



MEMBERS' GUIDE

Shipbuilding
Industries
Pension Scheme

BAE Systems (VSEL) Section of SIPS –
Special Edition for Former Members
of the VT Group Section



Contents

	page		page
1. Meaning of the words used	3	6. Early Leavers	16
2. Introduction	5	Deferred Pension	
3. Joining the BAE Systems (VSEL) Section of SIPS – Special Edition for Former Members of the VT Group Section	7	Refund of Contributions	
Who can join and when		Transfer	
If you do not join at your first opportunity		Opting out of SIPS	
How much do you contribute?		7. Additional Voluntary Contributions	18
Transfers between Lower and Upper Tiers		Introduction	
Additional Voluntary Contributions (AVCs)		Paying AVCs	
Part-time employment		Investment Choices	
Absence		Benefits	
Previous pension arrangements		Leaving Service	
4. Retirement	9	8. Internal Disputes Resolution Procedure	20
Your pension at Normal Retirement Date		If you are dissatisfied with anything to do with SIPS	
Early Retirement (not incapacity)		9. Additional Information for Members	21
Early Retirement through incapacity		The Data Protection Act 1998	
Late Retirement		The Pensions Regulator	
Retirement Lump Sum Option		The Pensions Advisory Service	
Dependant's Pension Option		The Pensions Ombudsman	
Choices on retirement		Further Information	
How your pension is paid			
Increases to your pension			
5. Death Benefits	12		
Death in Service			
Death in Retirement			
Death of an Early Leaver			
Children's pensions			
Evidence of health			

1. Meaning of the words used

Throughout this booklet we will have to use technical terms and abbreviations to explain your benefits to you. This section provides definitions of the terms used.

Company	BAE Systems Marine (Holdings) Limited.
Earnings Cap	If you joined SIPS on or after 1 June 1989, your Final Pensionable Pay will be limited to an amount specified by the Trustee . For the tax year 2008/09, the amount was set at £117,600. The amount is usually increased in April each year in line with inflation. This increase is at the Trustee's discretion.
Employer/s	Your Employer and any other participating Employer in the BAE Systems (VSEL) Section of SIPS – Special Edition for Former Members of the VT Group Section including the Company .
Final Pensionable Pay	<p>The greatest of:</p> <ul style="list-style-type: none"> Your Pensionable Pay averaged over the last 12 complete months of Pensionable Service (or, if less, the total number of complete months of Pensionable Service) before you leave service or die (whichever occurs first); Your Pensionable Pay averaged over the last 36 complete months of Pensionable Service (or, if less, the total number of complete months of Pensionable Service) before you leave service or die (whichever occurs first); The highest average of your Pensionable Pay at the beginning of any three consecutive completed Scheme Years of Pensionable Service in the last ten years before you leave service or die (whichever occurs first); Your highest Pensionable Pay at the beginning of any completed Scheme Year of Pensionable Service in the last five Scheme Years before you leave service or die (whichever occurs first). <p>For the purposes of this definition, if you joined SIPS on or after 1 June 1989 your Pensionable Pay and Final Pensionable Pay will be limited to the Earnings Cap.</p>
Normal Retirement Date	Your 65th birthday.
Pay	The yearly rate of your basic salary or wages and any other fixed cash remuneration from the Employers . If you participate in the Employers salary sacrifice arrangement, Pay , for the purpose of this definition, will be calculated as if you had not participated in the salary sacrifice arrangement. If you joined SIPS on or after 1 June 1989, Pay , for the purpose of the calculation of the lump sum death benefits detailed in Section 5, will be limited to the Earnings Cap .

1. Meaning of the words used continued

PCLS	Pension Commencement Lump Sum. This is an optional cash lump sum received at retirement in exchange for part of your pension.
Pensionable Pay	Your Pay at the date you joined SIPS and at each subsequent 1 April. Pensionable Pay is fixed until the following 31 March.
Pensionable Service	The sum of: <ul style="list-style-type: none">• Your service with the Employers after joining SIPS, calculated in years and complete months; plus• Any years and months of Pensionable Service credited to you in SIPS and notified to you in writing in respect of pensionable service under a previous pension arrangement.
Qualifying Service	Pensionable Service and employment which qualified you for retirement benefit under any occupational pension scheme from which a transfer payment has been made in respect of you to SIPS.
S2P	The State Second Pension. This consists of the State Earnings-Related Pension Scheme (SERPS), which started in April 1978, and the State Second Pension, which replaced SERPS from 6 April 2002. S2P provides benefits for employees in addition to the flat-rate basic State pension.
Scheme	The Shipbuilding Industries Pension Scheme (SIPS).
Scheme Year	A period of 12 months ending on a 31 March.
Trustee	Hadrian Trustees Limited.

