

DATED 25th July 1994

IBM UNITED KINGDOM HOLDINGS LIMITED

and

IBM UNITED KINGDOM PENSIONS TRUST LIMITED

IBM I.T. SOLUTIONS PENSION SCHEME
ESTABLISHING DEFINITIVE TRUST DEED AND RULES

Consolidated as at 26 August 2016 (re interim period for Project Waltz)

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IBM I.T. SOLUTIONS PENSION SCHEME
ESTABLISHING DEFINITIVE TRUST DEED AND RULES

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IBM I.T. SOLUTIONS PENSION SCHEME

TRUST DEED

DATE: - 25 JULY 1994

PARTIES: -

- | | | |
|-----|--------------------------|--|
| (1) | “the Principal Employer” | IBM UNITED KINGDOM HOLDINGS LIMITED (Company Number 122953), whose registered office is at P.O. Box 41 North Harbour Portsmouth Hampshire PO6 3AU. |
| (2) | “the Trustee” | IBM UNITED KINGDOM PENSIONS TRUST LIMITED (Company Number 1523741), whose registered office is at P.O. Box 41 North Harbour aforesaid. |

WHEREAS:-

The Principal Employer has decided to establish a retirement benefits scheme under irrevocable trusts in accordance with Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 for the benefit of its employees and directors and the employees and directors of associated employers (if any) as shall be eligible for membership

NOW THIS DEED WITNESSETH and it is hereby agreed and declared as follows:-

1. The Principal Employer hereby establishes the IBM I.T. SOLUTIONS PENSION SCHEME (hereinafter called “the Plan”) under irrevocable trusts as a retirement benefits scheme capable of approval under Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 to commence with effect from the 28th July 1994 and appoints the Trustee to be the first trustee of the Plan
2. The Trustee shall hold the assets and moneys of the Plan (hereinafter called “the Fund”) upon trust in accordance with the Rules scheduled to this Trust Deed (as may be amended from time to time)
3. If on the eightieth anniversary of 28th July 1994 (the intervening period of eighty years being the perpetuity period applicable to the Plan) the trusts established by this Trust Deed are still in existence and there is no legislation at that time allowing them to continue the trusts shall then cease and the Fund shall be applied in accordance with the provisions then governing the Plan

RULES

SCHEDULE A

INTERPRETATION

In these rules, unless the context otherwise requires:-

- (1) words denoting the masculine gender include the feminine gender;
- (2) words in the singular include the plural and vice-versa;
- (3) references to any enactment include the corresponding Northern Ireland enactment (if any), in either case as amended extended or consolidated by any other enactment;
- (4) the headings and sub-headings are for ease of reference only, and do not form part of the Rules;
- (5) the following words and expressions have the meanings set out below:-

“1965 Act”

means the National Insurance Act 1965.

“1978 Act”

means the Employment Protection (Consolidation) Act 1978.

“1988 Act”

means Chapter I of Part XIV of the Income and Corporation Taxes Act 1988.

“1992 Act”

means the Social Security Administration Act 1992.

“1993 Act”

means the Pension Schemes Act 1993.

“Actuary”

means the actuary appointed for the purposes of the Plan (being a Fellow of the Institute of Actuaries, or a Fellow of the Faculty of Actuaries in Scotland, or a firm of such persons or a corporate body making available the advice given to it by a director or employee who is such a person).

“Actuarial Advice”

means advice presented to the Trustee by the Actuary.

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“Additional Voluntary Contribution Assets”

shall mean and include the investments, moneys and other assets for the time being representing any AVCs and/or ASCs made to the Fund pursuant to Rule 3(2) of Schedule E which are held by the Trustee to procure additional benefits.

“Administrator”

means the person appointed to meet the requirements of the Board of Inland Revenue under Section 612(1) of the 1988 Act.

“ASCs”

means contributions which a Member or Postponed Retiree participating in You* has elected that his Employer make to the Fund on his behalf pursuant to You* and which are in addition to any contributions payable by his Employer under Rule 1(2) of Schedule E where such Member or Postponed Retiree is a Smart* Member.

“ASC Uplift”

in respect of a Member or Postponed Retiree who has elected that ASCs should be made by his Employer, means an additional contribution that is payable by his Employer of 6% of the ASC amount or such other rate as his Employer may from time to time determine and notify to the Members and Postponed Retirees.

“Associated Employment”

shall mean 2 or more concurrent employments held by the Member which are associated i.e. where:-

- (a) there is a period during which the Member has held all of them,
- (b) the period counts under the Plan in the case of all of them as a period in respect of which benefits are payable,
- (c) during the period all the employers in question are associated.

For the purposes of this definition, employers are associated if one is controlled by the other, or both are controlled by a third party. Control has the meaning in Section 840 of the 1988 Act, or in the case of a close company, Section 416 of the 1988 Act.

“Associated Scheme”

means either (i) or (ii) below as appropriate:-

- (i) in respect of a Class A Entrant or a Class B Entrant, any Relevant Scheme providing benefits in respect of Service;
- (ii) in respect of a Class C Entrant, any Relevant Scheme which is a Connected Scheme or which provides benefits in respect of Service.

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“Auditor”

means the auditor appointed under Rule 17 of Schedule B (being a member of the Institute of Chartered Accountants in England and Wales, or the Institute of Chartered Accountants of Scotland, or the Association of Certified and Corporate Accountants, or a firm whose partners are members of any of those bodies who are registered in accordance with the provisions of Section 35 of the Companies Act 1989).

“AVCs”

means additional voluntary contributions made to the Fund by Members or Postponed Retirees pursuant to Rule 3(1) of Schedule E.

“Beneficiary”

means a person who is entitled to receive a pension or allowance under the Plan, in respect of (but not as) a Member or former Member (whichever the case may be) (or who is so entitled by reason of a transfer payment received under Rule 1 of Schedule L or Rule 5 of Schedule E.)

“Cash Equivalent”

means the value of a Member's or Deferred Retiree's benefits accrued to the date of termination of Pensionable Service (which, in respect of a Member who has terminated Pensionable Service but remained in Service shall be deemed to include any element accrued prior to 6th April 1988) or such later date as an application is made under Rule 4 of Schedule I.

“Cash Transfer Sum”

shall have the same meaning as in section 101AB of the 1993 Act.

“Child”

in relation to a deceased person includes his stepchild, a child whom he has legally adopted, a child conceived but not yet born and any other person to whom in the opinion of the Trustee the deceased stood as a natural parent. Any child born after the date of termination of the Plan or partial termination by virtue of the withdrawal of the Member's Employer from the Plan shall not be considered a “Child” for the purposes of these Rules unless the Trustee otherwise directs.

“Civil Partner”

means, in relation to a Member, Deferred Retiree, Retiree or Postponed Retiree of the Plan, a person who was registered as his civil partner for the purposes of the Civil Partnership Act 2004 immediately before his death or other relevant date for benefit calculation purposes and the expression “**Civil Partnership**” shall be construed accordingly.

“Class A Entrant”

means a person treated for the purposes of Inland Revenue Limits as having joined a Retirement Benefits Scheme before 17th March 1987.

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“Class B Entrant”

means a person treated for the purposes of Inland Revenue Limits as having joined a Retirement Benefits Scheme on or after 17th March 1987 but before 1st June 1989.

“Class C Entrant”

means a person who, for the purposes of Inland Revenue Limits, joined a Retirement Benefits Scheme on or after 1st June 1989. Such person may include: -

- (i) (at the Trustee's discretion) any Class A Entrant, or
- (ii) any Class B Entrant, who elects to be treated as a Class C Entrant at any time before the earlier of the date:-
 - (a) that benefits begin to be paid to him from the Plan; or
 - (b) that the benefits payable to him under the Plan are secured with an Insurance Company; or
 - (c) that the benefits payable to him under the Plan are otherwise transferred out of the Plan to another arrangement; or
 - (d) the attainment of age 75.

“Company Medical Officer”

means the medical officer employed from time to time by the Principal Employer.

“Connected Scheme”

shall mean any Relevant Scheme which is connected with the Plan in relation to the Member i.e. if:-

- (a) there is a period during which the Member has been the employee of 2 associated employers,
- (b) that period counts under both schemes as a period in respect of which benefits are payable,
- (c) the period counts under one scheme for service with one employer and under the other for service with the other employer.

For the purposes of this definition, employers are associated if one is controlled by the other, or both are controlled by a third party. Control has the meaning in Section 840 of the 1988 Act, or in the case of a close company, Section 416 of the 1988 Act.

“Contracted Out-Employment”

has the meaning given to it in Section 8(1) of the 1993 Act.

SCHEDULE A

“Contributions Equivalent Premium”

means the premium referred to in Section 55(6)(e) of the 1993 Act increased by an appropriate amount to take account of the incentive payments received from the State (if any) in respect of a Member.

“Date of Commencement”

means the 28th day of July 1994.

“Deferred Benefits”

means the benefits set out in Rule 2 of Schedule I.

“Deferred Retiree”

means a person who is a former Member (having terminated Pensionable Service before his Normal Retirement Date) or former Enhanced Deferred Member (having terminated pensionable service of the IBM Pension Plan before his Normal Retirement Date) and who is entitled to a pension under the Scheme payable from some future date (or who is treated as such a person by reason of an individual transfer payment received under Rule 5 of Schedule E or a group transfer payment received under Rule 1 of Schedule L).

“Dependant”

in relation to a deceased person means any person whose relationship to the deceased was, in the opinion of the Trustee, of such a nature that (whether due to financial dependence on the deceased or otherwise) he might reasonably expect to receive some part of any benefit payable in the event of a Member or former Member's death.

“Disclosure Regulations”

means regulations made under Sections 113 and 114 of the 1993 Act, certain provisions of which are contained in Schedule F.

“Discretionary Trusts”

means the trusts upon which certain sums arising on the death of an individual must be held by the Trustee, the terms of such trusts being as follows:-

- (a) the Trustee may pay or apply all or part of that sum to or for the benefit of the following persons, in such shares and proportions as it thinks fit:-
 - (i) any of the deceased's Relatives or Dependants at the date of his death (including any conceived but not yet born); and
 - (ii) any person, charity or other organisation whose name was notified in writing by the deceased to the Trustee (or to the trustees of any other Retirement Benefits Scheme to which the deceased formerly belonged);

SCHEDULE A

- (b) the Trustee shall not be bound by any nomination or request under (a)(ii) above, and may declare trusts and appoint separate trustees (and provide for their remuneration) in respect of all or any part of the sum concerned;
- (c) if at the time of death there are no Relatives, Dependants or notified names under (a) above, the sum concerned shall revert to the Fund; and
- (d) if within 24 months of the date of death:-
 - (i) all or part of the appropriate sum has not been applied in accordance with (a) above; or
 - (ii) the appropriate sum has reverted to the Fund in accordance with (c) above;

then such sum shall forthwith be paid to the deceased's personal representatives;

- (e) if at any time either the Crown or the Duchy of Lancaster or the Duchy of Cornwall shall become entitled by way of bona vacantia to the deceased's estate the lump sum or any balance remaining unpaid or unapplied shall be forfeited and shall revert to the Fund.

“Earnings Cap”

means

- (a) prior to 6 April 2006, the permitted maximum as construed in accordance with section 590C(2) of the 1988 Act (including that section as applied for the purposes of paragraph 20 of Schedule 6 to the Finance Act 1989) for the year of assessment in which the date falls; and
- (b) after 5 April 2006, the amount that the Trustee determines to be the Earnings Cap applicable each year, being the permitted maximum for the tax year 2005/2006 of £105,600 increased each 6 April starting on 6 April 2006 by the same percentage as the percentage increase in the general retail prices index (for all items) in the previous September published by the Office for National Statistics (or, if that is not available, such other comparable index as the Trustee may determine), then increased, where the figure is not a multiple of £600, to the nearest amount which is such a multiple.

“Eligible Child”

in relation to a deceased person means a Child of his who:-

- (a) is below age 19; or
- (b) is below aged 23 and undergoing full-time education or vocational training approved by the Trustee.

PROVIDED THAT a Child who is an Eligible Child but was not, at the sole discretion of the Trustee, dependent upon the deceased Member, Retiree, Deferred Retiree or Postponed Retiree for the ordinary necessities of life, may be deemed not to be an Eligible Child and no Child's Allowance described in Rule 5 of Schedule H shall be paid UNLESS such Child is the only Child of the deceased Member, Retiree, Deferred Retiree or Postponed Retiree.

“Employee”

means an employee of an Employer.

“Employer”

means the Principal Employer or any employer which participates in the Plan in accordance with Rule 3 of Schedule B.

“Enhanced Deferred Member”

means any Member who has become an Enhanced Deferred Member pursuant to Rule 2(3) of Schedule D.

“Enhanced M Plan Member”

means a Member who became an Enhanced M Plan Member of the IBM Pension Plan pursuant to Rule 1(6) of Schedule B of the Money Purchase Rules with effect from 6 July 2006.

“Equivalent Pension Benefit”

means the equivalent pension benefit referred to in the 1965 Act.

“Final Pensionable Earnings”

means the highest amount of Pensionable Earnings received in any consecutive period of twelve months during the three years immediately preceding his Normal Retirement Date, retirement, the termination of Pensionable Service or death, whichever event occurs first.

In the case of an Enhanced Deferred Member, Final Pensionable Earnings means the highest amount of Pensionable Earnings received in any consecutive period of twelve months during the three years immediately preceding his Normal Retirement Date, retirement or termination of pensionable service in the IBM Pension Plan as an Enhanced M Plan Member or death, whichever event occurs first.

In the case of a Postponed Retiree, Final Pensionable Earnings means the highest amount of Pensionable Earnings received in any consecutive period of twelve months during the three years immediately preceding his actual retirement date, the termination of Pensionable Service or death (whichever event occurs first).

“Final Remuneration”

means subject to (2) below the greatest of:-

- (a) the total of:-
 - (i) the basic wage or salary for any one of the 5 years preceding the date of retirement, leaving Service or death, and
 - (ii) the annual average of fluctuating emoluments over 3 or more consecutive years (or over such shorter period as fluctuating emoluments have arisen) ending on the last day of the year chosen in (i) above;

SCHEDULE A

increased in proportion to any increase in the Index of Retail Prices from the last day of the year chosen in (i) above up to the date of such retirement, leaving Service or death (except that this formula shall not be used if it would prejudice Revenue Approval, because the individual concerned is a High Earner); or

- (b) the average of Increased Total Emoluments for any 3 or more consecutive years ending not earlier than 10 years before the earliest of the date of retirement, leaving Service or death, where for the purpose of this definition the "Increased Total Emoluments" in respect of any year means the total emoluments received in that year, increased by an amount proportionate to the increase in the Index of Retail Prices from the last day of that year to the date of retirement, leaving Service or death;

OR

- (c) where used in connection with benefits payable on death in Service:-
 - (i) the annual amount of basic salary in the course of payment at the date of death, or
 - (ii) the basic salary as in (i) above plus the average fluctuating emoluments during the 3 years (or the whole period of Service if less) up to the date of death, or
 - (iii) the total earnings (fixed plus any fluctuating emoluments) paid during a selected period of 12 months ending at any time not earlier than 36 months prior to the date of death;

earnings in (c)(ii) and (iii) above for years other than the 12 months prior to death being increased by an amount proportionate to any increase in the Index of Retail Prices, from the last day of the year in question to the date of death.

- (1) In respect of a Class C Entrant only the calculation of Final Remuneration shall not exceed the "permitted maximum" imposed by Section 590C(2) of the 1988 Act or such other figure as may be prescribed in an order made by the Treasury Department for any year commencing on or after 6th April 1990 in accordance with Section 590C(6) of the 1988 Act.

Final Remuneration shall not include anything taxable under Schedule E (as set out in Section 19 of the 1988 Act) arising from the acquisition or disposal of shares or an interest in shares or from a right to acquire shares, nor shall it include payments on termination of Service taxable under Section 148 of the 1988 Act.

"Fixed Protection Deferred Member"

means a Deferred Retiree who became a Deferred Retiree in accordance with Rule 7(1) of Schedule I.

"Full Benefits"

means the benefit prospectively payable on the retirement of a Member as if Pensionable Service were to continue until his Normal Retirement Date.

“Fund”

means the assets and monies held for the purposes of the Plan.

“Guaranteed Minimum Pension”

has the meaning given to it in Section 8(2) of the 1993 Act.

“HCI Scheme”

means any home computing initiative scheme enabled by the Finance Act 1999 allowing an Employer to implement a tax-exempt loan for the purchase of computer equipment for an Employee to use at home.

“High Earner”

means a Class B Entrant whose remuneration in any year subsequent to 5th April 1987 used for the purpose of calculating benefits has exceeded £100,000.00 or such other amount as may be prescribed in an order made by the Treasury Department.

“IBM Pension Plan”

means the IBM Pension Plan established by deed dated 3rd April 1957 and currently governed by a 1997 definitive trust deed, a deed establishing the 1997 Defined Benefit Section Rules of the Plan and a deed establishing the 1997 Money Purchase Section Rules (the “**Money Purchase Rules**”) of the Plan all dated 24th April 1997.

“Index of Retail Prices”

means the index of retail prices published by the Department of Employment or any other index agreed as suitable for the purposes of the Plan by the Pension Schemes Office.

“Inland Revenue Limits”

means the limits and restrictions set out in Schedule J (or such other greater amounts that may be provided by the Plan that would not prejudice Approval) or such other limits and restrictions as may be made from time to time by the Board of Inland Revenue.

“Insurance Company”

means:-

- (a) a United Kingdom branch of an insurance company to which Part II of the Insurance Companies Act 1982 applies, and which is authorised under Section 3 or 4 of that Act to carry on ordinary long-term insurance business (as defined in that Act); or
- (b) a friendly society enabled by regulations made under Section 162 of the 1993 Act to conduct the business described in that Section.

“Jersey Member”

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means any period of Pensionable Service in which a Member is employed in and tax resident in the States of Jersey.

“Legal Spouse”

means a person to whom the deceased Member, Deferred Retiree, Retiree or Postponed Retiree was legally married or of whom he was a Civil Partner immediately before his death.

“Limited Revaluation Premium”

has the meaning given to it in Section 55(6) (g) of the 1993 Act.

“London Allowance”

means the amount of monetary compensation payable to a Member (if any) of such amount as deemed applicable by the Principal Employer from time to time as a result of the Member's employment with, or on instruction by, an Employer, being carried out wholly or mainly within boundaries of central and outer London as specified by the Principal Employer.

“Maternity Remuneration”

means for the purposes of Rule 10 of Schedule D only, an amount paid by an Employer equal to 90% of statutory maternity pay plus such proportion of contractual pay as the Principal Employer shall from time to time consider appropriate.

“Member”

means a person who is a member of the Plan in accordance with the provisions set out in Rule 1 of Schedule D and shall, where the context so requires, include an Enhanced Deferred Member.

“Member's Credit”

means that part of a transfer payment to or from another Retirement Benefits Scheme a Personal Pension Scheme or such other arrangement as deemed appropriate by the Board of Inland Revenue from time to time to be regarded as a person's own contribution to that scheme.

“Normal Retirement Date”

means the last day of the month following the attainment of age 60.

“Past Service Reserve”

means the value of the immediate, prospective and contingent benefits payable to the transferring Members of the Previous Scheme based on Pensionable Service up to the date of transfer after, in the case of current Members, making allowance for projected increases in the Pensionable Earnings of each Member from the date of transfer to the assumed date of retirement, death or withdrawal. The actuarial assumptions to be used will be those adopted in the most recent finalised actuarial report at the date of transfer, except that no allowance will be made for any lump sum benefits payable on death in service or any allowance in respect of future expenses of the Plan.

“Pensionable Earnings”

- (1) in relation to any Member who joined the Plan before 16th December 2002 means gross basic remuneration from the Employer during the relevant period:-

INCLUDING:-

any element of shift allowance payable to a Member (if any);

any element of Automatic Data Processing Allowance

AND

EXCLUDING:-

bonuses;

commission;

overtime earnings;

benefits in kind;

any allowance payable to a Member in lieu of a motor car normally supplied by an Employer;

an amount equal to the London Allowance payable to a Member (if any);

any payment made to the Member in lieu of all or part of surrendered holiday entitlement;

any other fluctuating emoluments; and

any other additional monetary amounts (if any) payable by way of, or in respect of, expenses incurred whether or not such additional monetary amounts are taxable.

- (2) in relation to any Member who joined the Plan on or after 16th December 2002, and any Member who joined the Plan prior to that date but who consented in writing to the following definition being applicable to their period of membership, means gross basic remuneration from the Employer during the relevant period:-

EXCLUDING:-

bonuses;

commission;

overtime earnings;

benefits in kind;

any element of shift allowance payable to a Member (if any);

any element of Automatic Data Processing Allowance;

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any allowance payable to a Member in lieu of a motor car normally supplied by an Employer;

an amount equal to the London Allowance payable to a Member (if any);

any payment made to the Member in lieu of all or part of surrendered holiday entitlement;

any other fluctuating emoluments; and

any other additional monetary amounts (if any) payable by way of, or in respect of, expenses incurred whether or not such additional monetary amounts are taxable.

In respect of both (1) and (2) above, the following applies:

- (i) in the case of a Member or Postponed Retiree whose taxable earnings have been reduced as a result of the Member or Postponed Retiree agreeing to a reduction in his gross basic remuneration on joining the HCI Scheme, participating in You* and/or becoming a Smart* Member, such reduction in gross basic remuneration shall be ignored for the purposes of calculating Pensionable Earnings by reference to the Plan; and
- (ii) in the case of a Member or Postponed Retiree who is a Class C Entrant, the calculation of "Pensionable Earnings" shall not exceed the Earnings Cap.

"Pensionable Service"

means complete years and months of Service whilst a Member or a Postponed Retiree and for the avoidance of doubt any odd days of Service shall be rounded up to a complete month, plus any additional period of "Pensionable Service" awarded by the Trustee on the advice of the Actuary and based on (and subject to) a transfer payment received by the Trustee in respect of a period of membership under the Previous Scheme. In respect of an Enhanced Deferred Member, his Pensionable Service shall cease to accrue at such time as he becomes an Enhanced Deferred Member pursuant to Rule 2(3) of Schedule D.

"Perpetuity Period"

means the period of eighty years from 28th July 1994 (being the perpetuity period applicable to the trusts of the Fund and of the Plan, as stated in Clause 3 of the Trust Deed, or such longer period as it may from time to time be lawful for the trusts of the Fund and of the Plan to continue.

"Personal Pension Scheme"

means a personal pension scheme exempt approved or provisionally approved under Chapter IV of Part XIV of the 1988 Act (including a personal pension scheme contracted-out under the provisions of the 1993 Act).

“Plan”

means the IBM I.T SOLUTIONS PENSION SCHEME to which this Trust Deed relates.

“Postponed Retiree”

means an Employee still in Service and Pensionable Service after his Normal Retirement Date with the express consent of the Principal Employer and with the prior knowledge of the Trustee. For the avoidance of doubt no Postponed Retiree may remain in Service beyond his 63rd birthday except where otherwise agreed in writing by the Principal Employer.

“Principal Employer”

means IBM UNITED KINGDOM HOLDINGS LIMITED or any successor appointed under Rule 3 of Schedule L.

“Previous Scheme”

means the Principal Civil Service Pension Scheme 1974.

“Qualifying Service”

means periods of employment calculated on the termination of Pensionable Service (which for this purposes shall be treated as not having been terminated if it is resumed within one calendar month) as a total of:-

- (a) periods of Pensionable Service to the date of termination;
- (b) periods of employment during which the individual was a member of one or more Retirement Benefits Schemes (other than the Plan) of any of the Employers or their predecessors in business, immediately preceding the periods of Pensionable Service referred to in (a);
- (c) periods of employment in respect of which rights in another Retirement Benefits Scheme or Personal Pension Scheme have been transferred to the Plan;

but excluding from that total any period in respect of which:-

- (1) refunds of contributions have been made,
- (2) transfer payments have been made to other pension arrangements,
- (3) a lump sum has been paid in full satisfaction of the benefits due, or
- (4) benefits are in payment.

The calculation shall not take any period into account more than once PROVIDED THAT no period during which a female Member is absent on account of pregnancy or confinement under Section 33 of the 1978 Act shall be excluded nor shall any period during which a Member is absent as a result of a trade dispute within the meaning of Section 29 of the Trade Union and Labour Relations Act 1974 (as amended).

