LAZARD BROTHERS & CO. LIMITED
STAFF PENSION SCHEME

THIRD SUPPLEMENTAL DEFINITIVE DEED AND RULES

1ST JANUARY 1995

LAZARD BROTHERS & CO., LIMITED STAFF PENSION SCHEME

DEFINITIVE DEED AND RULES

ARRANGEMENT OF SECTIONS

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THIS THIRD SUPPLEMENTAL DEFINITIVE DEED is made the 26th day of June 1997 BETWEEN LAZARD BROTHERS & CO. LIMITED whose registered office is at 21 Moorfields London EC2P 2HT (hereinafter called "the Principal Employer") of the one part and MICHAEL ERNEST WHITEHEAD JONATHAN AISTROPE KITCHEN HILARY CHRISTINE BYRNE BRITTON and NEIL THOMAS LUKES (hereinafter called "the Trustees") of the other part

WHEREAS:

(1) This Deed is supplemental to

(a) a definitive deed (hereinafter called "the Definitive Deed") dated 3rd day of April 1947

(b) Supplemental Deeds dated 22nd day of October 1948, 31st day of January 1952, 17th day of December 1954, 22nd day of December 1964, 31st day of March 1967, 8th day of December 1971, 12th day of April 1972 and 4th day of April 1975 (hereinafter called "the Supplemental Deeds")

(c) a supplemental definitive deed dated 6th day of October 1976 (hereinafter called "the Supplemental Definitive Deed")

(d) a deed dated 12th day of July 1977 (hereinafter called "the Interim Contracting-out Deed) and

(e) a Second Supplemental Definitive Deed dated 29th day of May 1985 (hereinafter called "the Second Supplemental Definitive Deed").

(2) The Trustees are the present trustees of LAZARD BROTHERS & CO., LIMITED STAFF PENSION SCHEME (hereinafter called "the Scheme") which was by the Definitive Deed confirmed as having come into operation as on and from 1st January 1947

(3) By Clause 4 of the Definitive Deed (as amended) the Trustees may after consulting the Actuarial Adviser at any time and from time to time with the consent of the Principal Employer alter or modify all or any of the trusts powers or provisions of the Definitive Deed or of the rules of the Scheme.

NOW THIS DEED WITNESSETH as follows:-

1. The Trustees having consulted the Actuarial Adviser pursuant to Clause 4 of the Definitive Deed and with the consent of the Principal Employer as testified by its execution of these presents HEREBY ALTER the provisions of the Definitive Deed and the Rules (hereinafter called "the Old Rules") appended to the Second Supplemental Definitive Deed with effect from 1st January 1995 in manner following that is to say

(a) by the deletion of Clauses 1 to 5 inclusive of the Definitive Deed and by the substitution therefor of the Clauses numbered 1 to 5 inclusive contained in Part 1 of the Schedule hereto

(b) by the deletion of the Old Rules and by the substitution therefor of the Rules thereto contained in Part 2 of the Schedule hereto (such Rules as so substituted being hereinafter called "the New Rules")

2. The Clauses substituted as provided in Clause 1(a) and the New Rules shall apply to all persons who

(a) on 1st January 1995 are Members under the New Rules and who on the previous day had not attained their Normal Retirement Dates (as defined in the New Rules), or

(b) on or after 1st January 1995 become Members under the New Rules, or

(c) derive entitlement or contingent entitlement to benefit under the Scheme through a person to whom (a) or (b) above applies, or

(d) not being persons to whom (a), (b) or (c) of this Clause applies first become entitled or prospectively entitled to benefit under the Scheme on or after 1st January 1995

and any such person entitled or prospectively entitled to benefit under the Old Rules on special terms or in consequence of a transfer payment having been made to the Scheme or in other circumstances appearing to the Trustees to be appropriate shall unless and to such extent as the Trustees with the agreement of the Principal Employer otherwise determine continue to be so entitled or prospectively entitled to benefit under the corresponding provisions of the New Rules

3. (a) If a person

(i) was a Member who on or before 1st January 1995 ceased to be a Member by retirement or otherwise, or

(ii) has become entitled or contingently entitled to a pension or other benefit under the Scheme on the death of an individual to whom (i) above applies,

the amounts and terms and conditions of the benefits of that person (a "Pre-amendment Beneficiary") under the Scheme shall be determined by reference to the applicable Deeds referred to in the recital of this Deed as modified by any relevant literature issued by any of the Participating Employers (as defined in the New Rules), the Pension Schemes Act 1993, the Income and Corporation Taxes Act 1988 and any other relevant statute or other requirements of the Inland Revenue or the Occupational Pensions Board.

(b) the powers under Sub-rules 10(C), 11(B) and 11(C) and Rules 16, 27 and 28 of the New Rules shall (where appropriate) be available to the Trustees in respect of any such person, and

(c) in the event of the expiration of the Perpetuity Period (as defined in the New Rules) or the cessation of payment of contributions to the Scheme by one or more of the Participating Employers (as defined in the New Rules) and whether or not in respect of a specified category of persons the amount of and the terms and conditions appropriate to any benefit applicable under the Scheme to any person to whom such cessation of contributions applies but to whom Clause 2 hereof does not apply shall be determined in accordance with the New Rules

IN WITNESS whereof these presents have been duly executed as a deed the day and year first above written

THE COMMON SEAL of LAZARD BROTHERS & CO., LIMITED
was hereunto affixed in the presence of:-

Director

Secretary

SIGNED and DELIVERED as a deed
by the above named MICHAEL ERNEST WHITEHEAD
in the presence of:-

M W Trueblood
23 Landrock Road
Crouch End
London N8

SIGNED and DELIVERED as a deed
by the above named JONATHAN AISTROPE KITCHEN
in the presence of:-

M W Trueblood
23 Landrock Road
Crouch End
London N8

SIGNED and DELIVERED as a deed
by the above named HILARY CHRISTINE BYRNE BRITTON
in the presence of:-

Hilary C Britton

MW Trueblood
23 Landrock Road
Crouch End
London N8

SIGNED and DELIVERED as a deed by
the above named NEIL THOMAS LUKES
in the presence of:-

Neil T. Lukes

MW Trueblood
23 Landrock Road
Crouch End
London N8

THE SCHEDULE - PART 1
Substituted clauses

1. (a) The Scheme shall be administered in accordance with the provisions of this Deed and of the Rules for the time being in force. A print of the Rules effective as on and from 1st January 1995 is annexed hereto.

(b) The Rules shall be deemed to be incorporated into and form part of this Deed which shall be read and construed accordingly.

(c) The definitions contained in the Rules shall apply to any expressions so defined appearing herein.

2. The Principal Employer hereby covenants with the Trustees to observe and perform such of the provisions herein and in the Rules contained as are thereunder to be observed and performed by the Principal Employer.

3. The Fund shall be held by the Trustees UPON IRREVOCABLE TRUST (subject to the payment of all expenses properly incurred in connection with the Scheme and not recovered under the Rules) to apply the income and if and so far as necessary the capital of the Fund in or towards providing benefits in accordance with the Scheme.

4. After consulting the Actuarial Adviser having regard to the maintenance of the solvency of the Fund the Trustees may at any time and from time to time with the consent of the Principal Employer alter or modify all or any of the trusts, powers or provisions of this Deed or of the Rules and any such alteration or modification may have retrospective effect. Any such alteration or modification shall be made by deed executed by the Trustees and by the Principal Employer

Provided always as follows:-

(a) nothing herein or in the Rules contained shall authorise nor shall this Deed or the Rules be altered or modified so as to authorise the payment of any part of the Fund in any circumstances to any Participating Employer except as provided in Rule 31 (Lien on Benefits).

(b) no such alteration or modification shall be made as shall operate to effect a change of the main purpose of the Scheme from that of providing pensions and benefits as set out in the Recital to the Trust Deed dated the 3rd day of April 1947.

(c) if notice in writing of any such alteration or modification shall be given in a form agreed by the Trustees and the Principal Employer to persons affected thereby the trusts powers and provisions of this Deed and of the Rules shall pending the execution of the Deed be deemed to be altered or modified in such manner and to such extent as the Trustees shall determine to give effect to the provisions set out in such notice Provided that approval of the Scheme by the Board of Inland Revenue under the Act is not thereby prejudiced. The decision of the Trustees as to matters of interpretation of such notice and all matters arising in connection with the provision of any benefits referred to therein shall be final and conclusive.

5. The Fund shall be dissolved and the affairs thereof wound up and the trusts hereinbefore declared shall be determined in the events provided in the Rules and the moneys constituting the Fund shall be applied in the manner provided by the Rules. Otherwise the said trusts shall continue only during the perpetuity period namely whichever is the longer of:

(a) the period expiring nineteen years after the death of the survivor of the issue meaning the lineal descendants living on 3rd April 1947 of his late Majesty King Edward the Seventh and

(b) the period expiring on the date upon which the Scheme ceases to qualify for exemption from the operation of the rule of law relating to perpetuities under section 163 of the Pension Schemes Act notwithstanding that the Scheme may thereby be treated as continuing to so qualify.

THE SCHEDULE - PART 2

RULES

PART I - CONSTRUCTION, INTERPRETATION AND DEFINITIONS

TRUST DEED AND RULES
- construction

1. (A) In the construction of the Scheme, unless there is something inconsistent in the subject matter or the context the expressions defined in the Rules shall have the meanings attributed to them by the appropriate definition and words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine gender. Any reference in the Trust Instrument or the Rules to any Act of Parliament or any part or section of one or any statutory regulation includes

   (1) where appropriate, any earlier corresponding legislation,

   (2) any statutory modification or re-enactment thereof for the time being in force, and

   (3) any corresponding enactment, regulation or order of Northern Ireland.

For the avoidance of doubt the Trust Instrument and the Rules shall be read and construed as if Section 15 of the Family Law Reform Act 1969 applied to them.

- interpretation

(B) (1) The headings and marginal notes to the Rules and references thereto in the Rules shall not affect the interpretation of them.

(2) Any terms used in the Rules as a measure of annual earnings and Member's Ordinary Contributions in calculating the benefits of a Class A Member are to be interpreted as limiting those earnings to the permitted maximum as defined in section 590(2) of the Act (known as the earnings cap).

- right to information

(C) Any person entitled or prospectively entitled to benefits under the Scheme and any independent trade union recognised to any extent for the purposes of collective bargaining in relation to Members and prospective Members is entitled under the Disclosure Requirements, to information about the constitution of the Scheme, its administration and finances and the rights and obligations that may arise under it. The

Trustees shall make the information available in a manner and on a basis which satisfies the Disclosure Requirements.

DEFINITIONS

2. "Accrued Guaranteed Minimum" means,

(a) in relation to a Member that part of his Scheme Guaranteed Minimum (excluding any prospective increases in it) which had accrued at the date his Contracted-out Employment ended,

(b) in relation to a Member's widow, half of the amount applicable to the Member under (a) above,

(c) in relation to a Member's widower half of the amount applicable to the Member under (a) above which is attributable to earnings for the 1988/89 Tax Year and later Tax Years.

"the Act" means the Income and Corporation Taxes Act 1988 and approval under the Act means approval as an exempt approved scheme by the Board of Inland Revenue under Chapter I of Part XIV of the Act.

"Actuarial Advice" means advice given by an Actuarial Adviser (as hereinafter defined).

"Actuarial Adviser" means the Actuarial Adviser or actuaries for the time being appointed or nominated to the Scheme under Sub-rule 45(A) (appointment and removal of officers).

"Anti-franking Minimum" means the Anti-franking Minimum as defined in Sub-rule 56(F).

"Associated Employer" means any corporation, company or firm

(a) which is either associated in business with or directly or indirectly controlled by the Principal Employer. In the event of any question as to whether a corporation, company or firm is either associated in business with or directly or indirectly controlled by the Principal Employer a certificate under the hand of the chairman or any two directors of the Principal Employer shall be conclusive evidence of the facts therein stated, or

(b) which the Principal Employer has, with the consent of the Board of Inland Revenue, determined shall for any period be treated as an Associated Employer for the purposes of the Scheme.

"Associated Scheme" means Associated Scheme as defined in Sub-rule 55(A) (Inland Revenue Limits).

"Average Fluctuating Emoluments" for a Member means one-third of the total of the Member's Fluctuating Emoluments for the period of 3 complete Scheme Years (or if the Member's period of Service is less than 3 complete Scheme Years that shorter period) immediately preceding the date on which the Member leaves the Scheme or, if earlier, the Normal Retiring Date. The Principal Employer may substitute a longer period for that specified above in which case the appropriate fraction of the total Fluctuating Emolument received for that longer period shall be used. "Fluctuating Emoluments" for each Scheme Year means the amount notified to the Member after the end of that Scheme Year as being the amount to which the Member is entitled arising from his participation in the Principal Employer's profits in relation to that Scheme Year, but excluding (a) any amounts so arising which have been consolidated into the Member's basic salary, and (b) any other amounts which the Principal Employer has decided are not pensionable.

"Child" means, in relation to a Member,

(a) any legitimate child of the Member including a child en ventre sa mere at the date of the Member's death, or

(b) any legally adopted child of the Member, or

(c) any illegitimate child of the Member (including a child en ventre sa mere) provided that the Trustees are satisfied that at the time of the Member's death such child was dependent (or would have been if he had then been born) upon the Member for all or any of the ordinary necessaries of life, or

(d) if the Trustees so decide, any other child in relation to whom, in the opinion of the Trustees, the Member stood in loco parentis at the time of his death.

provided that:-

(1) a person shall qualify as a Child only

(a) until the age of 16 years, or

(b) during any period after attaining age 16 and before attaining age 21 during which he is in receipt of full-time education or vocational training as the Trustees may in their discretion determine;

(2) "Children" has a corresponding meaning;

(3) in relation to any Member the expression "Child" shall not include any child born after contributions by the relevant Participating Employer cease under Rule 52, unless the child is at such date en ventre sa mere, and

(4) the Trustees may decide that any Child who was not dependent on the Member at the time of his death shall be disregarded.

"Child's Allowance" means Child's Allowance as defined in Rule 14.

"Class A Member", "Class B Member" and "Class C Member" have the meanings shown in Sub-rule 55(A) (Inland Revenue limits).

"Commencement Date" means 1st January 1947.

"Contracted-out Employment" means employment which is treated as contracted-out employment by reference to the Scheme for the purposes of the Pension Schemes Act including any period of employment which is so treated for the purposes of section 14(1) thereof by reason of the transfer to the Scheme of accrued rights from another scheme.

"Deferred Pension" means Deferred Pension as defined in Sub-rule 9(A).

"Dependent Relative" means, in relation to a person, any one or more of the following:-

(a) a child including a stepchild and a lawfully adopted child of such person who is under the age of 18 years or is for the time being a student engaged in full-time education or vocational training, and

(b) any person who in the opinion of the Trustees was dependent on such first mentioned person for all or any of the ordinary necessaries of life.

"Disclosure Requirements" means the requirements as to disclosure of information about the Scheme and the form of that information, contained in section 113 of the Pension Schemes Act and the Occupational Pension Schemes (Disclosure of Information) Regulations 1986.

"Early Retirement Pension" means Early Retirement Pension as defined in Rule 7.

"Eligible Employee" means a person in the service of any of the Participating Employers who satisfies the condition set out in Sub-rule 3(A)(1), and may include a director of any of the Participating Employers provided that such inclusion will not prejudice approval of the Scheme under the Act and for the purposes of the Scheme any such director shall be deemed to be in the service of a Participating Employer.

The decision of the Principal Employer as to whether or not a person is in the service of any of the Participating Employers shall be conclusive.

"Equivalent Pension Benefits" means Equivalent Pension Benefits as defined in Rule 57 (Contracting-out of the old State graduated scheme).

"Final Pensionable Salary" means

(1) for a Member who has joined the Principal Employer's A or B Parts bonus arrangements (and such other bonus arrangements as the Principal Employer specifies from time to time) and who has agreed to a change in the method of calculating his Final Pensionable Salary, the greater of

(a) the amount notified by the Principal Employer to the Trustees as the amount of the Member's basic salary for the period of 12 months ending on the earlier of his Normal Retiring Date and the date he leaves the Scheme, and

(b) the amount notified by the Principal Employer to the Trustees as the annual rate of his basic salary at the date of joining the specified bonus arrangement, plus the Member's Average Fluctuating Emoluments calculated as though he left the Scheme on that date;

(2) for any Member not covered by (1) above the sum of

(a) the amount notified by the Principal Employer to the Trustees as the amount of the Member's basic salary for the period of 12 months before the Normal Retiring Date or, if earlier, the date of leaving the Scheme, and

(b) the Member's Average Fluctuating Emoluments.

<u>"Fund"</u> means the monies and other assets subject to the trust established by the Trust Instrument.

<u>"GMP Increase"</u> means

(a) in relation to a Member whose Contracted-out Employment ends before Pensionable Age or whose pension under the Scheme is due to commence after Pensionable Age, the difference between his Scheme Guaranteed Minimum and his Accrued Guaranteed Minimum;

(b) in relation to the widow or widower of a Member to whom paragraph (a) applies, the difference between the Scheme Guaranteed Minimum and the Accrued Guaranteed Minimum.

<u>"Guaranteed Minimum"</u> means, in relation to a Member or a Member's widow or widower, the appropriate guaranteed minimum including any increases and prospective increases in the amount thereof ascertained in accordance with Rule 56 (Contracting-out of the State earnings related pension scheme). For the purposes of calculating the amount of the Guaranteed Minimum at any date:

(a) any prospective increases under paragraph (2) of Sub-rule 56(C) (which relates to increases after Pensionable Age under section 109 of the Pension Schemes Act) shall be excluded, and

(b) any part of that guaranteed minimum which relates to a period after 5th April 1988 shall be disregarded in the case of a Member who has voluntarily left the Scheme under Sub-rule 3(C) and exercised his Statutory Transfer Option inclusive of rights to that part of the guaranteed minimum.

For the purposes of determining whether a yearly pension under the Scheme is less than the Guaranteed Minimum the amount of the Guaranteed Minimum shall be the annual equivalent (as determined by the Trustees) of its weekly rate.

"Guaranteed Minimum Pension" means, in relation to a Member or his widow or widower, his or her pension under the Scheme to the extent to which its weekly rate is equal to the Guaranteed Minimum and shall to that extent include accrued rights conferring prospective entitlement under the Scheme to the pensions to be provided for him and his widow or widower.

"Ill-health" includes such partial or total incapacity arising out of accident or mental or physical disability as the Principal Employer shall determine.

"Incapacity" means Ill-health which in the opinion of the Principal Employer is sufficiently serious to

(a) prevent a Member from following his normal occupation, and

(b) seriously impair his earning ability.

If the Principal Employer so decides, a Member can be treated as suffering from Incapacity even though this Ill-health does not satisfy condition (b).

"Index of Retail Prices" means the Central Statistical Office's index of retail prices or any other index approved for the purposes of the Scheme by the Board of Inland Revenue.

"Late Retirement Pension" means Late Retirement Pension as defined in Rule 8.

"Linked Qualifying Service" means the relevant period of service which under the provisions of the Transfer Rules is to be taken into account as linked qualifying service under the Rules.

"Lower Earnings Limit" means, in relation to a Member, his lower earnings limit for the purposes of the Pension Schemes Act.

"Member" means

(a) a person who was an Eligible Employee on 1st January 1995 and who on the previous day was a member under the Old Rules, or

(b) any other Eligible Employee who has become a Member under Rule 3,

but subject always to Sub-Rule 3(C) (Leaving the Scheme).

"Member's Contributions" means, in relation to a Member, the aggregate of:

(a) any Member's Ordinary Contributions without interest, and

(b) any Transferred Employee Contributions without interest, and

(c) (1) his Voluntary Contributions Fund (if any) and

(2) any Member's Voluntary Contribution to which Sub-rule 4(E) (segregated Member's Voluntary Contributions) does not apply.

but excluding any amount which has been refunded to the Member in his lifetime and any part thereof which the Trustees certify to relate to benefits extinguished by the Member having exercised his Statutory Transfer Option or the non-statutory transfer or buy-out option under Sub-rules 10(B) and (C).

Provided that in any case where Member's Voluntary Contributions or Transferred Employee Contributions have been paid or applied on the basis that in the event which happens such contributions shall not be taken into account in calculating the amount of any benefit or benefits under the Scheme Member's Contributions shall be reduced by an amount determined by the Trustees to be equal to the amount so paid or applied.

"Member's Ordinary Contributions" means, in relation to a Member, his contributions (if any) to the Scheme under Sub-rule 4(A) and any contributions paid by him as a condition of his membership of the Scheme under any rules which governed the Scheme before the Rules but excluding any contributions refunded to him in his lifetime.

"Member's Voluntary Contributions" means in relation to a Member his contributions to the Scheme under Sub-rule 4(B) and any voluntary contributions paid by the Member under any rules which governed the Scheme before these Rules, but excluding any contributions refunded to him in his lifetime.

"National Service" means in relation to an Eligible Employee, any period of service in any of the naval, military or air forces of the Crown or, unless the Principal Employer otherwise determines, of compulsory employment for war purposes in full-time civil defence or industrial duties pursuant to statute or such other period of service for National purposes as the Principal Employer shall determine.

"Normal Retirement Date" means a Member's 60th birthday.

"Normal Retirement Pension" means Normal Retirement Pension as defined in Rule 6.

"Old Rules" means the rules of the Scheme which were in force on 31st December 1994.

"Paid-up Policy" means a policy of insurance or annuity contract in the name of a person or persons (or in the name of trustees of a trust for his or their benefit) entitled or prospectively entitled to a benefit or benefits under the Scheme and providing, as may be appropriate, one or more of the following benefits, namely an annuity, a lump sum payable on the date upon which a lump sum was prospectively payable under the Scheme, or a lump sum payable on death Provided that

(a) the amount of any benefit shall not exceed the amount determined by the Trustees to be the maximum amount which, having regard to Sub-rule 32(A) (Inland Revenue limits), could have been payable under the Scheme by reference to the period of service with a Participating Employer appropriate at the date of purchase or provision of the policy or contract to the employee by reference to whose service the benefit applies,

(b) the policy or contract satisfies the requirements of the Board of Inland Revenue or the liabilities undertaken by the insurance company correspond with the benefits under the Scheme which the policy or contract is intended to secure,

(c) any lump sum benefit payable on the death of a person shall be payable to his personal representatives or as otherwise arranged with the relevant insurance company,

(d) the policy or contract may be assigned or surrendered only

(1) with the written consent of the Member, and

(2) if the benefits previously secured by the policy or contract become secured or are replaced by benefits under one or more of (i) another policy or contract of a like nature to a Paid-up Policy, and (ii) subject to the conditions specified or referred to in regulation 2 of the Occupational Pension Schemes (Discharge of Liability) Regulations 1985 an occupational pension scheme, a personal pension scheme or a self-employed pension arrangement,

(e) any annuity may be commuted only if

(1) it has become payable and is a Trivial Pension, or

(2) it has become payable and the commutation does not apply to any part of it which represents a Guaranteed Minimum Pension, the Member has requested or consented to the commutation, and

(A) he has attained the age of 50, or

(B) his earning capacity has been destroyed or seriously impaired, or

(C) he is in exceptional circumstances of serious ill- health; or

(3) any other conditions considered suitable by the Occupational Pensions Board are met,

(f) the relevant insurance company shall assume an obligation to the Member or to the trustees of a trust for his benefit to pay the benefits to him or, where appropriate, to his dependants or to the trustees of such a trust,

(g) the policy or contract shall give effect to provisos (a) to (f) above,

(h) the policy or contract shall be issued by an insurance company which is carrying on ordinary long term insurance business in the United Kingdom or any other member state of the European Community.

