



THE SHELL CONTRIBUTORY PENSION FUND



Your Pension

Foreword

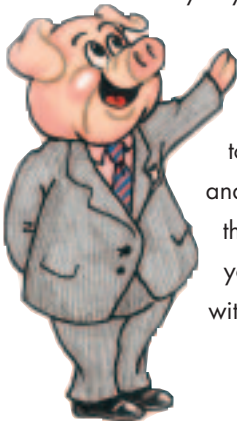
Pensions are the most significant benefit provided by Shell Companies in the UK. They are the most valuable and the most important not only for employees but also their dependants.

Most of us know something about pensions but are unsure about the details, not surprisingly since pensions are a complex subject made more so by tax and pensions legislation. In the UK, the basic State pension is the foundation of all pension provision and on top of this you have a choice of how you build up additional provision.

If you are employed on a regular contract or on a fixed term contract of one year or longer by one of the companies participating in the Shell Contributory Pension Fund – the SCPF – you can:

- **join the SCPF**, or
- the State Second Pension (S2P), and/or
- take out an individual pension, such as a Stakeholder Pension. In certain circumstances you can join the SCPF and take out a Stakeholder pension at the same time.

By anybody's standards, the SCPF is one of the very best pension schemes in the country; employees' contributions are modest and the member companies pay the balance of costs. The quick guide (at the beginning of this booklet) will tell you about its main features and benefits. Of course, you may wish to check out the alternative options. But when comparing the various benefits and what they will cost you, make sure you factor in the very high sponsorship of the SCPF by the member companies. This sponsorship is worth around 32% of your pensionable pay – an extremely valuable benefit which is not available with the other options.



You don't have to join the SCPF – but are you really sure there is a better alternative?

This booklet provides information about the SCPF; a glossary (appendix 1) explains the technical terms highlighted in the text.

This booklet outlines the main details in a readable form but they have no legal force; the SCPF's Trust Deed and Regulations are the only authoritative documents. Details of where to get these and other pensions information can be found in the Index of Pensions Publications and Events, which is available from your HR unit or the Pensions Advisory Unit.

If you want advice on whether the SCPF is your best option, an independent financial adviser, properly registered and authorised under the Financial Services Act 1986, can help you determine that. The Act is designed to protect investors and their investments; it requires that only persons and firms authorised under its provisions can advise on the various pension options available and the comparisons between them. You should note that your HR department *cannot* advise you on specific comparisons with other pension schemes because they are not authorised to do so under the Act. You may also find it useful to speak to the Pensions Advisory Unit for clarification about what the SCPF offers.

If you are not eligible to join the SCPF, you may find some of the external communications listed in the Index mentioned above useful in explaining the UK pensions system.



November 2003



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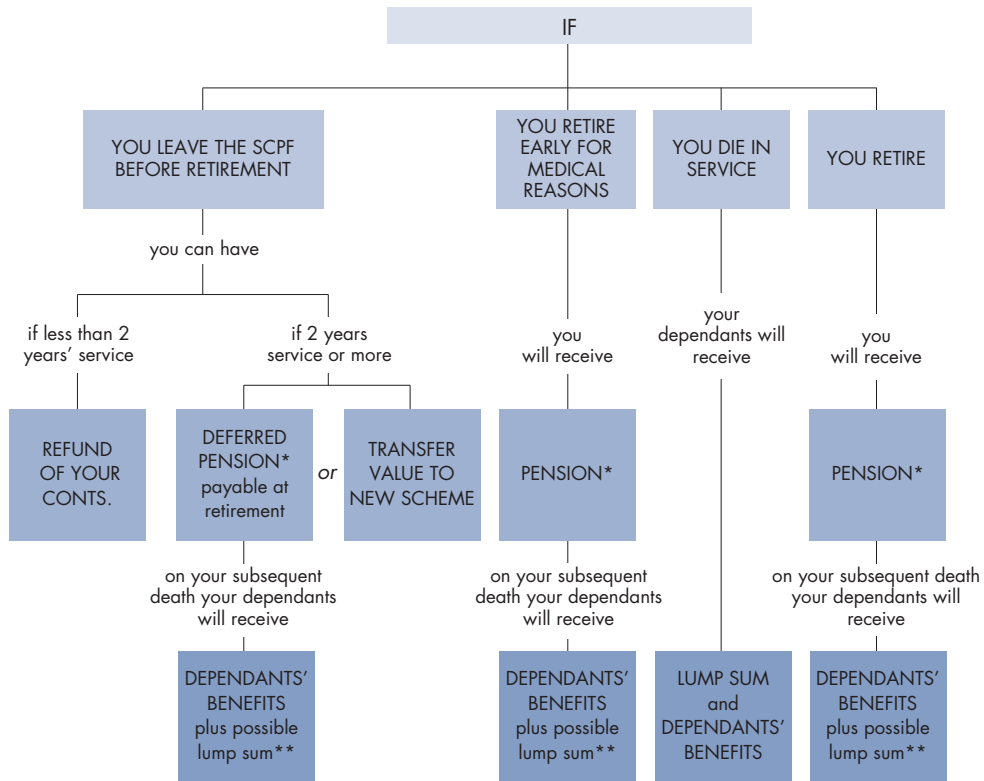
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Quick Guide to the SCPF

