

## **Annual Increases**

The RBS Group Pension Fund, like most pension plans, reviews pensions in payment with a view to increasing them. This is often referred to as escalation.

Increases awarded to pensions in payment apply to pensions paid to members and their dependants.

### **Your pension excluding your Guaranteed Minimum Pension**

Your pension will automatically increase each year in line with price inflation (currently the Retail Prices Index), up to a maximum level. The maximum level is different for different members depending on a number of factors, including when you commenced employment with the Group, and which schedule of the Group Fund you are a member of.

In the majority of circumstances, the annual increase will be the annual increase in the RPI up to a maximum of 5% a year.

However, for most members who joined the Group after 30 June 2005, the maximum increase is 2.5% a year.

If you were previously a member of The Royal Bank of Scotland Staff Pension Scheme, the maximum increase for most members is 3% a year.

Slight variations apply to some members, for example, some have guaranteed increases which apply to part of their pension.

### **Your Guaranteed Minimum Pension**

If you have service between 6 April 1978 and 5 April 1997 then a part of your pension is known as Guaranteed Minimum Pension (GMP). By law, increases on this are currently treated differently from the remainder of your pension once you reach age 65 (men) or 60 (women). This age may be different from your State Pension Age.

The rules require that increases be applied to the GMP as follows:

- The Group Fund will not pay an increase for GMPs accrued before 6 April 1988, but increases on these may be paid by the government along with the State Pension, once you reach State Pension Age.
- For GMPs accrued between 6 April 1988 and 5 April 1997, the annual rate of increase is the increase in inflation (which is currently measured using the Consumer Prices Index (CPI)), subject to a maximum of 3%. If inflation is above 3%, the increase above 3% may be paid by the government along with the State Pension, again once you reach State Pension Age.

## **Your choices as an active member of the Group Fund**

There have been some fairly major changes to the Group Fund in recent years.

In 2006, the Group closed the Group Fund to new entrants. Employees who are active members of the Group Fund are able to opt out of the Fund and instead be treated as if they were an employee who is eligible for the Group's defined contribution plan (The RBS Group Retirement Savings Plan).

In 2009, the Group reached agreement with almost all active members that an annual limit should apply to increases to pensionable pay which means that pensionable pay may be lower than actual salary.

In October 2012, the Group introduced an increased RBSelect charge of 5% for members wishing to continue membership on existing terms. Members who did not wish to pay the additional charge had the choice of moving to a pension with a Normal Pension Age (NPA) of 65 (for pensionable service from 1 October 2012 onwards) or opting out of active membership of the Group Fund.

Members who continued on existing terms may opt to switch to the reduced RBSelect charge and NPA 65 benefits for future pensionable service, or opt out of the Group Fund. It is anticipated that in future these options will be available each April. Members who opted to switch to NPA 65 benefits may not switch back to their previous benefit basis but may opt out of the Group Fund.

Before deciding to make any change to your benefits, it is very important that you consider how this might affect your and your dependant's benefits. The Trustee of the Group Fund would like to highlight the following important points about opting out the Group Fund:

- Your pension benefits will be based on your pensionable service and final pensionable salary at the date you opt out, revalued to the date your pension comes into payment.
- You will no longer be eligible for the following (to the extent they would have applied to you):
  - Dependant's and children's pensions taking into account the prospective pensionable service you would have completed up to Normal Pension Age if you die whilst employed by the Group.
  - An enhanced ill health retirement pension.
  - Special early retirement terms if you retire at the request of the Group or if you are made redundant by the Group.
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- You will not be able to rejoin the Group Fund.

### **Early Retirement on grounds of ill health**

You may retire before Normal Pension Age due to incapacity if you have been absent from work for five years and six months, and have been receiving Long Term Disability benefits.

First the Trustee will review your request for early retirement and decide whether or not your condition meets the definition of incapacity. In such a case, your pension benefit would be calculated using your final pensionable salary at the time of retirement, but your pensionable service would assume you continued in service to normal pension age.

You may ask to retire without waiting until the end of the period when you receive Long Term Disability period. In these circumstances, your pension will normally be based only on service up to the date you retire as long as the Trustee agrees that your condition meets the definition of incapacity.