

PENSION



Home Group Pension And Life Assurance Scheme

The Final Salary Section An Explanatory Booklet for members of the Final Salary Section of the Home Group Pension and Life Assurance Scheme

September 2012

Contents

1. Introduction	3
2. Eligibility to join the Final Salary section	3
Joining other pension arrangements	
3. Contributions	4
Additional Voluntary Contributions	
4. When to retire and take your benefits	5
5. Pension Entitlements including Pension Commencement Lump sums	7
6. Death Benefits	10
7. Payment of your pension	13
8. Tax Relief	14
9. Leaving the Final Salary Section	15
10. General Provisions	17
11. State pensions and contracting out	19
12. Management Issues	20
13. Glossary	21
14. General Information	24

The Home Group Pension and Life Assurance Scheme (HGPLAS) is an occupational pension scheme regulated by the Pensions Regulator and HMRC.

This Explanatory Booklet and any literature associated with HGPLAS are for guidance only. The rules associated with the Final Salary Section and the management of HGPLAS are described in detail in the Trust Deed and Rules which is available on the Home Group intranet. Copies can also be obtained from the Pensions Administrator. In cases where there is a discrepancy between the Trust Deed and Rules and the information contained in the Explanatory Booklet, fact sheets or other communications with members, the Trust Deed and Rules will prevail.

1. Introduction

The Home Group Pension and Life Assurance Scheme (HGPLAS), was set up under trust and is managed by the Scheme's Trustees. Its assets are completely separate from those of Home Group. The assets of the Final Salary Section of the Scheme may only be used for the benefit of members of that section of the Scheme and their dependents.

2. Eligibility to join the Final Salary Section

2.1 Existing members

If you were in employment with Home Group before 24 October 2000 or were employed after that date in response to an advertisement placed by Home Group on or before 24 October 2000 you may have been eligible to join the Final Salary Section of the Scheme and should have documentation confirming your membership.

However, the Final Salary Section of the Scheme has been effectively closed to new joiners since 1 April 2001.

Thereafter, pension provision for new employees has been via the Money Purchase Section of HGPLAS. Further details about the Money Purchase Section of the Scheme are available on the Home Group intranet and can be obtained by sending an email to pensions@homegroup.org.uk.

2.2 Entitlement to join other pension arrangements

All members of occupational pension schemes (whether final salary or money purchase) can pay into as many pension schemes as they wish. So, in addition to being a member of HGPLAS, you can contribute to other pension plans such as a stakeholder arrangement or a personal pension plan.

If you wish to consider joining other pension plans you need to be aware of the limits set by HMRC for tax relief on any payments that you make. These vary from year to year. Further information can be found in sections 8 and 13 of this Booklet. In addition, HMRC has a very useful web-site. Those wishing to make payments to more than one pension scheme or plan are advised to seek independent financial advice.

Please also be aware that you cannot be a member of more than one section or more than one scheme within Home Group unless special circumstances apply and these will be made known to you by HRD Shared Services at the appropriate time. Nor can you join other occupational schemes while you remain in employment with Home Group.

3. Making contributions to your pension

3.1 Home Group Contributions

For members of the Final Salary Section, Home Group pays the difference between the contributions you pay (see below) and the cost of providing your benefits under the Scheme.

The level of regular contributions and any additional payments will be determined by the Trustees in consultation with the Scheme Actuary, who will also advise on the regulatory funding requirements.

In addition to these payments, Home Group meets the cost of Life Assurance cover for members and the cost of administering the Scheme.

3.2 Your contributions

As an active member of the Final Salary Section, you are required to make monthly contributions. Members selected the rate at which they wish to contribute in February 2006. The contribution rate is either 7% or 10% of your Pensionable Salary. The contribution rate you have selected impacts on the rate of accrual (the rate at which you earn benefits), which in turn, will affect the pension you will receive. More details are provided in section 5 of this Booklet.

Having selected your contribution rate in 2006, Home Group and the Trustees will only allow you to make a subsequent change to your contribution rate in exceptional circumstances.

The Trustees together with Home Group have the right to determine, on an annual basis, the contribution rates to be paid by members. If there were to be any changes to the current rates, you would be advised in advance of the change taking place.

3.3 Additional Voluntary Contributions (AVCs)

You may choose to make extra payments – called AVCs - with the aim of enhancing the value of your pension. These payments can be made either within the Scheme (an in-house arrangement) or separate from it (a free-standing arrangement). If you contribute through the in-house arrangement, the payments are deducted from gross salary i.e. before your salary is subject to tax.