This is a quick guide designed to present a simplified view of the advantage of being an SCPF member. The further information contained in this booklet will give you details of the benefits, when they are payable and any conditions that apply. The quick guide may also be useful if you need to tell a financial adviser about the SCPF.

SCPF benefits at a glance



* Possible cash sum option (commutation)

** If death within 5 years of your pension coming into payment



Main Features of the SCPF

Eligibility	Employees with a regular contract or on a fixed term contract of one year or longer.
Member contributions	Effective from 1 January 2004 2% on pensionable pay up to £30,000 6% on pensionable pay in excess of £30,000
Accrual rate	1/54th of pensionable salary for each year of pensionable service
Definition of final pensionable pay	Final day's basic pensionable salary with an additional element in respect of any pensionable shift pay
Pension age	60
Incapacity pensions	<i>Total Incapacity:</i> 2/3rds of pensionable salary <i>Partial Incapacity:</i> accrued pension with a minimum of 1/3rd of pensionable salary



Spouses' pension on death in retirement	60% of members' pension ignoring any reductions for commutation and/or early payment
Children's pensions on death in service	<i>If there is a surviving legal spouse:</i> 20% of member's pension (as if service had continued to normal retirement date) per child; maximum 40% for all children; <i>If there is no surviving legal spouse:</i> 40% per child; maximum 100% for all children
Adult dependant's pension on death in retirement	<i>If there is no surviving legal spouse and less than two children:</i> 60% of member's pensions ignoring any reduction for commutation and/or early payment.
Cost of living increases	RPI up to 7% a year
	<i>All benefits are subject to Inland Revenue limits</i>



About the SCPF

What is the SCPF?

The SCPF is set up under trust and is subject to trust law. The retirement and other related benefits provided by the scheme are governed by the Trust Deed and Regulations. You will receive a copy of the Trust Deed and Regulations when you join the SCPF and you will be advised whenever changes are made to the provisions of the scheme.

The details of the SCPF given here relate to the current regulations. There are some historical provisions that apply to members who joined before certain dates, most commonly 1.1.75, 1.1.86 and 1.6.89. Notes printed in the text or margin refer to these special provisions with details given in appendix 2.

How is the SCPF constituted?

The SCPF is administered by the trustee, Shell Pensions Trust Limited, Shell Centre, London SE1 7NA. Any formal correspondence to the trustee company should be sent to the Secretary at this address. The trustee holds the SCPF on trust to apply it for the purpose of paying pension and other benefits in accordance with the Trust Deed and Regulations. Shell Pensions Management Services Limited provides the day-to-day administration and investment management services to the trustee.

The Board of Shell Pensions Trust consists of 18 directors. The Pensions Act 1995 requires that **member-nominated trustee directors (MNTs)** should comprise one third of the trustee body, unless an employer has members' agreement to an alternative arrangement. Under the SCPF's



alternative arrangement, one half of the trustee board are “selected directors” as MNTs, chosen by members and dependant beneficiaries; the other half are “ordinary directors” chosen by the Company. The nine MNTs comprise five employed members, three pensioners and one **pensioner liaison representative (PLR)**, who is also a pensioner.

The trustee directors are responsible for administering the SCPF in accordance with its governing Trust Deed and Regulations and within the legal framework. All trustee directors have the same duties and powers regardless of the source of selection.

A list of companies participating in the SCPF is available from HR units. These are commonly known as the ‘**member companies**’ – two of them, Shell Petroleum and Shell Transport and Trading are the **founding companies** of the SCPF.

Who is responsible for data protection?