2. Introduction

This booklet explains the benefits of the BAE Systems (VSEL) Section of SIPS – Special Edition for Former Members of the VT Group Section.

It is a guide to help you understand SIPS and does not override the detailed Rules of SIPS. The **Trustee** may amend the Rules at any time after consultation with the **Company** or, if all the **Employers** are not affected, the **Employer/s** concerned. You will be told about any changes which affect your benefits. If you wish to see the Rules or if you have any queries, you should ask your Human Resources Department.

SIPS is set up under trust. The **Trustee** of SIPS is Hadrian Trustees Limited, a company limited by guarantee. Its Trustee Board is representative of both the **Employers** participating in SIPS and the members. The contributions paid to SIPS by both the members and the **Employers** are invested by the **Trustee** in funds that are totally separate from the assets of the **Employers**.

SIPS has two tiers, the Upper Tier which gives a higher level of benefits for higher contributions, and the Lower Tier which gives a lower level of benefits for a lower level of contributions. You may change from one tier to the other at any 1 April.

UPPER TIER	LOWER TIER
Cost to member	Cost to member
9% of Pensionable Pay	7.5% of Pensionable Pay
Benefits	Benefits
1/60 x Final Pensionable Pay for each complete year (plus a proportion for complete months) of Pensionable Service	1/80 x Final Pensionable Pay for each complete year (plus a proportion for complete months) of Pensionable Service
4 x Pay on death in service	4 x Pay on death in service
Spouse's or civil partner's pension payable upon death	Spouse's or civil partner's pension payable upon death

The **Employers** contribute the balance of the costs required to provide the benefits. These contributions are determined by the **Trustee** after considering actuarial advice and consulting the **Company**.

2. Introduction continued

The BAE Systems (VSEL) Section of SIPS – Special Edition for Former Members of the VT Group Section is contracted-out of **S2P**. Until 5 April 1997 the basis upon which SIPS was contracted-out of **S2P** required SIPS to provide each member with a Guaranteed Minimum Pension (GMP) from age 65 for male members and from age 60 for female members.

New contracting-out provisions were introduced from 6 April 1997 and GMPs are not provided in respect of **Pensionable Service** after 5 April 1997. Instead, schemes are now required to meet a statutory standard. Broadly speaking, this standard is intended to ensure that schemes provide members with benefits that are broadly as good as **S2P**. The BAE Systems (VSEL) Section of SIPS – Special Edition for Former Members of the VT Group Section meets the requirements of the statutory standard.

Being contracted-out of **S2P** means that you pay National Insurance contributions at a reduced rate.

SIPS is a registered scheme with Her Majesty's Revenue and Customs (HMRC). One of the requirements of the Rules is that the **Trustee** is bound by any requirements of HMRC and governing legislation.

Further information on SIPS is available each year in the **Trustee's** Report and Accounts, a summary of which will be issued to you automatically. The full report is available to you on request from the Administrator or available to download from the SIPS website.

If you are an active member of SIPS (i.e. you are not a deferred member or a pensioner) you will receive a personal statement of your benefit entitlement automatically on an annual basis.

An **Employer** may terminate its participation in SIPS by giving written notice to the **Trustee** in accordance with the Rules of SIPS.

Your benefits are, to a certain extent, dependent on the continued existence of the **Employers** who participate in the BAE Systems (VSEL) Section of SIPS – Special Edition for Former Members of the VT Group Section. In the event of one or all of the **Employers** ceasing to participate in SIPS, the **Trustee** would provide benefits in accordance with the Rules of the Section. In the event that there was a shortfall of assets within the BAE Systems (VSEL) Section of SIPS – Special Edition for Former Members of the VT Group Section, which couldn't be met by the **Employers**, then it would not be possible to secure all benefits in full for members and their dependants. However, the Pension Protection Fund, which was set up in 2005, will, subject to certain conditions being met, ensure that members receive a minimum level of benefits.

You cannot assign or charge your benefits under SIPS (e.g. as security for a loan). If you try to assign or charge your benefits, you may lose them.

3. Joining the BAE Systems (VSEL) Section of SIPS – Special Edition for Former Members of the VT Group Section

Who can join and when

Membership of SIPS is permitted only at the specific request of the **Company**.

You remain a member until you leave your **Employer's** service or you choose to leave SIPS (see Section 6).

When you join SIPS you should complete an Expression of Wish Form (see Section 5). This helps the **Trustee** decide who should receive any lump sum payable in the event of your death. If you are a member and have not completed an Expression of Wish Form you should do so.

