The Co-operative Pension Scheme (Pace)

Rules effecting Sectionalisation: 2018

Linklaters

Linklaters LLP
One Silk Street
London EC2Y 8HQ

Telephone (+44) 20 7456 2000
Facsimile (+44) 20 7456 2222

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These Rules of The Co-operative Pension Scheme (Pace) are made as a deed on 4 JUNE 2018 **between:**

(1) **Co-operative Group Limited** (formerly known as Co-operative Group (CWS) Limited), a society registered under the Co-operative and Community Benefit Societies Act 2014, number 525R and with its registered office at 1 Angel Square, Manchester M60 0AG;

(2) **The Co-operative Bank p.l.c.**, a company registered in England, number 00990937, and with its registered office at PO Box 101, 1 Balloon Street, Manchester M60 4EP; and

(3) **PACE Trustees Limited**, a company registered in England, number 05530776 and with its registered office at 1 Angel Square, Manchester M60 0AG.

They are made to replace the existing Rules of the Scheme with effect from the Effective Date.

Introduction

The Co-operative Pension Scheme (Pace) started on 6 April 2006.

PACE Trustees Limited is the Trustee of the Scheme.

The Scheme is currently governed by Rules made on 20 October 2015, as amended. Rule 39 of the current Rules (changing the Rules) says that the Group may, with the written consent of the Trustee, amend the Rules at any time and may do so retrospectively. All amendments must comply with any applicable requirements of Sections 67 to 67I of the Pensions Act 1995 (the subsisting rights provisions). Any amendment must be made or confirmed by deed.

On 14 July 2017, the Trustee, the Group and the Bank agreed (in Heads of Terms dated 14 July 2017) to amend the Rules of the Scheme in order to sectionalise the Scheme in accordance with those Heads of Terms.

In exercise of its power under Rule 39 of the current Rules (changing the Rules), the Group, with the written consent of the Trustee, amends the current Rules by replacing them with these Rules, with effect from the Effective Date. Sectionalisation of the Scheme, as described in these new Rules, is also effective from the Effective Date.

Rules

These Rules are structured as follows:

(a) General Rules: These apply to both the Group Section and the Bank Section.

(b) Group Section Rules: These apply to the Group Section only, unless the context otherwise requires. They contain Defined Benefit Section Rules and Defined Contribution Section Rules.

(c) Bank Section Rules: These apply to the Bank Section only, unless the context otherwise requires. They contain Defined Benefit Section Rules and Defined Contribution Section Rules.

General Rules

The General Rules apply to the Group Section and the Bank Section.

1 Meaning of words used

"**Bank**" means The Co-operative Bank p.l.c., a company registered in England, number 00990937, and with its registered office at PO Box 101, 1 Balloon Street, Manchester M60 4EP.

"**Bank Insolvency**" means the occurrence of an insolvency event as defined in Section 121 of the Pensions Act 2004 in relation to the Bank.

"**Bank Section**" means the legally segregated Section of the Scheme sponsored by the Bank.

"**Conditions Precedent**" means those conditions set out in the agreement between the Trustee, the Group and the Bank dated on the date of these Rules.

"**Contracting-out Laws**" means the laws on contracting-out in Part III of the Pension Schemes Act 1993.

"**Effective Date**" means 6 August 2018 provided that the Conditions Precedent are met as at that date. If the Conditions Precedent are not met as at 6 August 2018, the Effective Date will be such later date on which the Conditions Precedent are met, but such date to be no later than 30 September 2018.

"**Employee**" means, for the purposes of the General Rules, any employee of an Employer.

"**Employer**" means, for the purposes of the General Rules, an employer participating in the Scheme (and will be construed in context in the Group Section and the Bank Section, as appropriate).

"**Former Scheme**" means each of the CIS Employees' Pension Scheme, The Co-operative Bank Pension Scheme and the Co-operative Group (CWS) Limited Pension Fund.

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

"**Group**" means the Co-operative Group Limited, a society registered under the Co-operative and Community Benefit Societies Act 2014, number 525R.

"**Group Section**" means the legally segregated Section of the Scheme sponsored by the Group and certain other employers that are listed as participating in the Group Section in General Rule 4.1.

"**Heads of Terms**" means Heads of Terms entered into by the Bank, the Group and the Trustee dated 14 July 2017.

"**Implementation Agreement**" means the Implementation Agreement entered into by the Bank, the Group and the Trustee dated 25 January 2018, as amended.

"**Member**" means a person who has joined the Scheme (and is allocated to either the Group Section or Bank Section).

"**Preservation Laws**" means the laws on preservation of benefit in Chapter I of Part IV of the Pension Schemes Act 1993.

"**Revaluation Laws**" means the laws on revaluation of accrued benefits in Chapter II of Part IV of the Pension Schemes Act 1993.

"**Scheme**" means The Co-operative Pension Scheme (Pace).

Note: The Scheme was formerly known as the Co-operative Group Pension (Average Career Earnings) Scheme.

"**Section**" or "**Sections**" means the Group Section and/or the Bank Section of the Scheme, as appropriate.

"**Service**" means that term as defined in the Group Section Rules or Bank Section Rules, as appropriate.

"**Transfer Value Laws**" means the laws on transfer values in Chapter IV of Part IV of the Pension Schemes Act 1993.

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

2 Sectionalisation of the Scheme

2.1 Background

Prior to the Effective Date the Scheme was a single non-segregated occupational pension scheme. The Scheme provided benefits on a defined benefit and on a defined contribution basis. The assets of the Scheme were held in a common trust fund from which all benefits were payable; however, the assets built up on a defined contribution basis were invested separately from the other assets of the Scheme.

In October 2015 the Scheme closed to future defined benefit accrual as follows:

2.1.1 all Members in employment with the Bank ceased defined benefit accrual with effect from 1 October 2015; and

2.1.2 all Members in employment with all other Employers ceased defined benefit accrual with effect from 29 October 2015.

2.2 Sectionalisation

With effect from the Effective Date:

2.2.1 the Scheme is divided into two legally segregated sections known as the Group Section and the Bank Section;

2.2.2 the principal employer of the Group Section is the Group and the principal employer of the Bank Section is the Bank;

2.2.3 the assets of the Scheme will be divided between the two sections as agreed in the Heads of Terms and as set out in Appendix C to the Heads of Terms and the Implementation Agreement. The details of the asset split will be documented in a separate agreement entered into by the Trustee, the Group and the Bank outside these Rules;

2.2.4 benefits will be paid to Members from the Section to which the Member has been allocated in line with the Heads of Terms and the Implementation Agreement;

2.2.5 each segregated Section is treated as a separate "scheme" for the purposes of Part 2 of the Pensions Act 2004 (pension protection fund), Part 3 of the Pensions Act 2004 (scheme funding), Sections 73 to 74 (preferential liabilities on winding-up) and 75 and 75A (deficiencies in the assets) of the Pensions Act 1995 and such other legislation required to achieve and maintain legal sectionalisation; and

2.2.6 no Employer participating in one Section shall be liable for any obligation, or be entitled to, or receive, any benefit arising out of or pursuant to, any deficiency or surplus respectively in relation to the liabilities in respect of the other Section.

2.3 Maintaining sectionalisation

Unless and until the Scheme is de-sectionalised pursuant to General Rule 7.8 or 7.9, the Group, the Bank and the Trustee shall manage the Scheme and each Section in order to maintain the legally segregated status of the Scheme and to ensure each Section continues to be treated as a separate scheme for these purposes. In particular, they will ensure that:

2.3.1 contributions payable to the Scheme by an Employer, or by a Member employed by that Employer, are allocated to that Employer's Section; and

2.3.2 a specified part or proportion of the assets of the Scheme is attributable to each Section and cannot be used for the purposes of the other Section.

2.4 Operating the Sections as separate schemes

Unless and until the Scheme is de-sectionalised pursuant to General Rule 7.8 or 7.9, the Trustee shall take any steps it considers necessary for the operation of each Section as a separate scheme. This will include:

2.4.1 keeping separate records and accounts for each Section;

2.4.2 obtaining separate actuarial valuations and reports for each Section and preparing and maintaining separate schedules of contributions, statements of funding and investment principles, recovery plans (if required) and any other necessary funding documents for each Section;

2.4.3 ensuring that all benefits payable under the Scheme to or on behalf of a Member of a Section are paid from the assets of the appropriate Section; and

2.4.4 where the Trustee is required under the Rules to meet expenses from Scheme assets, paying the expenses of each Section only from the assets of that Section (and for this purpose the Trustee will allocate expenses to each Section on a basis it considers reasonable (having first consulted with the Bank and the Group in circumstances where the Trustee proposes that expenses are not to be split equally between the Sections), but subject always to the requirement not to use assets of one Section for the purposes of the other Section). Any expenses which clearly relate to one Section of the Scheme only will be allocated to the relevant Section of the Scheme.

3 Trustee

3.1 Appointment and removal

The Group may appoint new or additional trustees or a body corporate as sole trustee. The Group may also remove trustees.

These powers will be exercised by deed. They may be exercised without giving any reasons. However, they may not be exercised in any way that conflicts with any arrangements made under Sections 16 to 21 of the Pensions Act 1995 or Sections 241 to 243 of the Pensions Act 2004 (requirement for member-nominated trustees and directors).

Note: Where there is a corporate trustee, the powers to appoint and remove trustee directors must be exercised in accordance with the Articles of Association of the trustee company.

3.2 Exercise of powers

The Trustee may act by majority vote and may delegate powers, duties or discretions to any person and on any terms (including terms that allow the delegate to sub-delegate).

The Trustee may appoint professional advisers, as required by Section 47 of the Pensions Act 1995.

The Group may from time to time appoint a secretary to the Trustee for such period and on such terms as the Group sees fit.

3.3 Trustee charges

If the Bank, the Group and the other trustees (if any) agree, any trustee may charge for services provided on a basis agreed with the Group, the Bank and the Trustee, as also may a company or firm in which a trustee is interested. Such charges will be met from Scheme assets unless the Group or Bank agrees to meet them directly.

Where charges are to be met from Scheme assets, they will be allocated between the Group Section and the Bank Section as the Trustee considers reasonable (having first consulted with the Bank and the Group in circumstances where the Trustee proposes that the charges are not to be split equally between the Sections), but subject always to the requirement not to use the assets of one Section for the purposes of the other Section. Any charges which clearly relate to one Section of the Scheme only will be allocated to the relevant Section of the Scheme.

3.4 Limit of liability

A trustee will not be liable for any negligence, default, breach of duty or breach of trust, except wilful wrongdoing.

This Rule is subject to Section 33 of the Pensions Act 1995 (investment powers: duty of care). Section 33 limits the extent to which liability for breach of any obligation to take care or exercise skill in the performance of any investment functions can be excluded or restricted.

3.5 Indemnity and protection from loss

The Employers will jointly and severally indemnify each trustee and former trustee against any expenses and liabilities which are incurred through acting as trustees of the Scheme but which cannot, for any reason, be met from the Scheme's assets. However:

3.5.1 this Rule does not apply to any expenses or liabilities which are incurred through wilful wrongdoing or covered by insurance under General Rule 3.6 (trustee insurance); and

3.5.2 for expenses and liabilities incurred through acting as a trustee on or after the Effective Date, "Employers" in this Rule 3.5 shall mean those Employers in the Section to which the expense or liability actually relates.

3.6 Trustee insurance

The Trustee may insure the Group Section and/or the Bank Section against any loss caused by the Trustee or any of its delegates. The Trustee may also insure itself against liability for any negligence, default, breach of duty or breach of trust not involving wilful wrongdoing. The premiums may be paid from the assets of the Group Section and/or the assets of the Bank Section as the Trustee considers reasonable (having first consulted with the Bank and the Group in circumstances where the Trustee proposes that the premiums are not to be split equally between the Sections) but subject always to the requirement not to use assets of one Section for the purposes of the other Section.

Any premiums which clearly relate to one Section of the Scheme only will be allocated and paid by the relevant Section of the Scheme.

In addition, assets of the Group Section and the Bank Section may not be used to pay premiums if the insurance covers fines or penalties of a kind mentioned in Section 256 of the Pensions Act 2004 (no indemnification for fines or civil penalties).

If the Trustee is insured, it will waive the protection of General Rule 3.4 (limit of liability).

3.7 Corporate trustee

Where there is a corporate trustee:

3.7.1 Section Rule 33.3 (scheme expenses) will apply for the benefit of directors and employees of the corporate trustee in the same way as for an individual trustee;

3.7.2 the directors and employees of the corporate trustee will not be liable for any negligence, default, breach of duty or breach of trust except:

(a) knowing and deliberate wrongdoing; and

(b) any liability in relation to the corporate trustee itself that, under company law, cannot be excluded;

3.7.3 the Employers will jointly and severally indemnify the directors and employees of the corporate trustee, under and subject to the terms of General Rule 3.5 (indemnity and protection from loss), as if they were individual trustees;

3.7.4 the Employers will also jointly and severally indemnify those directors and employees against any expenses and liabilities incurred in relation to the corporate trustee itself and in connection with its activities as a trustee of the Scheme except:

(a) expenses or liabilities incurred through knowing and deliberate wrongdoing or covered by insurance under General Rule 3.6 (trustee insurance);

(b) liabilities of the kind mentioned in Section 235(3) of the Companies Act 2006, to which a qualifying pension scheme indemnity must not apply; and

(c) for expenses and liabilities incurred through acting as a trustee on or after the Effective Date, "Employers" in this Rule 3.7 shall mean those Employers in the Section to which the expense or liability actually relates;

3.7.5 the Trustee may insure the directors and employees of the corporate trustee, under General Rule 3.6 (trustee insurance), as if they were individual trustees;

3.7.6 directors and employees are entitled to charge for such services as the Group, the Bank (whose consent shall not be unreasonably withheld) and the other directors determine except that:

(a) no agreement shall be required from the other directors where the charges for a particular director are not being paid from the assets of the Scheme; and

(b) no agreement shall be required from the other directors with regard to charges for an Independent Director (which, for the avoidance of doubt, does not include a director appointed by the Bank that is an independent director), unless the Group requests otherwise.

Such charges will be met from Scheme assets unless the Group or Bank agrees to meet them directly.

Where charges are to be met from Scheme assets they will be allocated between the Group Section and the Bank Section as the Trustee considers reasonable (having first consulted with the Bank and the Group in circumstances where the Trustee proposes that the charges are not to be split equally between the Sections), but subject always to the requirement not to use the assets of one Section for the purposes of the other Section. Any charges which clearly relate to one Section of the Scheme only will be allocated to the relevant Section of the Scheme.

3.8 Professional Trustee

These Rules are modified as follows in relation to anyone who acts as a trustee of the Scheme, or as a director of a corporate trustee, in the course of a business or profession of acting as a professional pension trustee (a "**Professional Trustee**"):

3.8.1 in spite of Section Rule 33.3 (scheme expenses), no amount may be paid from the Group Section's or the Bank Section's assets to reimburse a Professional Trustee or former Professional Trustee for any expenses or liabilities incurred though their own negligence;

3.8.2 in spite of General Rules 3.4 (limit of liability) and 3.7 (corporate trustee), a Professional Trustee will be liable for breach of trust committed negligently;

3.8.3 in spite of General Rule 3.5 (indemnity and protection from loss), the Employers will not indemnify a Professional Trustee or former Professional Trustee against any expenses or liabilities, unless they specifically agree otherwise in writing;

3.8.4 in spite of General Rule 3.6 (trustee insurance), any cost of insuring a Professional Trustee against liability for breach of trust involving negligence may be paid from the Bank Section's assets only if the Bank agrees and may be paid from the Group Section's assets only if the Group agrees;

3.8.5 in spite of General Rule 3.6 (trustee insurance), if a Professional Trustee maintains its own insurance cover at its own expense, it will not be required to waive the protection of General Rule 3.4 (limit of liability) in relation to any matter covered by that insurance; and

3.8.6 the indemnities from the Employers in General Rules 3.7.3 and 3.7.4 do not apply to any officer or employee of a corporate trustee if (a) the corporate trustee is a Professional Trustee or (b) the officer or employee is a Professional Trustee.

However, the Group, the Bank and the Trustee may agree that some or all of these modifications should not apply or should apply only to a limited extent.

3.9 Scheme expenses

Where expenses are to be met from Scheme assets, they will be allocated between the Group Section and the Bank Section as the Trustee considers reasonable (having first consulted with the Bank and the Group in circumstances where the Trustee proposes that the expenses are not to be split equally between the Sections), but subject always to the requirement not to use the assets of one Section for the purposes of the other Section. Any expenses which clearly relate to one Section of the Scheme only will be allocated to the relevant Section of the Scheme. Expenses allocated to a Section will be payable in accordance with Rule 33.3 of the relevant Section.

4 Participating employers

4.1 Inclusion in the Scheme

The Group and the Trustee may allow any employer to participate in the Group Section in respect of all or some only of its employees.

Unless the Trustee, the Bank and (unless the Trustee has made written notification pursuant to Clauses 43 or 45 of the Heads of Terms that de-sectionalisation will not occur) the Group agree otherwise, only the Bank may participate in the Bank Section in respect of all or some of its employees.

An employer wishing to participate in the Group Section must agree by deed to comply with the Rules, including any special terms which the Group and the Trustee may require.

An employer wishing to participate in the Bank Section must agree by deed to comply with the Rules, including any special terms which the Bank, the Trustee and (unless the Trustee has made written notification pursuant to Clauses 43 or 45 of the Heads of Terms that de-sectionalisation will not occur) the Group may require.

Note: As at the date of these Rules, the Employers participating in the Group Section are: the Group, CFS Management Services Ltd, Co-operative Brands Ltd, Co-operative Legal Services Ltd, Co-operative Party Ltd, Co-operatives UK Ltd and Unity Trust Bank Plc.

Note: As at the date of these Rules, the only Employer participating in the Bank Section is the Bank.

4.2 Ceasing to participate

An Employer may cease to participate in the Scheme at any time by written notice to the Trustee.

An Employer in the Group Section will cease to participate in the Group Section if required to do so by the Group. The Group will notify the Trustee if it requires an Employer in the Group Section to cease to participate.

An Employer in the Bank Section will cease to participate in the Bank Section if required to do so by the Bank and if (unless the Trustee has made written notification pursuant to Clauses 43 or 45 of the Heads of Terms that de-sectionalisation will not occur) the Group agrees. The Bank will notify the Trustee if it requires an Employer in the Bank Section to cease to participate.

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

4.3 Employer Debt Laws

The Trustee may enter into any arrangement it thinks fit to modify any amount that might otherwise be treated as a debt due from an employer under Section 75 of the Pensions Act 1995 (deficiencies in the assets) (the "**Employer Debt Laws**"). However, only a flexible apportionment arrangement can reduce the amount of a debt to less than £1.

The Trustee may enter into an arrangement under this Rule before, on or after the time as at which the debt would otherwise have been calculated and certified. However, the arrangement must comply with the Employer Debt Laws and the Trustee must comply with those Laws when entering into the arrangement.

5 New principal employers

The Trustee may allow another employer or holding company to take over the role of the Group and/or the Bank in relation to the Group Section and/or Bank Section as appropriate. Unless it has been dissolved, this requires the Group's agreement in relation to the Group Section and also (unless the Trustee has made written notification pursuant to Clauses 43 or 45 of the Heads of Terms that de-sectionalisation will not occur) in relation to the Bank Section. Unless it has been dissolved, this requires the Bank's agreement in relation to the Bank Section.

6 Termination of a Section of the Scheme

6.1 Time of termination

6.1.1 Termination of the Group Section

(a) The Group may terminate the Group Section at any time by giving 6 months' written notice to the Trustee (or such shorter period as the Trustee agrees).

