustee which is for the time being the Trustees.

"Trustee Directors" means the directors from time to time of the Trustee Company who shall, as provided for in Rule 21A.1, also be the members of the Trustee Company.

"Trustees" means the trustee or trustees for the time being of the Scheme.

"Unauthorised Payment" has the meaning given in section 160(5) of the 2004 Act (broadly payments by the Scheme that give rise to additional tax charges).

2 Membership

Each Employee who was admitted to membership prior to 1 June 2008 is a Member. No Employee is eligible to join or (having opted out or otherwise ceased to be in Pensionable Service) rejoin the Scheme on or after 1 June 2008, except for any person who started employment with the Employer after that date but to whom the Employer had made an offer of employment before that date.

Rules available to Members

A Member may request a free copy of the Rules of the Scheme applying to that Member and additional copies may be obtained on payment of an appropriate price.

3 Contributions by Employers and Members

3.1 Contributions by Employers

Subject to Rule 25.2 (Actuarial valuations and statements), each of the Employers will:

- 3.1.1 contribute to the Scheme by monthly instalments at a rate not less than that which the Actuary determines is required, after taking account of the contributions payable by Members, to meet the benefits (other than those which are met by additional contributions under Rule 19.3 (Discretionary benefits)) and the costs and expenses payable out of the assets of the Scheme; and
- 3.1.2 make any additional contributions from time to time determined under Rule 25.2 (Actuarial valuations and statements).

3.2 Contributions by Members

No contributions are payable by Members after the Closure Date.

3.3 Additional voluntary contributions for money purchase benefits

No AVCs are payable by Members after the Closure Date.

Each Member's AVCs will be invested separately from all the other assets of the Scheme and the proceeds will be used to provide additional benefits for, or in respect of, the Member, on a money purchase basis. The method of investment will be as notified to the Members by the Trustees.

The method of securing benefits will be as notified to the Members by the Trustees although:

- 3.3.1 AVCs will not be applied to provide additional benefits under the Scheme unless the Trustees determine the AVCs are too small for it to be practicable to purchase an annuity from an Insurance Company; or
- 3.3.2 AVCs may be taken as a cash lump sum (subject to the restrictions on the amount and the conditions referred to in Rule 9.1 (Retirement lump sum) and the Scheme Limits).

3.4 Purchase of Added Years

No contributions may be made by a Member to purchase Added Years after the Closure Date except:

- 3.4.1 where a Member agreed before the Closure Date to pay a lump sum contribution to purchase Added Years but such lump sum (in the reasonable opinion of the Trustees and Hermes) could not be paid before the Closure Date; or
- 3.4.2 as agreed by Hermes and the Trustees. In this event the terms will be agreed by Hermes and the Trustees and may differ from those set out below.

If a Member retires or ceases to be in Pensionable Service or dies in Service having bought Added Years on or before the Closure Date or under 3.4.1 above, he or she will be credited with the Added Years actually paid for.

Form of Added Years

If a Member had entered into an agreement with the Trustees on or before 31 January 2009 to purchase Added Years, his contributions or lump sum paid on or before the Closure Date or under 3.4.1 above will be applied to purchase Added Years of Pre-2009 Scale Pension.

If a Member had entered into an agreement with the Trustees after 31 January 2009 and on or before the Closure Date to purchase Added Years, his contributions or lump sum paid on or before the Closure Date or under 3.4.1 will be applied to the purchase of Added Years of Post-2008 Scale Pension on such basis as the Actuary shall advise. This paragraph does not apply to a Member who is a Former HPS Member with unbroken Pensionable Service, who was able to purchase Added Years of Pre-2009 Scale Pension at any time while in Pensionable Service on or before the Closure Date or, to a Former HPS Member to whom Rule 3.4.1 or 3.4.2 above applies.

Part II Standard Benefits

4 Retirement at or after Normal Retirement Age

4.1 Scale Pension

4.1.1 "**Scale Pension**" means subject to Rule 4.1.2 (Former HPS Members) and Rule 4.1.3 a pension for life at an initial annual amount equal to the sum of:

("the Pre-2009 Scale Pension")

(a) $\frac{1}{60} \times n \times ps$

Where -

n = the total number of complete years of the Member's Pensionable Service before 1 January 2009, plus an additional proportionate amount for each additional complete day.

ps = the Member's Pensionable Salary.

AND

("any Post-2008 Scale Pension")

(b) $\frac{1}{60\text{th}} \times rs$

for each Care Year where:

rs = the Member's Revalued Salary (or Salary earned in relation to the last Care Year) in respect of that Care Year

Provided that the total number of years of Pensionable Service completed under (a) and (b) above shall not exceed 45 and periods of Pensionable Service under (a) count first.

4.1.2 "**Scale Pension**" means subject to Rule 4.1.3 in relation to a Former HPS Member with unbroken Pensionable Service a pension for life equal to $\frac{1}{60\text{th}}$ of Pensionable Salary for each complete year of Pensionable Service plus an additional proportionate amount for each additional complete day.

However, Pensionable Service will be subject to a maximum of 45 years in total.

4.1.3 The Scale Pension of an Employed Deferred Member will not be less than the Member's Scale Pension as it would have been if he had left Service on the Closure Date increased:

- (a) in relation to an Employed Deferred Member who is not a Former HPS Member, between the Closure Date and the date of leaving Service as provided for in Rule 6.1;
- (b) in relation to an Employed Deferred Member who is a Former HPS Member, between the Closure Date and the date of leaving Service as provided for in Rule 10.3.

4.2 Retirement at or after Normal Retirement Age

A Member who leaves Service at or after Normal Retirement Age will receive the Scale Pension.

5. Early retirement from Service

5.1A Membership of the Hermes Group Stakeholder Pension Plan

A pension will only be payable to an Employed Deferred Member under Rule 5.1 or 5.2 below, if the value of that pension (together with the value of any benefits contingently payable on the Member's subsequent death) are greater (as agreed by the Trustees and the Employer, or in default of agreement, the Actuary) than the value of the benefits that would be payable to and in respect of that person from the Hermes Group Stakeholder Pension Plan (and any arrangement ancillary to that plan).

5.1 Medical early retirement

A Member, who is Retired on Medical Grounds before Normal Retirement Age with at least one year's Qualifying Service will receive an immediate pension or lump sum. The benefits for Members with at least 2 years' Qualifying Service will be calculated as described in Rule 4 (Retirement at or after Normal Retirement Age) except that Pensionable Service or the benefit earned will be enhanced, as appropriate, as described below. No enhancement will however increase Pensionable Service (or the benefit earned) to more than it would have been had the Member remained in Pensionable Service in full-time employment until Normal Retirement Age.

5.1.1 Enhancements available to Members with 10 or more years' Qualifying Service

In the case of a Former HPS Member with unbroken Pensionable Service whichever gives the best result:

- increasing Pensionable Service to 20 years; or
- adding 6 2/3 years

In the case of any other Member enhancing the pension by whichever of the following gives the best result:

- $1/60^{\text{th}}$ of Salary multiplied by N years where N is equal to the number of years, if any, that Pensionable Service is less than 20 years; or
- $1/60^{\text{th}}$ of Salary multiplied by 6 2/3rds years.

5.1.2 Enhancements available to Members with at least 2 but less than 10 years' Qualifying Service

In the case of a Former HPS Member with unbroken Pensionable Service, Pensionable Service will be doubled.

In the case of any other Member the enhancement will operate by granting an additional pension equal to $1/60^{\text{th}}$ of Salary multiplied by Pensionable Service.

5.1.3 Special enhancement for total permanent incapacity

If the Principal Employers are satisfied that a Member to whom 5.1.1 or 5.1.2 would otherwise apply will be permanently unable to work in any capacity they will direct the Trustees to calculate the benefits under this Rule:

In the case of a Former HPS Member with unbroken Pensionable Service as if the Member had remained in Service until Normal Retirement Age.

In the case of any other Member $1/60^{\text{th}}$ of the Salary for each potential future Care Year he or she would have completed if he or she had remained in Service until Normal Retirement Age plus an additional proportionate amount for each complete day.

The benefit for Members with at least one year's Qualifying Service (but less than two) will be a sum equal to:

$1/8^{\text{th}}$ of Salary x each complete day of Pensionable Service
365 excluding Added Years.

- 5.1.4** Any pension granted under this Rule 5.1 will be subject to the review provisions of Rule 5.3

5.2 Early retirement due to injury

A Member who leaves Service before Normal Retirement Age and who is certified by the Principal Employers as having been retired by reason of:

- 5.2.1** an injury sustained in the actual discharge of his or her duty which is specifically attributable to the nature of that duty; or
- 5.2.2** a disease to which he or she is exposed by the nature of his or her duty; or
- 5.2.3** an injury sustained while in an area outside the United Kingdom for the purposes of the Member's employment, being an injury which is directly attributable to the existence in or near that area of a state of war, revolution, or serious and widespread internal disturbance, or which is the direct result of deliberate acts of the local population or of sporadic political disturbances,

(which injury or disease is not wholly or mainly due to or seriously aggravated by the Member's own serious and culpable negligence or misconduct) will receive an immediate pension.

5.2.4 Benefits for Members with at least 5 years' Qualifying Service

Benefits for Members with at least 5 years' Qualifying Service will be calculated as if he or she had retired under Rule 5.1 (Medical early retirement).

5.2.5 Benefits for Members with less than 5 years' Qualifying Service

Benefits for Members with less than 5 years' Qualifying Service will be calculated as if he or she had retired under Rule 4 (Retirement at or after Normal Retirement Age) with:

In the case of a Former HPS Member with unbroken Pensionable Service the lesser of:

- 10 years' Pensionable Service; or
- the Pensionable Service he or she would have completed if he or she had remained in Pensionable Service until Normal Retirement Age.

In the case of any other Member enhancing the pension by the lesser of –

- $1/60^{\text{th}}$ of Salary multiplied by Y years where Y years is equal to the number of years, if any, that Pensionable Service is less than 10 years; or

- 1/60th of Salary for each potential future Care Year he or she would have completed if he or she had remained in Service until Normal Retirement Age plus an additional proportionate amount for each complete day.

5.2.6 Any pension granted under this Rule 5.2 will be subject to the review provisions of Rule 5.3.

5.3 Review of early retirement pensions made under Rule 5.1 or Rule 5.2

This Rule applies to a Member (except a Former HPS Member) receiving a pension under Rule 5.1 (medical early retirement) or 5.2 (early retirement due to injury) which started on or after 31 October 2005.

5.3.1 Re-entry to Pensionable Service

Unless:

(a) the Trustees, with the Principal Employers' consent, otherwise determine;

or

(b) the terms of re-entry are inconsistent with this provision

the pension payable under Rule 5.1 or Rule 5.2 will stop if the Member re-enters Pensionable Service before Normal Retirement Age. Thereafter, in lieu of the pension, the same benefits (in particular a deferred pension, payable from Normal Retirement Age) will be payable at the same time as if he or she had originally left Service, and remained throughout in normal health, except that the Trustees may vary these benefits as they decide to be appropriate (having regard to any pension instalment or cash sum previously paid to the Member and any voluntary allocation of his or her pension for a dependant).

5.3.2 Recovery without re-entry to Pensionable Service

If, in the opinion of the Trustees, a Member has recovered sufficiently from his or her physical or mental disablement and is earning an income (or would in their view be capable of earning an income) then they may at any time or times thereafter vary, suspend or reduce (by such amount as they think fit and so that they may vary such a pension from time to time) the Member's pension under Rule 5.1 or Rule 5.2 for any period (but not so as to be less than his or her GMP).

5.3.2 Medical examination

The Trustees shall be entitled to seek such medical evidence and to ask the Member to undergo such medical examination as they require at any time or times in relation to any pension payable under Rule 5.1 or Rule 5.2 whether before or after payment of such pension starts. If the Member fails to undergo a medical examination required by the Trustees within one month after their request, then the Trustees may make such assumptions as they think fit as to the Member's earning capacity or recovery from the physical or mental disablement which were the grounds for being Retired on Medical Grounds under Rule 5.1 or retired by reason of injury under Rule 5.

5.4 Other early retirement

A Member who leaves Service after reaching Minimum Pension Age in the interests of efficiency or by reason of redundancy with at least 5 years' Qualifying Service is entitled to an immediate pension on leaving.

The Principal Employers may otherwise allow a Member who leaves Service after reaching Minimum Pension Age and before Normal Retirement Age to choose instead an immediate pension on leaving.

The pension under this Rule will be calculated as described in Rule 4 (Retirement at or after Normal Retirement Age), but will then be reduced for early payment as the Trustees determine after considering advice from the Actuary.

The reduction will not apply if the Member with at least 5 years' Qualifying Service leaves Service:

5.4.1 in the Principal Employers' view, in the interests of efficiency; or

5.4.2 by reason of redundancy.

Enhancement on redundancy for Members who worked full-time

In the case of a Member with at least 5 years' Qualifying Service who has reached the age of 50 who is in full-time employment and who leaves Service before 6 April 2010 (or, if a Former HPS Member with unbroken Pensionable Service at any time) by reason of redundancy-

Then in the case of a Former HPS Member, Pensionable Service will be enhanced by the lesser of:

- increasing it to that which the Member would have had if he or she had remained in Pensionable Service until Normal Retirement Age; or
- adding 6 2/3 years

Any enhancement may not do more than double the length of Pensionable Service.

Then in relation to any other Member who leaves Service by reason of redundancy before 6 April 2010, enhancing the pension, on the day the Member takes the pension, by the lesser of :

- 1/60th of Salary for each year of potential future Service until Normal Retirement Age plus an additional proportional amount for each complete day; or
- 1/60th of Salary multiplied by 6 2/3rds.

Enhancement on redundancy for Members who worked part-time

In the case of a Member who on leaving Service prior to 6 April 2010 (or, being a Former HPS Member, at any time) was employed part-time, the full-time enhancement will be applied in the proportion that the part-time employment bears to full-time employment.

The Trustees must be reasonably satisfied that the benefits (including death in retirement benefits) for a Member who retires early under this Rule are at least equal in value to the benefits to which the Member would otherwise have become entitled on leaving Service.

The option will not be available if the pension remaining payable at Normal Retirement Age would be less than the GMP.

6 Early leavers

6.1 Preserved pension

A Member who leaves Service before Normal Retirement Age with at least 2 years' Qualifying Service without becoming entitled to immediate benefits will receive a pension for life from Normal Retirement Age calculated at the date of leaving and otherwise as described in Rule 4 (Retirement at or after Normal Retirement Age), and then increased before payment as follows (subject to Rule 10.3 (Pension increases for Members transferred from HPS)):

the benefits in excess of the GMP will be increased by:

- 6.1.1 the percentage required by the Revaluation Laws;
- 6.1.2 may be increased by a higher percentage in respect of any period if the Trustees and the Principal Employers agree; and
- 6.1.3 the GMP will be increased as required by the Contracting-out Laws.

A Member who leaves Service with less than 2 years' Qualifying Service will also receive a pension under this Rule if a transfer payment in respect of the Member's rights under a personal pension scheme has been made to the Scheme.

6.2 Early pension

A Member entitled to preserved benefits may choose to start receiving them before Normal Retirement Age (but not before reaching Minimum Pension Age). They will be reduced for early payment on a basis determined by the Trustees on the advice of the Actuary.

The Trustees must be reasonably satisfied that the benefits of a Member retiring early and choosing early payment (including death in retirement benefits) are at least equal in value to the benefits that would otherwise have been provided for the Member under the Scheme. The option will not be available if the pension remaining (payable at Normal Retirement Age) would be less than the GMP.

If the Trustees are satisfied that the Member could have been Retired on Medical Grounds had he or she remained in Service the benefits can be paid even if the Member has not reached Minimum Pension Age, without reduction for early payment. (For the purposes of this Rule, the definition of "**Retired on Medical Grounds**" shall be read as if the reference in that definition to the "**Principal Employers**" was a reference to the "**Trustees**").

The Trustees may also pay the benefits (but not before Minimum Pension Age) if they are satisfied that compassionate grounds exist for early payment without reduction for early payment.

