CIS
Co-operative Insurance

Employees' Pension Scheme

Outline

of the main benefits of the

CIS Employees'
Pension Scheme

CIS Employees' Pension Scheme - Addendum

Important changes

At the beginning of 2005, the Co-operative Insurance Society Limited (CIS) decided to introduce 4-weekly payments of earnings for all employees. The transfer will be in 2 main phases. If you receive your earnings every 4 weeks, you will be given the option to fund your pension benefits in the CIS Employees' Pension Scheme (the Scheme) by means of 'Salary Sacrifice'. This addendum provides details of how 'Salary Sacrifice' operates and notifies you of other changes made to the Scheme.

Salary Sacrifice

Instead of paying pension contributions direct to the Scheme by payroll deduction, you can agree to have your earnings reduced by the same amount as you would otherwise be required to pay to the Scheme by payroll deduction. CIS will then meet all of the cost of providing your benefits under the Scheme. This is known as 'Salary Sacrifice'. Under Salary Sacrifice you will pay the same amount of tax as you would if you had paid contributions by payroll deduction, however, you will pay less National Insurance because your earnings will be reduced. This will mean a small increase in your take-home pay.

The Salary Sacrifice arrangement is subject to Inland Revenue rules which may change from time to time.

The following examples show the beneficial effect of Salary Sacrifice on take-home pay based on a salary of £14,000 a year, a pension contribution rate of 6%, single person's basic tax allowance and National Insurance rates for the tax year 2004/05.

PAYROLL DEDUCTION	
Salary	£14,000
6% Pension Contributions	£840
Income Tax	£1,608
National Insurance	£861
Take Home Pay	£10,691

SALARY SACRIFICE	
Salary	£14,000
6% Salary Sacrifice	£840
New lower 'Adjusted' Salary	£13,160
Income Tax	£1,608
National Insurance	£782
Take Home Pay	£10,770

You can see from these examples that Salary Sacrifice has increased take-home pay by £79.

Additional Voluntary Contributions (AVCs)

Currently, the Inland Revenue allows Members to contribute up to 15% of their taxable earnings to pension arrangements. If you choose to fund your pension benefits by the Salary Sacrifice method, you will be able to pay up to the maximum 15% contribution limit in AVCs. If you are a Member paying contributions by the traditional, payroll deduction method, your AVC limit will be restricted because the 15% limit must include the amount of ordinary contributions you pay.

The following examples show the beneficial effect of Salary Sacrifice for a Member wanting to maximise AVCs, based on an ordinary contribution rate of 6%, a single person's basic tax allowance and National Insurance rates for the tax year 2004/05.

PAYROLL DEDUCTION	
Salary	£14,000
6% Pension Contributions	£840
AVCs (Maximum 9% of Salary)	£1,260
Income Tax	£1,332
National Insurance	£861
Take Home Pay	£9,707

SALARY SACRIFICE	
Salary	£14,000
6% Pension Contributions	£840
New lower 'Adjusted' Salary	£13,160
AVCs (Maximum 15% of 'Adjusted' Salary)	£1,974
Income Tax	£1,175
National Insurance	£782
Take Home Pay	£9,229

You can see from these examples that under Salary Sacrifice, an additional £714 has been paid in AVCs and take-home pay has reduced by only £478.

Scheme Benefits

If you choose the Salary Sacrifice option, your Scheme benefits will continue to be calculated on your Salary before Salary Sacrifice and therefore, subject to Inland Revenue limits, there will be no difference in your Scheme benefits.

When not to Salary Sacrifice

Salary Sacrifice may not be appropriate for every Member. Generally, it would not be appropriate for Members

- on incomes of £100 per week or less, or
- who are nearing retirement with long service and/or have substantial pensions from previous employments, whose benefits may be approaching Inland Revenue maxima.

Such Members may be better suited to traditional payroll deductions in order to fund their pension. **If you are unsure about which method would be better for you, please seek independent financial advice.**

Other changes

Joining the CIS Employees' Pension Scheme

The eligibility terms and conditions for new entrants remain unchanged. However, if you are a permanent employee, entry to the Scheme is no longer automatic and an application form must now be completed. Application forms can be obtained from either Human Resources Department or Employees' Pensions Scheme Department.