(b) The Trustee will terminate the Group Section if the Group goes into liquidation, unless another person agrees to take over the role of the Group in relation to the Group Section.

6.1.2 Termination of the Bank Section

(a) The Bank may terminate the Bank Section at any time by giving 6 months' written notice to the Trustee (or such shorter period as the Trustee agrees).

(b) On Bank Insolvency the Bank Section will terminate automatically.

6.2 Effect of termination (other than on Bank Insolvency)

Note: On Bank Insolvency General Rule 7.8 or 7.9 applies.

6.2.1 Group Section

(a) Any Members who are in Service under the Group Section when the Group Section terminates will be treated as having left Service with preserved pensions.

(b) After the Group Section terminates, the Trustee will continue to provide benefits in accordance with the Rules. However, no further contributions will become payable, unless required by Part 3 of the Pensions Act 2004 (scheme funding).

6.2.2 Bank Section

(a) Other than on Bank Insolvency (in which case General Rule 7.8 or 7.9 applies) any Members who are in Service under the Bank Section when the Bank Section terminates will be treated as having left Service with preserved pensions.

(b) After the Bank Section terminates, the Trustee will continue to provide benefits in accordance with the Rules. However, no further contributions will become payable, unless required by Part 3 of the Pensions Act 2004 (scheme funding).

6.3 Reopening the Section

Other than on Bank Insolvency (in which case General Rule 7.8 or 7.9 applies) at any time before the Trustee decides to wind up the Bank Section, the Trustee and the Bank may agree to reopen the Bank Section so that Employees can again start qualifying for benefits.

Note: This rule will not apply where the Bank Section terminates automatically under General Rule 6.1.2(b).

At any time before the Trustee decides to wind up the Group Section, the Trustee and the Group may agree to reopen the Group Section so that Employees can again start qualifying for benefits.

7 Winding up a Section of the Scheme (or de-sectionalisation of the Scheme following Bank's Insolvency)

7.1 Time of winding-up

7.1.1 Wind up of the Group Section

(a) The Trustee may decide to wind up the Group Section at any time after the Group Section terminates. This requires the consent of the Group, however, unless it has been dissolved.

(b) The Trustee will continue to provide benefits in accordance with the Rules, and General Rule 8 (changing the Rules) will continue to apply, until the Group Section has been wound up and all the benefits secured.

(c) If the Group is dissolved before the winding up is completed, the Trustee may exercise any powers given to the Group, unless another person has taken over the role of the Group in relation to the Scheme.

7.1.2 Wind up of the Bank Section (other than on Bank Insolvency)

(a) Where the Bank gives notice to terminate under General Rule, 6.1.2(a), the Trustee may decide to wind up the Bank Section at any time after the Bank Section terminates. This requires the consent of the Bank, however, unless it has been dissolved.

(b) The Trustee will continue to provide benefits in accordance with the Rules, and General Rule 8 (changing the Rules) will continue to apply, until the Bank Section has been wound up and all the benefits secured.

(c) If the Bank is dissolved before the winding up is completed the Trustee may exercise any powers given to the Bank, unless another person has taken over the role of the Bank in relation to the Scheme.

Note: General Rule 7.8 or 7.9 will apply on Bank Insolvency.

7.2 Use of assets

When the winding-up starts, the Trustee will set aside sufficient assets to pay the expenses of the relevant Section until the winding-up has been completed. The Trustee will then use the rest of the assets of the Section as described in General Rules 7.3 to 7.7 below.

7.3 Securing benefits with insurance policies and annuity contracts

The Trustee will buy an insurance policy or annuity contract in the name of each person entitled to benefits under the relevant Section, except those for whom they pay a lump sum under General Rule 7.4 (winding-up lump sums) or make a transfer under General Rule 7.5 (transfers to other pension schemes and arrangements). If the Trustee has bought suitable policies or contracts before the winding-up starts, the Trustee may transfer them into the names of people entitled to benefits.

The policies and contracts will comply with the Contracting-out, Preservation and Revaluation Laws and must be consistent with the Scheme's tax status as a registered pension scheme under Part 4 of the Finance Act 2004. The Trustee will provide benefits that are, as nearly as practicable, the same as the benefits that would otherwise have been provided under the relevant Section for, and in respect of, the people for whom they are bought. However, a policy or contract may provide different benefits (including money purchase benefits) if the Trustee decides (after taking appropriate advice) that this would be in the interests of the people entitled to benefits.

7.4 Winding-up lump sums

When winding up the relevant Section, the Trustee may pay an immediate lump sum instead of providing other benefits, if payment of a "winding-up lump sum" is permitted under Part 4 of the Finance Act 2004. The Trustee will pay the lump sum to the person in whose name they would otherwise have bought an insurance policy or annuity contract.

7.5 Transfers to other pension schemes and arrangements

When winding up the relevant Section, the Trustee may make transfer payments in accordance with relevant Section Rule 32.2 (transfers to other pension schemes and arrangements) in respect of all or any of the people entitled to benefits under the relevant Section, instead of buying insurance policies or annuity contracts.

7.6 Surplus assets

7.6.1 Group Section surplus

If any assets remain in the Group Section after all benefits have been provided in full, the Trustee will pay them to the Group, unless the Group directs that all or part of the remaining assets be paid to one or more of the other Group Section Employers or used to provide:

(a) increased or additional benefits for all or any of the people already entitled to benefits under the Group Section; or

(b) benefits for any other Employee or former Employee or any Qualifying Partner or Dependant of a former Employee (or for any other person for whom the Group wishes to provide benefits).

The requirements of Section 76 of the Pensions Act 1995 (excess assets on winding up) must be satisfied before any payment is made to the Employers.

7.6.2 Bank Section surplus

If any assets remain in the Bank Section after all benefits have been provided in full, the Trustee will pay them to the Bank, unless the Bank directs that all or part of the remaining assets be paid to one or more of the other Bank Section Employers (if any) or used to provide:

(a) increased or additional benefits for all or any of the people already entitled to benefits under the Bank Section; or

(b) benefits for any other Employee or former Employee or any Qualifying Partner or Dependant of a former Employee (or for any other person for whom the Bank wishes to provide benefits).

The requirements of Section 76 of the Pensions Act 1995 (excess assets on winding up) must be satisfied before any payment is made to the Bank.

7.7 Insufficient assets

If the assets are insufficient to provide all benefits in full, Section 73 of the Pensions Act 1995 (preferential liabilities on winding up) will apply.

However, Section 73 does not apply to assets that represent the value of any rights in respect of money purchase benefits under the relevant Section of the Scheme. Any assets representing the value of money purchase benefits (including additional voluntary contributions ("**AVCs**")) will be used to provide those benefits.

7.8 Termination and wind up on Bank Insolvency

In circumstances where termination is triggered in accordance with General Rule 6.1.2(b) (termination on Bank Insolvency) the following Rules apply:

7.8.1 Automatic wind up of the Bank Section on Bank Insolvency – de-sectionalisation

(a) On Bank Insolvency, the wind up of the Bank Section commences automatically and simultaneously once termination is triggered under General Rule 6.1.2(b). Following commencement of wind up, the provisions of General Rules 7.1.2(b) to 7.7 will apply unless and until the de-sectionalisation of the Scheme occurs in accordance with General Rule 7.8.1(b) or General Rule 7.8.1(c).

(b) The termination and wind up under this Rule will trigger the automatic de-sectionalisation of the Scheme unless:

(i) the Trustee notifies both the Bank and the Group otherwise prior to Bank Insolvency; or

(ii) the Trustee has made written notification pursuant to Clauses 43 or 45 of the Heads of Terms that de-sectionalisation will not occur.

(c) In circumstances where the Trustee notifies that automatic de-sectionalisation of the Scheme will not occur, the Trustee has discretion to trigger de-sectionalisation of the Scheme at any point following the commencement of the wind up of the Bank Section on Bank Insolvency, by notifying the Bank and the Group in writing, unless the Trustee has made a written notification pursuant to Clauses 43 or 45 of the Heads of Terms that de-sectionalisation will not occur.

(d) On automatic de-sectionalisation of the Scheme, the Group Section and the Bank Section will cease to be treated and operated as segregated schemes such that:

(i) all the assets of the Scheme will be held on a non-segregated basis;

(ii) all the benefits will be provided from the Scheme and not from a specific Section of the Scheme; and

(iii) all the powers and discretions of the Bank and the Bank Employers in these Rules that were, prior to the Effective Date, powers or discretions of the Group or Group Employers will revert to the Group or Group Employers, and, for the avoidance of doubt, General Rule 8 (changing the Rules) will revert to what it was immediately prior to the Effective Date.

(e) The operation of the Scheme will immediately revert to operating as a non-segregated scheme in the way it did immediately prior to sectionalisation at the Effective Date.

7.8.2 Wind up of the Bank Section following Bank Insolvency – de-sectionalisation

In circumstances where the Trustee exercises its right not to trigger automatic de-sectionalisation of the Scheme as described in General Rule 7.8.1(b) above but subsequently uses its discretion to trigger the de-sectionalisation of the Scheme in accordance with General Rule 7.8.1(c) then the Scheme will automatically revert to operating as a non-segregated scheme in the way it did immediately prior to the Effective Date. The Group Section and the Bank Section will cease to be treated and operated as legally segregated schemes such that:

(a) all the assets of the Scheme will be held on a non-segregated basis;

(b) all the benefits will be provided from the Scheme and not from a specific Section of the Scheme; and

(c) the powers and discretions of the Bank and the Bank Employers in these Rules that were, prior to the Effective Date, powers or discretions of the Group or Group Employers will revert to the Group or the Group Employers, and, for the avoidance of doubt, General Rule 8 (changing the Rules) will revert to what it was immediately prior to the Effective Date.

7.9 Bank Insolvency following termination

In circumstances where termination is triggered in accordance with General Rule 6.1.2(a) (termination by notice) and where Bank Insolvency occurs after termination but prior to completion of winding up, General Rule 7.8 (termination and wind up on Bank Insolvency) will apply. In these circumstances General Rule 7.8 will be read in the context that the Bank Section has already been terminated and that Bank Insolvency (rather than termination and wind up) will trigger de-sectionalisation.

8 Changing the Rules

The Group may, with the written consent of the Trustee, amend the Rules at any time and may do so retrospectively.

However, from the Effective Date, (but only for the period during which the Scheme is sectionalised comprising a Group Section and a Bank Section):

(a) the consent of the Bank is also required for any amendments in so far as they relate to the Bank Section;

(b) the Bank may, with the written consent of the Trustee, amend the Rules so far as they relate only the Bank Section and may do so retrospectively and without the consent of the Group. However, excluding defined contribution liabilities (which, for the avoidance of doubt, includes money purchase additional voluntary contributions), the Bank may not make any amendments to the Rules which result in any increased or additional benefits in the Bank Section without the prior written consent of the Group (such consent not to be unreasonably withheld); and

(c) the following provisions may not be amended without the consent of the Bank:

   (i) General Rule 2 (sectionalisation of the Scheme);

   (ii) General Rules 3.5 (indemnity and protection from loss) and 3.7.3 and 3.7.4 (corporate trustee); and

   (iii) General Rule 8 (changing the Rules).

(d) any amendments which apply only to one Section will only amend the Rules so far as they apply to that Section; and

(e) no amendment may be made to the Group Section or Bank Section which would cause the Sections to cease to be two separate segregated sections for the purposes of the legislation (as referenced in General Rule 2.2.5) unless the Trustee, the Group and the Bank all agree otherwise.

All amendments must comply with any applicable requirements of Sections 67 to 67I of the Pensions Act 1995 (the subsisting rights provisions).

Any amendment must be made or confirmed by deed.

9 Governing law

English law governs the Scheme and its administration.

10 Counterparts

This deed may be signed in a number of counterparts. This has the same effect as if the signatures on the counterparts were on a single copy of this deed.

Group Section

The following Section Rules apply to Members and benefits in the Group Section only.

1 Meaning of words used

"**Acquired Scheme**" is defined in Rule 28.5 (people who join from an Acquired Scheme).

"**Beneficiaries**" is defined in Rule 25 (payment of lump sum death benefits).

"**Benefit Year**" means a period of 12 months ending on a 5 April or such other date as may be agreed between the Group and the Trustee.

"**Defined Benefit Section**" is explained in Rule 3 (sections within the Group Section).

"**Defined Contribution Section**" is explained in Rule 3 (sections within the Group Section).

"**Dependant**" means anyone who is financially dependent on the Member or other person concerned, or was so dependent at the time of that person's death. This includes anyone who shares living expenses with, or receives financial support from, the Member or other person, and whose standard of living would be affected by the loss of that person's contribution or support. The Trustee's decision as to whether someone is another person's Dependant will be final.

"**Employee**" means any employee of an Employer.

"**Employer**" means, for the purposes of the Group Section Rules, an employer participating in the Group Section.

"**Life Assurance Earnings**" is defined in Rule 20.1 (benefits on death in Service).

"**Member**" means, for the purposes of the Group Section Rules, a person who has joined the Scheme (and is allocated to the Group Section).

"**Normal Retirement Date**" means a Member's 65th birthday.

"**PACE Credit**" is defined in Rule 6.1 (retirement at Normal Retirement Date).

"**Partial Incapacity**" means permanent physical or mental impairment which prevents (and will continue to prevent) a Member from following his or her normal occupation.

The Trustee will obtain evidence from a registered medical practitioner of its own choosing as to whether the Member is suffering from Partial Incapacity. The Trustee's decision as to whether the Member is suffering from Partial Incapacity will then be final.

"**Pensionable Earnings**" means the Member's basic pay plus any earnings from the Employers in respect of overtime, commission and shift allowance, and any other earnings from the Employers that the Group has designated as pensionable, which the Group may change from time to time. However, if a Member's earnings for pension purposes are limited by agreement or other arrangement between the Member and his or her Employer, Pensionable Earnings will not exceed the amount of the limit.

Note: This definition is modified for certain Members by Rule 28.2 ("Salary Sacrifice" for Member's contributions).

"**Pensionable Service**" means the Member's Service after joining the Scheme, whether in the Defined Benefit Section or in the Defined Contribution Section.

Note: for the avoidance of doubt, where a Member's Service in the Scheme has been continuous, "Service after joining the Scheme" includes the period of Service in the Scheme prior to the sectionalisation of the Scheme.

"**Qualifying Children**" is defined in Rule 10 (pensions for Qualifying Children).

"**Qualifying Partner**" means, in relation to a Member or any other person, the person's legally recognised spouse or civil partner or, in the case of a person who is neither married nor in a civil partnership, any Dependant with whom the person has been in a relationship that the Trustee considers similar to marriage for a period of at least 6 months (in each case, regardless of the sex of the spouse, civil partner or other Dependant).

"**Qualifying Service**" means continuous Pensionable Service and employment which qualified the Member for retirement benefits under any occupational pension scheme from which a transfer payment in respect of the Member has been made to the Scheme, or to a "buy-out" policy and subsequently to the Scheme. A period between leaving Service and rejoining the Scheme will be ignored (but will not count as Pensionable Service) when calculating continuous Pensionable Service for this purpose, if it does not exceed one month or is due to a trade dispute.

Note: Qualifying Service is used only for the purpose of deciding whether the Member is entitled to a preserved pension or preserved benefits on leaving Service before Normal Retirement Date. It does not affect the calculation of the amount of any preserved pension or preserved benefits.

"**Retirement Account**" means a Member's Retirement Account under the Defined Contribution Section as described in Rule 18 (Member's Retirement Account).

"**Revaluation Increase**" is defined in Rule 6.1 (retirement at Normal Retirement Date).

"**Revaluation Percentage**" means the smaller of:

(a) the percentage increase in the retail prices index during a 12-month reference period agreed between the Group and the Trustee; and

(b) 5%.

"**Service**" means employment with an Employer. For the avoidance of doubt, a Member will not be treated as in Service during any period after leaving Service, ceasing to be eligible or opting out, unless he or she later rejoins the Group Section.

Note: Service includes the period of employment with an Employer prior to sectionalisation of the Scheme.

"**Total Incapacity**" means permanent physical or mental impairment which prevents (and will continue to prevent) a Member from doing any paid work (whether for the Employers or anyone else), except work provided for remedial activity and from which the Member receives only a modest amount of pay.

The Trustee will obtain evidence from a registered medical practitioner of its own choosing as to whether the Member is suffering from Total Incapacity. The Trustee's decision as to whether the Member is suffering from Total Incapacity will then be final.

2 Joining the Group Section

2.1 Conditions for membership

Each Employee whose contract of employment states that he or she is eligible to join the Scheme may join the Group Section at any time from starting Service.

All Employees who join (or who are allocated to) the Group Section will be included in the Defined Contribution Section of the Group Section.

An Employee will be included in the Group Section automatically from each automatic enrolment or re-enrolment date if Chapter 1 of the Pensions Act 2008 (employers' duties) requires the Employer to make arrangements for the Employee to become an active member of an automatic enrolment scheme. The only exception is if the Employee has given a valid opt-out notice under Section 8 of that Act (jobholder's right to opt out).

An Employee who is not included in the Group Section automatically can apply to join in the form required by the Trustee. Employees wishing to join the Group Section must also provide any information that the Trustee asks for, which may include evidence of good health.

The Trustee may ask any Employee for evidence of good health. If an Employee cannot produce evidence of good health satisfactory to the Trustee, the Trustee may restrict any benefits payable on the Employee's death in Service or retirement because of incapacity.

The Group and the Trustee may agree to allow an Employee to join the Group Section even though the Employee would not otherwise be eligible to join the Group Section under this Rule.

2.2 Life assurance only members

The Group and the Trustee may agree to include an Employee in the Group Section for death-in-service benefits, even if the Employee chooses not to join the Group Section or has opted out. If such an Employee dies in Service, a benefit will be paid.

The benefit under this Rule will be a lump sum equal to the yearly rate of the Employee's basic pay at the date of death or such other amount as the Employer and the Trustee may agree.

If any lump sum benefit becomes payable under this Rule, it will be paid as described in Rule 25 (payment of lump sum death benefits), as if the references in that Rule to "the Member" included the Employee.

3 Sections within the Group Section

3.1 The Group Section

The Group Section comprises a Defined Benefit Section and a Defined Contribution Section. The Defined Benefit Section is closed to future benefit accrual.

The assets attributable to the Defined Contribution Section are invested separately from the other assets of the Group Section.

3.2 Defined Benefit Section ("Pace Complete")

The Defined Benefit Section is closed to future benefit accrual. This does not affect benefits already accrued prior to closure.

Note: Defined benefit accrual ceased for Employees of the Group (and all other participating employers other than the Bank) at the end of 28 October 2015.

Rules 5 to 16 set out the terms and benefits for Service in the Defined Benefit Section. Rules 17 to 24 apply to Members of the Defined Benefit Section only if they are also entitled to benefits in respect of Service in the Defined Contribution Section.

3.3 Defined Contribution Section

All Members in Service are accruing benefits in the Defined Contribution Section of the Group Section.

Rules 17 to 24 set out the terms and benefits for Service in the Defined Contribution Section. Rules 5 to 16 apply to Members of the Defined Contribution Section only if they are also entitled to benefits in respect of Service in the Defined Benefit Section.

3.4 Switching between the Defined Benefit Section and the Defined Contribution Sections

A Member cannot switch to the Defined Benefit Section.

Any Members who were in Service in the Defined Benefit Section of the Scheme at the end of 28 October 2015 and continued in Service after that date are treated as having switched to the Defined Contribution Section with effect from 29 October 2015.