There is a fact sheet on AVCs on the Home Group intranet; details about how to obtain a printed copy are set out in section 14 of this Booklet.

Please note however that you will not receive tax relief on contributions (including AVCs) in excess of the Annual Allowance set by HMRC or on the value of your pension which exceeds the Lifetime Allowance. The details of the current allowances are set out in section 13 of this Booklet.



4. When to retire and take benefits

4.1 At Normal Retirement Date

On reaching Normal Retirement Date (age 65) you have a number of options:

You can:

- Retire from employment and take an immediate pension or defer taking the pension until a date (currently) no later than your 75th birthday; or
- Where you remain in employment, you can continue contributing to the Scheme and remain in Pensionable Service until your 75th birthday. Alternatively, you can take your pension or defer taking it until a later date – see more detail in section 4.4 of this Booklet.

You will need to advise the Trustees in writing which option you would like to take. You can do this by writing to the Pensions Administrator.

If you remain in employment and continue as a contributory member of the Scheme you will be eligible to receive life assurance cover until you retire or until your 75th birthday whichever comes first, subject to the insurers' terms or restrictions.

Where you remain in employment after Normal Retirement Date but are no longer in Pensionable Service, you may be allowed to join the Money Purchase Section for future service.

4.2 Early Retirement

You can elect to take your benefits from age 55. Where you have not attained age 60 this election is subject to the consent of both your Employer and the Trustees of the Scheme.

Your pension will be calculated by reference to Pensionable Service up to the date of retirement and your Final Pensionable Salary at the date of retirement and will be subject to a reduction on a basis recommended by the Scheme Actuary to take account of early payment. The reduction applied to that part of your pension entitlement arising from Pensionable Service up to 1 April 2006 will be based on a retirement age of 60 and that part arising from Pensionable Service thereafter on a retirement date of 65.

4.3 Retiring due to Ill-health

Subject to the fairly stringent qualification and consent requirements explained below, you may be able to retire at any time and receive an immediate pension on grounds of ill health.

Your retirement from employment must be with your Employer's consent on grounds of your physical or mental incapacity which both the Employer and Trustees agree, prevents you (based on medical evidence provided to the Trustees by a medical practitioner) from carrying out your occupation or any other occupation, for which you may be suited as a result of education or experience. If you are retiring on ill health grounds before age 60 you will also need the consent of the Trustees and the Employer to the early retirement.

The immediate pension is calculated using your Pensionable Service completed up to and your Final Pensionable Salary determined at, the date you retire.

Note: If you joined the Scheme before 14 March 1989 and elect to early retire in accordance with either section 4.2 or 4.3 having attained age 60 that part of your pension arising from Pensionable Service completed prior to 1 April 2006 will be increased by an amount determined by the Trustees having regard to the period between the date your Pensionable Service ceases and your Normal Retirement Date.

4.4 Retiring after Normal Retirement Date

If you remain in employment after Normal Retirement Date and do not elect to take an immediate pension, you may elect to:

- Continue to contribute to the Final Salary Section of the Scheme (including making AVC payments if you wish) in which case you will continue to be treated as an active member, will remain in Pensionable Service and continue to accrue pension; or
- Cease making contributions to the Final Salary Section and defer taking your pension until no later than your 75th birthday. The deferred (postponed) pension will be increased by an amount determined by the Trustees in respect of the period between your Normal Retirement Date and the date you actually retire.

If you cease to make contributions to the Final Salary Section you may be allowed to join the Money Purchase Section of the Scheme for future service. Further information may be obtained from the Pensions Administrator (contact details can be found in section 14 of this Booklet).

5. Pension entitlements

5.1 Pension Commencement Lump Sum

You can exchange up to 25% of the capital value of your pension (including any pension derived from AVCs) under the Scheme, for a tax-free cash sum¹. Some members might use the lump sum to pay off their mortgage, or take a holiday on retirement. Others don't need the capital and prefer simply to maximise their retirement income.

If you opt for a tax free Pension Commencement Lump Sum your income will reduce. The amount of reduction is determined by the application of actuarial factors which take into account such issues as your gender, age at retirement and the prevailing annuity rates.

Before choosing this option, ask for a retirement quote from Xafinity Consulting (see section 14 of this Booklet for contact details) so that you can compare the options available.

The decision whether or not to take a Pension Commencement Lump Sum will not affect the amount of pension payable on your subsequent death.