(i) if the policy or contract is intended to provide Guaranteed Minimum Pension, it shall include, or be endorsed with, terms to the effect that the annuity for the Member or his widow or widower will not be less than the Guaranteed Minimum and that any increase in the Guaranteed Minimum Pension under section 109 of the Pension Schemes Act will result in a similar increase in the annuity,

(j) it contains or is endorsed with either

(1) a statement of the total length of the period or periods of service which gave rise to the benefits secured by it, or

(2) where that total length exceeds 2 years a statement to that effect,

(k) for the purposes of this definition "Member" includes any person by reference to whose employment the Trustees have accepted a transfer of assets under the Scheme.

"Participating Employer" means the Principal Employer or any Associated Employer which is participating in the Scheme in accordance with the provisions of Rule 48 or any corresponding provisions under any rules which governed the Scheme before the Rules and in relation to any Member means any of the Participating Employers in whose Service he either is or was at the relevant time.

"Pensionable Age" means, in relation to a Member, the date upon which he attains pensionable age for the purposes of the Pension Schemes Act.

"Pensionable Service" means, in relation to a Member, the number of complete years and months (counted as a fraction of a year) of his Service as a Member before the earlier of the Normal Retirement Date and the date on which he leaves the Scheme Provided that for a Member who joined the Scheme before 1st January 1975, any period of Service from or after age 20 shall be included.

The Principal Employer shall finally determine in relation to any Member the period which is to be counted as Pensionable Service.

"Pension Schemes Act" means the Pension Schemes Act 1993.

"Perpetuity Period" means the perpetuity period applicable to the Scheme referred to in the Trust Instrument.

"Principal Employer" means LAZARD BROTHERS & CO., LIMITED or, provided that approval of the Scheme under the Act is not thereby prejudiced, any corporation, company or firm which, upon any purchase, amalgamation, reconstruction, reorganisation or otherwise, shall have covenanted with the Trustees to observe and perform such of the provisions of the Trust Instrument and the Rules as are thereunder to be observed and performed by the Principal Employer.

"Qualifying Dependant" means, in relation to a Member, any Dependant Relative other than the Widow or Widower.

"Qualifying Member" means a Member

(a) whose last or only period of Pensionable Service is at least 2 years and for this purpose any Linked Qualifying Service not otherwise included is added to Pensionable Service, or

(b) for whom the Trustees have accepted a transfer of assets under the Transfer Rules from a personal pension scheme within the meaning of section 1 of the Pension Schemes Act, or

(c) who completed a previous period of Pensionable Service which, when it ended, qualified him for pension under the Scheme unless that period is to be ignored under (2) below.

For the purposes of this definition:

(1) separate periods of Pensionable Service are added together and treated as one if

(A) between them there is a break of less than one month, or

(B) the break corresponds to the Member's absence from work wholly or partly because of pregnancy or confinement, she returns to work in exercise of her right to return under Part III of the Employment Protection (Consolidation) Act 1978 and she re-enters Pensionable Service not more than one month after returning to work, or

(C) the break corresponds to the Member's absence from work in furtherance of a trade dispute as defined in section 19(2)(b), Social Security Act 1975 unless the previous period of Pensionable Service is to be ignored under (2).

(2) A previous period of Pensionable Service is ignored if all the Member's accrued rights for that period have been

(A) transferred to another occupational pension scheme or to a personal pension scheme, or

(B) secured under a Paid-up Policy, or

(C) extinguished by the payment of a lump sum or a state scheme premium under the Pension Schemes Act.

"Revaluation Increase" means:

(1) for a Member who leaves the Scheme (other than by death) at least one year before his Normal Retirement Date, and

(2) for the widow or widower of a Member to whom (1) above applied and who died while receiving a pension from the Scheme which commenced at Normal Retirement Date;

an amount calculated using the formula:

A x (B - C)

Where:

A is the percentage specified in the last order made under paragraph 2 of Schedule 3 of the Pension Schemes Act before the Member's Normal Retirement Date applicable to a revaluation period of the number of complete years in the period beginning on the day after the Member leaves the Scheme and ending on his Normal Retirement Date.

B is

(1) for the Member, an amount calculated in accordance with Rule 6 (Normal Retirement Pension), and

(2) for the Member's widow or widower, 2/3rds of the amount specified in (1). If the Trustees have reduced the amount of the Spouse's Pension on account of age difference the amount hereunder shall be reduced on a similar basis.

C is the Accrued Guaranteed Minimum (if any).

For the purposes of calculating the Revaluation Increase where a notional period is to be included as part of a Member's Pensionable Service:

(a) that period shall be so treated and shall be taken to have ended immediately before his Pensionable Service would otherwise have begun

(b) if that notional period was given because of a transfer to the Scheme under the Transfer Rules, C shall include any part of the Guaranteed Minimum (excluding any prospective increases in it) when the Member's Contracted-out Employment ended which is attributable to that transfer

(c) his Early Retirement Pension or Deferred Pension shall be taken to include any resulting additional pension.

"Rules" means these Rules and any special terms for the time being in force under Sub-rule 16(B) and includes any alteration or modification thereof from time to time in force.

"Scheme" means the scheme which is established by the Trust Instrument and the Rules and which shall be known as "LAZARD BROTHERS & CO., LIMITED STAFF PENSION SCHEME".

"Scheme Guaranteed Minimum" means

(a) in relation to a Member, that part of his Guaranteed Minimum which relates to his Contracted-out Employment as a Member

(b) in relation to a Member's widow, half of the amount applicable to the Member under (a) above,

(c) in relation to a Member's widower, half of the amount applicable to the Member under (a) above which is attributable to earnings for the 1988/89 Tax Year and later Tax Years.

"Scheme Year" means

(a) any period of one year commencing on either

(1) the Commencement Date, or

(2) any other date which the Trustees may at any time select,

and on each anniversary of that date, and

(b) for the Scheme's first or final Scheme Year or where there is a change in the date on which the Scheme Year begins, any other period selected by the Trustees exceeding 6 months but not exceeding 18 months. Benefits and contributions applicable to a Scheme Year of more or less than 12 calendar months will be adjusted in proportion to the period by which the Scheme Year exceeds or is less than 12 calendar months.

"Service" means continuous service with one or more Participating Employers Provided that (a) service which is interrupted only by National Service shall be deemed to be continuous service, (b) in the case of a Participating Employer first included in the Scheme after the Commencement Date any period of Service with such Participating Employer prior to inclusion in the Scheme shall count as Service if and to such extent and for such purposes as the Principal Employer shall determine but subject thereto any such period shall be excluded, and (c) the Principal Employer shall finally determine, in relation to any Eligible Employee, the date of commencement of Service and the period to be counted as Service.

<u>"Spouse's Pension"</u> means Spouse's Pension as defined in Rule 14.

<u>"Statutory Transfer Option"</u> means the right conferred by Chapter IV Part IV of the Pension Schemes Act and which is described in Sub-rule 10(A).

<u>"Tax Year"</u> means tax year for the purposes of the Pension Schemes Act.

<u>"Transfer Rules"</u> means Rule 27 and any provisions permitting a transfer of assets to the Scheme from another retirement benefits scheme contained in any provisions which governed the Scheme before these Rules.

<u>"Transferred Employee Contributions"</u> means Transferred Employee Contributions as defined in Rule 27 (transfers from another scheme) and includes such part of any amount transferred into the Scheme in respect of a Member under the Transfer Rules (other than Rule 27) as may, in accordance therewith, have been deemed by the Trustees to be attributable to employees' contributions.

<u>"Trivial Pension"</u> means, in relation to any person a pension which when added to

(a) all pensions payable under Associated Schemes, and

(b) the pension equivalent as determined by the Trustees of all other benefits applicable in respect of such person during his lifetime under the Scheme or Associated Schemes,

is not more than £260 per annum or such other amount as may be prescribed from time to time by regulations made under section 21(1) and section 77(6) of the Pension Schemes Act and which will not prejudice approval of the Scheme under the Act but so that

(1) for the purposes of deciding at a date earlier than the Normal Retirement Date whether a pension under or arising from the Scheme is a Trivial Pension the amount of any pension which includes a guaranteed minimum pension for the purposes of section 14 of the Pension Schemes Act shall be deemed to be the amount which in accordance with the Rules or the rules of any Associated Scheme (as appropriate) will apply at Pensionable Age but disregarding the effect of any provision under the Scheme or Associated Schemes for increases in the amount of any such pension prior to Pensionable Age which are not required in order to comply with the contracting-out requirements of the Pension Schemes Act,

(2) no pension under or arising from the Scheme shall be a Trivial Pension at a date earlier than the Normal Retirement Date

(a) if it or any pension to which the Member is entitled under any Associated Schemes includes a guaranteed minimum pension for the purposes of section 14 of the Pension Schemes Act to which an order under section 148 of the Social Security Administrators Act 1992 coming into force after such earlier date may apply, and

(b) unless all Associated Schemes under which the Member is entitled to benefit are being wound-up or he is treated by such Associated Schemes as having retired, as the case may be under the Scheme.

"Trust Instrument" means, the following:-

(a) the Trust Deed dated 3rd April 1947 made between the Principal Employer of the one part and the then trustees of the other part,

(b) the Supplemental Definitive Deed dated 6th October 1976 made between the Principal Employer of the one part and the then trustees of the Scheme of the other part, and

(c) the Second Supplemental Definitive Deed made the 29th day of May 1985 between the Principal Employer of the one part and the then trustees of the other part, and

(d) any deeds supplemental to any of the foregoing deeds.

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

PART II - JOINING AND LEAVING THE SCHEME

- joining the Scheme

3. (A) An Eligible Employee shall be eligible for admission to membership of the Scheme if he fulfils the following conditions:-

    (1) he is a permanent employee of a Participating Employer whose contract of employment specifies that he is entitled to join the Scheme,

    (2) he has reached age 25, and

    (3) he has not reached age 59, and

    (4) in his current period of Service he has not voluntarily left the Scheme under (C) of this Rule, and

    (5) he is not accruing benefits under any Associated Scheme in respect of his current period of service.

The Principal Employer may determine in any particular case that any one or more of the conditions set out above shall be waived.

Any such Eligible Employee shall be admitted to membership of the Scheme.

An Eligible Employee who does not join the Scheme when first able to do so under this Rule may join at a later date only with the consent of the Trustees and the Principal Employer.

In the case of an Eligible Employee who may become a Member only with the consent of the Trustees and the Principal Employer, the Trustees may make his membership subject to any condition as to participation in all or any of the benefits of the Scheme or otherwise which they think appropriate.

- treatment of benefits for earlier periods of Membership

(B) (1) If on becoming a Member a person is entitled or prospectively entitled to benefits under the Scheme for an earlier period of membership the provisions of this Sub-rule shall apply unless the Trustees with the consent of the relevant Participating Employer and the Member otherwise decide.

(2) The amount of any benefit or benefits applicable to each period of membership shall (subject as hereinafter provided) be calculated in accordance with the provisions of the Scheme as if each such period was the only period of membership.

(3) If on the date he rejoins the Scheme the Member is not in receipt of a pension under the Scheme the following provisions shall apply to the intent that the benefits under the Scheme applicable to each period of membership shall as far as practicable be subject to the same terms and conditions, namely,

(a) a Member who throughout the period between the date of ceasing to be a Member and the date of readmission has remained in Service shall not be entitled to any benefit under the Scheme in respect of such period but shall (subject to (b) and (c) below) remain entitled or prospectively entitled to the benefits of the Scheme in respect of the earlier period of membership.

(b) any options available under the Scheme in respect of benefits relating to an earlier period which have not been exercised on the date he rejoins shall cease to apply during a later period of membership, and

(c) options available under the Scheme in respect of benefits relating to the last period of membership shall apply in respect of any corresponding benefits to which sub-paragraph (a) above applies as if the benefits related in all respects to one period.

(4) If on the date he rejoins the Scheme the Member is in receipt of a pension under the Scheme that pension and any related benefits payable on the death of the Member shall continue to be payable on the same basis as would have applied had he not rejoined the Scheme.

- <u>leaving the Scheme</u>

(C) A Member shall leave the Scheme in the following events:

(1) if he leaves Service, or

(2) if, although still an Eligible Employee, he elects to leave the Scheme. A Member may so elect by giving written notice to the Trustees of such period (if any) as they may require. The Member

shall leave the Scheme at the end of the day on which notices expires, or

(3) if he ceases to be an Eligible Employee, or

(4) if he is suspended or absent from work for more than 12 months (or any longer period agreed by the Principal Employer if suspension or absence is due to Ill-health or National Service) unless, at the request of the Principal Employer and with the approval of the Board of Inland Revenue the Trustees decide that he need not leave the Scheme.

The benefits payable during the lifetime of a person who leaves the Scheme are specified in Rule 9 (pension or refund of contributions) and Rule 11 (lump sum on retirement) and the benefits payable on his death are specified in Sub-rules 12(B) or (D) (lump sum) and Rule 14 (dependants benefits). His options to have a transfer value paid to another scheme or to a policy are set out in Rule 10.

A person ceases to be a Member on leaving the Scheme although referred to as a Member in relation to any benefit to which he or any other person may be entitled or prospectively entitled under the Rules in respect of his membership of the Scheme.

- <u>Employment with an overseas employer</u>

(D) (1) This Sub-rule (D) applies to employees of Participating Employers which are not resident in the United Kingdom (herein referred to as "Overseas Employers") and overrides any other provisions of the Scheme which are inconsistent with it.

(2) Except as provided in (3) and (4) membership of the Scheme in relation to Service with an Overseas Employer (herein referred to as an "Overseas Employment") shall be permissible only while the Eligible Employee is chargeable to United Kingdom income tax under Case I or II of Schedule E of the Act in relation to that Overseas Employment and does not qualify for a deduction of 100 per cent. under section 193(1) of the Act.

(3) If it appears to the Trustees that a Member's remuneration from an Overseas Employment will cease to be effectively chargeable to United Kingdom income tax under Case I of Schedule E because the periods he will spend overseas are likely to qualify him for the 100 per cent. deduction under section 193(1) of the Act, the Trustees may permit his membership of the Scheme in relation to that Service to remain for up to 3 years if it appears to the Trustees that in that

period he will again become effectively chargeable to United Kingdom income tax under Case I or II of Schedule E.

(4) If a Member's membership of the Scheme in relation to an Overseas Employment ceases to be permissible under (2) or (3) above and that is his only employment with the Participating Employers, he shall thereupon leave the Scheme as provided in (C) of this Rule as if he had ceased to be an Eligible Employee, and the Trustees shall notify the Member of the fact in writing.

(5) In calculating the maximum benefits and contributions under Sub-rule 32(A) (Inland Revenue limits) in respect of a Member's Overseas Employment account shall be taken only of any period and the remuneration relating to it during which he satisfies the conditions set out in (2) or (3) above and in calculating the overall maximum benefits for a Member to whom this Sub-rule applies his Service with an Overseas Employer shall not be aggregated with any other period of his Service unless the Board of Inland Revenue agrees.

PART III - CALCULATION AND PAYMENT OF CONTRIBUTIONS

MEMBER'S CONTRIBUTIONS
- ordinary

4. (A) Unless otherwise decided by the Principal Employer and notified to Members, no Member's Ordinary Contributions shall be payable.

- voluntary
limits and payment conditions

(B) (1) Each Member shall be entitled to pay Member's Voluntary Contributions of such amount as he may decide but subject to the following conditions:

(a) the Trustees may require a Member to give written notice (of a period not exceeding 12 months) specifying the amount of Member's Voluntary Contributions he intends to pay or any variation of the rate at which he is paying them and

(b) a Member shall not be permitted to pay Member's Voluntary Contributions in any Tax Year of less than any minimum amount specified by the Trustees. That minimum amount shall not exceed the greater of 3 times the weekly rate of the Lower Earnings Limit for that Tax Year and 0.5 per cent. of the Member's earnings from the Participating Employers for that Tax Year excluding any earnings on which Class I National Insurance Contributions are not payable.

period of payment

(C) A Member shall not be permitted to pay Member's Voluntary Contributions before the date on which he becomes a Member or after the date on which he leaves the Scheme.

- benefits from Member's Voluntary Contributions

(D) After consulting the Member (if he is then living) the Trustees will choose from the list in Sub-rule 16(A)(2) (Discretionary benefits) the benefits to be given for his Member's Voluntary Contributions. The chosen benefits will be subject to the following conditions:

(1) they will be subject to the Inland Revenue limits referred to in Sub-rule 32(A), and

(2) their amount must be reasonable having regard to the amount of the Member's Voluntary Contributions and (unless the benefit or benefits are money purchase benefits) the value of the other benefits under the Scheme;

(3) they can only include a lump sum payable to the Member when his pension starts if

(a) payment of his Member's Voluntary Contributions started before 8th April 1987, or

(b) his pension under the Scheme would otherwise be a Trivial Pension, or

(c) he is in exceptional circumstances of serious Ill-health, or

(d) that would not prejudice approval of the Scheme under the Act.

For the purpose of deciding whether any Transferred Employee Contributions which represent a Member's voluntary contributions can be used to provide a lump sum payable to a Member when his pension starts, they will be treated as if he had paid them to the Scheme as Member's Voluntary Contributions.

- <u>segregated Member's Voluntary Contributions</u>

(E) (1) If the basis on which the Trustees arrange for the application of Member's Voluntary Contributions meets the segregation conditions, the additional provisions in this Sub-rule and in Rule 53(c) (treatment of segregated Member's Voluntary Contributions on winding-up) will apply to those contributions unless the Trustees decide that they will not.

The segregation conditions are:

(a) that the assets (including cash) representing the Member's Voluntary Contributions and the income from them are held by the Trustees separate from all other assets of the Fund, and

(b) that the Member's Voluntary Contributions will be used to provide benefits which are equivalent on a money purchase basis to those contributions and the investment return on them.

investment

(2) The Trustees may decide that the Member will be offered options in relation to the investment of his Member's voluntary contributions, in which case Sub-rule 39(L) shall apply. In any event, the investment under Rule 39 of each Member's Voluntary Contributions will be recorded in a separate account maintained by the Trustees. The amount standing to the credit of the Member

in that account at any time (his "Voluntary Contributions Fund") will be calculated on the basis considered by the Trustees to be appropriate having regard to the way in which the Member's Voluntary Contributions are invested.

expenses

(3) Any expenses incurred by the Trustees in investing a Member's Voluntary Contributions or changing the investment of his Voluntary Contribution Fund or using his Voluntary Contributions Fund to provide benefits will be taken into account in calculating his Voluntary Contributions Fund unless and to the extent that the Principal Employer decides that Rule 47 (Scheme expenses) will apply to those expenses.

methods of securing benefits

(4) The benefits chosen by the Trustees under Sub-rule (D) of this Rule will be provided in one or more of the following ways as the Trustees decide consistent with approval of the Scheme under the Act:

(a) by being paid out of the Member's Voluntary Contributions Fund as and when they are due;

(b) by securing them under the Scheme on the basis that the appropriate part of the Member's Voluntary Contributions Fund will be merged with the other assets of the Fund. That appropriate part will be calculated by the Trustees on the advice of the Actuary;

(c) by using all or part of the Member's Voluntary Contributions Fund to secure them under an annuity policy or policy of assurance under Rule 39 (Investment of Fund) or under Rule 24 (Securing benefits outside the Scheme by purchase of policies).

surplus voluntary contributions

(F) (a) A Member's Voluntary Contributions are subject to the provisions of Part III of Schedule 6 to the Finance Act 1989 concerning the return of surplus funds in the same manner as if those provisions applied directly to the Scheme (whether or not this is the case).

(b) The Trustees (or other administrator of the Scheme for the time being) shall also comply with the requirements of regulation 5 of the Retirement Benefits Schemes (Restriction on Discretion to Approve) (Additional Voluntary Contributions) Regulations 1993 and where the scheme is a leading scheme in relation to a Member, with the requirements of regulation 6 of those regulations in so far as they concern main schemes.

For this purpose the expressions leading scheme and main scheme have the meanings set out in regulation 2 of those regulations.

(c) The Trustees shall further operate the Scheme and adjust any benefits payable to or in respect of any Member and pay to the Member (or to the Member's personal representative in any case where the Member is dead) such amount as is determined to be a surplus representing voluntary contributions paid by the Member in such manner in all respects as they determine necessary to meet any requirements imposed by the Board of Inland Revenue as a condition of approval of the Scheme.

- collection

(G) Each Participating Employer shall collect from the Members in its Service (by deduction from their earnings or otherwise) the contributions payable by such Members under this Rule and pay them to the Trustees in such manner and at such intervals as the Trustees may require.

- unpaid

(H) In any case where contributions being payable by a Member under the Rules in any Scheme Year have not been fully paid the amount of any benefit or benefits payable in respect of the Member under the Scheme shall be adjusted to such amount as the Trustees shall determine to be appropriate to the circumstances having regard where appropriate to the contracting-out requirements of the Pension Schemes Act.

- maximum yearly contributions

(I) The total contributions payable by a Member are subject to the limits and restrictions referred to in Sub-rule 32(A).

EMPLOYER'S CONTRIBUTIONS

5. Subject to the agreement of the Principal Employer, each of the Participating Employers shall pay to the Trustees such contributions in each Scheme Year as may from time to time in the opinion of the Trustees (having regard to Actuarial Advice and after taking into account the assets of the Fund) be required

(a) to enable the benefits of the Scheme to be maintained, and

(b) to meet the administrative and management expenses of the Scheme unless the Principal Employer has determined, in accordance with Rule 47, that they shall be borne by the Participating Employers.

The sums payable by each of the Participating Employers shall be agreed between them, or (in default of such agreement) shall be determined from time to time by the Principal Employer.

PART IV - CALCULATION AND PAYMENT OF BENEFITS

Subject to the provisions of the Rules the following benefits shall become payable according to the event which happens.

NORMAL RETIREMENT PENSION

6. On retirement from Service on the Normal Retirement Date a Member shall be entitled to a yearly pension (herein referred to as the "Normal Retirement Pension") payable as stated in Rule 17 for the remainder of his life.

The Normal Retirement Pension shall be equal to:-

(A) In the case of a Member who became a Member before 1st January 1990:-

(1) If the Member has completed 25 years' or more Pensionable Service, 2/3rds of Final Pensionable Salary

(2) for any other Member 2/3rds of Final Pensionable Salary multiplied by x/25ths, where x is Pensionable Service.

(B) In the case of a Member who became a Member after 31st December 1989:-

(1) if the Member has completed 35 years' or more Pensionable Service, 2/3rds of Final Pensionable Salary

(2) for any other Member 2/3rds of Final Pensionable Salary multiplied by x/35ths where x is Pensionable Service.

or, in any case, such lower amount as the Trustees decide is necessary to comply with Sub-rule 32(A) (Inland Revenue limits).

Any part of the Normal Retirement Pension (less any pension which is converted into a lump sum or surrendered to provide dependant's pension) less the Scheme Guaranteed Minimum shall increase on a compound basis on each 1st January at the rate of 5 per cent. or, if less, the percentage increase in the Index of Retail Prices in the period of 12 months ending on the immediately preceding 31st October or any other date selected by the Trustees (subject to a minimum increase of 3 per cent. per annum compound) If the Member's Normal Retirement Pension has been payable for less than a complete year that increase will be proportionately reduced by reference to the actual period of payment and the Trustees may calculate that proportion on any approximate basis they consider appropriate.

If the Member's Contracted-out Employment ends before Pensionable Age the yearly pension payable under this Rule will, if necessary, be increased from Pensionable Age so that it is not less than the Member's Anti-franking Minimum calculated in accordance with Sub-rule 56(F)

EARLY RETIREMENT PENSION

7. On retirement from Service before the Normal Retirement Date, then if the Principal Employer agrees that the Member may be offered an immediate pension and such retirement occurs

(A) on or after the Member's 50th birthday, or

(B) on account of Incapacity,

a Member shall subject as herein provided be entitled if he shall so elect, as an alternative to the benefit under Rule 9 (Benefits on leaving the Scheme), to a yearly pension (herein referred to as the "Early Retirement Pension"). The Early Retirement Pension shall be payable as stated in Rule 17 for the remainder of the life of the Member.