Late Joiners and Optants-Out of the CIS Employees' Pension Scheme

The restrictions on joining the Scheme at a later date or applying to rejoin the Scheme after having opted-out, have been removed. Therefore, if you do not join the Scheme at your first opportunity, or you choose to opt-out while remaining a CIS employee, you may now apply to join or rejoin the Scheme at any time in the future.

Whether you are applying to join or rejoin the Scheme, membership will continue to be granted subject to your eligibility and may require you to provide such medical information as the Trustees may deem necessary, to determine whether special terms and conditions should apply.

Benefits and contributions are covered by the CIS Employees' Pension Scheme Trust Deed and Rules (the Rules). Your rights under the Scheme are also set out in the Rules. Both the Rules and the Scheme booklet 'Outline' can be found on IRIS under People Matters/Reward and also on office noticeboards. A personal copy of the Rules may be sent to you on request for a small charge.

The contact details have also changed and the CIS Employees' Pension Scheme section can now be contacted at:

Co-operative Group Pensions Department
PO Box 53
New Century House
Manchester
M60 4ES

Telephone: 0161 246 2040
Fax: 0161 827 5244
E-mail: eps@co-op.co.uk

This Outline provides a summary of the more important benefits, terms and conditions that apply to current members of the CIS Employees' Pension Scheme. It is based on the Trust Deed and Rules that was executed on 30 September 2002. This Outline does not cover the terms and conditions that apply to members who have left the Scheme before 30 September 2002.

The Trust Deed and Rules detail the full provisions of the Scheme; should there be any inconsistency between any of the Scheme's documents, the Trust Deed and Rules will prevail. If you wish to see the Trust Deed and Rules, they are available on notice boards in all CIS offices, and also on IRIS, the intranet site, under People Matters/Reward/Pension Scheme - Definitive Trust Deed and Rules.

The Scheme is an occupational final salary arrangement (that is, it is only available to CIS employees and provides benefits based on your earnings at or close to retirement) and it is a valuable part of the benefits package with the CIS. The CIS hopes that all employees take full advantage of membership to build up pension benefits for themselves and provide protection for their families in the event of their death.

Although this Outline describes benefits provided by the CIS Employees' Pension Scheme, it does not cover in detail the more complex Inland Revenue restrictions on benefits (on retirement, death and withdrawal and also member contributions) with which all schemes must comply. The Important Notes section provides further information about Inland Revenue limits.

Within the Outline, certain terms have precise meanings. All of these appear in bold letters each time they are used in the Outline; they are also listed with their definitions for easy reference in the Appendix at the end of the Outline.

If you have any questions about this Outline or the Scheme in general, please contact the Employees' Pension Scheme section at chief office. The address and telephone number are given at the end of the Outline.

January 2004

Contents

1. Joining the Scheme

If you are a permanent employee of the CIS, including **Part-Time Employees**, you are automatically included as a member from the first day you are eligible (usually the first day you start work with the CIS). If you do not wish to join the **Scheme**, you must tell the **Trustees** within the first 28 days of your employment.

There is no application form to complete; we do, however, recommend that you complete a Nomination Form (one is enclosed with this Outline). This indicates the person(s) who you would like to receive any lump sum benefits that become due on your death. The **Trustees** use their discretion to decide who should receive the lump sum benefits payable on death and, although they are not obliged to follow your wishes, they will of course take them into account. Therefore it is helpful to keep your nominations up to date with any changes in your personal circumstances. Paying a death benefit this way means that the payment (under current legislation) is excluded from your estate and hence is not liable for Inheritance Tax.

If you have joined the CIS on a fixed term contract (with the exception of temporary agents) you may apply to become a member from your first day of employment and details are provided in your employment contract.

Temporary agents are invited to join the **Scheme** on completion of 12 months continuous service with the CIS.

If you do not join the **Scheme** at your first opportunity, or you choose to opt-out of membership whilst remaining a CIS employee, you will have only one further opportunity to become a member as described below:

- if you are under age 20, you may apply to join the **Scheme** when you reach age 20, or when you have completed two years' continuous service, whichever is the later, OR
- if you are age 20 or over, you may apply to join the **Scheme** when you have completed two years' continuous service.

Therefore, if you choose not to be in the **Scheme** it is important that you are aware of the implications of that decision and the benefits and life cover that you are relinquishing.