You may be required to give such evidence of good health as the **Trustee**, at the request of your **Employer**, may reasonably require.

If you do not join at your first opportunity

If you do not join SIPS on first becoming eligible to do so you may join later only with the specific permission of the **Company** and the **Trustee**. If this permission is granted, you may be asked to complete a Declaration of Health Form and may subsequently be asked to attend a medical examination. This could result in the **Trustee** restricting your death benefits.

How much do you contribute?

You pay 9% of your **Pensionable Pay** if you join the Upper Tier.

You pay 7.5% of your **Pensionable Pay** if you join the Lower Tier.

The levels of member contribution rates are reviewed from time to time by the **Employer** in consultation with its employees.

Under current legislation these contributions are deducted through payroll from your gross pay so you get full and immediate tax relief on them. In addition, as you are contracted-out of **S2P** you pay National Insurance contributions at a reduced 'contracted-out' rate. However, if you participate in your **Employer's** salary sacrifice arrangement you accept a reduction in your pay, in return for non-contributory membership of SIPS. The reduction in your pay is equal to the basic contributions that you would otherwise be required to pay.

Transfers between Lower and Upper Tiers

Regardless of the tier you join you may choose to transfer to the other tier at any subsequent 1 April.

Additional Voluntary Contributions (AVCs)

In addition to the contributions you are required to pay, if the **Trustee** agrees, you may also pay Additional Voluntary Contributions (AVCs) to provide greater benefits for yourself and/or your family. If you would like more information please see Section 7.

Part-time employment

If, during the same period of continuous **Pensionable Service**, you have been in full-time employment and part-time employment, or the basic number of hours a week worked in part-time employment has varied from time to time, the **Trustee** will calculate your benefits as it considers appropriate after taking account of the number of hours worked.

It may be that your **Pay** is reduced during the **Scheme Year** because of a reduction in the basic number of hours you work per week. If this happens, for the purposes of determining the contributions payable, your **Pensionable Pay** for the remainder of the **Scheme Year** will be your **Pay** at the date on which you are first considered to be in part-time employment.

3. Joining the BAE Systems (VSEL) Section of SIPS – Special Edition for Former Members of the VT Group Section continued

Absence

You will normally be treated as having left service if you stop receiving contractual pay or statutory sick pay from your **Employer**. If you are treated as still being in service, the **Company** and the **Trustee** may agree that special terms should apply in respect of your contributions and benefits during any period of absence. You will be notified of any special terms put in place.

If you are away from work due to injury or ill health and if you are receiving benefits under your **Employer's** Permanent Health Scheme you will be treated as still being in service for as long as benefits continue under that health scheme. Your basic contributions to SIPS will be paid by your **Employer** out of the Permanent Health Scheme.

If your absence is due to maternity leave, adoption leave or paternity leave, you will continue accruing pension during your paid statutory "ordinary maternity leave period", "ordinary adoption leave period" or "paternity leave period". You will have to pay contributions to SIPS based on your actual pay but your benefits will be based on your normal pay. If you do not receive any pay for these periods, you do not have to pay contributions to SIPS.

During any period of "additional maternity leave", "additional adoption leave" or "paternity leave", you will only be treated as still being in **Pensionable Service** for so long as you receive contractual pay from your **Employer**. You will have to pay contributions to SIPS based on your actual pay. The benefits accrued during any period of "additional maternity leave", "additional adoption leave" or "paternity leave" will be based on your normal pay.

Previous pension arrangements

The **Trustee** may accept a transfer of assets or surrender value in respect of benefits you hold in another pension scheme or arrangement to secure additional benefits for you in SIPS.



4. Retirement

Your pension at Normal Retirement Date

If you retire at **Normal Retirement Date** you will receive a pension for the rest of your life at a yearly rate of:

- 1/60th of your **Final Pensionable Pay** for each complete year of **Pensionable Service** whilst you were in the Upper Tier and an additional 1/720th for each additional complete month of such **Pensionable Service**.

plus

- 1/80th of your **Final Pensionable Pay** for each complete year of **Pensionable Service** whilst you were in the Lower Tier and an additional 1/960th for each additional complete month of such **Pensionable Service**.

Example

A member retires at **Normal Retirement Date** having completed 30 years **Pensionable Service** in the Upper Tier with a **Final Pensionable Pay** of £15,000. The pension payable to the member would be:

$$1/60 \times £15,000 \times 30 = \text{£7,500 per annum}$$

Early Retirement (not incapacity)

If you leave service (not for incapacity) before **Normal Retirement Date** but after reaching age 55 (age 50 if you retire before 6 April 2010) you may, with the consent of the **Trustee** and your **Employer**, choose an immediate pension. If you joined SIPS before 1 July 1991 and leave after reaching age 60, you may choose to take an immediate pension without needing the consent of either the **Trustee** or your **Employer**.