The Early Retirement Pension shall (except as provided below) be calculated as follows:

(a) where retirement is not due to Incapacity, using the formula

$$\frac{a \times b}{c}$$

reduced by ⅓ per cent. for each complete month by which the Member's date of retirement precedes his Normal Retirement Date.

(b) where retirement is due to Incapacity, using the formula:

$$\frac{a \times b}{c}$$

where

a is an amount calculated in accordance with Rule 6 (Normal Retirement Pension) excluding any application of the Anti-franking Minimum) but as if the Member's Pensionable Service is c

b is Pensionable Service

c is the period which would have been Pensionable Service had the Member remained in Service and not left the Scheme until Normal Retirement Date

The Early Retirement Pension (less any pension which is converted into a lump sum or surrendered to provide dependant's pension) shall be increased as stated in Rule 6.

The Early Retirement Pension calculated as set out above will, if necessary, be increased so that its value is not less than the value of the Deferred Pension to which the Member would have been entitled if he had not elected to have an Early Retirement Pension.

LATE RETIREMENT PENSION

8. In the event of retirement from Service being postponed until after his Normal Retirement Date, a Member shall be entitled to a yearly pension (herein referred to as the "Late Retirement Pension") on such retirement except that a Member whose retirement has been so postponed shall be treated as having retired for the purposes of this Rule

(A) in the case of a Member who is a Class B or Class C Member (including a Member who is a Class B or Class C Member for the purposes of this paragraph by virtue of Sub-rule 31(C) (Inland Revenue limits))

(1) on the Member's 70th birthday in the case of a male or 65th birthday in the case of a female if his retirement is to be postponed beyond that date, unless he elects not to be so treated, or

(2) with the consent of the Principal Employer and at the discretion of the Trustees, on such date occurring on or after the Normal Retirement Date and before his retirement as the Member may select.

(B) in the case of a Member who is a Class A Member (including a Member who is a Class A Member for the purposes of this paragraph by virtue of Sub-rule 32(C)) on the earlier of the actual date of retirement and the Member's 75th birthday except that payment of the Member's Guaranteed Minimum Pension may not be postponed beyond a male Member's 70th birthday or a female Member's 65th birthday without the Member's agreement.

The Late Retirement Pension will be payable as stated in Rule 17 for the remainder of the life of the Member and will be an amount calculated in accordance with Rule 6 (Normal Retirement Pension) (but excluding any application of the Anti-franking Minimum) as at Normal Retirement Date and increased by an amount decided by the Trustees and confirmed by the Actuarial Adviser to be reasonable on account of payment from a date later than the Normal Retirement Date.

The Late Retirement Pension shall increase from its commencement on the basis set out in Rule 6 as if it were a Normal Retirement Pension.

The Late Retirement Pension will, if necessary, be increased from its commencement (or, if later, from Pensionable Age) so that it is not less than the Member's Anti-franking Minimum calculated in accordance with Sub-rule 56(F).

BENEFITS ON LEAVING THE SCHEME

9. This Rule applies to a Member who leaves the Scheme before the Normal Retirement Date without being entitled to an Early Retirement Pension. It applies whether he leaves the Scheme voluntarily or because he leaves Service or ceases to be an Eligible Employee, as provided in Sub-rule 3(C).

- Deferred Pension

(A) On a Qualifying Member leaving the Scheme he shall (subject as hereinafter provided) become entitled to a yearly pension (herein referred to as "the Deferred Pension") payable as stated in Rule 17 for the remainder of his life.

The Deferred Pension (including any discretionary increases therein made up to the date it commences) shall be an amount calculated using the formula

$$\frac{A \times B}{C} + D$$

where

A is an amount calculated in accordance with Rule 6 (Normal Retirement Pension) but excluding any application of the Anti-franking Minimum and as if the Member's Pensionable Service is C.

B is Pensionable Service.

C is the period which would have been Pensionable Service had the Member not left the Scheme until Normal Retirement Date.

D is the Revaluation Increase.

The Deferred Pension shall increase after Normal Retirement Date on the basis set out in Rule 6 as if it were the Normal Retirement Pension.

The Deferred Pension will, if necessary, be increased from Normal Retirement Date (or if later from Pensionable Age) so that it is not less than the Revaluation Increase (if any) plus the Member's Anti-franking Minimum calculated in accordance with Sub-rule (F)(2) of Rule 56 - (Contracting-out of the State Earnings Related Pension Scheme).

A Member shall become entitled to the Deferred Pension only on his survival to the date from which his pension is payable under this Sub-rule or as the case may be on his survival to the alternative date selected under (B) of this Rule.

- alternative date for payment of Deferred Pension

(B) Subject as provided below, the Deferred Pension shall instead of being payable from the Normal Retirement Date be payable from such of the following dates as the Member may select by notice in writing to the Trustees before the Normal Retirement Date, namely:-

(1) a date earlier than the Normal Retirement Date but, except in cases of Incapacity, not earlier than his 50th birthday

(2) a date later than the Normal Retirement Date but not later than the earlier of:

(a) (1) in the case of a Member who is a Class B or Class C Member (including a Member who is a Class B or Class C Member for the purposes of this paragraph by virtue of Sub-rule 32(C) (Inland Revenue limits), his 70th birthday (unless he is still in Service),

(2) in the case of a Member who is a Class A Member (including a Member who is a Class A Member for the purposes of this paragraph by virtue of Sub-rule 32(C)), his 75th birthday, and

(b) the date he ceases to be in employment.

A Member shall not be permitted to select an alternative date under this Sub-rule:

(a) unless the Trustees so agree and he gives them any evidence of his present health and/or current employment which they may require, or

(b) if it would result in the pension payable under the Scheme to him or to his widow or widower being less than the Guaranteed Minimum, or

(c) if he is in Service and the alternative date is before his Normal Retirement Date.

If payment of the Deferred Pension begins before or after Normal Retirement Date, its amount and terms and conditions and the amount of any benefit payable on the Member's death shall be determined by the Trustees having regard to Actuarial Advice and the contracting-out requirements of the Pension Schemes Act and shall be notified in writing to the Member. The value of the benefits payable to or in respect of the Member shall not be less than it would have been if the Deferred Pension had been payable from Normal Retirement Date.

- non-qualifying Members

(C) On a Member who is not a Qualifying Member leaving the Scheme before the Normal Retirement Date he shall become entitled to a yearly pension payable as stated in Rule 17 from Pensionable Age for the remainder of the Member's life of an amount equal to the Guaranteed Minimum unless a contributions equivalent premium has been paid or credited as paid, in respect of the Member under section 55(2) of the Pension Schemes Act.

He will also be entitled to receive a refund of Member's Contributions (if any) which will be paid on the date of leaving the Scheme or as soon as practicable thereafter.

TRANSFER AND BUY OUT OPTIONS ON LEAVING THE SCHEME
- statutory option

10. (A) A Member who leaves the Scheme at least one year before Normal Retirement Date has the right conferred by Chapter IV Part IV of the Pension Schemes Act (referred to herein as "the Statutory Transfer Option") to take the cash equivalent of part or all of his benefits under the Scheme. Unless a Member's Statutory Transfer Option is lost as set out below it remains available until the later of one year before his Normal Retirement Date and the date which is 6 months after the date he leaves the Scheme if that date was at least 12 months before Normal Retirement Date. A Member's Statutory Transfer Option is lost if:-

(1) he rejoins the Scheme after not more than one month;

(2) in the case of a female Member who has been absent from work due to pregnancy, her Service again becomes Pensionable Service because she exercises her statutory right to return to work;

(3) any part of his pension or benefit instead of pension becomes payable before Normal Retirement Date;

(4) the Scheme is wound up;

(5) the Trustees have purchased a Paid-up Policy for the Member under (D) of this Rule in substitution for all of his benefits under the Scheme.

The Statutory Transfer Option is for convenience described below.

A Member's Statutory Transfer Option is to require the Trustees to use his cash equivalent in all or any of the following ways:-

(1) to acquire benefits under an occupational pension scheme which satisfies the requirements of the Inland Revenue and, if the cash equivalent is in respect of Guaranteed Minimum Pension benefits, which satisfies the requirements set out in Sub-rule 28(E) (Transfer of GMPs);

(2) to acquire benefits under a personal pension scheme which is approved by the Board of Inland Revenue under Chapter IV, Part XIV, of the Act or otherwise satisfies the requirements of the Inland Revenue;

(3) for purchasing one or more Paid-up Policies.

A Member's cash equivalent for the purposes of the Statutory Transfer Option is the cash equivalent (calculated by the Trustees in a manner verified by an Actuarial Adviser as satisfying the statutory requirements) of:-

(a) if the Member voluntarily left the Scheme but remains an Eligible Employee

   (1) that part of any money purchase benefits which have accrued to or in respect of the Member after 5th April 1988, and

   (2) in respect of any benefits which are not money purchase benefits.

      A. in the case of benefits which accrued to or in respect of service which qualifies the Member for benefits under the Scheme, that part of those benefits which is attributable to that service after 5th April, 1988 and

      B. in the case of any other benefits (for example, transfer of credits) any part of those benefits that was credited to the Member after 5th April 1988;

(b) in any other case, the benefits which have accrued to or in respect of him under the Scheme excluding any part of them for which he has already taken the cash equivalent referred to in (a) above or taken the non-statutory transfer or buy-out option under (B) or (C) of this Rule.

The cash equivalent is reduced (to nil, where appropriate):

(1) by an amount sufficient to enable the Trustees to meet their liability for the Guaranteed Minimum Pensions of the Member and his widow or widower if the Member has not requested the Trustees to use that amount for purchasing a Paid-up Policy or for securing benefits under a contracted-out occupational pension scheme or a personal pension scheme which is appropriate for the purposes of section 7 of the Pension Schemes Act;

(2) to the extent that it represents the Guaranteed Minimum Pensions for the Member and his widow or widower liability for which has been extinguished by payment of a contributions equivalent premium under section 55(2) of the Pension Schemes Act.

A Member may only exercise his Statutory Transfer Option by application in writing to the Trustees.

The reduced Deferred Pension and the amount of any benefits payable on the death of a Member who has exercised the Statutory Transfer Option in respect only of benefits for Service after 5th April 1988 shall be calculated by the Trustees having regard to the advice of the Actuarial Adviser.

Any provision in the Rules for the Trustees to purchase or secure a Paid-up Policy (other than under Sub-rule 10(D)) or make a transfer payment to another occupational pension scheme or to a personal pension scheme in substitution for all or any of a Member's benefits under the Scheme does not apply to any benefits in respect of which he has the Statutory Transfer Option. Any such purchase or transfer payment shall only be made pursuant to the exercise by the Member of the Statutory Transfer Option.

- non-statutory transfer to another scheme

(B) With the consent of the Trustees a Member who is entitled to a Deferred Pension and who

(1) does not have the Statutory Transfer Option, or

(2) voluntarily left the Scheme but remains an Eligible Employee and has exercised the Statutory Transfer Option in relation only to benefits which for the purposes of that option are applicable to Service after 5th April 1988 (as described in (A) of this Rule)

may elect that the Trustees shall make a transfer payment under Rule 28 (Transfers to another scheme) in substitution for all or some part of the benefits otherwise payable to or in respect of him under the Scheme.

- <u>non-statutory buy-out option</u>

(C) With the consent of the Trustees a Member who is entitled to a Deferred Pension and who

(1) does not have the Statutory Transfer Option, or

(2) voluntarily left the Scheme but remains an Eligible Employee and has exercised the Statutory Transfer Option in relation only to benefits which for the purposes of that option are applicable to Service after 5th April 1988 (as described in (A) of this Rule)

may elect that the Trustees shall purchase or provide for him a Paid-up Policy instead of the benefits otherwise payable to or in respect of him under the Scheme.

In that event:

(a) The Paid-up Policy shall be issued by the insurance company chosen by the Member.

(b) The Member may elect that the benefits payable under the Paid-up Policy shall (to the extent that they exceed the Guaranteed Minimum) be different from those which would otherwise have applied to or in respect of him under the Rules (including any benefits payable on his death) but only if approval of the Scheme under the Act would not be prejudiced.

The different benefits may be so provided notwithstanding that one or more persons may thereby cease to be entitled or prospectively entitled to benefit by reference to the Member's period of membership of the Scheme or, as the case may be, become entitled or prospectively entitled to benefits of a lesser amount or subject to different terms and conditions.

(c) The Trustees may decide that the option under this Sub-rule shall apply to a part of the benefits applicable to a Member under the Scheme on such basis as they may decide but only if approval of the Scheme under the Act is not prejudiced and having regard where appropriate to the contracting-out requirements of the Pension Schemes Act.

(d) Where a Paid-up Policy is to be purchased the amount to be applied as a premium under it shall be determined by the Trustees who shall satisfy themselves that it is not less than the value of the benefits which had accrued to or in respect of the Member under the Scheme at the date the Paid-up Policy is purchased and which its purchase will extinguish.

(e) A Member for whom a Paid-up Policy has been so purchased or provided, his personal representatives and any person claiming through him shall cease to have any right whatsoever to resort to the Fund in respect of the benefits which would otherwise have been payable to or in respect of the Member under the Scheme.

Any election under this Sub-rule (C) shall be in such form and subject to such conditions as the Trustees may specify.

- buy-out option at Trustees' discretion

(D) In the case of a Qualifying Member who would not have been a Qualifying Member had the qualifying period been 5 years, the Trustees may if the conditions set out below are satisfied, purchase for the Member without his consent, a Paid-up Policy in substitution for all or some part of the benefits otherwise payable to or in respect of him under the Scheme.

The conditions referred to above are:

(1) that more than 12 months have elapsed since the Member left the Scheme, and

(2) that at least 30 days before the Paid-up Policy is to be taken out the Trustees have sent by post to the Member's last known address or delivered personally to him, written notice of their intention to take out the Paid-up Policy unless, when the Trustees enter into an agreement with the relevant insurer to take out the Paid-up Policy, the Member has made an application (which he has not subsequently withdrawn) to the Trustees to exercise his Statutory Transfer Option, and

(3) the Trustees are satisfied that the amount to be applied as a premium under the Paid-up Policy is at least equal to the value of the benefits under the Scheme which its purchase will extinguish, and

(4) the benefits which the Paid-up Policy is intended to secure are, to the extent that the Trustees think appropriate, different from the benefits under the Scheme which its purchase will extinguish.

A Member for whom a Paid-up Policy has been purchased under this Sub-rule, his personal representatives and any person claiming through him shall cease to have any rights under the Scheme in respect of any benefits for which the Paid-up Policy is in substitution.

LUMP SUM INSTEAD OF PENSION - normal basis

11. (A) A Member to whom this Sub-rule applies shall be entitled to convert into a lump sum some or all of his Normal Retirement Pension, Early Retirement Pension, Late Retirement Pension (whether immediate or prospective) or Deferred Pension (as appropriate) in excess of the Guaranteed Minimum. The lump sum shall not exceed:

- Class C Members retiring on or after NRD

(1) For a Member who is a Class C Member and who retires from Service on or after Normal Retirement Date, the fraction of his Final Pensionable Salary appropriate to his Pensionable Service according to the table below.

Pensionable Service	Fraction of Final Pensionable Salary
Years	80ths
1	3
2	6
3	9
4	12
5	15
6	18
7	21
8	24
9	30
10	36
11	42
12	48
13	54
14	63
15	72
16	81

17	90
18	99
19	108
20 or more	120

<u>Note</u>

The fraction calculated from the above table shall be increased proportionately in respect of each complete month (counting as 1/12th of a year) of Pensionable Service which is additional to the number of the Member's complete years of Pensionable Service but not so as to increase the fraction to more than 120/80ths.

- Class B Members retiring on or after NRD

(2) for a Member who is a Class B Member (other than a Member who is a Class B Member for limited purposes in accordance with paragraph (1) or (3) of Sub-rule 32(C)) and who retires from Service on or after Normal Retirement Date, an amount calculated using the following formula

$$\frac{(A - B)}{(C - B)} \times (D - E) + E$$

Where:

A is the Normal Retirement Pension or Late Retirement Pension as appropriate,

B is 1/60th of Final Pensionable Salary multiplied by the lesser of 40 and Pensionable Service,

C is 1/30th of Final Pensionable Salary multiplied by the lesser of 20 and Pensionable Service,

D is the sum equal to the fraction of Final Pensionable Salary appropriate to Pensionable Service according to the table in (1) above,

E is the sum equal to 3/80ths of Final Pensionable Salary multiplied by the lesser of 40 and Pensionable Service.

- Class B or C Members
- Incapacity Early Retirement

(3) For a Member who is a Class C member or a Class B Member (other than a Class B Member for limited purposes in accordance with paragraph (1) or (3) of Sub-rule 32(C)) who becomes entitled to an Early Retirement Pension because of Incapacity, the amount calculated according to (1) or (2) above but using the Pensionable Service he would have completed if he had not left the Scheme until Normal Retirement Date.

- other Class B or Class C Members

(4) for any other Member who is a Class C Member or a Class B Member (other than a Class B Member for limited purposes in accordance with paragraph (1) or (3) of Sub-rule 32(C), the greater of:

(a) 3/80ths of Final Pensionable Salary multiplied by Pensionable Service, and

(b) the proportion of the amount calculated according to (3) above which his Pensionable Service is of the Pensionable Service he would have completed had he not left the Scheme until Normal Retirement Date.

- Class A Members
- Incapacity Early retirement

(5) For a Member who is a Class A Member and who becomes entitled to an Early Retirement Pension because of Incapacity, the greater of:

(a) 3/80ths of Final Pensionable Salary multiplied by the Pensionable Service he would have completed had he not left the Scheme until Normal Retirement Date, and

(b) 2.25 times the yearly amount of the initial pension to which the Member would have become entitled under the Scheme if no pension had been exchanged for a lump sum or for any benefits for survivors of the Member.

- other Class A Members

(6) For any other Member who is a Class A Member the greater of:-

(a) 3/80ths of Final Pensionable Salary multiplied by Pensionable Service, and

(b) 2.25 times the yearly amount of the initial pension to which the Member would have become entitled under the Scheme if no pension had been exchanged for a lump sum or for any benefits for survivors of the Member.

The rate at which pension is converted into lump sum shall be decided by the Trustees and confirmed by the Actuarial Adviser to be reasonable.

This Sub-rule applies:-

(a) to a Member (other than a Member to whom Sub-rule (B) or (C) of this Rule applies) who becomes entitled to a yearly pension under the Scheme in which case the date for payment of the lump sum shall be the date upon which the yearly pension is due to commence or as soon as practicable thereafter, and

(b) with the consent of the Principal Employer and at the discretion of the Trustees to a Member who is a Class C Member or a Class B Member for the purposes of this paragraph and who has remained in Service after his Normal Retirement Date and who is prospectively entitled to a Late Retirement Pension in which case the Member shall be treated for the purposes of this Sub-rule as having become entitled to a Late Retirement Pension on such date as the Member shall select and the day for payment of the lump sum shall be the date selected or as soon as practicable thereafter.

- Member in serious Ill-health

(B) If a Member is in exceptional circumstances of serious Ill-health, the Trustees may at his request before his pension is due to commence, convert into a lump sum so much of it as exceeds the Guaranteed Minimum. The amount of the lump sum shall (subject to Rule 18 (Deduction of tax)) be determined by the Trustees being an amount confirmed by the Actuarial Adviser to be reasonable. The lump sum shall be payable on the date upon which the Trustees decide the pension would otherwise have commenced or as soon as practicable thereafter. This Sub-rule shall not apply to a person to whom Sub-rule (C) of this Rule applies.

- Trivial Pensions

(C) If a person is entitled to a Trivial Pension the Trustees may convert it and (where appropriate and if the Trustees so decide) any Trivial Pension contingently payable under the Scheme upon his death into a lump sum to be paid to such person. The amount of the lump sum shall (subject to Rule 18 (Deduction of tax)) be determined by the Trustees being an amount confirmed by the Actuarial Adviser to be reasonable and upon its payment each person entitled or contingently entitled to a pension so converted shall thereupon cease to be so entitled. The lump sum shall be payable on the date upon which such person's pension was due to commence (or as soon as practicable thereafter) or in the case of a pension which has commenced to be paid on such date as the Trustees may decide provided that approval of the Scheme under the Act is not thereby prejudiced.

LUMP SUM DEATH BENEFITS

12. If a Member dies the lump sum benefit (if any) specified in (A), (B), (C) or (D) (as may be appropriate) of this Rule shall be held by the Trustees subject to the provisions of Rule 13 (Payment of lump sum death benefits).

- Lump sum on death in Service before Normal Retiring Date

(A) If the Member dies in Service before Normal Retirement Date the lump sum benefit shall be equal to the Member's Contributions (if any) and shall be held by the Trustees upon trust for payment as soon as practicable to the Member's personal representatives.

- Lump sum on death after leaving the Scheme with a deferred pension but before it commences

(B) If the Member dies while prospectively entitled to a yearly pension under Rule 9 (Benefits on leaving the Scheme), the lump sum benefit shall be equal to the Member's Contributions (if any) and shall be held by the Trustees upon trust for payment as soon as practicable to the Member's personal representatives.

- Lump sum on death in Service on or after Normal Retirement Date

(C) If the Member dies in Service on or after Normal Retirement Date but before his pension under the Scheme commences, the lump sum benefit shall be equal to:-

(1) If the Member converted part of his pension into a lump sum, an amount determined by the Trustees as being the value at the date of the Member's death of the instalments of Normal Retirement Pension or Late Retirement Pension to which the Member would have been entitled if he had retired on the date of his death and survived for the period of 5 years from that date.

(2) If the Member did not convert any part of his pension into a lump sum, the total of:-

(a) the lump sum which would have been payable to him under Sub-rule 11(A) if he had retired from Service on the date of his death and had elected to receive the maximum lump sum available to him under that Sub-rule, and

(b) an amount equal to 5 times the Normal Retirement Pension or Late Retirement Pension to which the Member would have been entitled if he had retired from Service on the date of his death having received the maximum lump sum referred to in (a) above and survived for the period of 5 years from that date.

- Lump sum on death of a pensioner

(D) If the Member dies on or after the date of commencement of his pension under the Scheme the lump sum benefit shall be an amount equal to the sum of the remaining instalments of Normal Retirement Pension, Early Retirement Pension, Late Retirement Pension or Deferred Pension to which the Member would have been entitled if he had survived for the period of 5 years from the date his pension commenced. For the purposes of calculating the amount of each instalment any increase in the amount of the Member's pension which would have occurred after the date of the Member's death shall be ignored.

PAYMENT OF LUMP SUM DEATH BENEFIT

13. Any sum which is stated to be held by the Trustees subject to the provisions of this Rule shall be held by the Trustees upon and subject to the following trusts powers and provisions:

- benefits payable to personal representatives

(A) Any benefit which becomes payable on the death of a Member who last became a Member before 1st January 1990 shall be held by the Trustees on trust to pay the same as soon as practicable to his personal representatives.

- benefits which cannot be paid

(B) Any benefit or part thereof which falls to be applied in accordance with Sub-rule (A) of this Rule but which as a result of Inland Revenue limits or otherwise cannot be so paid or applied shall be retained by the Trustees for better securing the solvency of the Fund.

- benefits payable under discretionary trust

(C) Any benefit which becomes payable on the death of a Member who last became a Member after 31st December 1989 shall be held by the Trustees upon and subject to the following powers, trusts and provisions:-

(1) the Trustees shall have the following powers in respect of the whole or any part of the benefit exercisable if they shall in their absolute discretion at any time within eighteen months after the death of the Member so decide namely:-

(a) power to pay or apply the same to or for the benefit of (or by way of settlement or otherwise to trustees for the benefits of) such one or more of the Member's Dependants in such shares, upon such trusts and in such manner (including the provision of annuities) but without in any way offending the rule against perpetuities as the Trustees shall decide and

(b) power to pay the same to the Member's personal representatives.