¹ The cash sum must be the lesser of the 25% of the member's fund and 25% of the Lifetime Allowance.



5.2 Your Pension Entitlement

The pension at Normal Retirement Date is calculated in accordance with the following formula.

A: For service prior to 1 April 2006:

The number of years (and completed months) of Pensionable Service completed prior to

$$\frac{1 \text{ April 2006}}{60} \times \text{Final Pensionable Salary}$$

If you joined the Scheme before 14 March 1989, this part of your pension will be subject to an increase in respect of the period of Pensionable Service completed after reaching age 60. You will be advised if this applies to you.

B: For service on or after 1 April 2006:

Your pension will be calculated as set out below and will depend upon whether you elected in February 2006 to contribute 7% or 10% of your Pensionable Salary.

For those members who contribute 7% of Pensionable Salary, from 1 April 2006, their pension entitlement would then be calculated as the pension entitlement set out in 'A' above, together with the following:

The number of years (and completed months) of Pensionable Service completed from

$$\frac{1 \text{ April 2006}}{70} \times \text{Final Pensionable Salary}$$

For those members who contribute 10% of Pensionable Salary, from 1 April 2006, their pension entitlement would then be calculated as the pension set out in 'A' above together with the following:

The number of years (and completed months) of Pensionable Service completed from

$$\frac{1 \text{ April 2006}}{60} \times \text{Final Pensionable Salary}$$

The examples below, illustrate how the calculation works. However, you should be aware that the definition of Final Pensionable Salary is set out in section 13 of this Booklet and you need to consider this carefully. The Trustees cannot accept any responsibility for any decisions you might make based on your own calculations.

Example 1: A member retires at Normal Retirement Date after 35 years' Pensionable Service (of which 10 accrued after 1 April 2006). The member earned a Final Pensionable Salary of £15,000 per year. The member had elected to pay a contribution of 7% of Pensionable Salary from 1 April 2006.

On this basis, the member's pension would be calculated as follows:

$$25 \times \pounds 15,000 = \pounds 6,250$$

60

plus

$$10 \times \pounds 15,000 = \pounds 2,143$$

70

Total pension of £8,393 per year

Example 2: A member retires at Normal Retirement Date after 20 years Pensionable Service (of which 5 accrued from 1 April 2006). The member earned a Final Pensionable Salary of £30,000 per year. The member had elected to pay a contribution of 10% of Pensionable Salary from 1 April 2006.

On this basis, the member's pension would be calculated as follows:

$$15 \times \pounds 30,000 = \pounds 7,500$$

60

plus

$$5 \times \pounds 30,000 = \pounds 2,500$$

60

Total pension of £10,000 per year.

Please note that the aggregate pension cannot exceed 2/3rd of the member's Final Pensionable Salary.

A special note for those in part time employment

During any period of Pensionable Service where you are in part time employment your pension will be calculated on a pro rata basis to reflect the proportion of your part time hours. Further details can be provided by the Pensions Administrator; the address and the telephone number are in section 14 of this Booklet.

6. Benefits on death

6.1 Lump sums payable on death

■ Before retirement:

In the event of your death while an active (contributory) member of the Final Salary Section of the Scheme (either before or after Normal Retirement Date) a lump sum, equal to four times your Salary will be paid to your beneficiaries². In addition, your beneficiaries will receive a refund of your contributions to the Scheme and the value of any AVCs you may have paid.

■ After retirement:

If you die within 5 years of your retirement a cash sum, calculated by the Scheme Actuary, will be paid equal to the value of the unpaid balance of the remaining instalments of pension that would have been paid in the 5 year period.

The Trustees have discretion to determine who receives the lump sum payments from a range of potential beneficiaries. It is recommended that you ensure that you have completed a Nomination form so that the Trustees are aware of your personal wishes with regard to the distribution of the funds available. Details of how to obtain a Nomination form are set out in section 14 of this Booklet.

² Payment of the full benefit is subject to acceptance of the risk by the insurer.



6.2 A pension for your spouse or financially dependent person

From the date you die, a pension will be payable³ to your spouse or civil partner. Your spouse is ordinarily your widow or widower at the date of your death. Civil partner does not mean someone with whom you co-habit; it means someone you have registered as your partner within the terms of the Civil Partnership Act 2004. They must still be in that capacity, at the date of your death. However, the Trustees do have discretion to treat a person who is financially dependent upon you at the time of your death as being your spouse/civil partner for the purpose of paying the spouse's/civil partner's pension - excluding the Guaranteed Minimum Pension element of your overall entitlement, which must be paid to the member's spouse or civil partner.

