Your **Scheme guide**

For members of the Midland Section of the HSBC Bank (UK) Pension Scheme

futurefocus

HSBC Pensions

Midland Section DBS member guide

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Introduction

This guide is for people who were members of the **Midland Section** on 30 June 1996 and those who joined the **Midland Section** by way of bulk transfer from another pension scheme and were given **Midland Section** benefits.

Benefits are provided through the **Midland Section**, which is closed to new entrants.

This guide is for all active members. It differs from previous guides because it reflects the changes that were made to the HSBC Bank (UK) Pension Scheme on 1 July 2009.

Different rules apply to members who joined the **Scheme** before 1975. Also, if you joined before 1986, you may be entitled to different levels of benefits. Please see the appendices at the end of this guide for details that apply to you.

If you joined as part of a bulk transfer from Marks & Spencer or Gartmore, your benefits may be slightly different. You will have already been told about these benefits, and an additional communication will be prepared for you which explains the changes that were made to the **Scheme** on 1 July 2009.

This guide summarises the main benefits of the **Midland Section** that are set out in the Trust Deed and Rules, the legal documents governing the HSBC Bank (UK) Pension Scheme. The guide does not cover every aspect of the **Midland Section** and confers no rights to benefits. Please remember that it is only intended as a guide.

Members can request a copy of the Trust Deed and Rules; an administration charge may be made to cover the costs of copying, printing and postage. Or you can visit the HSBC DBS Administration Team's offices to view the Trust Deed and Rules at no charge. You will be able to download a copy from the pensions website from Autumn 2009.

In the event of any difference between this guide and the Trust Deed and Rules, the Trust Deed and Rules will override this guide.

September 2009

Terms you **need to know**

Terms you need to know

The following words and phrases are used throughout this guide; here's what they mean:

Additional hours

Many key-time staff regularly work over and above their contracted number of hours. These additional hours are pensionable and included within the definition of **final pensionable salary**. Overtime is not pensionable and, therefore, not included within the definition of **final pensionable salary**.

Civil partner

Your legally registered civil partner at the date of your death.

Dependant

A person who, in the **Trustee's** opinion, is financially dependent or interdependent on you.

Employment

Employment with the **Principal Employer** or any other participating employer in the **Scheme**.

Final pensionable salary

Subject to the note below, the annual rate of your last salary at the date of retirement (or leaving, or death if earlier), excluding overtime pay and most allowances. For post-1974 service this is usually your actual salary paid over the last 12 months. If you were earning over £100,000 at retirement, your pension will be calculated using the average final pensionable salary over the last three years before retirement (except in relation to benefits payable on death in **pensionable service**).

This is subject to the **Scheme earnings cap** for members who joined on or after 1 June 1989.

Please note: when calculating **pensionable salary** and final pensionable salary, the reduction in salary resulting from the operation of any **salary sacrifice** shall be ignored and benefits shall be based on your notional salary (pre-sacrificed salary).

The Group

HSBC Holdings plc and all subsidiary companies in the United Kingdom, Channel Islands and the Isle of Man that participate in the **Scheme**.

Guaranteed minimum pension (GMP)

The part of your pension that is broadly equivalent to the pension you would have received from the State Earnings Related Pension Scheme (SERPS), if any, between April 1978 and April 1997, had you not been in contracted-out **employment**.

GMP date

The age from which the **GMP** is payable, currently 65 for men and 60 for women.

Life Assurance Scheme

The HSBC UK Life Assurance Scheme which is operated by the **Group** through a separate trust.

Life Assurance Trustee

HSBC Retirement Benefits Trustee (UK) Limited, the trustee of the **Life Assurance Scheme**.

Midland Section

The Section of the **Scheme** that provides benefits for members who joined before 1 July 1996 or who joined the **Scheme** as part of a bulk transfer from another pension scheme and were, exceptionally, given Midland Section benefits.

My Choice

The **Group's** benefits package that you can tailor to suit your particular needs through a dedicated website (the **My Reward website**). For more information please contact the My Reward Centre on 0845 603 3133.

My Reward website

The website where most UK employees can change their pension contributions – available at
www.myreward.staff.hsbc.co.uk
If you work for M&S Money, British Arab Commercial Bank or an Offshore team based in Jersey, Guernsey or the Isle of Man, you will continue to make changes to your pension contributions through your existing process. Please contact your HR team for more information.

Normal retirement age

The age at which you would normally retire. Normal retirement age for the **Midland Section** is currently 60, but this will increase to 65 from 1 April 2010.

Pensionable salary

This is your annual rate of salary, excluding overtime pay and most allowances. This is subject to the **Scheme earnings cap** for members who joined on or after 1 June 1989.

Pensionable service

The number of years and complete months of **Midland Section** membership, during which you are employed by the **Principal Employer**, or another participating employer, plus any pensionable service credits awarded, up to a maximum of 40 years. It also includes any pensionable service granted as a result of a transfer in, although service that is transferred in will be ignored in working out whether the maximum of 40 years has been reached.

Principal Employer

HSBC Bank plc, the Principal Employer of the **Scheme**.

Qualifying child

A dependent child who is under age 18 (or 21 if in full-time education or vocational training). At the discretion of the **Trustee**, older children up to the age of 23 may be included.

Salary sacrifice

You give up a proportion of your basic salary and an equivalent amount is paid, by your employer, into the **Scheme**.

The reduction in your basic salary means you pay lower National Insurance contributions. When calculating **pensionable salary** and **final pensionable salary**, the reduction in salary resulting from any salary sacrifice is ignored and benefits are based on your notional salary (pre-sacrificed salary), so your benefits under the **Scheme** are not affected.

Please note: salary sacrifice does not impact on pay increases, bonuses and overtime.

Scheme earnings cap

The Scheme earnings cap is equal to 7.5% of the Lifetime Allowance (see page 10) for the tax year 2006/07 up to the 2010/11 tax year. In following tax years it may increase as agreed between the **Principal Employer** and the **Trustee**. For the tax year 2009/10 the Scheme earnings cap is £131,250 and for 2010/11 it is £135,000.

Scheme

The HSBC Bank (UK) Pension Scheme.

Spouse

Your husband or wife at the date of your death.

State deduction

If you joined the **Midland Section** after 1974, your pension will be calculated to take into account a single person's basic state pension. When you reach **State Pension age**, your pension is reduced by an equivalent amount. The State deduction does not apply to benefits built up after 30 June 2009.

State Pension age

Currently it is 65 for men and 60 for women, but is to be equalised at 65 over a 10-year phasing-in period starting in 2010. Subject to the note below, it is the age from which the **State deduction** is applied.

Please note: for women the pension built up before 17 May 1990 will have the deduction applied at age 60, and the pension built up after 17 May 1990 but before 30 June 2009 will have the deduction applied at your new State Pension age.

Surviving civil partner

Your **civil partner** whom you lived with at the date you die. However, if you die as a deferred pensioner, this is your **civil partner** whom you lived with at both the date you leave **pensionable service** and the date you die.

Surviving spouse

Your **spouse**, whom you lived with at the date you die. However, if you die as a deferred pensioner, this is your **spouse** whom you lived with at both the date you leave **pensionable service** and the date you die.

Trustee

HSBC Bank Pension Trust (UK) Limited, the Trustee of the **Scheme**.

Important information for high earners

In his 2009 Budget, the Chancellor announced changes to restrict the tax relief available on pension savings for individuals whose annual total income is £150,000 or higher. These changes are intended to apply from 6 April 2011. In anticipation of the change, the Government has announced measures that apply **now** to prevent such individuals bringing forward pension savings to obtain additional tax reliefs for the 2009/10 and 2010/11 tax years. These transitional measures restrict higher-rate tax relief for individuals:

- whose income is £150,000 or more in any tax year from 2007/08;
- whose total pension savings exceed £20,000 in that tax year (or £30,000 in certain limited circumstances), and
- who change their ongoing regular pension savings.

These measures have been included in the Finance Act 2009. You can find out more in HM Revenue & Customs' Guidance for Individuals 'Pensions: Limiting Tax Relief for High Income Individuals', available at **http://www.hmrc.gov.uk/budget2009/pensions-individuals-1550.pdf**

The **Principal Employer** has already issued some information on the Budget in the Reward Proposal. This is available at **http://home.uk.hsbc/uk/home.nsf/ByRef/ukcm7ldem510445614112008**

Once the **Trustee** has worked through the detail, it intends, in due course, to issue a general summary, for your information.

If you have an annual total income of £150,000 or more in any tax year from 2007/08, you should consider the impact of the Budget before making any changes to your pension savings (for example: changing your regular contributions or by making a bonus or redundancy payment sacrifice).

Please note: income is defined very widely for this purpose and we recommend that you get your own professional or independent financial advice.

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Planning for your retirement is more important today than it's ever been

People are now living for decades after they retire, giving them time to do the things they never had time to do when they were working. So providing financial security for your future is vitally important. The **Midland Section** provides you with a wide range of valuable benefits designed to help you live the life you want when you retire. It also gives you and your **spouse/civil partner** and **dependants** financial protection while you're working, as well as when you've retired.

This guide summarises how the **Midland Section** works, the choices you have and the benefits available to you. You may not have come across some of the words and phrases used in this guide before, or they may have special meanings. They appear in **bold** and are explained in the 'Terms you need to know' section.

Key **features**

- From 1 July 2009, if you chose to make member contributions, you will build up pension benefits at a rate of 1/60th of your **final pensionable salary** for each year of your **pensionable service** from that date.
- You could then choose to stop making member contributions and your benefits, from the day you stop contributing, will build up at a lower rate of 1/80th.
- From 1 July 2009, if you chose not to contribute, your future pension benefits will build up from that date at a lower rate of 1/80th.
- Your pension is based on your **final pensionable salary** and your **pensionable service**. You will receive 1/60th of your **final pensionable salary** for each year and complete month of **pensionable service** before 1 July 2009, plus either 1/60th or 1/80th of your **final pensionable salary** (depending on the option you chose) for each year and complete month of **pensionable service** from 1 July 2009. A **State deduction** applies at **State Pension age** for service before 1 July 2009.
- If you want to, you can take some of your benefits as a tax-free lump sum. Broadly, you can take up to 25% of the value of your retirement benefits as a tax-free lump sum (subject to a maximum of 25% of your available Lifetime Allowance – see page 10 for more information).
- You may be able to make additional voluntary contributions (AVCs) or to make a bonus sacrifice which may be used as all or part of a tax-free lump sum, or to buy additional pension.
- If you die in **pensionable service**, a lump sum of four times your **final pensionable salary** will be payable through the **Group's** separate **Life Assurance Scheme** (unless you choose a different level of lump sum through **My Choice** using the **My Reward website**). Your **surviving spouse/civil partner** and your **qualifying children** would also receive a pension.
- If you retire early due to ill-heath, you may also receive a pension.