2. How much will I pay?

Members pay contributions to the **Scheme** at the following rates:

	Contributions on **Lower-Tier Pensionable Earnings**	Contributions on **Upper-Tier Pensionable Earnings**
Members who joined before 6 April 1991		
Aged under 40 on joining	5%	$6^2/_3$%
Aged 40 or over on joining	$5^3/_4$%	$7^2/_3$ %
Members joining after 5 April 1991		
Aged under 40 on joining	6%	8%
Aged 40 or over on joining	$6^3/_4$%	9%

You can also pay contributions to the Scheme that are called Additional Voluntary Contributions (AVCs), and further information is provided in section 10. Contributions are deducted from your gross earnings before income tax is calculated and you therefore automatically receive income tax relief at the highest tax rate that you pay.

As the **Scheme** is contracted-out of S2P, the State Second Pension (see the section 'Important Notes' for an explanation of S2P), you will pay National Insurance Contributions at the contracted-out rate, which is currently a reduction of 1.6% on earnings between the **Lower Earnings Limit** and the **Upper Earnings Limit**, which for the 2003/04 tax year are £77 and £595 a week, respectively, and for 2004/05 are £79 and £610.

3. How much will the CIS pay?

The CIS will pay to the **Scheme** the amount necessary, having regard to Actuarial Advice, to provide the benefits of the **Scheme** after taking into account the total contributions payable by the members. The CIS currently (January 2004) pays 6.4% of the pensionable salary roll.

All the costs of administering the **Scheme** (excluding the AVCs) are also currently met by the CIS.

The CIS will not contribute to any alternative pension arrangement you may independently establish. So, if you leave the **Scheme** to start another pension, such as a personal or stakeholder pension, all the benefits will have to be met by your own contributions, as well as the expenses of that pension arrangement.

4. What will I receive on retirement?

4.1 Normal Retirement

If you retire at your **Normal Date of Retirement**, you will receive a weekly pension of:

- 1/80 x your **Final Lower-Tier Pensionable Earnings** x your **Pensionable Service** you completed after 31 December 1995

plus

- 1/60 x your **Final Upper-Tier Pensionable Earnings** x your **Pensionable Service** you completed after 31 December 1995

plus

- 1/60 x your **Final Pensionable Earnings** x your **Pensionable Service** you completed between 6 April 1988 and 31 December 1995

plus

- 1/80 x your **Final Pensionable Earnings** x your **Pensionable Service** you completed before 6 April 1988

Pensionable Service is limited to 40 years – please refer to the Appendix.

4.2 Ill-health Retirement

You may apply for an Ill-Health Retirement pension at any age. This is payable if, in the opinion of the **Trustees**, you have suffered a permanent breakdown in health, which means that you will be unable to work for the CIS in your current job or any other suitable job over the period up to the age of 60. The weekly pension would be:

- 1/80 x your **Final Lower-Tier Pensionable Earnings** x your **Pensionable Service** you completed after 31 December 1995 to age 60 (or date of retirement, if later)

plus

- 1/60 x your **Final Upper-Tier Pensionable Earnings** x your **Pensionable Service** you completed after 31 December 1995 to age 60 (or date of retirement, if later)

plus

- 1/60 x your **Final Pensionable Earnings** x your **Pensionable Service** you completed between 6 April 1988 and 31 December 1995

plus

- 1/80 x your **Final Pensionable Earnings** x your **Pensionable Service** you completed before 6 April 1988

Pensionable Service to age 60 is limited to 40 years – please refer to the Appendix.

There are some guarantees for existing members of the **Scheme** at 30 September 2002 that may provide a higher ill-health retirement pension than that described above.

4.3 Early Retirement

You may apply to retire early for any reason from age 50. The first step of the pension calculation would be:

- 1/80 x your **Final Lower-Tier Pensionable Earnings** x your **Pensionable Service** you completed after 31 December 1995

plus

- 1/60 x your **Final Upper-Tier Pensionable Earnings** x your **Pensionable Service** you completed after 31 December 1995

plus

- 1/60 x your **Final Pensionable Earnings** x your **Pensionable Service** you completed between 6 April 1988 and 31 December 1995

plus

- 1/80 x your **Final Pensionable Earnings** x your **Pensionable Service** you completed before 6 April 1988

Pensionable Service is limited to 40 years – please refer to the Appendix.