(2) All or any part of the benefit not paid or applied under (1) above shall be held by the Trustees on trust to pay or apply the same to or for the benefit of (or by way of settlement or otherwise to trustees for the benefit of) such one or more of the Member's Beneficiaries in such shares, upon such trustees and in such manner (including the provision of annuities) but without in any way offending the rule against perpetuities as the Trustees shall decide but so that in the event of there being no Beneficiaries of the Member known to the Trustees within two years after the death of the Member the benefit shall be retained by the Trustees for better securing the solvency of the Fund.

(3) The Trustees may decide that the provisions of (2) above shall apply to all or part of any benefit notwithstanding that the period referred to in (1) above has not expired and to the extent that the Trustees do so decide the powers under (1) above shall be released accordingly. Pending payment or application hereunder of any benefit or part thereof the Trustees may vary or revoke any decision made under the trusts, powers and provisions of this Sub-rule.

(4) Any payment or application under this Sub-rule shall be made as soon as practicable within two years after the death of the Member and any amount so paid or applied shall thereupon cease to be part of the Fund provided that the Trustees may deduct therefrom any tax (and any interest thereon) for which they may be accountable before so paying or applying the same.

(5) In exercise of their discretions under this Sub-rule and without prejudice to the generality thereof the Trustees may pay the benefit or any part thereof to a person who is under age 18 or to the trustees of any trust being a trust for the benefit only of any one or more of the Member's Dependants or Beneficiaries whether or not such trust is itself of a discretionary nature or includes a provision allowing the trustees thereof to charge remuneration and a receipt given by any person or persons to whom payment is made shall be a complete discharge to the Trustees for such payment.

(6) If the Trustees so decide any expenses incurred in connection with the trustees, powers and provisions of this rule or any payment or application hereunder shall be deducted from the relevant benefit or part thereof on such basis as the Trustees shall in their discretion decide.

(7) for the purposes of this Sub-rule:-

(a) "Dependants" means in relation to a Member such of the following persons as are living at the date of his death, namely (i) the spouse of the Member, the parents, children and grandchildren of the Member or of the Member's spouse (ii) any persons who in the opinion of the Trustees have at any time been dependent on the Member for the provisions of or have at any time been provided by the Member with all or any of the ordinary necessaries of life and (iii) any persons (or body of persons whether or not incorporated) of whom the names and particulars or sufficient details to enable the Trustees to identify the same, have been furnished to the Trustees in writing by the Member as being persons whom the Member wishes the Trustees to consider as possible recipients of any benefit payable on the Member's death. For the purpose of this definition spouse means the wife or husband of the Member and shall include any wife or husband to whom a Member has at any time been married under a law which as it applied to the particular ceremony and the parties thereto permitted polygamy, and the lawfully adopted child or stepchild of any person shall be treated (as from the date of adoption or the date of becoming such stepchild) as the lawful and natural child of such person.

(b) "Beneficiaries" means in relation to a Member (i) such of the following persons as are living at the date of his death, namely, the spouse of the Member, the grandparents, parents, children and grandchildren of the Member or of his or her spouse, the brothers and sisters (whether of the whole-blood or half-blood) of the Member or his or her spouse and the children and grandchildren of such brothers and sisters, the uncles and aunts (being brothers and sisters of the whole-blood or half-blood of a parent) of the Member or his or her spouse and the children and grandchildren of any such uncles and aunts, the spouses of any of the above-mentioned grandparents, parents, children, grandchildren, brothers and sisters, uncles and aunts, and (ii) any persons (or body of persons whether or not incorporated) who are entitled to any beneficial interest in the Member's estate under any testamentary disposition made by the Member. For the purposes of this definition the spouse of any person means the wife or husband to whom such person was married at the date of the Member's death and shall include any wife or husband to whom such person was then married under a law which as it applied to the particular ceremony and the parties thereto permitted polygamy, and the lawfully adopted child or stepchild of any person shall be treated (as from the date of adoption or the date of becoming such stepchild) as the lawful and natural child of such person.

DEPENDANTS PENSIONS - SPOUSE'S PENSION

14. (A) If a married Member dies his widow or widower shall be entitled to a yearly pension (herein referred to as "the Spouse's Pension") payable as stated in Rule 17 from the date of the Member's death until the death of the widow or widower.

Subject to paragraph (B) of this Sub-rule the amount of the Spouse's Pension (including any increases therein made up to the date it commences) shall be:-

death while a Member before Normal Retiring Date

(1) If the Member died in Service before his Normal Retirement Date, and before leaving the Scheme equal to two-thirds of what would have been his Normal Retirement Pension if he had remained a Member until Normal Retirement Date but based on his Final Pensionable Salary at the date of his death.

death in service after Normal Retirement Date

(2) If the Member died in Service on or after his Normal Retirement Date but before his pension under the Scheme commenced, two-thirds of the amount calculated in accordance with Rule 8 (Late Retirement Pension) as if he had retired immediately before his death.

death after pension begins

(3) If the Member died after becoming entitled to a Normal Retirement Pension, or Late Retirement Pension two-thirds of what would have been the amount of that pension when the Member died if he had not converted any of his pension into a lump sum under Rule 11 or surrendered any of his pension to provide dependant's pension under Rule 15.

death while in receipt of an Early Retirement Pension

(4) If a Member died while receiving a Pension under Rule 7 (Early Retirement Pension) equal to two thirds of the amount which would have been the Early Retirement Pension under Rule 7 if no reduction had been applied in respect of the period by which the Member's retirement precedes Normal Retirement Date.

death after leaving Scheme but before pension begins

(5) If the Member was a Qualifying Member and he died after leaving the Scheme but before his pension under Rule 9 (Benefits on leaving the Scheme) commenced, equal to two-thirds of the Member's Deferred Pension calculated as at the date of the Member's death less any part of it which has been extinguished by the Member exercising his Statutory Transfer Option.

death after deferred pension begins

(6) If the Member died while receiving a pension under Sub-rule 9(A) (Deferred Pension) an amount equal to two-thirds of the amount calculated in accordance with Sub-rule 9(A) (Deferred Pension).

In any case, the amount so calculated may be reduced at the discretion of the Trustees by such amount as the Trustees may in their discretion determine (not exceeding 2½ per cent unless the Occupational Pensions Board otherwise agree) for each year by which the Member was more than 10 years older than his widow or widower.

additional provisions relating to Spouse's Pension

(B) (1) The Spouse's Pension shall be increased at the date it commences, if it is payable on the death of a Member while receiving a pension under Rule 9 (Benefits on leaving the Scheme), by the total of any increases which would have applied under sub-paragraph (2) below for any period between the Member's Normal Retirement Date and his death if the Spouse's Pension had commenced on his Normal Retirement Date.

(2) The Spouse's Pension shall be increased on a compound basis on each 1st January at the rate of 5 per cent. or (if less) the percentage increase in the Index of Retail Prices in the period of 12 months ending on the immediately preceding 31st October or any other date selected by the Trustees (subject to a minimum increase of 3 per cent. per annum compound). If the Spouse's Pension has been payable for less than a complete year that increase will be proportionately reduced by reference to the actual period of payment and the Trustees may calculate that proportion on any approximate basis they consider appropriate. For the purposes of calculating any increases under this sub-paragraph, the Spouse's Pension shall be taken to exclude any addition under sub-paragraph (1).

(3) Except where the Member was receiving an Early Retirement Pension when he died and provided the conditions set out in (a) and (b) of paragraph (3) of Sub-rule 56(F) are satisfied the Spouse's Pension payable under this Sub-rule shall, if necessary, be increased so that it is not less than the widow's or widower's (as appropriate) Anti-franking Minimum. If the Member died while receiving a Deferred Pension and the Member's widow or widower is entitled to a Spouse's Pension under paragraph (5) above which includes a Revaluation Increase then that Revaluation Increase shall be added to the Anti-franking Minimum.

(4) The Spouse's Pension payable on the death of a Member before the earlier of his Normal Retirement Date and the date his pension commenced, shall be subject to any special conditions or restrictions from time to time agreed between the Trustees and the Principal Employer. The Trustees shall notify the Member of any such conditions or restrictions.

(5) If a Member does not leave a widow or widower surviving him, the Trustees may, in their discretion provide a yearly pension for one or more of the Member's Qualifying Dependants of such amount and payable for such period as they may determine in lieu of the whole or part of the Spouse's Pension that would otherwise be payable to a widow or widower.

- Child's Allowance

(C) If a Member dies while in Service, before Normal Retirement Date each of his Children shall be entitled to a yearly pension (herein referred to as "the Child's Allowance").

The amount of each Child's Allowance shall be from time to time equal to the percentage specified below of the pension to which the Member would have been entitled under Rule 6 had he survived and remained in Service to Normal Retirement Date (and for this purpose the Member's Revaluation Increase will be calculated as if he had no Guaranteed Minimum) appropriate to the number of the Member's Children from time to time. Provided that in any case where there is more than one Child of the Member and subject to such conditions as they may decide, the Trustees may determine that instead of being of equal amounts each Child's Allowance shall be of such amount as they may determine but so that the aggregate amount of all such Child's Allowances shall remain the same.

The percentage referred to above shall be

(a) at any time where there are less than four Children, 10 per cent, or

(b) at any time where there are four or more Children, 33⅓/N per cent where N is the number of Children from time to time.

Any adjustment in the amount of a Child's Allowance consequent upon a person ceasing to qualify as a Child of the Member, shall have effect from the due date of the payment of Child's Allowance immediately following such event and shall take account of any increases under the final paragraph of this Sub-rule to the intent that the amount of the Child's Allowance after any such adjustment shall be the amount which would have applied had such event preceded the Member's death.

The Child's Allowance shall be payable as stated in Rule 17 from the Member's death (or where appropriate the later date on which he first qualifies as a child) until the earlier of the Child's death and his ceasing to qualify as a Child.

The Child's Allowance shall be increased on a compound basis on each 1st January at the rate of 5 per cent. or if less the percentage increase in the Index of Retail Prices in the period of 12 months ending on the immediately preceding 31st October or any other date selected by the Trustees (subject to a minimum increase of 3 per cent. per annum compound). If the Child's Allowance has been payable for less than a complete year that increase will be proportionately reduced by reference to the actual period of payment and the Trustees may calculate that proportion on any approximate basis they consider appropriate.

MEMBER'S OPTIONS
- Surrender of a Member's Pension to provide Dependant's Pension

15. (A) The Trustees may, at the request of a Member, determine that, in lieu of any benefit or benefits or part thereof to which the Member may otherwise become entitled under the Scheme, there shall be payable to one or more of such Member's spouse and a Dependent Relative a pension or pensions commencing on or after the death of the Member.

The terms and conditions upon which any pension shall become payable under this Rule and the appropriate adjustment in the amount and terms and conditions applicable to any benefit or benefits to which the Member may thereafter become entitled under the Scheme shall be determined by the Trustees having regard to the advice of the Actuarial Adviser and where appropriate to the contracting-out requirements of the Pension Schemes Act.

- Levelling Option

(B) At the request of a Member the Trustees (to the intent that the Member's total pension during his retirement may remain of an approximately level annual amount) may determine that the Normal Retirement Pension, Early Retirement Pension, Late Retirement Pension or Deferred Pension, as appropriate, to which the Member is entitled (whilst remaining unchanged in value) shall be payable at an increased rate from the date of its commencement until the expected date of commencement of any pension to which the Member is prospectively entitled under any scheme of national insurance or social security and at a reduced rate not being less than the Guaranteed Minimum thereafter. The amount of any benefit payable under the Scheme on the death of a Member who elects this option shall be determined by the Trustees having regard to Actuarial Advice.

DISCRETIONARY BENEFITS

16. (A) Upon payment of such additional contributions (if any) as may be required under Rule 5 (Employer's Contributions), the Trustees shall grant under the Scheme such of the following benefits as the Principal Employer may request, consistent with approval of the Scheme under the Act and subject to Sub-rule 32(A) (Inland Revenue limits), namely:

augmentations

(1) an increase in the amount of any pension or other benefit which may become payable to or in respect of a Member or other person under the Scheme except that no such increase shall be made in a benefit provided by the exercise of an option under Rule 15 (Surrender of a Member's pension to provide dependant's pension).

persons not otherwise entitled to benefit under the Scheme

(2) (a) a pension or an increase in the amount of any pension payable on or after retirement to a person who has completed a period of service with any of the Participating Employers

(b) a lump sum payable on or after his retirement to a person who has completed a period of service with any of the Participating Employers except that no such lump sum shall be payable to a person who has previously received a lump sum from the Scheme or any of the Associated Schemes

(c) a lump sum payable on the death in specified circumstances of a person in the service of or formerly in the service of any of the Participating Employers

(d) a pension or pensions payable, after the death in specified circumstances of a person who has completed a period of service with any of the Participating Employers, in respect of such person's widow, widower or a Dependent Relative.

- <u>increased lump sum instead of pension</u>

(3) at the request or with the consent of the Member, an increase in the lump sum which he is able to receive under Rule 11 in place of all or some of the pension to which the Member is entitled under the Scheme except that no lump sum shall be paid in place of any pension which arises from Member's Voluntary Contributions if the Member was not paying Member's Voluntary Contributions on 7th April 1987 or had not on or before that date agreed to pay them unless the pension otherwise payable under the Scheme would be a Trivial Pension or the Member is, in the

opinion of the Trustees, in exceptional circumstances of serious ill-health.

The amount of any benefit under this Sub-rule and its terms and conditions shall be notified in writing by the Trustees to the person by reference to whose service the benefit applies or to the person to whom the benefit is to become payable Provided that, in any case where a pension or other benefit is granted under this Sub-rule, the person by reference to whose service such pension or other benefit becomes payable, if not a Member, shall for the purposes of Inland Revenue limits be deemed to be a Member and the provisions of Rule 55 (Guide to Inland Revenue limits) shall be read and construed accordingly.

- membership on special terms

(B) (1) Upon payment of such additional contributions (if any) as may be required under Rule 5 (Employer's contributions) and subject to the provisions of this Sub-rule, a person in the service of or who has completed a period of service with any of the Participating Employers may if the Principal Employer so determines be admitted to membership of the Scheme or where appropriate his membership thereof may be continued on special terms as to contributions, benefits or other relevant matters.

(2) In any case where the Principal Employer notifies the Trustees that special terms are to apply in respect of any such person the Trustees will upon receipt of all such information as they may require in relation thereto notify such person in writing of such special terms and the date upon which they are to have effect. As from such date the Rules shall have effect in relation to such person subject to any modifications set out or referred to in such notification and pending the issue thereof shall have effect subject to such modifications as the Trustees shall in their discretion determine to be appropriate in order to give effect to such special terms

No modification of the Rules made under this Sub-rule shall have effect

(a) if the Normal Retirement Date would thereby fall before the 60th birthday or after the 75th birthday or

(b) in relation to a Class B Member or a Class C Member if a Member's Normal Retirement Date would thereby be changed to a date earlier than would otherwise have applied and less than 5 years will elapse before that date occurs without the consent of the Board of Inland Revenue or if the modification would prejudice approval of the Scheme under the Act.

- periodic review of pensions

(C) Once in each Scheme Year the Principal Employer shall review the amount of pensions in payment under the Scheme and, having regard to any such review, may instruct the Trustees to increase the amount of all or any of those pensions under and in accordance with (A) of this Rule.

- benefits affected by statutory earnings cap

(D) This Sub-rule applies to any benefit in respect of a Member which is affected by the maximum imposed on relevant annual remuneration ("the earnings cap") by Schedule 6 to the Finance Act 1989 or any corresponding requirements for approval of the Scheme under the Act. Any benefit so affected is referred to in this Sub-rule as a capped benefit.

The Principal Employer may determine that any capped benefit will be deemed to be increased under Sub-rule (A)(2) of this Rule by such amount as the Principal Employer decides, not exceeding the amount that the capped benefit would be if the earnings cap did not apply. Any such increase will be limited so that the capped benefit will not be greater than the maximum referred to in Sub-rule 31(A) (Inland Revenue limits). That maximum will be calculated having full regard to the earnings cap.

PAYMENT OF PENSIONS

17. (A) Unless the Trustees otherwise determine any yearly pension under the Scheme shall be payable monthly in advance on the same day in each month and the amount of each monthly payment shall be as nearly as may be practicable one-twelfth of the amount of the yearly pension. The first of such monthly payments shall be due on the date on which the Member (or other person) becomes entitled to the yearly pension and the monthly payment due immediately prior to death shall not be apportioned provided that the Trustees may in their discretion postpone making any monthly payment until such date as they shall determine being a date not later than one calendar month following the date on which the monthly payment fell due.

ADJUSTMENTS FOR EASE OF CALCULATION OR PAYMENT

(B) For the purposes of calculating the amount of any benefit or contribution under the Rules the Trustees may round-up (or, in the case of contributions only, round-down) the amount of any benefit or contribution under the Rules or of any factor used in arriving at the amount of a benefit or contribution in such manner as they consider appropriate in order to ensure the efficient administration of the Scheme and, in the case of a contribution or benefit which is payable by instalments, that such contribution or benefit may be exactly divisible by the appropriate number of instalments.

DEDUCTION OF TAX

18. The Trustees shall deduct from any payment or repayment under the Scheme any tax for which they may be accountable in consequence of such payment or repayment.

CONDITIONS FOR PAYMENT OF BENEFITS

19. All benefits under the Scheme (a) shall be subject to deduction of any contributions owing by the Member under the Scheme or appropriate adjustments in respect thereof and (b) shall be payable in sterling at the registered office of the Principal Employer or in such other manner as the Trustees may determine and in particular if an annuity policy or annuity contract or other policy of assurance granted by an insurance company forms part of the Fund the Trustees may from time to time arrange with such insurance company to pay any benefit direct to the person or persons to whom such benefit is payable under the Scheme and may cancel any such arrangements.

Any benefit or part of a benefit to which a person is entitled under the Scheme shall be payable as at the due date of payment thereof or as soon as practicable thereafter provided that any such benefit or part thereof for which no claim has been made within the period of six years immediately following the due date shall unless the Trustees otherwise decide be forfeited and the assets representing it shall be retained as part of the Fund except that the Trustees may pay or apply any benefit or part thereof which would otherwise be forfeited to or in respect of one or more of such person's spouse or Dependent Relatives.

Each Member or other person entitled or prospectively or contingently entitled to benefit under the Scheme shall produce to the Trustees such evidence of age, marriage, identity, health and any other information that the Trustees may require for the purposes of the Scheme.

PAYMENTS TO WIDOW, WIDOWER OR OTHER NEXT OF KIN

20. Any sum or sums of money amounting to £1500 or less which may become payable under the Scheme whether by way of outstanding instalments of pension or otherwise to the personal representatives of a deceased person may, at the discretion of the Trustees be paid to the widow, widower or to any of the next of kin of such deceased person. The Trustees shall not be bound to see to the application of any sum or sums so paid and receipt thereof by the person to whom payment is so made shall be a complete discharge to the Trustees for such payment in the like manner as if it had been paid to the personal representatives of the deceased person and such personal representatives and any person claiming through such deceased person shall not have any right whatsoever to resort to the Fund in respect of any sum or sums so paid.

CLAIMANTS UNABLE TO ACT

- payment of GMP

21. (A) In any case where a Guaranteed Minimum Pension becomes payable to a widow or widower who is under age 18 the Trustees shall (subject to the provisions of (B)(2) of this Rule) pay such benefit to her or to him and receipt thereof by such widow or widower shall be a complete discharge to the Trustees for such payment.

- payment of other benefits

(B) In any case where under the provisions of the Scheme:-

(1) a benefit (other than a benefit to which Sub-rule (A) of this Rule applies) becomes payable to a person who is unable to act because he is under age 18, or

(2) a benefit (including a benefit to which Sub-rule (A) of this Rule applies) becomes payable to a person who in the opinion of the Trustees is unable to act by reason of any physical or mental incapacity

the Trustees may in their discretion pay the whole or part of such benefit to such person or may pay or apply the whole or any part thereof in such shares, upon such trusts and in such manner as the Trustees shall determine for the maintenance of such person or any dependant of such person. In particular the Trustees may pay any such benefit or part thereof to the parent or guardian of the person who is under age 18 or otherwise unable to act or to any other person appearing to the Trustees to be for the time being responsible for his or her support or maintenance on the basis that the recipient will use the same to defray the expenses of the household in which the person for the time being resides or otherwise for his or her maintenance as the recipient shall decide.

Any benefit to which this Sub-rule applies not so paid or applied shall be retained by the Trustees for the benefit of such person until, in the opinion of the Trustees he is able to act or, as the case may be, for his estate. Receipt of such benefit or any part thereof by any person, association or corporate body to whom payment is made under this Sub-rule shall be a complete discharge to the Trustees for such payment.

For the purposes of this Sub-rule a certificate from a qualified medical practitioner to the effect that a person is suffering from any physical or mental incapacity may be accepted as conclusive evidence of the fact.

POLYGAMOUS MARRIAGES

22. In any case where it appears to the Trustees that more than one person is or may be eligible to claim a widow's or widower's pension under the Scheme on the death of a Member

(a) the Guaranteed Minimum Pension shall be payable to the person (if any) entitled under the Social Security Acts 1975 to a widow's or widower's Category B retirement pension, widowed mother's allowance or widow's pension payable by virtue of the Member's national insurance contributions or who would be so entitled to a widow's or widower's Category B retirement pension but for section 27(6) of the Social Security Act 1975 or, in the case of a female Member, to the person, if any, who is her widower for the purposes of section 17(6) of the Pension Schemes Act, and

(b) subject as aforesaid the Trustees may determine that such widow's or widower's pension shall be payable in any such case in whole or in part to or for the benefit of one or more of any persons who have either been through a ceremony of marriage with the Member or in the opinion of the Trustees have at any time been dependent on the Member for or provided by the Member with all or any of the ordinary necessaries of life, and

(c) subject as aforesaid, no widow's or widower's pension shall be payable under the Scheme in any such case.

NON-ASSIGNABILITY OF BENEFITS

23. No person may assign or charge in any way his beneficial interest under the Scheme or any part thereof and, if a person shall act in contravention of this Rule or do or suffer anything (except as otherwise provided under the Scheme) whereby his beneficial interest under the Scheme or any part thereof would but for this Rule become vested in or payable to any other person, then (subject to Rules 56 (Contracting-out of the State earnings related pension scheme) and 57 (Contracting-out of the old State graduated scheme)) the first-mentioned person's interest shall cease except that the Trustees may in their absolute discretion hold, pay or apply the same to or for the maintenance, personal support or benefit of any one or more of the following persons, namely the first-mentioned person, his spouse and any Dependent Relative provided always that no payment shall be made to an assignee.

SECURING BENEFITS OUTSIDE THE SCHEME BY PURCHASE OF POLICIES

24. In any case where:

(a) a Member who does not have the Statutory Transfer Option consents to the provision of a Paid-up Policy under this Rule, or

(b) the Trustees decide it is appropriate in the case of a person in receipt of a pension from the Scheme, the Trustees shall purchase or provide (by assignment or otherwise) a Paid-up Policy to secure or intended to secure for such Member or other person a benefit or benefits of the same kind and amount respectively (as nearly as may be) as the benefit or benefits to which the Member or other person is entitled or prospectively entitled under the Scheme. A person for whose benefit a Paid-up Policy has been so purchased or provided, his personal representatives and any person claiming through him shall cease to have any right whatsoever to resort to the Fund in respect of the benefit or benefits so secured or intended to be so secured.

The Trustees may determine that the provisions of this Rule shall apply to a part of the benefit to which a person is entitled or prospectively entitled under the Scheme on such basis and in all respects as the Trustees shall determine provided that approval of the Scheme under the Act is not thereby prejudiced and having regard where appropriate to the contracting-out requirements of the Pension Schemes Act.

This Rule does not apply to a Member who has the Statutory Transfer Option.