“Recognised Trade Union”

means an independent trade union (as defined in Section 153 of the 1978 Act) recognised to any extent for the purpose of collective bargaining in relation to Employees, Members, Deferred Retirees and Postponed Retirees.

“Registrar”

means the Registrar of Occupational and Personal Pension Schemes.

“Registration Regulations”

means regulations made pursuant to Section 6 of the 1993 Act.

“Relatives”

In relation to a deceased person means:-

- (a) his or her Spouse;
- (b) his or her Spouse's parents;
- (c) his or her Spouse's grandparents;
- (d) his or her Spouse's uncles and aunts (including half-uncles and half-aunts) and the Children or remoter issue of any of them;
- (e) his or her Spouse's brothers and sisters (including half-brothers and half-sisters) and the Children or remoter issue of any of them;
- (f) his or her Spouse's Children or remoter issue;
- (g) the Spouse of any person within (b) to (f) above.

“Relevant Scheme”

means any other scheme approved or seeking approval under Chapter I of Part XIV of the 1988 Act.

“Remuneration”

means:-

- (a) as regards a Class A Entrant and a Class B Entrant, the remuneration paid to a Member in a tax year to which he is assessed to tax under Schedule E as referred to in the 1988 Act (but shall not include anything in respect of which tax is chargeable:-
 - (a) under Schedule E and which arises from the acquisition or disposal of shares or an interest in shares or from a right to acquire shares where the shares or the interest in shares or the right to acquire shares were obtained on or after 17th March 1987; or

SCHEDULE A

- (b) by virtue of Section 148 of the 1988 Act), PLUS any other remuneration which the Board of Inland Revenue may allow for the purposes of Schedule E as referred to in the 1988 Act.)
- (b) As regards a Class C Entrant only, the aggregate remuneration paid to a Member in a tax year: -
- (i) from his Employer; and
 - (ii) in respect of any Associated Employment or any Connected Scheme
- under Schedule E as referred to in the 1988 Act but shall not include anything in respect of which tax is chargeable:-
- (1) under Schedule E and which arises from the acquisition or disposal of shares or an interest in shares or from a right to acquire shares where the shares or interest or the right to acquire shares were obtained on or after 17th March 1987; or
 - (2) by virtue of Section 148 of the 1988 Act, plus any other remuneration which the Board of Inland Revenue may allow for the purposes of Rule 3 of Schedule E. For the purposes of this paragraph (b) the calculation of “Remuneration” shall not exceed the “permitted maximum” imposed by Section 590C(2) of the 1988 Act or such other figure as may be prescribed in an order made by the Treasury Department for any tax year commencing on or after 6th April 1990 in accordance with Section 590C(6) of the 1988 Act.

“Retirement Benefits Scheme”

means a retirement benefits scheme exempt approved or provisionally approved under Chapter 1 of Part XIV of the 1988 Act.

“Retiree”

(except in the expression “Deferred Retiree” and “Postponed Retiree”) means a person who is a former Member entitled to be receiving a pension under the Plan.

“Revenue Approval”

means approval of the Plan by the Board of Inland Revenue under the 1988 Act.

“Rules”

means the rules (as amended from time to time) scheduled to the Trust Deed.

“Separated Portion”

has the meaning given to it in Rule 5 of Schedule L.

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“Secretary”

means the Secretary of the Plan appointed in accordance with Rule 17 of Schedule B.

“Service”

means:-

A. in respect of a Class A Entrant or a Class B Entrant

service with any of the Employers for the purpose of the Rules. In the event of a Class A or Class B Entrant being seconded or recruited direct from any of the Employers to become a whole time member of the armed forces or civil defence organisation of the United Kingdom such service shall be included. The transfer of any Employee from one to another of the Employers shall not be construed as termination of his Service.

B. in respect of a Class C Entrant

the aggregate of:-

- (a) service with any of the Employers for the purpose of the Rules. In the event of a Class C Entrant being seconded or recruited direct from any of the Employers a whole time member of the armed forces or civil defence organisation of the United Kingdom such service shall be included. The transfer of any Employee from one to another of the Employers shall not be construed as termination of his Service, and
- (b) any period which counts in respect of any Associated Employment or any Connected Scheme.

In respect of all Members, who have completed at least twelve months' Pensionable Service any period of employment undertaken overseas on behalf of a company within the IBM group but outside the United Kingdom shall be counted in calculating the total period of “Service.”

“Smart* Member”

means a Member or Postponed Retiree participating in a salary sacrifice arrangement currently referred to as Smart* Pensions (or such other description as referred to by his Employer from time to time) introduced by his Employer as notified to the Trustee from time to time (such notification may be in respect of an individual Member or Postponed Retiree or by reference to a class of people). A Member or Postponed Retiree will cease to be a Smart* Member if his Employer notifies the Trustee in writing that with effect from a specified date he will cease or have ceased to be a Smart* Member. A statement by an Employer as to whether a Member or Postponed Retiree is or is not a Smart* Member shall be final and conclusive and can be relied upon by the Trustee.

“Special Director”

means a Member who, at any time on or after 17th March 1987 and in the last 10 years before terminating Pensionable Service, death or retirement has, in relation to the Employer, been both within the definition of a director in Section 612(1) of the 1988 Act and within paragraph (b) of Section 417(5) of the 1988 Act.

“Spouse”

in relation to a deceased Member or former Member means a person who was legally married to him or is his Civil Partner immediately before his death except that, unless the Trustee otherwise decides, a person who was separated from the deceased at the time of the Member’s death by reason of a breakdown in the marriage or of the Civil Partnership, shall be considered a Legal Spouse only. The Trustee, at its sole discretion in circumstances which it considers to justify such action, shall be empowered to exclude such other persons as it thinks fit in order that the Trustee may pay a Dependant’s pension as described in Rule 7 of Schedule H.

“State Pension Age”

means age 65 in the case of a man, and age 60 in the case of a women (subject in either case to statutory modification).

“Transfer Credit”

means rights and benefits, or (in the case of a transfer payment received from the Previous Scheme only) added years of Pensionable Service as may be granted to an individual under the Plan by reference to a transfer payment into the Fund under Rule 5 of Schedule E or Rule 1 of Schedule L.

“Treasury Department”

means the Treasury Department of Her Majesty's Government.

“Trust Deed”

means the Trust Deed (as amended from time to time) to which these rules are scheduled.

“Trustee”

means the Trustee or Trustees for the time being of the Plan.

“You*”

means the flexible benefits programme under which a Member or Postponed Retiree may choose (amongst other benefits) to benefit from ASCs.

SCHEDULE B

GENERAL

Power of Amendment

1. The Principal Employer acting in a fiduciary manner may at any time add to, alter or modify any or all of the provisions of the Plan, subject to the consent of the Trustee. Any such amendment shall be brought into effect by the execution by the Trustee and the Principal Employer of a Deed, which may make the alteration effective from a date earlier than the date of the amending Deed itself PROVIDED THAT no such retrospective amendment may be made which would result in the reduction of any rights of a Member, Deferred Retiree, Postponed Retiree or Retiree or an Eligible Child Dependant or Spouse of any of them, unless such retrospective amendment is required as a result of statutory modification or any other overriding requirement.

Augmentation and Provision of Further Benefits

2. (1) The Trustee may, having considered the advice of the Actuary and obtained the consent of the Principal Employer, do one or both of the following:-

- (a) augment the benefits of any person (or class of persons) entitled under the Plan; or
- (b) provide benefits from the Fund for persons not otherwise entitled under the Plan;

but in neither case may benefits be provided which would prejudice Revenue Approval.

(2) Where the Trustee exercises its powers under this Rule, the Employer (or one or more of them as appropriate) shall pay any further contributions into the Fund which the Actuary recommends as necessary to provide the additional benefits.

Participation of Further Employers

3. (1) Any employer which is associated with the Principal Employer to the satisfaction of the Board of Inland Revenue may participate as an Employer (as defined in Schedule A) by means of a Deed executed by the Principal Employer, the Trustee and the employer concerned. The Deed may at the sole discretion of the Principal Employer make the participation effective from a date earlier than the date of the Deed itself.

(1) Anything contained in a Deed executed under this Rule which is inconsistent with the Trust Deed or the Rules shall be invalid to the extent of that inconsistency.

(2) Upon the happening of any event referred to in Rule 5(1) of Schedule L, the Employer concerned shall cease to be an Employer for the purposes of the Plan and the Trustee shall proceed as set out in that Rule.

Options and Notices

4. (1) Any option or right of election conferred upon an individual under the Plan shall be exercisable (subject to any alternative arrangements that the Trustee may decide) by notice in writing to the Trustee, to be effected as stated in (3) below.

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(1) Any notice to be given under the Plan to any Member or other person with an interest in the Fund may be given by sending the notice through the post, in a letter addressed to him at his last known place of residence or by such other means of communication as the Trustee may consider appropriate from time to time. Any notice so sent shall be deemed to be served on the fifth day following that on which it is posted or communicated (whichever the case may be).

(2) Any notice to be given under the Plan to the Trustee may be in writing, and addressed to him at an office of the Trustee as set out in the Deed appended hereto and may be sent by prepaid post (subject to the person's discretion to make such other arrangements as he thinks fit). Alternatively, the person may issue such notice by such other means of communication available to the person as he considers appropriate.

Notification of Place of Residence

5. Every Retiree, Deferred Retiree and Beneficiary shall give notice in writing to the Trustee of his place of residence at the time he becomes entitled to any benefit under the Plan, and shall give notice of any subsequent change of residence.

Expenses

6. All costs and expenses whatsoever incurred by the Trustee or any of the Employers in connection with the Plan and the Fund shall be paid out of the Fund. In the event of costs or expenses addressed initially to any of the Employers the Trustee shall reimburse such costs or expenses (but, with the relevant Employer's consent, may exclude from such reimbursement any tax charge or such costs or expenses which can be recovered or set off by such Employer).

Payment of Pensions

7. (1) All pensions and allowances shall be payable monthly in advance by such means as the Trustee decides (unless the Trustee otherwise decides), or, if the Trustee consents, at such intervals (not exceeding twelve months) and at such times as the Trustee shall either generally or in any particular case decide.

(1) Any agreement made with the Trustee for payment through the post or otherwise shall be at the risk of the Retiree or Beneficiary concerned.

Evidence of Entitlement

8. The Trustee may, before paying any benefit under the Plan, require the production of a certificate (or other appropriate evidence) of the birth or death of an individual, or the identity of any person, or any other material matter.

Effects of Misinformation

9. If any person makes a false statement as to any of the matters referred to in Rule 8 of this Schedule, the Trustee may on discovering the fact adjust or cancel any benefit otherwise payable from the Fund.

Actuarial Investigations

10. (1) Investigations into the sufficiency of the Fund to meet the liabilities of the Plan shall be made by the Actuary at intervals of not more than three and a half years. On completion of each investigation, the Actuary shall make a report (which shall satisfy the Disclosure Regulations) addressed to the Trustee, a copy of which will be forwarded to the Principal Employer by the Trustee, and the report shall be accompanied by an actuarial statement as referred to in the Disclosure Regulations.

(1) Valuations or certificates regarding the assets comprising the Fund and the liabilities of the Plan shall be produced to the Board of Inland Revenue, as required under Schedule 22 to the 1988 Act.

Actuarial Assumptions

11. In reaching any decision or opinion for the purposes of the Plan, the Actuary may act on such assumptions and proceed in such manner following consultation with the Principal Employer and the Trustee as the Actuary thinks appropriate.

Employers' Assistance

12. Each Employer shall do everything in its power, and give all information in its possession, which the Trustee may reasonably require in connection with the administration of the Plan.

Incapacity to Manage Affairs

13. (1) If any person entitled to a benefit under the Plan is, in the opinion of the Trustee, incapable of managing his affairs or of giving a valid receipt, the Trustee may pay some or all of that entitlement to such person or body as it thinks fit, to be applied for his benefit.

(1) The Trustee shall be under no obligation to see to the application of any benefit paid in accordance with (1) above, and the receipt of the person or body to whom the benefit is paid shall be a complete discharge to the Trustee in respect of that payment.

Claims Only under Formal Plan Documentation

14. No person shall have any claim, right or interest under the Plan, or any claim against the Trustee or any Employer, except under the provisions of the Trust Deed and the Rules.

Employers' Lien

15. (1) Sums owing to an Employer by reason of the criminal, negligent or fraudulent act or omission of a person otherwise entitled to benefits from the Plan shall (subject to (3) below) be deducted from those benefits (but not so as to affect any Guaranteed Minimum Pension or Equivalent Pension Benefit), subject to the production of a certificate as stated in (2) below.

(1) A certificate signed by any two directors of the Employer concerned that an amount is owing as stated in (1) above shall (subject to (3) below) be accepted by the Trustee as conclusive, and the appropriate amount shall be deducted accordingly and paid to that Employer, whose receipt shall be a complete discharge.

SCHEDULE B

(2) In the operation of this Rule:-

- (a) no part of a Transfer Credit, Guaranteed Minimum Pension or Equivalent Pension Benefit (as the case may be) may be subject to deduction;
- (b) a copy of the Employer's certificate must be given to the individual concerned together with a statement of its effect on his benefits or prospective benefits; and
- (c) the Trustee and the Employer may not act on the certificate if it is disputed by the individual concerned, unless it is made enforceable:
 - (i) by an order of a court of competent jurisdiction, or
 - (ii) by an award of an arbitrator agreed upon by the parties to the dispute, or failing such agreement an arbitrator named by the President for the time being of the Law Society or (in Scotland) appointed by the Sheriff.

Extension of Time Limits

16. Where any period or date is specified in the Trust Deed or the Rules by way of a time limit, the Trustee may, upon the written application of any person whom that time limit affects, extend the period or postpone the date in any particular case (subject to any conditions which the Trustee may think appropriate), but not so as to offend against the law relating to perpetuities.

Appointments

17. (1) The Trustee shall appoint:-

- (a) a Secretary (or temporary substitute for a Secretary);
- (b) an Actuary;
- (c) an Auditor; and
- (d) a Solicitor;

or such other professional advisors as the Trustee deems applicable.

The Trustee shall determine relevant issues pertaining to such appointments including the tenure of office, duties and remuneration of the advisers appointed upon such terms as the Trustee decides.

(2) The Trustee may remove from office any person appointed under this Rule whereupon a replacement may be appointed in accordance with (1) above.

Accounts and Audits

18. (1) Accounts and records shall be kept to ensure the proper operation of the Plan.

(1) In accordance with the Disclosure Regulations, annual statements of account shall be prepared, and shall be audited by the Auditor.

Securing Employer's Liabilities through Fund

19. Subject to the written consent of the Principal Employer and of the Trustee, an Employer may by resolution require that any person entitled to a pension or allowance payable by it from its own resources shall instead receive that pension or allowance from the Plan. The person concerned shall be notified accordingly and his pension or allowance shall be paid from the Plan with effect from the date specified in the resolution, subject to the following conditions:-

- (a) before the resolution comes into operation, the Employer shall make any payment into the Fund (by lump sum or instalments) which the Actuary recommends as necessary to provide the pension or allowance; and
- (b) the resolution shall not be effective to the extent that its operation would prejudice Revenue Approval.

Reduction of Surplus

20. If it becomes necessary in accordance with Schedule 22 to the 1988 Act to reduce the amount of surplus in the Fund, the Principal Employer and the Trustee shall decide which of the permitted ways by law and by the provisions of the Plan is to be used to effect that reduction, and appropriate action (if any) as the Trustee in its absolute discretion shall determine, shall be taken accordingly.

Termination of Claims and Responsibility

21. (1) No person shall have any claim upon the Fund, to the extent that:-

- (a) he has received a refund of his contributions under the Plan and/or a payment by his Employer in respect of any contributions paid pursuant to Rules 1(2) and 1(3) of Schedule E;
- (b) a transfer payment has been made to another Retirement Benefits Scheme or Personal Pension Scheme (as the case may be) in respect of him, under the terms of the Plan; or
- (c) an annuity has been purchased for him, under the terms of the Plan.

(2) The Trustee shall not in any way be responsible for, or bound to enquire into, the use and application of any transfer payment to another Retirement Benefits Scheme or Personal Pension Scheme (as the case may be) or arrangement from the Fund, which it makes in relation to any person in accordance with the terms of the Plan.

Unclaimed Monies

22. Any monies not claimed under the provisions of the Plan within six years of their becoming payable shall then cease to be claimable and shall revert to the Fund.

Perpetuity

23. If at the end of the Perpetuity Period the trusts established by this Deed are still in existence, and there is no legislation at that time allowing them to continue, the trusts shall then cease and the Fund shall be applied in accordance with the provisions then governing the Plan.

Arbitration

24. Any conflict arising from the administration operation or management of the Plan which cannot be resolved by the strict interpretation of the Rules may be resolved by arbitration and in such cases a single arbitrator shall be appointed.

Such arbitrator shall be decided upon and appointed by those parties to the dispute. Alternatively, if no agreement can be reached upon the ruling of the single arbitrator more than one arbitrator may be appointed, one by each party to the dispute. In these circumstances an Umpire shall be elected by the arbitrators.

In all other respects, such arbitration shall at all times be subject to the provisions of Statute relating to arbitration from time to time in force.

Increases in Pensions in Payment

25. (1) All pensions and allowances in excess of the Guaranteed Minimum Pension or Equivalent Pension Benefit in the course of payment shall be increased on 30th April each year at the rate of 5% per annum or by an amount equal to the increase in the Index of Retail Prices per annum if less. In any case where a pension or allowance commenced in payment less than one year prior to 30th April then a proportionate increase shall be payable.

(1) The Trustee may on the advice of the Actuary, as and when it thinks fit, from time to time, review all pensions and allowances in payment, excluding any element of Guaranteed Minimum Pension or Equivalent Pension Benefit (as the case may be), and may with the consent of the Principal Employer, decide to increase such pensions or allowances (excluding any element of Guaranteed Minimum Pension or Equivalent Pension Benefit (as the case may be)) by an amount greater than that outlined in sub-Rule (1) above PROVIDED THAT no such increase granted shall be of an amount which would prejudice Revenue Approval.

SCHEDULE C

TRUSTEE

Removal and Appointment of Trustees

1. The Principal Employer may by Deed remove from office any trustee of the Plan, and also by Deed may appoint new or additional trustees of the Plan.

A corporation or a limited or unlimited company may be appointed to be a trustee of the Plan either solely or jointly with others. Unless for the time being a corporation or company as aforesaid is sole trustee hereof or until the Principal Employer shall otherwise determine by instrument in writing the number of trustees shall in no circumstances be less than three.

Administration and Management

2. (1) The administration and management of the Plan shall be vested in the Trustee in accordance with the Trust Deed and the Rules.

(1) The Trustee may authorise in writing any person or persons as it thinks fit:-

- (a) to draw cheques on any banking account; or
- (b) to endorse cheques;
- (c) to sign certificates; or
- (d) to give receipts and discharges for money and other property payable to the Trustee (and any receipt or discharge so given shall take effect as if it had been given by the Trustee);

and the Trustee may from time to time revoke any such authority in writing.

Investment and Application of Assets

3. (1) All the investments, assets and monies of the Fund shall be held under the legal control of and by (or in the name of) the Trustee, except that the Trustee may place those investments assets and monies under the control of (or in the name of) such body corporate (as nominee for it) as it selects.

(1) The Trustee may retain such of the Fund's monies as it decides in any current or deposit account with any bank, building society, insurance company, local authority, finance company or other deposit taking institution at such rate of interest (if any) and upon such terms as the Trustees shall think fit, and shall invest or apply the balance of those monies as it thinks fit:-

- (a) in any manner which it could do if it were absolutely and beneficially entitled to those monies; or
- (b) in any manner which it is empowered to do as a trustee of a Retirement Benefits Scheme.

SCHEDULE C

(2) This Rule shall be construed so that the Trustee may in particular and without prejudice to the generality of Sub-Rule (2) of this Rule enter into any of the following transactions, among others:-

- (a) the purchase from an Insurance Company and maintenance of any deferred or immediate annuity for the life of any person, or for any period (whether depending upon or calculated by reference to life or not); or
- (b) the establishment of any policy of life assurance (including the payment of premiums) or sinking fund, deposit administration or managed fund policies or contracts; or
- (c) the underwriting or sub-underwriting (or guaranteeing the subscription of) any funds, securities, bonds, debentures, stocks or shares, which may be investments or assets under this Rule; or
- (d) the purchase of assets not of an income producing nature, and any transaction calculated in the opinion of the Trustee to offset or reduce any risk of loss to the Fund (so that the Trustee may deal in foreign currencies, options, traded options or financial futures, whether for present or future settlement); or
- (e) having regard to the requirements of the Occupational Pension Schemes (Investment of Schemes Resources) Regulations 1992 (as amended) the making of secured or unsecured loans to such persons or corporate bodies and upon such terms as the Trustees may in their absolute discretion determine.

(3) The Trustee may sell, convert, vary or transpose any of the investments or assets of the Fund.

(4) Although the Trustee shall be responsible for the investment of the Fund, it shall from time to time consult upon an investment policy with the Principal Employer.

(5) In relation to any real property or any interest therein forming part of the Fund, the Trustee shall have power:-

- (a) in addition to any powers of management conferred by law to sell, exchange, convey, lease, charge, agree to let, licence or otherwise conduct the management of any such property as if the Trustee were absolutely and beneficially entitled to such property;
- (b) to apply any money for the time being forming part of the Fund in improving or developing any such property or in enlarging, improving, demolishing or rebuilding any building comprised in such property.

(6) The Trustee shall have power to grant or give any indemnity, guarantee, warranty, covenant or assurance in respect of or in relation to any investment or asset held as part of the Fund.

(7) The Trustee shall have power to participate in any common investment fund or scheme for the investment of trust funds exempt from tax under Chapter I of Part XIV of the 1988 Act and may in this connection enter into any agreement, arrangement or compromise and accept such

SCHEDULE C

consideration, valuations, appropriations and apportionments in respect of all or any of their rights under such fund or scheme as they may think fit.

Employment of Agents

4. (1) The Trustee shall have the power to delegate any of its duties discretions or powers (other than the duties imposed on the Trustee regarding the termination of the Plan and the distribution of assets thereunder) to any person (including any investment manager or custodian) whom they reasonably believe by qualification or training or experience is capable of carrying out such duties discretions or powers or to employ agents to transact any business regarding the Plan including the payment of benefits. Any valid receipt given to an agent acting under this Rule shall be a good and sufficient discharge to the Trustee.

(1) Any person dealing with an agent appointed under this Rule shall, on production of the Trustee's written authority for the agent so to act, be entitled to assume (unless he has express written notice from the Trustee of the revocation of that authority) that the authority remains unrevoked.

(2) Any agent or other person to whom the Trustee has delegated any duties, discretions or powers under this Rule (including any investment custodian or investment manager and any sub-agent, or other person or body employed by the agent) with the consent of the Trustee, may:-

- (a) be paid remuneration commensurate with the services rendered in connection with the Plan;
- (b) retain any commission or profit which it receives in the ordinary course of business and in relation to the exercise of the duties, discretions or powers delegated to it

and shall not be obliged to account to the Fund for any remuneration commission or profit so received.

(3) The Trustee shall determine relevant issues pertaining to the delegation of any such duties discretions or powers and the employment of any such agents including the tenure of office, duties and remuneration of any such agent or other person and shall have the power to remove any person or agent appointed under this Rule.

(4) Any agent employed by the Trustee or any person to whom the Trustee delegates the exercise of its powers, duties or obligations may, subject to the consent of the Trustee, further delegate such of the powers, duties and obligations it is required to undertake as are not inconsistent with its appointment.

Raising or Borrowing Money

5. The Trustee may whenever it thinks it desirable so to do and subject to the consent of the Principal Employer raise or borrow any sum or sums of money and may secure the repayment of such monies in such manner and upon such terms and conditions in all respects as it thinks fit and in particular by charging or mortgaging all or any part of the Fund. Moneys so raised or borrowed may be applied for all or any of the purposes of the Plan including without prejudice to the generality thereof in the purchase of any investments hereby authorised.

Trustee's Remuneration

6. The Trustee shall be entitled to be paid such remuneration for its services in connection with the Plan as may be agreed between it and the Principal Employer.

