Increases to your DBS deferred pension – an important message from the Bank and Trustee

It's important you know if the pension you'll receive at retirement is going to be increased between the time you left active membership of the Scheme and when it's due to be paid. This is often called 'revaluation' - it's quite a technical subject which we've tried to explain as best we can below.

The Scheme is governed by its rules. The majority of DB Sections increase deferred pensions in line with the revaluation requirements set out in legislation – 'statutory revaluation'.

It's also worth noting that different parts of your deferred pension will be treated in different ways – some parts will be increased before payment while others won't.

In the past, the Bank, with Trustee approval, has granted discretionary increases over and above the statutory revaluation to deferred pensions (see examples of how this affects the deferred pension on page 2 & 3). However each year since 2005, even though the Bank has formally considered whether to grant them, it hasn't done so. The Trustee isn't able to grant them on its own.

Summary of statutory revaluation requirements

Below is a table showing you what parts of your deferred pension are and are not increased by before they're paid. Your deferred pension may be made up of a number of parts including, for the majority of members, periods when you were contracted out of the State Second Pension (S2P) (formerly the State Earnings Related Pension Scheme or SERPS as it's known) and a Guaranteed Minimum Pension (GMP) will apply. All these parts will have different requirements.

Date left active membership of the Scheme	Statutory increase requirements
Pre 6.4.78	**No increase**
Between 6.4.78 to 31.12.85	**GMP – increased** **Pension in excess of GMP – not increased**
Between 1.1.86 to 31.12.90	**GMP – increase** **Pre 85 pension in excess of GMP – not increased** **Post 84 pension in excess of GMP – increased**
From 1.1.91 onwards	**GMP – increased** **Pension in excess of GMP – increased**

An explanation of the terms used above:

GMP *- this relates to the period of contracted-out employment in the Scheme between the date of joining the Scheme or 6 April 1978 if later and the date of leaving pensionable Service. Not all Sections of the Scheme have a GMP.*

Excess *– this is the amount of pension built up over and above the GMP between date joining Scheme and leaving pensionable service.*

Pre 85 Excess *– this is the amount of pension built up over and above the GMP between date joining Scheme and 31 December 1984.*

Post 85Excess *– this is the amount of pension built up over and above the GMP between 1 January* 1985 and 31 December 1990, or on ceasing pensionable service if earlier.

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Summary of discretionary increases

Before 2005, the Bank granted the same increases to all deferred pensions as given to pensions that were in payment. This was irrespective of when the member left and it was applied to the total, not just certain parts of the pension (see summary above).

For example, if a member left in 1977 and drew their pension in 2003, their deferred pension (as calculated at retirement) would have been increased from date of leaving to retirement by the discretionary increases (as they were greater than statutory revaluation) even though under the Scheme rules there was no requirement to do so.

However, as mentioned, in 2005 the Bank took the decision not to award a discretionary increase for that year and has made the same decision each year since then. So for members who have drawn their pension after 2005, it is possible that their deferred pension (as calculated at retirement) may instead have been increased from date of leaving to retirement by statutory revaluation (where that has resulted in the higher amount). This may continue to be the case in some circumstances in the future.

Exceptions to the above are:

- ***Under the Bank's Security of Employment Policy (formerly known as the Security of Employment Agreement) it states that deferred pensions are to be increased at the same rate as pensions in payment. Therefore for members who have left service under the Bank's redundancy policy, their deferred pension has continued to increase each year since 2005 in line with pensions in payment.***

- ***Deferred pension members of the Samuel Montagu Section of the Scheme because their deferred pension is increased in line with the practice which existed prior to the merger in 2000. All elements of the deferred pension are increased.***

The Bank formally reviews the provision of discretionary increases each year and this is reported in the Scheme's Annual Report & Accounts which you can find in the 'Scheme information section' of the library at:

http://futurefocus.staff.hsbc.co.uk/deferred-dbs-home/library?WT.ac=HBEU_def_dbs_library

Comparing statutory and discretionary increases

For DBS members who left before 2005, here are two examples to show how statutory and discretionary increases work in relation to the deferred pension showing how the higher amount at retirement would be paid.

Example 1

A female member resigned from the company and left the Scheme in January 1990 with a deferred pension of £5,000 a year payable from age 60 (*normal retirement age*) which she reached in June 2013.

The breakdown of the deferred pension at date of leaving and the assumed statutory revaluation is:

Part of pension	Deferred pension amount a year in 1990	Increased by the Scheme Yes/No	Deferred pension amount a year in June 2013
GMP	£1,000	Yes	£2,369
Pre 85 excess	£2,500	No	£2,500
Post 84 excess	£1,500	Yes	£2,874
Total	**£5,000**		**£7,743**

The revalued amount of £7,743 a year as at June 2013 is then compared against the £5,000 a year increased by discretionary amounts awarded up to 2004 (but none thereafter) which gives an amount of £7,563 a year as at June 2013.

This means statutory increases give a higher amount and the deferred pension payable at age 60 is **£7,743 a year.**

Example 2

The same member, instead of resigning, was made redundant under the Security of Employment Agreement and left the Scheme in January 1990 with a deferred pension of £5,000 a year payable from age 60 (*normal retirement age*) which she reached in June 2013.

The breakdown of the deferred pension at date of leaving and the assumed statutory revaluation is:

Part of pension	Deferred pension amount a year in 1990	Increased by the Scheme Yes/No	Deferred pension amount a year in 2013
GMP	£1,000	Yes	£2,369
Pre 85 excess	£2,500	No	£2,500
Post 84 excess	£1,500	Yes	£2,874
Total	**£5,000**		**£7,743**

The revalued amount of £7,743 a year as at June 2013 is then compared against the £5,000 a year increased by discretionary amounts awarded up to 2013 (*see exceptions*) which gives an amount of £10,209 a year as at June 2013.

This means the discretionary increases granted by the Bank give a higher amount and the deferred pension payable at age 60 is **£10,209 a year.**