Different rules apply to members who joined the Scheme before 1975. Also, if you joined before 1986, you may be entitled to different levels of benefits. Please see the appendices at the end of this guide for details that apply to you.

Benefits: what will you get when you retire?

When you retire, you will get a pension based on your **final pensionable salary** and your **pensionable service**. If you want, you may take some of your benefits as a tax-free lump sum.

When can you retire?

Normal retirement age is the age that you would normally retire from the **Scheme**. Currently it is age 60, but from 1 April 2010 it will increase to age 65. This increase in **normal retirement age** only affects your pension rights that relate to your **pensionable service** from 1 April 2010. This means that you can still retire at age 60, but the proportion of your pension that has built up after 1 April 2010 will be subject to an early retirement reduction (unless you choose to contribute an additional 3% of **pensionable salary** – see page 11 for more details).

Your retirement options

Depending on your circumstances, you may choose one of the following options, or one of the options under the flexible retirement policy, the current terms of which are detailed in the **Flexible retirement options guide**.

If you retire at your normal retirement age

Pension

The amount of pension you receive when you retire depends on how many years' **pensionable service** you built up before and after 1 July 2009, your **final pensionable salary** and if you contributed to the **Scheme** from 1 July 2009.

If you chose to contribute to the **Scheme** from 1 July 2009 you will receive a pension equal to **1/60th** x your **final pensionable salary** x your **pensionable service** when you retire. However, from 1 July 2009 if you do not contribute your pension will build up at the lower rate of **1/80th**.

If, having chosen to contribute you then stop, you will build up pension at the lower rate of **1/80th** from the date that you stopped contributing. Additionally, any pension built up from 1 July 2009 will not be affected by the **State deduction**.

The following examples show how much pension you could receive if you contribute to the **Scheme** and how much you could receive if you don't.

Example 1 – you chose to contribute to the Scheme from 1 July 2009

Example 1

If you have been a member for 30 years (20 years before and 10 years after 1 July 2009) and your **final pensionable salary** when you retire is £30,000, you would get a pension of:

1/60th x £30,000 x 20 years

+

1/60th x £30,000 x 10 years

or to put it another way:

30/60th x £30,000

= £15,000 a year (less the **State deduction** from your **State Pension age** for **pensionable service** before 1 July 2009)

Assuming the basic state pension is £4,950 a year; then the **State deduction** would be:

20/80th x £4,950 **= £1,240 a year**

So your pension after the **State deduction** has been applied would be **£13,760 a year.**

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Example 2 – you chose not to contribute to the Scheme from 1 July 2009

Example 2

If you have been a member for 30 years (20 years before and 10 years after 1 July 2009) and your **final pensionable salary** when you retire is £30,000, you would get a pension of:

1/60th x £30,000 x 20 years
+
1/80th x £30,000 x 10 years

or to put it another way:

20/60th x £30,000 = £10,000
+
10/80th x £30,000 = £3,750

= £13,750 a year (less the **State deduction** from your **State Pension age** for your **pensionable service** before 1 July 2009)

Assuming the basic state pension is £4,950 a year; then the **State deduction** would be:

20/80th x £4,950 **= £1,240 a year**

So your pension after the **State deduction** has been applied would be **£12,510 a year.**

Example 3 – you chose to contribute from 1 July 2009 but stopped contributing after five years

Example 3

If you have been a member for 30 years (20 years before and 10 years after 1 July 2009) and your **final pensionable salary** when you retire is £30,000, you would get a pension of:

1/60th x £30,000 x 20 years
+
1/60th x £30,000 x 5 years
+
1/80th x £30,000 x 5 years

or to put it another way:

25/60th x £30,000 = £12,500
+
5/80th x £30,000 = £1,875

= £14,375 a year (less the **State deduction** from your **State Pension age** for your **pensionable service** before 1 July 2009)

Assuming the basic state pension is £4,950 a year; then the **State deduction** would be:

20/80th x £4,950 **= £1,240 a year**

So your pension after the **State deduction** has been applied would be **£13,135 a year.**

Lifetime Allowance

This is an allowance for the total value of pension benefits you can build up tax-efficiently during your lifetime. When you take any benefits from the **Scheme**, their value will be checked against your available Lifetime Allowance.

The Lifetime Allowance for the 2009/10 tax year is £1.75 million. It will rise to £1.8 million in 2010/11 and then remain at this level until 2015/16. After that, the Government intends to review it every five years. Benefits built up above the Lifetime Allowance will be taxed, currently at an overall tax rate of 55%.

When your benefits are checked against the Lifetime Allowance, the value of your **Scheme** benefits will be calculated as the value of any lump sum you take, plus the annual amount of your remaining pension multiplied by a factor of 20. The value of any pensions in payment at the time will be calculated by multiplying the amount of the annual pension by a factor of 25. The value of any money purchase benefits (such as AVCs if you have them) will simply be the fund value of your pension account.

Please note: if you want to take some of your benefits as a tax-free lump sum, your reduced pension cannot be less than your **guaranteed minimum pension (GMP)** at the **GMP** date.

If you would like to know more about taking a tax-free lump sum at retirement, please contact the HSBC DBS Administration Team who will be able to give you more information.

If you work key-time

If your contracted hours varied over your working life, your pension will be worked out in the same way. However, any period of **pensionable service** when your contracted hours were less than full-time hours will be scaled down to its full-time equivalent. In addition, if, at **normal retirement age**, your contracted hours are less than full-time, your **final pensionable salary** will be grossed-up to its full-time equivalent.

If you worked full-time (suppose this is 35 hours a week for your job) for 20 years, then switched to 21 hours a week from 1 July 2009 for a further 10 years, you contributed to the **Scheme** after 1 July 2009 and your **final pensionable salary** is £18,000, your pension would be calculated as:

Full-time pensionable service

20 years working 35 hours a week

Key-time pensionable service

10 years working 21 hours out of a possible 35; the full-time equivalent would be worked out as:

21/35 x 10 years = **6 years**

Total pensionable service

20 years (full-time) + 6 years (full-time equivalent) = **26 years**

Full-time equivalent final pensionable salary

Your (full-time equivalent) **final pensionable salary** would be:

35/21 x £18,000 = **£30,000**

So you would get a pension of:

26/60th x £30,000 = **£13,000 a year** (less the **State deduction** from your **State Pension age** for your **pensionable service** before 1 July 2009).

Assuming the basic state pension is £4,950; then the **State deduction** would be

20/80th x £4,950 = **£1,240 a year**

So your pension after the **State deduction** has been applied would be **£11,760 a year**.

Tax-free lump sum

If you think a lump sum would help you at retirement, you can give up some of your pension and take it as a tax-free lump sum instead. This would reduce your annual pension, and we strongly recommend you take independent financial advice if you are considering this option.

The maximum tax-free lump sum you can take at retirement will be broadly 25% of the value of your benefits (subject to a maximum of 25% of your available Lifetime Allowance). If you have made AVCs, you will have the additional choice of:

- using your AVCs to provide some or all of the lump sum, (provided you take all your benefits at the same time); and/or
- giving up some of your **Scheme** pension to provide some or all of the lump sum.

See the section on AVCs on page 25 for more information. You can request a copy of the separate **Additional voluntary contributions (AVCs) and bonus sacrifice guide**, from the HSBC DBS Administration Team or download a copy from the pensions website from Autumn 2009.

If the maximum lump sum that you could have received for membership up to 5 April 2006 is greater than 25% of the value of your benefits at that time, you will be able to receive this amount, plus broadly up to 25% of the value of your benefits built up from 6 April 2006.

Specific provisions, subject to the rules of HM Revenue & Customs (HMRC), apply for members relying on primary or enhanced protection. You should notify the HSBC DBS Administration Team if you have registered with HMRC for this protection.

If you retire early

If you leave **employment** on or after age 50 (with some exceptions, this will rise to 55 on 6 April 2010) you may apply to take your benefits immediately, with the **Trustee's** agreement.

Please note: the exceptions when you can still take your benefits on retirement on or after age 50 include certain retirements at the request of your employer or where the security of employment policy applies.

The current **normal retirement age** for the **Midland Section** is 60, but this will increase to 65 from 1 April 2010. After this date, you will still be able to retire at age 60 and take your benefits without the **Trustee's** agreement. However, the benefits you build up after 1 April 2010 may be reduced as described on page 12.

From 1 July 2009, if you chose to make member contributions, you will also have the choice, from 1 April 2010, to make an additional 3% contribution of **pensionable salary** to the **Scheme** to enable you to take an unreduced pension from age 60 onwards for all your benefits, for as long as you are making this contribution. If you stop making this additional 3% contribution then the pension element you build up from that date would be subject to an early retirement reduction.

Pension

You will get a pension equal to the rate your benefits build up x your **final pensionable salary** x your **pensionable service**. It will then be reduced because it is being paid for longer:

- **If you retire before 1 April 2010:**
  - your pension will be reduced for each year you retire before age 60 (but will not be reduced if the **Principal Employer** directs this under the **Scheme** rules). In addition to this, a **State deduction** will be applied to the benefits you have built up before 1 July 2009. The **State deduction** is calculated as at your date of early retirement, but it is not applied until your **State Pension age**. If you worked key-time, your **pensionable service** and (if you are working key-time at the date of early retirement) your **final pensionable salary** will be adjusted as shown in the example on page 10.
- **If you retire on or after 1 April 2010:**
  - **for benefits built up before 1 April 2010:** your pension will be reduced for each year you retire before age 60 (but will not be reduced if the **Principal Employer** directs this under the **Scheme** rules). In addition, at **State Pension age** the **State deduction** will be applied to the benefits that you have built up before 1 July 2009.
  - **for benefits built up from 1 April 2010:** your benefits will not be reduced if the **Principal Employer** directs this under the **Scheme** rules. Otherwise, your pension will be reduced for each year you retire before age 60 and also for each year you retire between age 60 and 65, unless, as described on page 11, you have chosen to make an additional 3% contribution to take an unreduced pension from age 60 onwards. The **State deduction** will not be applied to any benefits that you have built up after 30 June 2009.

