

BENEFITS FOR MEMBER (Rule 19)

The new tax regime in effect from A-day (6th April 2006) allows members to draw benefits without leaving service. The latest age at which benefits may be drawn is 75 and the earliest age is usually 50 (rising to 55 from 6th April 2010), but you may be able to draw benefits earlier if you suffer from incapacity or serious ill-health, or if you had an unusually low normal retirement age under the previous tax regime.

The Rules allow you to take benefits at any age consistent with this new tax regime. "Retirement" in this letter means simply drawing benefits during your lifetime.

On retirement, your Individual Fund will be applied by the Trustees to provide - at your request - a lump sum, which is payable free of income tax under current law. The maximum lump sum is usually 25% of the Individual Fund, but may be more or less in some cases, particularly for members with "transitional protection" of rights built up before A-day.

The remainder of your Individual Fund will then be designated to provide pension in the form of income withdrawal. This is essentially a pension drawn from the Individual Fund, the amount of which can be varied between:

- a minimum of nil and
- a maximum set every 5 years based on 120% of the single life annuity which could be bought with the Individual Fund.

When you reach age 75:

- the ability to draw an initial lump sum is lost; and
- the maximum rate of income withdrawal is reduced (it becomes 70% of the single life annuity which could be bought with the Individual Fund assuming an age of 75 years) and is reviewed yearly.

BENEFITS ON DEATH (Rule 20)

On your death before age 75, the Trustees will use your Individual Fund to provide lump sum benefits and/or pensions for your dependants and other beneficiaries in accordance with the Rules.

The Rules give the Trustees wide discretion as to both the form of benefits and the recipients:

- pensions can be provided for dependants (which includes spouses and civil partners, children up to age 23 and others actually dependent on you);
- lump sums can be paid to any person.

On your death on or after age 75, the new tax regime restricts further the benefits that can be provided. The Rules still give the Trustees wide discretion as to both the form of benefits and the recipients, but:

- if there are any surviving dependants, the Individual Fund must first be used to provide one or more pensions for them;