Indemnities

7. (1) The Trustee shall be entitled to all the indemnities conferred on trustees by law. The Trustee shall not be liable for any acts or omissions not due to its own wilful neglect or default, and the Principal Employer shall keep the Trustee indemnified against the consequences of the exercise of all the Trustee's powers and discretions.

(1) In this Rule, the word "Trustee" shall include every trustee for the time being of the Plan, and every director, employee or member of a corporate trustee of the Plan.

Acting on Advice

8. The Trustee shall be entitled to act on any expert advice and shall not be responsible for any loss caused as a result.

Deduction of Tax

9. The Trustee may deduct from any payment made under the Plan a sum equal to any tax for which it becomes liable as a result of that payment.

Purchase of Annuity

10. (1) The Trustee may purchase from an Insurance Company in the name of an individual a contract or policy providing a non-assignable annuity (immediate, deferred or contingent), payable to a Member, Deferred Retiree, Postponed Retiree or Retiree, or the spouse or dependant of any of them.

(1) The annuity provided under this Rule shall be in substitution for such interests under the Plan as the Trustee may decide and the person concerned shall have no further claim upon the Fund in respect of those interests.

(2) The Trustee may direct that any contract or policy purchased under this Rule contain such provisions corresponding with those of the Plan as the Trustee thinks fit.

Power to Insure

11. The Trustee may insure any asset comprised in the Fund on such terms as it thinks fit, and the premiums may be paid out of income or capital. Any insurance money received shall be used by the Trustee to restore the asset concerned, or (if the asset cannot be restored) shall be applied by the Trustee as if it were the proceeds of the sale of the asset.

Trustee's Annual Report

12. The Trustee shall produce an annual report, in accordance with the Disclosure Regulations. The annual report shall in particular contain a copy of the Plan's audited accounts (as referred to in Rule 18 of Schedule B) for the period to which the annual report relates, and the most recent actuarial statement (as referred to in Rule 10(1) of Schedule B), if any.

Nominee to Hold Land

13. At any time when the Trustee consists of only one person, and that person is not a trust corporation, the Trustee may appoint another person to hold any real property forming part of the Fund jointly with it, subject in all respects to the Trustee's instructions.

Undertakings

14. In order to maintain Revenue Approval and to ensure that the Plan complies with the preservation requirements and the contracting-out provisions of the 1993 Act:-

- (a) the Trustee with the consent of the Principal Employer may by Deed make any changes necessary in the Trust Deed and the Rules; and
- (b) the Trustee may give any undertakings to the Board of Inland Revenue and the Occupational Pensions Board regarding the provision of benefits under the Plan as may be required, and may adjust the benefits under the Plan to comply with any such undertaking, and the provisions of any undertaking given under this Rule shall be treated as part of the Trust Deed and the Rules.

Trustee May Benefit

15. Any person shall be entitled absolutely to his benefits under the Trust Deed and the Rules, regardless of whether he is a trustee (or a director, employee or member of a corporate trustee) of the Plan.

Donations and Bequests

16. The Trustee may accept donations or bequests from any person or body to be applied for the purposes of the Plan.

Trustee's Powers of Determination

17. The Trustee shall at all times retain the power to decide all questions of fact or such other issues in connection with the provision and entitlement of benefits arising or claimed in relation to the Plan notwithstanding any powers described within the Rules vested solely in the Principal Employer or Employer (as the case may be).

Exercising Trustee's Powers

18. (1) The following sub-Rule (a) shall apply in the event of the appointment of individual trustees to the Plan as described in Rule 1 of Schedule C (either in addition to or replacement of, the Trustee)

- (a) The trustees shall meet at such place and at such intervals as they shall mutually determine but in any event not less than once a year. A secretary shall be appointed by the trustees. All other matters relating to the conduct of business of the trustees shall be decided upon solely by the trustees themselves.

SCHEDULE C

The following provisions shall apply:-

- (i) any two of the trustees shall form a quorum;
- (ii) a special meeting can be called at any time by any one of the trustees;
- (iii) all questions arising at the trustees' meetings shall be voted upon by a show of hands;
- (iv) in any case of an equality of votes the Chairman of the meeting shall have the casting vote.

(2) If any of the trustees of the Plan has a direct or other personal interest in the mode or result of any decision or any exercise of a power by the Trustee (other than his interest as a Member) he shall disclose the same to his co-trustees and shall not participate in any such decision or the exercise of any such power provided that no decision of or exercise of a power by the trustees shall be invalidated or questioned on the ground that the trustees or any of them had a direct or other personal interest in the mode or result of such decision or of exercising such power.

Entering into Agreements

19. Without prejudice to the express rights of any Employer under the Trust Deed and Rules (as the same may be varied by agreement of the parties), the Trustee may enter into any contract or agreement which, in its view, is for the benefit of the membership of the Plan and may accept any guarantee and agree with any of the Employers and any other party, on Actuarial Advice, matters concerned with the future funding of the Plan.

SCHEDULE D

MEMBERSHIP

Eligibility

1. (1) (a) Every full-time or part-time permanent Employee whose working hours exceed 15 hours each week, who has been invited to become a Member of the Plan by his Employer and who: -

(i) has attained age 16; and

(ii) has not attained age 60; or

(b) every Employee who immediately prior to the Date of Commencement was contributing to the Previous Scheme;

shall be treated as having satisfied the eligibility conditions

(2) Any Employee who satisfies the eligibility conditions shall (unless the Employee specifically requests and notifies the Employer that he does not wish to become a Member) upon fulfilling the entrance requirements set out in Rule 2(1) of this Schedule, become a Member.

(3) With effect from 1 December 2006 the Plan shall be closed to new entrants save that the Principal Employer may determine that Employees shall be eligible to be admitted to membership of the Plan in circumstances where they have become Employees after that date as a result of a “block transfer” or a “relevant transfer”, as defined in the Employment Equality (Age) Regulations 2006, as amended, for the purposes of Exemption 25A in Schedule 2.

Entrance

2. (1) Every Employee who:-

(a) is eligible to become a Member under Rule 1 of this Schedule;

(b) is not precluded in law from joining the Plan by reason of an existing Personal Pension Scheme in respect of him;

(c) either makes a written request to the Trustee that he be admitted to membership of the Plan, or is transferred to the Plan (with or without his consent) in accordance with Rule 1 of Schedule L;

(d) has completed and returned to the Trustee any entrance form which the Trustee may reasonably require;

(e) has supplied such evidence of good health as the Trustee may in its absolute discretion from time to time consider appropriate; and

(f) is not precluded from membership by the Employers under Rule 5, 6 or 7 of this Schedule;

SCHEDULE D

shall become a Member and his membership shall continue until the occurrence of any event referred to in (2) below.

(2) A Member who:-

- (a) reaches his Normal Retirement Date; or
- (b) ceases to be a regular Employee; or
- (c) makes a written request to the Trustee in such form as the Trustee shall direct giving not less than one month's notice that his membership of the Plan shall cease; or
- (d) enters into a Personal Pension Scheme which is inconsistent with his continued membership of the Plan; or
- (e) is precluded from continued membership of the Plan by the Employers under Rule 5, 6 or 7 of this Schedule;

shall cease to be a Member.

(3) A Member who elects to become an Enhanced M Plan Member under Rule 1(6) of Schedule B of the Money Purchase Rules with effect from 6 July 2006 shall on the date that he becomes an Enhanced M Plan Member automatically become an Enhanced Deferred Member of the Scheme.

Evidence of Age and Circumstances

3. Every Employee who becomes a Member shall provide any evidence of his age, family circumstances and subsequent changes in circumstances which the Trustee may require.

Notification on Cessation of Membership

4. (1) As soon as is practicable after any person ceases membership of the Plan, his Employer shall give notice in writing of that fact to the Trustee.

(2) Any:

- (a) Member on giving notice to the Trustee (as described in Rule 2(2) (c) of this Schedule); and
- (b) other individual who:
 - (i) has reached Normal Retirement Date;
 - (ii) has accrued benefits in the Plan; and
 - (iii) has obtained "Fixed Protection 2014" (as described in Part 1 of Schedule 22 of the Finance Act 2013),

on giving notice to the Principal Employer or the Trustee

SCHEDULE D

is entitled to cease membership of the Plan irrespective of whether he remains in Service.

Employer's Statement as to Eligibility

4. Subject to Rule 6 of this Schedule, a statement in writing signed by or on behalf of an Employer, to the effect that any of its Employees as specified in the statement is or is not eligible to be or become a Member, shall be conclusive evidence of the truth of the contents of that statement PROVIDED THAT this will not apply to those Employees admitted to the Plan in accordance with Rule 1(l)(b) of this Schedule. Such a notice shall override any provisions of the Plan that are inconsistent with it.

Exclusion by Principal Employer from Membership

5. The Principal Employer may by notice in writing to the Trustee direct that any specified person or class of persons shall not be eligible for membership, or shall cease to be a Member or Members PROVIDED THAT this will not apply to those Employees admitted to the Plan in accordance with Rule 1(l)(b) of this Schedule such a notice shall override any provisions of the Plan that are inconsistent with it.

Closure to New Entrants

6. The Principal Employer may at any time by notice in writing to the Trustee direct that membership of the Plan shall be closed to new entrants, and from then on no person shall be entitled to become a Member without the consent of the Principal Employer.

Resumption of Membership

7. (1) A person who ceases to be a Member by reason of any event referred to in Rule 2(2) of this Schedule may (subject to the consent of the Principal Employer and the Trustee if his membership ceased under Rule 2(2)(c) or Rule 2(2)(d)) resume his membership of the Plan, if he subsequently fulfils all the conditions set out in Rule 2(1) of this Schedule.

(1) If a person who resumes his membership of the Plan under this Rule is not entitled (in respect of a previous period of membership) to Deferred Benefits, he will become entitled to accrue Full Benefits from the date of his resumption of membership only.

(2) If a person who resumes his membership as a result of satisfying the eligibility requirements described in Rule 1 of this Schedule and is an existing Retiree, then the pension in payment which represents his first period membership shall continue unaffected and he shall accrue Full Benefits from the date his membership recommenced only.

(3) Where there are two periods of Contracted-Out Employment under the Plan in respect of a Member, with an interval of less than six months between the two periods, the two periods shall for the purpose of calculating his length of Contracted-Out Employment be aggregated and treated as one period (unless the Member ceased to have any interest in the Fund in respect of the earlier period, in accordance with the provisions of the Plan).

(4) In the event of the circumstances of a Member resuming membership in accordance with this Rule not being appropriate to the provisions of Rule 8(1) (2) (3) or (4) above the Principal

Employer and the Trustee shall determine in their absolute discretion what entitlements (if any) are applicable to such a Member.

Absence from Work

8. If a Member is absent from work, the Trustee shall decide whether he is to remain a Member, and whether any period of membership whilst not contributing to the Plan or where his Employer is not contributing to the Plan in respect of him under Rule 1(2) of Schedule E is to count toward his Pensionable Service, Qualifying Service or Contracted-Out Employment.

Maternity Absence

9. (1) **Less than one year's Service as a permanent Employee**

An expectant female Member who has completed less than one year's Service (as determined to be at eleven weeks prior to the Member's expected date of confinement) as a permanent Employee has no entitlement to Maternity Remuneration and shall cease to be a Member on the date her employment ceases (unless the Principal Employer in its sole discretion in any particular case determines otherwise).

(1) **More than one year's Service as a permanent Employee**

An expectant female Member who has completed a minimum of one year's Service (as determined to be at eleven weeks prior to the Member's expected date of confinement) as a permanent Employee shall be entitled to receive Maternity Remuneration for an initial period of six weeks following the commencement of maternity absence and shall then be entitled to receive statutory maternity pay for the following twelve weeks and shall thereafter receive no Maternity Remuneration or statutory maternity pay until she returns to work or, if she does not return to work, until the provisions of sub-Rule (3)(a) of this Rule apply. If a female Member continues at work for a period that is seven weeks (or less) prior to the expected date of confinement or returns to work before the statutory maternity period expires then the Principal Employer shall adjust Maternity Remuneration or, if applicable, statutory maternity pay, in such a manner as notified to the female Member and considered appropriate.

(2) **Pensionable Service**

In respect of a female Member where the provisions of sub-Rule (2) of this Rule apply:-

- (a) if she does not return to work, cease to be a Member with effect from:-
 - (i) if the female Member fails to give any formal notice of resignation, the date her maternity absence legally ceases; or
 - (ii) if the female Member gives formal written notification of resignation, the date notified by the female Member as her date of resignation shall be considered to be the effective date; or
 - (iii) if formal written notice is given but without a formal date of resignation, the effective date of resignation shall be considered to be the date of the female Member's letter or, if undated, the date of receipt;

SCHEDULE D

- (b) if she dies during her period of absence, be treated as a Member on the basis that her Pensionable Service continued throughout her period of maternity absence.

(3) Contributions and Pension Benefit

In respect of a female Member where the provisions of sub-Rule (2) of this Rule apply, then in respect of such female Member during the period that she is treated as a Member in accordance with 3(a) or (b) above:-

- (a) in respect of a female Member, the Employer shall continue to contribute in respect of her; and
- (b) she shall contribute at the percentage level described in Rule 2(1) of Schedule E but based on the amount of contractual remuneration and statutory maternity pay (whichever the case may be) receivable during the period of maternity leave but shall continue to receive pension benefit accruing in accordance with the provisions of Rule 1(1) (a) of Schedule G but calculated by employing the amount of Pensionable Earnings applicable immediately preceding the commencement of maternity absence and remaining at that amount until either the termination of Pensionable Service or the female Member's return to work;
- (c) in respect of AVCs being remitted in accordance with the provisions of Rule 3 of Schedule E (if any) the female Member may make such arrangements as she considers appropriate in respect of such AVCs during the period of maternity absence providing she gives advance formal written notification of her intentions to the Trustee or failing such notification, such basis as the Trustee shall decide.

(4) In respect of a female Member where the provisions of sub-Rule (2) of this Rule apply, Pensionable Service shall continue to accrue unbroken during the period of maternity absence unless:-

- (a) the relevant provisions of sub Rule (3) (a) (i) or (ii) or (iii) of this Rule become applicable; or
- (b) following her return to work, the female Member wishes to exercise the right to terminate Pensionable Service as described in Rule 2(2)(c) of Schedule D.

Part-Time Employees

10. The benefits in respect of a Member whose Pensionable Service includes a period when he was employed for less than 37 hours per week but in excess of 15 hours per week shall be subject to any adjustment which:-

- (a) the Trustee, with the consent of the Principal Employer and upon the advice of the Actuary considers appropriate; or
- (b) is necessary to maintain Revenue Approval.

SCHEDULE E
CONTRIBUTIONS

Employer's Contributions

1. (1) Each Employer shall (subject to its rights under Rule 4 of this Schedule) pay such annual or other contributions into the Fund as the Principal Employer and the Trustee, having considered the advice of the Actuary, decide.

(2) Each Employer shall, in respect of a Smart* Member, pay such contributions into the Fund as would have been payable by the Member or Postponed Retiree under Rule 2 of this Schedule if he had not been a Smart* Member on the dates on which the contributions would have been payable by the Member or Postponed Retiree.

(3) Each Employer shall, in respect of a Member or Postponed Retiree who has elected to have ASCs paid in respect of him, pay contributions into the Fund to give effect to any such election made in accordance with You*, together with the ASC Uplift.

Member's Contributions

2. (1) (a) Prior to 6 April 2005, each Member and Postponed Retiree (as the case may be) shall pay contributions into the Fund throughout his period of membership at the rate of 4% of his Pensionable Earnings.

(b) From 6 April 2005, each Member and Postponed Retiree (who in either case is not a Smart* Member) shall pay contributions into the Fund throughout his period of membership at the rate of 5% of his Pensionable Earnings, or at such other rate as may be agreed between the Principal Employer and a particular Member or Postponed Retiree and notified to the Trustee.

(1) Contributions under this Rule shall be deducted by the Member's Employer from his earnings (unless the Trustee decides that they may be paid in some other manner).

(2) Each Member's contributions shall commence on the day his membership commences in accordance with Rule 1(2) of Schedule D and shall cease on:-

- (i) the day his Pensionable Service terminates; or
- (ii) the date of his retirement; or
- (iii) his Normal Retirement Date; or
- (iv) the date on which he becomes an Enhanced Deferred Member; or
- (v) his death;

whichever event occurs first UNLESS the provisions of Rule 4 of Schedule G apply in which event contributions shall continue until the date of retirement.

Member's AVCs

3. (1) Any Member or Postponed Retiree may pay AVCs and, an Employer of a Member or Postponed Retiree who has elected to have ASCs paid in respect of him shall pay ASCs and the ASC Uplift in respect of the Member or Postponed Retiree, both in order to secure additional benefits under the Plan subject to the following limitations:-

- (a) upon giving a minimum of one month's notice, the Member or Postponed Retiree may suspend, reduce, increase or terminate his AVCs;
- (b) upon giving a minimum of one month's notice, the Member or Postponed Retiree may (on such conditions as the Trustee in its absolute discretion shall determine) pay single payments of AVCs;
- (c) ASCs must be specified as a monetary amount payable on a monthly basis;
- (d) the total amount of any AVCs and ASCs payable in respect of a Member or Postponed Retiree pursuant to this Rule 3 shall not exceed 30% of the Member's or Postponed Retiree's Pensionable Earnings.

(2) The additional benefits to be procured by the AVCs and/or ASCs paid in accordance with sub-Rule (1) above shall be of such amount as can be provided in respect of that part of the Additional Voluntary Contribution Assets that, in the opinion of the Trustee, represents the AVCs and/or ASCs of the Member after adjustment for any income, bonus, gain or loss PROVIDED THAT the Trustee shall not be liable beyond the proceeds of such part and in the event that such contributions are transferred to an Insurance Company shall not be liable beyond the proceeds paid to them in respect thereof under any policy issued to them by such Insurance Company.

(3) Members who were members of the Previous Scheme and who were paying AVCs under the Previous Scheme to secure additional periods of pensionable service under the terms of the Previous Scheme shall be entitled, if they so elect upon joining the Plan in accordance with Schedule D, to continue paying AVCs to secure the same additional periods of Pensionable Service on the same basis as the actuary to the Previous Scheme had calculated as appropriate. Such Members shall not be entitled to reduce or increase the level of AVCs being remitted under the provisions of this sub-Rule. Any intended increase in the rate of AVCs shall be remitted on the basis of sub-Rule (2) of this Rule.

(4) The Trustees shall, if the Member is remitting AVCs and/or ASCs on the basis described in Rule 3(2) of this Schedule, keep the Additional Voluntary Contribution Assets separate from the other assets constituting the Fund and shall maintain separate accounts in respect thereof and may, at their discretion, maintain a separate and individual account of each Member who is making AVCs and/or ASCs and record in that account that part of the Additional Voluntary Contribution Assets attributable to such Member.

Reduction, Suspension or Termination of Contributions by an Employer or Member

4. (1) Any Employer may with the consent of the Principal Employer suspend or terminate its contributions by giving written notice of its intention to do so to the Trustee. This Rule does not give any Employer the power to suspend or terminate those contributions payable in accordance with Rules 1(2) or 1(3) of this Schedule.

SCHEDULE E

(2) If the contributions of an Employer or of a Member are suspended, terminated or not paid, benefits may be adjusted accordingly by the Trustee as advised by the Actuary, subject to the consent of the Principal Employer.

Receipt of Individual Transfers

5. (1) The Trustee may, in accordance with Rule 1 of Schedule L and subject to (2) below, accept into the Fund a transfer payment from the trustees of a Retirement Benefits Scheme or from a provider of a Personal Pension Scheme or appropriate Personal Pension Scheme to which an Employee formerly belonged, and grant such Transfer Credits from the Plan as the Trustee having sought the advice of the Actuary thinks appropriate to the transfer payment received.

(2) Where a transfer is received under this Rule, the Trustee shall obtain a certificate from the trustee or provider of the transferring scheme stating:-

- (a) the amount (if any) which is to be regarded as Member's Credit, together with a statement of the periods for which contributions included in the transfer payment were paid;
- (b) the periods of employment which are, or may become, linked Qualifying Service;
- (c) the amount (if any) of the benefit derived from the transfer payment which may be paid in the form of a lump sum (and the Trustee will restrict the benefits under the Plan in accordance with the amount so certified); and
- (d) the periods of employment which were Contracted-Out Employment by reference to the transferring scheme and the amount of the relevant contracted-out contributions/earnings.

(3) Where the Trustee accepts the transfer of Protected Rights (as defined in Section 10 of the 1993 Act) on or after 6 April 1990 from a contracted-out money purchase scheme, a Section 49 money purchase scheme or an appropriate Personal Pension Scheme the Member and the Member's widow or widower shall be entitled to Guaranteed Minimum Pensions under the Plan equal to those to which they would have been treated as entitled had the arrangement making the transfer been providing Guaranteed Minimum Pensions instead of Protected Rights (and for the purposes of this provision a Section 49 money purchase scheme means a scheme which was previously a contracted-out money purchase scheme and which the Occupational Pensions Board are under a duty to supervise in accordance with Section 53 of the 1993 Act).

SCHEDULE F

PROVISION OF INFORMATION

Formal Plan Documentation

1. (1) Upon the written request of any person mentioned in (2) below, the Trustee in accordance with the Disclosure Regulations shall furnish (at a reasonable charge), or (if it is the first such request by that person or body within 12 months) make available for inspection (free of charge), copies of those parts of the Trust Deed and the Rules as are applicable to the person making the request.

(1) A request under this Rule may be made by any Member, prospective Member, Retiree, Deferred Retiree, Postponed Retiree (or the spouse of any of them) or any Beneficiary or Recognised Trade Union.

Basic Plan Information

2. (1) The Trustee shall provide basic information regarding the Plan, as required by the Disclosure Regulations:-

- (a) to every Member during the first 13 weeks of his membership of the Plan; and
- (b) upon written request and in any event within one month of the date of receipt by the Trustee of the request, to every Member, prospective Member, Retiree, Deferred Retiree, Postponed Retiree (or the spouse of any of them) or any Beneficiary or Recognised Trade Union (it being the first such request made by that person within 3 years).

(2) This Rule shall not entitle any individual to information that is not relevant to his own rights under the Plan.

Individual Benefit Statements

3. The Trustee shall comply with the Disclosure Regulations regarding the provision of statements as to benefits, and in particular shall provide such statements:-

- (a) to any person upon his becoming entitled to benefits under the Plan and in any event within two months after the benefits become payable;
- (b) to any person upon the amount payable to him under the Plan being altered within one month after the alteration takes place;
- (c) to any person (who has reached the age of 18 and whose address is known to the Trustee), upon the Trustee receiving notification of the death of a Member, former Member or Beneficiary as a consequence of which that person acquires rights or options under the Plan and in any event within two months of the date of receipt of such notification;

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- (d) to any Member, upon notification to the Trustee that his Pensionable Service has terminated prior to his Normal Retirement Date and in any event within two months of the date of receipt of such notification;
- (e) to every Beneficiary, and to every Member or former Member entitled to payment of benefits under the Plan, upon realisation of the Fund's assets (but before the proceeds have been distributed) following termination of the Plan in accordance with Schedule M and in any event within three months after such realisation;
- (f) upon written request and in any event within two months of such request, to any personal representative of a deceased Member, former Member or Beneficiary whose death creates rights or options under the Plan for any person (it being the first such request made by that personal representative within 3 years);
- (g) upon written request, to any Member, prospective Member or former Member (as more particularly set out in the Disclosure Regulations).

Actuarial Valuations

4. (1) Upon the written request of any person or body mentioned in (2) below, the Trustee in accordance with the Disclosure Regulations shall furnish, or (if it is the first such request by that person or body for that document within 3 years) make available for inspection, a copy of the most recent actuarial report (as referred to in Rule 10(1) of Schedule B) within three months of such report having been obtained by the Trustee.

(1) A request under this Rule may be made by any Member, prospective Member, Retiree, Deferred Retiree, Postponed Retiree, Beneficiary or Recognised Trade Union.

Annual Reports

5. (1) The Trustee shall in accordance with the Disclosure Regulations take reasonable steps to draw the attention of any:-

Member

prospective Member

Retiree

Deferred Retiree

Recognised Trade Union

or Beneficiary

to the availability under this Rule of any annual report (as referred to in Rule 12 of Schedule C) within one month in the case of Members, Postponed Retirees and Recognised Trade Unions but otherwise within three months of it becoming available.