A Member who has switched from one section to the other is treated as having left Service so far as the first section is concerned. However, unless the Group agrees otherwise:

3.4.1 no pension or lump sum will be paid to the Member before the Member leaves all Service in the Group Section;

3.4.2 the Member will be entitled to a preserved pension or preserved benefits under the first section based on his or her Service in that section; and

3.4.3 if the Member dies in Service after switching, the Trustee will provide preserved benefits for Service in the first section based on his or her Service in that section.

Note: For the avoidance of doubt references to "Service" in this Rule 3 includes Service in the Defined Benefit Section or the Defined Contribution Section of the Scheme, as appropriate, prior to the Scheme being sectionalised.

4 Contributions by the Employers

Each Employer must contribute to the Group Section in respect of Members who are or have been employed by it.

The Group will decide the amount of each Employer's contributions and the dates of payment, after considering actuarial advice. However, if and to the extent required by Part 3 of the Pensions Act 2004 (scheme funding), the Group will agree the total amount of the Employers' contributions and the dates of payment with the Trustee.

Defined Benefit Section of the Group Section

Rules 5 to 16 set out the terms and benefits for Service in the Defined Benefit Section of the Group Section.

5 Contributions by Members

5.1 Basic contributions by Members

The Defined Benefit Section is closed to future benefit accrual.

5.2 Additional voluntary contributions by Members

Members in Service in the Defined Benefit Section of the Scheme were able to pay **AVCs** to the Scheme until the end of 28 October 2015.

Each Member's AVCs are invested separately from all the other assets of the Group Section. The proceeds will be used to provide money purchase benefits for, or in respect of, the Member. These benefits will be additional to the other benefits under the Defined Benefit Section, and will be in a form agreed between the Member and the Trustee. However, unless the Trustee and the Group agree otherwise, any pension must be secured with an annuity contract (and the Member must be given the opportunity to select the insurance company); and no more than 25% of the proceeds can be paid as a lump sum benefit, except on the Member's death or if the Trustee and the Group agree otherwise.

6 Pensions for Members

Note: This Rule 6 applied to Members who started to receive a pension on or before 28 October 2015 and immediately upon leaving Service in the Defined Benefit Section of the Scheme.

There are no longer any Members to whom this Rule applies. However, Rule 6.1 (retirement at Normal Retirement Date) is referred to in other Rules so is retained for reference purposes.

6.1 Retirement at Normal Retirement Date

Calculation of pension

A Member who leaves Service at Normal Retirement Date will be entitled to a pension for life at a yearly rate equal to the total of the PACE Credits and the Revaluation Increases credited to the Member.

Note: Members of a Former Scheme will receive an extra amount of pension in respect of their membership of the Former Scheme, as described in Rule 16 (people who transferred from a Former Scheme). PACE Credits and Revaluation Increases will be credited only for Service in the Defined Benefit Section.

PACE Credits and Revaluation Increases will be credited to a Member as described below.

PACE Credits

For each Benefit Year in which the Member is in Service in the Defined Benefit Section, the Member will be credited with a "**PACE Credit**" equal to 1/60th of Pensionable Earnings received in that Benefit Year.

A PACE Credit will be credited even if the Member has been in Service in the Defined Benefit Section during only part of a Benefit Year. The last PACE Credit will be credited for the Benefit Year in which the Member leaves Service in the Defined Benefit Section or dies (whichever occurs first).

Note: All Members in employment with any Employer, other than the Bank, immediately prior to 29 October 2015 are treated as switching to the Defined Contribution Section with effect from 29 October 2015.

Pensionable Earnings received after switching to the Defined Contribution Section do not count when calculating PACE Credits under the Defined Benefit Section.

Revaluation Increases

On each 6 April (except the first) after joining the Defined Benefit Section, the Member will be credited with a "**Revaluation Increase**" equal to the Revaluation Percentage of the total amount of the PACE Credits and Revaluation Increases credited to the Member for Benefit Years ending more than 12 months before that 6 April. However, no Revaluation Increase will be credited to the Member on any 6 April after the Member's pension starts.

Note: For some Members who joined the Scheme on 6 April 2006 and were active members of the Co-operative Group (CWS) Limited Pension Fund immediately before joining the Scheme, Pensionable Earnings were reduced by an amount equal to the lower earnings limit for National Insurance contributions, as described in the previous Rules.

7 Retirement lump sum

A Member may give up pension for a lump sum payable when the pension is due to start but must keep a pension at least equal to his or her GMP. The Member may choose a lump sum of any amount up to the maximum permitted as a "pension commencement lump sum" under Part 4 of the Finance Act 2004.

The Trustee will convert pension to lump sum on a basis agreed between the Group and the Trustee after considering actuarial advice.

8 Lump sum payable on Member's death

8.1 Circumstances where a benefit is payable

A lump sum death benefit will be paid if a Member dies:

8.1.1 within 5 years after starting to receive a pension; or

8.1.2 with a preserved pension that has not started (unless a pension is payable under Rule 9.3 (Member dies with a preserved pension)).

The benefit will be calculated as described in whichever of Rule 8.2 (Member dies after pension starts) or 8.3 (Member dies with a preserved pension) applies and paid as described in Rule 25 (payment of lump sum death benefits).

However, no lump sum death benefit will be paid if there are no surviving Beneficiaries when the Member dies.

8.2 Member dies after pension starts

If the Member dies within 5 years after starting to receive a pension, a lump sum will be paid equal to the pension payments which would have been made during the remainder of the 5 year period if the Member had not died (but disregarding any future increases).

8.3 Member dies with a preserved pension

If the Member dies with a preserved pension that has not started and no pension is payable under Rule 9.3 (Member dies with a preserved pension), a lump sum will be paid equal to the Member's own contributions to the Scheme, with accumulated interest at 4% a year compound (or such other rate as may be agreed between the Group and the Trustee).

9 Pensions for Qualifying Partners and Dependants

9.1 Circumstances where a benefit is payable

If a Member dies leaving a surviving Qualifying Partner, the Qualifying Partner will receive a pension for life. However, in cases where:

9.1.1 there is a legally recognised spouse or civil partner;

9.1.2 that spouse or civil partner was neither living with nor dependent upon the Member at the date of the Member's death; and

9.1.3 there is a Dependant who would, but for there being a legal spouse or civil partner qualify as a Qualifying Partner,

a pension will be paid to the legal spouse or civil partner only if the Trustee sees fit. In such cases the Member will be treated as having more than one Qualifying Partner and the pension will be paid to one or more of them in such shares as the Trustee decides.

The pension will be calculated as described in whichever of Rule 9.2 (Member dies after pension starts) or 9.3 (Member dies with a preserved pension) applies. However, if the Qualifying Partner was more than 10 years younger than the Member, the Trustee may reduce the pension by such amount as it decides after taking actuarial advice.

If there is more than one Qualifying Partner, any pension will be paid to one or more of them in such shares as the Trustee decides.

If the Member does not leave a Qualifying Partner, the Trustee may (but need not) pay a pension to one or more of the Member's Dependants for such period as the Trustee decides. The Trustee may calculate the pension as described in whichever of Rule 9.2 (Member dies after pension starts) or 9.3 (Member dies with a preserved pension) applies, or may pay a smaller pension.

9.2 Member dies after pension starts

If the Member dies after starting to receive a pension, the pension will be equal to one-half of the pension payable to the Member at the date of death or, if the Member gave up pension for a lump sum on retirement, one-half of the pension that would have been payable if the Member had not done so.

9.3 Member dies with a preserved pension

If the Member dies with a preserved pension that has not started, the pension will be equal to one-half of the Member's preserved pension described in Rule 11 (early leavers – preserved pension), including Revaluation Increases up to the last 6 April before the Member's death.

10 Pensions for Qualifying Children

10.1 Circumstances where a benefit is payable

It may be that a Member:

10.1.1 dies after starting to receive a pension for Service in the Defined Benefit Section; and

10.1.2 leaves one or more surviving Qualifying Children.

If so, a children's pension will be paid. However, no pension will be paid under this Rule if the Member does not leave a Qualifying Partner and the Trustee decides to pay a pension to one or more of the Member's Dependants under Rule 9 (pensions for Qualifying Partners and Dependants).

"**Qualifying Children**" are the Member's children (including any conceived but unborn when the Member dies); the Member's stepchildren, but only if they are financially dependent on the Member when the Member dies; and children legally adopted by the Member. These children remain Qualifying Children for so long as they are under age 18. However, the Trustee may treat a child who has reached age 18 as a Qualifying Child if the child is under age 23 and in full-time education or training approved by the Trustee.

The pension will be calculated as described in Rule 10.2 (amount of children's pension).

If there is more than one Qualifying Child, the pension will be paid to one or more of the Qualifying Children, or used for their benefit, in such shares as the Trustee decides from time to time. The pension will stop when there is no remaining Qualifying Child.

10.2 Amount of children's pension

The children's pension will be equal to one-sixth of the pension payable to the Member at the date of death or, if the Member gave up pension for a lump sum on retirement, one-sixth of the pension that would have been payable if the Member had not done so.

Note: No children's pension is payable if a Member dies with a preserved pension that has not started.

11 Early leavers – preserved pension

A Member who leaves Service before Normal Retirement Date without becoming entitled to an immediate pension will receive a pension for life from Normal Retirement Date.

The pension from Normal Retirement Date will be calculated as described in Rule 6.1 (retirement at Normal Retirement Date) and will include any Revaluation Increases credited to the Member between leaving Service in the Defined Benefit Section and Normal Retirement Date.

12 Choices for early leavers

12.1 Right to transfer or buy-out

A Member who leaves Service with a preserved pension at least a year before Normal Retirement Date can require the Trustee to use the cash equivalent of his or her benefits (including death benefits) to buy one or more annuities, or to acquire rights under another occupational pension scheme or a personal pension scheme, in accordance with the Transfer Value Laws.

12.2 Early pension

If the Trustee consents, a Member who leaves all Service in the Group Section and who is entitled to a preserved pension may choose to start receiving it before Normal Retirement Date (but not before reaching age 55, unless the Member is suffering from Total Incapacity or, in the circumstances set out in Note 1 below, Partial Incapacity). However:

12.2.1 Members who joined the Scheme on 6 April 2006 and were active members of the CIS Employees' Pension Scheme immediately before joining the Scheme may choose an early pension from age 50 without the consent of the Trustee;

12.2.2 Members may choose an early pension from age 60 without the consent of the Trustee if they joined the Scheme on 6 April 2006 and were active members of The Co-operative Bank Pension Scheme immediately before joining the Scheme;

12.2.3 Members who leave all Service in the Group Section without becoming entitled to immediate benefits but who are entitled to a preserved pension may choose to start receiving it before Normal Retirement Date if the Trustee consents (but not before reaching age 55, unless the Member is suffering from Total Incapacity).

Note 1: Members who leave all Service in the Group Section because of Total or Partial Incapacity, and who are entitled to a preserved pension, may, if the Trustee consents, choose to start receiving immediate benefits on leaving Service, regardless of age.

Note 2: Rule 3.4.1 allows the Group to waive the requirement for the Member to have left all Service in the Group Section.

The pension will be reduced for early payment on a basis agreed between the Group and the Trustee after considering actuarial advice.

Despite the above, if all the following conditions are satisfied, a Member may choose an early pension under this Rule without the Trustee's consent and the pension will not be reduced for early payment. The conditions are that:

(a) the Member became entitled to a preserved pension in the Defined Benefit Section at the end of 28 October 2015;

(b) either:

(i) the Member joined the Defined Benefit Section at the first opportunity from an Acquired Scheme; or

(ii) the Total or Partial Incapacity arises from a medical condition that became known to the Member only after joining the Defined Benefit Section or, in the case of Members who joined the Scheme before 7 October 2012, only after joining the Scheme or, in the case of Members who were active members of a Former Scheme immediately before joining the Scheme, only after joining the Former Scheme (in each case, whether or not the condition was disclosed to the Trustee or the Group or any employer);

(c) the Member leaves employment with the Employers on or after 29 October 2015 because of Total or Partial Incapacity;

(d) the Member's employment with the Employers is continuous between 28 October 2015 and the date of leaving because of Total or Partial Incapacity, or the Group directs that it be treated as continuous despite a break; and

(e) if the Total or Partial Incapacity was caused by the Member's own conduct (which, for this purpose, includes drug or alcohol abuse), the Group and the Trustee agree to payment of the pension without reduction for early payment.

The Trustee must be reasonably satisfied that the benefits (including death benefits) for a Member who retires early are at least equal in value to the benefits that would otherwise have been provided for the Member under the Scheme.

12.3 Late pension

A Member entitled to a preserved pension may, with the consent of the Trustee, choose to start receiving it after Normal Retirement Date (but not after reaching age 75). If the Member's pension starts after Normal Retirement Date, it will be increased on a basis agreed between the Group and the Trustee after considering actuarial advice.

If the Member chooses a late pension and subsequently dies on or after Normal Retirement Date and before the pension starts, the Trustee will provide death benefits under Rules 8 (lump sum payable on Member's death), 9 (pensions for Qualifying Partners and Dependants) and 10 (pensions for Qualifying Children) as if the Member had retired on the day before his or her death without giving up any pension for a retirement lump sum.

The Trustee must be reasonably satisfied that the benefits (including death benefits) for a Member who chooses a late pension are at least equal in value to the benefits that would otherwise have been provided for the Member under the Group Section.

12.4 Choices at retirement

A Member entitled to a preserved pension may choose to give up pension for a lump sum, as described in Rule 7 (retirement lump sum).

13 Early leavers rejoining

A Member cannot rejoin the Defined Benefit Section.

14 Members away from work

The Rules of the Defined Contribution Section apply to Members who are away from work on or after 29 October 2015.

Note: Members who were away from work before 29 October 2015 will receive benefits for the period for which they are away from work in accordance with the Rules in force prior to 29 October 2015.

15 General rules about pensions for Service in the Defined Benefit Section

15.1 Payment of pensions

Pensions for Service in the Defined Benefit Section are payable at such intervals, and in advance or arrears, as the Trustee decides from time to time.

If pensions are payable in advance and the pensioner dies before the end of the period for which payment has been made, the Trustee may require repayment of all or part of any amount attributable to the period following the pensioner's death.

15.2 Pension increases

Dates of increases

Pensions in payment for Service in the Defined Benefit Section will increase in each year on a date agreed between the Group and the Trustee.

The intervals between increases will not exceed 12 months.

Rates of increases

Each pension in payment will increase in each year by the lower of:

15.2.1 the percentage increase in the retail prices index during a reference period agreed between the Group and the Trustee; and

15.2.2 2.5%.

If an interval between increases is less than 12 months, the increase will be an appropriate proportion of the full increase described above.

Pensions to which the Rule does not apply

The increases described above in this Rule do not apply to any pension or part of a pension which is derived from additional voluntary contributions, or provided under Rule 16 (people who transferred from a Former Scheme), Rule 31.3 (discretionary benefits) or Rule 32.1 (transfers from other pension schemes and arrangements). Those pensions will increase in accordance with the terms on which they were granted.

Discretionary increases

Pensions will be reviewed regularly and may be increased (if they would not otherwise increase) or further increased by such amount and at such times as the Trustee decides, with the consent of the Group.

16 People who transferred from a Former Scheme

Benefits will be provided under the Group Section for Members for whom a transfer payment has been made from a Former Scheme to the Scheme. These benefits will be the same (in amount, terms and options for payment) as the person's entitlement or accrued rights under the Former Scheme immediately before the transfer was made (except that, if the Trustee would otherwise be required to make a payment that would be "unauthorised" by virtue of Section 160 of the Finance Act 2004, the payment will be treated as discretionary and will not be made unless the Trustee and the Group agree otherwise). For this purpose, all members of a Former Scheme who were active members on 5 April 2006 will be treated as having left service and become deferred members of the Former Scheme on that date.

However, the benefits provided in respect of the transfer payment from the Former Scheme are modified in the case of Members who joined the Scheme on 6 April 2006 and were active members of a Former Scheme immediately before joining the Scheme.

The modifications for Members who were in Service in the Defined Benefit Section of the Scheme until 28 October 2015 and joined the Defined Contribution Section from 29 October 2015 are as follows (despite the fact that these Members are otherwise treated as having left Service in the Defined Benefit Section of the Scheme as from the end of 28 October 2015), namely:

16.1.1 the benefits provided in respect of the transfer payment from the Former Scheme (including any benefits payable on the Member's death) will, if and to the extent that they would have been increased by reference to increases in the Member's earnings if the Member had remained an active member of the Former Scheme, be increased under the Group Section by the greatest of the following amounts, namely:

(i) the same earning-related increases as would have applied under the Former Scheme if the Member had remained an active member of the Former Scheme until the date on which the Member leaves all Service in the Group Section (including in the Defined Contribution Section); *plus* the increases that would then have applied under the Former Scheme if the Member had left pensionable service and become a deferred member of the Former Scheme on leaving all Service in the Group Section;

(ii) the same earning-related increases as would have applied under the Former Scheme if the Member had remained an active member of the Former Scheme until the end of 28 October 2015; *plus* the increases that would then have applied under the Former Scheme if the Member had left pensionable service and become a deferred member from the end of 28 October 2015; and

(iii) the increases that would have been required by the Revaluation Laws if those Laws had applied for the period from 6 April 2006 to the end of 28 October 2015; *plus* the increases that would then have applied under the Former Scheme if the Member had left pensionable service and become a deferred member of the Former Scheme at the end of 28 October 2015;

16.1.2 any benefits provided in respect of the transfer payment from the Former Scheme that would have been provided under the Former Scheme by reference to a normal retirement date other than the Member's Normal Retirement Date will be provided under the Group Section by reference to the same date as under the Former Scheme, and will be adjusted for earlier or later payment as provided for under the Former Scheme or, if there is no such provision, by an amount decided by the Trustee after considering the terms of the Former Scheme and taking actuarial advice;

16.1.3 if a Member had a right to take (or request) any benefits from a Former Scheme at a date earlier than his or her Normal Retirement Date, the Member will have a right to take (or request) his or her benefits under the Group Section at that earlier date, subject to the same conditions (and so long as payment of the benefits at the earlier date is "authorised" for a registered pension scheme by Part 4 of the Finance Act 2004). However, the Member must choose to take any benefits accrued under the Scheme at the same time, and the benefits accrued under the Scheme will be adjusted for early payment as described in these Rules;

16.1.4 on a Member's death in Service, the lump sum death benefit payable under Rule 20.1 (benefits on death in Service) will be reduced by the amount of any refund of contributions payable in respect of the transfer payment from the Former Scheme;

16.1.5 a Member's contracted-out employment under the Former Scheme and the Scheme was treated as continuous, as required by the Contracting-out Laws.

Also in spite of the above, the benefits provided in respect of the transfer payment from a Former Scheme will be paid as described in these Rules. In other words, the following Rules will apply in place of any corresponding provisions of the Former Scheme:

(a) Rule 15 (general rules about pensions for Service in the Defined Benefit Section), except for the part of Rule 15.2 (pension increases) about the rates of guaranteed pension increases, which for Former Scheme benefits will be as under the Former Scheme;

(b) Rules 25 to 33; and

(c) General Rules 1 to 9.

For the avoidance of doubt, any reference in a Former Scheme to the trustees shall, for the purpose of this Rule, be treated as a reference to the Trustee; and any such reference to an employer shall be treated as a reference to the corresponding Employer or (if there is no corresponding Employer) to the Group.

The Former Schemes were approved under Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 (retirement benefit schemes). As a condition of this approval, the Former Schemes were subject to various requirements, including limits on the benefits and contributions that could be paid. These limits will continue to apply to benefits provided under the Group Section in respect of the transfer payments from the Former Schemes, except where these Rules specifically say otherwise or the Group and the Trustee agree otherwise. The details of these limits are contained in previous legislation, and in IR12(2001) "Practice Notes on the Approval of Occupational Pension Schemes".