The pension amount calculated above would then be reduced to allow for early payment.

The current reduction is 0.3% for each 4 week period between your early retirement date and your **Normal Date of Retirement**.

The reduction applicable for any period between the Saturday following your 60th birthday and your **Normal Date of Retirement** may be waived with the consent of the Society. This waiver of reduction does not apply if you left the **Scheme** before age 50 and subsequently apply for early retirement (please see section 7).

When you retire, if you have completed 40 years full-time **Pensionable Service**, all reductions may be waived with the consent of the Society.

4.4 Tax Free Lump Sum

Whenever you retire under any of the three previous sections, you may choose to exchange part of your pension for a tax free lump sum. The maximum lump sum you may receive is:

- 3/80 x your **Final Pensionable Earnings** x 52 x total **Pensionable Service** you have completed, or
- a higher amount permitted by the **Trustees** as long as it does not exceed Inland Revenue limits.

The rate at which you may exchange pension for a tax free lump sum varies with age, but, as an indication, at your **Normal Date of Retirement**, your weekly pension would currently be reduced by £1 for each £475 in lump sum that you receive.

5. What will my dependants receive on my death after retirement?

5.1 Dependants' Pensions

If you die whilst in receipt of a pension, your widow/widower will receive a pension of two-thirds of the pension you were receiving immediately before your death, or that you would have been receiving if you had not chosen a reduced pension at retirement to provide a tax free lump sum.

This pension is paid to your widow/widower, provided you were married to each other at the date you retired, and will continue until their death or earlier remarriage.

There are also provisions for children's pensions to be paid; these pensions are payable at the discretion of the **Trustees** to children who are under the age of 16, or over age 16 and still receiving full-time education that has been continuous.

A child's pension is one-third of the widow's/widower's pension due, but Inland Revenue limits may restrict the number of children who can receive pensions or the total amount of children's pensions payable.

If there is no widow's/widower's pension payable, the **Trustees** have discretion to pay a pension to a dependant. The pension is a maximum of two-thirds of the member's pension, and can be paid if in the opinion of the **Trustees**, a person was financially dependent, either wholly or partially on, or financially interdependent with, the member.

5.2 Lump Sum Death Benefit

Additionally a lump sum death benefit is payable in most circumstances if you die before your pension has been paid for five years.

- if you joined the **Scheme** after 30 September 1991, the payment is the total of the outstanding instalments which would have been paid to the end of the five year period, based on the level of pension payable at the date of your death,

or

- if you joined the **Scheme** before 30 September 1991, the payment is equal to twice your **Pensionable Earnings** in the 52 weeks immediately before you retired minus all pension payments made and tax free lump sum that was paid at retirement, but excluding any pension from your AVCs.

The lump sum benefits are paid at the discretion of the **Trustees**, although you can make your wishes known on a Nomination Form (please see section 1 'Joining the Scheme').

6. What will my dependants receive if I die in service?

6.1 Dependants' Pensions

If you die in service whilst a member of the **Scheme**, a widow's/widower's pension will be paid.

This will be two-thirds of the pension you would have received had you retired due to ill-health on the day before your death. It will be paid to your widow/widower until their death or earlier remarriage.

There are also provisions for children's pensions to be paid; these pensions are payable at the discretion of the **Trustees** to children who are under age 16, or over age 16 and still receiving full-time education that has been continuous.

A child's pension is one third of the widow's/widower's pension due, but Inland Revenue limits may restrict the number of children who can receive pensions or the total amount of children's pensions payable.

If there is no widow's/widower's pension payable, the **Trustees** have discretion to pay a pension to a dependant. The pension is a maximum of two-thirds of the member's pension you would have received had you retired due to ill-health on the day before your death, and can be paid if in the opinion of the **Trustees**, a person was financially dependent, either wholly or partially on, or financially interdependent with, the member.

6.2 Lump Sum Death Benefit

Additionally, if you die in service whilst a member of the **Scheme** a lump sum is payable equal to two and a half times your **Pensionable Earnings** in the 12 months immediately before your death. The lump sum is payable at the discretion of the **Trustees**, although you can indicate your wishes by completing a Nomination Form (please see section 1 'Joining the Scheme').

7. What happens if I leave service before my Normal Date of Retirement?

The benefits you are entitled to on leaving service depend on your period of **Qualifying Service**.