Shell Pensions Trust is the data controller under the terms of the Data Protection Act. They hold personal information about SCPF members to enable the scheme to be run efficiently. Sometimes this includes passing on data about members to the actuary, auditor or any other third parties.

How does the SCPF work?

Both members and the member companies pay contributions to the SCPF. These contributions are invested and the pensions and other benefits are paid out of the accumulated funds.

The SCPF is a “final salary” or “defined benefit” scheme. This means that all benefits are related to your **pensionable salary** at the date of leaving the company (or the SCPF, if earlier). These benefits do not depend directly on the investment performance of the SCPF as such, though it is the trustee’s responsibility to ensure that the assets are invested prudently and securely.



As a 'balance of cost' scheme SCPF members contribute at a fixed rate, whilst the member companies pay whatever is required in addition. The member contribution rate is determined by the member companies.

The maximum member contribution is defined by the Trust Deed and Regulations. You are required to contribute a modest amount, defined as a percentage of your salary and the member companies, under the terms of the trust, have to pay the balance of the costs necessary to ensure the solvency of the SCPF; that is to ensure that the scheme will have sufficient assets to pay the promised benefits as they fall due. The amount required from the member companies is determined and certified by the SCPF's actuary, who is responsible for monitoring the financial health of the scheme.

Because pensions and other benefits are provided under a trust deed, the rights of members are protected. Only the trustee can make any changes to the Regulations, if requested by the majority of member companies. However, no change can be made which alters the main purpose of the SCPF or reduces the value of benefits already earned or of pensions in payment.

SCPF members are contracted-out of **S2P** (the State Second Pension) and, as such, the SCPF has taken on certain obligations. Being contracted-out reduces a member's S2P pension paid by the State and in return, both the **employing companies** and the members pay lower rate National Insurance contributions. S2P replaced **SERPS** (the State Second tier of pension provision) in 2002.

What benefits are provided by the SCPF?

The SCPF provides an excellent level of benefits for members, their families and dependants after they cease working for a member company for whatever reason. These are summarised in the Quick Guide on page 1.

See appendix 2 for details of rules which may apply to you if you joined the SCPF before 6 April 2002, when the SCPF was contracted out of SERPS.



What is the tax status of the SCPF?

The SCPF is approved by the Inland Revenue. This approval confers several financial advantages on the scheme. Members benefit from tax relief on their contributions and the SCPF does not pay tax on its investment earnings or capital gains. These tax privileges substantially reduce the cost of your SCPF membership and, for the member companies, the cost of providing the benefits. Inland Revenue approval also means that certain lump sum benefits can be paid free of tax.

In exchange for the tax advantages, the Inland Revenue has laid down limits on the benefits that can be paid to members of the SCPF. In certain circumstances, it is necessary to restrict the pension and cash benefits paid to comply with these limits.

What about SCPF communications?

Under legislation, members are entitled to certain information about the SCPF and the benefits it provides. SCPF communications to members, which go beyond these requirements, are a mix of information about the scheme, about members' personal benefits and about pensions generally. Communications come in a variety of forms, for example:

- Each year, while you are in pensionable service, you will receive a personal statement of the benefits that you have earned from the SCPF and the pension you can expect to receive if you remain in service to **normal retirement date**.
- The Central Log of Pensions Issues is kept to record employees' questions and answers on pensions. This is held within HR units and may be viewed by employees at any time. It is updated three times a year.
- A Pensions Conference is held every other year for employed members of the SCPF. Its main purpose is for the trustee to account to members for its stewardship of the SCPF. A summary, Pensions Conference News, is available from HR units.



There are booklets, annual reports, updates on notice boards and briefing notes. Some are sent directly to members; others are available on request from or via HR units. An index lists publications and events for the SCPF and for pensions generally. It describes each item and its distribution or availability. The index is available from HR units or the Pensions Advisory Unit.

Most SCPF communications also appear on the Shell Wide Web. The main documents of the SCPF can be found on the Shell Pension Management Services website:
<http://sww-spms.shell.com>

What if I have a query or a complaint?

If you have any enquiries about your individual benefits, in the first instance, please refer to your HR unit, the Pensions Advisory Unit or to the Secretary of the SCPF, Shell Centre, London SE1 7NA.

If you wish to make a formal complaint about a matter for which the Trustee is directly responsible, you can do so by completing a “Notice of Complaint” form which is available via your local HR unit or the Pensions Advisory Unit. This should then be returned via your local HR unit to the Secretary of the Trustee who has been nominated by the Trustee to investigate any complaints. The Secretary will respond within two months with either a decision, referring to the appropriate Regulations of the SCPF or legislative requirements, or give reasons for any delay and an estimated date for a decision.