PART V - MISCELLANEOUS PROVISIONS RELATING TO MEMBERSHIP, CONTRIBUTIONS AND BENEFITS

TEMPORARY ABSENCE FROM WORK

25. (A) If a Member is suspended or absent from work but remains in Service, this Rule will apply, unless Rule 26 (Maternity Absence) applies or he elects to leave the Scheme under Rule 3(C).

- maximum period of absence

(B) If suspension or absence lasts continuously for more than the maximum period, Rule 9 (Benefits on leaving the Scheme) will apply. The maximum period is three years or any longer period notified by the Principal Employer to the Trustees and permissible by the Board of Inland Revenue.

Continuous suspension or absence which lasts no longer than the maximum period is referred to in this Rule as "Permitted Absence".

- benefits for periods of absence

(C) In any part of Permitted Absence during which a Member's pay continues in full or at a reduced rate, pay related benefits will continue to be calculated under Part IV of the Rules. Any benefits which are not pay related or which relate to a period when the Member's pay is stopped will be calculated on a basis which the Trustees consider to be appropriate. Any benefits payable if the Member dies during or after Permitted Absence will also be subject to any conditions or restrictions set out in the Rule governing those benefits.

- discretion to adopt a different basis

(D) The Principal Employer can decide that contributions or benefits for Permitted Absence will be greater than the amounts calculated as set out in (C) or (D). Any such increase will

(1) be subject to the agreement of the Member to the extent that it affects his contributions, and

(2) be limited to that necessary to compensate for any reduction resulting from a reduction in the Member's pay since Permitted Absence began. For the purposes of making this comparison, pre-absence pay can be increased on the same basis as the pay of employees of the Participating Employer in the same or a comparable category of employment over the same period.

MATERNITY ABSENCE
- application

26. (A) This Rule applies to any female Member who is absent from work wholly or partly because of her pregnancy and who is entitled to rights ("maternity rights") specified in Part III of the Employment Protection (Consolidation) Act 1978 ("the 1978 Act").

- refunds of contributions

(B) For the purpose of deciding whether any option to take a refund of contributions applies a woman will be treated as remaining in Service during any period in which she has maternity rights including any period in which her right to return to work is postponed.

- rights before 23.6.94

(C) In the case of a woman with maternity rights expiring before 23rd June 1994:

calculation of Pensionable Service

(1) Pensionable Service up to the beginning of any period of absence with maternity rights will be treated as continuous with that beginning on the date of her return. The period of absence itself will be ignored unless the Principal Employer agrees to it being counted.

effect of pay during absence

(2) No payment made to the Member by a Participating Employer in respect of any period of such absence will be taken into account in calculating benefits under the Scheme except for the purposes of calculating the Guaranteed Minimum.

death benefits

(3) If a Member who is absent from work with maternity rights dies there will be payable the benefits which would have applied had she died in Service without having left the Scheme on the day before her absence began, or any greater benefits notified by the Principal Employer to the Trustees. Any lump sum benefit payable under this Sub-rule will be held by the Trustees as set out in Rule 13.

- rights on and after 23.6.94

(D) In the case of a woman with maternity rights expiring on or after 23rd June 1994

calculation of Pensionable Service

(1) when calculating Pensionable Service for a woman who is absent from work with maternity rights any part of the period of absence which is statutory maternity leave for the purposes of the 1978 Act or during which she was receiving contractual remuneration or statutory maternity pay from the Participating Employer will be counted in full. Any other part of that absence will count only if the Principal Employer agrees to the period being counted.

If a woman returns to work pursuant to her maternity rights the periods to be counted as Pensionable Service immediately before during and after her absence will be treated as one unbroken period.

benefits for Pensionable Service

(2) In respect of any such absence which counts as Pensionable Service under (1), benefits will be calculated as though the Member was not absent from work and was working in accordance with her normal practice and receiving her normal earnings.

death benefits

(3) If a Member who is absent with maternity rights dies during that absence there will be payable the benefits which would have applied if she had not been absent and had been working in accordance with her normal practice and receiving her normal earnings. Any lump sum benefit payable under this Sub-rule will be held by the Trustees as set out in Rule 13.

TRANSFERS FROM ANOTHER SCHEME

- <u>expressions used</u>

27. (A) In this Rule:

<u>"personal pension scheme"</u> means a personal pension scheme within the meaning of section 630 of the Act.

<u>"protected rights"</u> means rights to money purchase benefits under:

(1) a personal pension scheme for which the Occupational Pensions Board has issued an appropriate scheme certificate, or

(2) an occupational pension scheme which is or has been contracted-out on a money purchase basis,

which are wholly or partly in substitution for benefits under the State earnings related pension scheme.

<u>"transferring arrangement"</u> means a fund, scheme or arrangement (including a personal pension scheme) or policy or contract of a like nature to a Paid-up Policy.

- <u>acceptance</u>

(B) The Trustees shall if so requested by the Principal Employer, accept a transfer of assets from a transferring arrangement but only if it would not prejudice approval of the Scheme under the Act.

- information to be obtained by Trustees

(C) In connection with any transfer under this Rule the Trustees shall obtain written details from the trustees or other managers of the transferring arrangement stating:

(1) the extent to which the transfer may be used to provide a lump sum on an employee's retirement including the extent to which any part of the transfer which represents an employee's voluntary contributions to the transferring arrangement may be so used;

(2) the extent (if any) to which the transfer arises from an employee's contributions (herein referred to as "Transferred Employee Contributions") and the extent to which those contributions were made on a voluntary basis;

(3) the extent to which the benefits which are being extinguished under the transferring arrangement by the transfer would have been extinguished if the Member had received a refund of his Transferred Employee Contributions under the transferring arrangement;

(4) such details as the Trustees require of the period of service in the employment to which the transferring arrangement applied. That period will be taken into account under the Scheme as Linked Qualifying Service and otherwise for such purposes in such manner and to such extent as the Trustees decide, and

(5) any other details required by the Trustees having regard to the contracting-out requirements of the Pension Schemes Act.

- benefits

(D) Any transfer under this Rule will be made on the basis that:

(1) one or more specified persons who are entitled or contingently entitled to rights and benefits under the transferring arrangement will be entitled or contingently entitled to such rights and benefits under the Scheme (consistent with approval of the Scheme under the Act) as the Trustees shall having regard to the advice of the Actuarial Adviser arrange;

(2) if the transfer is accompanied by a certificate from the trustees or managers of the transferring arrangement to the effect that the transfer is not to be used to provide retirement benefits in lump sum form the benefits arising on retirement from the transfer shall not be paid in lump sum form

except to the extent permitted under Sub-rules 11(B) (Member in serious ill-health) and 11(C) (Trivial Pensions) or such other extent which the Trustees are satisfied would not prejudice approval of the Scheme under the Act;

(3) in relation to a Member who is a Class B or Class C Member any benefit on retirement arising from a transfer (other than a transfer from another scheme of a Participating Employer or an Associated Employer) may be paid as a lump sum only if and not exceeding the extent notified to the Trustees by the trustees or managers of the transferring arrangement under (C) of this Rule increased in proportion to any increase in the Index of Retail prices since the date the transfer was received, unless the Trustees are satisfied that to use the transfer for that purpose to a greater extent would not prejudice approval of the Scheme under the Act;

(4) the Trustees will ensure that to the extent that the transfer arises from an employee's Transferred Employee Contributions (and only to that extent) it will be treated as contributions paid by him to the Scheme;

- revaluation of GMP

(E) If a transfer accepted under this Rule in the circumstances referred to in section 38 of the Pension Schemes Act represents accrued rights to guaranteed minimum pensions for a period of contracted-out employment for the purposes of the Pension Schemes Act, the following conditions will apply:

(1) if the transferring arrangement is not a policy of insurance or annuity contract any part of the Guaranteed Minimum which relates to that contracted-out employment may be increased on a basis determined by the Trustees and consistent with the requirements of Regulations 44 and 45 of the Occupational Pension Schemes (Contracting-out) Regulations 1984 instead of in accordance with Orders made under section 148 of the Social Security Administration Act 1992;

(2) if the transferring arrangement is a policy of insurance or annuity contract any part of the Guaranteed Minimum which relates to that contracted-out employment will be increased at the rate which would have applied had the transfer not taken place unless the Trustees decide that it will be increased in accordance with Orders made under section 140 of the Social Security Administration Act 1992;

(3) the Trustees may pay or reclaim any limited revaluation premium payable or reclaimable under the Pension Schemes Act in respect of any person to whom the transfer relates.

- transfers including protected rights

(F) Any transfer which includes the value of protected rights may be accepted under this Rule if the person for whom the transfer is made ("the transferee") is employed by a Participating Employer. The benefits provided under this Rule in consequence of any such transfer shall include Guaranteed Minimum Pensions for the transferee and his widow or widower in respect of the period of employment which gave rise to the protected rights equal to those to which the transferee and his widow or widower would have been treated as being entitled by section 48 of the Pension Schemes Act if the transfer payment had not been made.

Any Guaranteed Minimum Pensions provided under this Sub-rule shall be increased for each complete Tax Year which is after the period which gave rise to the protected rights in accordance with Orders made under section 148 of the Social Security Administration Act 1992 unless the Trustees determine that the increases shall be made in accordance with either section 16(3) of the Pension Schemes Act (limited revaluation) or section 55(5) of the Pension Schemes Act (fixed rate revaluation) as modified, in either case, by regulation 4 of the Protected Rights (Transfer Payment) Regulations 1987.

- no offsetting of GMP revaluation

(G) If the Trustees accept a transfer to which Sub-rule (E) or (F) of this Rule applies, and

(1) the person for whom the transfer was accepted does not enter Contracted-out Employment or ceases to be in Contracted-out Employment before Pensionable Age, and

(2) under arrangements made under Sub-rule (D) of this Rule any Guaranteed Minimum Pension applicable at the date of transfer is expressed to form part of a larger amount,

that larger amount shall be increased by the increases in the Guaranteed Minimum under Sub-rule (E) or (F) of this Rule.

- transferees not becoming contracted-out

(H) If any person for whom rights to a guaranteed minimum pension for the purposes of the Pension Schemes Act are transferred to the Scheme does not enter contracted-out employment under it, the amounts, dates for payment and conditions attaching to payment of that guaranteed minimum shall comply in all respects with Part I or II (as appropriate) of Schedule 2 to the Contracting-out (Transfer) Regulations 1985. If the transferring arrangement is a policy of insurance or annuity contract, the benefits arranged by the Trustees under Sub-rule (D) of this Rule in respect of the transfer shall include pensions which are of at least equal value to the annuity which would have been payable under the transferring arrangement in respect of guaranteed minimum pensions if the transfer had not taken place.

TRANSFERS TO ANOTHER SCHEME
- expressions used

28. (A) In this Rule:

"receiving scheme" means any fund, scheme or arrangement which is

(1) approved under Chapter I, Part XIV, Income and Corporation Taxes Act 1988, or

(2) a personal pension scheme which is approved under Chapter IV, Part XIV, Income and Corporation Taxes Act 1988, or

(3) approved for the purposes of this Rule by the Board of Inland Revenue.

"appropriate personal pension scheme" means a personal pension scheme to which the Occupational Pensions Board has issued an appropriate scheme certificate so that it may provide money purchase benefits for its members which are wholly or partly in substitution for benefits under the State earnings related pension scheme.

"Transfer Regulations" means the Contracting-out (Transfer) Regulations 1985.

- general

(B) The Trustees may subject to the conditions set out below and to the approval of the Principal Employer transfer to any receiving scheme all the assets of the Fund or such part of them as the Trustees think just and equitable having regard to the advice of the Actuarial Adviser. If the transfer is to be made without the consent of the Member the Trustees shall satisfy themselves that the amount to be transferred is at least equal to the value of the benefits which will be extinguished by the transfer.

- information to receiving scheme

(C) (1) On any transfer under this Rule the Trustees shall supply to the receiving scheme a statement showing the amount (if any) included in the transfer which is attributable to an employee's Member's Contributions.

(2) If on or after any transfer under this Rule the managers of the receiving scheme request a certificate showing the maximum lump sum payable on retirement from the transfer in respect of a Member who is a Class B Member for the purposes of the Inland Revenue limits in Rule 55, the Trustees shall calculate the said maximum lump sum as at the date of the transfer and supply the receiving scheme with the certificate requested.

(3) If the receiving scheme is a personal pension scheme, the Trustees shall provide a certificate of the maximum lump sum payable on retirement from the transfer if the person to whom the transfer relates:

(a) is aged 45 or more at the time the transfer is made, or

(b) has at any time within the 10 years preceding the date on which the right to the transfer arose, been, in respect of any employment to which the transfer or any part of it relates, either

(i) a Controlling Director as defined in Sub-rule 55(A) (Guide to Inland Revenue limits), or

(ii) in receipt of annual remuneration in excess of £60,000 or, if greater, the allowable maximum as defined in Section 640A of the Act for the Tax Year in which the date of the transfer falls, or

(c) is entitled to benefits included in the transfer which arise from an occupational pension scheme under which the normal retirement age is 45 or less.

(4) For the purpose of paragraphs (2) and (3) of this Sub-rule "maximum lump sum" shall mean the amount calculated as at the date of transfer (without taking into account any future increases) as the amount (if any) prospectively payable to the Member under Sub-rule 11(A) or such greater amount as they shall determine not exceeding the maximum permissible in accordance with Sub-rule 32(A) (Inland Revenue Limits).

- benefits to be provided by receiving scheme

(D) Before any transfer is made under this Rule arrangements shall be made with the managers of the receiving scheme as to the benefits it will provide in respect of the transfer. If the transfer is to be made at the request or with the consent of any person to whom it relates, those arrangements shall be agreed with that person. If the transfer is to be made without the consent of any person to whom it relates, the arrangements shall be agreed with the Trustees.

- transfer of GMPs

(E) No transfer which represents Guaranteed Minimum Pensions shall be made under this Rule unless at the date of the transfer the receiving scheme is:

- to salary related contracted-out schemes

(1) contracted-out on a salary related basis by virtue of satisfying section 9(2) of the Pension Schemes Act (or was formerly so contracted-out and is subject to financial supervision by the Occupational Pensions Board because it retains liability for guaranteed minimum pensions, in which case the transfer shall be approved by the Occupational Pensions Board), and

(a) the Member consents to the transfer and has entered employment with an employer who is a contributor to the receiving scheme, or

(b) the circumstances specified in paragraph 2 of Part I, Schedule 1 to the Transfer Regulations (which deals with circumstances in which the Scheme and the receiving scheme apply to the same employment or to employers who are or have been financially connected) apply, or

(c) if the transfer is in respect of (i) an employee who has not entered contracted-out employment under the receiving scheme or (ii) the liability for payment of a Guaranteed Minimum Pension to or in respect of a person who has become entitled to it, the conditions set out in Part I or Part II of Schedule 2 to the Transfer Regulations (which specify the amounts, the terms and conditions attaching to, and the basis of any revaluation of the Guaranteed Minimum Pension to be provided by the receiving scheme) are satisfied;

or

to money purchase contracted-out schemes

(2) contracted-out on a money purchase basis by virtue of satisfying section 9(3) of the Pension Schemes Act (or was formerly so contracted-out and is subject to financial supervision by the Occupational Pensions Board because it retains liability for protected rights) and

(a) the Member consents to the transfer and has entered employment with an employer who is a contributor to the receiving scheme, and

(b) the receiving scheme makes provision for the transfer payment to be applied to provide money purchase benefits for or in respect of the Member, and

(c) if the receiving scheme is not a Contracted-out Scheme, the transfer payment is approved by the Occupational Pensions Board;

or

to appropriate personal pension schemes

(3) an appropriate personal pension scheme and

(a) the Member consents to the transfer, and

(b) the receiving scheme makes provision for the transfer payment to be applied in providing money purchase benefits for or in respect of the Member;

or

to overseas schemes

(4) administered wholly or primarily outside the United Kingdom and

(a) the Member consents to the transfer and has entered employment with an employer who is a contributor to the receiving scheme and the Member's employment is outside the United Kingdom, and

(b) the transfer is approved by the Occupational Pensions Board.

Where a Member's accrued rights to Guaranteed Minimum Pensions are transferred to a scheme which is contracted-out on a money purchase basis or to an appropriate personal pension scheme, the sum transferred shall not be less than an amount equal to the cash equivalent of those accrued rights calculated and verified in a manner consistent with regulations made under section 97 of the Pension Schemes Act for the purposes of the Statutory Transfer Option.

- transfers without Members consent

(F) A transfer may be made under this Rule without the consent of any person in respect of whom it is to be made, except that the consent of the Member shall be required

(1) in the circumstances specified in Sub-rule (E) of this Rule if the transfer includes a Guaranteed Minimum Pension, or

(2) where the transfer constitutes a complete or partial substitute for short service benefit under the Scheme in respect of the Member for the purposes of section 73 of the Pension Schemes Act unless regulations made pursuant to section 73 permit the transfer without his consent.

- interaction with Statutory Transfer Option

(G) The Trustees' power to make a transfer under this Rule with the consent of the Member does not apply to a Member who has the Statutory Transfer Option except to the extent that the amount to be transferred exceeds his cash equivalent for the purposes of Chapter IV of Part IV of the Pension Schemes Act. The Trustees may treat any consent or request of the Member in connection with the transfer of his cash equivalent as relating also to the transfer of any such excess under this Rule.

- effect of transfer on Scheme benefits

(H) A transfer may be made under this Rule even though it may result in one or more persons ceasing to have any entitlement to benefit by reference to a person's period of membership of the Scheme or, as the case may be, having entitlement to benefits which are smaller in amount or subject to different terms and conditions. No person shall have any right whatever to resort to the Fund for any benefit which ceases to be payable or is otherwise affected as a result of a transfer under this Rule.

Any person in respect of whom such a transfer has been made shall not thereafter be entitled to any benefits under the Scheme in respect of the assets so transferred and the Trustees shall not be in any way responsible for or required to enquire into the use and application of the assets so transferred.

RIGHTS OF EMPLOYERS RELATING TO EMPLOYEES

29. Nothing in the Scheme shall fetter the right of any of the Participating Employers to dismiss any employee or to reduce any employee's remuneration neither shall the benefit to which a person might claim to be entitled under the provisions of the Scheme be used as a ground for increasing damages in any action brought by such person against a Participating Employer.

CLAIMS AGAINST TRUSTEES OR EMPLOYERS

30. No person shall have any claim, right or interest upon, or in respect of, the Fund or any contributions thereto or any interest therein or any claim upon or against the Trustees or a Participating Employer except under and in accordance with the provisions of the Trust Instrument and the Rules.

LIEN ON BENEFITS

31. All beneficial interest of a Member under the Scheme shall, subject to Rule 18 (Deduction of tax), stand charged with all sums (if any) owing in respect of any monetary obligation due to any of the Participating Employers and arising out of a criminal, negligent or fraudulent act or omission by the Member. On production of a certificate signed by the chairman or any two directors of any of the Participating Employers that an amount is so owing such certificate shall be accepted as conclusive evidence by the Trustees of the facts therein stated and subject as hereinafter provided the amount so certified shall be deducted from the benefits accordingly and be payable to that Participating Employer whose receipt shall be a complete discharge therefor Provided that

(a) this Rule shall not apply to any benefit or part thereof;

    (1) which arises under the provisions of the Transfer Rules except with the consent of the Occupational Pensions Board

    (2) which has operated to exclude the right to or reduce the amount of a redundancy payment to which the Member would otherwise be entitled under the Employment Protection (Consolidation) Act 1978,

    (3) which represents Equivalent Pension Benefits or a Guaranteed Minimum Pension.

(b) Subject to any different agreement in writing between the relevant Participating Employer and the Member, the amount of such deduction shall be limited to whichever is the lesser of:

    (1) the amount the Actuarial Adviser advises to be the actuarial value of the Member's actual or prospective benefits to which this Rule applies, at the time of such deduction, and

    (2) the amount of the said monetary obligation.

(c) The Trustees shall determine which and the extent to which any benefit or benefits or prospective benefit or benefits is or are to be reduced in amount, terminated or suspended having regard to the amount so deducted.

(d) The Member shall be entitled to a certificate showing the amount deducted and its effect on his benefits or prospective benefits.

(e) No amount shall be deducted under this Rule in the event of any dispute as to the amount of such deduction unless and until the obligation has become enforceable under an order of a competent Court or the award of an arbitrator under the Rules.

(f) Any of the Participating Employers to which a payment is made under this Rule shall indemnify the Trustees against all actions, claims, demands and expenses arising directly or indirectly in consequence of such payment.

INLAND REVENUE LIMITS

32. (A) The Trustees in order to secure and maintain approval of the Scheme under the Act shall adjust the amount of any benefit to which any person may become entitled under the Scheme and the amount of any contributions payable by and in respect of such person and shall determine that the terms and conditions appropriate to such benefits and contributions shall be deemed to be altered or modified to give effect to the limits set out in Rule 55 or to such other limits or restrictions (including any variation in such limits or restrictions) as the Board of Inland Revenue may in any particular case or generally require or agree.

- Inland Revenue undertakings

(B) The Trustees may enter into such undertakings with the Board of Inland Revenue as they consider appropriate in connection with approval of the Scheme under the Act and the provisions of the Scheme as set out in the Trust Instrument and the Rules shall be deemed to be altered or modified to such extent as the Trustees shall in their discretion determine in order to give effect to such undertakings.

- optional limits

(C) (1) Any Class B Member may elect on or after 27th July 1989 to be treated for the purposes of the Rules as a Class A Member except that, unless the Trustees otherwise agree with the Member, he shall remain a Class B Member for the purposes of paragraph (A) of Rule 8, the last paragraph (b) of Sub-rule 11(A) and paragraph 2(b) of Sub-rule 55(A).

(2) Any Class C Member may, with the consent of the Trustees elect on or after 27th July 1989 to be treated for the purpose of the Rules as a Class A Member.

(3) Any class A Member may, with the consent of the Trustees, elect to be a Class B Member for the purposes of paragraph (A) of Rule 8, the last paragraph (b) of Sub-rule 11(A) and paragraph 2(b) of Sub-rule 55(A). For all other purposes the Member will remain a Class A Member.

(4) Any election under paragraph (1) of this Sub-rule is irrevocable and shall be made by the Member giving written notice to the Trustees in such form as the Trustees may prescribe but consistent with the requirements of Part II of Schedule 6 to the Finance Act 1989.

(5) Any election under paragraph (2) or (3) of this Sub-rule is irrevocable and shall be made by the Member giving written notice to the Trustees in such form as the Trustees may prescribe.

(6) Any notice given under paragraph (4) or (5) above must be given no later than whichever is the first to occur of

(a) the earliest of the date on which the benefit is to be paid to the Member under the Scheme, the date on which a transfer payment is made in respect of the Member to any other fund, scheme, arrangement, policy or contract and the Member's 75th birthday, and

(b) any later date approved for this purpose by the Board of Inland Revenue.

(7) No election under this Sub-rule can be made by a Member who retired from or left Service prior to 17th March 1987.

PART VI - ADMINISTRATION AND MANAGEMENT OF THE SCHEME

RESPONSIBILITY FOR ADMINISTRATION AND MANAGEMENT

33. The administrator of the Scheme will be responsible for its administration and management. The administrator will be

(a) the Trustees, or

(b) any person or corporate body appointed for the time being by the Trustees under this Rule to be the administrator.

The Trustees may at any time appoint a person or corporate body approved for the purpose by the Principal Employer and resident in the United Kingdom to be the administrator for the time being and must do so at any time when none of the Trustees are resident in the United Kingdom.

Any appointment will be in writing and must be notified to the Board of Inland Revenue.

Under section 606 of the Act, if the administrator has failed to discharge his duties or to pay any tax due from him by virtue of Chapter I of the Act those responsibilities of the administrator may pass to one or more of the Trustees or any of the Participating Employers.