³ Pensions are paid monthly in advance commencing in the month following the date of death.

The amount of the pension to be paid depends upon when you die:

1. On death in Pensionable Service before Normal Retirement Date:

A spouse's pension (based on the member's Final Pensionable Salary at the date of death) is payable equal to one half of the pension the member would have received had he/she remained in the Scheme and retired at Normal Retirement Date

A civil partner's pension (based on the member's Final Pensionable Salary at the date of death) is payable equal to one half of that part of the member's pension arising from the Pensionable Service completed from 5 December 2005 had the member remained in the Scheme and retired at Normal Retirement Date.

2. On death after retirement on pension:

Upon the death of a pensioner (irrespective of the number of years after retirement) a spouse's pension is payable equal to one half of the pension at the date of death, disregarding any option made under section 5 of this Booklet, to give up part of your pension for a cash sum.

A civil partner's pension is payable equal to one half of that part the member's pension at the date of death arising from Pensionable Service completed from 5 December 2005, disregarding any option made under section 5 of this Booklet, to give up part of your pension for a cash sum.

3. On death in Pensionable Service after Normal Retirement Date:

The spouse/civil partner's pension is calculated in accordance with either (1) or (2) above, whichever produces the higher amount.

4. On death in employment after Normal Retirement Date:

The pension for your spouse/civil partner is calculated as if you had retired on the day of your death and will be paid in accordance with (1) above.

6.3 Additional Benefits for your spouse, civil partner or dependents.

Shortly before your retirement, with the consent of the Trustees, you can give up part of your pension to provide an additional pension for your spouse, civil partner or other dependent, payable on your death. The amount of the dependent's pension and the pension you will need to give up depends on the respective ages and gender of both you and the dependent. The Pensions Administrator can provide details of this option on request. The contact details are in section 14 of this Booklet.

6.4 Minimum pension benefits for your spouse or civil partner.

A minimum pension is payable to your widow/widower or civil partner that is equal to the benefits that they would have received if the Scheme had been contracted in to the State Scheme (the State Earnings Related Pension Scheme or its later replacement, the State Second Pension). The pension will be payable for life, ceasing with the instalment before their death.

Note: For civil partners the contracted out minimum is calculated by reference to Contracted out service completed under the Scheme from 6 April 1988.

6.5 A pension for your children

If you die either in Pensionable Service or before taking your benefits after Normal Retirement Date, or when you are taking your benefits and a pension is payable to your spouse or civil partner then any children who are under age 18 (or under age 23 if they are in full time education or vocational training) or who are financially dependent upon you because of disability, are entitled to a children's pension. The entitlement applies to a maximum of two such children. The children's pension is calculated as one half of the spouse's pension calculated under the appropriate paragraph of section 6 above.

Where your spouse/civil partner would have been entitled to a pension under section 6 above but for the fact that they pre-deceased you or upon their subsequent death, the children's pension is calculated as two thirds of the spouse's pension calculated under the appropriate paragraph of section 6. Again, payment is restricted to a maximum of two children.

The children's pensions will be paid monthly in advance commencing in the month following the date of death. Children's pensions cease with the instalment before age 18 or where the child is in full time education or vocational training, the instalment before age 23, unless in the opinion of the Trustees the child is financially dependent because of disability.

7. Payment of your pension

7.1 Start of Pension

Your pension starts on the day after you retire and is paid in advance by monthly instalments for the remainder of your life, commencing on the 1st of the month following your retirement.⁴ Pensions are treated as earned income and are liable to income tax under the PAYE system.

7.2 Pension Increases

When you retire, the part of your pension which exceeds any Guaranteed Minimum Pension (GMP – see section 13 of this Booklet) will be increased on 1 February each year by the lesser of:

- the increase in the Retail Prices Index (RPI) over the twelve-month period to the previous December.
- 8% per annum.⁵

If the pension has been in payment for less than one year on 1 February a proportionate increase will be applied.

Any GMP included in your pension will be increased as follows:

- GMP accrued prior to 6 April 1988 - This element of your pension is increased by the State in line with inflation in Great Britain and is not subject to Scheme increases.
- GMP accrued from 6 April 1988 to 5 April 1997 - Increases in line with inflation in Great Britain up to 3% per annum are paid by the Scheme. If the increase in the general level of prices exceeds 3% the extra increase is paid by the State.

