Midland

MIDLAND BANK PENSION SCHEME

Contents

The Scheme at a glance

In this event ...	The Scheme provides ...
Normal retirement or early retirement or ill-health retirement	A pension for life or lump sum option plus reduced pension
Death in service	Lump sum (life assurance) plus spouse's or dependant's pension plus children's allowance
Death in retirement	Spouse's or dependant's pension plus children's allowance plus possible cash sum
If you leave	Deferred pension plus deferred widow's pension plus deferred children's allowance or transfer value or State benefit
If you make voluntary contributions	Extra pension, lump sum or combination of both

This booklet only applies to staff in service as at 1 January 1986 onwards.

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Introduction

Taking care of your future

At Midland Bank, we recognise the value of our main asset - the people who work for us. Besides paying competitive salaries, the Bank provides a range of attractive and highly competitive benefits. The Pension Scheme is only one of them.

The Scheme is designed to provide a secure future for you and your dependants - by providing a retirement pension, life assurance cover, spouse's and children's pensions and an ill-health benefit.

All these pension benefits are financed by the Bank, at no cost to you.

Disclosure of information

We have produced this booklet to help you understand how the Scheme operates. Technical terms are shown in **bold type** throughout and are explained in the last section (pages 12 - 13).

This booklet only describes the main features of the Scheme. Because it is simplified, it cannot cover every aspect of eligibility or benefits. These are contained only in the Trust Deed and Rules, which are the legal basis of the Scheme. A copy of this document is available for inspection on request to branch or departmental managers.

The Trustee also provides regular information about the performance of the Fund and your individual accrued benefits.

Joining the Scheme

Membership

All full-time employees join the Scheme from the first day of employment with the Bank or one of the participating employers. The Bank pays the full cost of providing your Scheme benefits.

Voluntary Contributions

There is a special Voluntary Contributions arrangement for staff who wish to boost their retirement benefits. A separate booklet, which describes this tax-effective savings plan, is available on request through your branch, departmental manager or Pensions Department in London.

Transfers into the Scheme

The Scheme is able to accept transfer payments from other approved pension plans. If you supply the details of your previous employment the Pensions Department will investigate on your behalf. They will send you the relevant details.

The last major revision of the Scheme took place with effect from 1st January 1975. This booklet includes the provisions of the Scheme as it applies to pre-1975 members, where appropriate.

State Pensions

Our Scheme provides pensions greater than the State's additional earnings-related pension and you are accordingly contracted-out of the earnings-related part of the State scheme. The effect of this is that you pay lower National Insurance contributions and do not qualify for the State's additional pension.

Under the contracting out arrangements the Scheme rules have to provide for a "guaranteed minimum pension" (GMP).

However, you still qualify for the **basic State pension** at State retirement age (with the exception of some married women who elected not to pay full-rate National Insurance contributions).

When you retire

An important goal of the Scheme is to provide you with a secure income when you retire after a career with us. We base your retirement pension on your **final salary.** Since this is normally the time of your highest salary during your career, this in itself offers valuable protection against the effects of future inflation.

You must have completed at least five years' **pensionable service** to qualify for a Scheme pension on normal, early or ill-health retirement.

Normal retirement pension

When you retire you will receive a pension from the Scheme for the rest of your life. Your pension will be based on your **final salary** and your **pensionable service** in completed months, less the **State deduction.**

Your pension is calculated as follows:

> **1/60th of final salary x pensionable service (40 years maximum)**
> *less*
> **The State deduction (see page 13)**

The aim is to provide an overall "target" pension of 40/60ths or 2/3 of your **final salary** with 40 years **pensionable service.** The maximum pension allowed at retirement by the Inland Revenue, taking into account any **retained benefits** from prior schemes, is 2/3 of **final salary.**

If you can only complete 30 years service at the age 60, then your pension will be 30/60ths or 1/2 of **final salary** less the **State deduction** and so on.

Guaranteed pension increases

It is the practice to review pensions in payment annually. Discretionary increases are awarded as appropriate, but under a very competitive provision, Scheme pensions in payment will be increased by a minimum of 4% per year or the increase in the Retail Price Index, if less.

The basic State pension

Provided you have made sufficient National Insurance contributions you will receive the **basic State pension** from State retirement age - 65 for men, 60 for women.