Please note:

- Your reduced pension cannot be lower than your **GMP** at the **GMP date**.
- The **Trustee** determines the reduction applied to your pension. However, the reduction to be applied in respect of any pension built up from 1 April 2010 for each year between 60 and 65 is determined by the **Principal Employer**, if it results in a higher benefit becoming payable than under the **Scheme's** existing provisions, and subject to the **Trustee** and the **Principal Employer** agreeing the appropriate contributions. For the time being, that rate is 4%. However, this may change if the **Trustee** and the **Principal Employer** agree otherwise, or if the **Trustee**, following actuarial advice, decides the rate of reduction should be lower. For example, if you retire at age 61 (that is four years before age 65) the reduction would be 16%. Similarly, if you retire below age 60 then, for the time being, your pension built up from 1 April 2010 will be reduced by 20% in respect of the five year period from age 60 to age 65 and will then be further reduced on terms determined by the **Trustee** to reflect the period to age 60. The reductions applying to your pension built up from 1 April 2010 are subject to review and may be amended by the **Trustee**.

Tax-free lump sum

You may take some of your benefits as a tax-free lump sum as described on page 10.

If you have to retire because of ill health

If you leave **employment** before your **normal retirement age** because of ill health, you may receive an immediate ill-health pension. You would be entitled to this if your employer is satisfied that you meet the definition of incapacity in the **Midland Section** rules.

Pension

Your ill-health pension would be equal to the rate your benefits build up x your **final pensionable salary** x your **pensionable service** less the **State deduction** from your **State Pension age**. If you worked key-time, your **pensionable service** and (if you are working key-time at the date of ill-health retirement) your **final pensionable salary** would be adjusted as in the example on page 10.

If the **Trustee** decides that your illness is such that it is unlikely that you will recover or have any chance of gainful employment in the future, the calculation may include some or all of the **pensionable service** you could have completed, had you stayed in the **Midland Section** until **normal retirement age**, instead of using actual **pensionable service** completed. The calculation would use the rate at which you were building benefits (1/60th or 1/80th) at the date of your actual retirement.

Once you have reached **State Pension age**, the **State deduction** will apply. The **State deduction** is applied for your pension built up to 1 July 2009.

Please note: the Trustee may review ill-health pensions from time to time. It may reduce or suspend your ill-health pension if you make a full or partial recovery to any extent.

Tax-free lump sum

You may take some of your benefits as a tax-free lump sum as described on page 10.

If you retire later

You can continue to work after your **normal retirement age**, with your employer's consent, up to age 75.

Pension

When you retire you will receive a pension equal to the rate your benefits build up x your **final pensionable salary** x your **pensionable service** less the **State deduction**. The **State deduction** is applied to your **pensionable service** built up before 1 July 2009 from your **State Pension age** or from the date of your retirement if, by that time, you have already reached **State Pension age**. If you worked key-time, your **pensionable service** and your **final pensionable salary** (if you are working key-time at the date of late retirement) will be adjusted as in the example on page 10.

Alternatively, if you continue to work after your **normal retirement age**, you may choose to continue to build up benefits under the **Scheme**. Your pension would then be based on your **final pensionable salary** and **pensionable service** at the date you retire.

Tax-free lump sum

You may take some of your benefits as a tax-free lump sum as described on page 10.

Flexible retirement

The information on pages 8 to 13 explains what happens when you retire from **employment**, having been an active member of the **Midland Section** who has not opted-out of membership. Under the 'late retirement rules' it is possible to remain in **employment** after your **normal retirement age** (although your employer's consent would be needed for you to continue in **employment** after the age of 65) and continue to build up **Midland Section** benefits after your **normal retirement age** (subject to a maximum of 40 years' **pensionable service**).

Under the flexible retirement policy it is possible for you to:

- take your pension and lump sum from the **Midland Section** (with the **Principal Employer's** consent) at any time after age 50 (with some exceptions, this will rise to 55 on 6 April 2010) but remain in **employment**, or
- stop building up and defer taking your **Midland Section** benefits.

In either case, so long as you are in **employment** (after you have taken or deferred your benefits) you may (with the consent of the **Principal Employer** and the **Trustee**) be able to continue to build up benefits through the Defined Contribution Section of the **Scheme** (known as the DCS).

For more details about the flexible retirement options, please refer to the **Flexible retirement options guide**. You can get a copy from the HSBC DBS Administration Team or download a copy from the pensions website from Autumn 2009. If you are interested in flexible retirement, please contact the HSBC DBS Administration Team who will be able to give you more information.

Pension increases

Once in payment, the **Scheme** will increase your pension each year in line with the increase in the Retail Prices Index (RPI). For pensions built up to 30 June 2009, increases will be subject to a maximum rate of 5% a year; for benefits built up from 1 July 2009 increases will be subject to a maximum rate of 3% a year.

Please note: from your **GMP date** these annual increases will not apply to the **GMP** part of your pension in payment. Instead, the **GMP** part of your pension will increase annually in line with the increase in RPI. The **GMP** increases are paid primarily by the State.

In addition, the **Principal Employer** and the **Trustee** review the level of pension each year and may, at their discretion, award a higher increase.

State Pensions

The State Pension is currently made up of two parts:

1. **Basic State Pension**

   This is a flat-rate pension paid to all employees at **State Pension age** who have an adequate record of National Insurance contributions. It is increased each year by the State.

2. **State Second Pension**

   The State Second Pension replaced the State Earnings Related Pension Scheme (SERPS) in April 2002, and currently provides three levels of benefits based on an individual's earnings.

Contracting out – SERPS and State Second Pension

The **Midland Section** contracted-out of SERPS from 6 April 1978. This means you pay a lower rate of National Insurance contributions. Because of this, the **Scheme** has to pay a pension that is broadly no less than what you would have received from SERPS. This is known as the **GMP** and applies to **pensionable service** between April 1978 and April 1997.

If a company's pension scheme benefits are good enough, it can contract-out of the State Second Pension as long as its benefits exceed the Reference Scheme Test, a 'quality of benefits' test set by the Government. Your **employment** is contracted-out of the State Second Pension which means that you pay lower National Insurance contributions and do not build up State Second Pension.

Keeping your nominations up to date

Please make sure you complete the **Expression of Wish form**, at the back of this guide.

And, if your circumstances change, ensure your **Expression of Wish form** is up to date. Additional copies of the form are available from the HSBC DBS Administration Team or download a copy from the pensions website from Autumn 2009.

Protection: what happens when you die?

If the worst were to happen, it's good to know that your dependants are provided for. The **Midland Section** offers a range of benefits for your family and dependants.

If you die in pensionable service before your normal retirement age

The following benefits would be paid:

- a lump sum
- a pension for your **surviving spouse/civil partner**. If you leave no **surviving spouse/civil partner**, a discretionary **dependant's** pension may be paid
- a **qualifying children's** allowance.

There is an option to restructure how your total death benefits are paid. Please see the **Request to Restructure Death Benefits form** at the back of this guide, for more details.

Lump sum

A lump sum would be payable to your **surviving spouse/civil partner**, **dependants**, relatives or other beneficiaries as selected by the **Life Assurance Trustee/Trustee** at their discretion.
The lump sum would be made up of:

- four times your **final pensionable salary** (unless you choose a different level of lump sum through **My Choice** using the **My Reward website**), payable through the **Group's** separate **Life Assurance Scheme**; plus
- contributions made on your behalf from 1 July 2009 through **salary sacrifice** or otherwise; plus
- any member contributions that were transferred into the **Midland Section**, before 1 February 2010, from any previous pension schemes you may have belonged to; plus
- any AVC fund held for your benefit under the **Scheme** (adjusted to reflect investment performance); plus
- (normally as a lump sum benefit) any bonus sacrifice fund held for your benefit under the **Scheme** (adjusted to reflect investment performance).

Please ensure that you have completed an **Expression of Wish form**, which tells the **Life Assurance Trustee/Trustee** who you would like to receive the lump sum. The **Life Assurance Trustee/Trustee** will take account of your wishes, but, for tax reasons, cannot be bound by them.

Surviving spouse's/civil partner's pension

If you die in **pensionable service** the amount of pension that would be paid to your **surviving spouse/civil partner** is calculated in two parts:

1. **For pensionable service before 1 July 2009**
   Your **surviving spouse/civil partner** would receive a pension equal to half the pension you would have received had you retired at age 60. This is calculated using the **final pensionable salary** on the date you died.
2. **For pensionable service built up from 1 July 2009**
   The pension your **surviving spouse/civil partner** would receive would still be equal to half of your pension (as above). This would be calculated using 1/60th of your **final pensionable salary** for each year of your prospective **pensionable service** until age 60 (65 from 1 April 2010). However, if you did not contribute or had stopped contributing to the **Scheme**, the rate used for prospective **pensionable service** would be 1/80th of your **final pensionable salary** in respect of the period you were not making contributions. The maximum pension payable to your **surviving spouse/civil partner** is half of your prospective pension.

If your **surviving spouse/civil partner** is more than 15 years younger than you, their pension will be reduced by 2.5% for each year that the age difference exceeds 15 years, subject to a maximum reduction of 50%.

Their pension will be paid for life and will increase in the same way that your own pension would have increased (see page 15).

Please note: no **State deduction** will be applied to any part of your **surviving spouse's/civil partner's** pension.

Qualifying children's allowance

An allowance equal to a percentage of the **surviving spouse's/civil partner's** pension would be paid to your **qualifying children**, as shown below:

Number of qualifying children partner's pension	Amount of allowance as % of surviving spouse's/civil
1	40%
2	60%
3	80%
4 or more	100%

The total allowance would then be divided between all of your **qualifying children** and the whole allowance would be adjusted when any **qualifying child** ceases to be eligible and would increase in the same way that your own pension would have increased (see page 15).

If, when you die, you do not leave a **surviving spouse/civil partner**, and there is no discretionary **dependant's** pension payable, the allowance paid to the **qualifying children** is doubled.

Discretionary dependant's pension

If you die without leaving a **surviving spouse/civil partner**, an allowance may be granted to a **dependant**, with the approval of the **Principal Employer** and the **Trustee**.

If you would like to nominate someone for the **Trustee** and the **Principal Employer** to consider, please complete the **Nomination of Specified Dependant form**; you can find a copy at the back of this guide. Anyone you nominate must qualify as a **dependant** at the date of your death. The **Principal Employer** and the **Trustee** will not be bound by your nomination and, if they decide to pay a **dependant's** pension, they will check to ensure the person nominated (or any other person) fits the definition of **dependant**.

Increases to pensions and allowances

Once in payment, the whole of your **surviving spouse's/civil partner's** pension in excess of any **GMP** element or any discretionary **dependant's** pension, and the whole of any **qualifying children's** allowances, will increase on 1 January each year in line with the RPI. For pensions built up before 1 July 2009, increases will be subject to a maximum rate of 5% a year; for benefits built up from 1 July 2009, increases will be subject to a maximum rate of 3% a year. For more information, please contact the HSBC DBS Administration Team. In addition, the **Principal Employer** and the **Trustee** review the level of increase from time to time and may, at their discretion, award a higher or additional increase.