If you retire before State Pension Age you will receive the Scheme increase on your total pension until you reach that age but not the increases on the GMP element, as GMPs only come into payment at State Retirement Age. Your pension will then receive increases as detailed above.

Pension increases will apply in the same way to any spouse's pension and children's pensions payable on your death. For spouse and children's pensions, payable on your death after retirement, increases will apply as if the pension began on the day your pension came into payment.

⁴ Pro rata payments will be paid to members who claim their benefits other than on the first day of the month.

⁵ Members who joined the Scheme prior to 1 April 1982 and ex-Warden members receive different rates of increase. Details can be obtained by contacting the Pensions Administrator.

8. Tax relief

The Scheme is a registered pension scheme with HMRC and as a result, is administered in accordance with the statutory requirements of the Finance Act 2004.

Essentially, this means that providing the value of your overall pension entitlement arising from contributions, paid by you or on your behalf each year, does not exceed the Annual Allowance and the overall value of your benefits at retirement (or earlier death) does not exceed the Lifetime Allowance your pension provision will benefit from a number of tax advantages. Details of the 2012/13 Allowances are set out in section 13 of this Booklet.

In addition, for the purpose of calculating both your own and the Employer's contributions, retirement and death benefits, pensionable salary is limited to the Scheme Permitted Maximum £137,400 (2012/13).

With regard to your membership of the Final Salary Section this means that:

- If you are liable to UK income tax, your contributions, including any AVCs, to the Scheme are allowed as a deduction from your remuneration assessable for tax purposes, provided that when combined with any other pension contributions you make each year, they do not exceed £3,600 or 100% of your annual earnings if greater. Any amounts in excess of this limit are subject to tax at the member's highest marginal rate.
- If you die in service or in retirement capital lump sums payable under trust (life assurance payments) will not normally be subject either to income tax or inheritance tax.
- All pensions payable from the Final Salary Section will be subject to PAYE tax.
- In normal circumstances and on the basis of current tax law, any pension commencement lump sums cash sum will be tax free if within the limits set by HMRC.

Note: Due to the complexity of the tax laws, the precise application to all possible circumstances cannot be covered in this Booklet. The comments in this section are intended for guidance only based on present understanding and cannot be taken as an authoritative statement of the law.

9. Leaving the final salary section

9.1 Opting out

You can leave the Final Salary Section by giving the Trustees one month's notice in writing. If you leave Pensionable Service your life assurance cover will cease.

You will not be eligible to re-join this Section of the Scheme at a future date. You will only be eligible to join the Money Purchase Section of the Scheme with the consent of the Trustees and Home Group.

9.2 Preserved (Deferred) Pension

If you leave Pensionable Service before Normal Retirement Date (whether or not you remain in employment) you will be entitled to a preserved pension payable at Normal Retirement Date based on your Pensionable Service completed up to the date you leave and your Final Pensionable Salary.

While your pension is preserved in the Scheme, increases will be applied to help protect its value from the impact of inflation. Under the current statutory formula, the increase for each year must match the increase in the appropriate statutory index (currently the consumer prices index) for the preceding year, capped at 5% (or 2.5% in relation to service after 6 April 2009).

You have the option at retirement of exchanging part of your preserved pension for a Pension Commencement Lump Sum or to provide optional dependents' pension in the same way as if you had remained in Pensionable Service until retirement.

It is also possible for you to request the commencement of the payment of your benefits before or after Normal Retirement Date, subject to Trustees' consent where payment is to begin prior to Normal Retirement Date. Benefits will be calculated in a similar manner and be subject to similar conditions to the early and late retirement provisions set out in section 4 of this Booklet.

If you die before retiring with an entitlement to a preserved pension, in addition to the pension payable as set out in section 9.4 below, there will be paid a refund of your ordinary contributions to the Scheme, and the value of any AVCs you may have paid (and which you have not already used to secure benefits). The lump sum will be paid in the same way as the lump sums described in section 6.1 of this Booklet.

9.3 Alternatives to a preserved pension

You can choose to leave your preserved benefits within the Scheme until you retire as set out above or alternatively you can transfer the value of those benefits to another registered pension scheme or approved policy.

You have the right to ask for details of your current pension value i.e. the transfer value at any time. You can do this by contacting Xafinity Consulting; the contact details are provided in section 14 of this Booklet.

If you are thinking about transferring the value of your pension to another scheme you should take independent financial advice. The following websites will provide information about financial advisers in your area:

IFA Promotion:
www.unbiased.co.uk

The Personal Finance Society:
www.findanadviser.org.

