

The RBS Group Retirement Savings Plan

June 2015



2015 Newsletter

Welcome to the June 2015 newsletter for members of the Royal Bank of Scotland Group Retirement Savings Plan (the Plan).

New choices and flexibilities

The Trustees are pleased to introduce new benefit and investment options for Plan members from June 2015.

New benefit choices

If you're 55 or over (50 for some legacy ABN members), you can use your Plan savings to:

- provide a one-off cash lump sum; or
- buy a pension income for life; or
- make flexible income withdrawals following a transfer to an external pension provider (e.g. a personal pension).

You can normally take up to 25% of your Plan savings as a tax free cash lump sum in all three options. The balance will be subject to income tax when you take any further cash lump sums or income.

New choices for investing your Plan savings

We have also added new investment options to allow you to better match your plans for the future. We are launching a new Lump Sum Lifestyle Option. In addition, members using the Self Select Option can now invest in the new Lump Sum Fund. You can find more information about these new choices in the New Options Guide available by visiting: www.rbspeople.com/rbselect.

Members closer to retirement will find a copy of the New Options Guide included with this newsletter.

Defined Contribution schemes in the news

Defined Contribution (DC) pension schemes like the Plan have been in the news regularly this year and once again, they featured in the Chancellor's March 2015 budget. You can catch up on all the latest developments by turning to page 4 and get the latest facts and figures about the Plan on page 5.

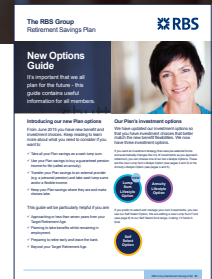
Plan governance

We are pleased to tell you that the governance of the Plan meets the Pensions Regulator's quality feature requirements. These quality features help the Trustees to deliver better outcomes for our members.

Finally, I would like to welcome Kate Smith as the new Secretary to the Trustees and thank Wendy Tavendale for all her support.

Robert Waugh

Chairman, RBS Retirement Savings Trustee Limited



> The facts about pensions

Should you be saving more for later life?

The good news is...

- Over the last 30 years, men are expected to live around 8 years longer and women 6 years longer.
- More people than ever are now living into their 80s and 90s.
- You now have more freedom and choice around how you take your Plan benefits.
- The bank helps you by continuing to pay contributions into your ValueAccount, if you are an employee, so you can choose to save for the future.

But remember...

- If you retire at age 65, you need enough savings to provide an income for the rest of your life. That could be 30 years or more.
- For every £10,000 of your Plan savings, you can currently buy a fixed pension for life (called an annuity) for yourself of around £500 a year from age 65.
- State Pensions are changing. The new single-tier State Pension payable to members reaching State Pension Age after April 2016 will be around £7,800 per year (see page 3).

> Saving more now

Even a small increase in the amount that you save now can make a big difference to the value of your Plan savings when you decide to take your benefits.



A recent survey by **SilverSurfers** revealed that one of the biggest regrets of those over 50 was not saving enough for their life after work.



As a default, the bank will contribute **10%** of your ValueAccount into your Plan savings each month (unless you have chosen to change this amount) if you are an employee.

Meet Jessica...she is thinking about saving more for later life

Jessica (aged 30) joined the Plan three years ago, when she started working for the bank. At that time, she decided that a contribution of 5% of her ValueAccount was enough to start off her Plan savings. She is now thinking of saving more and has elected to pay an extra 5% using **RBSselect**.

Jessica's Plan savings are already worth £4,500.

Before...

If Jessica had continued contributing 5% of her ValueAccount (currently £104 each month), her Plan savings could be worth **£97,000*** if she contributes to age 65.

Now...

As Jessica has increased her overall contribution to 10% of her ValueAccount (currently £208 each month), her Plan savings could grow to be **£179,000*** if she contributes to age 65.

When Jessica decides she wants to take her Plan savings, she will have a wide range of options. You can find more information about these new choices in the New Options Guide available by visiting: www.rbspeople.com/rbselect.



*The illustrations assume: an investment return of 6% a year, the ValueAccount will increase by 2.5% a year, that future contributions are based on the increased ValueAccount and that contributions will continue at the selected rate until age 65. The figures shown are in "today's money" so you can see what the projected amounts might be worth in current day terms. These illustrations do not represent any promise or guarantee of the amount you might receive from the Plan.



> State Pensions are changing* - will £7,800 a year be enough for you?