If you choose to take early retirement your pension will be calculated as for retirement at **Normal Retirement Date** (on the basis of your actual **Pensionable Service** and current **Final Pensionable Pay**). Your pension will then be reduced for early payment on a basis that the **Trustee** considers reasonable after taking advice from an actuary except that:

- If you are a woman and joined SIPS before 1 July 1991, any part of your pension that is attributable to **Pensionable Service** before 1 July 1991 will be reduced for early payment only if the pension starts before your 60th birthday, and will then be reduced only in respect of the period between the date the pension starts and your 60th birthday;

or

- If you are a man and joined SIPS before 1 July 1991, any part of your pension that is attributable to **Pensionable Service** between 17 May 1990 and 1 July 1991 will be reduced for early payment only if the pension starts before your 60th birthday, and will then be reduced only in respect of the period between the date the pension starts and your 60th birthday.

The early retirement reduction factor (which is currently 4% for each complete year and a proportion for each complete month that you retire early) is applied in accordance with the following sliding scale:

Age at 1 April 2005	Early retirement reduction factors apply from age
55+	60
50-54	61
45-49	62
40-44	63
35-39	64
34 and under	65

It should be noted that the early retirement reduction factor and sliding scale are subject to review and possible change.

In some cases, because of the requirements for contracting-out of **S2P** and especially if your **Pensionable Service** is not very long, you may not be able to receive your benefits early and may have to defer taking them until a later date up to **Normal Retirement Date**. If this applies to you the **Trustee** will let you know.

4. Retirement continued

Early Retirement through incapacity

Regardless of your age, if you leave service before **Normal Retirement Date** because of incapacity you may take an immediate pension based on your current **Final Pensionable Pay** and the **Pensionable Service** you could have completed up to **Normal Retirement Date**.

Incapacity in this context means physical or mental impairment that prevents (and will continue to prevent) you from following your normal occupation and seriously impairs your earning capacity. The **Trustee's** decision as to whether you are suffering from incapacity will be final. The **Trustee** will obtain medical evidence and consult your **Employer** before deciding whether you are suffering from incapacity.

Until **Normal Retirement Date**, the **Trustee** may from time to time require evidence of your continued incapacity. If not satisfied, the **Trustee** may reduce or suspend your pension for any period before **Normal Retirement Date**.

Late Retirement

If you stay in service after **Normal Retirement Date**, you will receive your pension when you actually leave service. In this case, your pension will be calculated as for retirement at **Normal Retirement Date** but will be based on all of your **Pensionable Service** up to your date of leaving.

If you are still in service on reaching age 75 you will be treated for the purposes of SIPS as having left service on reaching that age and your pension will be paid from that age.

Retirement Lump Sum Option

When you retire you may be able to exchange part of your pension for a cash lump sum, known as a **PCLS**. Under current tax legislation, this **PCLS** is paid free of tax. The maximum **PCLS** is broadly 25% of the value (as defined by HMRC) of your retirement benefit. Currently, HMRC values your retirement benefit as 20 times the initial annual amount of your pension on retirement.

Example

A member retires at **Normal Retirement Date** with an entitlement to a pension of £7,500 per annum. The current commutation factor for a member retiring at age 65 is 13.43. The maximum **PCLS** which could be taken by the member would be:

$$\frac{£7,500 \times 20}{3 + (20/13.43)} = \text{£33,413.50}$$

If the member elects to receive a **PCLS** their annual pension would be reduced. If the member elects to receive the maximum **PCLS** of £33,413.50 their reduced pension would amount to:

$$£7,500 - (£33,413.50/13.43) = \text{£5,012.03 per annum}$$

In some cases, the amount of **PCLS** available may have to be restricted because of benefits you may be entitled to from other pension schemes or because of the requirements for contracting-out of **S2P**. If this affects you the **Trustee** will let you know at the time you are due to retire.

The amount of pension that you give up in exchange for a **PCLS** will depend on the commutation factors in use by the **Trustee** when you retire. Confirmation of the current factors can be obtained from the Administrator.

Dependant's Pension Option

SIPS provides benefits on your death in the form of a lump sum and a pension for your spouse or civil partner. It also provides benefits for your children if you die in service. Children's benefits may also be payable if you have no spouse or civil partner and you die as a pensioner, or die on or after **Normal Retirement Date** as a deferred member with a pension that has not started. These benefits are described in Section 5.