7.1 Under 2 years Qualifying Service

If, on leaving, your **Qualifying Service** is less than two years, you have a choice of receiving a refund of the contributions you have paid, subject to certain deductions, or a transfer of those contributions in full to another approved pension arrangement.

We will automatically pay you a refund, unless you request a transfer. In both cases, no further benefits are due from the **Scheme**.

If you receive a refund of your contributions,

- interest calculated to your date of leaving is added to your contributions,
- a deduction is made in respect of the amount you have saved in National Insurance contributions, by being in a contracted-out scheme (see section 2), and
- tax is deducted from the balance at a special rate of, currently, 20%.

When you have received your refund, you will be reinstated in S2P and treated as though you had always been in S2P for the period you were contracted-out under the **Scheme**. At **State Pension Age**, you will receive the S2P benefit in respect of that period.

If you are interested in transferring your contributions to another pension arrangement, please contact the Employees' Pension Scheme section before you leave the CIS.

7.2 Over 2 years Qualifying Service

If your **Qualifying Service** is two years or more, you are entitled to receive deferred benefits payable from your **Normal Date of Retirement**.

- The deferred pension is calculated in the same way as a normal retirement pension as described in section 4.1, but using your **Final Lower-Tier Pensionable Earnings, Final Upper-Tier Pensionable Earnings** and **Final Pensionable Earnings** at the date you leave and the **Pensionable Service** you have completed up to the date you leave,
- The deferred pension calculated above will be increased as required by legislation for the period between the date you leave and the date you retire. For benefits in excess of any **Guaranteed Minimum Pension (GMP)**, this is currently in line with increases in the Retail Prices Index over the period, subject to a maximum increase of 5% per annum for the period.

At retirement you will have the option of exchanging part of your pension for a tax free lump sum as described in section 4.4.

You may apply to receive your benefits at any time after age 50 and before your **Normal Date of Retirement** as long as the early retirement pension that would be payable at **State Pension Age** exceeds the amount of **GMP** payable from **State Pension Age**. Subject to this requirement, the pension payable is calculated as set out in the bullet points above with increases calculated to the date of retirement and this pension amount is then reduced to allow for early payment.

The reduction is 0.3% for each 4 week period, or partial 4 week period between your early retirement date and your **Normal Date of Retirement**. If you left **Pensionable Service** on or after your 50th birthday, the reduction applicable for any period between the Saturday following your 60th birthday and your **Normal Date of Retirement** may be waived with the consent of the Society.

On your death after retirement, your widow/widower (provided that you were married to each other at the date you started to receive your benefits) will receive a pension of two-thirds of the pension you were receiving immediately before your death, or that you would have been receiving if you had not chosen a reduced pension at retirement to provide a tax free lump sum.

In addition to the above pension, a lump sum death benefit is paid if you die before your pension has been paid for five years. The payment is the total of the outstanding instalments which would have been paid to the end of the five year period, based on the level of pension being paid at the date of your death. This benefit is paid at the discretion of the **Trustees**, although you can make your wishes known on a Nomination Form (please see section 1 'Joining the Scheme').

If you die before you reach age 65 and before you have started to receive your deferred pension, your widow/widower will receive a pension of two-thirds of your pension, including the increases as described above from the date you left the **Scheme**.

If there is no widow or widower, a refund of your contributions, with interest to the date of your death, will be made. The refund is paid at the discretion of the **Trustees**, as described in section 1.

If you qualify for a deferred pension, at any time up to 12 months before your **Normal Date of Retirement**, you may choose to take a transfer value in respect of your benefits. A transfer value may be made to another suitably approved pension arrangement such as,

- the pension arrangement of your new employer, if the trustees of that arrangement will accept the transfer value,
- a personal or stakeholder pension, or
- a buy-out policy.

8. What happens if I leave the Scheme whilst remaining in employment?

If you choose to opt-out of the **Scheme** without having left the service of the CIS, you will receive the appropriate benefits as described in section 7. To do so, you must give 28 days notice in writing and complete the form which will be provided to indicate that you are aware of the implications of opting out of the **Scheme** and the benefits and life cover that you are relinquishing. You will normally then have no further entitlement to rejoin the **Scheme** in the future, except as described in section 1 'Joining the Scheme'.