6.3 Right to transfer or buy-out

A Member who leaves Service with a preserved pension at least a year before Normal Retirement Age can require the Trustees to use the cash equivalent of his or her benefits (including death benefits) to buy one or more annuities, or to acquire rights under a Registered Pension Scheme in accordance with the Transfer Value Laws. The transfer must be a recognised transfer under section 169 of the 2004 Act.

The Member can exercise this right by writing to the Trustees at any time up to a year before Normal Retirement Age (or, if later, 6 months after leaving Service).

6.4 Refund of contributions

Deleted intentionally.

6.5 Early leavers cash transfer sum (limited option)

Deleted intentionally.

7 Lump sum payable on Member's death

7.1 Death in Service

A lump sum benefit equal to 1.25 x Pensionable Salary will be payable if an Employed Deferred Member dies in Service with a pension under Rule 4 or Rule 5 that has not started.

7.2 Member dies with a preserved pension that has not started

If the Member dies before Normal Retirement Age with a preserved pension under Rule 6.1 that has not started, the benefit will be equal to 1.25 times the Member's Pensionable Salary at the date of leaving Service. The benefit will be increased from the date of leaving Service as in Rule 6.1 (Preserved pension). (This benefit will not be paid if the Member receives a lump sum benefit under Rule 7.1 (Death in service)).

7.3 Member dies after pension starts

If a Member dies within 5 years of his or her pension starting the Trustees will pay a lump sum equal to the further instalments of pension (excluding future pensions increases) that would have been paid if the Member had survived until the end of the 5-year period.

The Member may elect in writing to the Trustees that this lump sum shall be treated for the purposes of the 2004 Act as a Pension Protection Lump Sum Death Benefit, in which case the Trustees shall deduct from that lump sum any tax which the Trustees may be liable to account for to HMRC under section 206 of the 2004 Act.

7.4 Payment of death benefit

The benefit will be paid as described below. However, no benefit will be paid if there are no living "**Beneficiaries**" at the date of the Member's death.

The Trustees may at their absolute discretion pay any lump sum death benefit to one or more of the Beneficiaries, within 2 years after the Member's death. If the Trustees decide to pay the benefit to more than one of the Beneficiaries, they may pay it in such shares as they decide.

The "**Beneficiaries**" are the Member's spouse or surviving Civil Partner; the grandparents of the Member, the Member's spouse or the Member's Civil Partner and their descendants and the spouses, widows, widowers and surviving Civil Partners of those descendants; the Member's Dependants; the personal representatives for the Member's estate; any person with an interest in the Member's estate (but not including the Crown, the Duchy of Lancaster or the Duchy of Cornwall); any person (or charity) nominated by the Member in writing to the Trustees and any person towards whose maintenance and support whether wholly or in part the Member has been contributing before his or her death.

The Trustees may use all or part of the amount payable for the benefit of one or more of the Beneficiaries, instead of paying it direct to the Beneficiaries concerned.

For the above purposes, the Trustees may:

- 7.4.1 direct that all or part of the lump sum be held by themselves or other trustees on such trusts (including discretionary trusts) and with such powers and provisions (including powers of selection and variation) as the Trustees see fit; or

7.4.2 pay all or part of the lump sum to the trustees of any other existing trust.

If funeral expenses are payable in respect of a deceased Member, the Trustees may deduct from any lump sum payable on the Member's death, and pay an amount up to but not exceeding those funeral expenses either to the person paying the funeral expenses or direct to the person to whom the expenses are payable.

8 Pensions for survivors

8.1 Pension for spouse or Partner

If a Member dies leaving a surviving spouse, surviving Civil Partner or Partner the spouse, surviving Civil Partner or Partner will receive a pension for life.

The pension will be calculated as described in Rule 8.4 (Member dies in Service before pension starts), 8.5 (Member dies after pension starts) or 8.6 (Member with preserved pension) as appropriate.

8.2 Discretion if no spouse, surviving Civil Partner or Partner

If a Member dies and does not leave a surviving spouse, surviving Civil Partner or Partner, the Trustees may pay a pension equal to the spouse's, surviving Civil Partner's or Partner's pension to a Dependant of the Member who is aged 18 or over.

The pension will be paid for such period and on such terms as the Trustees may decide.

A person who would otherwise be entitled to children's pension will not be entitled to that pension for as long as he or she is receiving pension under this Rule.

Note: If a family benefits refund (under Rule 18.1) is paid the Dependant's pension will be adjusted. See Rule 8.3 (Adjustments).

8.3 Adjustments

In calculating pensions under this Rule, any surrender of pension under Rule 9 (Choices at retirement) will be ignored.

In calculating survivors' pensions (other than children's pension) no account will be taken of any Pensionable Service in respect of which the Member has received a family benefits refund (see Rule 18.1) unless the Employer has paid an amount equal to the refund to the Scheme together with interest at a rate determined by the Trustees.

If the Member dies after leaving Pensionable Service on or before the Closure Date having completed at least 45 years' Pensionable Service, spouses', Civil Partners' and Partners' pensions will be calculated without regard to the maximum periods of Pensionable Service referred to in Rule 4.

8.4 Member dies in Service before pension starts

If an Employed Deferred Member who is not a Former HPS Member dies in Service and a spouse's, Civil Partner's or Partner's pension is payable, that pension will be equal to one-half of the Member's Scale Pension under Rule 4.1, increased between the Closure Date and the date of leaving Service as provided for in Rule 6.1. For these purposes the Member's Scale Pension shall be calculated as if the Member had left Service on the Closure Date.

If an Employed Deferred Member who is a Former HPS Member dies in Service and a spouse's, Civil Partner's or Partner's pension is payable, that pension will be equal to one-half of the Member's Scale Pension under Rule 4.1 based on the Member's Pensionable Salary at the date of death unless Rule 4.1.3 applies.

8.5 Member dies after pension starts

If the Member dies after starting to receive a pension and a spouse's, Civil Partner's or Partner's pension is payable, that pension will be equal to one-half of the pension payable to the Member at the date of death as if the Member had not commuted any pension for a lump sum under Rule 9 (Choices at retirement).

If no lump sum is payable under Rule 7.3 (Member dies after pension starts), the spouse's, Civil Partner's or Partner's pension under this Rule will, for the first 91 days, be equal to the pension the Member was receiving immediately before death. If a Member dies within 91 days before the 5th anniversary of his or her pension starting, the spouse's, Civil Partner's or Partner's pension will continue at the rate payable to the Member immediately before he or she died, until the total lump sum and spouse's, Civil Partner's or Partner's pension paid has equalled 91 days' payment of pension at that rate.

8.6 Member with preserved pension

If the Member dies before Normal Retirement Age with a preserved pension (under Rule 6.1) that has not started, the spouse's, Civil Partner's or Partner's immediate pension will be one-half of the preserved pension (including increases under Rule 6.1 (Preserved pension) up to the date of death).

8.7 Children's pension

If a Member dies leaving a Dependent Child or Dependent Children a children's pension will be paid.

A legitimate or legally adopted Child of the Member is automatically a Dependent Child. Any other Child is a Dependent Child only if the Trustees are satisfied that he or she was wholly or mainly dependent on the Member at the date of his or her retirement or earlier death.

The children's pension will be paid to one or more of the Dependent Children, or used for their benefit, in such shares as the Trustees decide from time to time. The children's pension will stop when there is no remaining Dependent Child.

If, at the date of death of a Member, a person who would but for the age limits be a Dependent Child is physically or mentally incapable of self-support, the age limit set out in the definition of "Child" will not apply automatically and the Trustees will have discretion to pay or continue to pay a children's pension in respect of that person for as long as they may determine.

8.8 Amount of children's pension

If there is only one Dependent Child, the children's pension will be one-quarter of the Member's Pension. If there are two or more Dependent Children, the total of the children's pension will be one-half of the Member's Pension.

If there is no spouse or Civil Partner and no pension is paid to a Partner or Dependant or if the spouse, Civil Partner, Partner or Dependant dies, the total of the children's pension will be one-half of the Member's Pension for one Dependent Child and equal to the Member's Pension for two or more Dependent Children.

For the purposes of this Rule, "**Member's Pension**" means the actual or notional pension on which the spouse's or Civil Partner's pension is based or would have been based had there been a spouse or Civil Partner.

The Trustees may, if they consider it appropriate, pay the children's pension at the higher rate notwithstanding there is a spouse, Civil Partner's or Partner's pension in payment.

Note: This is, of course, subject to Scheme Limits.

9 Choices at retirement

9.1 Retirement lump sum

If the Trustees allow, a Member may give up part of his or her pension for a lump sum payable when the pension is due to start but must keep a pension at least equal to his or her GMP. The Trustees will convert pension to lump sum on a basis determined by them and certified as reasonable by the Actuary.

The amount of the lump sum must not exceed the maximum permitted as a Pension Commencement Lump Sum.

9.2 Surrender of pension for spouse , Civil Partner or Dependant

If a Member is medically fit to the satisfaction of the Trustees, he or she may, during the 6 months before his or her own pension starts or any longer period allowed by the Trustees, surrender up to one-third of this to provide a pension on his or her death for a spouse, Civil Partner or a Dependant. The Member must, however, keep a pension at least equal to his or her GMP and may not surrender so much pension as to provide a spouse's, Civil Partner's or Dependant's pension under this Rule greater than his or her own reduced pension.

The Trustees will convert the surrendered amount of the Member's pension to a spouse's, Civil Partner's or Dependant's pension in accordance with advice from the Actuary. The spouse's, Civil Partner's or Dependant's pension under this Rule will be paid in addition to any pension to which the spouse or Dependant is entitled under Rule 8 (Pensions for survivors).

The option will become irrevocable after midnight on the latest of the day the Member leaves Service, the day before his or her pension starts and any later day permitted by the Trustees. The option will only take effect if both the Member and the spouse, Civil Partner or nominated Dependant survive until it has become irrevocable. If the spouse, Civil Partner or Dependant subsequently dies before the Member, the reduction in the Member's pension will continue to take effect.

A Member who either marries or enters into a civil partnership after his or her pension starts but before reaching age 70 may exercise the option under this Rule, within 3 months of marrying or entering into the civil partnership, if he or she is medically fit to the satisfaction of the Trustees.

The option will become irrevocable after midnight on the day the Trustees receive notice of the option or any later day permitted by the Trustees. The choice only takes effect if the Member and the spouse, Civil Partner or Dependant survive until the option has become irrevocable.

10 General Rules about pensions

10.1 Payment of pensions

Pensions are payable monthly in arrears. No part repayment is necessary for payments made after the death of the Member unless there was late notification of the death.

10.2 Ordinary pension increases

Subject to Rule 10.3 (Pension increases for Members transferred from HPS), any pension in payment will increase in each year by the lower of:

10.2.1 the percentage increase on the Retail Prices Index in the reference period ending the previous September or such other period as is agreed between the Employers and the Trustees; and

10.2.2 5 per cent.

A pension that has been in payment for less than a year may be increased by less than the full increase (but will always be increased by one-twelfth of the full increase for each complete month since the pension started).

10.3 Pension increases for Members transferred from HPS

Any pension in payment or preserved pension or any entitlement to a lump sum under Rule 7.2 (Member dies with a preserved pension that has not started) in respect of a Member who has transferred to the Scheme from HPS will be increased from time to time in accordance with:

10.3.1 the Pensions (Increase) Act 1971; and

10.3.2 Sections 59 and 59A of the Social Security Pensions Act 1975

as if the pension was payable under the Principal Civil Service Pension Scheme 1974 (and any amendment or replacement of that scheme). “**Pension**” has the same meaning in this Rule as in the Pensions (Increase) Act 1971. Any Pension payable prior to Normal Retirement Age will receive annual increases (where payable) as if it were a Pension payable on or after Normal Retirement Age.

10.4 Pension increases on GMPs

Where GMP is payable, the increases described above will apply only to the pension in excess of GMP. The part of the GMP that is attributable to earnings for the tax years from 1988-89 to 1996-97 will increase in each year by the percentage specified in any order made by the Secretary of State under Section 109 of the Pension Schemes Act 1993 (which is approximately equal to the percentage rise in the cost of living in each year, with a maximum of 3 per cent a year). The remainder of the GMP will not increase.

11 General Rules about benefits

11.1 Deduction and recovery of tax

The Trustees may deduct from any payment under the Scheme any tax for which the Trustees may be liable or jointly liable with another person in respect of such payment.

Such deduction may include, without limitation, the Lifetime Allowance Charge. Where the Trustees deduct the Lifetime Allowance Charge from any payment the amount deducted will be determined by the Trustees having taken actuarial advice.

11.2 Benefits not assignable

Benefits under the Scheme cannot be assigned or charged; they will not be paid to anyone except the person entitled under these Rules.

Subject to Sections 91 and 92 of the Pensions Act 1995 (assignment, forfeiture, bankruptcy etc.), a benefit will cease to be payable if:

11.2.1 the person who is entitled to the benefit under these Rules tries to assign or charge it or becomes bankrupt; or

11.2.2 any other event occurs by which all or part of the benefit would become payable to some other person.

If a benefit ceases to be payable under this Rule, the Trustees may pay an equivalent or smaller discretionary benefit to, or for the benefit of, one or more of:

11.2.3 the person who was entitled to the original benefit; and

11.2.4 that person's spouse, Civil Partner and Dependants.

If the Trustees decide to pay a discretionary benefit to more than one person, they will pay it in such shares as they decide. The Trustees may deduct from the discretionary benefit any expenses incurred in paying it.

This Rule does not apply to GMPs since by law they cannot be assigned; any attempt to assign is void and will be ignored. Nor does this Rule apply to any lump sum or instalment of pension that falls due for payment before the benefit otherwise ceases to be payable.

11.3 Off-set for crime, fraud or negligence

This Rule applies if a Member is dismissed by his or her Employer for misconduct or resigns in order to avoid such dismissal and he or she owes money to his or her Employer arising from that misconduct. The Employer may require the Member's benefits (including benefits payable on the Member's death) to be reduced by an amount that the Trustees decide (on advice from an actuary) is equal to the debt. If the debt is more than the value of the benefits that can be reduced, the benefits will cease to be payable. However, benefits granted in respect of a transfer payment to the Scheme cannot be reduced unless they are attributable to employment with the same employer or an associated employer and could have been reduced under the transferring scheme.

The Member will be given a certificate that shows the amount of the debt to the Employer and the effect of the reduction in benefits. If the Member disputes the amount of the debt, the benefits will not be reduced until the debt has become enforceable under an order of a court or in consequence of an award of an arbitrator.

The amount of the reduction in benefits may at the discretion of the Trustees be used as an offset against contributions to the Scheme by that Employer. This Rule does not apply to GMPs.

11.4 Beneficiary who is incapable

If the Trustees consider that any person cannot look after his or her affairs (because of illness, mental disorder, age or otherwise), they may use any amounts due to that person for his or her benefit or may pay them to some other person to do so. The receipt by such other person will be a complete discharge of any obligation or liability of the Trustees. The Trustees may also make, for the person concerned, any choice which that person has under the Scheme, where the Trustees consider this to be for the benefit of, or in the interests of, the person concerned or his or her dependants.

11.5 No personal representatives

When money is payable by the Trustees to the Member's estate and the Member has no legal personal representatives, the Trustees may make payment to anyone whom they are satisfied is entitled to share in or to take out a grant of representation to the Member's estate (other than as creditor in either case). Where the person entitled is under age 18, any payment may be made to a trust (whether formed by the Trustees or not) the terms of which will require distribution to that person in accordance with the Member's will or intestacy. The person or the trustee (as the case may be) to whom the payment is made must agree to make payment in accordance with the Member's will or intestacy (as appropriate) and the Trustees will be discharged by payment to the person or trustee concerned.

11.6 Scheme Limits

The Scheme was designed for Revenue Approval. The benefits and contributions on and from 6 April 2006 are subject to the Scheme Limits.