If you remain dissatisfied with the decision you can then opt to write to the Chairman of Shell Pensions Trust Limited, Shell Centre, London, SE1 7NA within six months, including details of your original complaint and an explanation of why you disagree with the decision made.



A Committee of the Trustee, made up of an Ordinary Director and a Selected Director will reconsider the matter and respond with a decision within two months of receipt. All formal complaints and decisions are then reported to the full Trustee Board.

If the complainant is dissatisfied with the decision of the Committee of the Trustee, then the complaint can be pursued with the Office of the Pensions Advisory Service (OPAS) at 11 Belgrave Road, London, SW1V 1RB. However, OPAS can be contacted at any time to help resolve difficulties.

This procedure relates only to matters for which the trustee is responsible, thus, matters which depend on the employing company's direction must be referred to your **employing company**. Examples of the types of benefit which depend on the company's direction are the granting of early pensions or incapacity pensions or death in service payments.

The procedure does not cover complaints in respect of former members, who have transferred their benefits from the SCPF more than six months before, or complaints which are subject to investigation by the Pensions Ombudsman or where proceedings have begun in a court or a tribunal.

What is the Occupational Pensions Regulatory Authority's role?

OPRA was set up under the Pensions Act 1995 and is responsible for maintaining and strengthening law and order in the pensions world. It aims to increase the security of occupational pension schemes so that people can be confident that the money put aside for their retirement is safe.



It concentrates on schemes which have problems. By law, some pensions professionals have to tell OPRA when they discover schemes breaking the rules, but OPRA also encourages everyone involved to come forward if they are suspicious or concerned about their scheme.

OPRA has extensive powers to monitor and intervene in the running of schemes and it has a wide range of penalties (ranging from fines and bans to criminal prosecution) it can use on those who break the rules and threaten a scheme's security.

OPRA also acts as the Registrar of pension schemes and information about the SCPF and its constitution has been provided to the Registrar. OPRA's address is Invicta House, Trafalgar Place, Brighton, BN1 4DW.

What happens if I work overseas?

If you go to work with a Shell company overseas, normally you will cease to be a member of the SCPF. However, you can transfer to the Shell Overseas Contributory Pension Fund (SOCPF) and since the schemes are complementary, service in each scheme will count towards your final pension entitlement. On your return to the UK, you may transfer back into the SCPF.



Membership

Who can join?

Employees are eligible to become members of the SCPF if they are engaged for employment by one of the **Member Companies** of the scheme on a regular contract or on a fixed term contract of one year or longer.

Exceptionally, employees on fixed term contracts of one year or longer may be excluded from SCPF membership where other arrangements are agreed.

Where the total of continuous service is likely to be for one year or more, employees on fixed term contracts of less than one year may be offered membership.

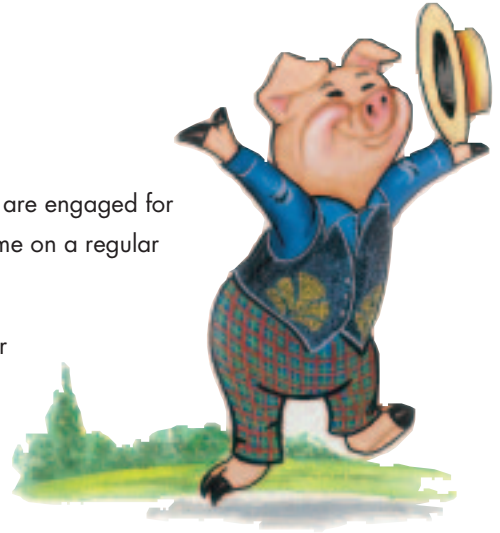
Membership is voluntary. If you are eligible, then you will be invited to join the SCPF. You have 30 days in which to make up your mind whether or not to accept the offer to join.

If you join on a regular contract, member contributions will be set up automatically. Nevertheless you must complete the application form for your membership to be properly registered.

However, if you decide you do not wish to join the SCPF you must sign an opt out form within 30 days and any member contributions deducted will be refunded to you.

What happens if I don't join?