(1) Within three months of the date of receipt by the Trustee of the written request of any person mentioned in (1) above, the Trustee in accordance with the Disclosure Regulations shall make

SCHEDULE F

available for inspection a copy of any annual report (as referred to in Rule 12 of Schedule C). The document shall be provided by the Trustee PROVIDING THAT a request by the same person for the identical document has not been made by such person within the immediate preceding three years. The annual report furnished under this sub-rule shall neither be the latest annual report (such report being supplied under the provisions of sub-rule (3) below) nor an annual report which relates to a period which ended more than five years earlier than the date of request.

(2) Within one month of the date of receipt by the Trustee of the written request of any person mentioned in (1) above and PROVIDING THAT no previous request has been made by that person for the identical document, the Trustee in accordance with the Disclosure Regulations shall furnish a copy of the most recent annual report (as referred to in Rule 12 of Schedule C).

Fee for Provision of Documentation

6. The Trustee shall be entitled to levy such reasonable fee for supplying copies of any documentation so provided in accordance with this Schedule as the Trustee shall in its absolute discretion determine.

Registration of the Plan and Provision of Information

7. The Trustee shall be responsible for the registration of the Plan with the Registrar and for the provision from time to time of such information and documentation as may be required under the Registration Regulations.

Statements relating to Employer Related Investments

8. Any relevant document that the Trustee makes available in accordance with this Schedule shall include a statement of the proportion of the Fund that is invested in investments related to the Employer and where the proportion exceeds 5%, a statement shall be included of the appropriate action being taken to reduce such investments to not more than 5% of the Fund in order to conform with the requirements of the Occupational Pensions Schemes (Investment of Schemes Resources) Regulations 1992 (as amended).

SCHEDULE G

RETIREMENT BENEFITS

Normal Retirement

1. (1) On the retirement of a Member on his Normal Retirement Date he shall (subject to (2) below in respect of Inland Revenue Limits and Guaranteed Minimum Pensions) be paid:-

- (a) a pension for life of one-sixtieth of his Final Pensionable Earnings for each year (increased proportionately for each calendar month) of Pensionable Service; and
- (b) any further pension arising from any Transfer Credits or AVCs and/or ASCs in respect of him.

(2) No pension under this Rule shall:-

- (a) exceed Inland Revenue Limits; or
- (b) be less than the Member's Guaranteed Minimum Pension from State Pension Age.

Early Retirement

2. (1) On the retirement of a Member (the Member having given one year's notice (or such shorter notice period as the Principal Employer may at its sole discretion accept) to the Principal Employer of his desire to retire prior to his Normal Retirement Date or of a Deferred Retiree with the consent of the Principal Employer and providing the Member is aged 50 or above (or at any age in the case of serious ill-health where the provisions of Rule 3 of this Schedule shall apply) he shall (subject to the other alternatives listed in Rule 1 of Schedule I) be paid a pension calculated as for normal retirement (see Rule 1 of this Schedule), by reference to his actual Final Pensionable Earnings and to his actual Pensionable Service completed to the date of retirement; subject at all times to a minimum of the amount referred to in Rule 1(2) (b) of this Schedule

(1) Any pension under this Rule shall be reduced as advised by the Actuary to take account of early receipt as described in Rule 2(3) below (but not so as to be less than his Guaranteed Minimum Pension from State Pension Age or the Equivalent Pension Benefit (as the case may be)).

(3) The reduction in pension referred to in Rule 2(2) above shall be as follows:

- (a) in respect of a Member or Deferred Retiree who joined the Scheme prior to 1 December 2006, a reduction as advised by the Actuary to take account of early receipt subject to a maximum reduction of 5% per annum (compound) for each year and a proportionate amount for any odd months between the date of actual retirement and the individual's Normal Retirement Date;
- (b) in respect of a Member or Deferred Retiree who joined the Scheme on and from 1 December 2006 but prior to 20th September 2012, a reduction as advised by the Actuary to take account of early receipt subject to a maximum reduction of 5% per annum (compound) for each year and a proportionate amount for any odd months

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between the date of actual retirement and the individual's Normal Retirement Date; and

- (c) in respect of a Member or Deferred Retiree who joined the Scheme on and from 20th September 2012, a reduction as advised by the Actuary to take account of early receipt.

Ill-health Early Retirement

3. (1) On the retirement of a Member before his Normal Retirement Date due to a breakdown in health proved to the satisfaction of the Trustee acting on the advice of the Company Medical Officer (subject to the provisions of Rule 3(2) below) (and provided that it complies with the requirements of the Board of Inland Revenue), he shall, subject to the consent of the Trustee, and to the other alternatives listed in Rule 1 of Schedule I, be paid a pension calculated as for normal retirement (see Rule 1 of this Schedule), by reference to his Final Pensionable Earnings at the date of actual retirement and to the Pensionable Service he would have completed had he continued as a Member until his Normal Retirement Date.

(4) Notwithstanding sub-Rule (1) above the Trustee shall be entitled to seek such additional or supplemental medical evidence as it shall from time to time at its sole discretion require.

(5) The Trustee may vary or suspend any pension under this Rule (but not so as to be less than his Guaranteed Minimum Pension from State Pension Age) if:-

- (i) the Member concerned regains his health before his Normal Retirement Date; or
- (ii) for whatever reason due to a valid change in relevant circumstances, the Principal Employer informs the Trustee that a pension being paid or a prospective pension under the provisions of this Rule should be so varied or suspended.

Late Retirement

4. On the retirement of a Postponed Retiree, he shall be paid a pension calculated as for normal retirement (see Rule 1 of this Schedule) but based on the Postponed Retiree's Final Pensionable Earnings and Pensionable Service at the actual date of retirement.

Lump Sum Option

5. A. For all Entrants

(1) Subject to (3) below, before a pension becomes payable to a Member, Deferred Retiree or Postponed Retiree under the Plan, he may by written notice to the Trustee, request that he be paid a cash lump sum (not exceeding the value of his pension as advised by the Actuary) in exchange for some or all of that part of his pension which exceeds his Guaranteed Minimum Pension.

(2) The amount of the cash lump sum available from the Plan shall be 3/80ths of Final Pensionable Earnings for each year (increased proportionately for each additional calendar month) of Pensionable Service.

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(3) Where a lump sum is paid under this Rule:-

- (a) the pension of the payee shall be reduced on a basis certified as reasonable by the Actuary (but not so as to be less than his Guaranteed Minimum Pension from State Pension Age) and based on the rates contained in the following table:-

| <u>AGE</u> | <u>COMMUTATION RATE</u> |
|------------|-------------------------|
| 50 | 14.830 |
| 51 | 14.570 |
| 52 | 14.306 |
| 53 | 14.037 |
| 54 | 13.766 |
| 55 | 13.493 |
| 56 | 13.217 |
| 57 | 12.941 |
| 58 | 12.664 |
| 59 | 12.388 |
| 60 | 12.108 |
| 61 | 11.826 |
| 62 | 11.542 |
| 63 | 11.256 |

- (b) the cash lump sum shall not exceed Inland Revenue Limits, or such lesser amount as the Actuary advises.

B. For Class A Entrants and Class B Entrants

(1) A Postponed Retiree who is a Class A or a Class B Entrant may receive his cash lump sum under this Rule either on reaching his Normal Retirement Date or on later retirement.

(2) A Postponed Retiree who is a Class C Entrant may receive his cash lump sum under this Rule at the date of actual retirement only.

C. For Class C Entrants only

No part of a Class C Entrant's retirement benefit shall be paid in advance of actual retirement or leaving Service except to the extent necessary to comply with the requirements of the Department of Social Security.

Allocation of Pension to Dependants

6. Before a pension becomes payable to a Member or former Member under the Plan, he may by written notice to the Trustee require that he be paid a reduced pension, on condition that if upon his death he is survived by one or more persons nominated by him, each such person shall become entitled to a pension for the remainder of his life, and in respect of any such election:-

- (a) the election shall only be made effective to the extent that any person nominated by him is a Spouse, Eligible Child or Dependant of his at the date of his death;
- (b) the pension paid to any person nominated by him shall be of an amount decided by the Trustee having considered the advice of the Actuary, but shall not when added to all other pensions payable to persons nominated by him under this Rule exceed the amount of the reduced pension of the Member or former Member; and
- (c) the election shall not operate so as to reduce the Member's pension below his Guaranteed Minimum Pension from State Pension Age or the Equivalent Pension Benefit (as the case may be).

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DEATH BENEFITS

Death of a Member or a Postponed Retiree

1. (1) On the death of a Member or a Postponed Retiree:-
 - (a) the Trustee shall hold a lump sum on Discretionary Trusts, equal to;
 - (i) the contributions the Member or Postponed Retiree has paid to the Plan in accordance with Rule 2 of Schedule E and any contributions paid in respect of the Member or Postponed Retiree under Rule 1(2) of Schedule E together with interest calculated at the rate of 3% p.a. compound for each year such contributions were payable; and
 - (ii) such AVCs (if any) paid in accordance with Rule 3(2) of Schedule E and/or ASCs (if any) paid in respect of a Member or Postponed Retiree under Rule 1(3) of Schedule E calculated by the Actuary on the basis of the value of such AVCs and/or ASCs at the date of death;
 - (b) the Trustee shall hold a lump sum on Discretionary Trusts equal to four times the deceased's Pensionable Earnings calculated at the date of death provided that no benefit shall be payable under this Rule 1(1)(b) if a benefit is payable in respect of the Member or Postponed Retiree under the provisions of the IBM Group Life Assurance Plan;
 - (c) if the Member leaves a Spouse, a pension for life shall be paid equal to fifty per cent of the pension the Member would have received had he retired under Rule 3 of Schedule G immediately before his death or, in the case of a Postponed Retiree the actual date of death;
 - (d) if the Member leaves an Eligible Child, an allowance shall be paid in accordance with Rule 5 of this Schedule in respect of each such Eligible Child;
 - (e) if he leaves no Spouse (or leaves a Spouse who subsequently dies), the Trustee may pay pensions or allowances to one or more of his Dependants (if any) in accordance with Rule 6 of this Schedule;
 - (f) if he leaves a Legal Spouse who is not a Spouse (as defined in Schedule A), the Legal Spouse shall be paid a Spouse's Guaranteed Minimum Pension; and
 - (g) if he leaves no Spouse, Eligible Child, Dependant or Legal Spouse and he was remitting AVCs to the Plan in accordance with Rule 3(3) of Schedule E, the actuarial value of the accrued rights secured thereby shall be calculated by the Trustee acting on the advice of the Actuary and such cash lump sum shall then be held by the Trustee on Discretionary Trusts.

Death of a Retiree

2. (1) On the death of a Retiree (other than a person who was transferred to the Plan as a Retiree under Rule 1 of Schedule L):-

- (a) if he died within five years of the commencement of his pension, the Trustee shall hold a lump sum on Discretionary Trusts, equal to the unpaid balance of his pension which would have been paid had he survived until the expiry of five years from the commencement of his pension (disregarding any increase in the rate of pension which would have arisen after his actual date of death);
- (b) if he leaves a Spouse, she shall be paid a pension for life equal to fifty per cent of the pension the deceased was receiving at the date of his death ignoring any element of pension surrendered as a result of receiving a lump sum at retirement in accordance with Rule 5 of Schedule G;
- (c) if he leaves an Eligible Child, an allowance shall be paid in accordance with Rule 5 of this Schedule in respect of each such Child;
- (d) if he leaves no Spouse (or leaves a Spouse who subsequently dies), the Trustee may pay pensions or allowances to one or more of his Dependants in accordance with Rule 6 of this Schedule;
- (e) if the deceased received a reduced pension in accordance with Rule 6 of Schedule G, the Trustee shall pay any pension arising from the exercise by the deceased of the option under that Rule (subject to Inland Revenue Limits); and
- (f) if he leaves a Legal Spouse who is not a Spouse (as defined in Schedule A), the Legal Spouse shall be paid a spouse's Guaranteed Minimum Pension.

Death of a Deferred Retiree

3. On the death of a Deferred Retiree (other than a person who was transferred to the Plan as a Deferred Retiree under Rule 1 of Schedule L):-

- (a) there shall be payable the benefit described in Rule 1(1)(a) of this Schedule (but calculated up to the date of death);
- (b) if he leaves a Spouse, she shall be paid a pension for life equal to fifty per cent of the annual amount of his deferred pension under Rule 2 of Schedule I revalued only up to the date of his death;
- (c) if he leaves an Eligible Child, an allowance shall be paid in accordance with Rule 5 of this Schedule in respect of each such Eligible Child;
- (d) if he leaves no Spouse (or leaves a Spouse who subsequently dies), the Trustee may pay pensions or allowances to one or more of his Dependants in accordance with Rule 6 of this Schedule; and
- (e) if he leaves a Legal Spouse who is not a Spouse (as defined in Schedule A), the Legal Spouse shall be paid a Spouse's Guaranteed Minimum Pension.

Adjustment of Spouse's Pension

4. Any pension payable to a Spouse under this Schedule shall be subject to the following adjustments:-

- (a) any Transfer Credits or AVCs and/or ASCs in respect of the deceased shall be disregarded to the extent that they do not rank for a Spouse's pension;
- (b) the deceased shall be treated as not having exercised any option to receive a lump sum under Rule 5 of Schedule G, or to allocate any of his pension under Rule 6 of Schedule G;
- (c) the Spouse's pension shall be reduced by the amount of any Guaranteed Minimum Pension actually being paid to a separate Legal Spouse; and
- (d) where the pension is payable to a Civil Partner and the pension payable to an Eligible Child or Eligible Children under Rule 5 of this Schedule is increased in accordance with sub-Rule 5(3), the Spouse's pension payable to the Civil Partner in respect of rights accrued by the reference to Pensionable Service prior to 1 December 2003 shall be reduced for such period as the Eligible Child or Eligible Children's pension is paid so that the aggregate of the pensions payable in respect of the Member is the same as the pensions that would have been payable had the Member died leaving a Spouse who was not a Civil Partner.

Child's Allowance

5. (1) If a Member, Postponed Retiree, Retiree or Deferred Retiree dies leaving an Eligible Child, there shall be payable:-

- (a) for each Eligible Child up to a maximum of three to count, one-third of the appropriate Spouse's or Dependant's pension for each such Eligible Child or if no Spouse's or Dependant's pension is payable or ceases to be payable one-third of the Member's pension at the date of the Member's death; and
- (b) in the case of there being four or more Eligible Children, a pension equal to the appropriate Spouse's or Dependant's pension or, if no Spouse's or Dependant's pension is payable or ceases to be payable, an amount equal to the Member's pension at the date of death, shall be payable divided equally amongst such Eligible Children. In the event of the death of an Eligible Child or a Child ceasing to be an Eligible Child the pension payable to such Eligible Child shall be divided equally amongst the remaining Eligible Children until such time as there are three or less Eligible Children in which case the provisions of (1) (a) above shall apply.

(2) In the event of there being no Eligible Child all pension payable to such Eligible Child shall cease immediately.

(3) In the event that the pension or pensions payable to an Eligible Child or Eligible Children under this Rule would have been increased under (1)(a) or (b) above save for the fact that a Spouse's pension is payable to a Civil Partner in circumstances where no pension would have been payable to that individual as a Dependant, the pension payable to such Eligible Child or Eligible Children shall

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be paid at such level as would have been payable if there were no Spouse's pension payable to a surviving Civil Partner in respect of rights accrued by reference to Pensionable Service prior to 1 December 2003 and provided that the Eligible Child was a Child within the meaning of the definition on 5 March 2007.

(4) The Trustee may pay any allowance under this Rule to the Eligible Child's parent or guardian, or to any person under whose care and control he appears to be (without being bound to ascertain whether the payee has the right to the care and control of the Child). The Trustee shall not be obliged to supervise, or be responsible for, the application of any amount so paid and the provisions of Rule 13 of Schedule B shall also be deemed to apply.

(5) The Trustee may apply all or part of any allowance under this Rule towards the education or other benefit of the Child as it thinks fit.

Dependant's Pension

6. (1) If a Member, Postponed Retiree, Retiree or Deferred Retiree dies leaving no Spouse (or leaving a Spouse who subsequently dies), the Trustee may (subject to (2) below) pay such pensions or allowances to one or more of the deceased's Dependents as it thinks fit, having regard to the advice of the Actuary.

(1) The total amounts paid under this Rule shall not exceed the pension that would otherwise have been payable to a surviving Spouse (less any Guaranteed Minimum Pension actually being paid to a Legal Spouse but in addition to any Child's Allowance being paid under the preceding Rule).

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BENEFITS FOLLOWING TERMINATION OF PENSIONABLE SERVICE

Range of Alternatives

1. (1) A Member who terminates Pensionable Service before his Normal Retirement Date shall receive his benefits in any one of the following ways which is available to him:-

- (a) an immediate ill-health pension (see Rule 3 of Schedule G); or
- (b) an immediate early retirement pension (see Rule 2 of Schedule G); or
- (c) a deferred pension (see Rule 2 of this Schedule); or
- (d) a refund of his contributions (see Rule 3 of this Schedule); or
- (e) the right to have the Cash Equivalent of his accrued rights either transferred to another Retirement Benefits Scheme, a Personal Pension Scheme, a policy approved under Section 591(2)(9) of the 1988 Act or such other arrangement as may be acceptable to the Board of Inland Revenue (see Rule 4 of this Schedule) or used to purchase an annuity.

(2) If more than one of the alternatives listed in (1) above is available to the Member, he may choose which of those alternatives is to apply to him and shall inform the Trustee accordingly.

Deferred Benefits

2. (1) A Member who terminates Pensionable Service before his Normal Retirement Date having completed two years' Qualifying Service shall (subject to the other alternatives listed in Rule 1 of this Schedule) become a Deferred Retiree and be paid the benefits set out in (2) below ("Deferred Benefits") payable from the date stated in (3) below.

(1) A Member's Deferred Benefits under this Rule shall be a pension calculated as for normal retirement (see Rule 1 of Schedule G) by reference to his actual Pensionable Service and actual Final Pensionable Earnings, subject to increase in accordance with Rule 5 of this Schedule.

(2) Deferred Benefits shall be payable from:-

- (a) the Deferred Retiree's Normal Retirement Date;
- (b) any date not earlier than ten years before the Member's Normal Retirement Date but subject in all cases to the prior agreement of the Principal Employer and to actuarial reduction in accordance with Rule 2(2) and Rule 2(3) of Schedule G;
- (c) any date not later than age 75 that the Deferred Retiree shall elect, provided that his Deferred Benefits shall be subject to increase on a basis intended to be cost neutral to the Plan and certified as reasonable by the Actuary having regard to the period of postponement after Normal Retirement Date and Rule 4 of Schedule K; or

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- (d) any date which the Trustee may allow following a breakdown in health of the Deferred Retiree (subject to any reduction advised by the Actuary) but not so that he receives less than his Guaranteed Minimum Pension from State Pension Age or Equivalent Pension Benefit (as the case may be).

Termination of Pensionable Service with less than two years' Qualifying Service

3 (1) A Member who terminates Pensionable Service before his Normal Retirement Date not having completed two years' Qualifying Service shall receive a refund of his contributions (including any AVCs or Member's Credit) plus such interest as the Actuary shall deem appropriate from time to time LESS:-

- (a) the Member's share of the Contributions Equivalent Premium in respect of him (which shall be paid to the State); and
 - (b) any tax for which the Trustee is liable as a consequence of the refund.
- (2) A Member or Postponed Retiree,
- (a) in respect of whom an Employer has paid contributions under Rule 1(2) and/or Rule 1(3) of Schedule E; and
 - (b) who terminates his Pensionable Service before his Normal Retirement Date not having completed two years' Qualifying Service; and
 - (c) who has not elected (within such reasonable period as shall be determined by the Trustee) to receive a Cash Transfer Sum;

shall receive a payment from his Employer of an amount equal to any such contributions paid in respect of him under Rule 1(2) or 1(3) of Schedule E less any liability to account for any tax, national insurance, social security or other levy in respect of any such payment by the Employer.

The Cash Equivalent

- 4 (1) Every Member whose Pensionable Service terminates at least one year before his Normal Retirement Date may in accordance with Part IV of Chapter IV to the 1993 Act elect that the Cash Equivalent of his benefits shall be used:-
- (a) by transferring it to another Retirement Benefits Scheme (subject to (4) below if the receiving scheme is not contracted-out under the 1993 Act) whose trustees or managers are able and willing to accept the transfer; or
 - (b) by purchasing with it one or more insurance policies or annuity contracts from an Insurance Company; or
 - (c) by transferring it to a provider of a Personal Pension Scheme or appropriate Personal Pension Scheme as defined in Section 630 of the 1988 Act; or
 - (d) by a combination of (a) (b) and (c) above.

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(2) Any election made under (1) above shall be in writing and shall be made not later than:-

- (a) one year prior to the Member's Normal Retirement Date; or
- (b) six months after the Member's termination of Pensionable Service

whichever is the later date

(3) The Trustee shall make effective any election under (1) above in accordance with the statutory requirements by not later than:-

- (a) the expiry of twelve months from the date when the Trustee receives the application; or
- (b) the Member's Normal Retirement Date;

whichever is the earlier.

(4) No part of a Member's Cash Equivalent representing his accrued rights to a Guaranteed Minimum Pension (as certified by the Actuary) shall be transferred under this Rule to a Retirement Benefits Scheme or a Personal Pension Scheme not contracted out under the State Earnings Related Pension Scheme.

Revaluation of Deferred Benefits

5. Any Deferred Benefits which a Member who terminates Pensionable Service before his Normal Retirement Date is entitled to receive under the Plan shall be subject to revaluation in respect of the period for which receipt is deferred, as follows:-

- (a) any part of those benefits which constitutes a Guaranteed Minimum Pension shall be revalued as set out in Rule 5 of Schedule K; and
- (b) if he terminates Pensionable Service more than one year before his Normal Retirement Date, those benefits (excluding any to which (a) above applies) shall be increased by a percentage equal to:-

$$\frac{A}{C} \times C, \text{ where}$$

A is the Member's Pensionable Service (including any period of deemed additional Pensionable Service arising by way of a Transfer Credit) completed after 6th December 1984;

B is the Member's entire Pensionable Service (including any period of deemed additional Pensionable Service arising by way of a Transfer Credit); and

C is the revaluation percentage applicable in accordance with Paragraph 2 of Schedule 3 to the 1993 Act (being comparable to the percentage rise in the cost of living from the Member's termination of Pensionable Service to his Normal Retirement Date or earlier payment of Deferred Benefits, subject to a maximum of 5%).

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- (c) if he terminates Pensionable Service on or after 1st January 1991, those benefits (excluding those to which (a) above applies) shall be increased as set out in C of Sub-Rule (b) above.

Revaluation of Deferred Benefits for a former Enhanced Deferred Member

6. If an Enhanced Deferred Member becomes a Deferred Retiree in accordance with Rule 2(2)(b) or (c) of Schedule D, his Deferred Benefits shall be treated in accordance with the provisions of this Schedule on and from such date as he became a Deferred Retiree.

Fixed Protection Deferred Members

7. (1) Notwithstanding anything to the contrary contained in the Rules, a Member (which term shall, for the avoidance of doubt, include an Enhanced Deferred Member) who, with effect from midnight on 5 April 2012, ceased to be a Member and became a Deferred Retiree either:

- (a) in accordance with Rule 2(2)(c) of Schedule D;
- (b) as a consequence of a notice in writing from the Principal Employer to the Trustee in accordance with Rule 6 of Schedule D; or
- (c) by way of an alternative arrangement that the Trustee decided would apply in accordance with Rule 4 of Schedule B,

and, in any case, had given prior notification to his Employer that he wished to cease to be a Member in order to maintain so called "fixed protection" of his lifetime allowance (in accordance with paragraph 14, Schedule 18 of the Finance Act 2011) shall, with effect on and from 6 April 2012, be classified as a "Fixed Protection Deferred Member" and (2) below shall apply to him.

(2) The provisions of this Schedule I shall apply to a Fixed Protection Deferred Member except that, with regard to:

- (a) entitlement to request payment of his Deferred Benefits before Normal Retirement Date other than on grounds of ill-health; and
- (b) the terms and conditions applicable to the payment of those Deferred Benefits,

he shall, for so long as he remains an Employee, as an alternative to the option to request payment of his Deferred Benefits under Rule 2(3)(b) of this Schedule, have the option to request payment of those Deferred Benefits (which, for the avoidance of doubt, shall be calculated in accordance with Rule 2(2) of this Schedule) subject to the terms and conditions applicable to Members as set out in Rule 2 of Schedule G.