The Scheme is a Registered Pension Scheme. If (without this Rule) the Trustees would be required to pay a benefit under the Scheme that would be an unauthorised payment under section 160 of the 2004 Act (payments by registered pension schemes), the payment will be treated as payable at the discretion of the Trustees and with the consent of the Principal Employers, and need not be payable.

Appendix 2 (Scheme Limits) to these Rules forms part of the Rules. It restricts the benefits that can be provided under the Scheme and the contributions that Members can pay to the Scheme. Greater amounts may be paid only if the Principal Employers and Trustees agree in writing (whether generally or in an individual case) that any of the Scheme Limits that places a restriction or limit (in whatever terms and whether express or implied) on the amount of benefit that may be paid to a Member or other beneficiary under the Scheme shall not apply.

NB: See also Rule 11.10 unauthorised payments.

11.7 Contracting-out

The Scheme is designed to be a contracted-out salary related scheme and the Trustees will operate it in conformity with the Contracting-out Laws (including those applying to GMPs accrued in respect of Service before 6 April 1997).

11.8 Information

Each person entitled or claiming to be entitled under these Rules must provide such evidence of age, survival and other information as the Trustees require from time to time.

11.9 Payment of benefits and the lifetime allowance

Below age 75

A Member's pension will not start before age 75 unless the Member has provided evidence to the satisfaction of the Trustees of the amount of the Member's available Lifetime Allowance.

Age 75 plus

If a Member's pension has not begun before a Member reaches age 75 and the Trustees do not have sufficient evidence to establish whether the Member has any available Lifetime Allowance, the Trustees may treat the Member as if a Lifetime Allowance Charge had arisen in respect of him or her under the Scheme.

11.10 Unauthorised payments

Every discretion or power of the Trustees or Principal Employers under the Scheme shall so far as is practicable not be exercised to give any person an entitlement to an Unauthorised Payment.

Any provision in the Scheme which requires the Trustees to make an Unauthorised Payment is to be viewed as a payment only to be made at the discretion of the Trustees (subject to the Principal Employers' or Employer consent).

11.11 Members with benefits exceeding the Lifetime Allowance

If a Lifetime Allowance Charge would arise in respect of a Member's benefits under the Scheme, the Trustees may, with the consent of the Principal Employers pay any part of the benefits (including if the Trustees and Principal Employers determine any benefits payable on the Member's death) that are subject to the Lifetime Allowance Charge to the Member in the form of a lump sum that meets the conditions in Schedule 29 to the 2004 Act. The Trustees will (having consulted the Actuary) determine the amount of the lump sum with the agreement of the Principal Employers.

11.12 Enhanced protection – Trustees' liability

The Trustees shall not be liable for the tax consequences of any relevant benefit accrual (as defined in the 2004 Act) that occurs in relation to an individual before the Trustees have received the HMRC confirmation that the individual has registered for enhanced protection under the 2004 Act.

11.13 Pension input period

The "pension input period" (as defined in section 238 of the 2004 Act) for the purposes of calculating a Member's "pension input amount" (as defined in section 229 of the 2004 Act) shall, in respect of all arrangements under the Scheme (and including additional voluntary contributions) be:

11.13.1 1 April to 31 March; or

11.13.2 such other date as the Trustees shall determine with the approval of the Principal Employers.

Part III Special Circumstances

12 Broken Service

12.1 Returned Members

“Returned Member” means a Member who has left Service with:

12.1.1 an immediate pension from the Scheme or HPS who returns to Service before Normal Retirement Age, or

12.1.2 a preserved pension from the Scheme or HPS who returns to Service within one year of leaving (or within such longer period as the Trustee may determine).

A Member who has opted out of the Scheme or HPS and later becomes entitled to an immediate pension is not a Returned Member.

The Returned Member’s benefits for each period of Pensionable Service will be calculated separately except as described below. If the break in Service is due to pregnancy or confinement or any circumstance covered under Rule 14, then Rule 14 (Family Leave) will apply.

No one shall be entitled to become a Returned Member after the Closure Date.

The provisions set out below deal with Members who became Returned Members before the Closure Date.

12.2 Choices for Returned Members

A Returned Member may relinquish his or her existing benefit entitlement and rejoin the Scheme, in which case his or her periods of Pensionable Service or periods of benefits (if Pensionable Service after 1 January 2009 and not a Member who transferred from HPS) will be aggregated but the pension payable when he or she leaves Service will be reduced by the amount certified by the Actuary having regard to the value of benefits already paid.

Alternatively, the Returned Member may retain his or her existing benefit entitlement, but any pension in payment will be suspended or reduced as agreed between the Returned Member and the Employer. (A pension in payment will attract pensions increases while suspended or reduced).

If he or she so wishes, a Returned Member who retains his or her existing benefit entitlement may rejoin the Scheme in respect of future Service.

12.3 Payments during sick leave or other leave of absence if existing entitlement retained

If a Returned Member who has retained an existing benefit entitlement is on sick leave or other leave of absence, the immediate pension to which he or she would be entitled if he or she had not returned to Service will be paid to the extent that it exceeds any remuneration from the Employer he or she is receiving while on leave. Unless the Returned Member is on paid leave from the Employer, the period of leave will not count as Pensionable Service and the Returned Member may not elect to pay contributions in respect of this period.

Note: Where the Returned Member is on paid leave from the Employer Rules 13.2 (Sick leave and reduced salary), 13.3 (Secondment) and 13.4 (Leave on recall to HM Forces).

12.4 Members returning after medical early retirement or redundancy etc.

Any enhancement of an earlier period of Pensionable Service or benefits will be ignored for the purposes of calculating the benefits of the Returned Member. But when the Returned Member again leaves Service the pension payable prior to the Member returning to Service will be restored in full with no account taken of Service after returning if that gives a better result than this Rule.

12.5 Adjustment to prevent excessive death benefit

Where a benefit under Rule 7.1 (Death in Service) is payable on the death of a Returned Member who has elected to retain his or her existing benefit entitlement, no death benefit will be paid under Rule 7.2 (Member dies with preserved pension that has not started) or Rule 7.3 (Member dies after pension starts).

12.6 Refunded Returned Members

“**Refunded Returned Member**” means a Member who has left Service without becoming entitled to an immediate or preserved pension from the Scheme and who returns to Service within one year of leaving Service (or such longer period as the Trustees may determine).

The Refunded Returned Member’s benefits for each period of Pensionable Service will be calculated separately except as described below. If the break in Service is due to pregnancy or confinement or other circumstance set out in the family leave rule then Rule 14 (Family Leave) will then apply.

No one shall be entitled to become a Refunded Returned Member after the Closure Date.

12.7 Choices for Refunded Returned Members

A Refunded Returned Member who is able to rejoin the Scheme may repay the refund and interest he or she received on leaving Service together with interest at a rate determined by the Trustees, in which case his or her periods of Pensionable Service will be aggregated.

12.8 Qualifying Service

It may be that a Member leaves Service, returns and rejoins the Scheme, and then leaves again before Normal Retirement Age, and the period between leaving Service and rejoining the Scheme did not exceed one month or was due to a trade dispute. If this happens, the Member’s Pensionable Service before leaving and after rejoining the Scheme will be treated as continuous (but excluding the break) for the purpose of calculating whether the Member has at least 2 years’ Qualifying Service after the break (but not for any other purpose).

It may be that a Member leaves Service with a preserved pension, returns and rejoins the Scheme and then leaves again before Normal Retirement Age, and is still entitled to benefits under the Scheme in respect of the period before the break. If so, the Member will be entitled to a preserved pension in respect of his or her Pensionable Service after the break whether or not the Member has two years’ Qualifying Service after the break.

13 Members away from work

13.1 Unpaid leave or absence

The Scheme closed to the future accrual of Pensionable Service with effect from the Closure Date. This means that a Member cannot accrue further Pensionable Service under the Scheme after this date, including in respect of any period of unpaid leave or absence.

It may be that a Member paid contributions to the Scheme in respect of a period of unpaid leave or absence on or before the Closure Date and otherwise within a period specified by the Employer. These contributions were calculated by reference to the Member contributions due in respect of that period under Rule 3.2 (Basic contributions by Members) of the Previous Rules on the basis of the Salary the Member would have received but for that absence plus the contributions that would otherwise have been payable by the Employer under Rule 3.1 (Contributions by Employers) in respect of the Member but for that absence.

If a Member paid contributions on this basis, the Member's benefits will be calculated (as necessary) on the basis of the Salary the Member would have received but for the period of unpaid leave or absence.

If the unpaid leave were taken because the Member is suspended from duty, the Member must pay contributions on any Salary received in respect of that leave on reinstatement.

Note: Unpaid leave includes unpaid sick leave. Rule 12.3 restricts the ability of Returned Members to pay contributions on paid leave.

13.2 Sick leave and reduced Salary

If a Member's Salary was reduced on or before the Closure Date because of:

13.2.1 absence on paid sick leave;

13.2.2 part-time duty in lieu of paid sick leave;

13.2.3 resumption of part-time duty after a period of unpaid sick leave; or

13.2.4 disciplinary reasons

member contributions were paid on or before the Closure Date under the Previous Rules on the basis of the Salary the Member received during the period of the reduction.

The leave, part-time duty or other Service on or before the Closure Date counted as Pensionable Service, and, in the case of part-time duty after a period of unpaid sick leave but on or before the Closure Date it counted to the same extent as Pensionable Service immediately before the Member's sick leave.

If contributions (including contributions to purchase Added Years) were payable by a Member on paid sick leave or part-time duty on or before the Closure Date as described in this Rule exceeded the Member's earnings, those contributions could be deferred and paid in accordance with Rule 13.6 (Deferred contributions in special circumstances).

Benefits will be calculated (as necessary) on the basis of the Salary the Member would have received but for the leave or reduction in Salary.

If a Member's Salary is reduced by reason of voluntary surrender of salary or measures taken in the national interest contributions were payable on or before the Closure Date on the Salary as reduced.

13.3 Secondment

If a Member had been absent from work on or before the Closure Date by reason of a temporary transfer to another employer, the Trustees were able on or before the Closure Date to allow the Member to remain in Pensionable Service and continue to contribute to the Scheme on the basis of the Salary the Member would have received had such transfer not taken place provided that it is within Scheme Limits. The Member must have paid his or her contributions under rule 3.2 (Basic contributions by Members) of the Previous Rules and the Employer's contributions under Rule 3.1 (Contributions by Employers) unless the latter contributions are paid to the Scheme by or on behalf of the other employer.

If during the Member's absence from work by reason of a temporary transfer to another employer on or before the Closure Date, the Member had been on duty in a country listed in Appendix 1, Rule 17.2 (Service in unhealthy places) applied if the Member or the other employer had the costs of the enhancement under that Rule.

13.4 Leave on recall to HM Forces

A Member who had been eligible for balance of Salary on recall to HM Forces on or before the Closure Date had to pay contributions (including any contributions to purchase Added Years) based on his or her full Salary during his or her absence on recall.

If those contributions exceeded the balance of Salary the contributions could be deferred and paid in accordance with Rule 13.6 (Deferred contributions in special circumstances).

13.5 Special leave

Where a Member's Salary is reduced on account of absence on special leave, that reduction will be disregarded in calculating the Member's contributions and benefits.

13.6 Deferred contributions in special circumstances

If payment of contributions (including any contributions to purchase Added Years on or before the Closure Date) is deferred the Actuary will calculate the rate at which deferred contributions will be paid so they are paid in full before Normal Retirement Age.

The Member will pay the deferred contributions at the calculated rate when he or she resumes his or her usual employment after the period of sick leave, part time duty or recall to HM Forces as the case may be. These deferred contributions would continue to be payable after the Closure Date at the same rate determined on or before the Closure Date.

If a Member who has deferred contributions dies any outstanding contributions (including outstanding deferred contributions to purchase Added Years on or before the Closure Date) will be deducted from any benefits paid.

If a Member who has deferred contributions retires before Normal Retirement Age any outstanding contributions (excluding outstanding deferred contributions to purchase Added Years on or before the Closure Date) will be deducted from any benefits paid.

13.7 Contributions to purchase Added Years generally unaffected

Except as expressly described in Rule 13 (Members away from work) obligations to make contributions to purchase Added Years on or before the Closure Date were unaffected by leave, absence, secondment or reduced Salary. Contributions were based on Salary as unreduced unless it is reduced by reason of demotion. No Added Years can be purchased after the Closure Date, except as provided in Rule 3.4 (Purchase of Added Years).

14 Family Leave

In this Rule 14 the terms in bold mean the same as in the Employment Rights Act 1996.

Statutory family leave

An Employed Deferred Member will be treated as still in Service throughout his or her “**ordinary maternity leave**”, “**ordinary adoption leave**” or “**paternity leave**”. An Employed Deferred Member’s benefits for these periods will, in any event, be calculated as if the Employed Deferred Member had worked normally and received the normal pay for doing so.

An Employed Deferred Member will also be treated as still in Service during any other period for which the Employed Deferred Member receives pay from his or her Employer and which (for the purposes of Schedule 5 to the Social Security Act 1989) is a period of maternity leave, adoption leave, paternity leave, or absence from work for other family reasons. In each case, the Employed Deferred Member’s benefits for these periods will, in any event, be calculated as if the Employed Deferred Member had worked normally and received the normal pay for doing so.

In the case of any other period of paid family leave, the Employed Deferred Member’s benefits will be based on the pay received, unless the Principal Employers and Trustees decide to apply other terms that are no less favourable to the Employed Deferred Member.

An Employed Deferred Member will be treated as still in Service throughout his or her “**additional maternity leave**”, “**additional adoption leave**” or “**parental leave**”.

15 Ceasing to be eligible

An Employed Deferred Member whose contract of service changes to make his future employment non-pensionable under the Scheme will be treated as having left Service on the effective date of the change except that an Employed Deferred Member cannot choose an early pension under Rule 6.2 (Early pension) before actually leaving Service.

16 Opting out

An Employed Deferred Member may at any time opt out of the Scheme by giving not less than one month’s notice to the Trustees. The Employed Deferred Member will be treated as having left Service on the day the notice expires except (unless Rule 19.4 applies) that no pension or lump sum will be paid to the Employed Deferred Member before the Employed Deferred Member actually leaves Service.

17 Special employment

17.1 Part-time employment

If a Member's Pensionable Service on or before the Closure Date included part-time employment, it was adjusted so that Pensionable Service in part-time employment was reduced by the ratio of actual hours per week to full-time hours per week subject to a maximum reduction of one half for part-time employment of 16 hours or more a week.

For the purpose of calculating benefits (other than the benefit under Rule 7.1 (Death in Service)) for a Member who has worked part-time, Salary will be the full-time rate of pay for that employment. If no full-time rate is specified for that employment, the full-time equivalent will be calculated by multiplying actual Salary by the proportion which the equivalent number of full-time hours appropriate to that employment bears to the number of part-time hours contracted to be worked.

For the purpose of calculating benefits under Rule 7.1 (Death in Service) actual pay for part time employment will be used.

For the purposes of calculating benefits under Rules 5.1 (Medical early retirement), 5.2 (Early retirement due to injury) and 8.4 (Member dies in Service before pension starts), it will be assumed that the Member had continued to work until Normal Retirement Age at the same number of hours per week as at the date he or she left Service or died, unless the Trustees determine otherwise.

Note: Please refer to Rule 3.4 (Purchase of Added Years) in relation to adjustment of contributions if Member changes from full-time to part-time employment (or vice versa).

17.2 Service in unhealthy places

Each year of Service in a country listed in Appendix 1 on or before the Closure Date:

17.2.1 counted as Pensionable Service at a rate of 1½ times that Service, and proportionately for a part year; and

17.2.2 enabled the Member to retire 3 months earlier than Normal Retirement Age except no Member may retire (by reason of this Rule) before he or she has reached age 55.

17.3 Pension sharing on divorce or dissolution of a civil partnership

17.3.1 Compliance with pension sharing orders

It may be that an order or other provision under Section 28(1) of the Welfare Reform and Pensions Act 1999 or equivalent Northern Ireland laws (activation of pension sharing) requires all or part of a Member's benefits to be transferred to the Member's former spouse or former Civil Partner. If this happens, the Trustees will discharge their liability to the former spouse or former Civil Partner in accordance with the requirements of that Act. However, the Trustees may provide benefits for the former spouse or former Civil Partner under the Scheme only if the Principal Employers agree unless they are legally obliged to do so. The Trustees may recover charges in respect of pension sharing costs, as allowed by the Act.