APPOINTMENT AND REMOVAL OF TRUSTEES

34. The power of appointing new and additional trustees shall be vested in the Principal Employer which may appoint an additional trustee or additional trustees without limitation as to number and may remove from office any trustee and may appoint a new trustee in place of any trustee who shall die or be removed or retire from office or become incapable of acting. Any such appointment or removal shall be by deed executed by the Principal Employer and as the case may be by any new or additional trustee. The Principal Employer's power under this Rule shall operate to the exclusion of any power of the Trustees to assume further trustees.

A corporation or company, limited or unlimited, may be appointed to be a trustee hereof either solely or jointly with others. Unless for the time being a corporation or company as aforesaid is a trustee hereof or until the Principal Employer shall otherwise determine by instrument in writing the number of trustees shall not be fewer than three.

A trustee or trustees may be appointed as aforesaid and act hereunder upon such terms as to remuneration and generally in all respects as may be agreed from time to time between the Principal Employer and the trustee and any corporation, company, firm or person to whom payment of remuneration is made under any such agreement may retain such remuneration beneficially.

TRUSTEES' GENERAL POWERS OF DETERMINATION

35. Subject to the powers to be exercised by a Participating Employer as herein expressed, the Trustees shall have full power to determine whether or not any person is entitled from time to time to any benefit or payment in accordance with the Scheme, and in deciding any question of fact they shall be at liberty to act upon such evidence or presumption as they shall in their discretion think sufficient, although the same be not legal evidence or legal presumption. Subject as aforesaid, the Trustees shall also have power conclusively to determine all questions and matters of doubt arising on or in connection with the Scheme, and whether relating to the construction thereof or the benefits thereunder or otherwise.

EXERCISE OF TRUSTEES' POWERS - Individual trustees

36. (A) Unless a corporation or company is for the time being sole trustee hereof the following provisions shall apply:

(1) the Trustees shall appoint a secretary and shall meet at such times, not being less than once a year, and at such place as they shall decide, and shall make regulations for the conduct of their business, the summoning of meetings, the appointment of a chairman, the recording of resolutions, and all other matters in connection with their work. A special meeting may be called by any one of the Trustees and shall be called by the secretary at the direction of the Trustees or any one of them. If more than half of the Trustees are present at a meeting they shall form a quorum. At every meeting of the Trustees all questions which cannot otherwise be resolved shall be decided by the votes of the trustees present taken by a show of hands. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

(2) The Trustees shall exercise their powers and execute their duties under the Scheme by resolutions passed at meetings of the Trustees and recorded in the minutes of that meeting provided that a resolution in writing of which notice has been given to each trustee individually shall if signed by a majority of the Trustees for the time being and subsequently recorded in the minutes of a Trustees' meeting be as effectual as if it had been passed at a meeting of the Trustees, and may consist of one or more documents in similar form each signed by one or more of the Trustees.

- Corporate trustee

(B) A corporate trustee may act through any of its directors or through an officer appointed for the purpose and so that any such appointment may be of one person or of one or more persons alternatively identified either by name or by reference to the holding for the time being of a specified office.

- Trustees decisions

(C) No decision of or exercise of a power by the Trustees shall be invalidated or questioned on the ground that the Trustees or any of them or any director or officer of a corporation or company being a trustee hereof had a direct or other personal interest in the mode or result of such decision or of exercising such power.

TRUSTEES' LIABILITY

37. Without prejudice to the powers and discretions vested in the Trustees by the other provisions hereof the Trustees shall be entitled to all the indemnities conferred on trustees by law and shall not be liable for acting on the advice of the auditors or the actuaries appointed under the Rules or on any other advice the Trustees may obtain directly or indirectly from such corporation, company, firm or person as shall in their reasonable opinion be qualified by experience or otherwise to advise them, nor shall any Trustee be liable for any acts or omissions not due to his own fraud or wilful default.

The Principal Employer shall at all times fully and effectually indemnify and keep indemnified the Trustees from and against all actions, proceedings, costs, losses, expenses, damages, claims and demands at any time made or brought against or suffered by the Trustees or any of them for or in respect of all or any of the acts, matters and things done, permitted or omitted by the Trustees in connection with or pursuant to the Scheme save, in respect of any Trustee, to the extent of such Trustee's fraud or wilful default.

EXERCISE OF EMPLOYER'S POWERS

38. Any power right or discretion conferred on a Participating Employer by the Trust Instrument or the Rules shall be exercisable by that Participating Employer's board of directors or a committee thereof appointed for the purposes of the Trust Instrument and the Rules and a document purporting to be a copy resolution of that board or committee signed by the chairman of the meeting shall (except in the case of a power or right exercisable by deed) be sufficient evidence of the exercise of the power right or discretion thereby involved.

For the avoidance of doubt, any provision for consent or power given to the Principal Employer or any other Participating Employer under the Scheme is not fiduciary.

INVESTMENT OF FUND

- acquisition and disposal of investments

39. (A) Subject to Sub-rule (K) below, the Trustees may retain any investments or property or any interest therein from time to time held by the Trustees and forming part of the assets of the Fund or sell or realise or otherwise deal with the same in such manner as they shall in their absolute discretion determine and may invest or apply in manner hereinafter provided any money forming part of the Fund and not immediately required for the payment of benefits and shall have power to sell or realise any investments or property or interest therein whether for providing money required for the payment of such benefits or for reinvestment or otherwise.

- permitted lending

(B) Subject to Sub-rule (K) below, the Trustees may arrange for any property from time to time held by the Trustees and forming part of the Fund to be lent through the agency of any persons duly authorised as Stock Exchange Money Brokers by the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited, The Securities and Future Authorities and/or the Bank of England (as the case may be) or any regulatory authority in substitution therefor and any interest earned in respect of such loans shall be deemed part of the property of the Fund.

- permitted investments

(C) Subject to Sub-rule (K) below, the Trustees may invest or otherwise deal with any money or other assets forming part of the Fund in or upon the security of such stocks, shares, debentures, debenture stocks, units in unit trusts or mutual or managed funds, bearer securities, interest in land and any annuity policies and policies of assurance (being annuity policies or policies of assurance issued by an insurance company which is authorised to carry on ordinary long term insurance business in the United Kingdom or any other member state of the European Community) or other investments or property whatsoever and wheresoever situate, whether or not involving liability, whether or not producing income and whether or not authorised by law for the investment of trust moneys as the Trustees think fit to the intent that the Trustees shall have full and unrestricted powers of investment hereunder in all respects including any powers of investment which they might exercise if they were absolutely entitled to the Fund beneficially.

(D) Subject to Sub-rule (K) below, the Trustees shall have power to underwrite sub-underwrite or guarantee the subscription of any funds, securities, bonds, debentures, debenture stocks and stocks and shares of any kind.

(E) Subject to Sub-rule (K) below, the Trustees may place or retain any moneys on deposit or current account at such rate of interest (if any) and upon such terms as they shall think fit with any bank, investment company, building society, local authority, finance company or any insurance company which is authorised to carry on ordinary long term insurance business in the United Kingdom or any other member state of the European Community.

The Trustees shall not be chargeable in respect of any interest in excess of the interest (if any) actually paid or credited on any moneys dealt with in accordance with this Sub-rule or otherwise in respect thereof.

- additional powers: land and buildings

(F) The Trustees shall in relation to any real property or any interest therein forming part of the Fund have the following additional powers:

(1) power to keep any buildings insured against such risks and for such amounts as they think fit;

(2) powers, in addition to the powers of management conferred by law upon trustees holding land upon trust for sale, to sell, exchange, convey, lease, charge, agree to let or otherwise conduct the management of any such property as if the Trustees were absolutely entitled to such property beneficially but so that, in exercising this power, the Trustees shall obtain and act upon such advice as they consider necessary (including advice from an independent valuer or independent valuers) in order to determine and agree the terms and conditions appropriate to each such sale, exchange, conveyance, lease, charge and agreement to let;

(3) power to apply any money for the time being forming part of the Fund in improving or developing any such property or in enlarging, improving, demolishing or rebuilding any building comprised in such property.

- additional powers: personal property

(G) The Trustees shall in relation to any personal property have the power to take such steps as they may think proper for the insurance, repair, protection, removal, custody, carriage and general maintenance of such property or any part thereof.

- indemnity by trustees in connection with investments

(H) The Trustees shall have power to give any indemnity in connection with the exercise of their powers under this Rule and may bind the Fund to give effect thereto.

- nominee to hold investments

(I) The Trustees may appoint any corporate body to act as their nominee for the purposes of this Rule with power for the Trustees at any time or times in like manner to revoke or vary such appointment and any investments of the Fund may be made in the name of or transferred to the corporate body so appointed on the terms that the latter shall hold them as nominee for and on behalf of the Trustees and the Trustees may for this purpose enter into any agreement with such corporate body and may bind the Fund in respect of any indemnity to give effect thereto.

- pooling of investments

(J) The Trustees may enter into an arrangement with the trustees of any common investment fund authorised for the purposes of this Rule by the Principal Employer (such common investment fund being an arrangement for the pooling of investment held for the purposes of retirement benefit schemes approved by the Board of Inland Revenue as exempt approved schemes under the Income and Corporation Taxes Act 1988) on the basis that in exchange for the entitlement to share in any such common investment fund in accordance with its terms any moneys comprising the Fund or a part thereof or any investments or property representing the same or as the case may be any contributions payable to the Trustees under the Rules shall be paid or transferred to the trustees of such common investment fund to be invested or otherwise dealt with under such arrangement by the trustees of such common investment fund pursuant to the terms and conditions thereof. Upon and to the extent that any such payment or transfer is made, the responsibility of the Trustees as to safekeeping and investment shall thereupon cease and the Trustees shall not be liable for any loss arising directly or indirectly in consequence of any such arrangement or in respect of any such payment or transfer.

- employer-related investments

(K) In exercising their powers under this Rule the Trustees shall comply with the restrictions on investments of the Scheme's resources in employer-related investments referred to in section 112 of the Pension Schemes Act and any regulations made thereunder.

Investment of Member's Voluntary Contributions Fund

(L) (1) If the Trustees have agreed to allow the Member to choose how to invest the Members Voluntary Contributions Fund the Trustees shall invest the Member's Voluntary Contributions Fund in any one or more of the options that may be made available by the Trustees from time to time and in such proportions as the Member shall select by written notice to the Trustees in such form as they may prescribe provided that approval of the Scheme under the Taxes Act is not thereby prejudiced. If a Member does not notify the Trustees of the manner in which the Member's Voluntary Contributions Fund is to be invested, the Trustees may invest it in such manner as they may think fit, as advised to the Members from time to time. Any option made available by the Trustees under this Sub-rule must be in relation to an investment permitted under Sub-rules (A) to (K) of this Rule.

(2) Any notice given by a Member under this Sub-rule shall be subject to any conditions and restrictions notified to Members in writing.

(3) A Member may, by giving such notice to the Trustees as they shall require and notify to Members from time to time, change the selection of investment of the Member's Voluntary Contributions Fund to one of the other options made available by the Trustees with effect from the first day of a Scheme Year or any other date specified by the Trustees.

(4) No Trustee shall be liable in any manner whatsoever for or in respect of any cost, claim loss or expense arising from the Trustees acting in accordance with any notice given by a Member under this Sub-rule or from any exercise by them of the powers conferred by this Rules or this Sub-rule.

POWER TO RAISE OR BORROW MONEY

40. After obtaining the consent of the Principal Employer, the Trustees may whenever they think it desirable so to do raise or borrow any sum or sums of money and may secure the repayment of such moneys in such manner and upon such terms and conditions in all respects as they think fit and in particular by charging or mortgaging all or any part of the Fund.

DONATIONS AND BEQUESTS

41. The Trustees may accept donations or bequests from any person or body to be applied for the purposes of the Scheme.

SCHEME ACCOUNTS AND AUDIT

42. The Trustees shall cause true and full accounts to be kept of all moneys passing through their hands and also a record of all persons receiving benefits and of all other matters proper to be recorded so as to show the full facts relating to the Scheme.

The Trustees shall cause their accounts for each Scheme Year to be audited as soon as reasonably practicable and not more than seven months after the end of that Scheme Year by the auditors appointed under Sub-rule 45(A), who shall also make and sign a report on the accounts in accordance with the Disclosure Requirements. The accounts and report shall be made available to Members and prospective Members, other beneficiaries under the Scheme and independent trade unions, in accordance with the Disclosure Requirements and shall be similarly available to any director or officer of a Participating Employer.

FINANCIAL INFORMATION TO EMPLOYER

43. The Trustees shall obtain and make available to the Principal Employer any information about the assets, liabilities and financial transactions of the Scheme which the Principal Employer may at any time require.

ACTUARIAL INVESTIGATION AND STATEMENT

44. The Trustees shall cause the Actuarial Adviser to make signed actuarial valuations of and statements about the financial position of the Fund with effective dates separated by intervals of not more than 3 years and 6 months. Any valuation and statement shall satisfy the Disclosure Requirements and be made available to Members and prospective Members, other beneficiaries under the Scheme and independent trade unions in accordance with the Disclosure Requirements and shall be similarly available to any director or officer of a Participating Employer.

ASSISTANCE TO TRUSTEES

- appointment and removal of officers

45. (A) The Trustees with the agreement of the Principal Employer shall appoint one or more auditors and shall appoint one or more Actuarial Adviser or a firm or body corporate which has agreed to nominate one or more of its actuaries as the Actuarial Adviser or Actuarial Advisers to the Scheme. Any Actuarial Adviser so appointed or nominated shall be a Fellow of the Institute of Actuaries or of the Faculty of Actuaries in Scotland. With the agreement of the Principal Employer the Trustees may also appoint such other advisers and officers as they consider necessary for the proper management of the Scheme. Any appointment under this Sub-rule shall be made upon such terms as to tenure of office, duties and remuneration as the Trustees with the agreement of the Principal Employer determine. The Trustees may with the agreement of the Principal Employer terminate any appointment under this Sub-rule.

- actuarial advice

(B) The Trustees shall consult and act upon the advice of the Actuarial Adviser at such time (i) as is required under the provisions of the Trust Instrument or the Rules, and (ii) as they consider it necessary or expedient so to do, and subject thereto the Trustees may consult and act upon the advice of such company, firm or person as shall in the opinion of the Trustees and the Principal Employer be qualified by experience or otherwise to advise them.

DELEGATION OF TRUSTEES' POWERS

46. The Trustees may with the consent of the Principal Employer delegate all or any of the powers, duties and discretions conferred upon them under the Trust Instrument or the Rules or by statute or otherwise for any period, to any person or persons, whether or not incorporated and whether or not a trustee hereof and shall not be responsible for any loss thereby arising. In particular, without prejudice to the generality of their powers under this Rule, the Trustees may from time to time authorise such person or persons whether or not a trustee hereof as they shall think fit to draw cheques on any banking account or to endorse any cheques or to give receipts and discharges for any moneys or other property payable, transferable or deliverable to the Trustees or any of them,

and every such receipt or discharge shall be as valid and effectual as if it were given by the Trustees. The Trustees may also with the consent of the Principal Employer revoke any delegation made in accordance with this Rule.

The production of a written authority of the Trustees as aforesaid shall be a sufficient protection to any debtor or other person taking any such receipt or discharge as aforesaid, and unless such debtor or other person shall have received express notice in writing of the revocation of such authority, he shall be entitled to assume and act on the assumption that the authority remains unrevoked.

SCHEME EXPENSES

47. Except as provided in Sub-rule 4(B) (Member's Voluntary Contributions) all expenses in connection with the establishment, administration and management of the Scheme shall unless the Principal Employer otherwise decides be paid from the Fund.

ADMISSION OF ASSOCIATED EMPLOYERS

48. The Trustees shall at the request of the Principal Employer (but not otherwise) admit any Associated Employer to participation in the Scheme. Any such Associated Employer shall enter into a covenant with the Trustees to comply with and observe the provisions of the Scheme from a specified date. The covenant shall be in such form as the Trustees shall prescribe and such participation may be subject to such terms and conditions as the Trustees may require.

An Associated Employer shall not participate in the Scheme as a Participating Employer if such participation would prejudice approval of the Scheme under the Act but this shall not preclude the participation of an Associated Employer if the Principal Employer so requests and the Board of Inland Revenue agree if the Scheme in so far as it relates to such Associated Employer is to be treated as a separate scheme under section 611(3) of the Act.

The admission of an Associated Employer to the Scheme will be subject to any restrictions specified by the Principal Employer. The Principal Employer can also make the continued participation of a Participating Employer subject to restrictions if it ceases to be associated in business with or directly or indirectly controlled by the Principal Employer. In either case the specified restrictions can include, but are not limited to

(a) a limit on the period of participation;

(b) restrictions on the eligibility of employees to become Members;

(c) alterations to the rate of employer's contributions;

(d) limits on the earnings to be recognised by the Scheme for employees of the Associated Employer;

(e) restrictions on any powers exercisable under the Rules by a Participating Employer.

The Trustees will not operate any specified restriction in a way which

1. would reduce the amount of any benefit which accrued in respect of a Member before the date from which the participation of the Associated Employer was made subject to the restriction;

2. would prejudice approval of the Scheme under the Act; or

3. is inconsistent with the contracting-out requirements of the Pension Schemes Act.

ARBITRATION

49. Save where by the Trust Instrument or the Rules the decision of the Trustees is made conclusive or a Participating Employer is given discretion or power of final determination, all differences arising out of the Scheme which have not been referred to the Pensions Ombudsman by an authorised complainant as defined in section 146(7) of the Pension Schemes Act shall be referred to a single arbitrator to be appointed in writing by the parties to the difference, or if they cannot agree upon a single arbitrator, to several arbitrators, one to be appointed in writing by each party, and such arbitrators before commencing their investigations shall elect an umpire. In all other respects such arbitration shall be subject to the statutory provisions for the time being in force relating to arbitration.

PART VII - SUSPENSION OR TERMINATION OF THE SCHEME

SUSPENSION OF A PARTICIPATING EMPLOYER'S CONTRIBUTIONS

50. Any of the Participating Employers' contributions in respect of some or all benefits under the Scheme may be suspended by notice in writing to the Trustees and on notice as aforesaid being given may, subject to Rule 51 (Trustees' power to treat suspension as termination), be resumed upon such date as shall be agreed by the Trustees. Such notice (whether relating to suspension or resumption) shall specify (by category or otherwise) the person or persons (referred to in this Rule and Rule 51 as "a Specified Person") in respect of whom and the benefit (referred to in this Rule as "a Specified Benefit") in respect of which the notice relates.

In the event of such suspension

(a) the amount of any Specified Benefit which may become payable on the death of a Specified Person during or after a period of suspension shall be determined by the Trustees having regard to the advice of the Actuarial Adviser and where appropriate having regard to the contracting-out requirements of the Pension Schemes Act and the amount (if any) of any other Specified Benefit shall be adjusted by such amount as the Trustees shall determine to be appropriate having regard to the contracting-out requirements of the Pension Schemes Act, and

(b) the amount (if any) of contributions payable in respect of such period of suspension by a Specified Person shall be determined by the Trustees provided that approval of the Scheme under the Act would not thereby be prejudiced.

TRUSTEES' POWER TO TREAT SUSPENSION AS TERMINATION

51. If the contributions of any of the Participating Employers in respect of a Specified Person are suspended under Rule 50 for more than two years the Trustees may, by notice in writing to the Participating Employer, treat the suspension under Rule 50 as a termination in respect of the Specified Person under Rule 52 as from the date stated for that purpose in the notice.

TERMINATION OF CONTRIBUTIONS BY A PARTICIPATING EMPLOYER

52. Any of the Participating Employers' contributions

(a) may be terminated at any time by notice in writing to the Trustees and may be similarly terminated only in respect of persons in a specified category or specified categories, and

(b) shall be terminated

(1) in the case of an Associated Employer on a date not later than the end of the Scheme Year following that in which that Participating Employer ceases to be an Associated Employer, or

(2) at any time in the event of that Participating Employer ceasing to transact business on account of liquidation or otherwise,

and thereupon contributions payable by any person in respect of whom the Participating Employer's contributions have ceased shall also terminate.

If the contributions of any of the Participating Employers are so terminated and Rule 53 (Termination of contributions by all Participating Employers) does not apply the provisions of Rule 9 (Benefits on leaving the Scheme) shall thereupon apply to each Member (or other person to whom a benefit under Sub-rule 16(A) (Discretionary Benefits) or the Transfer Rules applies) who is then in the service of that Participating Employer and, where appropriate, in a category of persons in respect of whom contributions have terminated. If at the time that Participating Employer's contributions are terminated any such Member is also a Member by reference to his Service with a Participating Employer whose contributions are not terminated, the benefits to be provided for him shall be determined by the Trustees having regard to the advice of the Actuary and the contracting-out requirements of the Pension Schemes Act.

TERMINATION OF CONTRIBUTIONS BY ALL PARTICIPATING EMPLOYERS

53. If under Rule 52, (i) the contributions of the Principal Employer are terminated and within the following 90 days no other corporation, company or firm becomes the Principal Employer under the Scheme, or (ii) the contributions of all the Participating Employers are terminated, the Scheme shall, subject to Sub-rule 54(A) (continuation of Scheme as a closed scheme), determine and on such determination or at the expiration of the Perpetuity Period whichever shall first occur:-

- entitlement to benefit

(a) no person shall be entitled to any benefit under the Scheme otherwise than under this Rule or Rule 54 (Optional powers on termination of contributions),

- disposal of death benefits

(b) any sum or sums then held by the Trustees in respect of any deceased person shall thereupon be paid by the Trustees as soon as practicable to such person's personal representatives.

- application of Member's Voluntary Contributions

(c) in the case of a Member who has paid Member's Voluntary Contributions to which Sub-rule 4(E) applies the assets held by the Trustees representing the Member's Accumulated Share shall (subject to the exercise of any of the powers conferred by Rule 54 and Sub-rule 4(F)) be realised and so far as the limits referred to in Sub-rule 32(A) (Inland Revenue limits) permit shall thereupon be applied in the purchase or provision of a Paid-up Policy under Rule 24 (Securing benefits outside the Scheme by purchase of policies) to secure any of the benefits set out in paragraphs (1) or (2) of Sub-rule 16(A) (Discretionary benefits) on such basis in all respects as the Trustees shall decide;

- use of Scheme assets on wind-up

(d) the Fund shall (subject to the exercise of any of the powers conferred by Rule 54) be realised and together with any moneys in hand be disposed of (subject to the provisions of (e) (alternative lump sum where pension would be trivial) and (f) (expenses of wind-up) of this Rule) among the persons who on the date upon which the Scheme determined or the Perpetuity Period expired as aforesaid are included among the persons specified below by the provision of Paid-up Policies securing benefits of such amounts as shall be determined by the Trustees having regard to the advice of the Actuarial Adviser to the intent that, as far as the monies available permit:-

pensioners

(1) (a) all Members and other persons who are in receipt of pensions under the Scheme shall be entitled to Paid-up Policies securing benefits as nearly as may be on the same terms and conditions as and identical in amount with their benefits under the Scheme including any pension benefits payable under the Scheme on the death of any such Member or other person in receipt of a pension

Members who have reached Normal Retirement Date but whose pension has not commenced

(b) all Members not included in (a) whose Normal Retirement Dates have occurred and whose pensions under the Scheme have not commenced to be paid shall be entitled to Paid-up Policies securing benefits as nearly as may be on the same terms and conditions as and identical in amount with their benefits under the Scheme calculated as if they had retired from Service on the date upon which contributions terminated. The benefits to be so secured shall include any benefits (calculated on the same basis) which would have become payable on their subsequent death.

Members who were contracted-out under old State Graduated Scheme

(2) All Members who have completed a period of non-participating employment for the purposes of the National Insurance Act 1965 shall be entitled to Paid-up Policies securing benefits as nearly as may be on the same terms and conditions as and identical in amount with their benefits under

the Scheme to the extent that such benefits represent Equivalent Pension Benefits.

Guaranteed Minimum Pensions

(3) All Members who have completed a period of Contracted-out Employment shall be entitled to Paid-up Policies securing benefits as nearly as may be on the same terms and conditions as and identical in amount with their benefits under the Scheme to the extent that such benefits represent the Guaranteed Minimum Pensions payable in respect of such Members and prospectively payable on the death of such Members.