Remember neither Home Group nor the Trustees or officers of the Scheme can offer advice on this matter. To transfer the value of your pension out of the Final Salary Section is a very important matter and needs careful consideration.

9.4 Death before retirement, having left Pensionable Service with an entitlement to a preserved (deferred) pension

A spouse's pension is payable equal to one half of that part of your preserved pension (including the revaluation applied to pension in excess of GMP) arising from Contracted out Service.⁶

A civil partner's pension is payable equal to one half of that part of your deferred pension (including the revaluation applied to pension in excess of GMP) arising from Contracted out Service completed from 5 December 2005.

⁶ Contracted out service is your Pensionable Service during which you were contracted out of the State Earnings related Pension Scheme and the later State Second Pension (S2P).

10. General Provisions

10.1 Absence for work: The impact on pensions

■ General Absence

If you are absent, due to illness or injury or for any other reason (other than maternity, paternity, adoption or family leave), your membership of the Scheme will usually continue provided that:

- There is an expectation that you will return to work at a future date in which case both the Employer's contributions and your own contributions will be based on the salary you actually receive; or
- You are in receipt of Long Term Disability Insurance benefits in which case both the Employer's and your own contributions will be based on the salary you would have received but for your absence.

In both cases you will retain life assurance cover, although this will be subject to review after two years.

■ Maternity or Family Leave

If you take maternity, paternity, adoption or family leave, you will be able to maintain your membership of the Scheme. The contributions will be made on the following basis:

- For so long as you continue to receive statutory maternity pay or contractual earnings your contributions will be based on the salary you actually receive, while the Employer's contributions will be based on the salary you would have received had you not been absent.
- In the event that your statutory maternity pay or your contractual earnings cease while on maternity or other family leave no contributions will be paid by you or the Employer in respect of that period⁷. However, your contributions and those of the Employer will resume upon your return to work based on your annual salary at the time of your return.

You can opt to continue to pay or 'make-up' the contributions which you would have paid had you been in receipt of salary and should you choose to do so, the Employer will 'make-up' the contributions it would have paid. The contributions will be based on the salary you would have received had you not been on maternity leave.

You will continue to receive life assurance cover throughout your period of absence which will be based on your salary immediately prior to your absence without pay.

⁷ You will however remain a member you will remain a member of the Final Salary Section of the Scheme during this period, it will not count towards your Pensionable Service when calculating your pension. The continuation of Life Assurance cover will be at the discretion of the Employer and the Trustees.

10.2 Transfer of benefits into the Scheme

The Trustees do not currently accept transfers into the Final Salary Section of the Scheme.

10.3 Assignment of pension benefits

You are not allowed to assign your benefits under the Scheme or use them as security for a loan or to support a mortgage.

10.4 Pensions and Divorce

The Trustees' have prepared a fact sheet which will give you a broad idea of how divorce can affect your benefits including the various options open to the Courts for allowing for your benefits in any settlement. The fact sheet can be found on the Home Group intranet. It is not intended to be a comprehensive guide; you will still need to consult with a solicitor and /or financial adviser to decide what is best for you and this will depend upon your personal circumstances and those of your ex-spouse or civil partner.

10.5 Special provisions for ex-Warden members

The benefits described in this Booklet apply to most members. However, you may be entitled to different benefits as a result of your past service with your Employer or if you are a former member of the Warden Housing Association Pension Trust and were member of that Scheme on 31 July 1997.

11. State pension and contracted out status

11.1 State Pensions

The Scheme operates in conjunction with the State Pension Scheme. There are two parts to the State Scheme:

- The Basic State Pension, which is a flat rate retirement pension paid to everyone who has paid sufficient National Insurance contributions; and
- The State Second Pension (S2P), formerly the State Earnings Related Pension Scheme (SERPS). This provides an additional pension currently related to your earnings.

11.2 Contracted out of S2P

The Final Salary Section of the Scheme is contracted out of the second tier of the State Scheme (the S2P and former SERPS component), so you do not normally build up S2P benefits while you are a member of this section of the Scheme. In return both you and your Employer pay lower National Insurance contributions. To be allowed to contract out of S2P, the Scheme must provide benefits that are at least as good as a 'notional scheme reference test arrangement' as set by the Government.

11.3 Guaranteed Minimum Pension

Before April 1997, in order to be contracted out of SERPS, the Scheme had to promise to provide a pension at least equivalent to the amount of pension a member would have received if he/she had of been in SERPS for the same period of time. This was known as the Guaranteed Minimum Pension (GMP) and is an underlying guarantee within your Scheme pension, rather than anything that is paid to you on top.