9. Pension Increases

All pensions in payment from the **Scheme**, excluding any **GMP** amount included in the pension and any pension arising from your AVC fund (see section 10), are guaranteed to increase each January, by the annual rise in the Retail Prices Index to the previous September, subject to a maximum rise of 5% (6% if you were a member of the **Scheme** before 6 April 2000). If you retired within the previous 12 months, you will receive a proportionate increase on 1 January immediately following your retirement.

Any **GMP** amount included in the pension that is payable from **State Pension Age** and that arose in respect of **Pensionable Service** between 6 April 1988 and 5 April 1997, will be increased by the **Scheme** each 6 April after **State Pension Age** at a rate specified by the Government but with a maximum increase of 3%.

The Rules also allow the **Trustees** to pay discretionary increases in addition to the guaranteed increases.

10. Additional Voluntary Contributions

You may increase your retirement benefits by paying Additional Voluntary Contributions (AVCs). The **Trustees** have AVC policies with the CIS, which allow members to build up additional funds in a tax efficient manner.

Your AVC fund at retirement will be used to buy an extra pension at the same time that your pension is paid (unless you commenced paying AVCs prior to 6 April 1987, in which case you will have the option of taking some or all of your AVC fund as a tax free cash sum). You will be able to choose the type of pension on retirement - for example, a pension that would cease on your death or one that would continue at a reduced level to your widow/widower, with or without increases of 3% a year. Details of the various options will be provided immediately before your retirement.

The maximum you can pay in contributions (this means the total of your **Scheme** contributions as described in section 2 and any AVCs) is 15% of your gross earnings, or the **Earnings Cap** if lower, in any tax year.

If you pay AVCs outside the **Scheme**, for example to a Free Standing AVC contract (FSAVC), you must make sure that your combined pension contributions do not exceed the 15% limit.

11. Transfers

If you are entitled to receive benefits from a previous pension arrangement, you may be able to transfer these into the **Scheme** in exchange for additional **Scheme** benefits, provided that you have completed a minimum of 2 years' **Pensionable Service**.

The **Trustees** decide whether the **Scheme** will accept a transfer value. Please note that in some cases, the **Scheme** is unable to accept a transfer value.

12. Absences from work

In most cases, absences from work are only for a short period and contributions will continue to be deducted from your earnings and your benefits will build up in the usual way. Any period of paid maternity leave counts towards your **Pensionable Service** and contributions are due on any earnings. If you are going to be away from work for longer periods, for example due to illness, or for other reasons, such as paternity, adoption or parental leave, please contact the **Scheme** to obtain a copy of its leaflet entitled 'Absences from work and your membership of the CIS Employees' Pension Scheme'.

IMPORTANT NOTES

The State Pension Scheme

The State provides a two-tier pension arrangement,

- The Basic State Pension, which is paid from **State Pension Age** to all employees who have a full qualifying national insurance history. It is paid in addition to your pension from the **Scheme** and, if you have a full national insurance contribution record, is approximately equal to the **Lower Earnings Limit.**
- The State Second Pension (S2P), formerly called the State Earnings Related Pension Scheme (SERPS). This provides an additional pension from **State Pension Age** based on earnings between the **Lower Earnings Limits** and **Upper Earnings Limits.**
- The **Scheme** is contracted-out of S2P. This means that instead of receiving an additional pension from the State, this is provided by the **Scheme.**
  As part of this arrangement, because the State does not have to meet the cost of providing the additional pension, members of the **Scheme**, together with the CIS, pay lower (contracted-out rate) national insurance contributions. The current reduction for employees is 1.6% of earnings between the **Lower Earnings Limits** and **Upper Earnings Limits.**
  The **Scheme** has to meet an overall quality test to contract-out of S2P.

Inland Revenue approval

The **Scheme** is approved by the Inland Revenue under Chapter I Part XIV of the Income and Corporation Taxes Act 1988.