Defined Contribution Section of the Group Section

Rules 17 to 24 set out the terms and benefits for Service in the Defined Contribution Section.

17 Contributions by Members

17.1 Basic contributions by Members

Each Member in Service must contribute to the Group Section at the rate of at least:

17.1.1 2% of Pensionable Earnings from 1 October 2017 to 30 September 2018;

17.1.2 3% of Pensionable Earnings from 1 October 2018.

However, a Member may elect to pay lower contributions of:

17.1.3 1% of Pensionable Earnings for any time from 1 October 2017;

17.1.4 2% of Pensionable Earnings for any time from 1 October 2018.

A Member may also contribute a greater amount up to a maximum of 10% of Pensionable Earnings (or such other amount as the Group and the Trustees may agree). However, any greater amount of contributions must be a full percentage of the Member's Pensionable Earnings.

A Member in Service may elect to change the rate of his or her contributions by giving notice to his or her Employer and the Trustee. The Employer may decide from time to time to restrict the ability of a Member to change his or her contributions in which case the Employer will notify the Trustee and the Member in writing.

The Employer will deduct each Member's contributions from the Member's earnings and pay them to the Trustee.

Note: In the case of Members who participate in Salary Sacrifice, this Rule is modified as described in Rule 28.2 ("Salary Sacrifice" for Member's contributions).

17.2 Additional voluntary contributions by Members

If the Group agrees, a Member in Service may also choose to pay additional voluntary contributions to the Group Section on a basis agreed with the Trustee.

These voluntary contributions will be credited to the Member's Retirement Account and the proceeds will be used to provide additional benefits for, or in respect of, the Member.

18 Member's Retirement Account

18.1 Calculation of Member's benefits

The value of the benefits provided for each Member's Service in the Defined Contribution Section will be determined by reference to the value of the Member's Retirement Account at the date on which the benefits are provided.

18.2 Credits to Retirement Accounts

The Trustee will credit to each Member's Retirement Account:

18.2.1 an amount equal to the Member's basic and voluntary contributions under Rule 17 (contributions by Members);

18.2.2 a further amount equal to:

(a) 2% of Pensionable Earnings if the Member is contributing 1%;

(b) 3% of Pensionable Earnings if the Member is contributing 2%;

(c) 5% of Pensionable Earnings if the Member is contributing 3%;

(d) 8% of Pensionable Earnings if the Member is contributing 4%; and

(e) 10% of Pensionable Earnings if the Member is contributing 5% or more; and

18.2.3 an amount equal to any assets or surrender values accepted by the Trustee in respect of the Member under Rule 32.1 (transfers from other pension schemes and arrangements).

Note: The amounts described in Rule 18.2.2 are "**employer contributions**".

18.3 Allocation of expenses

The Trustee will deduct from each Member's Retirement Account a fair share (as determined by the Trustee) of any expenses of the Defined Contribution Section that are not paid by the Employers or from the general assets of the Group Section.

18.4 Investment options

Members may choose to link the value of their Retirement Accounts to one or more investment options offered by the Trustee from time to time. If a Member does not choose an investment option, the Trustee will choose for the Member. The value of each Member's Retirement Account will fluctuate in line with changes in the value of the investment option or options to which the Retirement Account is linked.

If the Trustee allows, Members may switch between the available investment options offered by the Trustee. Switching may apply to amounts already credited to Retirement Accounts, as well as for amounts to be credited in future. Switching will be subject to any restrictions or conditions that the Trustee may impose from time to time.

The Trustee may at any time change the investment options available under the Group Section. In particular, the Trustee may withdraw any investment option at any time, for amounts already credited to Retirement Accounts, as well as for amounts to be credited in future. If the Trustee withdraws an investment option and a Member does not choose a replacement from the options offered by the Trustee, the Trustee will choose for the Member.

The Trustee is not responsible for the performance of any investment option, and will not be liable for any loss arising from any choice of any investment option.

18.5 No segregation of assets within the Group Section

The credit of assets to a particular Member's Retirement Account, and the linking of a Retirement Account to the value of particular investments, is for benefit calculation purposes only. The assets of the Group Section are held as a common trust fund from which all the benefits of the Group Section are provided. No Member or other person entitled to benefits is entitled to any specific assets of the Group Section.

19 Member's retirement benefits

19.1 Date when benefits start

Taking benefits at or after Normal Retirement Date

If a Member leaves Service on or after reaching Normal Retirement Date, the Trustee will provide immediate benefits for the Member on leaving. However, if the Member asks to defer receiving benefits until a later date, the Trustee will provide benefits at that later date.

Taking benefits before Normal Retirement Date

A Member who leaves Service before reaching Normal Retirement Date may choose to receive immediate benefits on leaving, but only if:

19.1.1 the Member has reached age 55; or

19.1.2 paragraph 22 or 23 of Schedule 36 to the Finance Act 2004 applies (rights to take benefit before normal minimum pension age) and the Member has reached his or her "**protected pension age**" (as defined in paragraph 21 of that Schedule); or

19.1.3 the Trustee is satisfied, after receiving evidence from a registered medical practitioner, that the Member is suffering from Partial or Total Incapacity.

19.2 Form of benefits

The Trustee will use a Member's Retirement Account to provide benefits in one or more of the following forms, as chosen by the Member or, if the Member does not make a choice when asked to do so by the Trustee, as the Trustee considers appropriate:

19.2.1 a pension payable to the Member;

19.2.2 a lump sum for the Member when the Member's pension starts;

19.2.3 benefits payable on the Member's death.

These benefits must all be authorised for the purposes of Part 4 of the Finance Act 2004.

If the Trustee agrees, the Member may choose benefits in some other form so long as the benefits are authorised for the purposes of Part 4 of the Finance Act 2004. These benefits may include taking the whole value of the Member's Retirement Account as a lump sum.

If the Member does not make a choice, the Trustee may choose for the Member.

20 Benefits on Member's death

20.1 Benefits on death in Service

In this Rule, "**Life Assurance Earnings**" means the greater of (a) the Member's Pensionable Earnings received in the last 12 months before the date of death and (b) the yearly rate of the Member's basic pay at the date of death.

Employees of an Employer who die before reaching age 75

If a Member dies in Service before reaching age 75, the Trustee will provide the following lump sum death benefits:

20.1.1 a standard lump sum equal to:

(i) 3 times Life Assurance Earnings if the Member dies while contributing to the Group Section at the rate of at least 4% of Pensionable Earnings; and

(ii) one times Life Assurance Earnings in any other case; and

20.1.2 a further lump sum equal to 3 times Life Assurance Earnings if the Member switched from the Defined Benefit Section to the Defined Contribution Section with effect from 29 October 2015 (when the Defined Benefit Section was closed to all future benefit accrual), whether or not the Member leaves a Dependant.

Minimum lump sum payable on death before reaching age 75

If the lump sums payable on any Member's death in Service before reaching age 75 are less in total than £5,000 (or such other amount as the Employer may direct before the Member dies), the Trustee will increase the total to £5,000 (or the other amount).

Benefits from the Member's Retirement Account

The benefits under this Rule are payable in addition to any benefits under Rule 20.2 (benefits on death before retirement). If a Member dies in Service after reaching age 75, the Trustee will provide benefits only as described in Rule 20.2 (benefits on death before retirement).

Conditions that apply to all benefits under this Rule

The benefits must all be authorised for the purposes of Part 4 of the Finance Act 2004.

All lump sums will be paid as described in Rule 25 (payment of lump sum death benefits).

20.2 Benefits on death before retirement

If a Member dies before starting to receive benefits under the Defined Contribution Section, the Trustee will use the Member's Retirement Account to provide benefits in one or both of the following forms, as the Trustee considers appropriate:

20.2.1 a lump sum payable as described in Rule 25 (payment of lump sum death benefits);

20.2.2 a pension or pensions for one or more of the Member's Qualifying Partner, Qualifying Children and Dependants.

The benefits must all be authorised for the purposes of Part 4 of the Finance Act 2004.

20.3 Benefits on death after retirement

If a Member dies after starting to receive benefits under the Defined Contribution Section, the Trustee will provide the benefits chosen when the Member retired.

If the benefits were secured with an annuity contract before the Member died, any benefits on death will be as provided for under the contract.

21 Early leavers

21.1 Preserved benefits

A Member who leaves Service without becoming entitled to immediate benefits will remain entitled to preserved benefits under the Group Section if the Member has completed at least 30 days' Qualifying Service.

If the Member remains entitled to benefits, the Trustee will use the Member's Retirement Account to provide benefits for the Member, as described in Rule 19 (Member's retirement benefits), on the Member's Normal Retirement Date. However:

21.1.1 if the Member asks to defer receiving benefits until a later date, the Trustee will provide benefits at that later date;

21.1.2 the Member can choose to receive benefits before Normal Retirement Date if he or she satisfies one of the conditions for doing so under Rule 19.1 (date when benefits start); and

21.1.3 if the Preservation Laws allow, the Trustee can use a Member's Retirement Account to buy one or more annuities with an insurer in accordance with Rule 32.2 (transfers to other pension schemes and arrangements).

However, a Member of a Former Scheme who has a right to take benefits from the Defined Benefit Section of the Group Section before age 55, or without the Trustee's consent in accordance with Rule 12.2 (early pension), may choose to receive benefits from the Defined Contribution Section at the same age.

If the Member dies before starting to receive benefits under the Defined Contribution Section of the Group Section, death benefits will be provided as described in Rule 20.2 (benefits on death before retirement).

21.2 Refund of contributions

A Member who leaves Service without becoming entitled to immediate or preserved benefits will receive a refund of:

21.2.1 his or her own basic contributions to the Group Section; and

21.2.2 if the Member has paid additional voluntary contributions, the proceeds (after adjustment in line with fluctuations in the value of the investment option or options to which the Member's Retirement Account is linked) of those contributions.

The Trustee will deduct tax at 20% or such other rate as applies from time to time. However, the amount of the refund will not exceed that which would be an authorised payment under the Finance Act 2004.

22 Right to transfer or buy-out

A Member who leaves Service with preserved benefits before reaching Normal Retirement Date can require the Trustee to use his or her Retirement Account to buy one or more annuities, or to acquire rights under another occupational pension scheme or a personal pension scheme, in accordance with the Transfer Value Laws.

23 Members away from work

23.1 General principle

Members who are away from work will normally be treated as having left Service if they stop receiving contractual pay from the Employers. However, the Group may direct the Trustee to treat any Member who is away from work or on secondment as still in Service, for some or all purposes of the Group Section, for so long as it thinks fit.

23.2 Family leave

In this Rule 23.2, the terms in bold mean the same as in the Employment Rights Act 1996.

The Trustee will continue to make regular credits to the Member's Retirement Account, in accordance with Rule 18.2 (credits to Retirement Accounts), during:

23.2.1 a Member's "**ordinary maternity leave**", "**ordinary adoption leave**" or "**ordinary paternity leave**"; and

23.2.2 any period of paid absence that (for the purposes of Schedule 5 to the Social Security Act 1989) is a period of maternity leave, adoption leave, paternity leave or absence from work for other family reasons.

A Member who receives pay from the Employer for these periods must pay contributions on the pay received.

The amounts credited under Rule 18.2.2 for ordinary and paid maternity, adoption and paternity leave and for paid "**shared parental leave**" will be calculated as if the Member was working normally and receiving the normal pay for doing so. The Employer's decision as to the Member's normal pay for these periods will be final.

The amounts credited under Rule 18.2.2 during any other period of paid family leave will normally be based on the pay received.

The Employer may direct the Trustee not to apply any credits for a Member during any period of unpaid "**additional maternity leave**", "**additional adoption leave**", "**additional paternity leave**", "**shared parental leave**" or "**parental leave**". However, the Member will still be covered for benefits under Rule 20.1 (benefits on death in Service), until the end of the period. If the Member dies during the period, the benefits payable under Rule 20.1 (benefits on death in Service) will be calculated as if the Member were working normally at the date of death and receiving the normal pay for doing so.

24 General rules about pensions for Service in the Defined Contribution Section of the Group Section

24.1 Securing pensions with an insurance company

The Trustee will secure all pensions under the Defined Contribution Section by buying annuity contracts from an insurance company, unless the Group agrees otherwise.

An annuity contract may be bought in the Trustee's name, or in the name of the Member or other person entitled to the benefit. If a contract is bought in the Trustee's name, the Trustee may transfer it to the Member or other person at any time.

The Trustee must allow the Member a reasonable opportunity to choose the insurance company. If the Member dies before retirement, the Trustee must allow the person entitled to the pension a reasonable opportunity to choose the insurance company. The Trustee will choose the insurance company if the Member or other person does not make a choice.

If a Member chooses to provide a pension for a spouse, civil partner, child or Dependant on the Member's death after retirement, the Trustee will normally secure that pension at the same time as they secure the Member's pension. However, the Trustee may secure the survivor's pension at a later date, if permitted under Part 4 of the Finance Act 2004.

24.2 Paying pensions from the Group Section

If the Group agrees, the Trustee may provide any pension from the assets of the Group Section. The Trustee will then calculate the amount of the pension after taking actuarial advice.

However, before providing a pension from the assets of the Group Section, the Trustee must allow the Member a reasonable opportunity to choose an insurance company to provide the pension. If the Member has died before retirement, the Trustee must allow the person entitled to the pension a reasonable opportunity to choose an insurance company.

Pensions paid from the assets of the Group Section will be paid at such intervals, and in advance or arrears, as the Trustee decides from time to time. If a pension is payable in advance and the pensioner dies before the end of the period for which payment has been made, the Trustee may require repayment of all or part of any amount attributable to the period following the pensioner's death.

24.3 Pension increases

Pensions that are secured with an annuity contract will increase in payment at a rate (if any) chosen by the Member or, if the Member dies before starting to receive benefits under the Defined Contribution Section, at a rate chosen by the Trustee.

Pensions provided from the assets of the Group Section will increase in payment at a rate decided by the Trustee when calculating the amount of the pension under Rule 24.2 (paying pensions from the Group Section).

General rules applicable to all Members and benefits in the Group Section

Rules 25 to 33 apply to all Members and benefits in the Defined Benefit Section and the Defined Contribution Section.

25 Payment of lump sum death benefits

The Trustee will pay any lump sum death benefit to such one or more of the Beneficiaries as it considers appropriate. If the Trustee decides to pay the benefit to more than one of the Beneficiaries, it will pay the benefit in such shares as it decides.

The "**Beneficiaries**" are:

25.1.1 the Member's surviving Qualifying Partner, and any other former Qualifying Partner of the Member;

25.1.2 any ancestors and descendants (including stepchildren) of the Member, or of any former Qualifying Partner of the Member, and the Qualifying Partners and former Qualifying Partners of those ancestors and descendants;

25.1.3 any other descendants (including stepchildren) of the grandparents of the Member, or of any former Qualifying Partner of the Member; and any Qualifying Partners and former Qualifying Partners of those descendants;

25.1.4 the Member's Dependants and any other person who, in the opinion of the Trustee, has at any time received financial support from the Member, or who was, at the date of the Member's death, a person for whom the Member was under a legal or moral obligation to make financial provision;

25.1.5 any person, charity or club with an interest in the Member's estate (but not including the Crown, the Duchy of Lancaster or the Duke of Cornwall);

25.1.6 any person, charity or club nominated by the Member in writing to the Trustee or to the trustees of a Former Scheme or the trustees of an Acquired Scheme; and

25.1.7 the Member's legal personal representatives.

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

So long as only Beneficiaries can become entitled to the benefit, the Trustee may:

(a) direct that all or part of the lump sum be held by itself or other trustees on such trusts (including discretionary trusts) and with such powers and provisions (including powers of selection and variation) as the Trustee sees fit; or

(b) pay all or part of the lump sum to the trustees of any other existing trust.

If the Trustee does not pay the benefit within 6 months after the Member's death, the Trustee may add interest to the benefit at such rate as it decides.

If the Trustee cannot pay the benefit within 2 years after being told of the Member's death, it will transfer the benefit to a separate account outside the Scheme and pay it under this Rule as soon as possible afterwards.

26 Ceasing to be eligible

A Member in Service will cease to be eligible for membership of the Group Section if the Member's contract of service is varied so that he or she is no longer eligible for membership.

The Member will be treated as having left Service on ceasing to be eligible. However, unless the Group agrees otherwise, a Member with a preserved pension cannot choose an early pension under Rule 12.2 (early pension) or 21.1 (preserved benefits) before actually leaving Service.

27 Opting out

A Member may at any time opt out of the Group Section by giving at least 30 days' notice to the Employer and the Trustee. The Member will be treated as having left Service at the end of the pay period in which the notice expires, except that:

27.1.1 if the Member gives a valid opt-out notice under Section 8 of the Pensions Act 2008 (jobholder's right to opt out), the Trustee and the Employer will take appropriate action so that the Member is treated as if he or she had never been included in the Group Section;

27.1.2 the Group and the Trustee may agree still to include the Member in the Group Section for death-in-service benefits as described in Rule 2.2 (life assurance only members);

27.1.3 unless the Group agrees otherwise, no pension or retirement lump sum will be paid to the Member until the Member actually leaves Service (or reaches age 75, if earlier), unless the Member has a right to choose benefits between Normal Retirement Date and leaving Service under Rule 16 (people who transferred from a Former Scheme).

If the Member is entitled to a preserved pension for Service in the Defined Benefit Section and the pension starts after Normal Retirement Date, it will be increased on a basis agreed between the Group and the Trustee after considering actuarial advice.

A Member who opts out may rejoin the Group Section only with the specific permission of the Group and the Trustee. The Group and the Trustee may agree to allow the Employee to rejoin the Group Section either on normal terms or only on special terms.

However, a Member who opts out will be included in the Group Section automatically from the next re-enrolment date if Chapter 1 of the Pensions Act 2008 (employers' duties) requires the Employer to make arrangements for the Member to again become an active member of an automatic enrolment scheme. This will happen unless the Member gives a valid opt-out notice under Section 8 of that Act (Jobholder's right to opt out).

28 Special provisions for certain Members

28.1 Members who left Service before the Effective Date

The benefits for Members who left Service before the Effective Date (and the benefits payable on their deaths) will be as described in the Rules in force previously from time to time. However, the current Rules about paying pensions from the Group Section, the General Rules and Rules 25 to 33 of these Section Rules, will apply in place of any corresponding pensions provisions of the Scheme. In particular, Rule 29.5 (tax status of the Scheme) will apply so that, if the Trustee would otherwise be required to make a payment that would be "unauthorised" by virtue of Section 160 of the Finance Act 2004, the payment will be treated as discretionary and will not be made unless the Trustee and the Group agree otherwise (which they need not do).

28.2 "Salary Sacrifice" for Member's contributions

Members who participate in "Salary Sacrifice" for Members' pension contributions accept a reduction in their pay in return for non-contributory membership of the Group Section. The reduction in each Member's pay is equal to the basic contributions that the Member would otherwise be required to pay under Rule 17.1 (basic contributions by Members). Members who participate in Salary Sacrifice are not required to pay basic contributions.

To ensure that a Member's benefits are not affected:

28.2.1 **"Pensionable Earnings"**, at any date and for any period while a Member participates in Salary Sacrifice for pension contributions, will include the amount by which the Member's Pensionable Earnings are reduced;

28.2.2 the amounts credited to the Member's Retirement Account under Rule 18.2 (credits to Retirement Accounts) will include an amount equal to any basic contributions that the Member would have paid if they had not participated in Salary Sacrifice for pension contributions; and

28.2.3 when calculating any benefit under Rule 8.3 (Member dies with a preserved pension), Members will be treated as having paid contributions equal to those they would have paid if they had not participated in Salary Sacrifice for pension contributions. However, this does not apply to any refund of contributions for an early leaver under Rule 21.2 (refund of contributions).