Benefits for members who were contracted out of SERPS before 6 April 1997 will be calculated in accordance with the GMP provisions set out in schedule 1 of the Trust Deed and Rules. Members who want to know more about their entitlement to GMP should contact the In house Pensions team. The contact details are provided in section 14 of this Booklet.

11.4 State Pension Forecast

You may obtain a forecast from the Department for Work and Pensions (DWP) of how much pension you are likely to receive from the State and the date at which the payments can be claimed. You can obtain a forecast at any time by completing Form BR19 which is available at your local security office or online at www.thepensionerservice.gov.uk and returning it to the DWP.

12. Management issues

12.1 Changes in contact details or family circumstances

It is very important that the Trustees of the Scheme are kept informed about changes in your personal circumstances e.g. a change of address, a change in marital status etc. You can advise the Pensions Administrator by sending an email to pensions@homegroup.org.uk.

12.2 Benefit Statements

All active members will receive a benefit statement each year but if you are thinking of taking your pension you can request an additional quotation at anytime by contacting Xafinity Consulting – see section 14 of this Booklet. The benefit statement will confirm the total contributions paid by you to the Scheme and provide details of the accrued benefits and the benefits expected at Normal Retirement Date.

At the present time, there is no charge for retirement quotations but the Trustees have the right to reconsider this and implement a charge if they determine it appropriate.

12.3 Nomination Forms (Payments to beneficiaries)

The Trustees of the Scheme have discretion to make any lump sum payments which may arise as described in section 6.1 of this Booklet. All members are encouraged to complete a Nomination Form and to keep this up to date. This Form enables you to specify who you would like to receive your lump sum death benefits. Forms can be found on and printed from, the Home Group intranet. Alternatively, you can email pensions@homegroup.org.uk for a copy.

If your personal circumstances and/or your wishes change you should reconsider the detail as set out in the Nomination Form and complete a new form.

The Trustees are not bound by your wishes as specified in the Nomination Form but they will take them into account. The payment of a lump sum death benefit is paid under a discretionary trust and as such would not normally form part of your estate and would therefore not be subject to inheritance tax.

12.4 Changing or closing the Final Salary Section of the Scheme

Home Group reserves the right (subject where necessary to the agreement of the Trustees) to change the Final Salary Section of the Scheme or to close it to future accruals. If this Section of the Scheme is closed, the Trustees have to use the Section's assets for the benefit of members and other beneficiaries as set out in the Trust Deed and Rules.

13. Glossary

Annual Allowance

The maximum amount of pension which can be earned by an individual in each tax year without giving rise to a tax charge (set at a capital value of £50,000 – 2012/13). As a rough guide, members of Final Salary schemes can multiply the increase in their pension over the tax year by 16 to check how close they are to exceeding the annual allowance (note that contributions to other pension arrangements also count towards this allowance).

Beneficiaries

Someone entitled to a benefit under HGPLAS. Beneficiaries can include the member, the member's spouse or civil partner, the parent and descendents of the member, siblings, aunts, uncles any person entitled under the will or upon the member's intestacy to a share of the estate and any charities, clubs or associations.

Children

Means legitimate, illegitimate (who are financially dependent) step children or an adopted child who is under the age of 18 or under the age of 23 if in receipt of full time education or vocational training or who, in the opinion of the Trustees, was financially dependent on the member because of disability.

Employer

Means Home Group Limited and such other associated employers as may participate in the Scheme.

Final Pensionable Salary

Means:

- A) When determining entitlement to benefits in respect of Pensionable Service completed prior to 1 April 2006, the sum of:
1. Your highest Pensionable Salary in the five years immediately prior to Normal Retirement Date or the earlier date of ceasing to be in Pensionable Service
- and
2. (other than for members whose benefits accrued prior to 31 July 1997 under the Warden Housing Association Pension Trust were transferred into the Scheme) the average taxable value (if any) of your private use of an Employer's vehicle over the three years preceding Normal Retirement Date or the earlier date of ceasing to be in Pensionable Service.

Note: If you are a maintenance staff employee who was in Pensionable Service on 31 July 2004, when determining entitlement to benefit in respect of Pensionable Service completed prior to 1 August 2004, Final Salary is calculated by:

Firstly, determining the percentage that your Pensionable Salary on 31 July 2004 is of your Pensionable Salary calculated on 1 August 2004; and

Secondly, applying that percentage to your Final Pensionable Salary at Normal Retirement Date or the earlier date of ceasing to be in Pensionable Service.