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INLAND REVENUE LIMITS

Normal Retirement and Incapacity

1. (1) No pension (including the annuity equivalent of any lump sum) payable under the Plan to any Member who retires at his Normal Retirement Date (or earlier due to incapacity) shall (when added to all like benefits to which he is entitled under any other Retirement Benefits Schemes attributable to his period of Service) exceed the greater of:-

- (a) $\left(\frac{N}{60}F\right) + T$ and
- (b) the lesser of
- (i) $\left(\frac{40}{60}F\right) - x$ and
- (ii) $\left(\frac{Y}{60}F\right) + T$ (in the case of a Class A Entrant only) and
- $\frac{NU}{30}F$ (in the case of a Class B Entrant or a Class C Entrant only)

where:

- N = the number of years of actual or potential Service to Normal Retirement Date (up to a maximum of 40 years);
- F = the amount of his Final Remuneration;
- NU = the number of years of actual or potential Service to Normal Retirement Date (up to a maximum of 20 years);
- x = the total of any retained benefits as set out in Rule 5(b) of this Schedule;
- T = the pension benefits derived from a Transfer Credit; and
- Y = the number of 60ths permitted under the following table: -

| <u>Years of Service to Normal Retirement Date</u> | <u>Maximum Pension (before any commutation and including the annuity value of any lump sum entitlement) expressed as 60ths of Final Remuneration</u> |
|--|---|
| 1 -5 | 1 for each year |
| 6 | 8 |

| | |
|------------|----|
| 7 | 16 |
| 8 | 24 |
| 9 | 32 |
| 10 or more | 40 |

(2) No lump sum payable in lieu of pension under the Scheme to any Member who retires at his Normal Retirement Date (or earlier due to incapacity) shall (when added to all like benefits to which he is entitled under any other Retirement Benefits Schemes attributable to his period of Service) exceed the greater of: -

(a) $\left(\frac{3N}{80}F\right) + T$, and

(b) the lesser of

(i) $\left(\frac{120}{80}F\right) - x$ and

(ii) $\left(\frac{Z}{80}F\right) + T$ (in the case of a Class A Entrant or a Class B Entrant only)

or 2.25P (in the case of a Class C Entrant only)

F = the amount of his Final Remuneration (excluding from the definition of Final Remuneration any increase in line with the Index of Retail Prices which is not necessary to justify the amount of his pension under the Plan); where:

N = the number of years of actual or potential Service to Normal Retirement Date (up to a maximum of 40 years);

P = the initial amount of pension payable (including the amount of pension which may be granted in respect of a Transfer Credit) , before commutation or any allocation in favour of dependants and may include pensions secured by AVCs;

T = the maximum lump sum available from a Transfer Credit;

x = the total of any retained benefits as set out in Rule 5(a) of this Part; and

z = the number of 80ths permitted under the following table: -

| | |
|--|--|
| Years of Service to Normal Retirement Date | <u>Maximum lump sum expressed as 80ths of Final Remuneration</u> |
|--|--|

| | |
|------|-----------------|
| 1 -8 | 3 for each year |
|------|-----------------|

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| | |
|------------------|-----|
| 9 | 30 |
| 10 | 36 |
| 11 | 42 |
| 12 | 48 |
| 13 | 54 |
| 14 | 63 |
| 15 | 72 |
| 16 | 81 |
| 17 | 90 |
| 18 | 99 |
| 19 | 108 |
| 20 or more years | 120 |

except that the lump sum of a Class B Entrant may not exceed (a) above by a greater proportion of the Lump Sum Difference than that proportion (if any) of the Pension Difference by which his pension exceeds the amount stated in (1)(a) above, where: -

- (i) “the Lump Sum Difference” means the amount stated in (2)(b) above less the amount stated in (2)(a) above; and
- (ii) “the Pension Difference” means the amount stated in (1)(b) above less the amount stated in (1)(a) above;

and in calculating the lump sum of a Class B Entrant his Final Remuneration shall be subject to the maximum of a High Earner.

Postponed Retirement

2. (1) Subject to (3) below, no pension payable under the Plan to a Postponed Retiree on his retirement shall exceed the greater of: -

- (a) the amount calculated in accordance with Rule 1(1) of this Schedule, on the basis that the actual date of retirement was the Postponed Retiree's Normal Retirement Date;
- (b) for a Class A Entrant or a Class B Entrant only the amount which could have been provided at Normal Retirement Date in accordance with Rule 1(1) of this Schedule, increased actuarial in respect of the period of postponement; and
- (c) for a Class A Entrant or a Class B Entrant only where the Postponed Retiree's total Service has exceeded 40 years, the aggregate of 1/60th of Final Remuneration for

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each year of Service before Normal Retirement Date (not exceeding 40 such years) and of a further 1/60th of Final Remuneration for each year of Service after Normal Retirement Date (subject to an overall maximum of 45 reckonable years);

Final Remuneration being computed in (b) as at Normal Retirement Date and in (a) and (c) as at the actual date of retirement.

(2) Subject to (3) below, no lump sum payable under the Plan to a Postponed Retiree in lieu of pension on his retirement shall exceed the greatest of: -

- (a) the amount calculated in accordance with Rule 1(2) of this Schedule on the basis that the Postponed Retiree's actual date of retirement was treated as his Normal Retirement Date;
- (b) for a Class A Entrant or a Class B Entrant only the amount which could have been provided at Normal Retirement Date in accordance with Rule 1(2) of this Schedule, together with a sum representing interest (actuarial or otherwise) on that amount; and
- (c) for a Class A Entrant or a Class B Entrant only where the Postponed Retiree's total Service has exceeded 40 years, the aggregate of 3/80ths of Final Remuneration for each year of Service before Normal Retirement Date (not exceeding 40 such years), and a further 3/80ths of Final Remuneration for each year of Service after Normal Retirement Date (subject to an overall maximum of 45 reckonable years);

Final Remuneration being computed in (b) as at Normal Retirement Date and in (a) and (c) as at the actual date of retirement.

(3) In respect of a Class A Entrant or a Class B Entrant only if a Member who becomes a Postponed Retiree elects to exchange part of his pension for a lump sum in advance of actual retirement, the limits set out in (1) and (2) above shall apply as if he had retired at the date of that election, no account being taken of subsequent Service (except that the maximum amount of any remaining pension not commencing immediately may be increased actuarial in respect of the period of postponement).

Withdrawal from Pensionable Service and Early Retirement

3. (1) No pension payable under the Plan to: -

- (a) a Deferred Retiree from his Normal Retirement Date, or earlier due to incapacity, or
- (b) a Member who retires before his Normal Retirement Date, other than due to incapacity,

shall exceed: -

in respect of a Class A Entrant or a Class B Entrant (or a Class C Entrant who withdraws from the Plan while remaining in Service)

$$(i) \quad \left(\frac{N}{60} F \right) + T \quad \text{and}$$

$$(ii) \quad \frac{N}{NS} xP$$

and (in respect of the pension in excess of the Guaranteed Minimum Pension) revalued in either case between the date of terminating Pensionable Service and the date of payment by the greater of 5% per annum compound or the percentage increase in the Index of Retail Prices, and the Guaranteed Minimum Pension shall be received over that period pursuant to Rule 5 of Schedule K or

in the case of a Class C Entrant (in all other situations)

the greater of: -

$$(i) \quad \left(\frac{N}{60} F \right) + T \quad \text{and}$$

(ii) the lesser of

$$(a) \quad \frac{NU}{30} F \quad \text{and}$$

$$(b) \quad \left(\frac{2}{3} F \right) - x$$

and (in respect of the pension in excess of the Guaranteed Minimum Pension) revealed in either case between the date of leaving Pensionable Service and the date of payment by the greater of 5% per annum compound or the percentage increase in the Index of Retail Prices, and the Guaranteed Minimum Pension shall be received over that period pursuant to Rule 5 of Schedule K or

where:

F = the amount of his Final Remuneration

N = the number of years of actual Service (up to a maximum of 40 years);

NS = the number of years of potential Service to Normal Retirement Date (up to a maximum of 40 years);

NU = the number of years of actual or potential Service to Normal Retirement Date (up to a maximum of 20 years);

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- P = the maximum pension which he could have taken at Normal Retirement Date under the table in Rule 1(1) of this Schedule as if he had remained in Service until Normal Retirement Date; and
- T = the pension benefits available from a Transfer Credit;
- x = the total of any retained benefits as set out in Rule 5(b) of this Schedule.

(2) No lump sum payable under the Plan in lieu of pension to: -

- (a) a Deferred Retiree from his Normal Retirement Date, or earlier due to incapacity, or
- (b) a Member who retires before his Normal Retirement Date, other than due to incapacity,

shall exceed

in respect of a Class A Entrant or a Class B Entrant

the greater of: -

(i) $\left(\frac{3N}{80} F, \right) + T$ and

revalued between the date of terminating Pensionable Service and the date of payment by the same increase in the Index of Retail Prices over that period; and

(ii) $\frac{N}{NS} \times LS$ revalued as follows: -

- (a) for the period between the date of terminating Pensionable Service and the earlier of the date of payment and Normal Retirement Date, by the same increase in the Index of Retail Prices over that period; and
- (b) for the period between Normal Retirement Date and the date of payment, by an amount commensurate with the overall percentage investment return as the investments, assets and moneys of the fund over that period

or

in the case of a Class C Entrant

the greater of: -

(i) $\left(\frac{3N}{80} F, \right) + T$ and

(ii) the lesser of

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- (a) $\left(\frac{120}{80} F\right) - x$ and
- (b) 2.25 times his initial pension

where

- F = the amount of his Final Remuneration;
- N = the number of years of actual Service (up to a maximum of 40 years);
- NS = the number of years of potential Service to Normal Retirement Date (up to a maximum of 40 years);
- LS = the maximum lump sum which he could have taken at Normal Retirement Date under the table in Rule 1(2) of this Schedule;
- P = the initial amount of pension payable (including the amount of pension which may be granted in respect of a Transfer Credit) before commutation or any allocation in favour of dependants and may include pensions served by AVCs;
- T = the maximum lump sum available from a Transfer Credit; and
- x = the total of any retained benefits as set out in Rule 5 (a) of this Schedule.

Death

4. (1) No pension payable under the Plan to a Spouse or Dependant of a Member, Postponed Retiree, Deferred Retiree or Retiree shall (when aggregated with all other Spouse's and Dependant's pensions payable from all Associated Schemes) exceed: -

- (a) for any one Spouse or Dependant, two-thirds; and
- (b) for any two or more such persons, the whole;

of the full amount (before any part of his pension has been exchanged for a lump sum or allocated to other persons in accordance with the Rules) of: -

- (i) in respect of a Member, the maximum approvable pension calculated in accordance with Rule 1(1) of this Schedule (on the basis of the Pensionable Service he could have completed to Normal Retirement Date and Final Remuneration at the rate in force on the date of his death);
- (ii) in respect of a Postponed Retiree, the maximum approvable pension calculated in accordance with Rule 2(1) of this Schedule;

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- (iii) in respect of a Retiree, the pension payable to him at the rate in force on the date of his death or such greater amount as the Board of Inland Revenue will permit; or
- (iv) in respect of a Deferred Retiree, the maximum approvable pension calculated in accordance with Rule 3(1) of this Schedule.

(2) No lump sum payable under the Plan upon the death of a Member, Deferred Retiree or Postponed Retiree shall (when added to all like benefits payable under any other Retirement Benefits Scheme attributable to the deceased's period of Service) exceed the greater of: -

- (a) £5,000.00, and
- (b) four times the deceased's Final Remuneration at the date of death or leaving Pensionable Service (as appropriate);

PLUS a refund of the deceased's own contributions (with interest) and Member's Credit (if any);

LESS (if they exceed £2,500.00 in total): -

- (i) any lump sums (excluding refunds of contributions) payable on death under Retirement Benefits Schemes attributable to employment prior to Service; and
- (ii) any lump sum life assurance benefits arising either from retirement annuity contracts and trust schemes approved under Section 621 of the 1988 Act or from Personal Pension Schemes approved under Section 631 of the 1988 Act.

Retained Benefits

5. (1) For the purposes of this Schedule, retained benefits include any of the following arising prior to Pensionable Service: -

- (a) In respect of Rule 1(2) only: -
 - (i) in respect of a Class A Entrant only, lump sums received and receivable from any Retirement Benefits Scheme including sums received or receivable in commutation of pension;
 - (ii) in respect of a Class A Entrant and Class B Entrant who is also a Special Director, lump sums received and receivable in commutation of retirement annuities, under contracts and trust schemes approved under Chapter III of Part XIV of the 1988 Act (except for partnership retirement annuities approved under Section 623 of the 1988 Act) or under Personal Pension Schemes;

but so that benefits within (1) and (ii) above may be ignored if they do not exceed £2,500.00 in total.

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(b) In respect of Rule 1(1) only: -

- (i) pensions, whether deferred or already in payment, including the annuity value of any lump sums received or receivable as referred to in (a)(i) above, from any Retirement Benefits Scheme except for any Spouse's or Dependant's pensions whether deferred or already in payment, in respect of any Relevant Schemes of any previous employers; and
- (ii) retirement annuities under contracts and trust schemes approved under Chapter III of Part XIV of the 1988 Act (except for partnership retirement annuities approved under Section 628 of the 1988 Act) or under Personal Pension Schemes

but so that benefits within (i) and (ii) may be ignored if their annuity equivalent does not exceed £260.00 in all or such greater amount as may be permitted by the Board of Inland Revenue.

(c) In all respects, benefits arising from any contributions paid by a Member into a separate policy approved under Section 591(2)(h) of the 1988 Act in respect of any time before his period of Service with the Employers (or final such period if more than one).

(2) Retained benefits shall be ignored in respect of a Member joining the Plan or rejoining the Plan after a period of absence, or, if earlier, joining any Relevant Scheme of an Employer, on or after 1st August 1991, if that Member's Remuneration for the whole of the first year following the date of such joining does not exceed one quarter of the permitted maximum imposed by Section 590 C(2) of the 1988 Act or such other figure as may be prescribed in an order made by the Treasury Department for any tax year commencing on or after 6th April 1990 in accordance with Section 590 C(6) of the 1988 Act, taken at the date that the Member joined or rejoined the Plan or any Relevant Scheme or an Employer as aforesaid (as the case may be).

(3) Rule 5(2) of this Schedule shall not apply to a Member who is, or has within the last 10 years prior to joining the Plan, in relation to the Employer, been both within the definition of a director in Section 612(1) of the 1988 Act and within paragraph (b) of Section 417(5) of the 1988 Act.

Augmentation of Benefits by the Trustee

6. In arranging any augmentation under Rule 2 of Schedule B, or in providing benefits in exchange for all sums received by way of transfer, the Trustee shall have regard both to the form and the amount of the benefit, to ensure conformity with the practice of the Board of Inland Revenue in relation to retirement benefits. If and when changes are made in the practice of the Board of Inland Revenue, the Trustees may review and adjust so far as it may be considered necessary or desirable arrangements previously made.

Benefits not Assignable

7. (1) The pensions or other benefits payable under the Plan are not assignable and shall cease to be paid or payable if the recipient or prospective recipient: -

- (a) becomes bankrupt; or

- (b) attempts to alienate, charge or anticipate any benefit or any part of it; or
- (c) does or suffers any act or thing whereby (whether by operation of law or otherwise) the benefits, if belonging to the recipient absolutely, would be or become wholly or partly payable to another person.

If, through the operation of this Rule a benefit ceases to be payable, the Trustee may, in case of hardship, apply all or part of it for the support and maintenance of the person who would have been the recipient had the benefit not ceased to be payable or his spouse, children or remoter issue except that if the cessation of payment is due to the application of an Attachment of Earnings Order (issued in accordance with the provisions of the Attachment of Earnings Act 1971) ("the Order") then the Trustee shall comply with the terms of the Order and will only arrange payment to the Retiree of any balance remaining in excess both of the amount described in the Order and that element of the pension shall consequently not cease in the manner hereinbefore described. In no case shall any payment be made to an assignee or purported assignee except where this is due to the operation of an Order.

(2) Nothing in this Rule shall prevent a person from leaving any property by will, nor from allocating to other persons in accordance with the Rules any part of his pension.

Commutation of Trivial Pensions and of Pensions in Exceptional Circumstances of Serious Ill -Health

8. (1) In any case where a pension becomes payable to a Member under the Plan and the pension immediately so payable plus: -

- (i) all pensions immediately payable under any other Relevant Schemes under which he is deemed to have retired; and
- (ii) all pensions immediately payable under all schemes relating to the employment with the same employer in respect of which a Guaranteed Minimum Pension is payable (including the pension equivalent of any lump sum benefit)

does not exceed £260.00 per annum or such greater amount as may be prescribed by Regulations made under Sections 21(1) and 77 of the 1993 Act and in respect of Contracted-Out Employment would not prejudice Revenue Approval, calculated on the basis (where relevant) that either: -

- (a) (i) a state scheme premium has been paid (or is treated as having been paid); or
(i) the Guaranteed Minimum Pension is to be revalued to State Pension Age at a fixed rate in accordance with Rule 5 of Schedule K;
- (b) in respect of a Deferred Retiree: -
 - (i) if the Deferred Retiree left Pensionable Service prior to 1st January 1991, the proportion of his Pensionable Service accrued after 1st January 1985; and
 - (ii) if the Deferred Retiree left Pensionable Service on or after 1st January 1991, his whole Deferred Benefit accrued whilst a Member;

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shall be revalued at the level of 5% per annum compound from the date the Deferred Retiree requests commutation of his Deferred Benefits to his Normal Retirement Date but only in respect of the Deferred Benefit which is in excess of the Guaranteed Minimum Pension

the Trustee may commute that pension by payment to the person concerned of a lump sum certified as reasonable by the Actuary or calculated according to commutation factors agreed with the Inland Revenue (less any tax for which the Trustee is liable).

(2) Where commutation takes place under (1) above, any prospective spouse's pension relating to that person's pension under the Plan may also be commuted in the same manner, if the prospective spouse's pension independently satisfies the conditions in (1) above.

(3) A Retiree who on the date of his retirement or a Deferred Retiree at any date pursuant to Rule 2(3)(c) of Schedule I who is in exceptional circumstances of serious ill-health (proved to the satisfaction of the Trustee) may, subject to the consent of the Trustee, exchange his pension under the Plan in excess of any Guaranteed Minimum Pension, for a lump sum equal to the actuarial value of that pension (less any tax for which the Trustee is liable).

Special Director or Controlling Director

9. (1) For the purposes of this Schedule, a Special Director who continues in Service beyond his Normal Retirement Date shall be treated as if his Normal Retirement Date had been the earliest of:

-

- (a) his 70th birthday;
- (b) the date upon which he actually retires; or
- (c) the date when he first receives some benefit from the Plan.

(2) Any lump sum payable upon the death of a Special Director who continues in Service having reached age 75 shall not be held on Discretionary Trusts, but shall instead be paid to his surviving Spouse, or in absence of such a Spouse, to his personal representatives.

(3) The provisions of this Rule shall apply to Special Directors who are Class A Entrants or Class B Entrants only.

Aggregation with Other Benefits

10. In applying the maximum benefits permissible under this Schedule, benefits from the Plan shall be aggregated with benefits arising from any contributions paid by a Member into a separate Retirement Benefits Scheme under Section 591(2)(h) of the 1988 Act ("the voluntary scheme") in respect of his period of Service with the Employers (or final such period if more than one).

Contributions

11. Contributions paid by a Member in accordance with the provisions of Rule 2 of Schedule E (if any) and Rule 3 of Schedule E (if any) shall not exceed a sum which: -

- (i) when added to all other contributions in respect of his membership of the Plan would provide benefits not exceeding Inland Revenue Limits; and
- (ii) when added to the contributions of the Member under Rule 2 and Rule 3 of Schedule E (if any) in a year of assessment and the contributions (if any) to all other Relevant Schemes providing benefits by virtue of Service, shall not exceed 15% of Remuneration for that year in respect of that Service.

Special Conditions

12. (a) **Augmentation of Benefits**

Any provisions in this Plan imposing a limit on the amount of a benefit provided for the Member after he has ceased to participate in it shall have effect (notwithstanding anything in them to the contrary) as if they provided for the limit to be reduced by the amount of any like benefits provided for the Member by the voluntary scheme.

(a) **Payment of Benefits**

The Plan provisions shall have effect (notwithstanding anything in them to the contrary) as if they provided: -

- (i) that a Class C Entrant's retirement benefit shall be paid no later than the date on which he attains age 75, and
- (ii) subject to (i) above that no part of a Class C Entrant's retirement benefit shall be paid in advance of actual retirement or leaving Service except to the extent necessary to comply with the requirements of the Department of Social Security.

(b) **Return of Surplus Funds**

Any provisions in the Plan permitting the Member to make AVCs to secure additional benefit for himself and his dependants shall (notwithstanding anything in them to the contrary) be subject to the provisions of Part III Schedule 6, Finance Act 1989 (as may be amended from time to time) concerning the return of surplus funds.

Increases to Pension in Payment

13. (a) In relation to a pension in payment which is equal to the maximum amount of pension permitted in accordance with Rule 1 and Rule 4 of this Schedule (prior to any commutation for a lump sum and prior to any reduction of pension as a result of a Member electing to provide additional pension for a Dependant) the maximum permitted annual increase is an amount equal to the annual increase in the Index of Retail Prices.

- (a) In relation to a pension in payment which is less than the maximum amount of pension permitted in accordance with Rule 1 and Rule 4 of this Schedule (prior to

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any commutation for a lump sum and prior to any reduction of pension as a result of a Member electing to provide additional pension for a Dependant) the level of annual increase applied to the pension in payment can be greater than the increase in the Index of Retail Prices but not so as to increase the pension in payment to a level higher than the permitted maximum as determined by Rule 1 and Rule 4 of this Schedule in which case the permissible limit shall revert to the limit set out in sub-Rule (a) of this Rule.

SCHEDULE K

CONTRACTED-OUT EMPLOYMENT

Application of this Schedule

1. This Schedule shall apply to any employment which becomes Contracted-Out Employment by reference to the Plan, and it shall then override any other provisions of the Plan which are inconsistent with it (except for Rule 7 of Schedule J).

Reference to 1993 Act

2. The words and expressions used in this Schedule shall have the same meanings as in the 1993 Act.

Guaranteed Minimum Pension

3. If a person has a guaranteed minimum in relation to the pension provided for him or her under the Plan in accordance with Section 14 of the 1993 Act: -

- A. the weekly rate of the pension, from age 65 for a man, and from age 60 for a woman, shall not be less than the guaranteed minimum;
- B. if the person is a man and dies at any time leaving a widow, the weekly rate of the pension provided for her under the Plan shall not be less than half that person's guaranteed minimum; and
- C. if the person is a woman and dies on or after 6th April 1989 leaving a widower or is a man or a woman and dies on or after 5th December 2005 leaving a Civil Partner, the weekly rate of the pension provided for him under the Plan shall not be less than half of that part of the person's guaranteed minimum which is attributable to earnings for the tax years 1988/89 and subsequent tax years.

Increases in Guaranteed Minimum Pension

4. (1) The Guaranteed Minimum Pensions referred to in Rule 3 of this Schedule shall, insofar as they are attributable to earnings in the tax years from (and including) 1988/89, be increased in accordance with the requirements of Section 109 of the 1993 Act and to the extent of any orders made under that Section.

(1) If the commencement of any person's Guaranteed Minimum Pension is postponed for any period, his guaranteed minimum shall be increased to the extent, if any, specified in Section 15 of the 1993 Act, as amended from time to time.