Please make sure that your **Nomination of Specified Dependant form** is up to date especially if your circumstances change. Additional copies of the form are available from the HSBC DBS Administration Team or can be downloaded from the pensions website from Autumn 2009.

If you die while working key-time

If, at the date of your death, you are not in full-time **employment** and your contracted hours vary, any lump sum paid will be based on your actual key-time **final pensionable salary**.

In addition, when calculating the **surviving spouse's/civil partner's** pension, the potential years to your **normal retirement age** will be treated as if you had continued working your current hours. These will be converted into their full-time equivalent and the calculation adjusted to reflect your periods of full and key-time **employment**. The full-time equivalent of your **final pensionable salary** will be used.

If you die after you retire

The following benefits would be paid:

- a lump sum if you die within five years of retiring (see below, if your retirement was due to ill health),
- a pension for your **surviving spouse/civil partner**. If you leave no **surviving spouse/civil partner**, a discretionary **dependant's** pension may be paid, and
- a **qualifying children's** allowance.

Lump sum

If you die within five years of retiring (not on grounds of ill health), a lump sum would be paid to your **surviving spouse/civil partner**, **dependants**, relatives or other beneficiaries equal to the smaller of:

- four times your **final pensionable salary** (less the instalments of pension paid since retiring, increased to reflect any pension you chose to take as a tax-free lump sum), and
- the instalments of pension you would have received from the date of your death for the remainder of the five years, had the amount of payment remained unchanged.

The **Trustee** has discretion as to who receives the lump sum. You should have already completed an **Expression of Wish form** indicating to the **Trustee** who you would like to receive the lump sum; the **Trustee** will take account of your wishes but, for tax reasons, cannot be bound by them.

Please make sure that your **Expression of Wish form** is up to date especially if your circumstances change. Additional copies of the form are available from the HSBC DBS Administration Team or can be downloaded from the pensions website from Autumn 2009.

Surviving spouse's/civil partner's pension

Your **surviving spouse/civil partner** would receive a pension equal to half the pension you were receiving when you died (including any increases you received since the date you retired but ignoring any reduction because you exchanged some of your pension for a lump sum) and ignoring any **State deduction** applied to your pension.

If your **surviving spouse/civil partner** is more than 15 years younger than you, their pension will be reduced by 2.5% for each year that the age difference exceeds 15 years, subject to a maximum reduction of 50%.

This pension will be paid for life and will increase in the same way that your own pension would have increased.

Qualifying children's allowance

A children's allowance is payable on death after retirement for **qualifying children** in the same way as outlined on page 18.

Discretionary dependant's pension

If you die without leaving a **surviving spouse/civil partner**, an allowance may be granted to a **dependant**, with the approval of the **Principal Employer** and the **Trustee** (see page 18 for more details).

Increases to pensions and allowances

Once in payment, the whole of your **surviving spouse's/civil partner's** pension in excess of any **GMP** element or any discretionary **dependant's** pension, and the whole of any **qualifying children's** allowances, will increase on 1 January each year in line with the RPI. For pensions built up before 1 July 2009, increases will be subject to a maximum rate of 5% a year; for benefits built up from 1 July 2009 increases will be subject to a maximum 3% a year. For more information, please contact the HSBC DBS Administration Team. In addition, the **Principal Employer** and the **Trustee** review the level of increase from time to time and may, at their discretion, award a higher or additional increase.

If you die whilst in ill-health retirement

If you retire on the grounds of ill health and then die within five years of the date of your retirement, but before you have reached **normal retirement age**, a lump sum of four times your **final pensionable salary** at the date of your retirement will be paid.

If you die five or more years, but less than ten years, from your date of retirement (except if you die after **normal retirement age**), your **surviving spouse/civil partner**, **dependants**, relatives or other beneficiaries would receive a lump sum equal to the smaller of:

- four times your **final pensionable salary** (less the instalments of pension paid since retirement, increased to reflect any pension you chose to take as a tax-free lump sum), and
- the instalments of pension you would have received from the date of your death for the remainder of the ten years, had the amount of payment remained unchanged.

The **Trustee** has discretion as to who receives the lump sum. You should have already completed an **Expression of Wish form** indicating to the **Trustee** who you would like the lump sum to be paid to; the **Trustee** will take account of your wishes but, for tax reasons, cannot be bound by them.

If you die after **normal retirement age**, the lump sum will be calculated as set out on page 19 'If you die after you retire'.

If you die having chosen to retire later

If you die in **pensionable service** on or after **normal retirement age**, the same benefits would be paid as if you died before your **normal retirement age** (and on the same terms and conditions). However, the calculation of your **surviving spouse's/civil partner's** pension will be based on the pension you would have received had you retired on the day before you died.

If you die having chosen one of the options available through the flexible retirement policy

If you die after having opted for flexible retirement, then different benefits may apply in respect of you and your dependants, depending on your chosen option. You will be given more information if you opt for flexible retirement but please see the **Flexible retirement options guide**. You can get a copy from the HSBC DBS Administration Team or download a copy from the pensions website from Autumn 2009.

Leaving employment:
what happens to your benefits?

If you leave

Deferred pension

If you leave **employment** before age 60, and do not receive an early retirement pension, you will be entitled to receive a deferred pension, provided you have completed at least two years' **pensionable service**. Your deferred pension will be calculated on the same basis as if you retired at **normal retirement age**, but based on your **pensionable service** and **final pensionable salary** at the date you leave. To go part of the way towards protecting your pension against the impact of inflation, it will then be re-valued for the period before it starts to be paid.

You will be issued with a deferred benefit statement within two months from the date that the **Trustee** is notified by your employer that you have left **pensionable service**. This deferred benefit statement sets out the rights and options available to you.

You can ask for your deferred pension to be paid at any time on or after age 50 (with some exceptions this will rise to 55 on 6 April 2010) or earlier if you are suffering from ill health or disablement.

If the **Trustee** agrees to pay your pension, remember it will be reduced because it is being paid early. You may also choose to take part of your benefits as a tax-free lump sum as explained on page 10. The **State deduction** is applied from your **State Pension age**.

Please note: you can choose to delay taking your deferred pension up to age 75.

Please note: if you've left the **Scheme** but stayed in **employment**, the amount which you can transfer may, at the **Principal Employer's** discretion, be limited to the value of your deferred pension that relates to your membership since 6 April 1988. At the discretion of the **Principal Employer** and the **Trustee** you may, even though you're still in **pensionable service**, be able to make a partial transfer of your benefits, such as your AVCs and bonus sacrifices made on a money purchase basis.

Transfer value

Instead of a deferred pension, you may choose to have the cash value of your deferred pension paid to:

- a new employer's pension scheme (if you leave your employer), or
- a personal pension scheme.

If you are interested in transferring out of the **Scheme**, please contact the HSBC DBS Administration Team for more information. You can ask them to send you a written statement of your entitlement to a cash equivalent transfer value, calculated as at a specified guarantee date, which they will send within three months of your request. You must apply for your transfer within three months of the guarantee date for this amount to be paid, otherwise it will be recalculated.

Even if you're still in **pensionable service**, you can ask the HSBC DBS Administration Team for an estimated transfer value once a year.

As the **Trustee** has not directed otherwise, the cash value of your deferred pension shall be increased to take account of the **Scheme's** practice of granting discretionary benefits.

The cash value of your deferred pension is the **Trustee's** best estimate, having taken actuarial advice, of the expected cost to the **Scheme** of providing you with a pension in respect of your **pensionable service**.

You have a right to transfer out of the **Scheme** if you leave employment or opt out of the **Scheme** up to one year before age 60.

Please note: your **spouse** or **civil partner** would receive a pension which meets the contracting-out requirements as detailed on page 15.

If you die with a deferred pension

If you die before age 60 and before you take your benefits, having left **employment** or opted-out of the **Scheme** with a deferred pension, the following benefits would be paid:

- a pension for your **surviving spouse/civil partner**. If you leave no **surviving spouse/civil partner** a discretionary **dependant's** pension may be paid;
- a lump sum made up of:
  - contributions made on your behalf from 1 July 2009 through **salary sacrifice** or otherwise; plus
  - any member contributions that were transferred into the **Midland Section** from any previous pension schemes you may have belonged to; plus
  - any AVC fund held for your benefit under the **Scheme** (adjusted to reflect investment performance); plus
  - (normally as a lump sum benefit) any bonus sacrifice fund held for your benefit under the **Scheme** (adjusted to reflect investment performance); and
- a **qualifying children's** allowance.

Surviving spouse's/civil partner's pension

Your **surviving spouse/civil partner** would receive a pension equal to one half of the deferred pension you would have received had you survived to **normal retirement age**, excluding any revaluation between date of death and **normal retirement age**. No **State deduction** will be applied.

If your **surviving spouse/civil partner** is more than 15 years younger than you, their pension will be reduced by up to 2.5% for each year that the age difference exceeds 15 years, subject to a maximum reduction of 50%.

This pension will be paid for life and will increase in the same way that your own pension would have increased.

Qualifying children's allowance

Your **qualifying children** would receive an allowance equal to a percentage of the **surviving spouse's** pension as set out in the table on page 18.

Discretionary dependant's pension

If you die without leaving a **surviving spouse/civil partner**, a pension of an amount as set out above may be granted to a **dependant**, with the approval of the **Principal Employer** and the **Trustee** (see page 18 for more details).

If you die after age 60 and before you take your benefits, having left **employment** with a deferred pension, you will be treated as having taken your benefits on the day before you died.

If you die after you have taken your benefits, your benefits will be calculated as referred to in the section 'If you die after you retire' on page 19.

If you die after having opted for flexible retirement, then different benefits may apply in respect of you and your **dependants**, depending on your chosen option. You will be given more information if you opt for flexible retirement, but please also see the **Flexible retirement options guide**. You can get a copy from the HSBC DBS Administration Team or download a copy from the pensions website from Autumn 2009.

Membership

The **Midland Section** is closed to new entrants. Only employees who were members of the **Midland Section** on 30 June 1996 who joined the **Midland Section** by way of bulk transfer from another pension scheme and were, exceptionally, given **Midland Section** benefits, are members of this **Section.**

Transferring in benefits

From 1 February 2010, the transfer of benefits into the DBS is not permitted.

Transferring out benefits

If you are considering transferring your benefits from the **Scheme** into another pension scheme, and providing that scheme can accept the transfer, you will need to complete a **Transfer-out request form**. This is available from the HSBC DBS Administration Team. You should consider consulting an IFA before transferring benefits out of the **Scheme**.