17.3.2 Benefits under the Scheme

If the Trustees provide benefits for the former spouse or former Civil Partner under the Scheme, the benefits will comply with Scheme Limits and the laws on safeguarded rights in Part III A of the Pension Schemes Act 1993, and will be provided separately from any other benefits to which the former spouse or former Civil Partner may be entitled under the Scheme. The Trustees will provide the former spouse or Civil Partner with written details of the benefits that will be provided.

17.3.3 Death of former spouse before a transfer payment is made

It may be that the Trustees intend to discharge their liability to the former spouse or former Civil Partner by making a transfer payment to another pension arrangement but the former spouse or former Civil Partner dies before the payment is made. If this happens, the Trustees may (but need not) provide benefits in respect of the former spouse or Civil Partner in one or both of the following forms, as they consider appropriate:

17.3.3.1 a lump sum death benefit payable as described in Rule 7.4 (lump sum payable on Member's death) as if the former spouse or former Civil Partner were a Member;

17.3.3.2 a pension or pensions for one or more of the former spouse's or former Civil Partner children, new spouse or Civil Partner or other Dependants as described in Rule 8.1 (payment of survivor's pensions). For the purposes of this Rule 17.3.3.2 "children" means any persons who would, or could at the Trustees' discretion, receive a children's pension as if the former spouse or former Civil Partner were the Member and Rule 8.8 (children's pension).

Any lump sum death benefit cannot exceed 25% of the transfer payment that would have been made to the other pension arrangement if the former spouse or former Civil Partner had not died.

The amount of any single pension cannot exceed two-thirds of the annuity that the transfer payment could have bought for the former spouse or former Civil Partner, at an available market rate, immediately before his or her death. Where more than one pension is paid, the total of all the pensions cannot exceed the amount of the annuity that could have been bought for the former spouse or former Civil Partner.

If the Trustees decide not to provide benefits as described above, they may (but need not) discharge their liability in respect of the former spouse or former Civil Partner in one of the other ways allowed by the Welfare Reform and Pensions Act 1999.

Any part of the transfer payment that is not used as described in this Rule will be retained by the Trustees as part of the general assets of the Scheme.

18 Special Rules applicable to some Members

18.1 Family benefits refund

If at the time a Member retires or dies before retirement:

18.1.1 there is no spouse or Civil Partner or Partner to whom a pension is or could become payable; and

18.1.2 there is no Child to whom a pension is or could become payable

that Member may request a family benefits refund. The Trustees will comply with the Member's request and, in the case of a deceased Member, may pay a family benefits refund on their own initiative. In the case of a deceased Member, the refund will be paid as described in Rule 7.4 (Payment of death benefit).

The family benefits refund will be equal to the amount of contributions (including contributions to purchase Added Years but excluding contributions in respect of contracted-out employment by reference to the Scheme) paid by the Member that are determined by the Actuary as referable to pensions for survivors together with compound interest at a rate determined by the Trustees.

In the case of a Member who has been married or in a civil partnership or has or has had Children, the relevant contributions are those paid after the later of the end of the Member's last marriage or civil partnership or the date on which the last of his or her Children ceased to be eligible for benefits.

If a Member is judicially separated from his or her spouse or Civil Partner on terms that do not require him or her to provide support, the Member's marriage or civil partnership will be treated as having ended by the judicial separation.

A Member who is entitled to a refund of contributions under Rule 6.4 (Refund of contributions) is not entitled to a family benefits refund.

Note: See Rule 8.3 (Adjustments)

18.2 Members who joined the Scheme before 1 June 1989

In the case of Members who are or were before 6 April 2006 treated by HMRC as if they had joined this Scheme before 1 June 1989:

18.2.1 the references to the Scheme Earnings Cap do not apply;

18.2.2 a Member who stays in Service after Normal Retirement Age (including any Member who has opted out under Rule 16 (Opting out)) may choose to start receiving his or her pension at any time from Normal Retirement Age up to leaving Service and will be treated for the purpose of these Rules as having left Service when the pension started; and

18.2.3 Rule 9.1 (Retirement lump sum) will also apply to such Members and to Former HPS Members.

18.3 Members who transferred from HPS

In respect of a Member who has transferred to the Scheme from the HPS the provisions of Appendix 4 are also applicable.

19 Discretionary benefits

19.1 Commutation on grounds of serious ill-health

If the Trustees receive evidence from a registered medical practitioner before the Member's pension has come into payment, that the Member is expected to live for a period of less than one year, the Trustees may allow the Member to give up the whole of the pension for a lump sum provided the payment is permitted as a serious ill-health lump sum under paragraph 4 of Schedule 29 of the 2004 Act.

The Trustees will convert pension to lump sum on a basis agreed between the Principal Employers and the Trustees, and certified as reasonable by the Actuary. This choice will not affect any pensions payable on the Member's death. Any pension payable on the Member's subsequent death will form a separate arrangement for the purposes of the 2004 Act.

19.2 Commutation of trivial pensions

The Trustees may pay a person a lump sum instead of a trivial pension which has become payable to that person and any trivial pensions payable on the person's death. The Trustees will convert pension to lump sum on a basis agreed by the Trustees and certified as reasonable by the Actuary.

A pension may be treated as trivial if the conditions set out in respect of a Member in the 2004 Act (paragraphs 7, 10, 20 or 21, all of Schedule 29; in relation to trivial lump sums, on a Member's death or on the winding-up of the Scheme, respectively or Part 2 (commutation payments) of the Registered Pension Schemes (Authorised Payments) Regulations 2009) are satisfied along with the Contracting-out and Preservation Laws.

A pension that includes GMP can only be treated as trivial in the circumstances permitted by the Contracting-out Laws.

19.3 Discretionary benefits

At the request of the Principal Employers and with the Trustees' consent, if the Employer concerned pays any additional contributions that the Trustees consider appropriate (for which purpose the Trustees will consider the advice of the Actuary), the Trustees will provide:

- 19.3.1** increased or additional benefits in respect of any Member or Members;
- 19.3.2** benefits in respect of any Member or Members different, or on different terms, from those set out elsewhere in the Rules; or
- 19.3.3** benefits in respect of any Employee or former Employee or any spouse or Dependant of a former Employee (or for any other person for whom the Trustees decide it is consistent with the Scheme's status as a Registered Pension Scheme to provide benefits).

Any benefits provided under this Rule will be consistent with the Contracting-out, Preservation, Revaluation and Transfer Value Laws and with the Registered Pension Scheme status under the Part 4 of the 2004 Act and the Scheme's Limits (unless, in this last case, the Principal Employers and the Trustees decide otherwise).

19.4 Flexible retirement

If the Principal Employers and Trustees consent, a Member who has reached Minimum Pension Age may draw his or her pension, whilst remaining in Service, under the Scheme. Any terms and conditions applying to the benefits and the terms on which they are to be provided will be as determined by the Principal Employers and Trustees having taken actuarial advice.

20 Transfers and buy-outs

20.1 Transfers-in

The Trustees may (but not after the Closure Date unless either the subsequent paragraph applies or in the reasonable opinion of the Trustees and Hermes a transfer in started before 1 November 2011 but had not been completed by then) accept a transfer of assets in respect of any person from another Registered Pension Scheme or a Qualifying Recognised Overseas Pension Scheme. The Trustees will provide such benefits in respect of the person concerned as they decide are appropriate after considering advice from the Actuary. The benefits must comply with the Contracting-out, Preservation, Revaluation and Transfer Value Laws, and be consistent with the Scheme's tax status as a Registered Pension Scheme.

The Trustees may accept a transfer of assets in respect of any person from the Hermes Group Stakeholder Pension Plan (or any other defined contribution arrangement to which the Employer is contributing) in respect of an Employed Deferred Member immediately before his or her pension under the Scheme begins. The Trustees will provide such benefits as they consider appropriate in respect of the person concerned. Where the Member is to be credited with additional defined benefit liabilities (including any additional years (and part years) of Pensionable Service), the Trustees will agree with Hermes the actuarial assumptions to be used to calculate the credit, the intention being that the actuarial assumptions chosen shall be reasonable in the context of minimising the likelihood that the Employer will have to make further contributions in the future towards the cost of the added years and formulated on a self-sufficiency basis.

In the event the Trustees and the Employer cannot reach agreement, the actuarial assumptions to be used to calculate the credit will be determined by an actuary appointed jointly by the Trustees and the Employer. If the parties fail to agree on an actuary within 2 weeks of either of them requesting the nomination of an actuary, the determination shall be made by an actuary nominated by the President of the Institute and Faculty of Actuaries.

Note: The Rules applicable to transfers from the HPS to the Scheme are set out in Appendix 4.

20.2 Transfers-out

Instead of providing benefits under the Scheme in respect of any person, the Trustees may transfer assets to another Registered Pension Scheme so that benefits will be provided under the other scheme in respect of the person concerned.

The transfer must comply with the Contracting-out and Preservation Laws and be a "recognised transfer" under Section 169 (recognised transfers) of the 2004 Act. In particular, the receiving scheme must be another pension scheme or arrangement which is a Registered Pension Scheme or a Qualifying Recognised Overseas Pension Scheme.

The amount of the transfer payment will be equal to the value of the benefits that would otherwise have been provided under the Scheme in respect of the person concerned, except where the Trustees, after considering the advice of the Actuary, determine otherwise.

No transfer out will be made if it would lead to the imposition of a penalty on the Trustees under Section 266 (Transfers to insured schemes) of the 2004 Act.

20.3 Buy-outs

Instead of providing benefits under the Scheme in respect of any person, the Trustees may buy an insurance policy or annuity contract from an Insurance Company in the name of the person concerned, or transfer a policy or contract into that person's name. The policy or contract must comply with the Contracting-out and Preservation Laws and be a "recognised transfer" under Section 169 of the 2004 Act.

The amount paid to the Insurance Company will not exceed the value of the benefits that could otherwise have been provided under the Scheme in respect of the person concerned, except where the Trustees after considering the advice of the Actuary determine otherwise.

Where the Preservation and Contracting-out Laws so require, the Trustees must obtain the consent of the person concerned before buying or transferring the policy or contract.

20.4 Individual partial transfers

The Trustees and Principal Employers may consent to a Member's written request (in a form that satisfies the Trustees) to transfer only the Member's AVCs to another arrangement. Provided that:

- 20.4.1** The Trustees comply with the requirements of HMRC and the 2004 Act, the Contracting-Out Laws and the Preservation Laws; and
- 20.4.2** The proposed recipient is willing to accept such a transfer; and
- 20.4.3** The transfer amount shall be an amount which the Trustees determine is equal to the value of the Member's AVCs or benefits attributable to them.

Once the transfer has been completed then (except to the extent (if any) that the terms of transfer provide to the contrary) the Member (and any persons claiming through them) will have no entitlement under the Scheme in respect of the AVCs or benefits attributable to them. The receipt by the trustees or managers of the receiving arrangement will be a complete discharge to the Trustees in respect of that person or persons.

Part IV Scheme Administration

21 Trustees

The provisions of this Rule 21 apply in any period during which the Trustees are individuals.

21.1 Number of Trustees

The Trustees will be not less than 5 in number of whom 2 will be representatives of the Employers (the “**Employers’ Representatives**”) and 2 will be representatives of the Members (the “**Members’ Representatives**”) and a further one will be the chairman.

21.2 Chairman of Trustees

A person who is not a Member, an Employee or a former Employee will be appointed as Trustee and chairman by the Principal Employers after consultation with and with the agreement of the Members’ Representatives. The Principal Employers will fix the chairman’s period of office. The chairman may be removed from office as a Trustee and chairman by the Principal Employers, and will be removed by the Principal Employers at the request of the Members’ Representatives.

The Principal Employers will appoint in accordance with this Rule a new Trustee and chairman in place of a chairman who has died or resigned or whose period of office has expired and has not been renewed or who has been removed from office.

21.3 Employers’ Representatives

The Employers’ Representatives will be appointed by the Principal Employers. An Employers’ Representative may be removed from office as a Trustee by the Principal Employers. The Principal Employers must appoint a new Trustee in the place of an Employers’ Representative who has died or resigned or been removed from office as Trustee.

21.4 Appointment of Members’ Representatives

The Members’ Representatives will be nominated and selected in accordance with arrangements under section 241 of the Pensions Act 2004 and will be appointed by the Principal Employers.

The Principal Employers will remove from office as a Trustee a Members’ Representative provided the Members’ Representative is removed in accordance with the arrangements just described. The Principal Employers must appoint in accordance with this Rule 21.4 a new Trustee in the place of a Members’ Representative who has died or resigned or been removed from office as Trustee.

21.5 6th Trustee

21.5.1 The Principal Employers may from time to time with the consent of the Chairman, the Employers’ Representatives and the Members’ Representatives appoint and remove a person who is not a Member, an Employee or a former Employee as the 6th Trustee.

21.5.2 The 6th Trustee shall not be classified as an Employer's Representative or a Member's Representative and shall not count as part of the quorum for the purposes of Rule 22.2.

21.6 Resignation of Trustees

A Trustee may resign at any time by giving written notice to the Principal Employers.

21.7 Resolution of each of the Principal Employers sufficient evidence to record appointment or removal

A copy of a resolution of each of the Principal Employers on the same terms certified by the chairman or secretary of each of the Principal Employers will be conclusive evidence of any removal or appointment of a Trustee. No deed will be necessary.

21A Trustee Company

The provisions of this Rule 21A apply in any period during which the Trustees are a Trustee Company. The power to appoint and remove a Trustee Company shall be vested in the Principal Employers. It shall be exercised by resolution by or on behalf of the Principal Employers. A copy of such a resolution certified by the chairman or secretary of each of the Principal Employers will be conclusive evidence of any appointment or removal of a Trustee Company. No deed will be necessary. Subject to the requirements of sections 241 to 243 (inclusive) of the Pensions Act 2004, the Principal Employers may at any time replace individual trustees appointed in accordance with Rule 21 with a Trustee Company appointed in accordance with this Rule 21A and vice versa.

21A.1 Trustee Directors

The members of the Trustee Company and the Trustee Directors shall be the same persons so that any person who is appointed to be a director of the Trustee shall also become a member of the Trustee. Subject to Rule 21A.5 below, the Trustee Directors will be 5 in number of whom 2 will be representatives of the Employers (the "Employers' Representatives") and 2 will be representatives of the Members (the "Members' Representatives") and a further one will be the chairman.

21A.2 Chairman

A person who is not a Member, an Employee or a former Employee will be appointed as Trustee Director and chairman by the Principal Employers after consultation with and with the agreement of the Members' Representatives. The Principal Employers will fix the chairman's period of office. The chairman may be removed from office as a Trustee Director and chairman by the Principal Employers, and will be removed by the Principal Employers at the request of the Members' Representatives.

The Principal Employers will appoint in accordance with this Rule 21A.2 a new Trustee Director and chairman in place of a chairman who has died or resigned or whose period of office has expired and has not been renewed.

21A.3 Employers' Representatives

The Employers' Representatives will be appointed by the Principal Employers. An Employers' Representative may be removed from office as a Trustee Director by the

Principal Employers. The Principal Employers must appoint a new Trustee Director in the place of an Employers' Representative who has died or resigned or been removed from office as Trustee Director.

21A.4 Appointment of Members' Representatives

The Members' Representatives will be nominated and selected in accordance with arrangements under section 242 of the Pensions Act 2004 and will be appointed by the Principal Employers.

The Principal Employers will remove from office as a Trustee Director a Members' Representative provided the Members' Representative is removed in accordance with the arrangements just described. The Principal Employers must appoint in accordance with this Rule 21A.4 a new Trustee Director in the place of a Members' Representative who has died or resigned or been removed from office as Trustee Director.