Revaluation of Guaranteed Minimum Pension

5. (1) The Guaranteed Minimum Pension in respect of a Member who leaves Contracted-Out Employment before State Pension Age shall be revalued during the period from the termination of his Contracted-Out Employment to the payment of his Guaranteed Minimum Pension at State Pension

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Age (or death, if earlier) in accordance with one of the three methods set out in (2) below, subject to the following limitations: -

- (a) method C shall apply unless the Trustee decides otherwise and advises the Occupational Pensions Board accordingly;
 - (b) if the Trustee selects method B, the Trustee shall pay to the State a Limited Revaluation Premium;
 - (c) whichever method is used will apply to all leavers, until the Trustee changes the method (not retrospectively) and notifies the Occupational Pensions Board accordingly; and
 - (d) whichever method is used, the amount of the increase may not be deducted from other Plan benefits, to the extent that such deduction is prohibited by Sections 87 to 92 (inclusive) of the 1993 Act.
- (2) The three methods of increase referred to in (1) above are: -
- A. Increase in accordance with the last orders made under Section 148 of the 1992 Act, and coming into force before the Income Tax year in which he reaches State Pension Age (or dies, if earlier).
 - B. Increase by the lesser of: -
 - (i) 5% compound for each Income Tax year after that in which Contracted-Out Employment terminated, up to and including the last complete Income Tax year before State Pension Age (or death, if earlier); and
 - (ii) the percentage by which earnings factors for the Income Tax year in which Contracted-Out Employment ceases are increased by the last order under Section 148 of the 1992 Act to come into force before the Income Tax year in which he reaches State Pension Age (or dies, if earlier).
 - C. Increase by such rate as regulations made under Section 55 of the 1993 Act specify, for each Income Tax year after that in which Contracted-Out Employment ceases, up to and including the last complete Income Tax year before State Pension Age (or death, if earlier).

Cessation of Contracted-Out Employment

6. If Contracted-Out Employment under the Plan ceases (wholly or partially), and the Plan continues, the liability to pay Guaranteed Minimum Pensions affected by such cessation may be eliminated by paying appropriate premiums to the State (or by other arrangements which are approved by the Occupational Pensions Board).

Reimbursement of State Scheme Premiums

7. The Trustee shall, at the request of the Principal Employer, reimburse any Employer for any Limited Revaluation Premium or Contributions Equivalent Premium paid in respect of any Member

SCHEDULE K

or Deferred Retiree (but not so that the amount paid by way of reimbursement exceeds the value of that person's interest under the Plan, as advised by the Actuary).

SCHEDULE L

REORGANISATION OF PLAN

Transfers Into Fund

1. The Trustee shall upon the direction of the Principal Employer accept a transfer into the Fund of all or any part of the assets of another Retirement Benefits Scheme, whereupon: -

- (a) the individuals to whom the transfer relates shall be treated (if they are not already) as Members, Postponed Retirees, Deferred Retirees, Retirees or Beneficiaries of the Plan (as appropriate);
- (b) benefits shall become payable from the Fund to or in respect of any person who is transferred to the Plan as a Retiree, Deferred Retiree, Postponed Retiree or Beneficiary, of the same amounts and subject to the same terms as under the transferring scheme (unless the Trustee, having considered the advice of the Actuary and obtained the consent of the Principal Employer, otherwise decides); and
- (c) any part of the assets received relating to Members shall be dealt with as set out in Rule 5 of Schedule E.

Transfers Out of Fund

2. (1) The Trustee may subject to the prior approval of the Principal Employer arrange for any or all of those persons with interests under the Plan (whether those interests are immediate, deferred or contingent) to participate in any other Retirement Benefits Scheme by transferring to that scheme an amount of the Fund as stated in (2) below, subject to (3) below.

(2) The amount of any transfer payment under this Rule shall (subject to the deduction of any expenses properly payable from it) be the lesser of: -

- (a) the value of that part of the Fund which the Actuary certifies as relating to the persons being transferred, calculated on such a basis that, were the same basis applied to all persons with interests (whether immediate, deferred or contingent) under the Plan, the amount so calculated would be equal to the total value of the Fund; and
- (b) the greater of Past Service Reserve in respect of those former members of the Previous Scheme and the value as certified by the Actuary of the benefits of the individuals concerned, as set out in Rule 2(4) of Schedule M (construing that sub-Rule as if references to the date of termination of the Plan were references to the date of the transfer);

or such greater amount but in no circumstances greater than (2) (a) of this Rule as the Principal Employer (or, if the Principal Employer is in receivership or liquidation, the Trustee) may direct.

(3) Any transfer under this Rule shall be subject to the following requirements: -

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- (a) the consent of any person to be transferred shall be required, unless the receiving scheme relates to the same employment as the Plan and the Trustee has first satisfied itself that the transfer shall not result in a reduction in the overall value of his benefits;
- (b) the transfer shall not be such as to prejudice Revenue Approval;
- (c) the transfer shall not be such as to offend the law relating to perpetuities;
- (d) if the receiving scheme is not contracted-out under the 1993 Act, the amount to be transferred shall not include any part of the Fund representing accrued rights to Guaranteed Minimum Pensions, as certified by the Actuary; and
- (e) the Trustee shall supply a certificate to the trustee, administrator or provider of the receiving scheme (as the case may be) stating the amount of the transfer payment which may be taken in the form of a lump sum, and the amount of the transfer payment to be treated as Member's Credit.

Replacement of Principal Employer

3. If: -

- (a) an order or effective resolution is passed for the winding-up of the Principal Employer; or
- (b) for whatever reason, there ceases to be any Principal Employer in relation to the Plan;

the Trustee may arrange for the Principal Employer to be succeeded by another Employer, by means of a Deed to be executed by the Trustee and that other Employer. With effect from a date agreed between the Trustee and the succeeding Employer (or if no such date has been agreed, the date of the Deed effecting the arrangement), the Trust Deed, the Schedules and the Rules shall take effect as if all references to “the Principal Employer” were references to the succeeding Employer.

Continuation of Plan where No Principal Employer

4. If circumstances arise in which there is no Principal Employer in relation to the Plan (no successor being appointed under Rule 3 of this Schedule) and no notice is given under Rule 1 of Schedule M for the Plan to be terminated, the Trustee shall continue to administer the Plan upon such terms and for such period (not exceeding the Perpetuity Period) as the Trustee, having considered the advice of the Actuary, thinks fit.

Withdrawal of an Employer

5. (1) If and whenever during the continuance of the Plan: -

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- (a) the continued participation by an Employer in the Plan would prejudice Revenue Approval (whether because it has ceased to be associated with the Principal Employer or otherwise);
- (b) an Employer requests that this Rule shall come into operation in relation to it; or
- (c) the Principal Employer directs that this Rule shall come into operation in relation to a particular Employer;

the Trustee shall set aside a portion of the Fund ("the Separated Portion") calculated in accordance with (2) below, to be applied as set out in (3) below.

(2) The Separated Portion shall (subject to the deduction of any expenses properly payable from it) be equal to the lesser of : -

- (a) the value of that part of the Fund which the Actuary certifies as relating to those persons with interests (whether immediate, deferred or contingent) under the Plan arising from the participation of the Employer concerned, calculated on such a basis that, were the same basis applied to all persons with such interests under the Plan, the amount so calculated would be equal to the total value of the Fund; and
- (b) the value as certified by the Actuary of the benefits of the individuals concerned, as set out in Rule 2(4) of Schedule M (construing that sub-Rule as if references to the date of termination of the Plan were references to the date of the event mentioned in (1) above);

or such greater amount as the Principal Employer (or, if the Principal Employer is in receivership or liquidation, the Trustee) may direct.

(3) The Trustee shall deal with the Separated Portion as directed by the Principal Employer, in any one (or combination of more than one) of the following ways: -

- (a) by transferring it to one or more other Retirement Benefits Schemes in accordance with Rule 2 of this Schedule;
- (b) by using it to purchase annuities for the benefit of those persons to whom it relates, in accordance with Rule 2 of Schedule M, as if the Plan had been terminated; or
- (c) by retaining it (but not that part of it which relates to persons who immediately before the event mentioned in (1) above were Members or Postponed Retirees) within the Fund.

SCHEDULE M

TERMINATION OF PLAN

Termination

1. The Plan shall be terminated and the Fund shall be applied as set out in Rule 2 of this Schedule, upon the earliest of the following events: -

- (a) when the Principal Employer, by written notice to the Trustee, orders that the Plan be wound up;
- (b) when the Trustee, by written notice to the Principal Employer, orders that the Plan be wound up; or
- (c) the expiry of the Perpetuity Period.

Distribution of Assets on Termination

2. (1) If the Plan is terminated under Rule 1 of this Schedule, the Trustee (subject to its power under Rule 2 of Schedule L or Rule 4 of Schedule I to make transfers to other schemes) shall realise the assets of the Fund, and the proceeds shall be used to pay the expenses in connection with the termination of the Plan.

(2) From the balance of any monies remaining after (1) above, the Trustee shall purchase immediate, deferred or contingent annuities, sufficient to secure so far as possible the liabilities set out in A to C of (4) below, in descending order of priority.

(3) The annuities referred to in (2) above shall be purchased either from an Insurance Company or by the payment of premiums to the State. Such annuities shall be non-assignable, and shall be non-commutable (except to the extent that the pensions to which they relate are commutable). The annuities shall be payable under the same conditions, and at the same amounts, as the pensions referred to in (4) below to which they relate.

(4) The liabilities referred to in (2) above are as follows, in descending order of priority: -

A. **FIRST PRIORITY:**

- (i) pensions which any person may be entitled to be receiving under the Plan at the date of termination; and
- (ii) pensions to which any person may be contingently entitled under the Plan, upon the death of a person who falls within (i) above.

B. **SECOND PRIORITY:**

Any of the following which may be applicable in the circumstances: -

- (i) Guaranteed Minimum Pensions;
- (ii) accrued rights to Guaranteed Minimum Pensions;

SCHEDULE M

- (iii) state scheme premiums for which the Plan becomes liable upon termination;

(to the extent that these are not secured under the preceding Priority).

C. THIRD PRIORITY:

- (i) benefits under the Plan in respect of any AVCs and/or ASCs paid by or in respect of Members, Postponed Retirees or former Members (to the extent that these are not secured under either A (i) or A (ii) above);
- (ii) pensions for Deferred Retirees (and for this purpose any Member in Service at the date of termination shall be treated as if he had left Service on the day preceding that date, and been precluded from receiving a refund of his contributions);
- (iii) benefits prospectively payable upon the termination of any pension referred to in (i) above; and
- (iv) any other benefits which must be provided under the Plan, for which the Trustee is satisfied that provision is required (including the revaluation of any pension referred to in (i) or (ii) above);

(to the extent that these are not secured under the preceding Priorities).

(5) If the assets of the Fund are insufficient to secure all the liabilities set out in (4) above, those liabilities shall so far as possible be secured by reference to the order in which the three Priorities appear. If the liabilities under any one Priority cannot be wholly secured, the remainder of the assets available (after meeting all the liabilities in each earlier Priority) shall be apportioned by the Trustee among the individuals within that Priority, in such proportions as the Trustee having considered the advice of the Actuary shall decide.

- (6) (a) Any excess monies remaining after the three Priorities in (4) above have all been satisfied shall be used to provide such increases in benefits under the Plan (or benefits for persons not otherwise entitled under the Plan) not exceeding Inland Revenue Limits as the Trustee following consultation with the Principal Employer may direct.

- (a) Subject to the provisions of (6)(a) above, any remaining excess monies shall be paid to the Employers in such proportions as they may agree or (failing agreement) in proportions in which the Actuary advises as fair.

SCHEDULE N

**LIMITS IMPOSED TO COMPLY WITH THE REQUIREMENTS OF THE INCOME TAX
(JERSEY) LAW 1961 (AS AMENDED) (THE “JERSEY LAW”)**

- 1. *[Any reference to UK legislation shall (where relevant) apply to the appropriate legislation in the States of Jersey.***
- 2. *The references to “Inland Revenue Limits” in Schedule G shall refer to the limit described in Schedule N in respect of a Jersey Member.***
- 3. *The references to “Guaranteed Minimum Pensions” in Schedule G shall not apply to a Jersey Member.***
- 4. *The definitions of “Contracted Out-Employment”, “Contributions Equivalent Premium”, “Equivalent Pension Benefit”, “Final Remuneration”, “Guaranteed Minimum Pension”, “High Earner”, “Index of Retail Prices”, Inland Revenue Limits”, “Limited Revaluation Premium” and “State Pension Age” in Schedule A do not apply to a Jersey Member.***
- 5. *Schedule J does not apply to a Jersey Member.***
- 6. *Schedule K does not apply to a Jersey Member. A Jersey Member will pay contributions as an insured person in accordance with the Social Security (Jersey) Law 1974, as amended.]***

1. An Employee who is temporarily absent from work or who is seconded to another Employer may remain in full membership even if no remuneration or reduced remuneration is paid during this absence provided that:
 - (1) there is a definite expectation of return to Service;
 - (2) the period of absence is not expected to exceed three years; and,
 - (3) the Employee does not become a member of any other occupational pension scheme during the period of absence.
2. Full-time working directors may be included in the Scheme whether or not they have a controlling interest in the business.
3. The proprietor or proprietors of a firm are not Employees and neither they nor their spouses can be included in the membership of the Scheme.

4. Should an Employee become a proprietor of the firm, he is to be treated as having withdrawn from the Scheme and granted the normal options available under the Scheme.

5. Contribution by Employers

The Employer must contribute to the Scheme and an ordinary annual contribution will be an allowable deduction for the year in which it is paid. An ordinary annual contribution is regarded as a fixed amount, or a varying one calculated as a percentage of pay or on some other stated basis, which is payable each year. Where a contribution is not an ordinary annual contribution but a special contribution to provide for, e.g., back service or augmentation, the allowance for the contribution may be spread forward over a period of years if it differs substantially in amount from ordinary annual contributions normally payable.

6. Contribution by Employees

- 6.1 It is not necessary for an Employee to be required to contribute to the Scheme but where he does contribute his contribution will be allowed as an expense of his employment for the year in which the contribution is paid, provided that it is an ordinary annual contribution. (See paragraph 5)
- 6.2 The Scheme may permit Employees to make AVCs to increase their benefits or special contributions to obtain additional benefits. Where these AVCs are ordinary annual contributions, relief will be allowed. In practice, a special contribution which is paid by instalments over not less than five years (or until earlier retirement) will be regarded as a contribution qualifying for relief. (See, however, paragraph 6.3 for limit on contributions).
- 6.3 The Employee's total annual contributions, whether voluntary or otherwise, must be limited so that they cannot exceed 15% of the Employee's remuneration, including director's fees.
- 6.4 An Employee's contributions should normally cease at Normal Retirement Date or on earlier withdrawal from the Scheme, but if he remains in Service after Normal Retirement Date they may be continued so long as his maximum approval benefits (see paragraphs 7.2 to 7.4) are not exceeded.

7. Benefits on Retirement at Normal Retirement Date

- 7.1 Normal Retirement Date should be within the range 60 - 70, for both men and women. Different ages can be applied to different categories of Employees. In cases where, because of the nature of the employment, employees customarily retire at earlier ages, those earlier ages will be acceptable.

7.2 The aggregate benefits payable to an Employee, under all schemes set up by his Employer, who retires at Normal Retirement Date, after 40 or more years' Service must not exceed an amount which actuarially produces a pension payable for life, or for life subject to a guaranteed minimum period not exceeding ten years, of two-thirds of the Employee's final remuneration. A maximum annual rate for periods of Service of 40 years or less based on one-sixtieth of final remuneration for each year's service is approvable (N/60ths). In the case of late entrants, see paragraph 7.4.

7.3 Final remuneration for all purposes may be either:

- (1) the remuneration for any one of the five years preceding retirement date and may include the average over three or more of those years of any fluctuating emoluments such as director's fees; or
- (2) the average of the total remuneration for any three consecutive years ending not earlier than ten years before retirement date.

Reductions in earnings during the last ten years of service due to ill health may be ignored in calculating final remuneration.

Where an Employee (but not a director) was absent during the period used to calculate final remuneration and remained a full member (see paragraph 1) but on reduced, or zero, remuneration, that reduced figure may be increased to an amount equal to his basic salary at the date the absence began adjusted by reference to the rise in the Jersey cost of living index during the period of absence. The Comptroller will also consider alternative proposals for the calculation of this notional remuneration.

Whenever final remuneration is that of a year other than the twelve months ending on retirement date, or is an average of three or more years' remuneration, each year's remuneration may be increased, or dynamised, in an amount not exceeding the increase in the Jersey cost of living index for the period from the end of the year up to retirement date.

7.4 In the case of Employees who cannot, by reason of the date of their entry into the Scheme, complete 40 years service before Normal Retirement Date, the Scheme may provide for maximum pensions on the basis of the following table:

| Years of service to Normal Retirement Date | Maximum pension as a fraction of final remuneration |
|---|--|
| 1 – 5 | 1/60th for each year |
| 6 | 8/60ths |
| 7 | 16/60ths |
| 8 | 24/60ths |
| 9 | 32/60ths |
| 10 or more | 40/60ths |

If an Employee has a retained benefit from Service with any other Employer(s), a pension provided on the basis of the above table in excess of N/60ths must be restricted so that the aggregate pension does not exceed two - thirds of final remuneration. No restriction is, however, necessary where the pension to be provided is based on N/60ths.

- 7.5 The Scheme may provide for increases of pensions in the course of payment by a fixed amount not exceeding £200 per annum or, at a fixed rate of up to 5% per annum or at the rate shown by the Jersey cost-of-living index, whichever is the higher. Advance funding can be provided for the whole of the pension, even though the Scheme may allow commutation. See paragraph 12.1.

8. Benefits on Early Retirement

- 8.1 The Scheme may provide for an Employee to retire on reaching the age of 50 or within ten years before Normal Retirement Date and to take an immediate pension.
- 8.2 The maximum immediate pension to which he is entitled should be one-sixtieth of the final remuneration for each year of actual Service or, if it is more favourable, a proportion of the maximum approvable pension to which he would have been entitled if he had served to Normal Retirement Date, the proportion being, the number of years of his actual service to the number of years of his potential Service (to Normal Retirement Date). If the latter benefit is provided and the number of years potential Service is fewer than forty, the restriction for any retained benefit must be applied to the maximum approvable pension (see paragraph 7.4).
- 8.3 Where an Employee retires before the date on which he becomes entitled to an old age pension payable under the Social Security (Jersey) Law 1974 the amount of his immediate pension (after any commutation) payable between the date of retirement and

the date of his entitlement to old age pension may be increased provided that it is decreased after his old age pension comes into payment.

- 8.4 These variable rates must be actuarially calculated so that they require no extra funding and so that there is no cost to the Scheme. The increase in the amount payable in the former period cannot exceed the maximum amount of old age pension payable under the Social Security Law.

9. Benefits on Early Retirement due to Incapacity

The Scheme may permit an Employee to take an immediate pension if he retires before Normal Retirement Date due to incapacity and may provide a maximum pension of an amount computed as if he had remained in service to Normal Retirement Date on the final remuneration he was receiving at actual retirement date. Where retirement is due to serious ill-health, the Scheme may provide for full commutation of pension for a lump sum. (See paragraph 12.1 and 12.3).

10. Benefits on Retirement after Normal Retirement Date

- 10.1 The Scheme, may provide that an Employee who remains in Service after Normal Retirement Date shall receive additional pension up to the maximum amount approvable on the basis that his actual date of retirement was his Normal Retirement Date.
- 10.2 If an Employee's total service exceeds forty years, provision can be made for each year in excess of forty, subject to a maximum of five years, to earn a further one-sixtieth of final remuneration or, alternatively, the pension can be increased actuarially to reflect its later commencement and the yield on monies invested or policy monies.
- 10.3 It is permissible for an Employee who continues in Service after Normal Retirement Date to take at that date the benefits then accrued but no further benefits are to accrue in respect of Service after Normal Retirement Date.

11. Pensions generally

- 11.1 Pensions must not be assignable or capable of surrender except in respect of surrender for a widow's or dependant's pension and the pension must be payable for the Employee's life as a minimum period.
- 11.2 Pensions must be paid under deduction of income tax at standard rate. The responsibility for deducting the tax, and for remitting it to the Comptroller, rests with the person having the management of the Scheme (including any insurance company paying the pension in the form of an annuity). However, upon a request being made promptly, i.e. before payment of the pension begins, the Comptroller will normally authorise gross payment while a pensioner remains resident in Jersey.

12. Lump Sum Benefits in Commutation of Pensions

SCHEDULE N

- 12.1 The Scheme may provide for the commutation for a lump sum on retirement of not more than one-quarter of the capital value of the total benefits provided at that retirement date. Where, however, the pension is trivial in amount (£520 per annum or less) or retirement is due to serious ill-health, the Scheme may provide for full commutation of pension for a lump sum. Serious ill-health in this respect means that expectation of life is very short by comparison with the average for the same age and sex. Commutation is allowed only in respect of the Employee's pension - the pension payable to a widow or dependants may not be commuted under this rule.
- 12.2 Commutation is not allowable before Normal Retirement Date or, if earlier, the date on which the pension becomes payable and this restriction applies to all pensions including trivial pensions.
- 12.3 Sums paid in Commutation of trivial pensions are exempt from tax as are sums paid in commutation of other pensions which do not exceed one quarter of the capital value of the total benefits provided at retirement date. The excess of lump sums paid are, in strictness, liable to income tax at one-half of the standard rate of tax and the tax is chargeable on and payable by the persons having the management of the Scheme. However, in the case of serious ill-health the lump sum is concessionally exempted from tax.

13. Benefits on Death in Service

- 13.1 The Scheme may provide for a payment of a lump sum on death in service before Normal Retirement Date in an amount not exceeding four times the deceased employee's final remuneration at the date of his death, plus the return of the deceased Employee's contributions, with interest, or in an amount not exceeding five times final remuneration, inclusive of any return of contributions (whichever is the greater).
- 13.2 In addition to a lump sum, the Scheme may provide a pension to the widow of the Employee or, where there is no widow, to a dependant, i.e. a person financially dependent upon the Employee. The pension may not exceed two thirds of the maximum pension, being the amount computed as if the deceased had remained in Service to Normal Retirement Date on the final remuneration he was receiving at the date of his death. A widow's pension may cease on re-marriage and a pension for a child must cease when the child attains his majority or ceases to receive full-time education, if later. Where, exceptionally, the Scheme provides at Normal Retirement Date a lump sum and a pension (i.e. the lump sum is not an optional matter), the "maximum pension" may include the pension equivalent of the lump sum and any preserved benefits from an earlier employment may be taken into account.
- 13.3 Where there is both a widow and dependants, or no widow but more than one dependant, separate pensions may be provided for each, but no pension may be greater than specified in the preceding paragraph and the total of the pensions must not exceed the incapacity pension which could have been provided for the Employee himself.

- 13.4 If an Employee dies in Service after Normal Retirement Date, the maximum benefits can be calculated either on the basis of death in service generally, or on the basis that he had retired on the day before his death.

14. Benefits On Death After Retirement

- 14.1 The Scheme may provide for a widow's pension of two-thirds of the pension that the deceased Employee would have been receiving if he had not exchanged any pension for a lump sum or surrendered any pension. Alternatively, a similar pension may be provided for a dependant. If there is more than one pension payable, the total of the pensions must not exceed the full amount of the deceased Employee's own pension. A widow's pension may cease on re-marriage and a pension for a child must cease when the child attains his majority or ceases to receive full-time education, if later.
- 14.2 The Scheme may provide for an Employee to surrender part of his own pension to provide for a pension for his wife but the wife's pension must not exceed the reduced pension retained by the Employee. This surrender is permissible even if the wife is entitled to a separate pension in her own right from another scheme or from another rule of the Employee's own scheme. Alternatively, a similar pension can be provided for a dependant of the Employee.
- 14.3 If, in any case, the benefits that were paid to the deceased Employee are less than the Employee's own contributions plus a reasonable rate of interest, the rules may provide for payment of a lump sum equal to the difference.
- 14.4 As an alternative to the payment of a lump sum in paragraph 14.3, the rules may provide for the payment of a pension for a guaranteed number of years, not exceeding ten, after retirement. If the guaranteed period does not exceed five years, provision may be made for the payment of an immediate lump sum equal to the instalments falling due after the pensioner's death.
- 14.5 Widow's and dependant's pensions cannot be guaranteed for a minimum number of years except in the case where a pension for a widow or dependant has been provided by a surrender of part of the Employee's pension when both pensions can be guaranteed for a period of five years from the commencement of the Employee's pension.
- 14.6 No provision for a lump sum benefit on death after retirement can be made except in the rare case of a life cover continuing after retirement. In such a case, the benefit of the continuing life cover must be taken into account as part of the retirement benefit available in non-pension form and any commutation entitlement must be restricted accordingly (see paragraph 12.1).