Working key-time

If your contracted hours go down, you can stay in the **Midland Section** (unless you choose to opt out). Your benefits will be adjusted to reflect any change.

Temporary absence

Your membership of the **Midland Section** will continue during statutory maternity, adoption, paternity or parental leave. It may also continue at your employer's discretion if you are temporarily absent for any other reason.

If you are not being paid, then any benefits that continue to be provided (as notified to you at the start of your temporary absence) would be based on the notional salary you would have received if you were being paid.

Please note: if you do not return to work for your employer at the end of any additional maternity leave or additional adoption leave, your **pensionable service** will end from the date you stopped receiving any statutory or contractual pay.

Opting out

You can choose to opt out of the **Midland Section** if you wish, but if you do you will not be allowed to re-join. You will only be allowed to join the Defined Contribution Section (DCS) of the **Scheme**.

If you decide to opt out, you must give at least one month's written notice through **My Choice** using the **My Reward website**. If you want to opt out, ask the HSBC DBS Administration Team for an **Opt-out form** or download a copy from the pensions website from Autumn 2009.

If you opt out, you will pay higher National Insurance contributions as you will no longer be contracted-out of the State Second Pension, which means you will build up the State Second Pension. You will be treated as a deferred member but, in the event of your death before your **normal retirement age**, while still in **employment** and not taking benefits, as described on page 16, a lump sum of four times your **final pensionable salary** (unless you choose a different level of lump sum through the **My Reward website**) will be payable through the **Group's** separate **Life Assurance Scheme**.

Enhanced Protection

If you have applied for Enhanced Protection in relation to the taxation of your benefits under the Finance Act 2004, please be aware that this protection can be lost in certain circumstances. As this protection is not part of the **Scheme**, it is your responsibility to ensure that you take the appropriate steps to maintain it. It is important that you contact the HSBC DBS Administration Team as special arrangements may need to be made for you.

Contributions

From 1 July 2009, you were given the option to keep the rate at which your pension builds up at 1/60th of your **final pensionable salary** for each year of your **pensionable service** by making regular contributions to the **Scheme** through **salary sacrifice**.

This section explains how your contributions will change over time and how **salary sacrifice** works.

If you chose to contribute, these contributions are based on your **pensionable salary** and the table below shows the dates from which the contribution rates apply:

Date (from)	Contribution rate
1 July 2009	1%
1 March 2010	2%
1 March 2011	3%
1 March 2012	4%
1 March 2013	5%

If you chose not to contribute, the rate at which your pension builds will have been reduced to 1/80th of your **final pensionable salary**.

Please note:

- If you chose to contribute to the **Scheme**, you can stop contributing at anytime. The rate at which your future benefits build up would then reduce to 1/80th of your **final pensionable salary**, and you will not be able to choose the higher rate of benefit build up of 1/60th in the future. This reduced rate will apply from the date you stop contributing.
- If you work key-time and your **pensionable salary** full-time equivalent is £14,000 a year or less (or a different amount as agreed by the **Trustee** and the **Principal Employer** from time to time), contributions you make into the **Scheme** will be capped at 2%. The same cap applies if you work full-time and your **pensionable salary** is £14,000 a year or less.
- If, from 1 July 2009, you chose to contribute, you will also have the choice, from 1 April 2010, to make an additional 3% contribution to the **Scheme** to enable you to take an unreduced pension from age 60 onwards for all your benefits, for as long as you are making this contribution. If you stop making this additional 3% contribution, then the pension you build up from that date would be subject to an early retirement reduction.

Salary sacrifice

You give up a proportion of your basic salary (before tax) and in return your employer pays an equal amount into the **Scheme**. Because your basic salary is reduced, you pay lower National Insurance contributions and your take-home pay may increase.

Please note:

- **salary sacrifice** does not impact on pay increases, bonuses and overtime, and
- when calculating **pensionable salary** and **final pensionable salary**, the reduction in salary resulting from any **salary sacrifice** is ignored and benefits are based on your notional salary (pre-sacrificed salary).

If you earn less than £6,500 a year, and/or less than 10% over the National Minimum Wage, you will be opted out of making contributions through **salary sacrifice** and any contributions you choose to make will be deducted monthly from your salary before tax is calculated.

Making AVCs

Regardless of whether you are contributing to the **Scheme**, you can choose to make additional voluntary contributions (AVCs).

Making AVCs is currently a tax-efficient way of building up bigger benefits. Because you get tax relief when you make AVCs, it won't cost as much as you might think. And, as you can now take some, or maybe all, of the fund you build up as a tax-free lump sum when you retire, making AVCs is a really attractive way of boosting your retirement benefits.

You can make AVCs of up to 100% of your UK earnings (up to the Annual Allowance) into any number of pension schemes.

You can find out more about making AVCs in the separate **Additional voluntary contributions (AVCs) and bonus sacrifice guide**, which you can get from the HSBC DBS Administration Team or download a copy from the pensions website from Autumn 2009.

You can start making AVCs, or change how much you make, through **My Choice** using the **My Reward website**.

Saving outside of the Scheme

You can now pay into any number of pension schemes at the same time as being a member of the **Scheme**, such as a personal or Stakeholder pension plan. And there are many other ways of saving for your retirement.

Before deciding to save for your retirement outside of the **Scheme**, consider whether the other arrangements offer any tax advantages, and what charges you will pay, compared with making more **AVCs**.

Please note: by law, the **Trustee,** your employer or the **Principal Employer** cannot give you financial advice. If you are not sure what's best for you, we strongly recommend you speak to an IFA.

Annual Allowance

This is an allowance for the amount of contributions and/or benefits that you can build up each year tax-efficiently. The maximum you can contribute personally into all of your pension arrangements and receive tax relief on each year is 100% of your UK earnings.

Each year (apart from the year you take your benefits), the increase in the annual amount of your defined benefit pension (for example, your **Midland Section** pension) times a factor of 10, will be tested against the Annual Allowance. This is tested over what is called the 'pension input period'. The pension input period for the **Scheme** is the 12-month period ending on 30 June each year. If you (or someone else on your behalf, such as your employer) have made contributions to a money purchase scheme (for example, AVCs or contributions to a personal pension), then the value of these contributions will also be included in the amount tested against the Annual Allowance. Any contributions paid or benefits built up over the year above the Annual Allowance will be taxed, currently at 40%.

The Annual Allowance for the pension input period ending 30 June 2010 is £245,000. It will increase to £255,000 for the 2010/11 tax year.

Anything else?

Amending the Scheme

The Trust Deed and Rules provide that the **Principal Employer** has the power to discontinue contributions to the **Scheme**. This would trigger the winding-up of the **Scheme**. The **Trustee** has the power to defer winding-up. The **Principal Employer** also has the power, with the consent of the **Trustee**, to amend the **Scheme** at any time. If this happens you will be notified of any changes that affect you.

Annual report

Each year the **Trustee** sends you an annual report and a statement about the **Scheme's** funding. Copies are also available on the pensions website from Autumn 2009.

Comments or concerns?

If you have a comment, concern or complaint, please follow the process set out below so that those who need to give you a response will be able to provide it more quickly.

Your comment, concern or complaint first needs to be referred to the HSBC DBS Administration Team, Watson Wyatt, who work on behalf of the **Trustee**:

Email:	HSBCDBS@watsonwyatt.com
Phone:	01737 227570
Post:	The HSBC DBS Administration Team Watson Wyatt Limited Po Box 652 Redhill Surrey RH1 9AL

If the HSBC DBS Administration Team is unable to resolve the issue, you should write to the Scheme Executive:

HSBC Bank Pension Trust (UK) Limited
The Pension Scheme Executive
8 Canada Square
London
E14 5HQ

Formal complaints procedure

In addition, the **Scheme** has a formal procedure for resolving disputes between members (and their families) and the **Trustee**, that requires you to complete a form at each stage. It is a two-stage procedure – the initial reply to any formal complaint will be made by the Chief Executive Officer of the **Trustee**, at the address shown below, who will normally respond within two months of receiving full details of the complaint.

If the matter is not resolved to your satisfaction, you can ask the **Trustee** to consider your complaint. Normally the **Trustee** will respond to your complaint within two months. You can contact the **Trustee** by writing to:

HSBC Bank Pension Trust (UK) Limited
The Pension Scheme Executive
8 Canada Square
London
E14 5HQ

Further information

If you would like further information about the **Scheme** then you should contact the HSBC DBS Administration Team. Alternatively you can visit the pensions website at:

Web:	www.futurefocus.staff.hsbc.co.uk (from Autumn 2009)

Data protection

The **Trustee** holds your member details manually and on computer, as well as other data about you, for the purpose of administering the **Scheme**, paying benefits, and for internal statistical and reference purposes, in relation to the **Scheme**. All the information requested is necessary and without it, it may be impossible for some benefits under the **Scheme** to be paid.

In order to comply with the Data Protection Act 1998, the **Trustee** is required to process any such information fairly and lawfully. It must be kept safe at all times and not disclosed to outside bodies except when necessary for contractual or legal reasons or other specifically identified purposes, or where consent has been given and it must not be kept for longer than necessary.

This data may be passed to the **Principal Employer**, your current, past or future potential employer, to the **Scheme's** professional advisers or other third parties involved in administering the **Scheme**. Data may also be shared with or transferred to parties with whom the **Principal Employer** is negotiating a commercial agreement (for example a business sale or joint venture) or to trustees of other pension schemes and their advisers if a reorganisation of pension schemes is being discussed and, if required, to Government or regulatory organisations (such as the Pensions Regulator). Certain personal data (such as details of your physical health) is classified under the Data Protection Act 1998 (the Act) as 'sensitive personal data'. Other examples are details about your racial or ethnic origin, religious or similar beliefs, sexual orientation, political opinions, membership of a trade union and details regarding the commission or alleged commission of any offence. Except where permitted by the Act, your 'sensitive personal data' will not be processed or passed to a third party without your consent.

Under a process known as 'notification', the **Trustee** has informed the Information Commissioner in accordance with the Act that they are the Data Controller in relation to the data processing referred to above. All data is held and processed in the strictest confidence and in accordance with the Act. You have the right to see member data held about you on request. You should contact the HSBC DBS Administration Team, if you believe any information is incorrect or out of date, or wish to see your member data, please contact them. You may have to pay a small fee to see your personal data.

Divorce or dissolution of civil partnership

Pension rights are normally taken into account as part of a couple's assets. There are a number of options available to the Court in dealing with pension rights. If you need pension information, please contact the HSBC DBS Administration Team. Although certain information can be provided free of charge, there is likely to be a charge for some information you may need in the course of settling a divorce or dissolution. If you are getting divorced or dissolving your civil partnership, you should also update your **Expression of Wish form**; for more information see the box on page 16.