21A.5 6th Trustee Director

21.5.1 The Principal Employers may from time to time with the consent of the chairman, the Employers' Representatives and the Members' Representatives appoint and remove a person who is not a Member, an Employee or a former Employee as the 6th Trustee Director.

21.5.2 The 6th Trustee Director shall not be classified as an Employers' Representative or a Member's Representative and shall not count as part of the quorum for the purposes of Rule 22.2.

21A.6 Resignation of Trustee Director

A Trustee Director may resign at any time by giving written notice to the secretary.

21A.7 Removal of a Trustee Director on grounds of failure to attend

If a Trustee Director fails for a period of 6 months to attend in person any meeting of the Trustee Directors which has been convened, the remaining Trustee Directors or a majority of them may request the Principal Employers to remove that person from office.

The Trustee Director to be removed under this Rule 21A.6 will be given not less than 10 business days' notice of the date of the meeting of the Trustee Directors at which the remaining Trustee Directors intend to consider making a request for his or her removal from office.

Upon receipt of the request the Principal Employers will declare the Trustee Director removed from office. The Trustee Director will thereupon cease to be a Trustee Director and will be notified accordingly by the Principal Employers. The Principal Employers must appoint a new Trustee Director in his or her place.

22 Trustee meetings

22.1 Proceedings of Trustees

The Trustees will meet for the dispatch of business, adjourn and otherwise regulate their proceedings as they think fit. Questions arising at any meeting will be determined by a majority of votes and in the case of an equality of votes the chairman of the meeting will have a second or casting vote.

The chairman of the Trustees will take the chair at every meeting of the Trustees at which he or she is present. But if the chairman is not present or if there is no chairman for the time being appointed, then the 6th Trustee shall act as chairman of the meeting or if he or she is not present then the Trustees present at the meeting will choose one of their number to act as the chairman of the meeting.

The continuing Trustees may act notwithstanding any vacancies in their body provided that the necessary quorum is available to enable them to act.

22.2 Quorum and written resolutions

The quorum at any meeting of the Trustees will be 2, of whom 1 will be the chairman or an Employers' Representative and 1 will be a Members' Representative.

A resolution in writing whether comprised in one document signed by all the Trustees or in more than one identical document which together contain the signatures of all the Trustees will be conclusive evidence of its having been passed at a meeting of the Trustees duly convened and held.

22.3 Convening of Trustee meetings

The chairman or any 2 other Trustees together may, by written request to the secretary, call for a meeting of the Trustees. The secretary will send notices of the requested meeting upon receipt of that request.

22.4 Notice of Trustee meetings

Notices of meetings of the Trustees will be sent by the secretary to the Trustees at least 10 business days before the meeting.

22.5 Minutes of Trustee meetings

The Trustees shall cause proper minutes to be kept of the proceedings at their meetings. Those minutes will be signed by the chairman of the meeting to which they refer or of the next succeeding meeting. Any such minutes purporting to be so signed will, unless the contrary is proved, be sufficient evidence of the matters stated in them.

22.6 Trustee Company

The above provisions shall apply mutatis mutandis to meetings of the Trustee Directors, who shall make the decisions of the Trustee Company during any period in which the Trustees are a Trustee Company.

23 Trustee matters

23.1 Delegation

The Trustees may delegate powers, duties or discretions to any person or persons and on any terms (including power to sub-delegate).

23.2 The secretary

The Trustees will appoint as secretary to the Scheme a person nominated by the Principal Employers and may at any time remove the secretary and appoint another secretary who has been nominated by the Principal Employers.

23.3 Employment of staff and advisers

The Trustees may employ and terminate the employment of such persons as they consider expedient to assist in the administration of the Scheme. They may also appoint and remove such advisers as they see fit.

23.4 Expenses and charges

All expenses, and liabilities incurred by the Trustees in running the Scheme will be paid out of the Scheme's assets, except that this does not apply to fines imposed by way of penalty for an offence or to any penalties of the kind referred to in section 256 (No indemnification for fines or civil penalties) of the Pensions Act 2004.

If the Principal Employers agree a Trustee or any Trustee Director may receive remuneration at a rate approved by the Principal Employers, and the remuneration may be paid from the Scheme.

Neither a Trustee nor any Trustee Director will be required to account for profit properly earned by him or her or any body corporate of which he or she is a director or officer in return for services rendered to the Scheme.

23.5 Indemnity from the Scheme

The Trustees (including, for the purpose of this Rule 23.5, the Trustee Directors) will be indemnified out of the assets of the Scheme against any expenses and liabilities which they incur in doing or omitting to do their duties, or purporting to carry out their duties, in relation to the Scheme including, without limitation, any costs and legal expenses incurred by the Trustees in defending any claim, proceeding or complaint (or the threat of any claim, proceeding or complaint) brought against the Trustee in his or her capacity as a trustee of the Scheme. This does not apply to expenses and liabilities which are incurred through a Trustee's own wilful neglect or default or to fines imposed by way of penalty for an offence or to any penalties imposed by the Pensions Regulator.

23.6 Indemnity from the Principal Employers

The Principal Employers will indemnify the Trustees (including, for the purpose of this Rule 23.6 the Trustee Directors) and the secretary against any expenses or liabilities including, without limitation, any costs and legal expenses not otherwise recoverable incurred by the Trustees in defending any claim, proceeding or complaint (or in threat of any claim, proceeding or complaint) brought against the Trustee in his capacity of a trustee of the Scheme, civil penalties imposed by the Pensions Regulator (but not fines for a criminal

offence) which they incur in doing or omitting to do their duties, or purporting to carry out their duties in relation to the Scheme which cannot, for any reason, be met out of the Scheme's assets save that, to the extent that any such indemnity would benefit the Trustee Directors it shall be deemed to apply in relation to such Trustee Directors (but not otherwise) only in respect of those liabilities which would not render the indemnity void by reason of sections 232 to 235 of the Companies Act 2006.

This indemnity does not apply to expenses or liabilities which are incurred through the Trustee's or secretary's own wilful neglect or default.

23.7 Limit of liability

None of the Trustees nor any of the Trustee Directors will be liable for any breach of trust other than:

23.7.1 his or her own wilful neglect or default; or

23.7.2 breach of a duty of care in relation to investment functions, liability for which cannot be excluded by reason of Section 33 (Investment powers: duty of care) of the Pensions Act 1995

save that, to the extent that any such indemnity would benefit the Trustee Directors it shall be deemed to apply in relation to such Trustee Directors (but not otherwise) only in respect of those liabilities which would not render the indemnity void by reason of sections 232 to 235 of the Companies Act 2006.

23.8 Trustee insurance

The Trustees may, with the consent of the Principal Employers, insure the Scheme against any loss caused by it or them or the Trustee Directors. The Trustees and the Trustee Directors may also insure themselves against liability for breach of trust. The premiums may be paid from the assets of the Scheme except to the extent that the insurance covers wrongdoing offences of which the Trustees or the Trustee Directors concerned is or are convicted or for which penalties are imposed by the Pensions Regulator.

24 Assets of the Scheme

24.1 Assets held on trust

The Trustees will hold all the contributions and other assets which they receive and the property representing them and all the income on trust to pay the benefits under the Scheme.

24.2 Use of assets

The Trustees have the same power to make an investment of any kind (and will have the same power to apply the assets of the Scheme) as if they were absolutely entitled to the assets of the Scheme (subject to restrictions on “employer related” investments).

The Trustees will comply with the requirements of the Pensions Act 1995 (Sections 36 and 40) (choosing investments and employer related investments) in relation to investments.

The Trustees may, in any part of the world, alone or together with others:

- 24.2.1** acquire and dispose of any property (tangible or intangible, movable or immovable), whether or not it produces income;
- 24.2.2** enter into any contract (including futures contracts) or incur any obligation;
- 24.2.3** lend or borrow money or other property for any purpose (including acquiring assets);
- 24.2.4** grant any mortgage or charge over or give any right of recourse against any or all of the assets of the Scheme and give guarantees, indemnities and undertakings;
- 24.2.5** form and finance any company;
- 24.2.6** carry on and finance any business;
- 24.2.7** insure assets of the Scheme for any amount against any risk;
- 24.2.8** keep assets in custodian or nominee names;
- 24.2.9** enter into any foreign exchange transaction;
- 24.2.10** effect with any insurance company any contract or policy of insurance;
- 24.2.11** undertake underwriting or sub-underwriting;
- 24.2.12** pool the assets of the Scheme with the assets of other occupational pension schemes; and
- 24.2.13** delegate (with power to sub-delegate) any or all of their powers under this Rule to one or more investment managers (including Hermes Investment Management Limited) from time to time.

25 Accounts, actuarial valuations and annual reports

25.1 Accounts

The Trustees will prepare annual accounts of the Scheme and have them audited. The auditor must be an individual or firm eligible to act as auditor of the Scheme under the Pensions Act 1995 and may not be a Member or Employer of the Scheme, or an employee or director of an Employer of the Scheme. The Trustees may from time to time replace the auditor and appoint a new auditor, subject to the requirements of the Pensions Acts and the approval of the Principal Employers.

The audited accounts will comply with the Disclosure Laws.

25.2 Actuarial valuations and statements

The Trustees must appoint an individual or firm eligible to act as actuary of the Scheme under the Pensions Act 1995 and may (subject to the requirements of the Pensions Acts) remove and replace the Actuary as they consider necessary. The appointment or removal of an actuary by the Trustees must be done with the approval of the Principal Employers.

At such intervals not exceeding 3 years as the Trustees from time to time determine, the Actuary will make an actuarial valuation of the assets and liabilities of the Scheme. The Actuary will report to the Trustees on the Scheme's financial position and will make any recommendations in that report that he or she thinks fit. Further, (if so required by the Pensions Act 2004) the Trustees will obtain an actuarial report in any year in which they do not obtain a valuation.

The Trustees will immediately transmit to the Employers a copy of the report and will make any recommendations they see fit. The valuations and reports must comply with any relevant requirements of section 224 (Actuarial valuations and reports) of the Pensions Act 2004.

25.3 Annual reports

The Trustees will prepare annual reports which will contain:

- 25.3.1** a copy of the audited accounts;
- 25.3.2** a copy of the latest actuarial statement;
- 25.3.3** further information as required by the Disclosure Laws.

The annual reports will be prepared within 7 months after the end of the year to which they relate.

26 Participating Employers

26.1 Inclusion in the Scheme

The Principal Employers and the Trustees may allow any employer to participate in the Scheme for such a period and on such terms as the Principal Employers and Trustees determine. An employer wishing to participate in the Scheme must enter into a deed with the Principal Employers and the Trustees substantially in the form set out in Appendix 3 (Form of Deed of Adherence).

26.2 Ceasing to participate

If at any time:

26.2.1 a Participating Employer revokes the deed of adherence with the Principal Employers' consent; or

26.2.2 the deed is revoked by the Principal Employers; or

26.2.3 the Participating Employer goes into liquidation, or otherwise ceases to be qualified to be a Participating Employer,

it will cease to be a Participating Employer, but with the agreement of the Principal Employers that Participating Employer may continue to participate in the Scheme for a period of not more than 12 months or such longer period as the Principal Employers may permit.

When an Employer ceases to participate in the Scheme, any Members who are then in employment with that Employer will become entitled to benefits as if they had then left Service.

27 New Principal Employers

The Trustees may allow another employer or holding company or person or body of persons to take over the role of the Principal Employers (or one of them) in relation to the Scheme. This requires the agreement of the Principal Employers.

28 Winding up the Scheme

28.1 Termination

The Principal Employers may terminate the Scheme by giving notice in writing to the Trustees of their intention to cease their contributions to the Scheme.

28.2 Effect of termination

If the Scheme terminates:

28.2.1 any Employed Deferred Member in Service will be treated as leaving Service on the date of termination with entitlement to benefit under Rule 6 (Early leavers); and

28.2.2 subject to Section 38 of the Pensions Act, the Trustees will wind up the Scheme as described in this Rule 28.

28.3 Use of assets

After the Trustees have decided to wind up the Scheme, they will pay all sums that became due for payment before the winding up started, including lump sums in respect of Members who died before the winding up started. The Trustees will then set aside sufficient assets to pay the expenses of the winding up and other liabilities of the Trustees. The Trustees will then use the rest of the Scheme assets, together with any amount due from the Employers to restore the solvency of the Scheme, as described in Rules 28.4 to 28.8 below.

28.4 Buying annuities

Taking account of Rule 28.9 (Insufficient Assets), the Trustees will buy an insurance policy or annuity contract from an Insurance Company in the name of each person entitled to benefits under the Scheme, except those for whom they provide benefits under Rules 28.5 (Winding-up lump sums) or 28.6 (Transfers to other schemes).

The policies and contracts will comply with the Contracting-out, Preservation and Revaluation Laws and must be consistent with the Scheme's tax status as a Registered Pension Scheme. They will provide benefits that are, as nearly as practicable, the same as the benefits that would otherwise have been provided under the Scheme for, and in respect of, the people for whom they are bought.

28.5 Winding-up lump sums

When winding up the Scheme, the Trustees may pay an immediate lump sum instead of providing benefits under Rule 19.2 (Trivial commutation lump sums) as a winding-up lump sum if permitted under the 2004 Act whether or not the benefits have become payable. The Trustees will pay the lump sum to the person in whose name they would otherwise have bought an insurance policy or annuity contract.

28.6 Transfers to other schemes

When winding up the Scheme, the Trustees may make transfer payments in accordance with Rule 20.2 (Transfers-out) in respect of all or any of the people entitled to benefits under the Scheme, instead of buying insurance policies or annuity contracts.

28.7 Contracting-out requirements

When winding up the Scheme, the Trustees may pay state scheme premiums under the Contracting-out Laws. If the Trustees do this, the benefits that would otherwise have been provided for the people concerned will be reduced appropriately, to take account of the GMPs extinguished.

28.8 Surplus assets

Any assets remaining after all beneficiaries have had their benefits secured in full will (after the requirements of the Pensions Act 1995 have been complied with) be paid to the Principal Employers.

28.9 Insufficient assets

If the assets are insufficient to provide all benefits in full, benefits will be provided in the order of priority required under section 73 (Preferential liabilities on winding-up) of the Pensions Act 1995. Any assets then remaining will be used to any extent and in any order

of priority, as the Trustees consider appropriate to satisfy any remaining liabilities of the Scheme to Members, or other persons who by virtue of a Member's membership of the Scheme are already entitled to benefits under the Scheme.

29 Duration

The trusts of the Scheme will continue until the date 21 years after the death of the last survivor of the lineal descendants of King George the Sixth living on the Commencement Date, and any further period, which may be lawful. At the end of that period the Scheme will terminate.

30 Notices

Any notice given under this Deed may be given personally or by sending it by fax, electronic or similar means or through the post as a first class letter to the person for whom it is intended at his or her last known address. Any notice so sent will be deemed to have been served on the day following that of transmission or posting.

31 Governing law

English law governs the Scheme and its administration.

32 Changing the Rules

Except as prohibited by section 67 to 67I (Modification of schemes) of the Pensions Act 1995 the Principal Employers and the Trustees may together by deed change the Rules at any time (and may do so retrospectively). No amendment shall be made which would:

- 32.1.1 alter the primary purpose of the Scheme;
- 32.1.2 make any of the assets of the Scheme payable to the Employers except in accordance with Rule 28 (Winding up the Scheme);
- 32.1.3 reduce the benefits of any person who is at the date of the deed of amendment already entitled to receive a pension;
- 32.1.4 extend the operation of the Scheme beyond the Trust period provided by Rule 29 (Duration).

33 Power to allocate or apportion any debt

33.1 The Trustees shall have the power to apportion between the Employers (for the purposes of Sections 75 and 75A of the Pensions Act 1995 ("**the Act**") or the Occupational Pension Schemes (Employer Debt) Regulations 2005 ("**the Regulations**")) the difference between the Scheme's assets and liabilities in such manner and in such shares as they, with the consent of the Principal Employers, determine. The power shall be exercised in writing executed by the Trustees or signed by either two trustees or one trustee and the Secretary appointed in accordance with Rule 23.2. References in this clause 33.1 to trustees include Trustee Directors.