28.3 Members with more than one contract of employment

It may be that a Member has more than one contract of employment with the Employers (whether with the same Employer or different Employers) at the same time. If so, the Trustee will calculate the benefits for Service under each contract separately (as if each contract were for Service by different members) unless the Group directs otherwise.

However, the Member's continuous Service under all contracts will be taken into account when calculating the Member's Qualifying Service.

28.4 Members who have been employed in Jersey, Guernsey and the Isle of Man

Tax approval

The Scheme is designed for tax approval in:

28.4.1 Jersey insofar as it relates to a Member who is or has been employed in Jersey;

28.4.2 Guernsey insofar as it relates to a Member who is or has been employed in Guernsey; and

28.4.3 the Isle of Man insofar as it relates to a Member who is or has been employed in the Isle of Man.

In spite of anything else in these Rules, the Trustee and the Group will operate the Scheme in compliance with any requirements imposed as a condition of such approval, including, in particular, any limits on benefits and contributions. These Rules shall be treated as including any Rules which are necessary for the purposes of such approval.

Retirement Benefit Schemes Act 2000

The Trustee will comply with all applicable requirements of the Retirement Benefit Schemes Act 2000 in the Isle of Man.

Contracting-out

A Member's Service while employed in Jersey or Guernsey is not contracted-out.

In these Rules, references to the "**Contracting-out Laws**" mean, in relation to Members in the Isle of Man, the contracting-out laws set out in Part III of the Pension Schemes Act 1993 as applied in the Isle of Man.

28.5 People who join from an Acquired Scheme

Special provisions apply to Members who joined the Scheme from an Acquired Scheme on or after 7 October 2012 and were active members of the relevant Acquired Scheme immediately before joining the Scheme. Benefits for these Members will be subject to any modifications agreed between the Group and the Trustee and notified to the Members.

Benefits will be provided under the Group Section for all Members for whom a transfer payment has been made from an Acquired Scheme to the Scheme. These benefits will be the same (in amount, terms and options for payment) as the Member's entitlement or accrued rights under the Acquired Scheme immediately before the transfer was made (except that, if the Trustee would otherwise be required to make a payment that would be "unauthorised" by virtue of Section 160 of the Finance Act 2004, the payment will be treated as discretionary and will not be made unless the Trustee and the Group agree otherwise).

"**Acquired Scheme**" means each of the following, namely: (1) The United Norwest Co-operatives Employees' Pension Fund; (2) The Yorkshire Co-operatives Limited Employees' Superannuation Fund; (3) The Leeds Co-operative Society Limited Employees' Pension Fund; (4) The Sheffield Co-operative Society Limited Employees' Superannuation Fund; (5) The Lothian Borders and Angus Co-operative Society Limited Employees' Pension Fund; (6) The Britannia Pension Scheme; (7) The Plymouth & South West Co-operative Society Limited Employees' Superannuation Fund; (8) The Brixham Co-operative Society Limited Employees' Superannuation Fund; and (9) The Somerfield Pension Scheme.

29 General rules about benefits

29.1 Recovery of tax and other charges

The Trustee may deduct from any payment under the Group Section any tax for which it may be liable in respect of it.

The Trustee may reduce any Retirement Account or other benefit in respect of which a tax or other charge arises (including an annual or lifetime allowance charge), so as fully to reflect the amount of the tax or charge payable in respect of it. The Trustee will decide the amount of the reduction after considering actuarial advice, and its decision will be final.

29.2 Evidence of health

It may be that benefits payable under the Group Section on a Member's death in Service or incapacity retirement are insured. If so, those benefits will be subject to any restrictions imposed by the insurer and which have been notified to the Member. However, in the case of Members who joined the Scheme on 6 April 2006 and were active members of a Former Scheme immediately before joining the Scheme, benefits will not be restricted to any greater extent than the corresponding benefit could have been restricted under the Former Scheme.

The Trustee may decide that benefits will also be restricted for any Member who fails to provide evidence of good health satisfactory to the Trustee (or any insurer), or whose death or incapacity results from a cause specified in a notice to Members or Employees.

However, benefits cannot be restricted under this Rule to less than the amount that would have been payable if the Member had left Service immediately before death or retirement.

29.3 Loss of right to benefits

Benefits under the Group Section are subject to restrictions imposed by Sections 91 to 93 of the Pensions Act 1995 (assignment and forfeiture, etc.). These restrictions are intended generally to ensure that benefits are paid only to the person entitled under these Rules, rather than to any other person. The restrictions prevent benefits from being assigned, commuted, surrendered, charged or forfeited, except in specified circumstances.

However, there are exceptions to the restrictions imposed by Sections 91 to 93. To the extent permitted by those exceptions and the Contracting-out Laws:

29.3.1 an Employer may require the Trustee to reduce or forfeit a person's benefits if the person owes money to the Employer and the debt arises from a criminal or fraudulent act or omission (in which case the Trustee will pay the Employer an amount equal to the debt or, if less, the value of the person's benefits);

29.3.2 the Trustee may reduce or forfeit a person's benefits if the person owes money to the Group Section and the debt arises from a criminal or fraudulent act or omission;

29.3.3 the Trustee may forfeit any benefits that are payable in respect of a Member to a person who is convicted of the offence of murder or manslaughter of the Member, or any other offence of which unlawful killing of the Member is an element (including aiding, abetting, counselling or procuring the Member's death); and

29.3.4 the Trustee may forfeit any benefit if the person entitled to the benefit does not claim it within 6 years of the date on which it becomes due.

29.4 Beneficiary who is incapable

If the Trustee considers that a person cannot look after his or her own affairs (by reason of illness, mental disorder, age or otherwise), the Trustee may use any amounts due to that person for his or her benefit or may pay them to some other person to do so. The Trustee may also make, for the person concerned, any choice which that person has under the Group Section.

29.5 Tax status of the Scheme

The Scheme is a "registered pension scheme" for the purposes of Part 4 of the Finance Act 2004. If (without this Rule) the Trustee would be required to make a payment under the Group Section that would be an "unauthorised payment" by virtue of Section 160 of that Act, the payment will be treated as discretionary and will not be made unless the Trustee and the Group agree otherwise (which they need not do).

29.6 Contracting-out

The Trustee will operate the Defined Benefit Section of the Group Section in accordance with the Contracting-out Laws that apply to formerly salary-related contracted-out schemes.

These Rules will be treated as including Rules to the same effect as any rule that must be included for the Scheme to be contracted-out in relation to a Member's Service before 29 October 2015. In particular, if a Member has a guaranteed minimum under Section 14 of the Pension Schemes Act 1993 (earner's guaranteed minimum) in relation to a pension provided by the Group Section:

29.6.1 the weekly rate of the Member's pension under the Group Section at age 65 if a man or 60 if a woman, in respect of service before 6 April 1997, will not be less than that guaranteed minimum;

29.6.2 the weekly rate of pension payable to any widow of the Member under the Group Section in respect of the Member's service before 6 April 1997 (excluding pension provided by additional voluntary contributions) will not be less than half the Member's guaranteed minimum;

29.6.3 the weekly rate of pension payable to any widower or surviving civil partner of the Member under the Group Section in respect of the Member's service before 6 April 1997 (excluding pension provided by additional voluntary contributions) will not be less than half the part of the Member's guaranteed minimum which is attributable to earnings factors for the tax year 1988-89 and subsequent tax years up to and including the tax year 1996-97.

This Rule overrides all other provisions of the Group Section, except those that are in accordance with the Pension Schemes Act 1993. However, it does not require any pension to be paid to any person in any circumstances where the Group Section is not required to provide a pension for that person under the Contracting-out Laws.

In spite of Rule 12.2 (early pension), a Member cannot choose a pension that starts before Normal Retirement Date unless the Trustee is satisfied that the pension will satisfy the requirements of this Rule without any additional cost to the Group Section.

30 Pension sharing on divorce, etc.

30.1 Compliance with pension sharing orders

It may be that an order or other provision under Section 28(1) of the Welfare Reform and Pensions Act 1999 or equivalent Northern Ireland laws (activation of pension sharing) requires all or part of a Member's benefits to be transferred to the Member's former spouse or civil partner. If this happens, the Trustee will discharge its liability to the former spouse or partner in accordance with the requirements of that Act. The Trustee may recover charges in respect of pension sharing costs, as allowed by the Act.

30.2 Benefits under the Group Section

If the Trustee provides benefits for the former spouse or civil partner under the Group Section, those benefits will be provided separately from any other benefits to which the former spouse or civil partner is entitled under the Group Section.

30.3 Death of former spouse or civil partner before a transfer payment is made

It may be that the Trustee intends to discharge its liability to the former spouse or civil partner by making a transfer payment to another pension arrangement, but the former spouse or civil partner dies before the payment is made. If this happens, the Trustee may (but need not) use the intended transfer payment to provide benefits in respect of the former spouse or civil partner in any of the ways allowed by the Welfare Reform and Pensions Act 1999. Any part of the intended transfer payment that is not used for this purpose will be retained by the Trustee as part of the general assets of the Group Section.

31 Discretionary benefits

31.1 Serious ill-health lump sums

It may be that the Trustee receives evidence from a registered medical practitioner that a Member is expected to live for less than one year. If this happens before the Member starts to receive benefits from the Group Section, and if the Contracting-out Laws allow, the Trustee may allow the Member to give up all of his or her benefits under the Group Section (including death benefits) in return for a lump sum. However, this will be allowed only if payment of a "serious ill-health lump sum" is permitted under Part 4 of the Finance Act 2004.

The Trustee will calculate the lump sum on a basis agreed with the Group, after considering actuarial advice.

31.2 Lump sums instead of small pensions

It may be that the value of a person's benefits under the Group Section (including any death benefits) is so small that the Contracting-out Laws and Part 4 of the Finance Act 2004 would allow payment of a lump sum instead of those benefits. If so, the Trustee may pay a lump sum instead of those benefits.

The Trustee will calculate the value of the benefits and the amount of the lump sum on a basis agreed with the Group after considering actuarial advice.

31.3 Discretionary benefits

If the Group so requests and the Employers or Members pay any additional contributions (and none may be required) that the Trustee considers necessary (for which purpose the Trustee will consider actuarial advice), the Trustee may provide:

31.3.1 increased or additional benefits in respect of any Member or Members; or

31.3.2 benefits in respect of any Member or Members that are different, or on different terms (including as to time of payment), from those set out elsewhere in the Rules; or

31.3.3 benefits in respect of any Employee or former Employee or any spouse, registered civil partner or Dependant of a former Employee (or for any other person for whom the Group wishes to provide benefits).

Any benefits provided under this Rule must be consistent with the Contracting-out, Preservation, Revaluation, and Transfer Value Laws and with the Scheme's tax status as a registered pension scheme under Part 4 of the Finance Act 2004.

32 Transfers and buy-outs

32.1 Transfers from other pension schemes and arrangements

If the Group agrees, the Trustee may accept a transfer of assets in respect of any person from another pension scheme or arrangement.

The Trustee will use the assets or surrender value to provide benefits for the person concerned on a basis agreed with the Group (after considering actuarial advice). The benefits must comply with the Contracting-out, Preservation, Revaluation and Transfer Value Laws, and must be consistent with the Scheme's tax status as a registered pension scheme under Part 4 of the Finance Act 2004.

32.2 Transfers to other pension schemes and arrangements

Instead of providing benefits under the Group Section in respect of any person, the Trustee may transfer assets to another pension scheme or arrangement (including any person who is permitted by the Financial Services and Markets Act 2000 to effect or carry out contracts of long-term insurance) so that benefits will be provided under the other scheme or arrangement in respect of the person concerned. If the Group agrees, the Trustee may transfer assets in respect of part only of a person's benefits under the Group Section.

The transfer must comply with the Contracting-out and Preservation Laws. It must also be a "recognised transfer" under Section 169 of the Finance Act 2004 (recognised transfers).

A transfer payment for a Member of the Defined Contribution Section who has not started to receive benefits will be equal to the value of the Member's Retirement Account, less any expenses or charges relating to the transfer.

For all other cases, the Trustee will decide the amount of the transfer payment after considering actuarial advice. However, the amount will be calculated on a basis consistent with the calculation of cash equivalents under the Transfer Value Laws, unless the Group and the Trustee agree to use a different calculation basis.

32.3 Securing benefits with insurance policies and annuity contracts

If the Trustee has bought an insurance policy or annuity contract to secure all or part of a person's benefits under the Group Section, it may transfer the policy or contract into the person's name at any time. If the Trustee does this, the person will cease to be entitled to those benefits under the Group Section.

Any transfer under this Rule must comply with the Contracting-out and Preservation Laws.

33 Assets of the Group Section

33.1 Assets held on trust

The Trustee will hold all the contributions and other assets which it receives and the property representing them and all the income on trust for the purposes of the Group Section.

33.2 Investment of assets

For the purposes of the Group Section, the Trustee may, in any part of the world, alone or together with others:

33.2.1 acquire and dispose of any property (tangible or intangible, movable or immovable), whether or not it produces income;

33.2.2 enter into any contract or incur any obligation;

33.2.3 lend or borrow money or other property for any purpose (including acquiring assets);

33.2.4 grant any mortgage or charge over, or give any right of recourse against, any or all of the assets of the Group Section;

33.2.5 form and finance any company;

33.2.6 carry on and finance any business;

33.2.7 insure assets of the Group Section for any amount against any risk;

33.2.8 pool assets of the Group Section with other occupational pension schemes in common investment funds;

33.2.9 keep assets of the Group Section in nominee names; and

33.2.10 exercise its powers under Section 34(1) of the Pensions Act 1995 (power of investment and delegation) to make an investment of any other kind as if it were absolutely entitled to the assets of the Group Section.

The Trustee will exercise these powers in accordance with Sections 36 and 40 of the Pensions Act 1995 (choosing investments and restriction on employer-related investments).

33.3 Group Section expenses

Subject to General Rule 3.9 (Scheme expenses), the Trustee will pay any expenses of the Group Section from the assets of the Group Section, unless they are paid by the Employers. This includes all expenses and liabilities incurred by a trustee or former trustee through acting as a trustee of the Group Section. However, no amount may be paid from the assets of the Group Section to reimburse a trustee or former trustee for:

33.3.1 expenses or liabilities incurred through wilful wrongdoing or which are covered by insurance under General Rule 3.6 (trustee insurance); or

33.3.2 fines or penalties of a kind mentioned in Section 256 of the Pensions Act 2004 (no indemnification for fines or civil penalties).

The Trustee will deduct from Retirement Accounts a share of any expenses of the Defined Contribution Section that are not paid by the Employers, unless the Group and the Trustee agree that the Trustee should pay them from the general assets of the Group Section.

33.4 Accounts and actuarial valuations

The Trustee will prepare accounts of the Group Section and have them audited.

The Trustee will obtain actuarial valuations of the Group Section at intervals of not more than 3 years, and (if so required by the Pensions Act 2004) an actuarial report for any year in which the Trustee does not obtain a valuation. The valuations and reports must comply with any requirements of Section 224 of the Pensions Act 2004 (actuarial valuations and reports).

33.5 Treatment of surplus

It may be that an actuarial valuation of the Group Section shows that the value of the assets of the Group Section exceeds the value of the liabilities of the Group Section. If this happens, the Trustee with the Group's consent may, after considering actuarial advice, pay all or part of the surplus (less tax) to the Employers in such shares as it agrees with the Group. However, this Rule is subject to the requirements of Section 37 of the Pensions Act 1995 (payment of surplus to employer), which imposes restrictions on any payments to the Employers from the assets of an occupational pension scheme.

Bank Section

The following Section Rules apply to Members and benefits in the Bank Section only.

1 Meaning of words used

"**Acquired Scheme**" is defined in Rule 28.5 (people who join from an Acquired Scheme).

"**Beneficiaries**" is defined in Rule 25 (payment of lump sum death benefits).

"**Benefit Year**" means a period of 12 months ending on a 5 April or such other date as may be agreed between the Bank and the Trustee.

"**Defined Benefit Section**" is explained in Rule 30 (sections within the Bank Section).

"**Defined Contribution Section**" is explained in Rule 3 (sections within the Bank Section).

"**Dependant**" means anyone who is financially dependent on the Member or other person concerned, or was so dependent at the time of that person's death. This includes anyone who shares living expenses with, or receives financial support from, the Member or other person, and whose standard of living would be affected by the loss of that person's contribution or support. The Trustee's decision as to whether someone is another person's Dependant will be final.

"**Employee**" means any employee of an Employer.

"**Employer**" means, for the purposes of the Bank Section Rules, an employer participating in the Bank Section.

"**Life Assurance Earnings**" is defined in Rule 20.1 (benefits on death in Service).

"**Member**" means, for the purposes of the Bank Section Rules, a person who has joined the Scheme (and is allocated to the Bank Section).

"**Normal Retirement Date**" means a Member's 65th birthday.

"**PACE Credit**" is defined in Rule 6.1 (retirement at Normal Retirement Date).

"**Partial Incapacity**" means permanent physical or mental impairment which prevents (and will continue to prevent) a Member from following his or her normal occupation.

The Trustee will obtain evidence from a registered medical practitioner of its own choosing as to whether the Member is suffering from Partial Incapacity. The Trustee's decision as to whether the Member is suffering from Partial Incapacity will then be final.

"**Pensionable Earnings**" means the Member's basic pay plus any earnings from the Employers in respect of overtime, commission and shift allowance, and any other earnings from the Employers that the Bank has designated as pensionable, which the Bank may change from time to time. However, if a Member's earnings for pension purposes are limited by agreement or other arrangement between the Member and his or her Employer, Pensionable Earnings will not exceed the amount of the limit.

Note: This definition is modified for certain Members by Rule 28.2 ("Salary Sacrifice" for Member's contributions).

"**Pensionable Service**" means the Member's Service after joining the Scheme, whether in the Defined Benefit Section or in the Defined Contribution Section.

Note: For the avoidance of doubt, where a Member's Service in the Scheme has been continuous, "Service after joining the Scheme" includes the period of Service in the Scheme prior to the sectionalisation of the Scheme.

"**Qualifying Children**" is defined in Rule 10 (pensions for Qualifying Children).

"**Qualifying Partner**" means, in relation to a Member or any other person, the person's legally recognised spouse or civil partner or, in the case of a person who is neither married nor in a civil partnership, any Dependant with whom the person has been in a relationship that the Trustee considers similar to marriage for a period of at least 6 months (in each case, regardless of the sex of the spouse, civil partner or other Dependant).

"**Qualifying Service**" means continuous Pensionable Service and employment which qualified the Member for retirement benefits under any occupational pension scheme from which a transfer payment in respect of the Member has been made to the Scheme, or to a "buy-out" policy and subsequently to the Scheme. A period between leaving Service and rejoining the Scheme will be ignored (but will not count as Pensionable Service) when calculating continuous Pensionable Service for this purpose, if it does not exceed one month or is due to a trade dispute.

Note: Qualifying Service is used only for the purpose of deciding whether the Member is entitled to a preserved pension or preserved benefits on leaving Service before Normal Retirement Date. It does not affect the calculation of the amount of any preserved pension or preserved benefits.

"**Retirement Account**" means a Member's Retirement Account under the Defined Contribution Section as described in Rule 18 (Member's Retirement Account).