15. Withdrawal from Service

- 15.1 The Scheme may provide, in the case of an Employee leaving the Service of the Employer otherwise than on retirement or on death, for a return of the Employee's own contributions plus interest, or for a deferred or "frozen" pension payable at Normal Retirement Date or for the purchase of an annuity contract approved under Article

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131B of the Jersey Law, or the payment of a transfer value to the scheme of a subsequent employer.

- 15.2 If the rules of the Scheme give an option to an Employee withdrawing from Service either to take a refund of his own contributions and interest or to take other benefits, the exercise by the Employee of the option to take a refund must prohibit him from receiving other benefits.
- 15.3 A deferred or “frozen” pension can be payable at the Normal Retirement Date under the Scheme in which the benefits were secured, or at any earlier date in the case of incapacity, or at any time between the earliest date from which an immediate pension on early retirement could be paid under the rules of the Scheme and Normal Retirement Date under that Scheme, or at the Normal Retirement Date under the last employer’s scheme. The amount of a deferred or “frozen” pension must not exceed the amounts (see paragraph 8.2) provided for early retirement pensions otherwise than on the grounds of incapacity, but a scheme may always grant the deferred pension that could be provided by the employees own contributions alone if that would be greater. The deferred pension which can be provided in accordance with this paragraph may be increased, when the payment begins, up to 5% per annum over the period of deferment or, if greater, by the annual percentage increase in the cost of living.
- 15.4 The Scheme may give a right to an Employee who dies before a deferred pension becomes payable to a lump sum benefit. The lump sum so payable should be governed by the limits of the “death in service” provisions of paragraphs 13.1 to 13.4 of this Schedule, his final remuneration being that on the date of his withdrawal. If widow’s or dependant’s benefits are also provided they should be similarly governed.
- 15.5 If the rules of the Scheme provide for a deferred or frozen pension it cannot be assigned or surrendered.
- 15.6 The rules of the Scheme must provide that if an Employee ceases to be a member of the Scheme but continues in the Service of the Employer (other than in the circumstances described in paragraph 10.3) his benefits to the date of ceasing to be a member must be held under the Scheme until he retires or leaves the Employer’s Service.
- 15.7 The purchase of, or making of a transfer payment to, an annuity contract approved under Article 131B of the Jersey Law is permissible either where the Employee has severed all connections with the Employer (although the retention of a small interest in an employing company may be regarded as de minimis) or in the circumstance where an Employee finds himself, for reasons beyond his control, unable to continue contributing to the Scheme of his choice, for example following the reorganisation of a group of companies.
- 15.8 The Scheme may permit the payment of a transfer value to an approved scheme of a subsequent employer, and the receipt of a transfer value from an approved scheme of a previous employer. The receiving scheme may treat the transfer payment as representing the Employee’s contributions only to the extent certified by the

administrator of the paying scheme, and may provide the maximum benefits appropriate to the Employee's service with the new employer plus the additional benefit which the transfer payment is sufficient to buy if invested by the receiving scheme or if it is applied by way of a premium under the relevant policy. The aggregate benefit must not, however, exceed two-thirds of the Employee's final remuneration, less any retained benefits in respect of still earlier employments.

15.9 Tax is chargeable and payable by the person having the management of the Scheme at one-half of the standard rate in respect of all contributions refunded to an Employee during his life-time. The amount on which tax is chargeable is the gross amount refundable inclusive of the interest element. No tax is chargeable in respect of transfer values paid to approved schemes or for the purchase of benefits under an annuity contract approved under Article 131 B of the Jersey Law.

15.10 Where an Employee leaves Service and a surplus of his benefits representing the Employer's contributions and interest remains, the Scheme may provide that the surplus should be retained to reduce future contributions or to augment benefits or to provide a reserve. Exceptionally, where the surplus cannot be so utilised, or in the case of an individual pension arrangement, the rules must provide for the return of the surplus to the Employer and the surplus will then be treated as a receipt of his trade or business.

16. Discontinuance Of Schemes

16.1 The rules of a scheme may provide for its discontinuance because of bankruptcy or liquidation or at the discretion of the employer. However, the rules must also provide that on discontinuance the benefits then accrued, subject to the maximum avoidable benefits, will be preserved.

16.2 Discontinuance can be achieved by making the scheme "frozen" or "paid-up". In these circumstances, all contributions must cease and the assets must be held by or on behalf of the manager or administrator to be applied to provide benefits according to the rules when the existing members retire, die or withdraw from service. The Scheme will be eventually wound up when all benefits have been so applied.

16.3 Alternatively, the scheme may be immediately wound up and the assets realised and applied to provide the respective benefits. The benefits may be transferred by means of transfer payments to approved schemes of the new employers of the members or may be secured by the purchase of immediate or deferred non-assignable annuity contracts duly endorsed with the appropriate limits of commutation, etc., or transferred to an annuity contract approved under Article 131 B of the Jersey Law. If the scheme is operated by means of policies securing benefits for particular employees, the policies suitably endorsed, may be assigned to the employees.

16.4 In the case of winding up, the maximum approvable benefits must not exceed those which would have been applicable if the employees had withdrawn from service when the benefits are determined.

17. Provision of benefits where Service consists of both part-time and full-time service

17.1 Change from either to either

Whether part-time service precedes or follows full-time service. It is always permissible to compute the benefits for each period of service separately by reference to the remuneration of that period (for this purpose, the time restrictions contained in paragraph 7.3 on final remuneration may be set aside in respect of the earlier period of service).

17.2 Change from part-time to full-time

Alternatively where the full-time service follows the part-time, benefits may be based on final remuneration in the full-time job provided that the part-time service is converted into its full-time equivalent using the formula:

$$\text{Years of part-time service} \times \frac{\text{part-time working hours}}{\text{full-time working hours}^*}$$

* This should be the number of hours on which final remuneration is based.

17.3 Change from full-time to part-time

A similar alternative is available where the part-time service follows the full-time. In this case, however, not only does the part-time service need to be converted to full-time service but also the final remuneration needs to be converted to its full-time equivalent. **This alternative is not to be used for calculating benefits in respect of remuneration which includes emoluments as a director.**

17.4 Retained benefits

Paragraphs 7.4 and 8.2 describes circumstances where benefits must not exceed two-thirds of final remuneration less retained benefits. When applying this restriction to benefits for mixed full-time and part-time service, final remuneration should be calculated:

- a. In conversion cases (i.e. where paragraphs 17.2 or 17.3 above apply) as the actual or notional full-time final remuneration used in the calculation, and
- b. where separate period calculations are used, as follows:

$$\frac{\text{Years of part-time service}}{\text{Years of total service}} \times \text{final remuneration for part-time service}$$

plus

$$\frac{\text{Years of full-time service}}{\text{Years of total service}} \times \text{final remuneration for part-time service}$$

17.5 Benefits on death in service

SCHEDULE N

Maximum approvable pensions for widows, widowers or dependants should be calculated on the assumption that the terms of employment (i.e. full or part-time) at the time of death would have continued unchanged until normal retirement date.

SCHEDULE O

Employees who transferred to the employment of IBM United Kingdom Limited on 1 October 2004 and who were previously members of or eligible to join the Previous Scheme.

1. SCOPE OF THIS SCHEDULE O

1.1 This Schedule O shall apply with effect from 1 October 2004 only to those persons who were Employees on 1 October 2004 and who were, immediately prior to 1 October 2004, either:

1.1.1 members of the Previous Scheme; or

1.1.2 eligible to join the Previous Scheme;

and, except where the context provides otherwise, became Members of the Plan pursuant to the provisions of paragraph 4, or, as applicable, paragraph 5 below (together referred to as "**Schedule O Members**"). References to Schedule O Members shall be references to C1 and C2 Members (as defined in paragraph 2.1 below), save where expressly stated otherwise, and shall, as the context permits, be references to such Schedule O Members who are Members, Deferred Retirees, Postponed Retirees or Retirees.

1.2 Save where varied in this Schedule O the provisions of the Trust Deed and Rules in Schedules A to N (inclusive) hereto shall apply to the Schedule O Members for so long as they continue to be Schedule O Members.

2. DEFINITIONS FOR SCHEDULE O MEMBERS

2.1 The following definitions shall apply to Schedule O Members:

"Actual Retirement Date"

means the date on which a Member or Postponed Retiree retires from Service and elects to receive an immediate pension from the Plan;

"C1 Member"

means a Schedule O Member who was, immediately prior to 1 October 2004, either a member of the Classic Section of the Previous Scheme or eligible to join that section;

"C2 Member"

means, subject to the provisions for switching in Rule 5 of this Schedule O, a Schedule O Member who was, immediately prior to 1 October 2004, either a member of the Classic Plus or Premium Section of the Previous Scheme or eligible to join those sections;

"C3 Member"

means, subject to the provisions for switching in Rule 5 of this Schedule O, an Employee who was, immediately prior to 1 October 2004, either a member of the Partnership Section of the Previous Scheme or eligible to join that section;

"Final Pensionable Earnings"

means, subject to the provisions of Rule 4 of Schedule G (Late Retirement), the highest average annual amount of Pensionable Earnings received in any consecutive 12 month period during the three years immediately preceding an individual's termination of Pensionable Service or death, whichever occurs first;

"Normal Minimum Pension Age"

means in respect of a Member or Deferred Retiree:

- (a) before 6 April 2010, age 50; and
- (b) on and after that date, age 55,

except that a Member or Deferred Retiree with a protected pension age as defined in the Finance Act 2004 shall be treated as having a Normal Minimum Pension Age of that Protected Pension Age;

"Normal Retirement Date"

means the day on which age 60 is attained;

"Partner"

means, in relation to a deceased C2 Member, a person who in the opinion of the Trustee:

- (a) was co-habiting with the C2 Member as partners in an exclusive, committed long term relationship;
- (b) was not prevented from marrying or entering into a Civil Partnership with the C2 Member;
- (c) was financially dependent on the C2 Member or the person and the C2 Member were financially interdependent; and
- (d) had made a joint declaration with the C2 Member that they were partners but such declaration will only be required if the Trustee had advised the C2 Member that such a joint declaration was required;

"Past Service Reserve"

means the amount calculated on a basis determined by the Scheme Actuary having regard to the projected Final Pensionable Earnings at the assumed date of retirement, earlier death or leaving service of a Schedule O Member;

"Pensionable Earnings"

means basic annual salary together with such allowances as shall be determined as pensionable by the Employer, including all elements of remuneration that were pensionable under the Previous Scheme as at 30 September 2004;

"Pensionable Service"

means, subject to the provisions of Rule 4 of Schedule G (Late Retirement), complete years and months of Service as a Member or a Postponed Retiree and for the avoidance of doubt any odd days of Service shall be rounded up to a complete month, plus any additional period of "Pensionable Service" awarded by the Trustee on the advice of the Actuary and based on (and subject to) a transfer payment received by the Trustee in respect of his period of membership of the Previous Scheme;

"Postponed Retiree"

means a person who was a Member and who has remained in Service after his Normal Retirement Date but has not started to receive his benefits from the Plan and is entitled to receive the benefits set out in Rule 4 of Schedule G;

"Spouse"

in relation to a deceased Schedule O Member means a person who was legally married to him or was his Civil Partner immediately before his death and, in relation to a C2 Member, also means a Partner;

- 2.2 In its application to Schedule O Members, the definition of Qualifying Service in Schedule A is amended by adding the following proviso at the end: "PROVIDED THAT a Member's Qualifying Service shall also include his pensionable service in the Previous Scheme, irrespective of whether or not a Member has elected to transfer his benefits accrued under the Previous Scheme to the Plan."

3. SCHEDULE B

Rule 1 (Power of Amendment) of Schedule B shall include the following new paragraph at the end:

"PROVIDED FURTHER that in respect of a Schedule O Member no amendment may be made which would reduce the value of the accrued benefits of any Schedule O Member (measured on a Past Service Reserve basis) unless such amendments are required by legislation or are made with the written consent of the affected Schedule O Members."

4. MEMBERSHIP

In their application to those Employees eligible to become Schedule O Members, Rule 1 (Eligibility) and Rule 2 (Entrance) of Schedule D shall be read subject to the following overriding provisions:

- 4.1 All Employees who:
- 4.1.1 were active members of the Classic Section, the Classic Plus Section or the Premium Section of the Previous Scheme and whose employment transferred to IBM United Kingdom Limited on 1 October 2004; or

SCHEDULE O

- 4.1.2 were active members of the Partnership Section of the Previous Scheme, whose employment transferred to IBM United Kingdom Limited on 1 October 2004 and who elected to switch to become C2 Members with effect from 1 October 2004,

shall automatically become Members of the Plan on 1 October 2004 unless the Trustee receives a written request from any such Employee not to join the Plan.

- 4.2 Former members of the Classic Section, the Classic Plus Section or the Premium Section of the Previous Scheme whose employment transferred to IBM United Kingdom Limited on 1 October 2004 and who were on sick leave, maternity leave or a career break on that date, Employees who were eligible to join one of those sections of the Previous Scheme but had not elected to do so or had opted out of membership of the Previous Scheme prior to 1 October 2004 shall also be entitled to membership of the Plan as a C1 or C2 Member, as appropriate, if they agree to pay contributions in accordance with Rule 2 of Schedule E (or, if they are Smart* Members, have contributions paid by their Employer in respect of them).
- 4.3 C3 Members are entitled to membership of the IBM United Kingdom Stakeholder Pension Scheme and the IBM Group Life Assurance Plan.
- 4.4 For the avoidance of doubt, neither the Trustee nor any Employer may exercise any power or discretion to exclude a Schedule O Member from the Plan or to terminate such a person's membership or restrict his death benefits (even if the death benefits are uninsurable).

5. SWITCHING OPTION

- 5.1 C2 and C3 Members whose employment began on or after 1 October 2002 may switch between these two classes of membership at any time on or after 1 October 2004 but before leaving Service. Each C2 and C3 Member may switch once in each direction except to the extent that such switching occurred prior to 1 October 2004 in the Previous Scheme and no evidence of health shall be required on switching.
- 5.2 A C2 Member who switches to become a C3 Member shall be treated as if he had left Pensionable Service under the Plan at the date of the switch and, unless he has opted to transfer out his Cash Equivalent pursuant to the provisions of Rule 4 (The Cash Equivalent) of Schedule I, shall be entitled to Deferred Benefits in accordance with Schedule I.
- 5.3 If, as a result of switching between two classes of membership pursuant to 5.1 above, a C2 Member has two periods of Pensionable Service as a C2 Member they shall be treated as continuous if:
- (a) the C2 Member did not transfer out his accrued C2 benefits under the Plan when he switched to C3 membership, or subsequently; and
 - (b) the C2 Member elects to have both periods of Pensionable Service treated as continuous.

If the above two conditions are satisfied, the benefits and entitlements under the Plan that are attributable to the C2 Member's two periods of Pensionable Service as a C2 Member shall be calculated by reference to his Pensionable Earnings and Final Pensionable Earnings during the second period of Pensionable Service.

6. SCHEDULE E

In its application to Schedule O Members, Rule 2 of Schedule E (Members Contributions) shall be amended by deleting the words appearing immediately after paragraph (v) at the end of Rule 2(3) and replacing them with the following words:

"whichever event occurs first UNLESS the provisions of Rule 4(1) or Rule 4(3) of Schedule G apply, in which event contributions shall continue until his Actual Retirement Date or his Election Date (as defined under Rule 4(3) of Schedule G) respectively."

7. SCHEDULE G

In its application to Schedule O Members, Schedule G shall be read subject to the following amendments.

- 7.1 Rule 2 (Early Retirement) of Schedule G shall be amended by adding the following at the end of Rule 2(1):

"PROVIDED THAT a Member or Deferred Retiree may retire on or after reaching his Normal Minimum Pension Age without having to satisfy the notice or, as applicable, consent requirements referred to in this Rule 2(1)."

- 7.2 Rule 3(1) (Ill-Health Early Retirement) of Schedule G is replaced with the following wording:

"3(1) If the Member has completed two years Qualifying Service and retires before his Normal Retirement Date because he is no longer able to perform his own job due to serious ill-health or incapacity he shall be entitled to a pension under this Rule calculated as for normal retirement (see Rule 1 of this Schedule) by reference to his Final Pensionable Earnings at the date of actual retirement and Enhanced Pensionable Service. For the purposes of this Rule 3(1), Enhanced Pensionable Service shall be the Member's Pensionable Service plus the lower of (a) 10 years and (b) the additional Pensionable Service the Member could have completed up to his 65th birthday had he not ceased to be a Member. The Trustee will determine if the Member is in such serious ill-health or suffering from such incapacity based on such medical evidence as the Trustee may require."

- 7.3 Rule 4 (Late Retirement) is replaced with the following:

"4(1) Subject to (2) and (3) below, on his Actual Retirement Date, a Postponed Retiree shall be paid a pension calculated as for normal retirement in accordance with Rule 1 of this Schedule but based on his Final Pensionable Earnings and his Pensionable Service at his Actual Retirement Date.

4(2) In advance of becoming a Postponed Retiree, a Member may, instead of having a pension calculated by the method described in (1) above, elect by notice in writing to the Trustee not later than three months before his Normal Retirement Date to cease Pensionable Service at Normal Retirement Date and to be paid a pension at Actual Retirement Date calculated as for normal retirement in accordance with Rule 1 of this Schedule but based on his Final Pensionable Earnings and his

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Pensionable Service at his Normal Retirement Date. The resulting pension shall be increased on a basis intended to be cost neutral to the Plan and certified as reasonable by the Actuary, having regard to the period between Normal Retirement Date and Actual Retirement Date.

- 4(3) A Postponed Retiree who has not made an election in accordance with (2) above may, at any time after his Normal Retirement Date, elect, by giving the Trustee not less than three months notice in writing, to cease Pensionable Service on expiry of the notice (the "**Election Date**") and to be paid a pension at his Actual Retirement Date calculated as for normal retirement in accordance with Rule 1 of this Schedule but based on his Final Pensionable Earnings and his Pensionable Service as at the Election Date. The resulting pension shall be increased on a basis intended to be cost neutral to the Plan and certified as reasonable by the Actuary, having regard to the period between the Postponed Retiree's Election Date and his Actual Retirement Date."
- 4(4) If a Postponed Retiree leaves Service and does not elect to take an immediate pension:
- (a) he will cease to be a Postponed Retiree with effect on and from the date immediately following his last day of Service (the "Relevant Date"); and
 - (b) notwithstanding that his Pensionable Service terminated on or after his Normal Retirement Date, he shall be deemed to have satisfied the requirements to become a Deferred Retiree on the Relevant Date and shall be entitled to Deferred Benefits payable in accordance with Rule 2(3)(c) of Schedule I and to benefits payable on death in accordance with Rule 3 of Schedule H, except that, for the purpose of the application of Rule 2(3)(c) of Schedule I to him:
 - (i) his Deferred Benefits at the Relevant Date shall be the pension to which he would have been entitled in accordance with (1), (2) or (3) above in this Rule 4 (as applicable) had the Relevant Date been his Actual Retirement Date; and
 - (ii) the reference in Rule 2(3)(c) of Schedule I to "Normal Retirement Date" shall be replaced with "the Relevant Date (as defined in Rule 4(4) of Schedule G)."

7.4 Rule 5.A(3) (Lump Sum Option) is replaced with the following:

"5.A(3) Where a lump sum is paid under this Rule the pension of the payee shall be reduced on a basis certified as reasonable by the Actuary provided that the rates applied shall be no less than twelve pounds (£12) cash for every one pound (£1) of annual pension exchanged, irrespective of age."

8. SCHEDULE H

In its application to Schedule O Members, Schedule H shall be read subject to the following amendments.

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- 8.1 In respect of a Member who is a Member or Postponed Retiree (other than a Postponed Retiree who had made an election in accordance with Rule 4(2) or 4(3) of Schedule G) who dies in Service, Rule 1(1)(c) (Death of a Member or a Postponed Retiree) is replaced with the following:

"1(1)(c) If the Member or Postponed Retiree dies in Service and leaves a Spouse, a pension for life shall be paid to the Spouse equal to 50 per cent of the pension the Member or Postponed Retiree would have received had he retired under Rule 3 of Schedule G immediately before his death using the Member's or Postponed Retiree's Final Pensionable Earnings at the date of his death."

- 8.2 In respect of a Postponed Retiree who had made an election in accordance with Rule 4(2) or 4(3) of Schedule G who dies in Service, Rules 1(1)(a) and 1(1)(b) shall be replaced with the following:

"1(1)(a) and (b) If the Postponed Retiree dies in Service, the Trustee shall hold a lump sum on Discretionary Trusts equal to (i) an amount calculated as if the Postponed Retiree had retired on the date of his death and had elected to receive the maximum lump sum payable pursuant to Rule 5 of Schedule G and (ii) a lump sum paid in accordance with Rule 2(1)(a) (the five year guarantee) calculated by reference to the pension remaining after the maximum lump sum under Rule 5 of Schedule G has been taken into account."

and Rule 1(1)(c) shall be replaced with the following:

"1(1)(c) If the Postponed Retiree dies in Service and leaves a Spouse, a pension for life shall be paid to the Spouse equal to 50 per cent of the pension the Postponed Retiree would have received had he retired on the date of his death calculated on the basis that no election was made for payment of a lump sum pursuant to Rule 5 of Schedule G."

9. SCHEDULE I

In its application to Schedule O Members, Schedule I shall be read subject to the following amendments.

- 9.1 Rule 2(3)(b) is replaced with the following Rule 2(3)(b) to read as follows:

"2(3)(b) any date after the Member has reached his Normal Minimum Pension Age (without the consent of the Employer, Principal Employer or Trustee) but subject to actuarial reduction if payable prior to age 60."

- 9.2 Rule 4 (The Cash Equivalent) of Schedule I is amended by the addition of a new sub-rule 4(5) as follows:

"4(5) The Cash Equivalent of a Member shall not be reduced even where the Trustee has power to pay a reduced Cash Equivalent in accordance with regulation 4 of the Occupational Pension Schemes (Early Leavers: Cash Transfer Sums and Contribution Refunds) Regulations 2006 (as amended or replaced from time to

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time). If the Trustee has the power to pay a reduced Cash Equivalent under those Regulations the Principal Employer shall pay such additional amount as the Trustee may request in order to permit the Trustee to pay the full amount of the Member's Cash Equivalent."

- 9.3 For the purpose of its application to the revaluation of Deferred Benefits, "C" in Rule 5(b) shall be replaced with the following:

"C is the revaluation percentage applicable in accordance with Paragraph 2 of Schedule 3 to the 1993 Act provided that:

- (a) the said Paragraph 2 shall be applied as if the "inflation percentage" referred to in that Paragraph were always calculated by reference to the index of retail prices (all items) published by the Office for National Statistics or, if that index is not published, by reference to any substituted index published in its place; and
- (b) where termination of Pensionable Service occurs on or after 6 April 2009, paragraph 1(1D) of Schedule 3 to the 1993 Act shall be applied as if, in sub-paragraph (b) of that paragraph, the reference to "the appropriate lower revaluation percentage, were replaced with "the appropriate higher revaluation percentage".

10. SCHEDULE L

In its application to Schedule O Members, Schedule L shall be read subject to the following amendments:

- 10.1 Rule 2 (Transfers Out of Fund) is amended by the addition of a new sub-rule 2(4) as follows:

"2(4) This Rule 2 is subject to the provisions of Rule 2A below."

- 10.2 A new Rule 2A is inserted immediately after Rule 2 as follows:

"Past Service Reserve Transfers

2A(1) Where a Member or Postponed Retiree who is transferred compulsorily to any employment that is not pensionable under the Plan or whose membership of the Plan is terminated (whether due to a reorganisation or otherwise) in circumstances where the Member or, as applicable, the Postponed Retiree has not retired, voluntarily left Pensionable Service or left Service as a result of redundancy or misconduct (a **"Transferring Member"**), the relevant Employer shall be obliged to procure that an offer is made to the Transferring Member to transfer his benefits out of the Plan (the **"Transfer Offer"**).