If you decide not to join the SCPF, you will automatically be contracted in to the State scheme's additional pension provisions, the State Second Pension, referred to as **S2P** (which has replaced SERPS). In this event, you pay the full National Insurance contribution, appropriate to your earnings – a higher NI contribution than you would pay as a member of the SCPF.



You have the option of contracting-out of S2P through an individual pension arrangement such as a **Stakeholder pension** or a **Personal pension**. And whether or not you contract out, you may take out an individual pension arrangement. No company contributions are payable.

Can I join the SCPF at a later date?

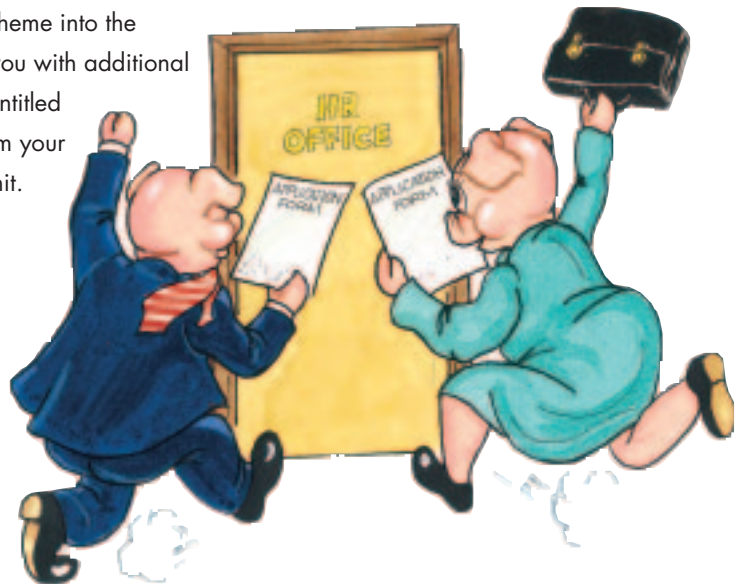
If you decide not to join the SCPF when first invited, then you may subsequently apply for membership before you reach age 30.

Can I opt out of the SCPF?

You have the right to leave employed membership of the SCPF at any time while still employed by one of the member companies. If you leave the SCPF, you can apply to rejoin before you reach the age 30.

Can I transfer my benefits from another scheme?

If, before you joined the SCPF, you were a member of another company pension scheme or had some other pension arrangement, it may be possible for a **transfer payment** to be made from that scheme into the SCPF. This transfer would provide you with additional benefits from the SCPF. A booklet entitled 'Transfer Payments' is available from your HR unit or the Pensions Advisory Unit.





Contributions

Both the employed members and the **member companies** contribute towards the cost of providing the SCPF's various benefits. The contributions paid by you and all other members of the SCPF are fixed, whilst the member companies pay the balance of cost of the benefits.

What do I pay?

You pay a proportion of your pensionable salary (which may be limited by the Inland Revenue's earnings cap if you joined the SCPF on or after 1 June 1989 – see *appendix 1* for details).

Members cease to contribute to the SCPF after 36 years' pensionable service.

From 1 January 2004 the following contribution rate is effective:

Pensionable Salary up to £30,000 pa	2%
Pensionable Salary over £30,000 pa.	6%

As an example, if your final pensionable salary is £35,000pa your contribution rate would be calculated as follows:

£30,000 x 2%	= £600
(£35,000 - £30,000) x 6%	= £300
Total Member contributions payable	= £900

From 1 January 1990 until 31 December 2003

Since 1990 the contributions paid by members have been reduced temporarily to the following levels because the Fund was in a strong financial position:

Pensionable Salary up to the NI Upper Earnings Limit* .	Nil
Pensionable Salary over the NI Upper Earnings Limit* .	4%

**National Insurance (NI) Upper Earnings Limit for the tax year 2003/2004 is £30,940*

Under this temporary rate, members whose pensionable salary is less than the National Insurance Upper Earnings Limit do not pay any contributions to the SCPF.



Do I get tax relief?

All contributions that you pay to the SCPF qualify for tax relief. Your contribution is deducted from your taxable earnings and your income tax assessed on the balance. Therefore, if your contribution to the SCPF is, say, £200, the effective cost to you is £156 (if your marginal tax rate is 22%) or £120 (if your tax rate is 40%). The tax relief on your contribution is given automatically; you do not have to claim tax relief from your Tax Inspector.

An example of tax relief on contributions is below:

Contributions	Effective contribution rate with tax relief
£1,000	£600 (with 40% tax relief)
£500	£390 (with 22% tax relief)

What does the company pay?