To request a current estimate of the State Pension you have built up visit:

www.gov.uk/state-pension-statement

> Want to increase your pension contributions?

Bank employees can make pension choices during any month at:

www.rbspeople.com/YourRewardOnline

You'll need your PIN to log in.

*State Pensions from April 2016

In April 2016, there will be important changes to State Pensions. For members reaching State Pension Age after 6 April 2016, there will be a new single-tier State Pension that will be around £7,800 per year (for most members who have a full contracted-in National Insurance history).

To find out more you can visit www.gov.uk/state-pension.

Members who reach State Pension Age before 6 April 2016 will not be affected and will continue to receive their State Pension based on existing rules.

State Pension Age is changing for men born after 1953 and women born after 1950. To find out your State Pension Age visit www.gov.uk/calculate-state-pension.

Your State Pension explained

The State Pension is changing for people who reach State Pension age on or after 6 April 2016.



> What else has been happening?

DC pension news

Re-enrolling employees into the Plan

When employees join the bank, contributions equal to 10% of their Value Account are automatically paid in to a Plan account set up in their name.

Employees who are contributing less than 2% of their ValueAccount will be re-enrolled periodically. The law requires that we re-enrol such employees during September, with effect from 1 October 2015. Re-enrolled members still have the option to opt-out. From October, they will have to decide within 30 days if they want to take a refund of their contributions.

Selling annuities

In the March 2015 budget, the Chancellor announced plans to allow members who have already purchased a pension for life (called an annuity) to sell them. In return they would get a cash lump sum.

The Government proposes to make these changes from 6 April 2016. At the moment there is no guarantee this will become law or that all insurance companies will agree to allow members to sell their annuities. The Government may also restrict some people from being able to sell them, for example, individuals who are claiming means-tested State benefits. There would be no guarantee of the amount a member would receive if they were to sell an annuity.

Is your nominated beneficiary up to date?

It's important that you let us know your nominated beneficiary for the lump sum death benefit so that your wishes can be properly taken into account*. It's simple to complete or update your Lump Sum Nomination Form. You'll find the form and full instructions by visiting the useful information section of our Plan pages on www.rbspeople.com/rbselect.



*The Trustees will pay any lump sum death benefit to one or more of your beneficiaries in such shares as the Trustees decide.

Lifetime Allowance

The Lifetime Allowance (LTA) is set by the Government and is a limit on the total value of your pension benefits (from our Plan and all other pension savings that you have) that you can use to provide benefits before an extra tax will apply. It is currently £1.25 million.

If you choose to take your Plan savings and it is an option that counts towards your LTA, you must have sufficient remaining LTA to take that option. If your benefits exceed the LTA you will have to pay an extra tax.

In his 2015 Budget speech, the Chancellor announced that with effect from April 2016, the LTA will reduce from £1.25 million to £1 million. From April 2018 onwards, the LTA is expected to increase annually in line with the Consumer Price Index.

Annual Allowance and New Money Purchase Annual Allowance

The Annual Allowance is a limit on total DC pension contributions and build-up of defined benefit pension benefits beyond which a special tax charge can be triggered. The Annual Allowance for all pension savings is currently £40,000 p.a. and where this (together with unused Annual Allowance from some past years) is exceeded, an Annual Allowance tax charge applies.

If you choose to take the One-off Cash Lump Sum Option and your Plan savings are worth more than £10,000, or if you decide to take a flexible income (from another external pension arrangement), your Annual Allowance for total DC pension contributions will reduce. Your Annual Allowance for all pension benefits will remain at its current level of £40,000 p.a. but only £10,000 p.a. of that amount may be used for any future DC contributions into any pension arrangement. This is called the Money Purchase Annual Allowance and you can find more detailed information from HM Revenue & Customs by visiting: www.gov.uk/tax-on-your-private-pension/annual-allowance.

If you are notified that the £10,000 Money Purchase Annual Allowance applies to you, it is your responsibility to let us know by contacting RBS Pension Services using the HR Help box on any of the HR pages of Insite or by telephoning 0808 100 4242.

If your Plan savings are worth £10,000 or less, and you take the One-off Cash Lump Sum Option, then the £10,000 Money Purchase Annual Allowance will not apply to you.