If the **Trustee** allows, you may give up part of your own pension before it starts to provide a pension on your death for a dependant. This pension would be paid in addition to the benefits described in Section 5. However, you must keep a pension at least equal to your GMP and you may not give up so much pension as to provide a dependant's pension greater in total than your own remaining pension.

If you would like more information about giving up pension to provide an optional dependant's pension please speak to the Administrator.

Choices on retirement

As soon as the **Trustee** is informed by your **Employer** that you are to retire, the **Trustee** will write to you stating the various options open to you. You will be asked to notify your choice to the **Trustee**.

How your pension is paid

All pensions are paid into a bank or building society account. They cannot be paid by cheque. However, special arrangements can be made if you are retiring abroad.

Pensions are usually paid monthly in advance on the first day of each month.

Each time a payment is made, you will receive a pay slip stating the amount of pension that has been credited to your account after deduction of tax, if appropriate.

Increases to your pension

Your pension in payment will automatically be increased by SIPS each year (currently on each 1 July) on the basis set out below:

- The pension you earned from 1 April 1997 will increase in line with the Retail Prices Index (RPI) capped at 5% per annum. This is known as Limited Price Indexation (LPI).
- The pension you earned prior to 1 April 1997 (with the exception of any GMP – see below) will increase annually by 3%.

GMP increases

No increase will be paid on the part of your pension (if any) which represents GMP that you earned in respect of **Pensionable Service** completed before 6 April 1988. Any GMP that you earned in respect of **Pensionable Service** completed between 6 April 1988 and 5 April 1997 will increase at 3% per annum.

On 1 July following your retirement you will receive a proportionate increase.

Discretionary Increases

Pensions are reviewed regularly. The **Trustee** may, with the consent of the **Company**, make additional increases from time to time, after considering actuarial advice.

5. Death Benefits

Death in Service

If you die in service while an active member of SIPS then the following benefits will be payable:

- A** a refund of your basic contributions. This includes an amount equal to the contributions you would have paid had you not participated in your **Employer's** salary sacrifice arrangement (assuming this applies to you); **plus**
- B** a lump sum of four times your **Pay** at date of death; **plus**
- C** a spouse's or civil partner's pension.

If you die in service before **Normal Retirement Date**, the spouse's or civil partner's pension will amount to 50% of the pension you would have received had you stayed in **Pensionable Service** until **Normal Retirement Date**, based on your **Final Pensionable Pay** at the date of your death.

If you die in service on or after **Normal Retirement Date** the spouse's or civil partner's pension will amount to 50% of the pension you would have received had you retired immediately before dying without giving up any pension for a **PCLS** or dependant's pension.

- D** a child's pension. See page 15 for details.

The spouse's or civil partner's pension is payable for life; it does not stop on the remarriage of your spouse or upon your civil partner forming another civil partnership. The pension will increase on a similar basis to that described on page 11.

The lump sums are payable to the person or persons the **Trustee** in its discretion decides should benefit. You can help the **Trustee** by completing an Expression of Wish Form stating to whom you wish the benefits to be paid. The **Trustee** is not bound to follow your wishes, but it will always consider them. An Expression of Wish Form can be obtained from your Human Resources Department. You may change your Expression of Wish Form at any time. In particular, you should consider updating your Expression of Wish Form whenever your family circumstances change.

Death in Retirement

Spouse's or civil partner's pension

If you die whilst in receipt of a pension from SIPS, a spouse's or civil partner's pension will be payable. The spouse's or civil partner's pension is equal to one half of the pension you were receiving at the date of your death or which you would have been receiving at the date of your death if you had not given up part of your pension for a **PCLS** or dependant's pension at retirement (as appropriate).

The spouse's or civil partner's pension is payable for life; it does not stop on the remarriage of your spouse or upon your civil partner forming another civil partnership. The spouse's or civil partner's pension will increase on a similar basis to that described on page 11.

Lump Sum

If you die within five years of starting to receive a pension, a lump sum equal in value to the balance of pension payments which would have been made during the remainder of the five-year period, ignoring future increases, will be paid. The lump sum will be paid by the **Trustee** to the person or persons the **Trustee** in its discretion decides should benefit after considering your Expression of Wish Form. This benefit is payable in addition to the spouse's or civil partner's pension detailed above.

This benefit will not be paid if you took early retirement through incapacity and die before **Normal Retirement Date**. The lump sum benefit set out in the next section will be paid instead.