Members who have left the Scheme with Deferred Pensions

(4) (a) All Members who have left the Scheme with prospective entitlement to pensions under the Scheme which have not commenced to be paid shall be entitled to Paid-up Policies securing benefits as nearly as may be on the same terms and conditions as and identical in amount with their benefits under the Scheme including any benefits prospectively payable on the death of any such Member.

Members in Service before Normal Retiring Date

(b) All Members whose Normal Retirement Dates have not occurred, who are in the service of a Participating Employer and are not included in (4)(a) above shall be entitled to Paid-up Policies securing benefits as nearly as may be on the same terms and conditions as and identical in amount with the benefits to which the Members would have been entitled if they had left the Scheme on the date upon which contributions terminated and become entitled to a Deferred Pension calculated as if they were Qualifying Members whether or not this is the case. The benefits to be so secured shall include any benefits (calculated on the same basis) which would have become payable on their subsequent death.

other persons

(c) All persons to whom sub-paragraphs (a) and (b) above do not apply who are prospectively or contingently entitled to benefits under the Scheme by reference only to Sub-rule 16(A) (Discretionary benefits) or the Transfer Rules shall be entitled to Paid-up Policies securing benefits as nearly as may be on the same terms and conditions as and identical in amount with their benefits under the Scheme or, where such entitlement arises in respect of persons who are in the service of a Participating Employer, the benefits to which such persons would have been entitled if they had left Service on the date upon which contributions terminated.

application of surplus

(5) The Trustees shall apply any balance of the Fund then remaining to augment all or any of the

assets

benefits provided under this Rule in such shares and in such manner as they shall in their absolute discretion determine.

offsetting benefits under one paragraph against benefits under another

(6) In calculating the extent to which benefits are to be secured in respect of any person under each paragraph hereof account shall be taken of any benefits secured in respect of such person under any preceding paragraph except that no account shall be taken of Equivalent Pension Benefits secured under paragraph (2) in ascertaining the amount of Guaranteed Minimum Pension to be secured under paragraph (3).

order of priority of benefits

(7) Subject to the provisions of this Sub-rule liabilities of the Scheme shall be accorded priority in the order in which they appear in paragraphs (1), (2), (3) and (4) above except that liabilities under each sub-paragraph thereof shall have equal priority. In the event of the monies available being sufficient to provide part but not all of the benefits under paragraph (1), (2), (3) or (4) above benefits shall be provided in respect of all persons to whom such paragraph applies in proportion except that

(a) where such proportion is in respect of persons to whom paragraph (3) relates the Trustees may determine that benefits under that paragraph may be provided in full as far as the monies available to provide such benefits permit in respect of such persons as the Trustees in their discretion decide, and

(b) liabilities arising under sub-paragraphs (a) and (b) of paragraph (4) may at the discretion of the Trustees be satisfied in such order and to such extent as the Trustees determine having regard to the advice of the Actuarial Adviser to the intent that equality of treatment is as far as possible achieved among persons to whom paragraph (4) above applies after taking into account any Equivalent Pension Benefits secured under paragraph (2) and Guaranteed Minimum Pensions secured under paragraph (3) above or extinguished by the payment of a state scheme premium under the Pension Schemes Act.

payment of state scheme premiums to secure certain benefits

(8) The Trustees may determine that all or, as the case may be, a part of any benefit applicable under paragraphs (1) and (3) which would otherwise fall to be secured under a Paid-up Policy shall be extinguished by the payment of a state scheme premium under the Pension Schemes Act and Sub-rule 56(G) (payment of state scheme premiums and corresponding reduction of Scheme

benefits) shall apply accordingly. Subject thereto any liability for the payment of such premiums shall be satisfied after liabilities under paragraphs (1), (2) and, as far as may be, (3) have been fully met.

- alternative lump sum in certain circumstances

(e) In any case where but for the provisions of this paragraph a Paid-up Policy would fall to be provided

(1) to secure a Trivial Pension in respect of any person, or

(2) to secure a pension in respect of a Member whose pension under the Scheme has not then commenced to be paid and who in the opinion of the Trustees is in exceptional circumstances of serious Ill-health, but only in so far as the pension to be so secured exceeds the Guaranteed Minimum for the Member or his widow or widower

the Trustees may, instead of providing the appropriate benefits under a Paid-up Policy, convert them and (where and to the extent that the Trustees determine to be appropriate) any pension or other benefit contingently payable on the death of such person, into a lump sum and pay it to such person. The amount of the lump sum shall (subject to Rule 18 (Deduction of tax)) be determined by the Trustees being an amount confirmed by the Actuarial Adviser to be reasonable. Upon payment of such lump sum each person entitled or contingently entitled to the pension or other benefits that would otherwise have been so secured shall thereupon cease to be so entitled.

- expenses of wind-up

(f) If the Trustees shall be unable to recover from a Participating Employer all or any part of the costs, charges and expenses of and incidental to the realisation and distribution of the Fund (including the remuneration of the auditors and any officers appointed under the Rules) such costs, charges and expenses or so much of them as is not recovered from that Participating Employer shall be a first charge upon and shall be payable out of the Fund.

OPTIONAL POWERS ON TERMINATION OF CONTRIBUTIONS

54. The Trustees shall have the following powers if the contributions of all the Participating Employers are terminated under Rule 52:

- continuation of Scheme as a closed scheme

(A) The Trustees may determine that instead of disposing of the Fund under Rule 53, they shall continue the Scheme for so long as they think it appropriate

If the Trustees decide to continue the Scheme under this Sub-rule the following conditions shall apply:

(1) any continuation of the Scheme shall be subject to such conditions as the Trustees think fit;

(2) except as provided in (3) below, the benefits specified in Part IV of the Rules (and, where appropriate, the Transfer Rules) shall continue to be paid while the Scheme continues but no benefits shall accrue in respect of any period after contributions terminate except to the extent necessary to comply with the protection of pensions and revaluation of pensions provisions of the Pension Schemes Act;

(3) the amount of any benefit under Part IV of the Rules shall be reduced as the Trustees consider appropriate and in the case of a benefit payable on the death of a person (other than a benefit based only on the Member's Contributions) may, if the Trustees so decide, cease to be payable;

(4) any continuation of the Scheme, the terms and conditions on which it is continued and any alteration to the benefits of the Scheme shall comply with the contracting- out requirements of the Pension Schemes Act and shall not be such as would prejudice approval of the Scheme under the Act.

- transfers to another scheme

(B) The Trustees may determine that, in respect of any person or persons for whom the provisions for disposal contained in Rule 53 would otherwise have applied, the provisions of Rule 28 (Transfers to another scheme) shall be applied (save that the approval of the Principal Employer shall not be required) to such part of the assets of the Fund as the Trustees shall determine having regard to the advice of the Actuarial Adviser, being not less than the part of such assets which would otherwise have been applied under Rule 53 (other than paragraph (d)(5)) to provide Paid-up Policies or, as the case may be, cash sums in respect of such person or persons.

- non-statutory buy-out option

(C) The Trustees may permit any person whose benefits under the Scheme have not become payable and to whom the provisions for disposal contained in Rule 53 would otherwise have applied and who does not have the Statutory Transfer Option to elect that, instead of such provisions, he shall have a Paid-up Policy in accordance with the provisions of Sub-rule 10(C) (non-statutory buy-out option). The premium under any such Paid-up Policy shall be the amount which would otherwise have been applied in respect of him under Rule 53 (other than paragraph (d)(5)) less any amount which the Trustees consider appropriate in respect of expenses.

- selective application of options on termination of contributions

(D) The Trustees may determine that the provisions of (B) or (C) of this Rule shall apply on such basis in all respects as they consider appropriate (having regard to the advice of the Actuarial Adviser and where appropriate to the contracting-out requirements of the Pension Schemes Act) to part of the benefits which would otherwise fall to be secured in respect of any person or persons under Rule 53 and the assets representing the same.

Sub-rules (B) and (C) of this Rule shall not apply during any period for which the Trustees continue the Scheme under (A) of this Rule.

PART VIII - STATUTORY PROVISIONS

GUIDE TO INLAND REVENUE LIMITS
- expressions used

55. (A) For the purpose of this Rule the following terms shall have the meanings ascribed to them:

"Aggregate Retirement Benefit" means the aggregate of:

(1) the Member's pension under the Scheme and any Associated Scheme including any amount surrendered to provide a pension for his widow, widower or a Dependent Relative, and

(2) 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 the Act, or in the case of a close company, section 416 of the Act.

"Associated Scheme" means any Relevant Scheme providing benefits in respect of Relevant Employment but does not include the Scheme.

"Class A Member" means:

(a) any Member who joined the Scheme on or after 1st June 1989, other than a Member who is a Class B or Class C Member by virtue of paragraph (b) of the definition of Class B Member or paragraph (b) of the definition of Class C Member below, or

(b) any Member who was previously a Class B or C Member but who is treated as a Class A Member by virtue of an election under Sub-rule 32(C) except that a Class B Member who makes such an election may remain a Class B Member to the limited extent referred to in paragraph (1) of Sub-rule 32(C).

"Class B Member" means:

(a) any Member who joined the Scheme on or after 17th March 1987 and before 1st June 1989, or

(b) any Member for whom paragraphs 20 and 22 to 26 of Schedule 6 to Finance Act 1989 do not apply by virtue of regulations made pursuant to paragraph 19(2) of that Schedule or who is treated in the same manner in accordance with conditions prescribed by the Board of Inland Revenue,

but who in either case is not a Member who is a Class C Member or treated as a Class A Member by virtue of an election under Sub-rule 32(C) except that such a Member may remain a Class B Member to the limited extent referred to in paragraph (1) of Sub-rule 32(C),

(c) any Member who is a Class B Member to the limited extent referred to in paragraph (3) of Sub-rule 32(C) following an election under that paragraph.

"Class C Member" means:

(a) any Member who joined the Scheme before 17th March 1987, or

(b) any Member for whom paragraph 2, 3, 4 and 6 of Schedule 23 to the Act do not apply by virtue of regulations made pursuant to paragraph 1(2) of Schedule 23 to the Act or who is treated in the same manner in accordance with conditions prescribed by the Board of Inland Revenue,

but who in either case is not a Member who is treated as a Class A Member by virtue of an election under Sub-rule 32(C).

"Connected Scheme" means any Relevant Scheme which is connected with the Scheme in relation to the Member. For this purpose a Relevant Scheme is connected with the Scheme if:

(1) there is a period during which the Member has been the employee of two Associated Employers, and

(2) that period counts under both schemes as a period in respect of which benefits are payable, and

(3) 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 after 16th March 1987 and in the last 10 years before the Relevant Date has been a director within the definitions of a director in both section 612 of the Act and paragraph (b) of section 417(5) of the Act in relation to the Participating Employer.

"Final Remuneration" means:

Class A Members
Class B Members and
Class C Members after
16th March 1987

(1) In relation to the retirement, leaving Relevant Service or death of a Class A Member a Class B Member or a Class C Member after 16th March 1987 the greater of

(a) the highest remuneration for any period of 12 months in the 5 years preceding the Relevant Date being the aggregate of

A. the basic pay for the year in question, and

B. the yearly average over 3 or more consecutive years ending with the expiry of the corresponding basic pay year, of any Fluctuating Emoluments provided that Fluctuating Emoluments of a year other than the basic pay year may be increased in proportion to any increase in the Index of Retail Prices from the last day of that year up to the last day of the basic pay year. Remuneration that is received after the Relevant Date and upon which tax liability has been determined will be treated as a Fluctuating Emolument (providing it was earned or qualified for prior to the Relevant Date). In these circumstances it may be included provided the yearly average of 3 or more consecutive years begins no later than the commencement of the basic pay year, and

(b) the yearly average of the total emoluments for any 3 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 provided that in these circumstances the yearly average of 3 or more consecutive years begins no later than the commencement of the year ending with the Relevant Date.

(2) For the purposes of (1) of this definition:

(a) except for the purposes of calculating the maximum lump sum death benefit in accordance with Sub-rule (D) of this Rule remuneration and total emoluments shall not include either

A. any amounts which arise from the acquisition or disposal of shares or an interest in shares or from a right to acquire shares except any amount which is assessed on the Member under Schedule E of the Act in respect of any such acquisition or disposal, interest or right which arose from an entitlement or option created or granted before 17th March 1987, or

B. any amount in respect of which tax is chargeable by virtue of section 148 of the Act;

(b) in relation to a Controlling Director, Final Remuneration shall be the amount ascertained in accordance with sub-paragraph (1)(b) above and sub-paragraph (1)(a) above shall not apply;

(c) subject to sub-paragraph (d) below, in the case of a Member whose remuneration received from the Participating Employers in any year after 5th April 1987 has exceeded £100,000 (or such other sum as may be prescribed in an order made by the Treasury) sub-paragraph (1)(a) above shall not apply and the amount under sub-paragraph (1)(b) above shall be increased to the lesser of £100,000 where it would otherwise fall below that figure and the amount which would otherwise have been calculated under sub-paragraph (1)(a) above;

(d) in relation to any Member for whom the date of termination of Service is before 6th April 1991 who is not a Controlling Director and whose remuneration received from the Participating Employers in any year after 5th April 1987 has exceeded £100,000 (or such other sum as may be prescribed in an order made by the Treasury) Final Remuneration shall notwithstanding paragraph (c) above (but subject to paragraph (f) below) be the greater of the amounts ascertained under sub-paragraphs (a) and (b) of paragraph (1) above subject to a maximum of the greatest of:

A. the amount ascertained under sub-paragraph (a) of paragraph (1) above in relation to any year ending before 6th April 1987, and

B. the Member's total emoluments (other than any amount excluded under sub-paragraph (a) above) for the year ending on 5th April 1987 excluding any increase under sub-paragraph (e) below, and

C. the amount ascertained under sub-paragraph (b) of paragraph (1) above;

(e) 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 (as calculated in sub-paragraph (a) of paragraph (1) above) or total emoluments (for the purposes of sub-paragraph (b) of paragraph (1) above) of any year may be increased in proportion to any increase in the Index of Retail Prices from the last day of that year up to the Relevant Date but in the case of a Class C Member this sub-paragraph shall not apply to the calculation of the maximum Lump Sum Retirement Benefit in accordance with Sub-rule (C) of this Rule unless the member's Aggregate Retirement Benefit is similarly increased beyond the maximum amount which could have been paid but for this paragraph and the proviso to sub-paragraph (1)(a)(B) above and then only to the same proportionate extent;

(f) for the purpose of the calculation of the maximum Lump Sum Retirement Benefit for a Class B Member in accordance with Sub-rule (C) of this Rule, Final Remuneration shall not in any event exceed £100,000 or such other sum as may be specified in an order made by the Treasury;

(g) remuneration and total emoluments shall include any amounts upon which the Member has been assessed under Schedule E of the Act in respect of any benefits in kind other than any amount excluded by sub-paragraph (a) above;

(h) in the case of a Class A Member Final Remuneration shall not exceed the permitted maximum as defined in Section 590C(2) of the Act;

(i) an employee who remains, or is treated as remaining, in Service but by reason of incapacity is in receipt of a reduced remuneration for more than 10 years up to the Relevant Date, may calculate Final Remuneration under sub-paragraph (1)(a) or (b) above with the Final Remuneration calculated at the cessation of normal pay and increased in accordance with the Index of Retail Prices, in the manner laid down in sub-paragraph (2)(e) above;

(j) the total amount of any profit related pay (whether relieved from income tax or not) may be classed as remuneration and treated as a Fluctuating Emolument;

(k) an early retirement pension in payment from a Participating Employer may not be included in Final Remuneration;

(l) for the purposes of providing immediate benefits at the Relevant Date it will be permitted to calculate Final Remuneration on the appropriate basis above using remuneration 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 upon which tax liability has been determined.

Class C Members before 17.3.87

(3) In relation to the retirement, leaving Relevant Service or death of a Class C Member before 17th March 1987 the greater of:

(a) the highest remuneration for any period of 12 months in the 5 years preceding the Relevant Date being the aggregate of

A. the basic pay for the year in question, and

B. the yearly average over 3 or more consecutive years ending with the expiry of the corresponding basic pay year, of any fluctuating emoluments provided that fluctuating emoluments of a year other than the basic pay year may be increased in proportion to any increase in the Index of Retail Prices from the last day of that year up to the last day of the basic pay year, and

(b) the yearly average of the total emoluments for any 3 or more consecutive years ending not earlier than 10 years before the Relevant Date.

(4) For the purposes of (3) of this definition:

(a) in relation to a Controlling Director Final Remuneration shall be the amount ascertained in accordance with sub-paragraph (3) (b) above and sub-paragraph (3) (a) above shall not apply;

(b) 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 (as calculated in sub-paragraph (3)(a) above) or total emoluments (as calculated in sub-paragraph (3)(b) above) of any year may be increased in proportion to any increase in the Index of Retail Prices from the last day of that year up to the Relevant Date but this sub-paragraph shall not apply to the calculation of the maximum Lump Sum Retirement Benefit in accordance with Sub-rule (C) of this Rule unless the Member's Aggregate Retirement Benefit is similarly increased beyond the maximum amount which could have been paid but for this sub-paragraph and the proviso to sub-paragraph (3)(a)B. above and then only to the same proportionate extent.

"Fluctuating Emoluments" means the part of an 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 and profit related pay. Directors' fees may rank as fluctuating emoluments according to the basis on which they are voted.

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

"Relevant Date" means the date of a Member's retirement from Service, leaving Relevant Service or death as the case may be.

"Relevant Employment" means employment with a Participating 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 a Participating Employer only by virtue of a permanent community of interest.

"Relevant Scheme" means any other scheme approved or seeking approval under Chapter I Part XIV of the Act and in respect of a Class A Member who retires from Service or leaves Pensionable Service on or after 31st August 1991 and who is a Controlling Director includes any retirement annuity contract or trust scheme approved under Chapter III Part XIV or any personal pension scheme as approved under Chapter IV Part XIV of the Act insofar as it provides benefits secured by contributions in respect of Relevant Employment.

"Relevant Service" shall have the meaning ascribed to pensionable service by section 70 of the Pension Schemes Act.

"Remuneration" in relation to any year means the aggregate of the total emoluments for the year in question from a Participating Employer but excluding

A any amounts which arise from the acquisition or disposal of shares or an interest in shares or from a right to acquire shares,

B any amount in respect of which tax is chargeable by virtue of section 148 of the Act,

C for a Class A Member any emoluments in excess of the permitted maximum as defined in Section 590C(2) of the Act.

"Retained Death Benefits" means any lump sum benefit (other than a refund of his own contributions and interest thereon) payable on the Member's death in respect of previous employment or periods of self-employment (whether alone or in partnership) and arising from:

(a) retirement benefits schemes approved or seeking approval under Chapter 1 Part XIV of the Act or relevant statutory schemes as defined in section 611A thereof,

(b) funds to which section 608 of the Act applies,

(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 the Act,

(d) any lump sum life assurance benefit under retirement annuity contracts or trust schemes approved under Chapter III Part XIV of the Act,

(e) any lump sum life assurance benefit under personal pension schemes approved under Chapter IV Part XIV of the Act,

(f) transfer payments from overseas schemes held in a type of arrangement defined in (a) (d) or (e) above.

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

Retained Death Benefits may also be ignored for any Member (other than a Member who at the date of joining the Scheme or at any time in the last 10 years before the date of joining the Scheme has been a director within the definitions of a director in both section 612 of the Act and paragraph (b) of section 417(5) of the Act in relation to the Participating Employer) who joins the Scheme on or after 31st August 1991 and whose total remuneration for the twelve months commencing on the date of joining the Scheme does not exceed one-quarter of the permitted maximum as defined in Section 590C(2) of the Act in force at the date of joining the Scheme.

- Member's pension

(B) The Member's Aggregate Retirement Benefit shall not exceed:

Class A Members

(1) for a Class A Member

(a) on retirement at any time between attaining age 50 and attaining age 75, except before Normal Retirement Date on grounds of Incapacity, a pension of 1/60th of Final Remuneration for each year of Relevant Employment (not exceeding 40 years) or such greater amount as will not prejudice approval of the Scheme under the Act,

(b) on retirement at any time before Normal Retirement Date on grounds of Incapacity a pension of the amount which could have been provided at Normal Retirement Date in accordance with (1)(a) of this Sub-rule, Final Remuneration being computed as at the actual date of retirement,

(c) on leaving Relevant Service before attaining age 75, a pension of 1/60th of Final Remuneration for each year of Relevant Employment prior to leaving Relevant Service (not exceeding 40 years) or such greater amount as will not prejudice approval of the Scheme under the Act. The amount so computed may be increased at the rate of 5 per cent. per annum compound or, if greater, in proportion to any increase in the Index of Retail Prices which has occurred between the date of termination of Relevant 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,

(d) benefits for a Class A Member are further restricted to ensure that his total retirement benefit from the Scheme and from an Associated Scheme or Connected Scheme does not exceed a pension of 1/30th of the permitted maximum as defined in section 590C(2) of the Act for each year of service, subject to a maximum of 20/30ths. For the purpose of this limit, service is the aggregate of Relevant Employment 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,

(e) for the purpose of calculating the Aggregate Retirement Benefit or the total retirement benefit in (a) to (d) above, the pension equivalent of any Lump Sum Retirement Benefit is one twelfth of its total cash value.

Class B and C Members

(2) for a Class B Member and a Class C Member;

(a) on retirement at or before Normal Retirement Date, a pension of 1/60th of Final Remuneration for each year of Relevant Employment (not exceeding 40 years) or such greater amount as will not prejudice approval of the Scheme under the Act. Where retirement is due to Incapacity, Relevant Employment shall include the period between the date of retirement and Normal Retirement Date;

(b) on retirement after Normal Retirement Date, a pension of the greatest of:

A. the amount calculated in accordance with (2)(a) of this Sub-rule on the basis that the actual date of retirement was the Member's Normal Retirement Date,

B. the amount which could have been provided at Normal Retirement Date in accordance with (2) (a) of this Sub-rule increased either actuarially in respect of the period of deferment or in proportion to any increase in the Index of Retail Prices during that period, and

C. where the Member's total Relevant Employment has exceeded 40 years, the aggregate of 1/60th of Final Remuneration for each year of Relevant Employment before Normal Retirement Date (not exceeding 40 such years) and of a further 1/60th of Final Remuneration for each year of Relevant Employment after Normal Retirement Date, with an overall maximum of 45 reckonable years.

Final Remuneration being computed for the purposes of sub-paragraphs A. and C. above as at the actual date of retirement, but subject always to Sub-rule (G) of this Rule;

(c) on leaving Relevant Service before Normal Retirement Date, a pension of 1/60th of Final Remuneration for each year of Relevant Employment prior to leaving Relevant Service (not exceeding 40 years) or of such greater amount as will not prejudice approval of the Scheme under the Act. The amount computed as aforesaid may be increased at the rate of 5 per cent. per annum compound or, if greater, in proportion to any increase in the Index of Retail Prices which has occurred between the date of termination of Relevant 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.

- <u>lump sum on retirement</u>

(C) The Member's Lump Sum Retirement Benefit shall not exceed:

Class A Members

(1) for a Class A Member

(a) on retirement at any time between attaining age 50 and attaining age 75, except before

Normal Retirement Date on grounds of Incapacity, 3/80ths of Final Remuneration for each year of Relevant Employment (not exceeding 40 years) or such greater amount as will not prejudice approval of the Scheme under the Act,

(b) on retirement at any time before Normal Retirement Date on grounds of Incapacity the amount which could have been provided at Normal Retirement Date in accordance with (1)(a) of this Sub-rule, Final Remuneration being computed as at the actual date of retirement,

(c) on leaving Relevant Service before attaining age 75, a lump sum of 3/80ths of Final Remuneration for each year of Relevant Employment prior to leaving Relevant Service (not exceeding 40 years) or such greater amount as will not prejudice approval of the Scheme under the Act. The amount computed as aforesaid may be increased in proportion to any increase in the Index of Retail Prices which has occurred between the date of termination of Relevant Service and the date on which the benefit is first paid.