Payment of benefits

Pensions and allowances will normally be payable monthly. Your pension payments are liable to tax under PAYE. You cannot assign your benefits to someone else or use them as security for a loan.

Registered status

The **Scheme** is registered under Chapter 2 of Part IV of the Finance Act 2004, and as a result, the payment of contributions and the provision of benefits are subject to HMRC rules. These rules enable the benefits and contributions payable under the **Scheme** to benefit from certain tax exemptions and reliefs although, where limits on the benefits or contributions are exceeded, you will have to pay tax on the excess.

Scheme limits

Benefits paid from the **Scheme** are normally subject to certain limits which apply in accordance with the Trust Deed and Rules. You will be advised if these limits affect you, in which case your benefits may have to be restricted. Also, if you have benefits with another pension arrangement, you will be asked for details of these when you take your **Midland Section** benefits so that the relevant Lifetime Allowance checks can be made (see page 10).

The Trustee

The **Scheme** is established under a trust and is administered by the **Trustee**, which has its own board of Directors. Seven Directors are nominated by the **Principal Employer**, four are chosen by active members and two by pensioners. The Chairman is nominated by the **Principal Employer**.

The **Trustee** is responsible for managing the **Scheme** on behalf of members and their beneficiaries. The **Trustee** keeps the **Scheme's** investments separate from the **Principal Employer's** assets, and is responsible for administering the **Scheme** in accordance with the Trust Deed and Rules.

Winding up the Scheme

The **Principal Employer** intends that the **Scheme** will continue indefinitely but the Trust Deed and Rules contain provisions for its amendment or wind up. If the **Scheme** is wound up, the assets would be used to provide benefits to members in accordance with the priority order set out in legislation and the Trust Deed and Rules.

The Trust Deed and Rules also provide that the **Principal Employer** has the power to discontinue contributions to the **Scheme**. This would trigger the winding up of the **Scheme**. The **Trustee** has the power to defer winding up but if it decides to allow the winding up to continue and the individual employers participating in the **Scheme** are solvent, they would have to pay enough money to ensure members' benefits would be paid by an insurance company.

However, if they could not afford to pay the full amount needed and if there are insufficient assets to provide benefits for members on winding up, and the **Principal Employer** is insolvent, the **Scheme** may be accepted into the Pension Protection Fund (PPF).

The PPF aims to provide compensation to members of defined benefit pension schemes which wind up with insufficient assets. The level of compensation is, for most pension schemes (including ours), lower than the benefits provided for under the rules. The PPF is funded by levies paid by all defined benefit schemes. The PPF is not, however, backed by the Government, it is intended to be funded solely by the levies collected from ongoing pension schemes.

Help and information

Finding out...

... more about the Scheme

For general information contact the HSBC DBS Administration Team:

Phone:	01737 227570
Email:	HSBCDBS@watsonwyatt.com
Post:	The HSBC DBS Administration Team Watson Wyatt Limited PO Box 652 Redhill Surrey RH1 9AL

Or visit the pensions website from Autumn 2009:

Web:	www.futurefocus.staff.hsbc.co.uk

... more about My Reward website

Log on to the **My Reward website** if you want to:

- stop making contributions to the **DBS**; in which case the rate at which your benefits build up will reduce to 1/80th;
- stop making the additional 3% contribution to enable you to take an unreduced pension from age 60 onwards for all your benefits;
- make changes to your AVCs, or
- opt out of the **DBS** (you will not be able to rejoin in future).

If you have any questions about your **DBS** contributions, contact the My Reward Centre:

Phone:	0845 603 3133
Web:	www.myreward.staff.hsbc.co.uk

Please note: if you work for M&S Money, British Arab Commercial Bank or an Offshore team based in Jersey, Guernsey or the Isle of Man, then you will continue to make your pension changes through your existing process. Please contact your HR team for more information.

... about My Retirement modeller

The My Retirement modeller is an interactive tool that will help you work out how much income you might need in retirement, and the amount of benefits you could get depending on the decisions you make.

Web:	www.myretirementmodeller.staff.hsbc.co.uk/hsbcAuthentication/login

Contact the My Reward Centre if you have any questions about using the modeller.

... about State Pensions

To find out more about State Pensions, visit the Government's website at:

Web:	www.thepensionservice.gov.uk

You can phone The Pension Service, Monday to Friday, from 8.00am to 8.00pm on **0845 60 60 265** (0845 60 60 275 for Welsh speakers).

… about pensions in general

The Pensions Advisory Service (TPAS)

TPAS is available at any time to help members and their beneficiaries with pension questions and any issues they have failed to resolve with the HSBC DBS Administration Team or the **Trustee**. You can contact a local TPAS adviser through your Citizens Advice Bureau or at:

Phone:	0845 601 2923
Email:	enquiries@pensionsadvisoryservice.org.uk
Post:	11 Belgrave Road London SW1V 1RB
Web:	www.pensionsadvisoryservice.org.uk

If TPAS fails to resolve your issue, you can contact the Pensions Ombudsman. The Ombudsman can help investigate complaints or disputes of fact or law connected with pension schemes. The Ombudsman can be contacted at the same address as TPAS but he has a different phone number, email and website address:

Phone:	020 7630 2200
Email:	enquiries@pensions-ombudsman.org.uk
Web:	www.pensions-ombudsman.org.uk

Pensions Regulator

The Pensions Regulator was set up to protect the benefits of company and personal pension scheme members. It aims to reduce the risk of schemes having to draw on the Pension Protection Fund, and promote good administration of pension schemes. Where necessary, the Pensions Regulator is able to intervene in the running of pension schemes where trustees, employers or professionals have failed in their duties. You can contact the Pensions Regulator at:

Phone:	0870 606 3636
Fax:	0870 241 1144
Email:	customersupport@thepensionsregulator.gov.uk
Post:	Napier House Trafalgar Place Brighton BN1 4DW
Web:	www.thepensionsregulator.gov.uk

... about previous pension benefits

Pensions Tracing Service

If you lose contact with former pension schemes, you may not be able to claim your pension benefits when you retire. It's especially easy to lose touch when you change jobs, or if former employers change names.

A tracing service, run by the Department of Work and Pensions, may be of help if you need to contact the trustees of a previous employer's pension scheme and cannot trace them yourself. The Service can be contacted at:

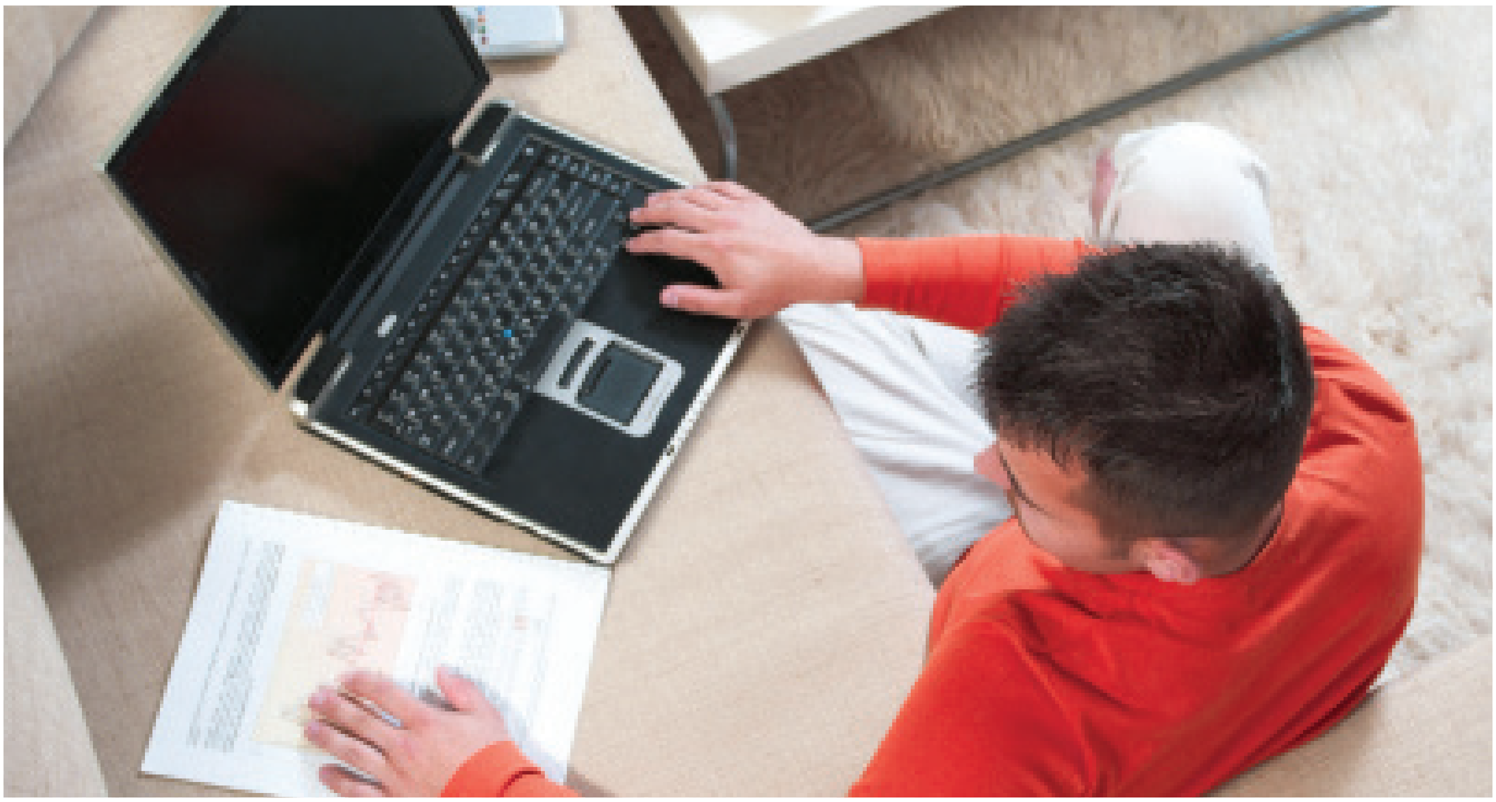
Phone:	0845 600 2537
Post:	Pension Tracing Service The Pension Service Tyneview Park Whitley Road Newcastle upon Tyne NE98 1BA
Web:	www.thepensionservice.gov.uk

Independent financial advice

By law, the **Trustee**, your employer or the **Principal Employer** cannot give you financial advice. If you are at all uncertain about your choice, we strongly recommend you talk to an IFA. You can find a local IFA by contacting IFA Promotion Ltd at:

Web:	www.unbiased.co.uk

Alternatively, you may seek such advice from HSBC Actuaries and Consultants Limited which employs IFAs. They will charge a fee for their services.