When you retire

The State deduction is applied, to reflect the fact that you and the Bank pay towards the **basic State pension. The State deduction** is not applied however, until you reach State retirement age.

Important: When **the State deduction** is applied, it is the relevant amount at the date of retirement and **not** the higher amount at State retirement age if later.

The same 1/60th pension formula applies to male members in service prior to 1975, except that there is **no State deduction.** For female members, the pension formula is slightly different, as follows:

1/52nd of final salary x pensionable service (maximum 34 years and 8 months)

Based on maximum service, the overall "target" pension is again 2/3 of **final salary.**

The Bank has designed the Scheme on the basis of full career or maximum service benefits. Under a special arrangement, you may request that **the Bank exercises its option** to grant early retirement with an immediate pension, from age 50 onwards.

If the Bank agrees to exercise its option, the scheme formula will be the same as for **normal retirement,** except that the **final salary, pensionable service** and **State deduction** figures (as applicable) relevant at the time of early retirement will be used.

Important: The Inland Revenue maximum pension limit (2/3 of **final salary**) only applies to **normal retirement age.** Lower limits apply to early retirement, so you should seek advice well in advance of any decision.

When you retire

Ill-health retirement

If the Bank requires you to retire because of ill-health, the Scheme provides a pension, payable immediately. The pension is calculated in the normal way. Your **pensionable service** will include the potential years and months of service from the date you retire to your **normal retirement age,** up to a combined maximum of 40 years.

These pensions are subject to review by the Trustee.

Ill-health pension is calculated as follows:

1/60th of final salary x pensionable service (maximum 40 years)
less
the State Deduction

Important: The State deduction does not apply to the period of potential service included in **pensionable service.**

So, if a member retires through ill-health at age 40 after completing 20 years **pensionable service,** the ill-health pension = 1/60th of **final salary** x 20 actual years + 20 potential years (to age 60) = 40/60ths of **final salary** (at time of retirement). **The State deduction** will not come into effect until State retirement age.

Lump sum (commutation)

A very popular option provided by the Scheme is the lump sum exchange, or commutation as it is also called.

When your pension becomes payable it is taxed on the normal PAYE basis. However, under current law, it is possible to exchange part of your pension for a **tax-free lump sum.**

There are certain regulations concerning commutation. Firstly, the Scheme pension payable at State retirement age must not be less than the Guaranteed Minimum Pension. Secondly, the maximum lump sum you can receive at **normal retirement age** is 1½ times your **final salary,** provided you have completed at least 20 years **pensionable service.** With less service or on early retirement the overall limits are lower. Overall limits must take into account benefits from other schemes.

When you retire

If you do decide on the lump sum option, then your Scheme pension will be correspondingly reduced. This reduction can be calculated by dividing the cash lump sum by the factors (partial list only) shown in the table below:

Age at Retirement	Divide Lump Sum by	
	Men	Women
50	12.61	13.69
55	11.54	12.83
60	10.31	11.81

The full list of commutation factors can be obtained by application through your branch or departmental manager.

It is important to note that any pension increases granted will only be payable on the net pension remaining after commutation.

Members whose current period of **pensionable service** began prior to 1975 may use an alternative commutation formula, which may produce a higher cash figure. Full details of both alternatives will be shown in your retirement schedule which is sent to you by the Pensions Department as you approach retirement.

On retirement or leaving, these entrants, whose previous normal retirement age was 65, may be entitled to a pension credit of up to a maximum of five years.

Your membership of the Scheme may continue, at the Bank's discretion, if you are temporarily away from work because of injury or illness.

If you have maternity leave (under the terms of the Employment Protection Act) your pensionable service will include your period of absence. You will continue to be protected by the Scheme's death benefits. If you do not return within the terms of the Act, your date of termination will be considered to be the date your maternity leave ceased.

Financial Protection

An important feature of the Scheme is the level of financial protection provided during your career and in retirement.

Death in service

If you die in service the following benefits are available:

- lump sum (life assurance)
- spouse's pension
- children's allowance
- a discretionary dependant's allowance.

Lump sum

You are covered by the Scheme's life assurance protection from the date you join the Scheme.