"**Revaluation Increase**" is defined in Rule 6.1 (retirement at Normal Retirement Date).

"**Revaluation Percentage**" means the smaller of:

(a) the percentage increase in the retail prices index during a 12-month reference period agreed between the Bank and the Trustee; and

(b) 5%.

"**Service**" means employment with an Employer. For the avoidance of doubt, a Member will not be treated as in Service during any period after leaving Service, ceasing to be eligible or opting out, unless he or she later rejoins the Bank Section.

Note: Service includes the period of employment with an Employer prior to sectionalisation of the Scheme.

"**Total Incapacity**" means permanent physical or mental impairment which prevents (and will continue to prevent) a Member from doing any paid work (whether for the Employers or anyone else), except work provided for remedial activity and from which the Member receives only a modest amount of pay.

The Trustee will obtain evidence from a registered medical practitioner of its own choosing as to whether the Member is suffering from Total Incapacity. The Trustee's decision as to whether the Member is suffering from Total Incapacity will then be final.

2 Joining the Bank Section

2.1 Conditions for membership

Each Employee whose contract of employment states that he or she is eligible to join the Scheme may join the Bank Section at any time from starting Service.

All Employees who join (or who are allocated to) the Bank Section will be included in the Defined Contribution Section of the Bank Section.

An Employee will be included in the Bank Section automatically from each automatic enrolment or re-enrolment date if Chapter 1 of the Pensions Act 2008 (employers' duties) requires the Employer to make arrangements for the Employee to become an active member of an automatic enrolment scheme. The only exception is if the Employee has given a valid opt-out notice under Section 8 of that Act (jobholder's right to opt out).

An Employee who is not included in the Bank Section automatically can apply to join in the form required by the Trustee. Employees wishing to join the Bank Section must also provide any information that the Trustee asks for, which may include evidence of good health.

The Trustee may ask any Employee for evidence of good health. If an Employee cannot produce evidence of good health satisfactory to the Trustee, the Trustee may restrict any benefits payable on the Employee's death in Service or retirement because of incapacity.

The Bank and the Trustee may agree to allow an Employee to join the Bank Section even though the Employee would not otherwise be eligible to join the Bank Section under this Rule.

2.2 Life assurance only members

The Bank and the Trustee may agree to include an Employee in the Bank Section for death-in-service benefits, even if the Employee chooses not to join the Bank Section or has opted out. If such an Employee dies in Service, a benefit will be paid.

The benefit under this Rule will be a lump sum equal to the yearly rate of the Employee's basic pay at the date of death or such other amount as the Employer and the Trustee may agree.

If any lump sum benefit becomes payable under this Rule, it will be paid as described in Rule 25 (payment of lump sum death benefits), as if the references in that Rule to "the Member" included the Employee.

3 Sections within the Bank Section

3.1 The Bank Section

The Bank Section comprises a Defined Benefit Section and the Defined Contribution Section. The Defined Benefit Section is closed to future benefit accrual.

The assets attributable to the Defined Contribution Section are invested separately from the other assets of the Bank Section.

3.2 Defined Benefit Section ("Pace Complete")

The Defined Benefit Section is closed to future benefit accrual. This does not affect benefits already accrued prior to closure.

Note: Defined benefit accrual ceased for Employees of the Bank at the end of 30 September 2015.

Rules 5 to 16 set out the terms and benefits for Service in the Defined Benefit Section. Rules 17 to 24 apply to Members of the Defined Benefit Section only if they are also entitled to benefits in respect of Service in the Defined Contribution Section.

3.3 Defined Contribution Section

All Members in Service are accruing benefits in the Defined Contribution Section of the Bank Section.

Rules 17 to 24 set out the terms and benefits for Service in the Defined Contribution Section. Rules 5 to 16 apply to Members of the Defined Contribution Section only if they are also entitled to benefits in respect of Service in the Defined Benefit Section.

3.4 Switching between the Defined Benefit Section and the Defined Contribution Sections

A Member cannot switch to the Defined Benefit Section.

Any Members who were in Service in the Defined Benefit Section of the Scheme at the end of 30 September 2015 and continued in Service after that date are treated as having switched to the Defined Contribution Section with effect from 1 October 2015.

Any Members who switched from employment with a Group Employer to the Bank in the period between 1 October 2015 and the end of 28 October 2015 and who continued in Service are treated as having switched to the Defined Contribution Section with effect from the date their employment commenced with the Bank.

A Member who has switched from one section to the other is treated as having left Service so far as the first section is concerned. However, unless the Bank agrees otherwise:

3.4.1 no pension or lump sum will be paid to the Member before the Member leaves all Service in the Bank Section;

3.4.2 the Member will be entitled to a preserved pension or preserved benefits under the first section based on his or her Service in that section; and

3.4.3 if the Member dies in Service after switching, the Trustee will provide preserved benefits for Service in the first section based on his or her Service in that section.

Note: For the avoidance of doubt, references to "Service" in this Rule 3 includes Service in the Defined Benefit Section or the Defined Contribution Section of the Scheme, as appropriate, prior to the Scheme being sectionalised.

4 Contributions by the Employers

Each Employer must contribute to the Bank Section in respect of Members who are or have been employed by it.

The Bank will decide the amount of each Employer's contributions and the dates of payment, after considering actuarial advice. However, if and to the extent required by Part 3 of the Pensions Act 2004 (scheme funding), the Bank will agree the total amount of the Employers' contributions and the dates of payment with the Trustee.

Unless the Trustee has made a written notification pursuant to Clauses 43 or 45 of the Heads of Terms that de-sectionalisation will not occur, before making any changes to the funding basis, recovery plan or schedule of contributions for the Bank Section the Bank and the Trustee must consult with the Group prior to reaching agreement on such changes in accordance with Clauses 32 and 33 of the Heads of Terms.

Defined Benefit Section of the Bank Section

Rules 5 to 16 set out the terms and benefits for Service in the Defined Benefit Section of the Bank Section.

5 Contributions by Members

5.1 Basic contributions by Members

The Defined Benefit Section is closed to future benefit accrual.

5.2 Additional voluntary contributions by Members

Members in Service in the Defined Benefit Section of the Scheme were able to pay **AVCs** to the Scheme until the end of 30 September 2015.

Each Member's AVCs are invested separately from all the other assets of the Bank Section. The proceeds will be used to provide money purchase benefits for, or in respect of, the Member. These benefits will be additional to the other benefits under the Defined Benefit Section, and will be in a form agreed between the Member and the Trustee. However, unless the Trustee and the Bank agree otherwise, any pension must be secured with an annuity contract (and the Member must be given the opportunity to select the insurance company); and no more than 25% of the proceeds can be paid as a lump sum benefit, except on the Member's death or if the Trustee and the Bank agree otherwise.

6 Pensions for Members

Note: This Rule 6 applied to Members who started to receive a pension on or before 30 September 2015 and immediately upon leaving Service in the Defined Benefit Section of the Scheme.

There are no longer any Members to whom this Rule applies. However, Rule 6.1 (retirement at Normal Retirement Date) is referred to in other Rules so is retained for reference purposes.

6.1 Retirement at Normal Retirement Date

Calculation of pension

A Member who leaves Service at Normal Retirement Date will be entitled to a pension for life at a yearly rate equal to the total of the PACE Credits and the Revaluation Increases credited to the Member.

Note: Members of a Former Scheme will receive an extra amount of pension in respect of their membership of the Former Scheme, as described in Rule 16 (people who transferred from a Former Scheme). PACE Credits and Revaluation Increases will be credited only for Service in the Defined Benefit Section.

PACE Credits and Revaluation Increases will be credited to a Member as described below.

PACE Credits

For each Benefit Year in which the Member is in Service in the Defined Benefit Section, the Member will be credited with a "**PACE Credit**" equal to 1/60th of Pensionable Earnings received in that Benefit Year.

A PACE Credit will be credited even if the Member has been in Service in the Defined Benefit Section during only part of a Benefit Year. The last PACE Credit will be credited for the Benefit Year in which the Member leaves Service in the Defined Benefit Section or dies (whichever occurs first).

Note: All Members in employment with the Bank immediately prior to 1 October 2015 are treated as switching to the Defined Contribution Section with effect from 1 October 2015.

Pensionable Earnings received after switching to the Defined Contribution Section do not count when calculating PACE Credits under the Defined Benefit Section.

Revaluation Increases

On each 6 April (except the first) after joining the Defined Benefit Section, the Member will be credited with a "**Revaluation Increase**" equal to the Revaluation Percentage of the total amount of the PACE Credits and Revaluation Increases credited to the Member for Benefit Years ending more than 12 months before that 6 April. However, no Revaluation Increase will be credited to the Member on any 6 April after the Member's pension starts.

Note: For some Members who joined the Scheme on 6 April 2006 and were active members of the Co-operative Group (CWS) Limited Pension Fund immediately before joining the Scheme, Pensionable Earnings were reduced by an amount equal to the lower earnings limit for National Insurance contributions, as described in the previous Rules.

7 Retirement lump sum

A Member may give up pension for a lump sum payable when the pension is due to start but must keep a pension at least equal to his or her GMP. The Member may choose a lump sum of any amount up to the maximum permitted as a "pension commencement lump sum" under Part 4 of the Finance Act 2004.

The Trustee will convert pension to lump sum on a basis agreed between the Bank and the Trustee after considering actuarial advice.

8 Lump sum payable on Member's death

8.1 Circumstances where a benefit is payable

A lump sum death benefit will be paid if a Member dies:

8.1.1 within 5 years after starting to receive a pension; or

8.1.2 with a preserved pension that has not started (unless a pension is payable under Rule 9.3 (Member dies with a preserved pension)).

The benefit will be calculated as described in whichever of Rule 8.2 (Member dies after pension starts) or 8.3 (Member dies with a preserved pension) applies and paid as described in Rule 25 (payment of lump sum death benefits).

However, no lump sum death benefit will be paid if there are no surviving Beneficiaries when the Member dies.

8.2 Member dies after pension starts

If the Member dies within 5 years after starting to receive a pension, a lump sum will be paid equal to the pension payments which would have been made during the remainder of the 5 year period if the Member had not died (but disregarding any future increases).

8.3 Member dies with a preserved pension

If the Member dies with a preserved pension that has not started and no pension is payable under Rule 9.3 (Member dies with a preserved pension), a lump sum will be paid equal to the Member's own contributions to the Scheme, with accumulated interest at 4% a year compound (or such other rate as may be agreed between the Bank and the Trustee).

9 Pensions for Qualifying Partners and Dependants

9.1 Circumstances where a benefit is payable

If a Member dies leaving a surviving Qualifying Partner, the Qualifying Partner will receive a pension for life. However, in cases where:

9.1.1 there is a legally recognised spouse or civil partner:

9.1.2 that spouse or civil partner was neither living with nor dependent upon the Member at the date of the Member's death; and

9.1.3 there is a Dependant who would, but for there being a legal spouse or civil partner qualify as a Qualifying Partner,

a pension will be paid to the legal spouse or civil partner only if the Trustee sees fit. In such cases the Member will be treated as having more than one Qualifying Partner and the pension will be paid to one or more of them in such shares as the Trustee decides.

The pension will be calculated as described in whichever of Rule 9.2 (Member dies after pension starts) or 9.3 (Member dies with a preserved pension) applies. However, if the Qualifying Partner was more than 10 years younger than the Member, the Trustee may reduce the pension by such amount as it decides after taking actuarial advice.

If there is more than one Qualifying Partner, any pension will be paid to one or more of them in such shares as the Trustee decides.

If the Member does not leave a Qualifying Partner, the Trustee may (but need not) pay a pension to one or more of the Member's Dependants for such period as the Trustee decides. The Trustee may calculate the pension as described in whichever of Rule 9.2 (Member dies after pension starts) or 9.3 (Member dies with a preserved pension) applies, or may pay a smaller pension.

9.2 Member dies after pension starts

If the Member dies after starting to receive a pension, the pension will be equal to one-half of the pension payable to the Member at the date of death or, if the Member gave up pension for a lump sum on retirement, one-half of the pension that would have been payable if the Member had not done so.

9.3 Member dies with a preserved pension

If the Member dies with a preserved pension that has not started, the pension will be equal to one-half of the Member's preserved pension described in Rule 11 (early leavers – preserved pension), including Revaluation Increases up to the last 6 April before the Member's death.

10 Pensions for Qualifying Children

10.1 Circumstances where a benefit is payable

It may be that a Member:

10.1.1 dies after starting to receive a pension for Service in the Defined Benefit Section; and

10.1.2 leaves one or more surviving Qualifying Children.

If so, a children's pension will be paid. However, no pension will be paid under this Rule if the Member does not leave a Qualifying Partner and the Trustee decides to pay a pension to one or more of the Member's Dependants under Rule 9 (pensions for Qualifying Partners and Dependants).

"**Qualifying Children**" are the Member's children (including any conceived but unborn when the Member dies); the Member's stepchildren, but only if they are financially dependent on the Member when the Member dies; and children legally adopted by the Member. These children remain Qualifying Children for so long as they are under age 18. However, the Trustee may treat a child who has reached age 18 as a Qualifying Child if the child is under age 23 and in full-time education or training approved by the Trustee.

The pension will be calculated as described in Rule 10.2 (amount of children's pension).

If there is more than one Qualifying Child, the pension will be paid to one or more of the Qualifying Children, or used for their benefit, in such shares as the Trustee decides from time to time. The pension will stop when there is no remaining Qualifying Child.

10.2 Amount of children's pension

The children's pension will be equal to one-sixth of the pension payable to the Member at the date of death or, if the Member gave up pension for a lump sum on retirement, one-sixth of the pension that would have been payable if the Member had not done so.

Note: No children's pension is payable if a Member dies with a preserved pension that has not started.

11 Early leavers – preserved pension

A Member who leaves Service before Normal Retirement Date without becoming entitled to an immediate pension will receive a pension for life from Normal Retirement Date.

The pension from Normal Retirement Date will be calculated as described in Rule 6.1 (retirement at Normal Retirement Date) and will include any Revaluation Increases credited to the Member between leaving Service in the Defined Benefit Section and Normal Retirement Date.

12 Choices for early leavers

12.1 Right to transfer or buy-out

A Member who leaves Service with a preserved pension at least a year before Normal Retirement Date can require the Trustee to use the cash equivalent of his or her benefits (including death benefits) to buy one or more annuities, or to acquire rights under another occupational pension scheme or a personal pension scheme, in accordance with the Transfer Value Laws.

12.2 Early pension

If the Trustee consents, a Member who leaves all Service in the Bank Section and who is entitled to a preserved pension may choose to start receiving it before Normal Retirement Date (but not before reaching age 55, unless the Member is suffering from Total Incapacity or, in the circumstances set out in Note 1 below, Partial Incapacity). However:

12.2.1 Members who joined the Scheme on 6 April 2006 and were active members of the CIS Employees' Pension Scheme immediately before joining the Scheme may choose an early pension from age 50 without the consent of the Trustee;

12.2.2 Members may choose an early pension from age 60 without the consent of the Trustee if they joined the Scheme on 6 April 2006 and were active members of The Co-operative Bank Pension Scheme immediately before joining the Scheme;

12.2.3 Members who leave all Service in the Bank Section without becoming entitled to immediate benefits but who are entitled to a preserved pension may choose to start receiving it before Normal Retirement Date, if the Trustee consents (but not before reaching age 55, unless the Member is suffering from Total Incapacity);

Note 1: Members who leave all Service in the Bank Section because of Total or Partial Incapacity, and who are entitled to a preserved pension, may, if the Trustee consents, choose to start receiving immediate benefits on leaving Service, regardless of age.

Note 2: Rule 3.4.1 allows the Bank to waive the requirement for the Member to have left all Service in the Bank Section.

The pension will be reduced for early payment on a basis agreed between the Bank and the Trustee after considering actuarial advice.

12.3 Late pension

A Member entitled to a preserved pension may, with the consent of the Trustee, choose to start receiving it after Normal Retirement Date (but not after reaching age 75). If the Member's pension starts after Normal Retirement Date, it will be increased on a basis agreed between the Bank and the Trustee after considering actuarial advice.

If the Member chooses a late pension and subsequently dies on or after Normal Retirement Date and before the pension starts, the Trustee will provide death benefits under Rules 8 (lump sum payable on Member's death), 9 (pensions for Qualifying Partners and Dependants) and 10 (pensions for Qualifying Children) as if the Member had retired on the day before his or her death without giving up any pension for a retirement lump sum.

The Trustee must be reasonably satisfied that the benefits (including death benefits) for a Member who chooses a late pension are at least equal in value to the benefits that would otherwise have been provided for the Member under the Bank Section.

12.4 Choices at retirement

A Member entitled to a preserved pension may choose to give up pension for a lump sum, as described in Rule 7 (retirement lump sum).

13 Early leavers rejoining

A Member cannot rejoin the Defined Benefit Section.

14 Members away from work

The Rules of the Defined Contribution Section apply to Members who are away from work on or after 1 October 2015.

Note: Members who were away from work before 1 October 2015 will receive benefits for the period for which they are away from work in accordance with the Rules in force prior to 1 October 2015.

15 General rules about pensions for Service in the Defined Benefit Section

15.1 Payment of pensions

Pensions for Service in the Defined Benefit Section are payable at such intervals, and in advance or arrears, as the Trustee decides from time to time.

If pensions are payable in advance and the pensioner dies before the end of the period for which payment has been made, the Trustee may require repayment of all or part of any amount attributable to the period following the pensioner's death.

15.2 Pension increases

Dates of increases

Pensions in payment for Service in the Defined Benefit Section will increase in each year on a date agreed between the Bank and the Trustee.

The intervals between increases will not exceed 12 months.

Rates of increases

Each pension in payment will increase in each year by the lower of:

15.2.1 the percentage increase in the retail prices index during a reference period agreed between the Bank and the Trustee; and

15.2.2 2.5%.

If an interval between increases is less than 12 months, the increase will be an appropriate proportion of the full increase described above.

Pensions to which the Rule does not apply

The increases described above in this Rule do not apply to any pension or part of a pension which is derived from additional voluntary contributions, or provided under Rule 16 (people who transferred from a Former Scheme), Rule 31.3 (discretionary benefits) or Rule 32.1 (transfers from other pension schemes and arrangements). Those pensions will increase in accordance with the terms on which they were granted.

Discretionary increases

Pensions will be reviewed regularly and may be increased (if they would not otherwise increase) or further increased by such amount and at such times as the Trustee decides, with the consent of the Bank.

16 People who transferred from a Former Scheme

Benefits will be provided under the Bank Section for Members for whom a transfer payment has been made from a Former Scheme to the Scheme. These benefits will be the same (in amount, terms and options for payment) as the person's entitlement or accrued rights under the Former Scheme immediately before the transfer was made (except that, if the Trustee would otherwise be required to make a payment that would be "unauthorised" by virtue of Section 160 of the Finance Act 2004, the payment will be treated as discretionary and will not be made unless the Trustee and the Bank agree otherwise). For this purpose, all members of a Former Scheme who were active members on 5 April 2006 will be treated as having left service and become deferred members of the Former Scheme on that date.

However, the benefits provided in respect of the transfer payment from the Former Scheme are modified in the case of Members who joined the Scheme on 6 April 2006 and were active members of a Former Scheme immediately before joining the Scheme.