Early Retirement through incapacity - death before Normal Retirement Date

A lump sum equal to four times your **Pay** at retirement will be paid in the event of death before **Normal Retirement Date** while in receipt of an incapacity pension from SIPS. The lump sum will be paid by the **Trustee** to the person or persons the **Trustee** in its discretion decides should benefit after considering your Expression of Wish Form. This benefit is payable in addition to the spouse's or civil partner's pension detailed opposite.

5. Death Benefits continued

Death of an Early Leaver

If you leave service with the **Employers** but continue to be entitled to a deferred pension (see page 16), a lump sum will be payable if you die before your pension commences. If you die before **Normal Retirement Date**, the lump sum will be an amount equal to the basic contributions you paid to SIPS. This includes an amount equal to the contributions you would have paid had you not participated in your **Employer's** salary sacrifice arrangement.

If you die on or after **Normal Retirement Date**, the lump sum will amount to the maximum **PCLS** that you could have chosen had you retired immediately before dying; plus five years' payments of the pension (ignoring future increases) that would have been payable had you retired immediately before your death and then lived for five years. The lump sum will be paid to the person or persons the **Trustee** in its discretion decides should benefit after considering your Expression of Wish Form.

In addition, a spouse's or civil partner's pension will be payable. If you die before **Normal Retirement Date** the spouse's or civil partner's pension will be equal to one half of the pension due to you at the date of your death. If you die on or after **Normal Retirement Date**, the spouse's or civil partner's pension will equal 50% of the pension that would have been payable to you had you retired immediately before dying without giving up any pension for a **PCLS** or dependant's pension.

The spouse's or civil partner's pension is payable for life; it does not stop on the remarriage of your spouse or upon your civil partner forming another civil partnership. The spouse's or civil partner's pension will increase each year on a similar basis to that described on page 11.

Children's pensions

Pensionable children are your natural or legally adopted children. Other children who are dependent on you may be treated as pensionable children at the **Trustee's** discretion. These children remain pensionable children for as long as they are under the age of 18, or under age 23 and in full-time education or training approved by the **Trustee**.

If you die in service and a pension is payable to a spouse or civil partner and you leave only one pensionable child, the child's pension will be equal to 50% of the spouse's or civil partner's pension. If you leave more than one pensionable child, each child will receive a proportionate amount of pension such that the total sum of all children's pensions will be equal to the amount payable to a spouse or civil partner. If no pension is payable to a spouse or civil partner, the children's pension will be equal to the amount that would have been payable to a spouse or civil partner.

If you die as a pensioner, or on or after **Normal Retirement Date** as a deferred member, children's pensions will be paid only if no spouse's or civil partner's pension is payable or any spouse's or civil partner's pension stops while there are still pensionable children. Such children's pensions will be equal to the amount of pension that would be payable to a spouse or civil partner. If you leave more than one pensionable child, each child will receive a proportionate amount of pension such that the total sum of all children's pensions will be equal to the amount that would have been payable to a spouse or civil partner.

No children's pensions are payable on the death of a deferred member before **Normal Retirement Date** whose pension has not yet been put into payment.

Evidence of health

Benefits payable on your death will be subject to any restrictions imposed by any organisation with which they are reinsured. The **Trustee** may decide that these benefits will also be reduced if you are unable to satisfy the **Trustee** that you are in good health, or if your death results from a cause specified in a notice to members.



6. Early Leavers

Deferred Pension

If you leave service before **Normal Retirement Date** with at least two years' **Qualifying Service** and without becoming entitled to an immediate pension you will receive a pension for life from **Normal Retirement Date**. The pension will be calculated as described in Section 4 based on your **Final Pensionable Pay** and **Pensionable Service** to the date of leaving service.

If you leave service with less than two years' **Qualifying Service** you will qualify for a deferred pension only if a transfer payment has been made to SIPS in respect of your rights under a personal pension scheme.

Any portion of your pension representing GMP will be increased annually as specified by law.

The portion of your pension which is in excess of any GMP will be increased until you retire by 5% per annum compound or the cumulative rise in the Retail Prices Index, whichever is lower.

The pension will also increase each year after it starts as described on page 11.

When you leave service the **Trustee** will send you a deferred pension certificate which shows you the benefits to which you are entitled and which may be transferred as described on page 17.

After reaching age 55 (or age 50 if retiring before 6 April 2010) it may be possible for you to take your deferred pension as a reduced early retirement pension provided the **Trustee** agrees. However, if you joined SIPS before 1 July 1991, you may choose to retire at any time after reaching age 60 without needing the **Trustee's** agreement. If this option is of interest you should contact the **Trustee** nearer to that time.