The cash sum payment is three times your **final salary** (at the time of death).

Should such a benefit become payable the determination of the beneficiary(ies) is at the sole discretion of **the Trustee** though normally the money will be paid to your spouse, dependants or near relatives. This discretionary arrangement has the advantage (under current law and practice) that there will normally be no liability to Capital Transfer Tax.

The Trustee will of course consider the expressed wishes of members but cannot be bound by them. If you wish a person other than your wife or husband to be a beneficiary, you are advised to complete an "Expression of Wish" form. Remember, also, to submit a new form if your personal circumstances change.

Spouse's pension

If you die in service (having completed your probationary period) the Scheme will also provide a pension for your surviving widow or widower. In order to qualify, your surviving spouse must have been ordinarily resident with you at the time of your death.

The amount of the spouse's pension will usually be 50% of your pension entitlement, based on your **pensionable service** (including potential service to **normal retirement age**, subject to a combined maximum of 40 years) and **final salary** at the time of death. **No State deduction** is applied.

Financial Protection

The pension will normally be reduced by one half on remarriage.

There will also be a reduction if your spouse is more than 15 years younger than you. In this event, the pension would be reduced by $\frac{1}{40}$th for each complete year by which the age difference exceeds 15 years (up to a maximum of $\frac{20}{40}$ths).

The widows of former members of the Provident Funds may be entitled to marginally enhanced benefits. The Pensions Department will advise the widow of any such entitlement.

If you die in service, having completed your probationary period, the Scheme may also provide a children's allowance. The allowance will be a percentage of the spouse's pension (ignoring any reduction for difference in ages or residence qualifications). The amount will depend on the number of dependent children at the time of death.

The table below shows how the allowance is calculated. The allowance may be paid until each child reaches age 18 (or 21 if in full-time education). Older children may, at the Trustee's discretion, qualify for an allowance.

The allowance will be doubled for orphans where both parents are dead.

1	40%
2	60%
3	80%
4 or more	100%

If you die without leaving a widow or widower, an allowance may be granted to a dependant, with the approval of the Bank and **the Trustee.**

The Scheme provides a wide range of protection after you retire:

- spouse's pension
- children's allowance
- discretionary dependant's allowance
- possible cash sum.

Financial Protection

Your personal pension ceases on your death. If you leave a surviving spouse, he or she will be entitled to a pension for life, provided any qualifying conditions are met (see death in service).

The spouse's pension is normally one half of your **total** pension entitlement at death that is, before any cash commutation reduction.

The spouse's pension will normally be reduced by one half on remarriage.

The amount of pension will be reduced if your surviving spouse is more than 15 years younger than you. The reduction will be $\frac{1}{40}$th for each complete year by which the age difference exceeds 15 years (up to a maximum of $\frac{20}{40}$ths).

If you die leaving children, an allowance may be paid, calculated in the same way as for death in service (see page 8).

If you die without leaving a qualifying spouse, a discretionary allowance may be granted to a dependant.

Important: In the case of former members of the Provident Funds, if no other benefit is applicable, a lump sum is payable related to the contributions originally paid by the member into the relevant Fund.

If a member dies within five years' of retirement a cash sum may be payable. This cash sum benefit is equal to the excess of three times **final salary** over the instalments of pension paid (before any reduction for a lump sum exchange at retirement), up to the remaining balance of five years' pension in payment.

The determination of the beneficiary(ies) is at the sole discretion of **the Trustee.**

If you leave before retirement

If you leave before retirement a Scheme pension will be preserved for you, depending on certain service conditions. You may also be able to transfer your benefits to your new employer's scheme or use a transfer value to purchase an approved annuity.

If you leave the Bank after completing 5 years' **pensionable service,** you will be entitled to a deferred pension, payable from **normal retirement age.** The pension is calculated in the same way as normal retirement pensions.

After age 50 you may apply to **the Trustee** for payment of a deferred pension before your **normal retirement age.** If granted, the amount of pension will be reduced to take account of the longer period of payment. Female members who joined the Scheme prior to 1 January 1975, also have an individual right to take a reduced pension from age 55.

Deferred pensions are reviewed annually.

If you die with a deferred pension entitlement, a spouse's benefit is payable (based on the same qualifying conditions as for death in service) provided the marriage took place before you ceased to be in pensionable service.