- 33.1.1 Without prejudice to Rule 33.1 but subject as provided in Rule 33.3 below 100% of any debt under sections 75 and 75A of the Act arising as a result of any of the

trustees of the BT Pension Scheme ceasing to employ Members of the Scheme on or after 14 December 2006 ("**the Specified Event**") shall be payable by Hermes and the BT Pension Scheme Trustees Limited (registered number 6009363) ("**the Company**") and each of them on a joint and several basis, but shall be payable only on the occasion of the first to occur of the events set out in Rule 33.1.2 below.

33.1.2 Hermes and the Company and each of them will immediately pay the debt referred to in Rule 33.1.1 on any of the following events:

33.1.2.1 the Scheme begins to be wound up,

33.1.2.2 there is no person who is an employer in relation to the Scheme for the purposes of the Regulations in relation to whom a "relevant event" has not occurred for the purposes of sections 75 and 75A of the Pensions Act 1995,

33.1.2.3 the Pensions Regulator states that it is reasonable that the said debt or any part thereof should be paid at that time.

33.1.3 References in this Rule 33.1 to 'the Company' include any other trustees or trustee for the time being of the BT Pension Scheme on and after 14 December 2006.

33.2 References in this Rule 33 to statutory enactments and to statutory instruments, and to their respective provisions and expressions used therein, shall be taken (so far as the context admits) to include references to successor enactments, instruments, provisions and expressions used therein, whether the subject of verbatim re-enactment or as amended from time to time.

33.3 Rule 33.1 hereof shall not have effect if the Company has not been appointed as the trustee of the BT Pension Scheme on or prior to the Specified Event.

34 Execution in counterparts

This deed may be executed in as many parts as there are parties to it. When each party has executed at least one part of it this deed shall be as effective as if all parties had executed all parts of it. Each part of this deed may be treated as an original of this deed.

IN WITNESS of which this Deed is made the day and year first above written on page 1.

SIGNED and DELIVERED as a DEED)
by **HERMES FUND MANAGERS LIMITED**)
in the presence of:-)

Director/Director

Director/Secretary

SIGNED and DELIVERED as a DEED by)
BT PENSION SCHEME TRUSTEES LIMITED)
in the presence of:-)

Director/Director

Director/Secretary

SIGNED and DELIVERED as a DEED by)
HERMES PENSION TRUSTEES LIMITED)
in the presence of:-)

Director/Director

Director/Secretary

(Rule 17.2)

Appendix 1 Service in unhealthy places

Note - Territories are shown below under their "common" or "current" names: the names under which they were formerly known are given in square brackets

Admiralty Islands (Pacific Ocean)	Liberia
Afghanistan	Libya [including territory previously known as Cyrenaica]
Albania	Macao
Angola	Malagasy Republic [Madagascar]
Arabian Sub-Continent and Islands	Malawi [Nyasaland]
Australia (West and North of latitude 311° South and longitude 150° East)	Malaysia [Federation of Malaya, Sabah (North Borneo) and Sarawak]
Port Darwin	Malden Island
Belize [British Honduras]	Maldives Islands
Benin [Dahomey]	Mali
Bolivia	Martinique
Brazil	Mauretania
Brunei	Mauritius
Bulgaria	Mexico
Burma	Mozambique
Cameroon	Nauru
Cape Verde Islands	Nepal
Central African Republic	Netherlands Antilles
Chad	New Hebrides
China	Nicaragua
Christmas Island (Pacific Ocean)	Nicobar Islands
Cocos (or Keeling) Islands	Niger
Colombia	Nigeria
Costa Rica	Norway (Narvik and Tromsø only)
Cuba	Fiji
Czech Republic Slovak Republic [Czechoslovakia]	Formosa (Taiwan)
Djibouti [French Somaliland]	French Guiana
Dominican Republic	Gabon
Ecuador	Gambia
Ethiopia	Ghana [Gold Coast]
Fernando Po	Guatemala
Lebanon	Guinea

Guinea - Bissau [Portuguese Guinea]	Sri Lanka [Ceylon]
Guyana [British Guiana]	Sudan
Haiti	Surinam [Dutch Guiana]
Honduras	Sweden (Lulea only)
Hong Kong	Syria
Hungary	Tahiti
Iceland	Tanzania (Tanganyika and Zanzibar)
India	Thailand [Siam]
Indonesia	Tongo
Iraq	Tonga
Iran (Persia)	Trinidad and Tobago
Israel	Turkey in Asia (excluding Izmir)
Ivory Coast	Tuvalu (Ellice Island)
Japan	Uganda
Jordan	Pakistan
Kampuchea [Cambodia, Indo-China]	Panama
Kenya	Paraguay
Kiribati (Gilbert Island)	Penrhyn Island (or Tongareva)
Korea	Peru
La Ré-union	Philippines
Laos [Indo-China]	Poland
Romania	Puerto Rico [Porto Rico]
Russia	United Arab Republic (excluding Alexandria) [Egypt]
São Thomé	Upper Volta
Salvador	USA (Houston, New Orleans and St Louis only)
Samoan Islands	Venezuela
Senegal	Vietnam (North and South) [Indo-China]
Sierra Leone	Yugoslavia
Singapore	Zaire [Congo, Belgian Congo]
Solomon Islands	Zambia [Northern Rhodesia]
Somalia [Somaliland] Spanish possessions in Africa (excluding N. Africa)	

(See also Rule 11.6)

Appendix 2
Scheme Limits (formerly Inland Revenue Limits)

Extra definitions used in this Appendix

For the purposes of this Appendix, the following terms have the following meanings:

“Aggregate Retirement Benefit” means the aggregate of:

- (a) the Member’s pension under the Scheme and any Associated Scheme; and
- (b) the pension equivalent of the Member’s Lump Sum Retirement Benefit.

“Associated Employer”. An employer is associated with another employer if one is controlled by the other, or both are controlled by a third party. Control has the meaning in Section 840 of ICTA (meaning of “control” in certain contexts), or in the case of a close company, Section 416 of ICTA (meaning of “associated company” and “control”).

“Associated Scheme” means any Relevant Scheme providing benefits in respect of Relevant Service.

“Class A Member” means any Member who is not a Class B or Class C Member.

“Class B Member” means any Member:

- (a) who joined the Scheme on or after 17 March 1987 and before 1 June 1989 (but only if the Scheme commenced before 14 March 1989); or
- (b) who may be treated as a Class B Member by virtue of previous membership of a Relevant Scheme,

and, in either case, has not opted to become a Class A Member.

“Class C Member” means any Member who joined the Scheme before 17 March 1987, or who joined subsequently and may be treated as a Class C Member by virtue of previous membership of a Relevant Scheme, and, in either case, has not opted to become a Class A Member.

“Connected Scheme” means any Relevant Scheme which is connected with the Scheme in relation to the Member in that:

- (a) there is a period during which the Member has been the employee of 2 Associated Employers;
- (b) that period counts under both schemes as a period in respect of which benefits are payable; and
- (c) the period counts under one scheme for service with one employer and under the other for service with the other employer.

“Controlling Director” means a Member who, at any time on or after 17 March 1987 and in the last 10 years before the Relevant Date has, in relation to the Employer, been both within the definition of a director in Section 612(1) of ICTA (interpretative provisions) and within paragraph (b) of Section 417(5) of ICTA (meaning of “director”).

“Dependant” includes a spouse or former spouse entitled to a pension on the Member’s death.

“Final Remuneration” means the greater of:

- (a) the highest Remuneration upon which tax liability has been determined for any one of the five years preceding the Relevant Date being the aggregate of:

- (i) the basic pay for the year in question; and

- (ii) the yearly average over three or more consecutive years ending with the expiry of the corresponding basic pay year, of any Fluctuating Emoluments. For the purpose of this calculation, (A) Fluctuating Emoluments of a year other than the basic pay year may be increased in proportion to the increase in the Index from the last day of that year up to the last day of the basic pay year and (B) Remuneration that is received after the Relevant Date and upon which tax liability has been determined will be treated as a Fluctuating Emolument if (I) it was earned or qualified for prior to the Relevant Date and (II) the yearly average of three or more consecutive years begins no later than the commencement of the basic pay year; or

- (b) the yearly average of the total emoluments from the Employer which are assessable to income tax under Case I or II of Schedule E and upon which tax liability has been determined for any three or more consecutive years ending not earlier than 10 years before the Relevant Date. Where such emoluments are received after the Relevant Date but are earned or qualified for prior to that date, they may be included, but only if the yearly average of three or more consecutive years begins no later than the commencement of the year ending with the Relevant Date.

For the purpose of these calculations:

- (1) Remuneration and total emoluments do not include any amounts which arise from the acquisition or disposal of shares or any interest in shares or from a right to acquire shares (except where the shares or rights, etc. which give rise to such an amount liable to tax under Schedule E were acquired before 17 March 1987) or anything in respect of which tax is chargeable by virtue of Section 148 of ICTA (payments on retirement or removal from office or employment);
- (2) in relation to a Controlling Director, Final Remuneration shall be the amount ascertained in accordance with (b) above and (a) above shall not apply;
- (3) in relation to any other employee whose Remuneration in any year subsequent to 5 April 1987 used for the purpose of calculating benefits has exceeded £100,000, (or such other figure as may be prescribed by the Treasury), Final Remuneration shall not exceed the amount ascertained in accordance with (b) above and (a) above shall not apply, unless the individual chooses to adopt £100,000 (or such other figure as may be prescribed by the Treasury);
- (4) where Final Remuneration is computed by reference to any year other than the last complete year ending on the Relevant Date, the Member's Remuneration or total emoluments of any year may be increased in proportion to any increase in the Index from the last day of that year up to the Relevant Date. For a Class C Member this paragraph (4) shall not apply to the calculation of the maximum Lump Sum Retirement Benefit unless the Member's aggregate total benefits are similarly increased beyond the maximum amount which could be paid but for this paragraph and/or the increase mentioned in (a)(ii)(A) above and then only to the same proportionate extent;
- (5) for Class A Members Final Remuneration shall not exceed the Scheme Earnings Cap;
- (6) for the purpose of calculating the maximum Lump Sum Retirement Benefit of a Class B Member, Final Remuneration shall not in any event exceed £100,000 (or such other figure as may be prescribed by the Treasury);
- (7) for an employee who remains, or is treated as remaining, in Service but by reason of incapacity is in receipt of a much reduced Remuneration (i.e. under a sick pay or permanent health insurance scheme) for more than 10 years up to the Relevant Date, Final Remuneration may be calculated under (a) or

(b) above as at the cessation of normal pay and increased in accordance with the Index;

- (8) the total amount of any profit related pay (whether relieved from income tax or not) may be classed as pensionable remuneration and treated as a Fluctuating Emolument;
- (9) an early retirement pension in payment from the Employer may not be included in Final Remuneration.

Notes: Except as in paragraph (1) above, benefits in kind may be taken into account when they are assessed to income tax as emoluments under Schedule E, and will normally be regarded as Fluctuating Emoluments. If benefits are not so assessable, they may not be included as part of Final Remuneration except with the agreement of the Principal Employers.

For the purpose of providing immediate benefits at the Relevant Date, Final Remuneration may be calculated on the appropriate basis above using Remuneration assessable to tax under Case I or II of Schedule E and upon which tax liability has not been determined. On determination of this liability, Final Remuneration must be recalculated. Should this result in a lower Final Remuneration, then benefits in payment should be reduced if this is necessary to ensure that they do not exceed the maximum approvable based on the lower Final Remuneration. Where Final Remuneration is greater, it will be possible to augment benefits in payment but such augmentation must take the form of a non-commutable pension.

Where immediate benefits are not being provided or where a transfer payment is to be made in respect of accrued pension benefits, then Final Remuneration may only be calculated using Remuneration assessable to income tax under Case I or II of Schedule E and upon which tax liability has been determined.

Where Fluctuating Emoluments have not been paid for the full three years, they should be averaged over the period from the commencement of their entitlement to payment (or the beginning of the 3 year period, if later) to the end of the relevant basic pay year. Where it is proposed to include in Final Remuneration a Fluctuating Emolument which was payable in a single year only, however, the agreement of the Principal Employers must be sought.

"Fluctuating Emoluments" are any part of any employee's earnings which are not paid on a fixed basis and are additional to the basic wage or salary. They include overtime, commission, bonuses or benefits in kind as long as they are assessable to tax under Case I or II of Schedule E and profit related pay (see paragraph (8) of the definition of Final Remuneration). Directors' fees may rank as Fluctuating Emoluments according to the basis on which they are voted.

"Former Spouse or Civil Partner" means anyone to whom Pension Credit Rights have been or are to be

allocated following a Pension Sharing Order, agreement or equivalent provision.

"**ICTA**" means the Income and Corporation Taxes Act 1988 and any statutory amendment, modification or re-enactment thereof as it was when in force immediately before 6 April 2006.

"**Index**" means the Government's Index of Retail Prices, or in the event the Government's Index of Retail Prices is not published such other published index which the Trustees and Principal Employers may agree will be the Index instead.

"**Lump Sum Retirement Benefit**" means the total value of all retirement benefits payable in any form other than non-commutable pension under this and any Associated Scheme.

"**Negative Deferred Pension**" means the amount by which the Member's pension or deferred pension under the Scheme which is attributable to Service with the Employers is reduced at the Relevant Date by section 31 of the Welfare Reform and Pensions Act 1999 or under corresponding Northern Ireland Legislation, following a Pension Sharing Order, agreement or equivalent provision. For this purpose, Service with the Employers includes all periods of service with other employers which are treated as Service with the Employers where a transfer payment has been made to the Scheme in respect of that other service.

"**Pension Credit**" means a credit under section 29(1)(b) of the Welfare Reform and Pensions Act 1999 or under corresponding Northern Ireland legislation.

"**Pension Credit Benefit**" in relation to a scheme means the benefits payable under the Scheme attributable (directly or indirectly) to a Pension Credit.

"**Pension Credit Rights**" means rights to future benefits under a scheme which are attributable (directly or indirectly) to a Pension Credit.

"**Pension Debit**" means a debit under section 29(1)(a) of the Welfare Reform and Pensions Act 1999 or under corresponding Northern Ireland legislation.

"**Pension Debit Member**" means a Member whose benefits have been permanently reduced by a Pension Debit. Such a Member will either be:

- (a) a Member who is a controlling director of a company which is his or her employer if he or she is a director of the company to whom paragraph (b) of section 417(5) of the Taxes Act 1988 applies either at the date on which the marriage was dissolved or annulled, or at any time within the period of 10 years before that date or;
- (b) a Member whose earnings at the date at which his or her marriage was dissolved or annulled exceeded $\frac{1}{4}$ of the Permitted Maximum for the year of assessment in which the dissolution or annulment occurred. Earnings for these purposes shall be taken to be the total emoluments:

- (i) which were paid to the Member in consequence of pensionable service to which the Scheme relates during the year of assessment before the year of assessment in which the marriage was dissolved or annulled, and
- (ii) from which tax was deducted in accordance with the Income Tax (Employments) Regulations 1993.

"**Pension Sharing Order**" means any order or provision as is mentioned in section 28(1) of the Welfare Reform and Pensions Act 1999 or Article 25(1) of the Welfare Reform and Pensions (Northern Ireland) Order 1999.

"**Permitted Maximum**" means for each tax year (unless the Principal Employers otherwise decides in an individual case or generally) the "permitted maximum" as defined in section 590C of ICTA as if that section had not been repealed and HM Treasury had made the orders required by that section.

If HM Treasury has not made such an order or indicated what the amount would have been and the Index has risen during the 12 months ending in the September before the tax year in question the following provision will apply. The "permitted maximum" will be calculated by increasing the "permitted maximum" for the previous tax year by the percentage rise in the Index during the 12 months ending in the previous tax year. If the result is not a multiple of £600, the "permitted maximum" will be rounded up to the nearest amount which is such a multiple.

For the purpose of this definition Index shall mean the retail prices index (or where that index is not published such replacement index as the Principal Employers shall determine).