- B) When determining entitlement to benefit in respect of Pensionable Service completed from 1 April 2006, the sum of:
1. The average of your best three consecutive Pensionable Salaries in the 10 years immediately prior to Normal Retirement Date or the earlier date of ceasing to be in Pensionable Service; and
 2. (Other than members whose benefits accrue prior to 31 July 1997 under the Warden Housing Association Pension Trust were transferred into the Scheme) the average taxable value (if any) of your private use of an Employer's vehicle over the three years immediately preceding Normal Retirement Date or the earlier date of ceasing to be in Pensionable Service.

Note: If you joined the Scheme on or after 1 June 1989 your Final Pensionable Salary figure is subject to the Scheme Permitted Maximum.

Guaranteed Minimum Pension/GMP

The guaranteed minimum pension (GMP) is the minimum pension which the Final Salary Section of the Scheme must provide in respect of Pensionable Service completed between 6 April 1978 and 5 April 1997. It provides an amount broadly equivalent to the amount of the earnings related element of the state pension the member would have received had the Final Salary Section of the Scheme not been contracted out.

Home Group

Home Group is the sponsoring employer for the Home Group Pension and Life Assurance Scheme; within the Trust Deed and Rules it is identified as the Principal Company.

Life Time Allowance

This is the overall ceiling on the amount of tax privileged savings that any one individual can draw. The Lifetime Allowance for 2012/13 is £1.5 million.

Normal Retirement Date

Means your 65th birthday.

Pensionable Salary

Means your Salary calculated at each Review Date, which is applicable under the Scheme for the following year.

Note: If you were a member of the Warden Housing Association Pension Trust and your benefits accrued up to 31 July 1997 under the Pension Trust were transferred to the Scheme then your Pensionable Salary will also include any housing allowance paid to you to the extent to which it was also pensionable under the Pension Trust.

Pensionable Service

Means your period of service in complete years and months after joining the Scheme for full benefits up to your Normal Retirement Date or earlier retirement or leaving service.

Note:

- A. if, when you first joined the Employer, your contract of employment stated that you would be eligible to join the Scheme at the next Review Date, then assuming you joined the Scheme on that date your Pensionable Service was automatically backdated to the date your employment commenced;
- B. if you remain in employment after Normal Retirement Date and elect to remain in the Final Salary Section as a contributory member (as described on pages 12 and 13 of the booklet), Pensionable Service will also include the complete years and months of service you complete after Normal Retirement Date whilst continuing to contribute to the Final Salary Section.
- C. if you cease to be a member of the Final Salary Section of the Scheme and join the Money Purchase arrangement your Pensionable Service in the Final Salary Section of the Scheme ceases.

Review Date

Means each 1 April.

Salary/Pensionable Salary

Is set on the Renewal Date each year and means your annual rate of basic salary or wages (as determined by the Employer) at the immediately preceding renewal date disregarding (i) any reduction or adjustment made to the basic salary as part of a salary sacrifice arrangement approved by Home Group and (ii) in the case of a member who joined the Scheme on or after 1 June 1989 any amount in excess of the Scheme Permitted Maximum.

Scheme Permitted Maximum

Means if you become a member, on or after 1 June 1989, the maximum amount which can be included when determining your Salary/Pensionable Salary under the Scheme. The amount is set each year by the Trustees.

14. Information

You are encouraged to read all the literature relating to the Scheme and in particular the Final Salary Section Explanatory and the fact sheet on Additional Voluntary Contributions (AVCs). The following additional information may be useful:

- Internal Dispute Resolution Procedure
- Pension Sharing on Divorce
- Data Protection Policy
- Trust Deed and Rules
- The Annual Report and Accounts which identifies the Trustees, describes how the Scheme is managed and provides details about the Pensions Advisory Service, the Pensions Ombudsman and the Pensions Regulator.

All the literature can be found on the Home Group intranet. Printed copies can be obtained by sending an email to pensions@homegroup.org.uk.

Contact details

In-House team

The Pensions Administrator
Home Group
2 Gosforth Parkway
Gosforth Business Park
Newcastle upon Tyne
NE12 8ET

Telephone: 0191 290 7602
Email: pensions@homegroup.org.uk

Service Provider

Xafinity Consulting
41 Arthur Street
Belfast
BT1 4GB

Telephone: 028 904 46267
Email: claire.gillespie@xafinityconsulting.com.