If you leave children in being or expected at the date when you ceased to be in pensionable service an allowance may be paid up to age 18 (or 21 if in full-time education).

The amount of the spouse's pension will be calculated as for a pensioner except that it will be based on your deferred pension. The amount of the children's allowance will be calculated in the same way as for a pensioner.

Providing a member is entitled to a deferred pension then a transfer value, based upon the member's deferred pension entitlement with the Bank, may be paid (at the member's request) to an approved pension scheme of a new employer.

Alternatively, you are allowed to apply your transfer value to purchase an annuity through an approved organisation (such as a Bank or Insurance Company).

If you leave employment with less than 5 years' **pensionable service,** the equivalent of your State earnings-related pension entitlement will be protected.

Information about the Scheme

The Trustee

The Trustee of the scheme is Midland Bank Pension Trust Limited, which has a Board of Directors. **The Trustee** is legally responsible for managing and administering the Scheme, and has the assistance of independent professional advisers.

The main role of **the Trustee** is to ensure that the Scheme is administered in accordance with the Trust Deed and Rules. In certain circumstances, **the Trustee's** discretion will be applied to the assignment of death benefits. **The Trustee** also supervises the Fund's investments and handles all financial matters relating to the Fund.

It is not the function of **the Trustee** to initiate change to the Rules or to negotiate benefits.

The Trustee's Board of Directors comprises nine nominated by the Bank and nine appointed after elections by members (eight) and by pensioners (one), together with a Chairman appointed by the Bank.

The Fund

The Fund from which benefits are paid derives its income from two sources: the Bank's contributions and earnings on investments. The investments are managed by **the Trustee** acting on the advice of professional managers. These assets (which are entirely separate from the Bank's finances) are held in trust to provide benefits for members and their dependants.

The Scheme is a permanent part of your benefit programme but it does contain a provision for termination or alteration. In the unlikely event of termination, appropriate benefits would be provided.

The Trustee and the Bank use the services of an independent Actuary who recommends the rate of contributions needed to maintain the Fund's assets at the level required to provide the Scheme's benefits.

The Trustee also publishes regular information which describes the performance of the Fund.

The Terms used and what they mean

Pensionable Service is the number of years (and completed months) during which you have been in full-time employment with a participating company (referred to as 'the Bank' in this guide), up to a maximum of 40 years. Any approved transferred service will also be included.

Final Salary

(a) Calculation
Final salary means the annual equivalent of your last fixed salary or wages at date of retirement (or leaving or death, if earlier). This excludes overtime pay and allowances. It is however limited by the Inland Revenue as set out in (b) below.

(b) Limitation
To comply with the Inland Revenue limits the maximum pension payable is ⅔rds of your last 12 months' salary or wages (excluding overtime pay and certain allowances), or less for service of under 10 years or early retirement.

Final Salary (pre-1975 service) Final salary for pre-1975 service means the annual equivalent of your last fixed salary or wages at date of retirement (or leaving or death, if earlier). For post-1975 service it must normally be the actual payment over the last 12 months. Final salary excludes overtime pay and certain allowances.

Retained Benefits the Inland Revenue pension limit (the ⅔rds maximum) **includes** all benefits retained from previous employers' schemes.

Normal Retirement Age is 60 for men and women.

The Terms used and what they mean

The Basic State Pension is a flat-rate amount, payable from State retirement age. It is Government policy currently to increase the basic State pension at regular intervals as some measure of protection against effects of inflation. You and the Bank pay towards the basic State pension through National Insurance contributions.

The State Deduction means that at State retirement age your Scheme pension will reflect the fact that you will receive the basic State pension.

The basic State pension taken into account for calculating the deduction is the amount which would have been payable to a single person in 52 weeks before retirement (or date of leaving if earlier). The amount deducted is 1/80th of the basic State pension for each year of pensionable service.

The Trustee The Trustee of the Scheme is Midland Bank Pension Trust Limited, which has a Board of Directors. The Trustee is legally responsible for managing and administering the Scheme.

Important
This booklet describes the main features of the Scheme. In the event of there being any conflict between this booklet and the Trust Deed and Rules, the latter will always prevail.