"**Pensionable Service**" means Service that qualifies the Member for retirement benefits under the Scheme.

"**Relevant Date**" means the date of retirement, leaving Pensionable Service or death as the case may be.

"**Relevant Scheme**" means any other scheme with or seeking Revenue Approval and also, in respect of a Class A Member who is a Controlling Director, any retirement annuity contract or trust scheme approved under Chapter III of Part XIV or any personal pension scheme approved under Chapter IV of Part XIV of ICTA insofar as it provides benefits secured by contributions in respect of Relevant Service.

"**Remuneration**" in relation to any year means the aggregate of the total emoluments for the year in question from the Employer and which are assessable to income tax under Schedule E but excluding any amounts which arise from the acquisition or disposal of shares or any interest in shares or a right to acquire shares or anything in respect of which tax is chargeable by virtue of Section 148 of ICTA and, in respect of a Class A Member, excluding any emoluments in excess of the Earnings Cap.

“Retained Death Benefits” means any lump sum benefits payable on the Member’s death in respect of previous employments or periods of self-employment (whether alone or in partnership) from:

- (a) a Registered Pension Scheme or Qualifying Recognised Overseas Pension Scheme or relevant statutory schemes as defined in Section 611A of ICTA (definition of relevant statutory scheme);
- (b) [funds to which Section 608 of ICTA applies (superannuation funds approved before 6 April 1980);
- (c) retirement benefits schemes which have been accepted by the Inland Revenue as “corresponding” in respect of a claim made on behalf of the Member for the purposes of Section 596(2)(b) of ICTA (schemes with corresponding approval);]

If the Retained Death Benefits do not exceed £2,500 in total, they may be ignored.

If the Member is not a Controlling Director and his or her earnings in the 12 months after entry to the Scheme (in this context including any other Relevant Scheme providing benefits in respect of service with the current Employer) do not exceed one quarter of the Scheme Earnings Cap/Permitted Maximum, benefits from these sources, other than those transferred into the Scheme, will not be treated as Retained Death Benefits.

“Relevant Service” means service with the Employer or an Associated Employer or, except in relation to a Class A Member who is a Controlling Director of either employer, an employer who is associated with the Employer only by virtue of a permanent community of interest.

“Scheme Earnings Cap” means for each Tax Year the “Permitted Maximum”:

The expressions **“2004 Act”**, **“Civil Partner”**, **“Minimum Pension Age”**, **“Permitted Maximum”**, **“Registered Pension Scheme”**, **“Revenue Approval”**, and **“Scheme”** shall have the same meaning as in the Rules. Any reference in these Scheme Limits to any enactment or subordinate legislation which was repealed immediately before 6 April 2006 shall be treated as being a reference to such enactment or subordinate legislation as it was immediately before 6 April 2006, and, where appropriate, as if HMRC had made any order referred to in such enactment or subordinate legislation). Reference to such legislation shall, where appropriate, include the equivalent legislation in Northern Ireland.

Benefit limits for Class A Members

Notwithstanding anything to the contrary in the Scheme provisions, the benefits payable to a Class A Member or his or her Dependants, spouse or Civil Partner or other beneficiaries in respect of his or her shall not, when aggregated with all benefits of a like nature provided

under all Associated Schemes exceed the limits set out below:

- 1 The Member’s Aggregate Retirement Benefit shall not exceed:
 - 1.1 on retirement at any time between attaining the Minimum Pension Age and attaining age 75, except before Normal Retirement Age on grounds of incapacity, a pension of one sixtieth of Final Remuneration for each year of Relevant Service (not exceeding 45 years) or, if greater, the lesser of:-
 - 1.1.1 one thirtieth of Final Remuneration for each year of Service (not exceeding 20 years); and
 - 1.1.2 two thirds of Final Remuneration minus the pension value of all Retained Benefits.
 - 1.2 on retirement at any time before Normal Retirement Age on grounds of incapacity, a pension of the amount which could have been provided at Normal Retirement Age in accordance with paragraph 1.1 above, Final Remuneration being computed as at the actual date of retirement;
 - 1.3 on leaving Pensionable Service before attaining age 75, a pension of 1/60th of Final Remuneration for each year of Relevant Service prior to leaving Pensionable Service (not exceeding 45 years) or such greater amount as would not have prejudiced Revenue Approval of the Scheme. The amount computed may be increased by 5 per cent for each complete year or, if greater, in proportion to any increase in the Index which has occurred between the date of termination of Pensionable Service and the date on which the pension begins to be payable. Any further increase necessary to comply with Social Security legislation is also allowable.
 - 1.4 Benefits for a Class A Member are further restricted to ensure that his or her total retirement benefit from the Scheme and from any Associated Scheme or Connected Scheme does not exceed a pension of 1/30th of the Earnings Cap for each year of service, subject to a maximum of 20/30ths. For the purpose of this limit, service is the aggregate of Relevant Service and any period of service which gives rise to benefits under a Connected Scheme provided that no period is to be counted more than once.
 - 1.5 For the purpose of calculating the Aggregate Retirement Benefit or the total retirement benefit in 1.1 to 1.4 above, the pension equivalent of any Lump Sum Retirement Benefit is one-twelfth of its total cash value.

2 The Member's Lump Sum Retirement Benefit shall not exceed (as amended where appropriate by Schedule 36 of that the 2004 Act) the amount specified in paragraph 2 of Schedule 29 to the 2004 Act.

Contribution limits for Class A Members

Notwithstanding anything to the contrary in the Scheme provisions, the contributions paid to the Scheme by a Class A Member in a year of assessment shall not exceed either:

- (a) when aggregated with the Member's contributions to any other Registered Pension Schemes, 15 per cent of the Member's Remuneration; or
- (b) when aggregated with the Member's contributions to any schemes which are Associated or Connected Schemes, 15 per cent of the Scheme Earnings Cap.

However, a Member may pay additional voluntary contributions in accordance with this Appendix and Rule 3.3. (Additional Voluntary Contributions for money purchase benefits).

Class A Members: Payment of Benefits

The Scheme provisions shall have effect (notwithstanding anything in them to the contrary) as if they provided:-

- (a) that the Member's retirement benefit shall be paid no later than the date on which he attains age 75;
- (b) (subject to (a) above) that no part of a Member's retirement benefit shall be paid in advance of actual retirement or leaving Service except to the extent necessary to comply with social security legislation;
- (c) that pension and lump sum benefits must be taken simultaneously; and
- (d) that the earliest date at which immediate benefits may be taken having left Service on other than Incapacity grounds is the Minimum Pension Age.

Benefit limits for Class B Members and Class C Members

Notwithstanding anything to the contrary in the Scheme provisions, the benefits payable to a Class B or a Class C Member or to his or her Dependants, spouse or Civil Partners, or other beneficiaries in respect of his or her shall not, when aggregated with all benefits of a like nature provided under all Associated Schemes, exceed the limits set out below:

- 1 The Member's Aggregate Retirement Benefit shall not exceed:
 - 1.1 on retirement at or before Normal Retirement Age, a pension of 1/60th of Final

Remuneration for each year of Relevant Service (not exceeding 45 years) or such greater amount as would not have prejudiced Revenue Approval of the Scheme;

1.2 on retirement at any time before Normal Retirement Age on grounds of incapacity, a pension of the amount calculated in accordance with paragraph 1.1 above as if the Member had remained in Relevant Service until Normal Retirement Age, Final Remuneration being computed as at the actual date of retirement;

1.3 on retirement after Normal Retirement Age, a pension of the greatest of:

1.3.1 the amount calculated in accordance with paragraph 1.1 above on the basis that the actual date of retirement was the Member's Normal Retirement Age;

1.3.2 the amount which could have been provided at Normal Retirement Age in accordance with paragraph 1.1 above increased either actuarially in respect of the period of deferment or in proportion to any increase in the Index during that period; and

1.3.3 where the Member's total Relevant Service has exceeded 45 years, the aggregate of 1/60th of Final Remuneration for each year of Relevant Service before Normal Retirement Age (not exceeding 45 such years) and of a further 1/60th of Final Remuneration for each year of Relevant Service after Normal Retirement Age, with an overall maximum of 45 reckonable years,

Final Remuneration being computed in respect of 1.3.1 and 1.3.3 above as at the actual date of retirement, but subject always to paragraph 3 below;

1.4 on leaving Pensionable Service before Normal Retirement Age, a pension of 1/60th of Final Remuneration for each year of Relevant Service prior to leaving Pensionable Service (not exceeding 45 years) or such greater amount as would not have prejudiced Revenue Approval of the Scheme. The amount computed may be increased by 5 per cent for each complete year or, if greater, in proportion to any increase in the Index which has occurred between the date of termination of Pensionable Service and the date on which the pension begins to be payable. Any further increase necessary to comply with Social Security legislation is also allowable.

2 The Member's Lump Sum Retirement Benefit shall not exceed the amount of lump sum that may be paid to a Member (on exchange for pension for lump sum when the pension begins) specified in paragraph 2 of Schedule 29 to the 2004 Act (as amended where appropriate by Schedule 36 to the 2004 Act). Such lump sum must comply with the conditions set out in Schedule 29 as amended by Schedule 36 to the 2004 Act.

3 If a Member elects to take any part of his or her benefits under the Scheme in advance of actual retirement, the limits set out in paragraphs 1 and 2 above shall apply as if the Member had retired at the date of the election as aforesaid, no account being taken of subsequent Relevant Service, save that the maximum amount of any uncommuted pension not commencing immediately may be increased either actuarially in respect of the period of deferment or in proportion to any increase in the Index during that period.

4 The preceding provisions of this Appendix shall be modified in their application to a Member who is a Controlling Director as follows:

4.1 the amount of the maximum Aggregate Retirement Benefit in paragraph 1 and of the maximum Lump Sum Retirement Benefit in paragraph 2 shall be reduced, where necessary for Revenue Approval of the Scheme, to take account of any corresponding benefits under retirement annuity contracts or trust schemes approved under Chapter III of Part XIV of ICTA or under personal pension schemes approved under Chapter IV of Part XIV of ICTA;

4.2 where retirement takes place after Normal Retirement Age but not later than the Member's 70th birthday, paragraph 1.3.2 and 1.3.3 and paragraph 2.3.2 and 2.3.3 shall not apply, and if retirement is later than the attainment of that age, those paragraphs shall apply as if the Member's 70th birthday had been specified in the Rules as his or her Normal Retirement Age, so as not to treat as Relevant Service after Normal Retirement Age any Relevant Service before the Member reaches the age of 70;

4.3 where paragraph 3 applies to the Member, the rate of the actuarial increase referred to therein in relation to any period of deferment prior to his or her attaining the age of 70, shall not exceed the percentage increase in the Index during that period.

Contribution limits for Class B Members and Class C Members

The total contributions paid by a Class B Member or a Class C Member in a year of assessment to this and any Associated Scheme shall not exceed 15 per cent of the Member's Remuneration for that year.

However, a Member may pay additional voluntary contributions in accordance with this Appendix and Rule 3.3.

Other limits on benefits relating to all Members

1 Lump sum death benefit

The lump sum benefit (exclusive of any refund of the Member's own contributions not applied specifically to secure the payment of benefits on the Member's death and any interest thereon) payable on the death of a Member while in Relevant Service or (having left Pensionable Service with a deferred pension) before the commencement of his or her pension, shall not, when aggregated with all benefits of a like nature under all Associated Schemes, exceed the greater of:

1.1 £5,000; and

1.2 4 times the greatest of:

1.2.1 the annual rate (subject, for a Class A Member, to the Scheme Earnings Cap) of the Member's basic salary or wages at the date of death or leaving Pensionable Service together with the yearly average of Fluctuating Emoluments received in the three years (or the whole period of Relevant Service if less) up to the date of death or leaving Pensionable Service; and

1.2.2 the Member's total emoluments (subject, for a Class A Member, to the Scheme Earnings Cap) of any selected period of 12 months ending not earlier than 36 months before the date of death;

1.2.3 Final Remuneration disregarding paragraphs (1), (2) and (3) of that definition;

less Retained Death Benefits.

2 **Dependants', Spouses'/Civil Partners' pensions**

Any pension for a Dependant or Spouse/Civil Partner, when aggregated with the pensions, other than those provided by surrender or allocation of the Member's own pension, payable to that Dependant under all Associated Schemes, shall not exceed an amount equal to 2/3rds of the maximum

Aggregate Retirement Benefit payable to the Member immediately before death as described above. Where the death of the Member occurs whilst in Relevant Service before Normal Retirement Age the maximum is that which would have been appropriate if the Member had retired on grounds of incapacity on the date of death with no retained benefits from previous employments.

If pensions are payable to more than one Dependant of a Member (including a Spouse/Civil Partner), the aggregate of all Dependents', Spouse's and Civil Partners' pensions payable in respect of the Member under this and all Associated Schemes will not exceed the full amount of the maximum Aggregate Retirement Benefit described in the previous paragraph of this Appendix.

3 Increases of pensions in payment

The maximum amount of a pension ascertained in accordance with the previous provisions of this Appendix, less any pension which has been commuted for a lump sum or the pension equivalent of any benefits in lump sum form and any pension surrendered to provide a Dependant's Spouse's and Civil Partners' pension, may be increased by 3 per cent for each complete year or, if greater, in proportion to any increase in the Index since the pension commenced.

4 Additional voluntary contributions

Where a Member has paid additional voluntary contributions ("AVCs") to the Scheme (or a previous scheme) any additional benefits secured on a money purchase basis shall –

- (i) not be applied to secure additional benefits under the Scheme unless the Trustees determine that the Member's AVCs are too small for it to be practicable to use them to purchase an annuity from an insurance company; and
- (ii) may be taken as a cash lump sum (subject to the restrictions on the amount and the conditions referred to in Rule 9.1 (Retirement lump sum) and this Appendix;

Where the Member has agreed with the Trustees that his or her AVCs will be secured by –

- (i) a money purchase benefit then the Member may make any AVCs to the Scheme up to 100% of the Member's remuneration (less normal contributions under Rule 3.2 (Basic Contributions by Members) and any AVCs paid to secure Added Years. Subject to the Annual Allowance (as defined in section 228 of Act); or
- (ii) the purchase of Added Years (a defined benefit) then the Member may only make AVCs in respect of the purchase of Added

Years up to a cap of 10% of his or her Salary (subject to the cap on earnings, the Scheme Earnings Cap, in that tax year) but can pay further AVCs on a money purchase basis as in (i) above;

- (iii) where a Member has paid AVCs on a money purchase basis these can be taken as cash in accordance with Rule 9.1 and this Appendix;
- (iv) where AVCs are used to purchase Added Years under the Scheme in addition to the Member's pension the Member's overall pension can be commuted for cash in accordance with Rule 9.1 and this Appendix.

5 Disapplying Scheme Limits

The Principal Employers and the Trustees may agree in writing that the Scheme Limits will not apply to the amount of benefits that may be paid to a Member, or other beneficiary (including a pension with a Pension Credit Benefit) whether generally or in an individual case.

Benefits for Pension Debit Members

Notwithstanding anything to the contrary in the Scheme provisions, the benefits for a Pension Debit Member are additionally subject to the following limits, subject to compliance with Social Security legislation:

1. The pension shall not exceed the Aggregate Retirement Benefit less the Negative Deferred Pension in this scheme and the Negative Deferred Pension in any Associated Scheme and, furthermore in the case of a Class A Member the Negative Deferred Pension in any Connected Scheme.
2. The lump sum from this and any Associated Scheme shall not exceed;

for Pension Debit Members who are Class A Members or Class B Members, an amount determined by $2.25 \times$ initial annual pension payable;

for Pension Debit Members who are Class C Members, an amount equal to the greater of:

$2.25 \times$ the initial annual pension payable; and

the maximum amount that could have been paid if there had been no Pension Debit, less $2.25 \times$ the Negative Deferred Pension.

For the purposes of this paragraph, the initial annual pension should be calculated on the following basis;

- (a) if the pension payable for the year changes, the initial pension payable should be taken;
- (b) it should be assumed that the Pension Debit Member will survive for a year;

(c) the effect of commutation should be ignored.