The modifications for Members who were in Service in the Defined Benefit Section of the Scheme until the end of 30 September 2015 and joined the Defined Contribution Section from 1 October 2015 are as follows (despite the fact that these Members are otherwise treated as having left Service in the Defined Benefit Section of the Scheme as from the end of 30 September 2015), namely:

16.1.1 the benefits provided in respect of the transfer payment from the Former Scheme (including any benefits payable on the Member's death) will, if and to the extent that they would have been increased by reference to increases in the Member's earnings if the Member had remained an active member of the Former Scheme, be increased under the Bank Section by the greatest of the following amounts, namely:

(a) the same earning-related increases as would have applied under the Former Scheme if the Member had remained an active member of the Former Scheme until the end of 30 September 2015; *plus* the increases that would then have applied under the Former Scheme if the Member had left pensionable service and become a deferred member of the Former Scheme at the end of 30 September 2015; and

(b) the increases that would have been required by the Revaluation Laws if those Laws had applied for the period from 6 April 2006 to the end of 30 September 2015; *plus* the increases that would then have applied under the Former Scheme if the Member had left pensionable service and become a deferred member of the Former Scheme at the end of 30 September 2015;

16.1.2 any benefits provided in respect of the transfer payment from the Former Scheme that would have been provided under the Former Scheme by reference to a normal retirement date other than the Member's Normal Retirement Date will be provided under the Bank Section by reference to the same date as under the Former Scheme, and will be adjusted for earlier or later payment as provided for under the Former Scheme or, if there is no such provision, by an amount decided by the Trustee after considering the terms of the Former Scheme and taking actuarial advice;

16.1.3 if a Member had a right to take (or request) any benefits from a Former Scheme at a date earlier than his or her Normal Retirement Date, the Member will have a right to take (or request) his or her benefits under the Bank Section at that earlier date, subject to the same conditions (and so long as payment of the benefits at the earlier date is "authorised" for a registered pension scheme by Part 4 of the Finance Act 2004). However, the Member must choose to take any benefits accrued under the Scheme at the same time, and the benefits accrued under the Scheme will be adjusted for early payment as described in these Rules;

16.1.4 on a Member's death in Service, the lump sum death benefit payable under Rule 20.1 (benefits on death in Service) will be reduced by the amount of any refund of contributions payable in respect of the transfer payment from the Former Scheme;

16.1.5 a Member's contracted-out employment under the Former Scheme and the Scheme was treated as continuous, as required by the Contracting-out Laws.

Also in spite of the above, the benefits provided in respect of the transfer payment from a Former Scheme will be paid as described in these Rules. In other words, the following Rules will apply in place of any corresponding provisions of the Former Scheme:

(a) Rule 15 (general rules about pensions for Service in the Defined Benefit Section), except for the part of Rule 15.2 (pension increases) about the rates of guaranteed pension increases, which for Former Scheme benefits will be as under the Former Scheme;

(b) Rules 25 to 33;

(c) General Rules 1 to 9.

For the avoidance of doubt, any reference in a Former Scheme to the trustees shall, for the purpose of this Rule, be treated as a reference to the Trustee; and any such reference to an employer shall be treated as a reference to the corresponding Employer or (if there is no corresponding Employer) to the Bank.

The Former Schemes were approved under Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 (retirement benefit schemes). As a condition of this approval, the Former Schemes were subject to various requirements, including limits on the benefits and contributions that could be paid. These limits will continue to apply to benefits provided under the Bank Section in respect of the transfer payments from the Former Schemes, except where these Rules specifically say otherwise or the Bank and the Trustee agree otherwise. The details of these limits are contained in previous legislation, and in IR12(2001) "Practice Notes on the Approval of Occupational Pension Schemes".

Defined Contribution Section of the Bank Section

Rules 17 to 24 set out the terms and benefits for Service in the Defined Contribution Section.

17 Contributions by Members

17.1 Basic contributions by Members

Each Member in Service must contribute to the Bank Section at the rate of at least:

17.1.1 2% of Pensionable Earnings from 6 April 2018 to 5 April 2019;

17.1.2 3% of Pensionable Earnings from 6 April 2019.

A Member may contribute a greater amount up to a maximum of 8% of Pensionable Earnings (or such other amount as the Employer and the Trustee may agree). However, any greater amount of contributions must be a full percentage of the Member's Pensionable Earnings.

A Member in Service may elect to change the rate of his or her contributions by giving notice to his or her Employer and the Trustee. The Employer may decide from time to time to restrict the ability of a Member to change his or her contributions in which case the Employer will notify the Trustee and the Member in writing.

The Employer will deduct each Member's contributions from the Member's earnings and pay them to the Trustee.

Note: In the case of Members who participate in Salary Sacrifice, this Rule is modified as described in Rule 28.2 ("Salary Sacrifice" for Member's contributions).

17.2 Additional voluntary contributions by Members

If the Bank agrees, a Member in Service may also choose to pay additional voluntary contributions to the Bank Section on a basis agreed with the Trustee.

These voluntary contributions will be credited to the Member's Retirement Account and the proceeds will be used to provide additional benefits for, or in respect of, the Member.

18 Member's Retirement Account

18.1 Calculation of Member's benefits

The value of the benefits provided for each Member's Service in the Defined Contribution Section will be determined by reference to the value of the Member's Retirement Account at the date on which the benefits are provided.

18.2 Credits to Retirement Accounts

The Trustee will credit to each Member's Retirement Account:

18.2.1 an amount equal to the Member's basic and voluntary contributions under Rule 17 (contributions by Members);

18.2.2 a further amount equal to:

(a) 3% of Pensionable Earnings if the Member is contributing 2%;

(b) 5% of Pensionable Earnings if the Member is contributing 3%;

(c) 8% of Pensionable Earnings if the Member is contributing 4%; and

(d) 10% of Pensionable Earnings if the Member is contributing 5% or more; and

18.2.3 an amount equal to any assets or surrender values accepted by the Trustee in respect of the Member under Rule 32.1 (transfers from other pension schemes and arrangements).

Note: The amounts described in Rule 18.2.2 are "**employer contributions**".

18.3 Allocation of expenses

The Trustee will deduct from each Member's Retirement Account a fair share (as determined by the Trustee) of any expenses of the Defined Contribution Section that are not paid by the Employers or from the general assets of the Bank Section.

18.4 Investment options

Members may choose to link the value of their Retirement Accounts to one or more investment options offered by the Trustee from time to time. If a Member does not choose an investment option, the Trustee will choose for the Member. The value of each Member's Retirement Account will fluctuate in line with changes in the value of the investment option or options to which the Retirement Account is linked.

If the Trustee allows, Members may switch between the available investment options offered by the Trustee. Switching may apply to amounts already credited to Retirement Accounts, as well as for amounts to be credited in future. Switching will be subject to any restrictions or conditions that the Trustee may impose from time to time.

The Trustee may at any time change the investment options available under the Bank Section. In particular, the Trustee may withdraw any investment option at any time, for amounts already credited to Retirement Accounts, as well as for amounts to be credited in future. If the Trustee withdraws an investment option and a Member does not choose a replacement from the options offered by the Trustee, the Trustee will choose for the Member.

The Trustee is not responsible for the performance of any investment option, and will not be liable for any loss arising from any choice of any investment option.

18.5 No segregation of assets within the Bank Section

The credit of assets to a particular Member's Retirement Account, and the linking of a Retirement Account to the value of particular investments, is for benefit calculation purposes only. The assets of the Bank Section are held as a common trust fund from which all the benefits of the Bank Section are provided. No Member or other person entitled to benefits is entitled to any specific assets of the Bank Section.

19 Member's retirement benefits

19.1 Date when benefits start

Taking benefits at or after Normal Retirement Date

If a Member leaves Service on or after reaching Normal Retirement Date, the Trustee will provide immediate benefits for the Member on leaving. However, if the Member asks to defer receiving benefits until a later date, the Trustee will provide benefits at that later date.

Taking benefits before Normal Retirement Date

A Member who leaves Service before reaching Normal Retirement Date may choose to receive immediate benefits on leaving, but only if:

19.1.1 the Member has reached age 55; or

19.1.2 paragraph 22 or 23 of Schedule 36 to the Finance Act 2004 applies (rights to take benefit before normal minimum pension age) and the Member has reached his or her "**protected pension age**" (as defined in paragraph 21 of that Schedule); or

19.1.3 the Trustee is satisfied, after receiving evidence from a registered medical practitioner, that the Member is suffering from Partial or Total Incapacity.

19.2 Form of benefits

The Trustee will use a Member's Retirement Account to provide benefits in one or more of the following forms, as chosen by the Member or, if the Member does not make a choice when asked to do so by the Trustee, as the Trustee considers appropriate:

19.2.1 a pension payable to the Member;

19.2.2 a lump sum for the Member when the Member's pension starts;

19.2.3 benefits payable on the Member's death.

These benefits must all be authorised for the purposes of Part 4 of the Finance Act 2004.

If the Trustee agrees, the Member may choose benefits in some other form so long as the benefits are authorised for the purposes of Part 4 of the Finance Act 2004. These benefits may include taking the whole value of the Member's Retirement Account as a lump sum.

If the Member does not make a choice, the Trustee may choose for the Member.

20 Benefits on Member's death

20.1 Benefits on death in Service

In this Rule, "**Life Assurance Earnings**" means the greater of (a) the Member's Pensionable Earnings received in the last 12 months before the date of death and (b) the yearly rate of the Member's basic pay at the date of death.

Employees of an Employer who die before reaching age 75

If a Member dies in Service before reaching age 75 the Trustee will provide the following lump sum death benefits:

20.1.1 a standard lump sum equal to 3 times Life Assurance Earnings; and

20.1.2 a further lump sum equal to 3 times Life Assurance Earnings if the Member:

(a) switched from the Defined Benefit Section to the Defined Contribution Section with effect from 1 October 2015 (when the Defined Benefit Section was closed to accrual for Members in employment with the Bank); and

(b) dies leaving a surviving Qualifying Partner, or one or more surviving Qualifying Children or another surviving Dependant.

Minimum lump sum payable on death before reaching age 75

If the lump sums payable on any Member's death in Service before reaching age 75 are less in total than £5,000 (or such other amount as the Employer may direct before the Member dies), the Trustee will increase the total to £5,000 (or the other amount).

Benefits from the Member's Retirement Account

The benefits under this Rule are payable in addition to any benefits under Rule 20.2 (benefits on death before retirement). If a Member dies in Service after reaching age 75, the Trustee will provide benefits only as described in Rule 20.2 (benefits on death before retirement).

Conditions that apply to all benefits under this Rule

The benefits must all be authorised for the purposes of Part 4 of the Finance Act 2004.

All lump sums will be paid as described in Rule 25 (payment of lump sum death benefits).

20.2 Benefits on death before retirement

If a Member dies before starting to receive benefits under the Defined Contribution Section, the Trustee will use the Member's Retirement Account to provide benefits in one or both of the following forms, as the Trustee considers appropriate:

20.2.1 a lump sum payable as described in Rule 25 (payment of lump sum death benefits);

20.2.2 a pension or pensions for one or more of the Member's Qualifying Partner, Qualifying Children and Dependants.

The benefits must all be authorised for the purposes of Part 4 of the Finance Act 2004.

20.3 Benefits on death after retirement

If a Member dies after starting to receive benefits under the Defined Contribution Section, the Trustee will provide the benefits chosen when the Member retired.

If the benefits were secured with an annuity contract before the Member died, any benefits on death will be as provided for under the contract.

21 Early leavers

21.1 Preserved benefits

A Member who leaves Service without becoming entitled to immediate benefits will remain entitled to preserved benefits under the Bank Section if the Member has completed at least 30 days' Qualifying Service. If the Member remains entitled to benefits, the Trustee will use the Member's Retirement Account to provide benefits for the Member, as described in Rule 19 (Member's retirement benefits), on the Member's Normal Retirement Date. However:

21.1.1 if the Member asks to defer receiving benefits until a later date, the Trustee will provide benefits at that later date;

21.1.2 the Member can choose to receive benefits before Normal Retirement Date if he or she satisfies one of the conditions for doing so under Rule 19.1 (date when benefits start); and

21.1.3 if the Preservation Laws allow, the Trustee can use a Member's Retirement Account to buy one or more annuities with an insurer in accordance with Rule 32.2 (transfers to other pension schemes and arrangements).

However, a Member of a Former Scheme who has a right to take benefits from the Defined Benefit Section of the Bank Section before age 55, or without the Trustee's consent in accordance with Rule 12.2 (early pension), may choose to receive benefits from the Defined Contribution Section at the same age.

If the Member dies before starting to receive benefits under the Defined Contribution Section of the Bank Section, death benefits will be provided as described in Rule 20.2 (benefits on death before retirement).

21.2 Refund of contributions

A Member who leaves Service without becoming entitled to immediate or preserved benefits will receive a refund of:

21.2.1 his or her own basic contributions to the Bank Section; and

21.2.2 if the Member has paid additional voluntary contributions, the proceeds (after adjustment in line with fluctuations in the value of the investment option or options to which the Member's Retirement Account is linked) of those contributions.

The Trustee will deduct tax at 20% or such other rate as applies from time to time. However, the amount of the refund will not exceed that which would be an authorised payment under the Finance Act 2004.

22 Right to transfer or buy-out

A Member who leaves Service with preserved benefits before reaching Normal Retirement Date can require the Trustee to use his or her Retirement Account to buy one or more annuities, or to acquire rights under another occupational pension scheme or a personal pension scheme, in accordance with the Transfer Value Laws.

23 Members away from work

23.1 General principle

Members who are away from work will normally be treated as having left Service if they stop receiving contractual pay from the Employers. However, the Bank may direct the Trustee to treat any Member who is away from work or on secondment as still in Service, for some or all purposes of the Bank Section, for so long as it thinks fit.

23.2 Family leave

In this Rule 23.2, the terms in bold mean the same as in the Employment Rights Act 1996.

The Trustee will continue to make regular credits to the Member's Retirement Account, in accordance with Rule 18.2 (credits to Retirement Accounts), during:

23.2.1 a Member's "**ordinary maternity leave**", "**ordinary adoption leave**" or "**ordinary paternity leave**"; and

23.2.2 any period of paid absence that (for the purposes of Schedule 5 to the Social Security Act 1989) is a period of maternity leave, adoption leave, paternity leave or absence from work for other family reasons.

A Member who receives pay from the Employer for these periods must pay contributions on the pay received.

The amounts credited under Rule 18.2.2 for ordinary and paid maternity, adoption and paternity leave and for paid "**shared parental leave**" will be calculated as if the Member was working normally and receiving the normal pay for doing so. The Employer's decision as to the Member's normal pay for these periods will be final.

The amounts credited under Rule 18.2.2 during any other period of paid family leave will normally be based on the pay received.

The Employer may direct the Trustee not to apply any credits for a Member during any period of unpaid "**additional maternity leave**", "**additional adoption leave**", "**additional paternity leave**", "**shared parental leave**" or "**parental leave**". However, the Member will still be covered for benefits under Rule 20.1 (benefits on death in Service), until the end of the period. If the Member dies during the period, the benefits payable under Rule 20.1 (benefits on death in Service) will be calculated as if the Member were working normally at the date of death and receiving the normal pay for doing so.

24 General rules about pensions for Service in the Defined Contribution Section of the Bank Section

24.1 Securing pensions with an insurance company

The Trustee will secure all pensions under the Defined Contribution Section by buying annuity contracts from an insurance company, unless the Bank agrees otherwise.

An annuity contract may be bought in the Trustee's name, or in the name of the Member or other person entitled to the benefit. If a contract is bought in the Trustee's name, the Trustee may transfer it to the Member or other person at any time.

The Trustee must allow the Member a reasonable opportunity to choose the insurance company. If the Member dies before retirement, the Trustee must allow the person entitled to the pension a reasonable opportunity to choose the insurance company. The Trustee will choose the insurance company if the Member or other person does not make a choice.

If a Member chooses to provide a pension for a spouse, civil partner, child or Dependant on the Member's death after retirement, the Trustee will normally secure that pension at the same time as they secure the Member's pension. However, the Trustee may secure the survivor's pension at a later date, if permitted under Part 4 of the Finance Act 2004.

24.2 Paying pensions from the Bank Section

If the Bank agrees, the Trustee may provide any pension from the assets of the Bank Section. The Trustee will then calculate the amount of the pension after taking actuarial advice.

However, before providing a pension from the assets of the Bank Section, the Trustee must allow the Member a reasonable opportunity to choose an insurance company to provide the pension. If the Member has died before retirement, the Trustee must allow the person entitled to the pension a reasonable opportunity to choose an insurance company.

Pensions paid from the assets of the Bank Section will be paid at such intervals, and in advance or arrears, as the Trustee decides from time to time. If a pension is payable in advance and the pensioner dies before the end of the period for which payment has been made, the Trustee may require repayment of all or part of any amount attributable to the period following the pensioner's death.

24.3 Pension increases

Pensions that are secured with an annuity contract will increase in payment at a rate (if any) chosen by the Member or, if the Member dies before starting to receive benefits under the Defined Contribution Section, at a rate chosen by the Trustee.

Pensions provided from the assets of the Bank Section will increase in payment at a rate decided by the Trustee when calculating the amount of the pension under Rule 24.2 (paying pensions from the Bank Section).

General rules applicable to all Members and benefits in the Bank Section

Rules 25 to 33 apply to all Members and benefits in the Defined Benefit Section and the Defined Contribution Section.

25 Payment of lump sum death benefits

The Trustee will pay any lump sum death benefit to such one or more of the Beneficiaries as it considers appropriate. If the Trustee decides to pay the benefit to more than one of the Beneficiaries, it will pay the benefit in such shares as it decides.

The "**Beneficiaries**" are:

25.1.1 the Member's surviving Qualifying Partner, and any other former Qualifying Partner of the Member;

25.1.2 any ancestors and descendants (including stepchildren) of the Member, or of any former Qualifying Partner of the Member, and the Qualifying Partners and former Qualifying Partners of those ancestors and descendants;

25.1.3 any other descendants (including stepchildren) of the grandparents of the Member, or of any former Qualifying Partner of the Member; and any Qualifying Partners and former Qualifying Partners of those descendants;

25.1.4 the Member's Dependants and any other person who, in the opinion of the Trustee, has at any time received financial support from the Member, or who was, at the date of the Member's death, a person for whom the Member was under a legal or moral obligation to make financial provision;

25.1.5 any person, charity or club with an interest in the Member's estate (but not including the Crown, the Duchy of Lancaster or the Duke of Cornwall);

25.1.6 any person, charity or club nominated by the Member in writing to the Trustee or to the trustees of a Former Scheme or the trustees of an Acquired Scheme; and

25.1.7 the Member's legal personal representatives.

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

So long as only Beneficiaries can become entitled to the benefit, the Trustee may:

(a) direct that all or part of the lump sum be held by itself or other trustees on such trusts (including discretionary trusts) and with such powers and provisions (including powers of selection and variation) as the Trustee sees fit; or

(b) pay all or part of the lump sum to the trustees of any other existing trust.

If the Trustee does not pay the benefit within 6 months after the Member's death, the Trustee may add interest to the benefit at such rate as it decides.

If the Trustee cannot pay the benefit within 2 years after being told of the Member's death, it will transfer the benefit to a separate account outside the Scheme and pay it under this Rule as soon as possible afterwards.

26 Ceasing to be eligible

A Member in Service will cease to be eligible for membership of the Bank Section if the Member's contract of service is varied so that he or she is no longer eligible for membership.

The Member will be treated as having left Service on ceasing to be eligible. However, unless the Bank agrees otherwise, a Member with a preserved pension cannot choose an early pension under Rule 12.2 (early pension) or 21.1 (preserved benefits) before actually leaving Service.