> Key facts for the Plan

Plan finances and membership

The value of the Plan's fund grew from £572.9 million to £679.9 million at 30 September 2014. The Plan received contributions of £74.4 million and the return on investments was £50.3 million. Benefit payments for members totalled £3.1 million and £19.0 million was paid as transfers out.

The number of active members reduced from 29,973 to 28,014 at 30 September 2014, whilst the number of deferred members increased from 18,713 to 21,767 over this time.

More information about the Plan's finances, new investment options and each of the investment funds, including their charges and past performance, can be found by visiting the pages about our Plan on www.rbspeople.com/rbselect

We are launching a new Lump Sum Lifestyle Option.

We are adding a new Lump Sum Fund to our Self Select Option.

Past performance of the Plan's investment funds

The past performance of our Plan's 12 investment funds to 31 March 2015 and the relevant benchmarks are shown in the table below.

Investment fund and benchmark	Annualised Performance			
	1 year (%)	3 years (% pa)	5 years (% pa)	Total Expense Ratio (% pa)
Diversified Growth Fund	12.5	11.0	8.0	0.263
Composite benchmark	12.5	10.2	7.3	-
UK Equity Fund	9.2	15.2	12.3	0.855
UK Equity Tracker Fund	6.7	10.7	8.4	0.069
FTSE All-Share Index	6.6	10.6	8.3	-
International Equity Fund	16.1	13.9	9.9	0.818
Composite benchmark	19.0	14.9	10.4	-
International Equity Tracker Fund	20.6	15.8	11.1	0.075
FTSE All-World Developed ex-UK Index	20.0	15.3	10.7	-
Emerging Markets Equity Tracker Fund	16.4	3.3	-	0.32
FTSE All-World Emerging Markets Index	16.6	3.5	-	-
Annuity Pre-Retirement Fund	22.2	11.3	11.6	0.244
Composite benchmark	22.7	10.8	11.1	-
UK Gilts Over 15 Year Tracker Fund	27.3	9.8	-	0.07
FTSE Over 15 year Gilts Index	27.4	9.9	-	-
Index-Linked Gilt Fund	23.1	9.4	11.0	0.07
FTSE UK Gilts Index-Linked Over 5 Year Index	23.2	9.4	11.1	-
Corporate Bond Fund	18.8	12.3	-	0.36
BAML Euro-Sterling over 10 Year Index	19.6	11.4	-	-
Property Fund	10.2	7.3	6.5	0.707
Property benchmark	16.7	9.9	8.4	-
Cash Fund	0.4	0.4	0.5	0.09
Libid 7 day Index	0.5	0.5	0.5	-

Notes about investment performance:

The 5 years investment performance figures are not shown for the Emerging Markets Equity Tracker Fund, the UK Gilts Over 15 Years Tracker Fund and the Corporate Bond Fund because these funds were not available 5 years ago. All returns for periods longer than one year are annualised and net of investment charges. Underlying performance data was provided by Fidelity. It is important to remember that past performance is not a reliable indicator of future results. The amount of your Plan savings is always linked to the price of the investment funds which make up the investment option you have chosen. This means that the value of your Plan savings is not guaranteed and can fall as well as rise.

Notes about investment charges:

The Total Expense Ratio is made up of each investment fund's annual management charge plus any additional annual expenses. The additional annual expenses cover, for example, the cost of auditing the investment fund and can change from time to time. This means that the Total Expense Ratio can also change over time. The Total Expense Ratio does not include transaction costs which arise when investments are bought and sold, for example, stamp duty (tax) and foreign exchange costs that are incurred by the fund manager when trading certain investment funds.



> Find out more about the Plan and your choices by visiting:
www.rbspeople.com/rbselect

Plan documents

The following are available on request:

Latest Annual Report and Accounts

Shows the Plan's income and expenditure in the 12 months to 30 September 2014.

Current Payment Schedule

Shows how much money is being paid into the Plan.

Trustee's Statement of Investment Principles

Explains how we invest the money paid into the Plan.

Useful information, including a copy of this newsletter and the Plan accounts are available under the useful information section of our Plan pages on www.rbspeople.com/rbselect.

If you want a copy of any of these documents, please contact RBS Pension Services (address on back page).

> Help and information

Useful new guides

Pension Scams



Organised scammers are after your Plan savings. They may try and tempt you with promises of “one-off investment opportunities”, “pension loans” or “upfront cash”. You need to be on your guard because most of these offers are bogus.