3. On the death of the Pension Debit Member, any pension for a Dependant shall not exceed $\frac{2}{3}$ x the maximum amount that could have been paid if there had been no Pension Debit, less the Negative Deferred Pension and the Negative Deferred Pension in any Associated Scheme and, in the case of a Class A Member, the Negative Deferred Pension in any Connected Scheme. Where more than one pension is to be paid the total of all the pensions cannot exceed 100% of the maximum amount that could have been paid if there had been no Pension Debit, less the Negative Deferred Pension and the Negative Deferred Pension in any Associated Scheme and, in the case of a Class A Member, the Negative Deferred Pension in any Connected Scheme.

Transfers in respect of Pension Debit Members

1. Where a transfer payment is received and the transferor informs the Trustees of the details of a Pension Debit relating to the transfer payment, the Pension Debit must be taken into account, if appropriate, in the calculation of any limit on benefits for that Member. If a transfer of the fund underlying the benefits for the Member is made to a Registered Pension Scheme the Trustees must give full details of the Pension Debit to the receiving scheme.
2. Where the Trustees make a transfer out in relation to a Pension Debit Member, the Trustees will give to the receiving scheme full details of the Pension Debit and a lump sum certificate specifying the maximum permissible lump sum.

Assignment

The Rules of the Scheme are amended to permit the assignment of part or all of the Member's retirement benefits or rights to benefits under the scheme to his/her Former Spouse to the extent necessary to comply with a pension sharing order, agreement or equivalent provision or the assignment of part or all of the Former Spouse participant's benefits or rights to benefits under the Scheme to his/her Former Spouse to the extent necessary to comply with a pension sharing order, agreement or equivalent provision.

Benefits for Former Spouses

1. Pension Credit Benefits under the Scheme must be provided separately from any other benefits for the same individual as a Member or a Dependant of a Member.
2. Participation in the Scheme may be offered to the Former Spouse either where the requirement of the previous paragraph is satisfied, or where the

Former Spouse only has Pension Credit Benefits under the Scheme.

3. Subject to compliance with Social Security legislation, the following limits apply to the Former Spouse in relation to any Pension Credit Benefit.

3.1 A pension may be paid to the Former-Spouse only if he or she has reached the Minimum Pension Age or is suffering from Incapacity and at the same time taking benefits on Incapacity grounds arising from Service as an Employee under the Scheme. A Former Spouse may not defer the start of the pension beyond his or her 75th birthday. If the Former-Spouse is aged 75 or over at the date the Pension Sharing Order is implemented, the pension must come into payment immediately. The pension may not be commuted; surrendered or assigned except in accordance with the Rules. There is no limit on the amount of the pension. The pension must be payable for life unless it is fully commuted under 3.6 and may be guaranteed.

3.2 No lump sum may be paid to the Former Spouse if the Member (who was formerly married to the Former Spouse) has already received a Lump Sum Retirement Benefit from the Scheme before the date of the implementation by the Scheme of the Pension Sharing Order, agreement or equivalent provision.

No lump sum may be paid to the Former Spouse where all of the Pension Credit Rights under the Scheme have been transferred into the Scheme with a lump sum nil certificate.

Otherwise the Trustees may allow or require a Former Spouse to take a lump sum in commutation for part of the pension, at the time the pension first becomes payable. The lump sum is limited to a maximum of 2.25 times the initial annual pension. For this purpose, the initial annual pension should be calculated on the following bases:

3.2.1 if the pension payable for the year changes, the initial pension payable should be taken;

3.2.2 it should be assumed that the Former Spouse will survive for a year;

3.2.3 the effect of commutation should be ignored.

3.3 Any lump sum provided on the death of a Former Spouse before benefits come into payment is limited to 25% of what would have been the cash equivalent of the Pension Credit Rights at the date of death. The balance of the cash equivalent may (but need not) be used to provide a non-commutable pension to a Dependant of the Former-Spouse. The amount of any pension payable to a Dependant is limited to a maximum of $\frac{2}{3}$ of the amount of the pension that could

have been paid to the Former Spouse at the date of death had the whole of the cash equivalent of the Pension Credit Rights been used to purchase an annuity at an available market rate. For the purpose of determining the pension which could have been paid to the Former Spouse, it should be assumed that the Former Spouse was aged 50 at the date of death, where he or she died at an earlier age. Where more than one pension is to be paid the total of all the pensions cannot exceed the amount of the pension that could have been paid to the Former Spouse.

- 3.4 Where the Former Spouse dies after pension has come into payment, a non-commutable pension may be payable to a Dependant of the Former Spouse.

The amount of any pension payable to a Dependant is limited to a maximum of 2/3rds of the initial annual pension which was paid to the Former Spouse as increased by any rise in the Index since the commencement of the Former Spouse's pension. Where more than one pension is to be paid the total of all the pensions cannot exceed the amount of the initial annual pension which was paid to the Former Spouse, as increased by any rise in the Index since the start of the Former Spouse's pension. For these purposes initial annual pension should be calculated on the same basis as in 3.2. Such pensions must be payable for life, except that pensions paid to children must cease on the attainment of 18 or, if later on the duration of full time education. Such pensions may, however, be fully commuted for a lump sum on the grounds of triviality at the time that such a pension becomes payable.

Where the Former Spouse selected a guarantee not exceeding 5 years and the guarantee period has not expired, the remaining balance of the pension instalments may be paid as a lump sum. Where the Former Spouse selected a guarantee exceeding 5 years and the guarantee period has not expired, the remaining balance of the pension instalments must be paid in pension form to an individual or individuals.

- 3.5 It may be that the Former Spouse is allowed to surrender part of his or her pension, on the date it becomes payable (but not where the pension is paid in the form of income drawdown), for a pension payable to a Dependant on the death of the Former Spouse. If this is allowed, the amount of pension surrendered cannot exceed the reduced pension that the Former Spouse retains.
- 3.6 Full commutation of the Pension Credit Rights on the grounds of triviality or exceptional circumstances of serious ill-health is permitted when the pension first becomes payable. Where the Former Spouse is also entitled to benefits under the Scheme arising from Service as an

Employee, for the purposes of determining the aggregate value of the total benefits payable to the member under any Rule relating to triviality, benefits from Pension Credit Rights must be included; and full commutation of the Pension Credit Rights on the grounds of triviality is permitted only where benefits arising from Service as an Employee are simultaneously commuted.

- 3.7 A transfer of Pension Credit Rights may be made to another scheme or arrangement only if the HMRC requirements are satisfied and confirmation is given to the receiving scheme or arrangement, that the transfer value consists wholly or partly of Pension Credit Rights for the benefit of a Former Spouse.

- 3.8 Where a transfer payment is received which consists wholly or partly of Pension Credit Rights in the former scheme or arrangement, the transfer payment relating to the Pension Credit Rights or the part of the transfer payment relating to the Pension Credit Rights must be separately identified. Furthermore the benefits provided must comply with the requirements set out above in respect of the transferred-in Pension Credit Rights. The individual in respect of whom the transfer is received will acquire the status of a Former Spouse in the scheme in relation to the transferred-in Pension Credit Benefits. Such Pension Credit Benefits will not count towards any limit on other benefits for that person.

- 3.9 If a Former Spouse dies after a Pension Sharing Order, agreement or equivalent provision is made but before it is implemented, the following benefits may be paid.

3.9.1 A lump sum death benefit may be paid. The lump sum is limited to 25% of what would have been the cash equivalent of the fund which would have provided the Pension Credit Rights for the Former Spouse. The balance of the fund may be used to provide a non-commutable pension to a Dependant of the Former Spouse.

3.9.2 The amount of pension payable to any Dependant is limited to a maximum of 2/3rds of the amount of the pension that could have been paid to the Former Spouse at the date of death if the whole of what would have been the cash equivalent of the fund which would have provided the Pension Credit Rights had been used to purchase an annuity at an available market rate. Where more than one pension is to be paid the total of all the pensions cannot exceed the amount of the pension that could have been paid to the Former Spouse.

(Rule 26.1)

**Appendix 3
Form of Deed of Adherence**

This Deed of Adherence is made on [●] **between:**

- (1) A.B. (registered in [England] No. [] (the “**Participating Employer**”),
- (2) Hermes Fund Managers Limited (registered in England No. 1661776) and BT Pension Scheme Trustees Limited (registered in England No. 6009363); and
- (3) Hermes Pension Trustees Limited (registered in England No. 6648909) (the “**Trustees**”).

Recitals:

- (A) The Hermes Group Pension Scheme (the “**Scheme**”) was established by a Trust Deed dated [] and is currently governed by a deed and rules dated [].
- (B) Rule 26 of the Rules provides that a Participating Employer may participate in the Scheme on entering into a deed of adherence in the manner provided in Rule 26.
- (C) The Participating Employer wishes to participate in the Scheme to secure for certain of its employees the benefits of membership of the Scheme.
- (D) The Principal Employers and the Trustees are willing to consent to the Participating Employer entering into the Deed of Adherence.

1 The Participating Employer, with the consent (recorded in this Deed) of the Principal Employers and the Trustees, undertakes and covenants with the Principal Employers and the Trustees and each of them that as from [insert effective date] it will be bound by and observe and perform all the terms and conditions of the Rules as from time to time amended.

2 The Participating Employer nominates the Principal Employers to act for all the Participating Employers in the Scheme for the purposes of the Pensions Act 1995 and the Pensions Act 2004, as amended, including:

2.1 being consulted about the written statement of investment principles;

2.2 agreeing the matters to be shown in the schedule of contributions, the recovery plan, the Scheme’s statutory funding objective, statement of funding objectives and modification of future accrual of benefits (If agreement cannot be reached in funding) (all as defined in the Pensions Act 2004); and

2.3 as the “employer” responsible for making any report to the Pensions Regulator required under the Pensions Act 2004.

3 This Deed shall be revocable by the Participating Employer with the consent of the Principal Employers, or by the Principal Employers, at any time by notice in writing of not less than 3 months (or such shorter period as the Principal Employers and the Participating Employer and the Trustees may agree) to the other parties to this Deed.

In witness of which this Deed has been executed as a Deed on the date first above written.

(Rule 20.1)

Appendix 4

Transfer Arrangements with the Hermes Pension Scheme

- 1** In this Appendix, unless the context otherwise requires:

“HPS” means the Hermes Pension Scheme, a retirement benefits scheme first established by an Interim Trust Deed dated 7 January 1975 and governed by a Definitive Trust Deed and Rules dated 16 February 1976 as amended by all deeds supplemental thereto consolidated and restated in a Supplemental Deed dated 17 March 1994 as subsequently amended. The Principal Employers are together also the present employers and the Trustees are also the present trustees in respect of the HPS.

“The HPS Trust Deed” means the said Definitive Trust Deed and Rules as amended consolidated and restated and further amended by supplemental deeds.
- 2** The Trustees with the consent of the Principal Employers may enter into and give effect to an agreement with the trustees of HPS to accept a transfer of assets and liabilities of HPS and to grant benefits to HPS beneficiaries for past and future service both in HPS and in the Scheme on such terms and conditions as may be agreed with the trustees of HPS and the Principal Employers and subject to advice of the Actuary;
- 3** Where, pursuant to Rule 2 of this Appendix or otherwise, an acceptance of assets and liabilities of HPS is proposed to be made by the Trustees from the trustees of HPS and:

 - 3.1** all or any of the Trustees also are/is one of the trustees of HPS; and
 - 3.2** HPS contains in relation to such transfer as aforesaid a provision corresponding to this provision,

then the Trustees (each in his or her capacity as a Trustee of this Scheme) may for the purposes of such transfer enter into, complete and give effect to any requisite transfer arrangements with the trustees of HPS, and so that all terms of such transfer thereby agreed between the Trustees (each in his or her capacity as a Trustee of this Scheme) and themselves (each in his or her capacity as a trustee of HPS) shall be as valid and effectual in all respects as if the Trustees were not trustees of HPS and such terms had been agreed between wholly distinct bodies of trustees.

The validity of any such arrangements shall not be liable to be impeached on the grounds that the Trustees are interested therein whether personally or in some other fiduciary capacity.

Where the Trustees of this Scheme comprise all of the trustees of HPS and no other persons then any such agreement shall nonetheless be effective according to its tenor and shall take such effect to the extent necessary, as a matter of trust obligation and as an amendment to the provisions of this Scheme.
- 4** The Trustees in entering into and giving effect to such transfer arrangements shall comply with the Preservation Laws, the Contracting-out Laws and the requirements of the Inland Revenue.

5 The Trustees shall have all necessary powers to enter into and give effect to an agreement with the trustees of HPS for the transfer and acceptance of assets and liabilities of HPS including, without prejudice to the generality of the foregoing, giving such indemnities binding on the assets of this Scheme and the trustees for the time being of this Scheme as the Trustees may agree with the trustees of HPS.

6 These Rules 6 to 8 shall apply where, as part of the arrangements for a transfer and acceptance of assets and liabilities of HPS made pursuant to or by reference to this Appendix, benefits which have accrued to or in respect of any persons under HPS or to which entitlement to payment has arisen for any person under HPS are transferred to this Scheme and in these Rules 6 to 8 the following expressions shall have the following meanings:

the “**Transfer Date**” means the date with effect from which the transfer of assets and liabilities of HPS to this Scheme is so made;

the “**Transferring Beneficiaries**” means all such persons to whom such a transfer relates

the “**Transferring Active Members**” means those of the Transferring Beneficiaries who:

- join, or accept an invitation to join, this Scheme as active members of it on or before the Transfer Date as part of such arrangements; and
- were immediately before they joined this Scheme active members of HPS

and all such other of the Transferring Beneficiaries who on or before the Transfer Date join this Scheme as active members of it and were at any time before they joined this Scheme active members of HPS as the Principal Employers and the Trustees agree are to be treated as Transferring Active Members for the purposes of these Rules 6 to 8.

7 Notwithstanding any other provision of this Scheme:

7.1 the pensions and benefits (and increases to pensions and benefits) to be provided under this Scheme to or in respect of each of the Transferring Beneficiaries who is not a Transferring Active Member shall not be less in value or amount than the corresponding pensions benefits and increases thereto which would have applied in HPS under the HPS Trust Deed had such pensions or benefits and increases remained or become payable by HPS in accordance with the provisions of the HPS Trust Deed in force immediately prior to the Commencement Date of this Scheme, and on the assumption that no amendments were made after that date made to the HPS Trust Deed but on the footing that such Transferring Beneficiary had ceased to be an active member of HPS on the date he or she actually ceased to be so;

7.2 the pensions and benefits (and increases to pensions and benefits) to be provided under the provisions of this Scheme to or in respect of each of the Transferring Active Members relating to service in HPS before or service in this Scheme after the date on which they join this Scheme shall not be less in value or amount than the corresponding pensions benefits and increases thereto which would have applied in HPS under the HPS Trust Deed had the member concerned remained an active member of HPS instead of joining this Scheme and had his or her pensions benefits and increases thereto become payable by HPS in accordance with the provisions of the HPS Trust Deed in force immediately before the Commencement Date of this Scheme and on the assumption that no amendments were after that date made to the HPS Trust Deed;

- 7.3** the standard contributions payable under this Scheme by a Transferring Active Member shall not be payable at a rate in excess of the rate payable under HPS, that is 6 per cent of the member's salary or wages for the purposes of HPS;
- 7.4** no exercise of any power of amendment conferred by this Scheme shall reduce such pensions benefits or increases thereto below the levels set out above nor increase the rates of members' contributions for Transferring Active Members as set out above;
- 8** The above reference to the provisions of the HPS Trust Deed in force at the Commencement Date of this Scheme means those governing or relevant to the value or amount of the said pensions, benefits and increases thereto but not the administrative provisions of HPS nor the restriction in Clause 10(a) of the HPS Trust Deed concerning its amendment.
- 9** The terms and conditions of employment of Employed Deferred Members to whom this Appendix applies were amended with effect from the Closure Date so that no further Pensionable Service would accrue after that date. This Appendix 4 is treated as amended to reflect (in respect of those Members) that change.