27 Opting out

A Member may at any time opt out of the Bank Section by giving at least 30 days' notice to the Employer and the Trustee. The Member will be treated as having left Service at the end of the pay period in which the notice expires, except that:

27.1.1 if the Member gives a valid opt-out notice under Section 8 of the Pensions Act 2008 (jobholder's right to opt out), the Trustee and the Employer will take appropriate action so that the Member is treated as if he or she had never been included in the Bank Section;

27.1.2 the Bank and the Trustee may agree still to include the Member in the Bank Section for death-in-service benefits as described in Rule 2.2 (life assurance only members);

27.1.3 unless the Bank agrees otherwise, no pension or retirement lump sum will be paid to the Member until the Member actually leaves Service (or reaches age 75, if earlier), unless the Member has a right to choose benefits between Normal Retirement Date and leaving Service under Rule 16 (people who transferred from a Former Scheme).

If the Member is entitled to a preserved pension for Service in the Defined Benefit Section and the pension starts after Normal Retirement Date, it will be increased on a basis agreed between the Bank and the Trustee after considering actuarial advice.

A Member who opts out may rejoin the Bank Section only with the specific permission of the Bank and the Trustee. The Bank and the Trustee may agree to allow the Employee to rejoin the Bank Section either on normal terms or only on special terms.

However, a Member who opts out will be included in the Bank Section automatically from the next re-enrolment date if Chapter 1 of the Pensions Act 2008 (employers' duties) requires the Employer to make arrangements for the Member to again become an active member of an automatic enrolment scheme. This will happen unless the Member gives a valid opt-out notice under Section 8 of that Act (Jobholder's right to opt out).

28 Special provisions for certain Members

28.1 Members who left Service before the Effective Date

The benefits for Members who left Service before the Effective Date (and the benefits payable on their deaths) will be as described in the Rules in force previously from time to time. However, the current Rules about paying pensions from the Bank Section, the General Rules and Rules 25 to 33 of these Section Rules, will apply in place of any corresponding pensions provisions of the Scheme. In particular, Rule 29.5 (tax status of the Scheme) will apply so that, if the Trustee would otherwise be required to make a payment that would be "unauthorised" by virtue of Section 160 of the Finance Act 2004, the payment will be treated as discretionary and will not be made unless the Trustee and the Bank agree otherwise (which they need not do).

28.2 "Salary Sacrifice" for Member's contributions

Members who participate in "Salary Sacrifice" for Members' pension contributions accept a reduction in their pay in return for non-contributory membership of the Bank Section. The reduction in each Member's pay is equal to the basic contributions that the Member would otherwise be required to pay under Rule 17.1 (basic contributions by Members). Members who participate in Salary Sacrifice are not required to pay basic contributions.

To ensure that a Member's benefits are not affected:

28.2.1 **"Pensionable Earnings"**, at any date and for any period while a Member participates in Salary Sacrifice for pension contributions, will include the amount by which the Member's Pensionable Earnings are reduced;

28.2.2 the amounts credited to the Member's Retirement Account under Rule 18.2 (credits to Retirement Accounts) will include an amount equal to any basic contributions that the Member would have paid if they had not participated in Salary Sacrifice for pension contributions; and

28.2.3 when calculating any benefit under Rule 8.3 (Member dies with a preserved pension), Members will be treated as having paid contributions equal to those they would have paid if they had not participated in Salary Sacrifice for pension contributions. However, this does not apply to any refund of contributions for an early leaver under Rule 21.2 (refund of contributions).

28.3 Members with more than one contract of employment

It may be that a Member has more than one contract of employment with the Employers (whether with the same Employer or different Employers) at the same time. If so, the Trustee will calculate the benefits for Service under each contract separately (as if each contract were for Service by different members) unless the Bank directs otherwise.

However, the Member's continuous Service under all contracts will be taken into account when calculating the Member's Qualifying Service.

28.4 Members who have been employed in Jersey, Guernsey and the Isle of Man

Tax approval

The Scheme is designed for tax approval in:

28.4.1 Jersey insofar as it relates to a Member who is or has been employed in Jersey;

28.4.2 Guernsey insofar as it relates to a Member who is or has been employed in Guernsey; and

28.4.3 the Isle of Man insofar as it relates to a Member who is or has been employed in the Isle of Man.

In spite of anything else in these Rules, the Trustee and the Bank will operate the Scheme in compliance with any requirements imposed as a condition of such approval, including, in particular, any limits on benefits and contributions. These Rules shall be treated as including any Rules which are necessary for the purposes of such approval.

Retirement Benefit Schemes Act 2000

The Trustee will comply with all applicable requirements of the Retirement Benefit Schemes Act 2000 in the Isle of Man.

Contracting-out

A Member's Service while employed in Jersey or Guernsey is not contracted-out.

In these Rules, references to the "**Contracting-out Laws**" mean, in relation to Members in the Isle of Man, the contracting-out laws set out in Part III of the Pension Schemes Act 1993 as applied in the Isle of Man.

28.5 People who join from an Acquired Scheme

Special provisions apply to Members who joined the Scheme from an Acquired Scheme on or after 7 October 2012 and were active members of the relevant Acquired Scheme immediately before joining the Scheme. Benefits for these Members will be subject to any modifications agreed:

(a) between the Group and the Trustee and notified to Members, prior to 31 December 2017; and

(b) between the Bank and the Trustee and notified to the Members on or after 31 December 2017, provided that, excluding defined contribution liabilities (which, for the avoidance of doubt includes money purchase additional voluntary contributions), no modifications will be agreed under this Rule 28.5(b) which will result in any increased or additional benefits in the Bank Section without the prior written consent of the Group (such consent not to be unreasonably withheld).

Benefits will be provided under the Bank Section for all Members for whom a transfer payment has been made from an Acquired Scheme to the Scheme. These benefits will be the same (in amount, terms and options for payment) as the Member's entitlement or accrued rights under the Acquired Scheme immediately before the transfer was made (except that, if the Trustee would otherwise be required to make a payment that would be "unauthorised" by virtue of Section 160 of the Finance Act 2004, the payment will be treated as discretionary and will not be made unless the Trustee and the Bank agree otherwise).

"**Acquired Scheme**" means each of the following, namely: (1) The United Norwest Co-operatives Employees' Pension Fund; (2) The Yorkshire Co-operatives Limited Employees' Superannuation Fund; (3) The Leeds Co-operative Society Limited Employees' Pension Fund; (4) The Sheffield Co-operative Society Limited Employees' Superannuation Fund; (5) The Lothian Borders and Angus Co-operative Society Limited Employees' Pension Fund; (6) The Britannia Pension Scheme; (7) The Plymouth & South West Co-operative Society Limited Employees' Superannuation Fund; (8) The Brixham Co-operative Society Limited Employees' Superannuation Fund; and (9) The Somerfield Pension Scheme.

29 General rules about benefits

29.1 Recovery of tax and other charges

The Trustee may deduct from any payment under the Bank Section any tax for which it may be liable in respect of it.

The Trustee may reduce any Retirement Account or other benefit in respect of which a tax or other charge arises (including an annual or lifetime allowance charge), so as fully to reflect the amount of the tax or charge payable in respect of it. The Trustee will decide the amount of the reduction after considering actuarial advice, and its decision will be final.

29.2 Evidence of health

It may be that benefits payable under the Bank Section on a Member's death in Service or incapacity retirement are insured. If so, those benefits will be subject to any restrictions imposed by the insurer and which have been notified to the Member. However, in the case of Members who joined the Scheme on 6 April 2006 and were active members of a Former Scheme immediately before joining the Scheme, benefits will not be restricted to any greater extent than the corresponding benefit could have been restricted under the Former Scheme.

The Trustee may decide that benefits will also be restricted for any Member who fails to provide evidence of good health satisfactory to the Trustee (or any insurer), or whose death or incapacity results from a cause specified in a notice to Members or Employees.

However, benefits cannot be restricted under this Rule to less than the amount that would have been payable if the Member had left Service immediately before death or retirement.

29.3 Loss of right to benefits

Benefits under the Bank Section are subject to restrictions imposed by Sections 91 to 93 of the Pensions Act 1995 (assignment and forfeiture, etc.). These restrictions are intended generally to ensure that benefits are paid only to the person entitled under these Rules, rather than to any other person. The restrictions prevent benefits from being assigned, commuted, surrendered, charged or forfeited, except in specified circumstances.

However, there are exceptions to the restrictions imposed by Sections 91 to 93. To the extent permitted by those exceptions and the Contracting-out Laws:

29.3.1 an Employer may require the Trustee to reduce or forfeit a person's benefits if the person owes money to the Employer and the debt arises from a criminal or fraudulent act or omission (in which case the Trustee will pay the Employer an amount equal to the debt or, if less, the value of the person's benefits);

29.3.2 the Trustee may reduce or forfeit a person's benefits if the person owes money to the Bank Section and the debt arises from a criminal or fraudulent act or omission;

29.3.3 the Trustee may forfeit any benefits that are payable in respect of a Member to a person who is convicted of the offence of murder or manslaughter of the Member, or any other offence of which unlawful killing of the Member is an element (including aiding, abetting, counselling or procuring the Member's death); and

29.3.4 the Trustee may forfeit any benefit if the person entitled to the benefit does not claim it within 6 years of the date on which it becomes due.

29.4 Beneficiary who is incapable

If the Trustee considers that a person cannot look after his or her own affairs (by reason of illness, mental disorder, age or otherwise), the Trustee may use any amounts due to that person for his or her benefit or may pay them to some other person to do so. The Trustee may also make, for the person concerned, any choice which that person has under the Bank Section.

29.5 Tax status of the Scheme

The Scheme is a "registered pension scheme" for the purposes of Part 4 of the Finance Act 2004. If (without this Rule) the Trustee would be required to make a payment under the Bank Section that would be an "unauthorised payment" by virtue of Section 160 of that Act, the payment will be treated as discretionary and will not be made unless the Trustee and the Bank agree otherwise (which they need not do).

29.6 Contracting-out

The Trustee will operate the Defined Benefit Section of the Bank Section in accordance with the Contracting-out Laws that apply to formerly salary-related contracted-out schemes.

These Rules will be treated as including Rules to the same effect as any rule that must be included for the Scheme to be contracted-out in relation to a Member's Service before 29 October 2015. In particular, if a Member has a guaranteed minimum under Section 14 of the Pension Schemes Act 1993 (earner's guaranteed minimum) in relation to a pension provided by the Bank Section:

29.6.1 the weekly rate of the Member's pension under the Bank Section at age 65 if a man or 60 if a woman, in respect of service before 6 April 1997, will not be less than that guaranteed minimum;

29.6.2 the weekly rate of pension payable to any widow of the Member under the Bank Section in respect of the Member's service before 6 April 1997 (excluding pension provided by additional voluntary contributions) will not be less than half the Member's guaranteed minimum;

29.6.3 the weekly rate of pension payable to any widower or surviving civil partner of the Member under the Bank Section in respect of the Member's service before 6 April 1997 (excluding pension provided by additional voluntary contributions) will not be less than half the part of the Member's guaranteed minimum which is attributable to earnings factors for the tax year 1988-89 and subsequent tax years up to and including the tax year 1996-97.

This Rule overrides all other provisions of the Bank Section, except those that are in accordance with the Pension Schemes Act 1993. However, it does not require any pension to be paid to any person in any circumstances where the Bank Section is not required to provide a pension for that person under the Contracting-out Laws.

In spite of Rule 12.2 (early pension), a Member cannot choose a pension that starts before Normal Retirement Date unless the Trustee is satisfied that the pension will satisfy the requirements of this Rule without any additional cost to the Bank Section.

30 Pension sharing on divorce, etc.

30.1 Compliance with pension sharing orders

It may be that an order or other provision under Section 28(1) of the Welfare Reform and Pensions Act 1999 or equivalent Northern Ireland laws (activation of pension sharing) requires all or part of a Member's benefits to be transferred to the Member's former spouse or civil partner. If this happens, the Trustee will discharge its liability to the former spouse or partner in accordance with the requirements of that Act. The Trustee may recover charges in respect of pension sharing costs, as allowed by the Act.

30.2 Benefits under the Bank Section

If the Trustee provides benefits for the former spouse or civil partner under the Bank Section those benefits will be provided separately from any other benefits to which the former spouse or civil partner is entitled under the Bank Section.

30.3 Death of former spouse or civil partner before a transfer payment is made

It may be that the Trustee intends to discharge its liability to the former spouse or civil partner by making a transfer payment to another pension arrangement, but the former spouse or civil partner dies before the payment is made. If this happens, the Trustee may (but need not) use the intended transfer payment to provide benefits in respect of the former spouse or civil partner in any of the ways allowed by the Welfare Reform and Pensions Act 1999. Any part of the intended transfer payment that is not used for this purpose will be retained by the Trustee as part of the general assets of the Bank Section.

31 Discretionary benefits

31.1 Serious ill-health lump sums

It may be that the Trustee receives evidence from a registered medical practitioner that a Member is expected to live for less than one year. If this happens before the Member starts to receive benefits from the Bank Section, and if the Contracting-out Laws allow, the Trustee may allow the Member to give up all of his or her benefits under the Bank Section (including death benefits) in return for a lump sum. However, this will be allowed only if payment of a "serious ill-health lump sum" is permitted under Part 4 of the Finance Act 2004.

The Trustee will calculate the lump sum on a basis agreed with the Bank, after considering actuarial advice.

31.2 Lump sums instead of small pensions

It may be that the value of a person's benefits under the Bank Section (including any death benefits) is so small that the Contracting-out Laws and Part 4 of the Finance Act 2004 would allow payment of a lump sum instead of those benefits. If so, the Trustee may pay a lump sum instead of those benefits.

The Trustee will calculate the value of the benefits and the amount of the lump sum on a basis agreed with the Bank after considering actuarial advice.

31.3 Discretionary benefits

If the Bank so requests and the Employers or Members pay any additional contributions (and none may be required) that the Trustee considers necessary (for which purpose the Trustee will consider actuarial advice), the Trustee may provide:

31.3.1 increased or additional benefits in respect of any Member or Members; or

31.3.2 benefits in respect of any Member or Members that are different, or on different terms (including as to time of payment), from those set out elsewhere in the Rules; or

31.3.3 benefits in respect of any Employee or former Employee or any spouse, registered civil partner or Dependant of a former Employee (or for any other person for whom the Bank wishes to provide benefits).

Excluding defined contribution liabilities (which, for the avoidance of doubt, include money purchase additional voluntary contributions), the Bank may not make a request under this Rule 31.3 which will result in any increased or additional benefits in the Bank Section without the prior written consent of the Group (such consent not to be unreasonably withheld).

Any benefits provided under this Rule must be consistent with the Contracting-out, Preservation, Revaluation, and Transfer Value Laws and with the Scheme's tax status as a registered pension scheme under Part 4 of the Finance Act 2004.

32 Transfers and buy-outs

32.1 Transfers from other pension schemes and arrangements

If the Bank agrees, the Trustee may accept a transfer of assets in respect of any person from another pension scheme or arrangement. The Bank will not agree to any defined benefit liability transfer into the Bank Section without the prior written consent of the Group (such consent not to be unreasonably withheld).

The Trustee will use the assets or surrender value to provide benefits for the person concerned on a basis agreed with the Bank (after considering actuarial advice). The benefits must comply with the Contracting-out, Preservation, Revaluation and Transfer Value Laws, and must be consistent with the Scheme's tax status as a registered pension scheme under Part 4 of the Finance Act 2004.

32.2 Transfers to other pension schemes and arrangements

Instead of providing benefits under the Bank Section in respect of any person, the Trustee may transfer assets to another pension scheme or arrangement (including any person who is permitted by the Financial Services and Markets Act 2000 to effect or carry out contracts of long-term insurance) so that benefits will be provided under the other scheme or arrangement in respect of the person concerned. If the Bank agrees, the Trustee may transfer assets in respect of part only of a person's benefits under the Bank Section.

The transfer must comply with the Contracting-out and Preservation Laws. It must also be a "recognised transfer" under Section 169 of the Finance Act 2004 (recognised transfers).

A transfer payment for a Member of the Defined Contribution Section who has not started to receive benefits will be equal to the value of the Member's Retirement Account, less any expenses or charges relating to the transfer.

For all other cases, the Trustee will decide the amount of the transfer payment after considering actuarial advice. However, the amount will be calculated on a basis consistent with the calculation of cash equivalents under the Transfer Value Laws, unless the Bank and the Trustee agree to use a different calculation basis.

32.3 Securing benefits with insurance policies and annuity contracts

If the Trustee has bought an insurance policy or annuity contract to secure all or part of a person's benefits under the Bank Section, it may transfer the policy or contract into the person's name at any time. If the Trustee does this, the person will cease to be entitled to those benefits under the Bank Section.

Any transfer under this Rule must comply with the Contracting-out and Preservation Laws.

33 Assets of the Bank Section

33.1 Assets held on trust

The Trustee will hold all the contributions and other assets which it receives and the property representing them and all the income on trust for the purposes of the Bank Section.

33.2 Investment of assets

For the purposes of the Bank Section, the Trustee may, in any part of the world, alone or together with others:

33.2.1 acquire and dispose of any property (tangible or intangible, movable or immovable), whether or not it produces income;

33.2.2 enter into any contract or incur any obligation;

33.2.3 lend or borrow money or other property for any purpose (including acquiring assets);

33.2.4 grant any mortgage or charge over, or give any right of recourse against, any or all of the assets of the Bank Section;

33.2.5 form and finance any company;

33.2.6 carry on and finance any business;

33.2.7 insure assets of the Bank Section for any amount against any risk;

33.2.8 pool assets of the Bank Section with other occupational pension schemes in common investment funds;

33.2.9 keep assets of the Bank Section in nominee names; and

33.2.10 exercise its powers under Section 34(1) of the Pensions Act 1995 (power of investment and delegation) to make an investment of any other kind as if it were absolutely entitled to the assets of the Bank Section.

The Trustee will exercise these powers in accordance with Sections 36 and 40 of the Pensions Act 1995 (choosing investments and restriction on employer-related investments).

33.3 Bank Section expenses

Subject to General Rule 3.9 (Scheme expenses), the Trustee will pay any expenses of the Bank Section from the assets of the Bank Section, unless they are paid by the Employers. This includes all expenses and liabilities incurred by a trustee or former trustee through acting as a trustee of the Bank Section. However, no amount may be paid from the assets of the Bank Section to reimburse a trustee or former trustee for:

33.3.1 expenses or liabilities incurred through wilful wrongdoing or which are covered by insurance under General Rule 3.6 (trustee insurance); or

33.3.2 fines or penalties of a kind mentioned in Section 256 of the Pensions Act 2004 (no indemnification for fines or civil penalties).

The Trustee will deduct from Retirement Accounts a share of any expenses of the Defined Contribution Section that are not paid by the Employers, unless the Bank and the Trustee agree that the Trustee should pay them from the general assets of the Bank Section.

33.4 Accounts and actuarial valuations

The Trustee will prepare accounts of the Bank Section and have them audited.

The Trustee will obtain actuarial valuations of the Bank Section at intervals of not more than 3 years, and (if so required by the Pensions Act 2004) an actuarial report for any year in which the Trustee does not obtain a valuation. The valuations and reports must comply with any requirements of Section 224 of the Pensions Act 2004 (actuarial valuations and reports).

33.5 Treatment of surplus

It may be that an actuarial valuation of the Bank Section shows that the value of the assets of the Bank Section exceeds the value of the liabilities of the Bank Section. If this happens, the Trustee with the Bank's consent may, after considering actuarial advice, pay all or part of the surplus (less tax) to the Employers in such shares as it agrees with the Bank. However, this Rule is subject to the requirements of Section 37 of the Pensions Act 1995 (payment of surplus to employer), which imposes restrictions on any payments to the Employers from the assets of an occupational pension scheme.