Appendix 1

For male members who joined the Midland Section before 1 January 1975

Although the **Midland Section** member guide applies to you, there are some exceptions which apply to your benefits. It is therefore important that you also read this appendix.

Benefits: what will you get when you retire? (page 8)

If you retire at normal retirement age

Your **normal retirement age** is currently your 60th birthday, but will increase to 65 from 1 April 2010. After this date, you will be able to retire at 60 with unreduced benefits if you make an additional 3% contribution.

Pension

The following example shows how much pension you could receive if you have pension credit and how much you could receive if you don't.

You will get a pension equal to the following:

For pensionable service	Description of benefit	Includes pension credit?
Before 17 May 1990	**1/60th x final pensionable salary x pensionable service** during that period	Yes
17 May 1990 to 31 January 1995	The better of: **1/52nd x final pensionable salary x pensionable service** during that period, and	No
	1/60th x final pensionable salary x pensionable service during that period	Yes
1 February 1995 to 30 June 2009	**1/60th x final pensionable salary x pensionable service** during that period	Yes
1 July 2009 to 31 March 2010	a) If you contribute to the **Scheme** **1/60th x final pensionable salary x pensionable service** during that period	Yes
	b) If you do not contribute to the **Scheme** **1/80th x final pensionable salary x pensionable service** during that period	Yes
From 1 April 2010	a) If you contribute and make the additional 3% contribution **1/60th x final pensionable salary x pensionable service** during that period	Yes
	b) If you contribute but do not make the additional 3% contribution **1/60th x final pensionable salary x pensionable service** during that period	No No
	c) If you do not contribute **1/80th x final pensionable salary x pensionable service** during that period	

Please note:

- Pensions cannot exceed 2/3rd of **final pensionable salary**. Service stops building up from the time this limit is reached.
- If, from 1 July 2009, you chose to make member contributions, you will also have the choice, from 1 April 2010, to make an additional 3% contribution to the **Scheme**. This will enable you to take the pension built up after 1 April 2010, whilst making this additional contribution, without reduction on retirement from active membership on or after age 55. If you stop making this additional 3% contribution, then the pension you build up from that date would be subject to an early retirement reduction.

Pension credit

This is a credit of **pensionable service** originally introduced from 1 January 1986 for male members when the **normal retirement age** for men was reduced from 65 to 60, To comply with equality laws, a credit was introduced for female members who joined the **Midland Section** before 1 January 1986 and remained in service until 17 May 1990. Generally for female members, the credit (if any) only applies to **pensionable service** from 17 May 1990. The calculation is fairly detailed and depends on various circumstances. Further detail is given in the Midland Bank Pension Scheme circular headed 'Equality in Pensions' dated 5 January 1995. Copies are available from the HSBC DBS Administration Team or from the pensions website from Autumn 2009.

Please note: pension credits will be discontinued from 1 April 2010 unless you choose to make an additional annual contribution of 3% of your **pensionable salary**. If you stop making this additional contribution, you will not build up any further pension credit from the date you stop contributing the additional 3%.

Example – the following shows how your Scheme benefits could have built up if you had joined the Scheme before 1975, have 38 years' pensionable service at age 60, which is when you retire and had a final pensionable salary of £39,000 with a two year pension credit. Your maximum Scheme benefit is 2/3rds of your final pensionable salary which equals £26,000 a year.

Pensionable Service before 17 May 1990

You have 17 years' **pensionable service** before 17 May 1990. Because you had less than 40 years potential **pensionable service** before age 60, you received a pension credit of 2 years x (17 years/38 years). The pension for this period is:

1/60th x **final pensionable salary** x **pensionable service** (plus pension credit)
1/60th x £39,000 x [17 years + (2 years x 17 years/38 years)]

This means the pension from this period is **£11,630 a year**.

Pensionable Service from 17 May 1990 to 31 January 1995

You have 4 years and 8 months' **pensionable service** from 17 May 1990 to 31 January 1995, the pension for this period is the better of:

1/52nd x £39,000 x 4 years, 8 months = **£3,500 a year or** 1/60th x £39,000 x [4 years, 8 months + (2 years x 4 years, 8 months/38 years)] **= £3,190 a year**

This means the pension from this period is **£3,500 a year**.

Pensionable Service from 1 February 1995 to 30 June 2009

You have 14 years and 5 months' **pensionable service** from 1 February 1995 to 30 June 2009, the pension for this period is:

1/60th x £39,000 x [14 years, 5 months + (2 years x 14 years, 5 months/38 years)]

This means the pension from this period is **£9,860 a year**.

Pensionable Service from 1 July 2009 to 31 March 2010

From 1 July 2009, you had the option to make contributions and this affects the amount of pension you build up for this period.

a) If you make contributions, the pension you build up over the 9 month period of **pensionable service** from 1 July 2009 to 31 March 2010 is:

1/60th x £39,000 x [9 months + (2 years x 9 months/38 years]

This means the pension from this period of service is **£510 a year.**

b) If you do not make contributions, the pension you build up is calculated as:

1/80th x £39,000 x [9 months + (2 years x 9 months/38 years)]

This means the pension for this period is **£380 a year**.

Pensionable Service from 1 April 2010

You have 1 year, 2 months' service until you retire from the **Scheme** at age 60. The pension you build up for this period of **pensionable service** depends on how much you contribute.

a) If you made contributions from 1 July 2009 then you have the option to make an additional 3% contribution (see page 11), in which case your pension credit continues to build up. In theory, the pension you build up for this period is calculated as:

1/60th x £39,000 (x 1 year, 2 months + 2 years x 1 year, 2 months/38 years)

However, the total pension from all your periods of service would exceed your **Scheme** maximum of £26,000 and so, the pension from this period of **pensionable service** would be limited to **£500 a year**.

b) If you made contributions from 1 July 2009 but chose not to pay the additional 3% contribution, then in theory the pension you build up for this period is calculated as:

1/60th x £39,000 x 1 year, 2 months

Again, however, the total pension would exceed your **Scheme** maximum and so the pension from this period of **pensionable service** would be limited to **£500 a year**.

As you are retiring at age 60 and you did not make the additional 3% contribution, this amount is reduced as it is being paid before age 65. For example, if the early retirement reduction is 20% then the pension you build up for this period is **£400 a year**.

c) If you chose not to make any contributions from 1 July 2009 then the pension you build up is calculated as:

1/80th x £39,000 x 1 year, 2 months (£570 a year)

In this case the total pension is less than your **Scheme** maximum of £26,000 a year and this means the pension for this period is **£570 a year**.

As you are retiring at age 60 and you did not make the additional 3% contribution, this amount is reduced as it is being paid before age 65. For example, if the early retirement reduction is 20% then the pension you build up for this period is **£456 a year**.

Summary

If from 1 July 2009:

- You make contributions and make the additional 3% contribution from 1 April 2010, your pension would be **£26,000 a year**.
- You make contributions but do not make the additional 3% contribution from 1 April 2010, your pension would be **£25,900 a year**.
- You do not make contributions your pension would be **£25,826 a year**.

If you retire early

You can retire and take your benefits from age 55 onwards without the agreement of your employer or the **Trustee**.

Your pension will be worked out in the same way as set out in the box on page 32. The part of pension applicable to **pensionable service** before 17 May 1990 will be reduced, because it is being paid for longer (but no reduction will apply to the part of the pension applicable to **pensionable service** on or after 17 May 1990). For retirement after 1 April 2010, please see below.

If you retire on or after age 50 (with some exceptions this will rise to age 55 on 6 April 2010), you may apply to take your benefits immediately. If the **Trustee** agrees to the immediate payment of your benefits, your pension will then be reduced because it is being paid for longer (it will not be reduced if the **Principal Employer** directs this under the **Scheme** rules).

Please note: your pension cannot be less than your **guaranteed minimum pension (GMP)**.

If you retire after 1 April 2010 your benefits built up to this date will be reduced (if at all) as above. Your benefits built up from this date will be reduced for each year you retire between age 55 and 65, unless you have chosen to pay the additional 3% contribution (see page 11) (in which case only the above reductions will apply).

If you have to retire because of ill health

If you need to retire because of ill health, you may receive an immediate ill-health pension. You will be entitled to this if your employer is satisfied that you meet the definition of incapacity in the **Midland Section** rules. Your ill-health pension will be worked out in the same way as set out on page 13, but based on your **final pensionable salary** and **pensionable service** at the date you leave.

If the **Trustee** decides that your illness is such that it is unlikely that you will recover or have any chance of gainful employment in the future, then, if greater, you will get a pension equal to the rate your benefits build up x your **final pensionable salary** x your **pensionable service** (including, if appropriate, any pension credit). This calculation may include some or all of the **pensionable service** you could have completed had you stayed in the **Scheme** until **normal retirement age** subject to a maximum of 40 years' **pensionable service** (and for the purposes of working out whether the maximum of 40 years has been reached **pensionable service** excludes any additional prospective service granted).

Regardless of when you retire, you will still be able to take a tax-free lump sum, and pension increases will still apply as described on page 15.

Please note: the **Trustee** may review ill-health pensions from time to time. It may reduce or suspend your ill-health pension if you recover from your illness and no longer satisfy the definition of incapacity in the **Midland Section** rules.

Protection: what happens when you die? (page 16)

The benefits payable will be the same as described on page 16, unless you were a member or prospective member of the Mutual Provident and Widows' Fund, or a member of the Midland Bank Limited Messengers' Mutual Pension Fund for Widows. If, however, you were a member of these funds, the following will apply:

If you die while in pensionable service before you draw your pension

There may be a minimum level of widow's pension.

If you die after you have started taking your pension

If no other benefits are payable, a payment is made relating to contributions formerly paid to the relevant fund.

Leaving the Scheme: what happens to your benefits? (page 21)

If you leave

If you leave **employment** before age 60, and do not receive an early retirement pension, you will be entitled to receive a deferred pension, calculated on the same basis as if you retired at **normal retirement age**, but based on your **pensionable service** and **final pensionable salary** at the date you leave. Your pension will then be re-valued in the period before it starts to be paid.

You can ask for your deferred pension to be paid at any time on or after age 55, in which case, your pension will be calculated as follows:

The rate your benefits build up x your **final pensionable salary** x your **pensionable service** including, if appropriate, any pension credit. The part of your pension applicable to **pensionable service** before 17 May 1990 and after 1 April 2010 (unless you make the additional 3% contribution as explained on page 11) will then be reduced, because it is being paid for longer.