Refund of Contributions

If you leave service before **Normal Retirement Date** without becoming entitled to an immediate or deferred pension you will usually receive a refund of your own basic contributions, less tax at such rate as applies from time to time and less the Certified Amount. The Certified Amount represents the saving in National Insurance contributions which you have enjoyed by being contracted-out of **S2P**. It will be used to buy you back into **S2P** for this period.

If you have more than three months' **Pensionable Service** you may elect to transfer the value of your benefits to another registered pension arrangement instead of receiving a refund of your contributions. See page 17 for more information on the transfer option.



Transfer

If you leave SIPS entitled to a deferred pension that has not started, you may opt to transfer the value of your pension into another employer's pension scheme, into an individual insurance policy, or into a personal pension scheme. You are, however, advised to take independent financial advice before deciding to transfer.

The transfer value is calculated in accordance with statutory requirements and advice provided by the actuary appointed by the **Trustee**. It represents the current cash value of the benefits you built up whilst a member of SIPS. The transfer value takes into account the probability that the benefits will be paid and will reflect market conditions at the time it is calculated.

If you request a transfer value you will receive a Statement of Entitlement showing your transfer value, which will normally be guaranteed for three months. In certain circumstances the amount shown in the Statement of Entitlement could be altered. If you have two or more years' **Qualifying Service** and you wish to consider a transfer more than three months after you have received your Statement of Entitlement you should ask the **Trustee** to confirm the transfer value before showing it to your new employer or insurance company.

If you are given the option of either (i) a refund of contributions, or (ii) a transfer value, a refund of contributions will be paid to you automatically one month after the guarantee period has expired, if your wish to transfer is not confirmed by then.

You may transfer your benefits to another scheme at any time after you leave, up to one year before **Normal Retirement Date**. This is only permitted if your pension payments have not commenced.

Opting out of SIPS

Membership of SIPS is voluntary and you may withdraw from membership at any time by giving at least six weeks' notice to your **Employer** and the **Trustee**.

If you withdraw after less than three months' **Pensionable Service** then you will be entitled to a refund of your contributions less tax and less the Certified Amount.

If you withdraw after more than three months' **Pensionable Service** but less than two years' **Qualifying Service** you will be given the option of either (i) receiving a refund of contributions, or (ii) transferring the value of your benefits to a registered arrangement.

If you withdraw after more than two years' **Qualifying Service** you will be entitled to a deferred pension payable at **Normal Retirement Date**. The early retirement option will not be available to you for as long as you remain in employment with the **Employers**.

You will only be permitted to rejoin SIPS with the agreement of the **Company** and the **Trustee**. If you do rejoin, your two periods of **Pensionable Service** will stand alone and will not be added together when calculating your eventual retirement pension.

7. Additional Voluntary Contributions

Introduction

You may like to consider paying AVCs to increase your benefits.

AVCs are invested by the provider separately from the other assets of SIPS, although the investments still technically form part of SIPS.

The overall benefits that you may receive from SIPS, including benefits from AVCs, are not subject to any limits. Instead, HMRC has determined a maximum amount of tax-privileged savings you can build up in a pension fund throughout your life. This value is called the Lifetime Allowance. It is set at £1.65 million for the tax year 2008/09 and will rise to £1.8 million by 2010/11, when it will be reviewed by the Government. If the value of your total pension savings, including your past and present savings from all other arrangements, exceeds the Lifetime Allowance, you will pay a tax charge on the excess called the Lifetime Allowance Charge.

You can save as much as you like into any number and type of registered pension scheme and get tax relief on contributions of up to 100% of your annual UK earnings (or £3,600 if this is greater), subject to an Annual Allowance. For the tax year 2008/09 the Annual Allowance is £235,000. This will increase to £255,000 by 2010/11, when it will be reviewed by the Government.

AVCs are an extra way to save for your retirement and cannot be used as a short-term savings plan from which to draw money at any time.

Paying AVCs

You may start to pay AVCs on joining SIPS or at any time afterwards on the first day of a month. If you wish to pay AVCs you must complete an Application Form which is available from your Human Resources Department.

If you wish, you may vary your AVCs on the first day of any month by completing the relevant form which is available from your Human Resources Department.

Investment Choices

You may choose to invest your AVCs in a number of investment funds offered by the **Trustee**. Full details of the available investment choices can be found in the separate AVC leaflet, a copy of which can be obtained from your Human Resources Department.

Benefits

Your AVCs form your own separate fund, which earns investment returns. When you retire you may use the fund to provide a **PCLS**, subject to the HMRC limits described on page 10.