This carries important tax advantages, but also limits the contributions and benefits which can be paid. We will tell you if your contributions or benefits are affected by the following restrictions:

- your contributions to the **Scheme**, including AVCs, must not exceed 15% of your gross earnings (or the **Earnings Cap**, if lower) in any tax year. If you are subject to the '**Permitted Maximum**' (see below), your contributions must not exceed 15% of that figure;

and for all members who last joined the **Scheme** after 31 May 1989,

- the **Permitted Maximum** (also known as the **Earnings Cap**) is a limit set by the Inland Revenue on annual earnings which can be used for contributions and benefits from an occupational scheme. The **Permitted Maximum** for the 2003/2004 tax year is £99,000. It usually increases in line with the Retail Prices Index but the actual increases are announced each year;
- the maximum pension is two-thirds of your earnings (or the **Permitted Maximum** if lower), provided you complete at least 20 years service; and
- the maximum tax free lump sum on retirement is 2.25 times your pension at retirement.

Different maximum benefits apply for members who last joined the **Scheme** before 1 June 1989.

Some of the tax advantages are:

- you receive full tax relief, at your highest marginal rate, on your own contributions to the **Scheme**, including any AVCs;
- the fund's investments receive favourable tax treatment;
- all pensions payable from the **Scheme** are taxed under the PAYE system with the allowances that are permitted under that system;
- lump sums on retirement are tax free, and
- most lump sum death benefits are tax free.

Personal Information

The **Trustees** hold some of the **Scheme** records on computer. They are registered to hold this data and all paper records under the Data Protection Act 1998.

Internal Disputes Resolution Procedures (IDRP)

These procedures were introduced into all occupational pension schemes by regulations under the Pensions Act 1995. Whilst it is hoped that any problems can be settled without recourse to any formal process, IDRP may be used where a member feels that a complaint has not been resolved.

Full details of the procedures are available from the Employees' Pension Scheme section at chief office.

Occupational Pensions Regulatory Authority (OPRA)

OPRA was established to monitor the running of occupational schemes. It can intervene in the running of schemes where trustees, employers or professional advisers have failed in their duties, and it has powers to impose sanctions on the trustees, employers or professional advisers. You can contact OPRA at Invicta House, Trafalgar Place, Brighton BN1 4DW.

The Pensions Advisory Service (OPAS)

OPAS is available to help members and beneficiaries of a scheme with problems they have not been able to resolve with the trustees or administrators of their scheme. OPAS can be contacted at 11 Belgrave Road, London SW1V 1RB and its services are free of charge, although it is normally expected that the member should already have followed his complaint through IDRP (see above).

Pensions Ombudsman

The Pensions Ombudsman has powers to investigate and determine any complaint or dispute of fact or law in relation to an occupational scheme. It is usual to initially refer your complaint to OPAS, who will refer it to the Ombudsman, if necessary. The Pensions Ombudsman can be contacted at the same address as OPAS.

The Pension Schemes Registry
This is a register of all occupational schemes in the UK. It was set up to help scheme members trace benefits under previous pension arrangements, if, for example, they had lost touch with their previous employer, or that employer had been taken over resulting in a merger of pension arrangements. The **Scheme** has been registered and information about the **Scheme** provided to the Registrar.

You can contact the Pension Schemes Registry at PO Box 1NN, Newcastle-upon-Tyne, NE99 1NN.

Divorce
Please contact the **Scheme** if you are getting divorced. There are certain regulations that can apply to pensions in a divorce situation, for example, it is possible for your pension to be taken into consideration as part of the division of financial assets, and further information can be provided.

Useful websites

Inland Revenue	www.inlandrevenue.gov.uk
Department for Work and Pensions	www.dwp.gov.uk
Pension Service (part of DWP)	www.thepensionservice.gov.uk
OPAS	www.opas.org.uk
OPRA and the Pension Schemes Registry	www.opra.gov.uk
Pensions Ombudsman	www.pensions-ombudsman.org.uk
CIS (for employees)	http://intranet

Contact details
The Employees' Pension Scheme section can be contacted,

- at PO Box 623, Miller Street, Manchester M60 3DA, or
- by telephone on 0161 837 8989, or
- by fax on 0161 837 5477, or
- by e-mail, eps@cis.co.uk

APPENDIX

Earnings Cap
Please see **Permitted Maximum**.

Final Lower-Tier Pensionable Earnings
Your **Final Pensionable Earnings** up to five times the **Lower Earnings Limit** over the period to the date you leave or retire.

Final Upper-Tier Pensionable Earnings
Your **Final Pensionable Earnings** in excess of five times the **Lower Earnings Limit** over the period to the date you leave or retire.