You can retire from age 50 (rising to age 55 on 6 April 2010) with the **Trustee's** consent, or earlier if you are suffering from ill-health or disablement. If the **Trustee** agrees to pay your pension, it will be calculated as if you are retiring at your **normal retirement age**, but based on your **final pensionable salary** and **pensionable service** at the date you leave. It will then be reduced because it is being paid early.

Your pension will increase every year once it starts to be paid. You may also choose to take part of your pension as a tax-free lump sum as explained on page 10.

Please note: you can choose to delay taking your deferred pension up to age 75.

Appendix 2

For female members who joined the Midland Section before 1 January 1975

Although the **Midland Section** member guide applies to you, there are some exceptions which apply to your benefits. It is therefore important that you also read this appendix.

Benefits: what will you get when you retire? (page 8)

If you retire at normal retirement age

Your **normal retirement age** is currently your 60th birthday, but will increase to 65 from 1 April 2010. After this date, you will be able to retire at 60 and take unreduced benefits if you make an additional 3% contribution (see page 11).

Pension

The following example shows how much pension you could receive if you have pension credit and how much you could receive if you don't.

You will get a pension equal to the following:

For pensionable service	Description of benefit	Includes pension credit?
Before 17 May 1990	**1/52nd x final pensionable salary x pensionable service** during that period	No
17 May 1990 to 31 January 1995	The better of:	
	1/52nd x final pensionable salary x pensionable service during that period, and	No
	1/60th x final pensionable salary x pensionable service during that period	Yes
1 February 1995 to 30 June 2009	**1/60th x final pensionable salary x pensionable service** during that period	Yes
1 July 2009 to 31 March 2010	a) If you contribute to the **Scheme** **1/60th x final pensionable salary x pensionable service** during that period	Yes
	b) If you do not contribute to the **Scheme** **1/80th x final pensionable salary x pensionable service** during that period	Yes
From 1 April 2010	a) If you contribute and make the additional 3% contribution **1/60th x final pensionable salary x pensionable service** during that period	Yes
	b) If you contribute but do not make the additional 3% contribution **1/60th x final pensionable salary x pensionable service** during that period	No
	c) If you do not contribute **1/80th x final pensionable salary x pensionable service** during that period	No

Pension credit

This is a credit of **pensionable service** originally introduced from 1 January 1986 for male members when the **normal retirement age** for men was reduced from 65 to 60. To comply with equality laws, a credit was introduced for female members who joined the **Midland Section** before 1 January 1986 and remained in service until 17 May 1990. Generally for female members, the credit (if any) only applies to **pensionable service** from 17 May 1990. The calculation is fairly detailed and depends on various circumstances. Further detail is given in the Midland Bank Pension Scheme circular headed 'Equality in Pensions' dated 5 January 1995. Copies are available from the HSBC DBS Administration Team or from the pensions website from Autumn 2009.

Please note: pension credits will be discontinued from 1 April 2010 unless you choose to make an additional annual contribution of 3% of your **pensionable salary**. If you stop making this additional contribution, you will not build up any further pension credit from the date you stop contributing the additional 3%.

Please note:

- Pensions cannot exceed 2/3rd of **final pensionable salary**. In this example, the maximum of 2/3rd x £39,000 = £26,000 a year will apply and would be paid, subject to a reduction if the member does not make the additional contributions referred to below.
- If, from 1 July 2009, you chose to make member contributions, you will also have the choice, from 1 April 2010, to make an additional 3% contribution to the **Scheme**. This will enable you to take the pension built up after 1 April 2010, whilst making this additional contribution, without reduction on retirement from active membership on or after age 55. If you stop making this additional 3% contribution, then the pension you build up from that date would be subject to an early retirement reduction.
- The example shown in Appendix 1 also applies to female members but with the benefits as described above. Note that the only difference between the calculation of the normal retirement pension for men and women who joined the **Midland section** before 1 January 1975 is the pension arising from service before 17 May 1990.

If you retire early

If you want, you can retire and take your benefits at any time from age 55 without the agreement of your employer or the **Trustee.**

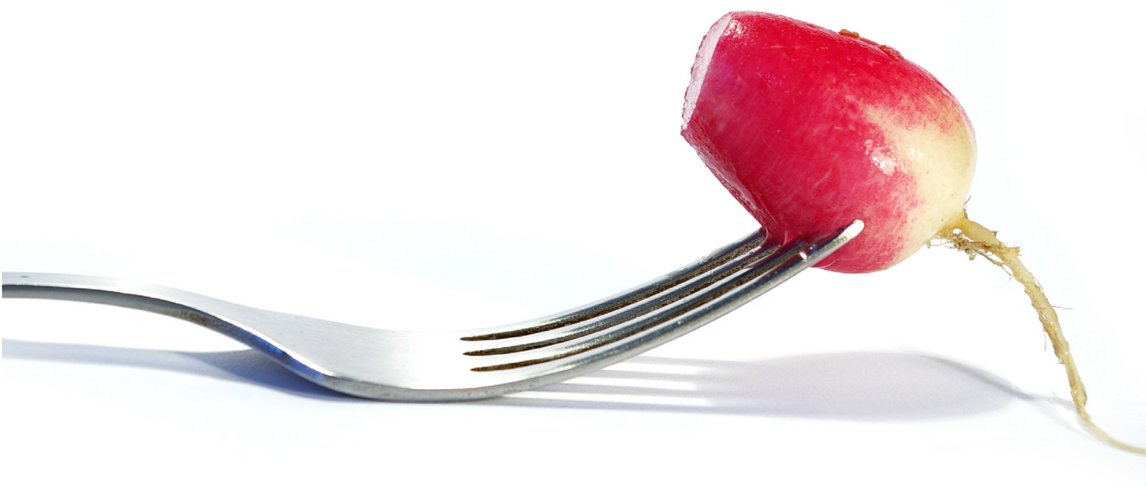
Pension

Your pension will be worked out in the same way as set out in the box on the previous page, but based on your **final pensionable salary** and **pensionable service** at the date you leave.

If you retire on or after age 50, (with some exceptions this will rise to age 55 on 6 April 2010), you may apply to take your benefits immediately. If the **Trustee** agrees to the immediate payment of your benefits, the pension will then be reduced because it is being paid for longer (it will not be reduced if the **Principal Employer** directs this under the rules). For retirement after 1 April 2010, please see below.

Please note: your pension cannot be less than your **guaranteed minimum pension (GMP).**

If you retire early after 1 April 2010 your benefits built up to this date will be reduced (if at all) as above. Your benefits built up from this date will be reduced for each year you retire between age 55 and 65, unless you have chosen to make the additional 3% contribution (see page 11).



If you have to retire because of ill health

If you need to retire because of ill health, you may receive an immediate ill-health pension. you will be entitled to this if your employer is satisfied that you meet the definition of incapacity in the **Midland Section** rules. Your ill-health pension will be worked out in the same way as set out on page 13, but based on your **final pensionable salary** and **pensionable service** at the date you leave.

However, if the **Trustee** decides that your illness is such that it is unlikely that you will recover or have any chance of gainful employment in the future, then if greater, you will get a pension of the rate your benefits build up x your **final pensionable salary** x your **pensionable service** including, if appropriate, any pension credit. This calculation may include some or all of the **pensionable service** you could have completed had you stayed in the **Scheme** until **normal retirement age**, subject to a maximum of 40 years' **pensionable service** (and for the purposes of working out whether the maximum of 40 years has been reached **pensionable service** excludes any additional prospective service granted).

Please note: the **Trustee** may review ill-health pensions from time to time. It may reduce or suspend your ill-health pension if you recover from your illness and you make a full or partial recovery and no longer satisfy the definition of incapacity in the **Midland Section** rules.

Regardless of when you retire, you will still be able to take a tax-free lump sum, and pension increases will still apply as described on page 15.

Leaving the Scheme: what happens to your benefits? (page 21)

If you leave

If you leave **employment** before age 60, and do not receive an early retirement pension, you will be entitled to receive a deferred pension, calculated on the same basis as if you retired at **normal retirement age**, but based on your **pensionable service** and **final pensionable salary** at the date you leave. Your pension will then be re-valued in the period before it starts to be paid.

You can ask for your deferred pension to be paid at any time on or after age 55 in which case, your pension will be calculated as follows:

The rate your benefit builds up x your **final pensionable salary** x your **pensionable service** (including any pension credit). Pension benefits built up after 1 April 2010 will then be reduced, because they are being paid for longer (unless you make the additional 3% contribution as explained on page 11).

You can retire from age 50 (with some exceptions, this will rise to 55 on 6 April 2010) with the **Trustee's** consent, or earlier if you are suffering from ill-health or disablement. If the **Trustee** agrees to pay your pension, it will be calculated as if you are retiring at your **normal retirement age**, but based on your **final pensionable salary** and **pensionable service** at the date you leave. It will then be reduced because it is being paid early.

Your pension will increase every year once it starts to be paid (see page 15 for more information). You may also choose to take part of your pension as a tax-free lump sum as explained on page 10.

Please note: you can choose to delay taking your deferred pension up to age 75.

Appendix 3

For members who joined the Midland Section after 31 December 1974 and before 1 January 1986

The **Midland Section** member guide applies to you, with the exception of the following. It is therefore important that you also read this appendix.

The calculation of your pension will take into account (where appropriate) the pension credit (as defined below).

Pension credit

This is a credit of **pensionable service** originally introduced from 1 January 1986 for male members when the **normal retirement age** for men was reduced from 65 to 60. To comply with equality laws, a credit was introduced for female members who joined the **Midland Section** before 1 January 1986 and remained in service until 17 May 1990. Generally for female members, the credit (if any) only applies to **pensionable service** from 17 May 1990. The calculation is fairly detailed and depends on various circumstances. Further detail is given in the Midland Bank Pension Scheme circular headed 'Equality in Pensions' dated 5 January 1995. Copies are available from the HSBC DBS Administration Team or from the pensions website from Autumn 2009.

Please note: pension credits will be discontinued from 1 April 2010 unless you choose to make an additional annual contribution of 3% of your **pensionable salary**. If you stop making this additional contribution, you will not build up any further pension credit from the date you stop contributing the additional 3%.

Benefits: what will you get when you retire? (page 8)

Pension

When calculating a pension, you will receive:

> The rate your benefit builds up x your **final pensionable salary** x your **pensionable service** including, if appropriate, a proportion of the pension credit), less the **State deduction** for any pension built up to 1 July 2009 from your **State Pension age**.

January 2010 – update 1

HSBC Bank Pension Trust (UK) Limited, 8 Canada Square, London, E14 5HQ Registration number: 489775