If at retirement your AVC fund is larger than that required to secure the maximum **PCLS** allowed to you by HMRC or you do not wish to take all of your entitlement as a **PCLS** then the excess will be converted into an additional pension payable via SIPS or through the open market option.

Leaving Service

If you leave SIPS before **Normal Retirement Date** with less than three months' **Pensionable Service** then you will receive a refund of your AVCs less tax.

If you leave SIPS before **Normal Retirement Date** with more than three months' **Pensionable Service** but less than two years' **Qualifying Service** you will be offered a refund of your AVCs or the option to transfer your AVCs along with your main **Scheme** benefits as described on page 17.

If you leave SIPS before **Normal Retirement Date** with more than two years' **Qualifying Service** and do not take early retirement then your AVC fund will remain with the AVC provider. It will earn investment returns until such a time as you retire or opt to transfer out your benefits to another registered pension arrangement.



8. Internal Disputes Resolution Procedure

If you are dissatisfied with anything to do with SIPS

If you are dissatisfied with anything to do with SIPS, you should first discuss the matter with your Human Resources Department and then if necessary with the Administrator.

If you are still not satisfied you should write to the Scheme Secretary with details of your complaint at the following address:

**Hadrian Trustees Limited
Innovation Court
New Street
Basingstoke
Hants
RG21 7JB**

The Scheme Secretary will try to resolve your dispute but if he is unable to do so to your satisfaction, you should ask for a formal complaints form. If the Scheme Secretary considers it appropriate, he will invoke the Internal Disputes Resolution ('IDR') Procedure immediately and you will be advised and issued with a formal complaints form to complete. Please note that the IDR Procedure cannot be invoked for complaints between you and your **Employer**.

Once you have completed and returned the formal complaints form, your complaint will be considered by a committee of the Trustee Board. You will normally receive a formal response to your complaint within two months. If your complaint is not dealt with within two months you will be sent a letter explaining the reason for the delay.

If you are not satisfied with the committee's decision, you will be able to raise the matter with the full Trustee Board. Further details will be provided with the committee's decision.

9. Additional Information for Members

The Data Protection Act 1998

The **Trustee** is the data controller for the purposes of the Data Protection Act. Under the Act the **Trustee** must ensure that all data held about you is obtained and processed lawfully and fairly. The **Trustee** has a legitimate interest in processing data for the purposes of SIPS.

At any time you are entitled to a report containing a description of all data held on the **Trustee's** records and the names of any persons or firms who are eligible to see the data. As some of the data may be technical in nature, you will be provided with an explanation in "plain English" about what is held. You will be asked to pay a small charge for the report and if any data is recorded incorrectly, you will be entitled to have it corrected immediately.

The Pensions Regulator

The Pensions Regulator (TPR) is able to intervene in the running of schemes where trustees, employers or professional advisers have failed in their duties.

TPR also acts as the Registrar of Occupational & Personal Pension Schemes. The register contains basic information on all registered pension schemes to enable employees to trace the source of their benefits. Information concerning SIPS (including the address at which the **Trustee** may be contacted) has been supplied to the Registrar.

TPR can be contacted at the following address:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

Telephone: 0870 606 3636

Website: www.thepensionsregulator.gov.uk

9. Additional Information for Members continued

The Pensions Advisory Service

The Pensions Advisory Service (TPAS) is available at any time to assist members and beneficiaries of a pension scheme in connection with any pensions query they may have, or difficulty which they have failed to resolve with the **Trustee** or Administrator of the **Scheme**. TPAS may be contacted at the following address:

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB

Telephone: 0845 601 2923

Website: www.pensionsadvisoryservice.org.uk

The Pensions Ombudsman

The Pensions Ombudsman appointed under Section 145(2) of the Pension Schemes Act 1993 may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme made or referred to him in accordance with that Act. The Pensions Ombudsman can be contacted at:

Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB

Telephone: 020 7834 9144

Website: www.pensions-ombudsman.org.uk





Further Information

For further information you can contact SIPS by one of the following means:

By writing to:

**Capita Hartshead
Private Sector Pensions (SIPS)
257 Ecclesall Road
Sheffield
S11 8NX**

Or by telephone on **0141 221 8665**

Or by email to **member.enquiries@sips-pensions.co.uk**

You can also visit the SIPS website **www.sips-pensions.co.uk**

Trustee

Hadrian Trustees Limited
Innovation Court
New Street
Basingstoke
Hants
RG21 7JB

Administrator

Capita Hartshead
50 Bothwell Street
Glasgow
G2 6HR

Address for Correspondence with the Administrator

Capita Hartshead
Private Sector Pensions (SIPS)
257 Ecclesall Road
Sheffield
S11 8NX