You can find out more about the dangers of these scams and how to identify them by reading the Pensions Advisory Service booklet called “Scamproof your savings”. A copy is available on our Plan pages by visiting: www.rbspeople.com/rbselect and you can get more help and information by visiting: www.pension-scams.com.

Money Advice Service



The Government introduced wide ranging changes to pensions from 6 April 2015. When you decide to take your Plan savings, new choices will be available from the Plan, or following transfer to an external provider (e.g. a personal pension).

You can find out more about the new options together with general matters for you to think about in the Money Advice Service booklet called “Your pension: it's time to choose”. A copy is available on our Plan pages by visiting: www.rbspeople.com/rbselect. If you want more help and information about money, pensions and savings visit: www.moneyadvice.service.org.uk.

Do you need some help?

If you are considering your plans for the future, you may want some guidance and/or advice.

The government has recently set up Pension Wise to provide free and impartial guidance. You can normally use Pension Wise when you are close to, or over age 55 and are thinking about taking your Plan savings.

You can go online at www.pensionwise.gov.uk to get more information or call Pension Wise on 030 0330 1001 to book an appointment with:

- The Pensions Advisory Service (TPAS) to get telephone guidance
- The Citizens Advice Bureau to get face to face guidance

You may want to consider speaking to a financial adviser. To learn more about finding a financial adviser you can visit www.moneyadvice.service.org.uk.

Your Plan team

The Trustee Board is responsible for operating the Plan in line with its formal rules and pensions law. We also have a duty to protect the interests of all our Plan members, including those who are no longer employed by the bank, but who still have benefits in our Plan (deferred members).

Your current Trustee Directors

Bank nominated

- Robert Waugh (Chair)
- Robert Begbie
- Julius Pursaill (Independent Trustee Director) appointed in November 2014

Member Elected

- Carol Wilson
- John Peters

> Contact us

Plan information

For more detailed Plan information and details about your options:

 www.rbspeople.com/rbselect

RBS Pension Services

Pension Services
HR People Services
The Royal Bank of Scotland
City Link House
4 Addiscombe Road
Croydon CR9 1YB

Important information

The amount of your Plan savings is always linked to the price of the investment funds which make up the investment option you choose. This means that the value of your Plan savings is not guaranteed and can fall as well as rise.

We have taken care to ensure that this Newsletter is correct. Your entitlement arises under the Plan's governing Trust Deed and Rules; if there are any differences between the information in this newsletter and the correct application of the Trust Deed and Rules, the latter will prevail.

This Newsletter only provides an indicative summary of the options that will be available to members of the Plan and the tax position which may be relevant to your Plan savings. It is not a definitive statement of the law, or the tax position as it may apply to you and should not be interpreted as individual financial advice.

The Plan is UK registered and governed by UK law so the benefits it can provide are those permitted by the Finance Act 2004 and other UK legislation. If you are an overseas member of the Plan, please note that you will need to consider the tax position of taking benefits from the Plan in your home jurisdiction. The tax treatment of any benefits taken from the Plan will always depend on your own personal circumstances. It is advisable to consult your relevant financial and/or tax adviser if you are in any doubt as to the extent to which you may be liable to any tax under this Plan.

Remember that no-one involved in running the Plan can give you individual financial or tax advice. If you are planning or making decisions about your Plan savings, you should consider taking professional financial and/or tax advice (see page 7).



Alternative formats

This communication is available in large print, Braille or audio on request from Pension Services.



Privacy & Data protection

In the course of administering the Plan, the Trustee (the Data Controller) and the bank will collect, store and process your personal information and that of your dependants. By joining the Plan you are consenting to the Trustee's use of personal information for 1) the administration and effective management of the Plan, 2) processing by third parties who receive information in order to facilitate the administration of the Plan e.g. insurance companies and 3) other forms of processing which the Trustee or the bank will carry out as part of their regulatory obligations under the management of the Plan. A full list of the third parties to whom information may be disclosed is available from RBS Pension Services, their address is shown on the left.

Some information which is collected and processed by the Trustee or the bank is considered 'sensitive personal information' under the Data Protection Act 1998 (e.g. health information). This information can only be shared with third parties where the Trustee has legal justification to do so. All information which is held will be classed as confidential by the Trustee and also by the bank. Should you have any questions about the collection, storage or processing of personal information under the Plan, please contact RBS Pension Services, their address is shown on the left.