2A(2) Unless (4) below applies, where a transfer payment is made from the Plan in relation to a Transferring Member who accepts the Transfer Offer before a specified expiry date relevant to the Transfer Offer, the transfer payment shall, subject to payment by the relevant Employer of any contribution required under (3) below, be the greater of:

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- (a) the amount calculated in accordance with Rule 2(2) of this Schedule; and
 - (b) the Past Service Reserve of the Transferring Member's benefits under the Plan.
- 2A(3) Unless (4) below applies, where the amount at (2)(b) above is greater than the amount at (2)(a) above, the relevant Employer shall pay into the Fund a contribution equal to the difference between the two amounts.
- 2A(4) Subject to (5) below, in relation to a Transferring Member who accepts the Transfer Offer before a specified expiry date relevant to the Transfer Offer, a transfer payment which is less than that calculated in accordance with (2) above but not less than the amount at (2)(a) above may be paid from the Plan where, having obtained the advice of the Actuary, the Trustee is satisfied that, on receipt of the reduced amount, the pension scheme receiving the transfer payment will provide benefits of equivalent value overall to those the Transferring Member had accrued under the Plan calculated on a Past Service Reserve basis.
- 2A(5) Where (4) above applies and the transfer payment calculated is greater than the amount at (2)(a) above but less than the amount at (2)(b) above, the relevant Employer shall pay into the Fund a contribution equal to the difference between the amount at (2)(a) above and the transfer payment.
- 2A(6) Subject to (7) below, where a transfer payment is not made from the Plan in relation to a Transferring Member, the Transferring Member shall be entitled to Deferred Benefits and, for this purpose, a Transferring Member who is a Postponed Retiree shall be deemed to satisfy the requirements to become a Deferred Retiree even though he has reached his Normal Retirement Date.
- 2A(7) Where (6) above applies to a Transferring Member and there is in relation to him no Relevant Pension Scheme to receive a transfer payment from the Plan his Deferred Benefits shall be calculated in accordance with (8) below. For the purposes of this Rule 2A, a Relevant Pension Scheme is a pension scheme which has (prior, where applicable, to the date of transfer of the Transferring Member's employment) been certified or otherwise deemed or confirmed by the Government Actuary's Department as offering benefits that are broadly equivalent in value to the Transferring Member's past service benefits in the Plan or an appropriate pension scheme deemed to be acceptable to receive such a transfer payment following the introduction of the 2014 Fair Deal proposals.
- 2A(8) The Deferred Benefits of a Transferring Member to whom (7) above applies shall be the greater of:
 - (a) benefits calculated in accordance with Rule 2(2) of Schedule I plus increases under Rule 5 of Schedule I; and

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- (b) the level which the Trustee, acting on the advice of the Actuary, determines to be equivalent in value to the benefits at (a) above were those benefits calculated on a Past Service Reserve basis.

11. SCHEDULE M

In its application to Schedule O Members, Rule 2(6)(a) is replaced with the following:

"2(6)(a) Any excess monies remaining after the three Priorities in 2(4) above have all been satisfied shall be used for those Schedule O Members who were in Pensionable Service immediately before the date of termination of the Plan to increase the level of their benefits under the Plan to the level of benefits that would have been provided by reference to a Past Service Reserve.

Any excess monies remaining thereafter shall be used to provide such increases in benefits under the Plan (or benefits for persons not otherwise entitled under the Plan) not exceeding Inland Revenue Limits as the Trustee following consultation with the Principal Employer may direct."

SCHEDULE P

Employees who were previously employed by Natural England and transferred to the employment of IBM United Kingdom Limited on 1 February 2007 and who were previously members of or eligible to join the Previous Scheme.

1. SCOPE OF THIS SCHEDULE P

1.1 This Schedule P shall apply with effect from 1 February 2007 only to those persons who were Employees on 1 February 2007 and who were formerly employed by Natural England and who were, immediately prior to 1 February 2007 either:

1.1.1 members of the Previous Scheme; or

1.1.2 eligible to join the Previous Scheme;

and, except where the context provides otherwise, became Members of the Plan pursuant to the provisions of paragraph 4 or, as applicable, paragraph 5 below (together referred to as "**Schedule P Members**"). References to a Schedule P Member shall be references to C1 and C2 Members, save where expressly stated otherwise, and shall, as the context permits, be references to such Schedule P Members who are Members, Deferred Retirees, Postponed Retirees or Retirees.

1.2 Save where varied in this Schedule P the provisions of the Trust Deed and Rules in Schedules A to N (inclusive) hereto shall apply to the Schedule P Members for so long as they continue to be Schedule P Members.

2. DEFINITIONS FOR SCHEDULE P MEMBERS

2.1 The following definitions shall apply to Schedule P Members:

"Actual Retirement Date"

means the date on which a Member or Postponed Retiree retires from Service and elects to receive an immediate pension from the Plan;

"C1 Member"

means a Schedule P Member who was, immediately prior to 1 February 2007, either a member of the Classic Section of the Previous Scheme or eligible to join that section;

"C2 Member"

means, subject to the provisions for switching in Rule 5 of this Schedule P, a Schedule P Member who was, immediately prior to 1 February 2007, either a member of the Classic Plus or Premium Sections of the Previous Scheme or eligible to join those sections;

"C3 Member"

means, subject to the provisions for switching in Rule 5 of this Schedule P, an Employee who was, immediately prior to 1 February 2007, either a member of the Partnership Section of the Previous Scheme or eligible to join that section;

"Final Pensionable Earnings"

means, subject to the provisions of Rule 4 of Schedule G (Late Retirement), the highest average annual amount of Pensionable Earnings received in any consecutive 12 month period during the three years immediately preceding an individual's termination of Pensionable Service or death, whichever occurs first;

"Normal Minimum Pension Age"

means in respect of a Member or Deferred Retiree:

- (a) before 6 April 2010, age 50; and
- (b) on and after that date, age 55,

except that a Member or Deferred Retiree with a protected pension age as defined in the Finance Act 2004 shall be treated as having a Normal Minimum Pension Age of that protected pension age;

"Normal Retirement Date"

means the day on which age 60 is attained;

"Partner"

means, in relation to a deceased C2 Member, a person who in the opinion of the Trustee:

- (a) was co-habiting with the C2 Member as partners in an exclusive, committed long term relationship;
- (b) was not prevented from marrying or entering into a Civil Partnership with the C2 Member;
- (c) was financially dependent on the C2 Member or the person and the C2 Member were financially interdependent; and
- (d) had made a joint declaration with the C2 Member that they were partners but such declaration will only be required if the Trustee had advised the Member that such a joint declaration was required;

"Past Service Reserve"

means the amount calculated on a basis determined by the Scheme Actuary having regard to the projected Final Pensionable Earnings at the assumed date of retirement, earlier death or leaving service of a Schedule P Member;

"Pensionable Earnings"

means the Schedule P Member's basic annual salary together with such allowances as shall be determined as Pensionable by the Employer, including all elements of remuneration that were pensionable under the Previous Scheme as at 31 January 2007;

"Pensionable Service"

means, subject to the provisions of Rule 4 of Schedule G (Late Retirement), complete years and months of Service as a Member or a Postponed Retiree and for the avoidance of doubt any odd days of Service shall be rounded up to a complete month, plus any additional period of "Pensionable Service" awarded by the Trustee on the advice of the Actuary and based on (and subject to) a transfer payment received by the Trustee in respect of his period of membership of the Previous Scheme;

"Postponed Retiree"

means a person who was a Member and who has remained in Service after his Normal Retirement Date but has not started to receive his benefits from the Plan and is entitled to receive the benefits set out in Rule 4 of Schedule G;

"Spouse"

in relation to a deceased Schedule P Member means a person who was legally married to him or was his Civil Partner immediately before his death and, in relation to a C2 Member, also means a Partner;

- 2.2 In its application to Schedule P Members, the definition of Qualifying Service in Schedule A is amended by adding the following proviso at the end: "PROVIDED THAT a Member's Qualifying Service shall also include his pensionable service in the Previous Scheme, irrespective of whether or not a P Member has elected to transfer his benefits accrued under the Previous Scheme to the Plan and any part-time employment shall be counted by calendar length with no pro-rata reduction".

3. SCHEDULE B

Rule 1 (Power of Amendment) of Schedule B shall include the following new paragraph at the end:

"PROVIDED FURTHER that in respect of a Schedule P Member no amendment may be made which would reduce the value of the accrued benefits of any Schedule P Member (measured on a Past Service Reserve basis) unless such amendments are required by legislation or are made with the written consent of the affected Schedule P Members."

4. MEMBERSHIP

In their application to those Employee eligible to become Schedule P Members, Rule 1 (Eligibility) and Rule 2 (Entrance) of Schedule D shall be read subject to the following overriding provisions:

- 4.1 All Employees who:
- 4.1.1 were active members of the Classic Section, the Classic Plus Section or the Premium Section of the Previous Scheme and whose employment transferred to IBM United Kingdom Limited on 1 February 2007; or

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- 4.1.2 were active members of the Partnership Section of the Previous Scheme whose employment transferred to IBM United Kingdom Limited on 1 February 2007 and who elected to switch to become C2 Members with effect from 1 February 2007,
- shall automatically become Members of the Plan on 1 February 2007 unless the Trustee receives a written request from any such Employee not to join the Plan.
- 4.2 An Employee who was eligible to join the Classic Section of the Previous Scheme immediately prior to 1 February 2007 but had not elected to do so shall automatically become a C1 Member if he agrees to pay contributions in accordance with Rule 2 of Schedule E (or, if he is a Smart* Member, have contributions paid by his Employer in respect of him).
- 4.3 An Employee who was eligible to join the Premium Section of the Previous Scheme immediately prior to 1 February 2007 but had not elected to do so or who had opted out prior to the date of transfer shall automatically become a C2 Member if he agrees to pay contributions in accordance with Rule 2 of Schedule E (or, if he is a Smart* Member, have contributions paid by his Employer in respect of him).
- 4.4 Former members of the Classic Section, the Classic Plus Section or the Premium Section of the Previous Scheme whose employment transferred to IBM United Kingdom Limited on 1 February 2007 and who were on sick leave, maternity leave or a career break on that date or had opted out of membership of the Previous Scheme prior to that date shall be entitled to membership of the Plan as a C1 or C2 Member, as appropriate.
- 4.5 C3 Members are entitled to membership of the IBM United Kingdom Stakeholder Pension Scheme and the IBM Group Life Assurance Plan.
- 4.6 For the avoidance of doubt, neither the Trustee nor any Employer may exercise any power or discretion to exclude a Schedule P Member from the Plan or to terminate such a person's membership or restrict his death benefits (even if the death benefits are uninsurable).

5. SWITCHING OPTION

- 5.1 C2 and C3 Members whose employment began on or after 1 October 2002 may switch between these two classes of membership at any time on or after 1 February 2007 but before leaving Service. Each C2 and C3 Member may switch once in each direction (except to the extent that such switching occurred prior to 1 February 2007 in the Previous Scheme) and no evidence of health shall be required on switching.
- 5.2 A C2 Member who switches to become a C3 Member shall be treated as if he had left Pensionable Service under the Plan at the date of the switch and, unless he has opted to transfer out his Cash Equivalent pursuant to the provisions of Rule 4 (the Cash Equivalent) of Schedule I, shall be entitled to Deferred Benefits in accordance with Schedule I.
- 5.3 If, as a result of switching between two classes of membership pursuant to 5.1 above, a C2 Member has two periods of Pensionable Service as a C2 Member they shall be treated as continuous if:
- (a) the C2 Member did not transfer out his accrued C2 benefits under the Plan when he switched to C3 membership, or subsequently; and

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- (b) the C2 Member elects to have both periods of Pensionable Service treated as continuous.

If the above two conditions are satisfied, the benefits and entitlements under the Plan that are attributable to the C2 Member's two periods of Pensionable Service as a C2 Member shall be calculated by reference to his Pensionable Earnings and Final Pensionable Earnings during the second period of Pensionable Service.

6. SCHEDULE E

In its application to Schedule P Members, Rule 2 of Schedule E (Members Contributions) shall be amended by deleting the words appearing immediately after paragraph (v) at the end of Rule 2(3) and replacing them with the following words:

"whichever event occurs first UNLESS the provisions of Rule 4(1) or Rule 4(3) of Schedule G apply, in which event contributions shall continue until his Actual Retirement Date or his Election Date (as defined under Rule 4(3) of Schedule G) respectively."

7. SCHEDULE G

In its application to Schedule P Members, Schedule G shall be read subject to the following amendments.

- 7.1 Rule 2 (Early Retirement) of Schedule G shall be amended by adding the following at the end of Rule 2(1):

"PROVIDED THAT a Member or Deferred Retiree may retire on or after reaching his Normal Minimum Pension Age without having to satisfy the notice or, as applicable consent requirements referred to in this Rule 2(1).

- 7.2 Rule 3(1) (Ill-Health Early Retirement) of Schedule G is replaced with the following:

"3(1) If the Member has completed two years Qualifying Service and retires before his Normal Retirement Date because he is no longer able to perform his own job due to serious ill-health or incapacity he shall be entitled to a pension under this Rule calculated as for normal retirement (see Rule 1 of this Schedule) by reference to his Final Pensionable Earnings at the date of actual retirement and Enhanced Pensionable Service. For the purposes of this Rule 3(1), Enhanced Pensionable Service shall be the Member's Pensionable Service plus the lower of (a) 10 years and (b) the additional Pensionable Service the Member could have completed up to his 65th birthday had he not ceased to be a Member. The Trustee will determine if the Member is in such serious ill-health or suffering from such incapacity based on such medical evidence as the Trustee may require."

- 7.3 Rule 4 (Late Retirement) is replaced with the following:

"4(1) Subject to (2) below, on his Actual Retirement Date, a Postponed Retiree shall be paid a pension calculated as for normal retirement in accordance with Rule 1 of this Schedule but based on his Final Pensionable Earnings and his Pensionable Service at his Actual Retirement Date.

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- 4(2) In advance of becoming a Postponed Retiree, a Member may, instead of having a pension calculated by the method described in (1) above, elect by notice in writing to the Trustee not later than three months before his Normal Retirement Date to cease Pensionable Service at Normal Retirement Date and to be paid a pension at Actual Retirement Date calculated as for normal retirement in accordance with Rule 1 of this Schedule but based on his Final Pensionable Earnings and his Pensionable Service at his Normal Retirement Date. The resulting pension shall be increased on a basis intended to be cost neutral to the Plan and certified as reasonable by the Actuary, having regard to the period between Normal Retirement Date and Actual Retirement Date.
- 4(3) A Postponed Retiree who has not made an election in accordance with (2) above may, at any time after this Normal Retirement Date, elect by giving the Trustee not less than three months notice in writing, to cease Pensionable Service on expiry of the notice (the "**Election Date**") and to be paid a pension at his Actual Retirement Date calculated as for normal retirement in accordance with Rule 1 of this Schedule but based on his Final Pensionable Earnings and his Pensionable Service as at the Election Date. The resulting pension shall be increased on a basis intended to be cost neutral to the Plan and certified as reasonable by the Actuary, having regard to the period between the Postponed Retiree's Election Date and his Actual Retirement Date.
- 4(4) If a Postponed Retiree leaves Service and does not elect to take an immediate pension:
- (a) he will cease to be a Postponed Retiree with effect on and from the date immediately following his last day of Service (the "Relevant Date"); and
 - (b) notwithstanding that his Pensionable Service terminated on or after his Normal Retirement Date, he shall be deemed to have satisfied the requirements to become a Deferred Retiree on the Relevant Date and shall be entitled to Deferred Benefits payable in accordance with Rule 2(3) of Schedule I and to benefits payable on death in accordance with Rule 3 of Schedule H, except that, for the purpose of the application of Rule 2(3)(c) of Schedule I to him:
 - (i) his Deferred Benefits at the Relevant Date shall be the pension to which he would have been entitled in accordance with (1), (2) or (3) above in this Rule 4 (as applicable) had the Relevant Date been his Actual Retirement Date; and
 - (ii) the reference in Rule 2(3)(c) of Schedule I to "Normal Retirement Date" shall be replaced with "the Relevant Date (as defined in Rule 4(4) of Schedule G)."

7.4 Rule 5.A(3) (Lump Sum Option) is replaced with the following:

"5.A(3) Where a lump sum is paid under this Rule the pension of the payee shall be reduced on a basis certified as reasonable by the Actuary provided that the rates applied shall be no less than twelve pounds (£12) cash for every one pound (£1) of annual pension exchanged, irrespective of age."

8. SCHEDULE H

In its application to Schedule P Members, Schedule H shall be read subject to the following amendments.

- 8.1 In respect of a Member who is a Member or Postponed Retiree (other than a Postponed Retiree who had made an election in accordance with Rule 4(2) or 4(3) of Schedule G) who dies in Service, Rule 1(1)(c) (Death of a Member or a Postponed Retiree) is replaced with the following:

"1(1)(c) If the Member or Postponed Retiree dies in Service and leaves a Spouse, a pension for life shall be paid to the Spouse equal to 50 per cent of the pension the Member or Postponed Retiree would have received had he retired under Rule 3 of Schedule G immediately before his death using the Member's or Postponed Retiree's Final Pensionable Earnings at the date of his death."

- 8.2 In respect of a Postponed Retiree who had made an election in accordance with Rule 4(2) or 4(3) of Schedule G who dies in Service after reaching age 65, Rules 1(1)(a) and 1(1)(b) shall be replaced with the following:

"1(1)(a) and (b) If the Postponed Retiree dies in Service the Trustee shall hold a lump sum on Discretionary Trusts equal to (i) an amount calculated as if the Postponed Retiree had retired on the date of his death and had elected to receive the maximum lump sum payable pursuant to Rule 5 of Schedule G and (ii) a lump sum paid in accordance with Rule 2(1)(a) (the five year guarantee) and calculated by reference to the pension remaining after the maximum lump sum under Rule 5 of Schedule G has been taken into account."

and Rule 1(1)(c) shall be replaced with the following:

"1(1)(c) If the Postponed Retiree dies in Service and leaves a Spouse, a pension for life shall be paid to the Spouse equal to 50 per cent of the pension the Postponed Retiree would have received had he retired on the date of his death, calculated on the basis that no election was made for payment of a lump sum pursuant to Rule 5 of Schedule G."

9. SCHEDULE I

In its application to Schedule P Members, Schedule I shall be read subject to the following amendments.

- 9.1 Rule 2(3)(b) is replaced with the following Rule 2(3)(b) to read as follows:

"2(3)(b) any date after the Member has reached his Normal Minimum Pension Age (without the consent of the Employer, Principal Employer or Trustee) but subject to actuarial reduction if payable prior to age 60."

- 9.2 Rule 4 (The Cash Equivalent) of Schedule I is amended by the addition of a new sub-rule 4(5) as follows:

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"4(5) The Cash Equivalent of any Member shall not be reduced even where the Trustee has power to pay a reduced Cash Equivalent in accordance with regulation 4 of the Occupational Pension Schemes (Early Leavers: Cash Transfer Sums and Contribution Refunds) Regulations 2006 (as amended or replaced from time to time). If the Trustee has the power to pay a reduced Cash Equivalent under those Regulations the Principal Employer shall pay such additional amount as the Trustee may request in order to permit the Trustee to pay the full amount of the Member's Cash Equivalent."

9.3 For the purpose of its application to the revaluation of Deferred Benefits, "C" in Rule 5(2)(b) shall be replaced with the following:

"C is the revaluation percentage applicable in accordance with Paragraph 2 of Schedule 3 to the 1993 Act provided that:

- (a) the said Paragraph 2 shall be applied as if the "inflation percentage" referred to in that Paragraph were always calculated by reference to the index of retail prices (all items) published by the Office for National Statistics or, if that index is not published, by reference to any substituted index published in its place; and
- (b) where termination of Pensionable Service occurs on or after 6 April 2009, paragraph 1(1D) of Schedule 3 to the 1993 Act shall be applied or if, in sub-paragraph (b) of that paragraph, the reference to "the appropriate lower revaluation percentage" were replaced with "the appropriate higher revaluation percentage".

10. SCHEDULE L

In its application to Schedule M Members, Schedule L shall be read subject to the following amendments:

10.1 Rule 2 (Transfers Out of Fund) is amended by the addition of a new sub-rule 2(4) as follows:

"2(4) This Rule 2 is subject to the provisions of Rule 2A below."

10.2 A new Rule 2A is inserted immediately after Rule 2 as follows:

"Past Service Reserve Transfers"

2A(1) Where a Member or Postponed Retiree who is transferred compulsorily to any employment that is not pensionable under the Plan or whose membership of the Plan is terminated (whether due to a reorganisation or otherwise) in circumstances where the Member or, as applicable, the Postponed Retiree has not retired, voluntarily left Pensionable Service or left Service as a result of redundancy or misconduct (a "**Transferring Member**"), the relevant Employer shall be obliged to procure that an offer is made to the Transferring Member to transfer his benefits out of the Plan (the "**Transfer Offer**").

2A(2) Unless (4) below applies, where a transfer payment is made from the Plan in relation to a Transferring Member who accepts the Transfer Offer before a

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specified expiry date relevant to the Transfer Offer, the transfer payment shall, subject to payment by the relevant Employer of any contribution required under (3) below, be the greater of:

- (a) the amount calculated in accordance with Rule 2(2) of this Schedule; and
- (b) the Past Service Reserve of the Transferring Member's benefits under the Plan.

2A(3) Unless (4) below applies, where the amount at (2)(b) above is greater than the amount at (2)(a) above, the relevant Employer shall pay into the Fund a contribution equal to the difference between the two amounts.

2A(4) Subject to (5) below, in relation to a Transferring Member who accepts the Transfer Offer before a specified expiry date relevant to the Transfer Offer, a transfer payment which is less than that calculated in accordance with (2) above but not less than the amount at (2)(a) above may be paid from the Plan where, having obtained the advice of the Actuary, the Trustee is satisfied that, on receipt of the reduced amount, the pension scheme receiving the transfer payment will provide benefits of equivalent value overall to those the Transferring Member had accrued under the Plan calculated on a Past Service Reserve basis.

2A(5) Where (4) above applies and the transfer payment calculated is greater than the amount at (2)(a) above but less than the amount at (2)(b) above, the relevant Employer shall pay into the Fund a contribution equal to the difference between the amount at (2)(a) above and the transfer payment.

2A(6) Subject to (7) below, where a transfer payment is not made from the Plan in relation to a Transferring Member, the Transferring Member shall be entitled to Deferred Benefits and, for this purpose, a Transferring Member who is a Postponed Retiree shall be deemed to satisfy the requirements to become a Deferred Retiree even though he has reached his Normal Retirement Date.

2A(7) Where (6) above applies to a Transferring Member and there is in relation to him no Relevant Pension Scheme to receive a transfer payment from the Plan his Deferred Benefits shall be calculated in accordance with (8) below. For the purposes of this Rule 2A, a Relevant Pension Scheme is a pension scheme which has (prior, where applicable, to the date of transfer of the Transferring Member's employment) been certified or otherwise deemed or confirmed by the Government Actuary's Department as offering benefits that are broadly equivalent in value to the Transferring Member's past service benefits in the Plan or an appropriate pension scheme deemed to be acceptable to receive such a transfer payment following the introduction of the 2014 Fair Deal proposals.

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- 2A(8) The Deferred Benefits of a Transferring Member to whom (7) above applies shall be the greater of:
- (a) benefits calculated in accordance with Rule 2(2) of Schedule I plus increases under Rule 5 of Schedule I; and
 - (b) the level which the Trustee, acting on the advice of the Actuary, determines to be equivalent in value to the benefits at (a) above were those benefits calculated on a Past Service Reserve basis.

11. SCHEDULE M

In its application to Schedule P Members, Rule 2(6)(a) is replaced in respect of a Schedule P Member with the following:

- "2(6)(a) Any excess monies remaining after the three Priorities in 2.4 above have all been satisfied shall be used for those Schedule P Members who were in Pensionable Service immediately before the date of termination of the Plan to increase the level of their benefits under the Plan to the level of benefits that would have been provided by reference to a Past Service Reserve.

Any excess monies remaining thereafter shall be used to provide such increases in benefits under the Plan (or benefits for persons not otherwise entitled under the Plan) not exceeding Inland Revenue Limits as the Trustee following consultation with the Principal Employer may direct."

SCHEDULE P

IN WITNESS whereof the Principal Employer and the Trustee have hereunto affixed their Common
Seals hereto both on the day and year first before written

The Common Seal of)
IBM UNITED KINGDOM HOLDINGS LIMITED)
was hereunto affixed in the presence of:)

Director EXECUTED

Secretary EXECUTED

The Common Seal of)
IBM UNITED KINGDOM PENSIONS TRUST)
LIMITED was hereunto affixed in the presence of:)

Director EXECUTED

Secretary EXECUTED

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