Class B and Class C Members

(2) for a Class B Member and a Class C Member

(a) on retirement at or before Normal Retirement Date, 3/80ths of Final Remuneration for each year of Relevant Employment (not exceeding 40 years) or such greater amount as will not prejudice approval of the Scheme under the Act. Where retirement is due to Incapacity, Relevant Employment shall include the period between the date of retirement and Normal Retirement Date;

(b) on retirement after Normal Retirement Date, the greatest of:

A. the amount calculated in accordance with (2)(a) of this Sub-rule on the basis that the actual date of retirement was the Normal Retirement Date, and

B. the amount which could have been provided at Normal Retirement Date in accordance with (2) (a) of this Sub-rule together with an amount representing interest thereon, and

C. where the Member's total Relevant Employment has exceeded 40 years, the aggregate of 3/80ths of Final Remuneration for each year of Relevant Employment before Normal Retirement Date (not exceeding 40 such years) and of a further 3/80ths of Final Remuneration for each year of Relevant Employment after Normal Retirement Date, with an overall maximum of 45 reckonable years,

Final Remuneration being computed for the purposes of sub-paragraphs A. and C. above as at the actual date of retirement, but subject always to Sub-rule (G) of this Rule;

(c) on leaving Relevant Service before Normal Retirement Date, a lump sum of 3/80ths of Final Remuneration for each year of Relevant Employment prior to leaving Relevant Service (not exceeding 40 years) or such greater amount as will not prejudice approval of the Scheme under the Act. The amount computed as aforesaid may be increased in proportion to any increase in the Index of Retail Prices which has occurred between the date of termination of Relevant Service and the date on which the benefit is first paid.

The above limits shall not apply to any lump sum payable by way of a refund of Member's Contributions and interest thereon, by conversion of pension into a lump sum in exceptional circumstances of serious Ill-health or where the pension is a Trivial Pension.

- lump sum death benefits

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

(1) £5,000, and

(2) four times the greater of Final Remuneration and the annual rate of the Member's basic salary or wages at the date of death or leaving Relevant Service together with the yearly average of Fluctuating Emoluments in the 3 years (or the whole period of Relevant Employment if less) up to the date of death or leaving Relevant Service (but in the case of a Class A Member not exceeding the permitted maximum as defined in Section 590 C(2) of the Act),

less Retained Death Benefits.

- dependant's pensions

(E) Any pension for a widow, widower or Dependent Relative (other than a pension provided by surrender of the Member's own pension), when aggregated with the pensions, other than those provided by surrender of the Member's own pension, payable to that widow, widower or Dependent Relative under all Associated Schemes and in the case of Members whose death occurs before 31st August 1991 all Relevant Schemes of previous employers shall not exceed an amount equal to 2/3rds of the maximum Aggregate Retirement Benefit which could have been payable to the Member immediately prior to his death calculated as if he was not entitled to any benefit arising from any previous employments and calculated in the case of a Member who was in Service at the date of his death as if he had retired on the grounds of Incapacity immediately prior to his death or such greater amount as will not prejudice approval of the Scheme under the Act.

If such pensions are payable to more than one person in respect of a Member, the aggregate of all such pensions payable in respect of him under this and all Associated Schemes shall not exceed the full amount of the maximum Aggregate Retirement Benefit calculated as described above in this paragraph or such greater sum as will not prejudice approval of the Scheme under the Act.

- pension increases

(F) The maximum amount of a pension ascertained in accordance with this Rule less any pension which has been commuted for a lump sum or the pension equivalent of any benefits in lump sum form or surrendered to provide a pension for the Member's widow, widower or Dependent Relative may be increased at the rate of 3 per cent. per annum compound or, if greater, in proportion to the increase in the Index of Retail Prices since the pension commenced.

- late retirement

(G) If a Class B Member or Class C Member elects under Rule 8 (Late Retirement Pension) to take any part of his benefits under the Scheme in advance of actual retirement, the limits set out in Sub-rules (B) and (C) of this Rule shall apply as if he had retired at the date of the election as aforesaid, no account being taken of subsequent Relevant Employment, 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 of Retail Prices during that period.

- Controlling Directors

(H) The preceding provisions of this Rule shall be modified in their application to a Class B or Class C Member who is a Controlling Director as follows:

(1) The amount of the maximum Aggregate Retirement Benefit in Sub-rule (B) of this Rule and of the maximum Lump Sum Retirement Benefit in Sub-rule (C) of this Rule shall be reduced, where

necessary for approval of the Scheme under the Act, so as to take account of any corresponding benefits under either a retirement annuity contract or trust scheme approved under Chapter III Part XIV of the Act or a personal pension scheme approved under Chapter IV Part XIV of the Act

(2) If he is a Controlling Director at his Normal Retirement Date:

(a) where retirement takes place after Normal Retirement Date but not later than the Member's 70th birthday, sub-paragraphs (2)(b)B. and C. of Sub-rule (B) of this Rule and sub-paragraphs (2)(b)B. and C. of Sub-rule (C) of this Rule shall not apply, and if retirement is later than the attainment of that age, the said paragraphs shall apply as if the Member's 70th birthday had been specified in the Rules as his Normal Retirement Date, so as not to treat as Relevant Employment after Normal Retirement Date any Relevant Employment before the Member reaches the age of 70;

(b) where Sub-rule (G) of this Rule applies to him, the rate of the actuarial increase referred to therein in relation to any period of deferment prior to his attaining the age of 70, shall not exceed the percentage increase in the Index of Retail Prices during that period.

- maximum yearly contributions

(I) The total contributions paid by a Member in a Tax Year to this and any Relevant Scheme providing benefits by virtue of Relevant Employment shall not exceed 15 per cent. of his Remuneration for that Tax Year in respect of that Relevant Employment.

(J) Where the application of the limits set out in this Rule requires the amount of any benefit payable to or in respect of a Member to be restricted and the Member has paid Member's Voluntary Contributions, that restriction shall be first applied to the benefits attributable to the Member's Voluntary Contributions so as to permit the repayment of surplus funds subject to the provisions of section 599A of the Act.

CONTRACTING-OUT OF THE STATE EARNINGS RELATED PENSION SCHEME

- operation of the Scheme

56. (A) The provisions of this Rule shall apply if any employment becomes Contracted-out Employment and such provisions shall override all other provisions of the Scheme except any that are in accordance with the provisions of the Pension Schemes Act.

(B) The Trustees shall operate the Scheme in all respects in accordance with the contracting-out requirements of the Pension Schemes Act.

- Guaranteed minimum pension (GMP)

(C) (1) If a Member has a guaranteed minimum in relation to the pension for him under the Scheme in accordance with section 14 of the Pension Schemes Act

(a) the weekly rate of the Member's pension under the Scheme from Pensionable Age shall not be less than that guaranteed minimum, and

(b) if the Member is male and dies at any time and leaves a widow, the weekly rate of her pension under the Scheme shall not be less than her guaranteed minimum (if any) which is one-half of the Member's guaranteed minimum including any increases therein arising from increases in the Member's guaranteed minimum under Sub-rule (D) of this Rule, and

(c) if the Member is female and dies on or after 6th April 1989 leaving a widower, the weekly rate of his pension under the Scheme shall not be less than his guaranteed minimum (if any) which is one-half of that part of the Member's guaranteed minimum which is attributable to earnings for the Tax Year 1988-89 and later Tax Years, including any increases therein arising from increases in the Member's guaranteed minimum under Sub-rule (D) of this Rule.

(2) The guaranteed minimum pensions referred to in (1) of this Sub-rule shall, to the extent that they are attributable to earnings factors for the Tax Year 1988-89 and later Tax Years, be increased in accordance with the requirements of section 109 of the Pension Schemes Act and to the extent of any orders made thereunder.

(3) In determining whether the weekly rate of the pension payable under the Scheme to the Member or the widow or widower is less than the amount specified in (a), (b) or (c) of (1) above any part of such pension which

(a) arises from Member's Voluntary Contributions, or

(b) represents Equivalent Pension Benefits

shall be disregarded.

- retirement after Pensionable Age

(D) If the commencement of the Member's Guaranteed Minimum Pension is postponed for any period after Pensionable Age his guaranteed minimum shall be increased to the extent, if any, specified in section 35(6), (6A) and (6B) of the Pension Schemes Act.

- revaluation of GMP for early leavers

(E) In the event of any Member's service in Contracted-out Employment being terminated before Pensionable Age the guaranteed minimum which has accrued up to termination will be increased

(1) by the percentage by which earnings factors for the Tax Year in which Contracted-out Employment terminated are increased by the last Order made under section 148 of the Social Security Administrations Act 1992 of the Pension Schemes Act coming into force before the earlier of the Tax Year in which the Member attains Pensionable Age and the Tax Year in which the Member dies, in which event the amount of and the terms and conditions appropriate to any benefit which becomes payable during the lifetime of the Member prior to Pensionable Age shall be determined by the Trustees having regard to the advice of the Actuarial Adviser, or

(2) by either

(a) 5 per cent. compound for each Tax Year after that in which Contracted-out Employment terminated up to and including the last complete Tax Year before Pensionable Age or the earlier death of the Member, or

(b) as in (1) above

whichever makes the lesser increase but so that in the event of a benefit becoming payable under the Scheme during the lifetime of the Member and before Pensionable Age or in the event of a Trivial Pension being commuted before Pensionable Age the amount of such benefit or such Trivial Pension shall be calculated as if (a) above applied to the calculation of the increase in the Member's accrued guaranteed minimum, or

(3) in respect of each Tax Year after that in which Contracted-out Employment terminated up to and including the last complete Tax Year before Pensionable Age or the earlier death of the Member by such rate as regulations made under section 55(5) of the Pension Schemes Act specify as being relevant to the date of termination.

Such increases shall be calculated on the basis set out in paragraph (2) above provided that

(a) where under Sub-rule 27(E) (Transfers from another scheme - revaluation of GMP) the Trustees have determined that any part of the guaranteed minimum shall be increased on a basis otherwise than in accordance with orders made under section 148 of the Social Security Administrations Act 1992 of the Pension Schemes Act such basis shall continue to apply to such part, subject to sub-paragraph (b) below,

(b) if liability for the guaranteed minimum is transferred to another fund, scheme or arrangement in accordance with Rule 28 (Transfers to another scheme) or the Statutory Transfer Option the Trustees may determine that such guaranteed minimum (and in the circumstances permitted by regulations 44 and 45 of the Occupational Pension Schemes (Contracting-out) Regulations 1984 and notwithstanding proviso (a) hereto any part thereof to which the provisions of Sub-rule 27(E) (Transfers from another scheme - revaluation of GMP) apply) shall be increased by reference to one of the alternative bases set out above,

(c) except where sub-paragraph (d) below applies, if the Principal Employer so requests one of the alternative bases set out above shall be substituted therefor. Any such request shall be made by the Principal Employer by notice in writing to the Trustees specifying the alternative basis and the date upon which such alternative basis is to become effective. Upon receipt of such notice the Trustees shall notify the Occupational Pensions Board of the change which shall take effect in respect of all Members whose Contracted-out Employment terminates on and after the effective date specified in such notice,

(d) in the event of the Scheme ceasing to be a contracted-out scheme for the purposes of the Pension Schemes Act upon the termination of contributions by all Participating Employers the Trustees may determine that one of the alternative bases set out above shall be substituted therefor in respect of all Members whose Contracted-out Employment thereupon terminates and the Trustees shall then notify the Occupational Pensions Board of the change.

- <u>Anti-franking</u> definitions

(F) (1) In this Sub-rule:-

"Accrued Overall GMP" means the Member's Accrued Guaranteed Minimum plus the yearly equivalent of any rights to guaranteed minimum pension for the purposes of section 14 of the Pension Schemes Act accrued to him under the Transfer Rules on the day after his Contracted-out Employment ends

"Contracted-out Pension" means

(a) in relation to a Member, the yearly pension which has accrued to the Member under the Rules on the day after his Contracted-out Employment ends, including any pension under the Transfer Rules but excluding any pension extinguished by a refund of Member's Contributions. If the Member's Contracted-out Employment ends before Normal Retirement Date, the Contracted-out Pension shall be calculated as if the Normal Retirement Date were the day after his Contracted-out Employment ends

(b) in relation to a Member's widow or widower, the yearly pension to which the widow or widower would have been entitled under the Rules (including any pension under the Transfer Rules) had the Member died on the day after his Contracted-out Employment ended and if the Member had then been married to the widow or widower. For the purposes of calculating the Contracted-out Pension where the Member dies in Service any part of that pension which derives from a period of notional service after the date Contracted-out Employment ended shall be ignored.

"Later Earnings Addition" means,

(a) in relation to a Member who remains in Pensionable Service after his Contracted-out Employment ends

$$\frac{FPE2}{FPE1} - 1$$

multiplied by the excess of the Contracted-out Pension over the Accrued Overall GMP.

Where FPE2 is the Member's Final Pensionable Salary used for calculating his pension under the Rules and FPE1 is the corresponding amount at the date his Contracted-out Employment ended

(b) in relation to the widow or widower of a Member to whom (a) above applies,

$$\frac{FPE2}{FPE1} - 1$$

multiplied by the excess of the Contracted-out Pension over one-half of the Member's Accrued Overall GMP.

Where FPE2 and FPE1 have the same meanings as in (a) above.

- Member's Anti-franking Minimum

(2) If, upon the termination of a Member's Contracted-out Employment other than by death,

(a) the Contracted-out Pension exceeds the Accrued Overall GMP and

(b) the Member's Guaranteed Minimum is required to be increased in accordance with either or both of Sub-rules (D) and (E) of this Rule,

the Member shall have an Anti-franking Minimum.

The Member's Anti-franking Minimum is calculated as the total of:-

a. the Contracted-out Pension;

b. any increase in the Member's Guaranteed Minimum under Sub-rules (D) and (E) of this Rule but excluding any part of the increase which is attributable to guaranteed minimum pension payable under the Transfer Rules and which was first transferred before the 1st January 1985;

c. if the Member is entitled to a Late Retirement Pension, the amount (if any) by which the excess of the Contracted-out Pension over the Accrued Overall GMP is increased by reason of its payment being postponed for any period which is after Contracted-out Employment ends and after Normal Retirement Date, and

d. if the Member remains in Pensionable Service after his Contracted-out Employment ends, the total of

(1) an amount calculated in accordance with Rule 6 (Normal Retirement Pension) in relation to the period of Pensionable Service after his Contracted-out Employment ends, and

(2) the Member's Later Earnings Addition

In any case where the Member's pension is to be compared with the Anti-franking Minimum at a date later than the date his pension commenced, the Anti-franking Minimum shall be reduced by the yearly amount of any Member's pension converted into a lump sum under Rule 11 or surrendered under Rule 15 (Surrender of Member's pension to provide a dependant's pension) or forfeited under either Rule 23 (Non-assignability of benefits) or Rule 31 (Lien on benefits).

- widow's/widower's Anti-franking Minimum

(3) If a Member dies and is survived by a widow or widower,

(a) and the widow's or widower's Contracted-out Pension exceeds one-half of the Member's Accrued Overall GMP, and

(b) at any time when a pension is payable to the widow or widower under the Scheme the widow's or widower's Guaranteed Minimum exceeds one-half of the Member's Accrued Overall GMP

the widow or widower shall have an Anti-franking Minimum.

The widow's or widower's Anti-franking Minimum is calculated as the total of:-

a. the Contracted-out Pension;

b. the amount by which the widow's or widower's Guaranteed Minimum exceeds one-half of the Member's Accrued Overall GMP.

c. if the Member died after Contracted-out Employment ended and after Normal Retirement Date, the amount (if any) by which the excess of the widow's or widower's Contracted-out Pension over one-half of the Member's Accrued Overall GMP is increased by reason of the payment of the Member's pension being postponed for a period which is after Contracted-out Employment ended and after Normal Retirement Date,

d. if the Member remained in Pensionable Service after his Contracted-out Employment ended, the total of:-

(1) that part of the widow's or widower's pension under Rule 14 which relates to the period of Pensionable Service which is after the Member's Contracted-out Employment ended, and

(2) the widow's or widower's Later Earnings Addition,

reduced by the yearly amount of any widow's or widower's pension forfeited under Rule 23 - (Non-assignability of benefits).

- <u>payment of state scheme premiums and corresponding reduction of Scheme benefits</u>

(G) (1) If under section 55(2), (3) or (4) of the Pension Schemes Act and Part III of the Occupational Pension Schemes (Contracting-out) Regulations 1984, the Trustees may pay a state scheme premium in respect of a Member, they shall be entitled to pay it out of the Fund and (2) of this Sub-rule shall thereupon apply.

(2) If a state scheme premium other than a limited revaluation premium is paid or credited as paid under the Pension Schemes Act in respect of a Member or the widow or widower of a Member,

(a) Sub-rules (C), (D) and (E) of this Rule shall cease to apply in respect of the Member and his widow or widower, and

(b) any benefit payable or prospectively payable under the Scheme to or in respect of the Member or his widow or widower shall be adjusted or extinguished in consequence of the premium having been paid or credited as paid. The amount of the benefit and any change in its terms and conditions shall be determined in each case by the Trustees having regard to the advice of the Actuarial Adviser. Any reduction in the amount of the pension payable to the Member or his widow or widower under this Sub-rule shall be made on a basis agreed by the Occupational Pensions Board to be reasonable but shall not exceed the Guaranteed Minimum.

- Scheme ceasing to be contracted-out

(H) (1) In the event of the Scheme ceasing to be a contracted-out scheme for the purposes of the Pension Schemes Act other than upon the termination of contributions by all Participating Employers the Principal Employer may by notice in writing to the Trustees before the expiration of the period of three months commencing on the date of such cessation direct that, subject to the Rules,

(a) Guaranteed Minimum Pensions shall be preserved under the Scheme, secured by Paid-up Policies or by payment of state scheme premiums under section 55(1)(a) and (b) of the Pension Schemes Act, or transferred as specified in such notice, and

(b) the basis upon which Guaranteed Minimum Pensions shall be increased thereafter shall be changed if and as specified in such notice.

The Trustees shall do all things necessary to give effect to any direction given by the Principal Employer under this paragraph and shall seek the approval of the Occupational Pensions Board under section 50(1) of the Pension Schemes Act to any arrangements (except the payment of state scheme premiums under the said section 55(1)(a) and (b) of the Pension Schemes Act) to be made in respect of Guaranteed Minimum Pensions in accordance with such notice.

(2) Subject to paragraph (1) of this Sub-rule, in the event of the Scheme ceasing to be a contracted-out scheme for the purposes of the Pension Schemes Act the Trustees shall seek the approval of the Occupational Pensions Board under section 50(1) of the Pension Schemes Act to

any arrangements (except the payment of state scheme premiums under section 55(1)(a) and (b) of the Pension Schemes Act) made or to be made in respect of Guaranteed Minimum Pensions.

CONTRACTING-OUT OF THE OLD STATE GRADUATED SCHEME

57. (A) The provisions of this Rule shall apply in respect of a Member who has completed a period of Non-Participating Service or Former Non-Participating Service and such provisions shall override all other provisions of the Scheme.

- equivalent pension benefits

(B) The pension payable under the Scheme to a Member to whom this Rule applies and who becomes entitled to an Early Retirement Pension, a Normal Retirement Pension or a Late Retirement Pension shall not be less than Equivalent Pension Benefits.

(C) No provision in the Rules for the surrender, reduction or assignment of a pension (including any provision for the making of an election which would cause the pension to be paid at a lower rate but not including any provision relating to commutation thereof) shall operate so as to cause the pension payable to a Member to be less than Equivalent Pension Benefits.

(D) On leaving the Scheme before Normal Retirement Date other than as a result of death and without becoming entitled to an Early Retirement Pension a Member (other than a Member in respect of whom a transfer of assets to another fund, scheme or arrangement including assets representing Equivalent Pension Benefits in respect of the Member has been made by the Trustees under Rule 28) shall become entitled from the Normal Retirement Date to a yearly pension under Rule 9 (Benefits on leaving the Scheme) of an amount not less than Equivalent Pension Benefits.

- deduction of Qualifying Contributions from refunds to Members

(E) An amount equal to the Qualifying Contributions shall be deducted from any refund of Member's Contributions under the provisions of Rule 9 (Benefits on leaving the Scheme).

(F) On the death of a Member after leaving the Scheme and before Normal Retirement Date the Qualifying Contributions relating to any period in respect of which a Payment in Lieu has been made in respect of him shall be retained by the Trustees.

(G) Neither the part of the pension which is equal to the Equivalent Pension Benefits nor the Qualifying Pension shall be capable of termination or suspension except for a cause prescribed by the National Insurance

Act.

- reduction of Scheme benefits where Payment in Lieu is made to the State

(H) In any case where a Payment in Lieu relating to any period is made in respect of a Member any yearly pension payable or prospectively payable under the Scheme to the Member shall be reduced in consequence of such payment by an amount determined by the Trustees having regard to the advice of the Actuarial Adviser to be equal in value to the Qualifying Pension in respect of such period.

- definitions

(I) For the purposes of this Rule:-

"Equivalent Pension Benefits" means in relation to a Member a pension of the minimum amount required to qualify as equivalent pension benefits under the National Insurance Act in respect of any period of Non-Participating Service or Former Non-Participating Service completed by the Member other than any period in respect of which a Payment in Lieu has been made in respect of the Member.

"Former Non-Participating Service" means in relation to a Member service which ranked as service in a non-participating employment as defined in the National Insurance Act in respect of which the Trustees have accepted a transfer of assets under the Scheme representing Equivalent Pension Benefits.

"Non-Participating Service" means, in relation to a Member, Service as a Member in respect of which pension is applicable under the Scheme which ranks as service in a non-participating employment as defined in the National Insurance Act.

"Payment in Lieu" means a payment in lieu of contributions due to the National Insurance Fund in accordance with the National Insurance Act.

"Qualifying Contributions" means, in relation to a Member, the aggregate of

(a) an amount calculated as the product of (a) the rates shown in Column (3) or Column (5) (as appropriate) of the Table of Rates set out below appropriate to the relevant period and (b) the number of weeks of Non-Participating Service and 'Q' Scheme Service during such period or such smaller amount as the Trustees may in any particular case determine to be appropriate to the relevant period, and

(b) in respect of any period of Former Non-Participating Service not being 'Q' Scheme Service such amount (if any) as the Trustees shall determine not exceeding one-half of any Payment in Lieu which would have applied had a Payment in Lieu been made in respect of such Former Non-Participating Service.

"Qualifying Pension" means, in relation to a Member, a pension of an annual amount equal to the aggregate of

(a) the product of (1) the rates shown in Column (4) or Column (6) (as appropriate) of the Table of Rates set out below appropriate to the relevant period and (2) the number of complete years of Non-Participating Service and 'Q' Scheme Service during such period and so in proportion at the appropriate rate for any such period which is less than a complete year, and

(b) in respect of a period of Former Non-Participating Service not being 'Q' Scheme Service such amount as the Trustees shall determine being not less than Equivalent Pension Benefits in respect of such period.

"'Q' Scheme Service" means, in relation to a Member, Former Non-Participating Service by reference to membership of the 'Q' Scheme of the Principal Employer established by a Trust Deed dated 9th November 1960.

TABLE OF RATES

	Non-Participating Service		Rates appropriate to period of Non-Participating Service and 'Q' Scheme Service according to Column (2)	
Entry No.	On and After	Before	Qualifying Contribution Rate	Qualifying Pension Rate
(1)	(2)		(3)	(4)
	(a)	(b)	£.p.	£.p.
1.	3.4.1961	1.1.1964	0.10	2.50
2.	1.1.1964	6.4.1975	0.15	3.75