Final Pensionable Earnings
The greater of,

a. the average of your **Pensionable Earnings** in the 52 weeks immediately before you leave or retire,

and

b. the average of your **Revalued Pensionable Earnings** for any three consecutive tax years out of the last five complete tax years immediately before you leave or retire.

Guaranteed Minimum Pension (GMP)
This is the pension that must be paid from the **Scheme**, as one of the conditions of contracting out of the State Earnings Related Pension Scheme, for any period of contracted-out service between 6 April 1978 and 5 April 1997.

Lower Earnings Limit
This is the level of earnings at which you start to pay contracted-out rate National Insurance contributions. It is set by the government and changes each April. The level for 2003/2004 is £77 a week, and for 2004/05 it is £79 a week.

Lower-Tier Pensionable Earnings
Your **Pensionable Earnings** up to five times the **Lower Earnings Limit**; the maximum weekly amount for the 2003/04 tax year is £385, and for the 2004/05 tax year is £395.

Normal Date of Retirement
This is the Saturday immediately following your 65th birthday.

Part-Time Employee
You are deemed to be a **Part-time Employee** by the CIS in its discretion, if you are working less than full-time contractual hours. Your benefits and contributions are calculated as if you were a full-time employee, using the full-time equivalent of your **Pensionable Earnings**, reduced for any period of part-time service by the proportion of part-time hours worked in relation to the hours worked by an equivalent full-time employee.

Pensionable Earnings
If your basic remuneration consists entirely of fixed wages or salary, and pensionable bonus payments where applicable, **Pensionable Earnings** are the weekly equivalent of your basic rate of salary plus the weekly equivalent of any pensionable bonus payment.

If you are a **Part-Time Employee** your **Pensionable Earnings** are the full-time weekly equivalent of your basic wage or salary plus the full-time weekly equivalent of any pensionable bonus payment.

If your remuneration consists wholly or partially of commissions, **Pensionable Earnings** are the weekly equivalent of your basic rate of salary plus the weekly equivalent of current commissions.

Paid overtime is excluded from **Pensionable Earnings** in all cases.

For the avoidance of doubt, bonus payments to CIS officials are currently non-pensionable.

Pensionable Service
This is your continuous service whilst a member of the **Scheme**, subject to a maximum of 40 years equivalent full-time service. If your total equivalent full-time service (or service credited for ill-health retirement) exceeds 40 years, your Pensionable Service is the most recent 40 years up to your date of leaving or retiring from the **Scheme**.

Permitted Maximum
This is a limit on pensionable remuneration for members of occupational pension schemes in relation to benefits and contributions but it does not apply to members who have had continuous pensionable service with the same employer since 1989. It is normally increased each year in line with the Retail Prices Index. The level for the 2003/2004 tax year is £99,000, and for 2004/05 it is expected to be £102,000.

Qualifying Service
This is your continuous service whilst a member of the **Scheme**, together with any service completed as a member of an earlier scheme, which you have transferred into the **Scheme**.

Revalued Pensionable Earnings
Where appropriate this is your **Pensionable Earnings** revalued in line with the Retail Prices Index from March of the relevant tax year up to the month before you leave, die or retire from the **Scheme**.

Scheme
The CIS Employees' Pension Scheme.

State Pension Age
State Pension Age is age 65 for all men and women born after 6 April 1955. For women born in the 5 years after 6 April 1950, **State Pension Age** increases on a sliding scale from age 60 up to age 65, and for women born before 6 April 1950 it is age 60.

Trustees
The **Scheme** is administered by seven Trustees, four of whom are appointed by the Board of Directors of the CIS and three appointed by the members of the **Scheme**. The names of the current Trustees (and further information about the **Scheme**) can be found in the **Scheme's** Annual Report and Accounts which is available to all members.

The funds are held entirely separate from the assets of the CIS and are invested solely for Scheme beneficiaries.

Upper-Tier Pensionable Earnings
Your **Pensionable Earnings** in excess of five times the **Lower Earnings Limit**; in 2003/04 terms this is weekly earnings in excess of £385, and for 2004/05 the amount is £395.

Upper Earnings Limit
This is the level of earnings at which you stop paying full rate National Insurance contributions. It is set by the government and adjusted each April. The level for 2003/2004 is £595 a week, and for 2004/05 it is £610.

For your notes