The member companies pay into the SCPF the balance of costs required after taking into account the amounts paid by the members. The amount required from the companies is determined by the scheme's actuary, and ensures the solvency of the SCPF so that benefits may be paid.

Details of the companies' contributions are provided routinely in the trustee's annual report and accounts of the SCPF. The current rate of contributions payable by the member companies is:

- From 1 July 2003: 19.7% of pensionable salary
- From 1 January 2004: 17.7% of pensionable salary



Can I pay additional contributions?

If you wish, you can pay **additional voluntary contributions** over and above the member contributions mentioned above in order to provide extra pension benefits on retirement. There are two ways in which you can make these extra contributions:

- (1) Join the AVC Arrangement that Shell Pensions Trust has negotiated with the Legal & General Assurance Society.
- (2) Alternatively, you can pay extra contributions into an approved contract from a provider of your choice, known as a Free Standing AVC.

Under both arrangements, you get tax relief on your contributions.

If you are interested in making AVCs, a separate booklet is available from your HR unit. It describes the AVC Arrangement, the range of benefits available, the restrictions imposed by the Inland Revenue on the amounts you can pay and the benefits you can receive.

Can I pay into a Stakeholder pensions?

If your annual earnings are £30,000 or under you can contribute to a **Stakeholder pension** under Concurrency Regulations. The maximum contribution is £3,600pa. Further details are available on an Employee Factfile available from HR units.



Retirement benefits

At what age can I retire?

You retire at the SCPF's **pension age** which is 60 for both men and women.

How is my pension calculated?

The pension you will receive at **normal retirement date (NRD)** is based on your **pensionable salary** at the time you retire and the number of years and months of **pensionable service** in the SCPF.

You will receive a pension equal to 1/54th of your **final pensionable salary** plus an additional element in respect of any **pensionable shift pay** (but subject to the **earnings cap**), for each year and month of pensionable service; that is you multiply your final pensionable salary by the period of pensionable service and divide by 54. This is known as the accrual rate.

Consider the following example: if your final pensionable salary is £35,000, your pension would be calculated as follows:

Pensionable Service	=	20 years
Pension at NRD : $\frac{20}{54} \times £35,000$	=	£12,962.96 pa

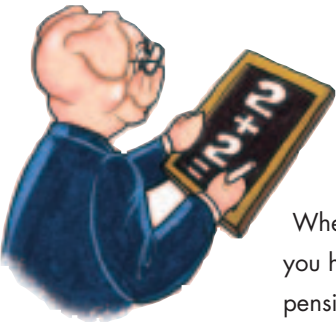
When you reach **State pension age**, the basic State pension is payable provided you have met the minimum National Insurance contribution requirements. Your SCPF pension is not affected by your entitlement to the basic State pension.

*If you are, or have been at any time, in **part-time service** see appendix 1 for details and examples of how pensions are calculated.*

See appendix 1 if you joined the SCPF on or after 1 June 1989: your pensionable and final pensionable salaries will be limited by the Inland Revenue 'earnings cap'.

See appendix 2 for details of rules which may apply to you if you joined the SCPF before 1 January 1975, 1 January 1986, or 6 April 1997, for:

- normal retirement date
- pensionable service
- pension calculation (bonus credits, SERPS)



What is the maximum pension?

The maximum pension paid by the SCPF is two-thirds of the Inland Revenue's definition of **final remuneration** (as defined in Appendix VI to the Trust Deed and Regulations), provided you have completed at least twenty years' service (or if you joined before 1 June 1989, ten years' service), at the time of retirement. Special Revenue limits apply for members whose final remuneration exceeds £100,000 a year. Your final remuneration may also be affected by the earnings cap if you joined the SCPF on or after 1 June 1989 – see appendix 1 for details.

Can I take a cash lump sum?

See appendix 2 for details of rules which may apply to you for commutation if you joined the SCPF before 1 January 1975.

When your pension from the SCPF becomes payable, you will have the right at that time to exchange part of your pension for a cash sum. This is known as **commutation** and is tax-free under current legislation. If you wish to take this cash sum, you must exercise your right within three months following the date of your retirement. After that date, the option lapses. You will be given notice of your options at the time of your retirement.

The maximum cash sum you can take from the SCPF for each year of service is 3/80ths of your pensionable salary during the last 12 months of employment (plus any addition in respect of pensionable shift pay). The overall maximum cash sum permitted by the Inland Revenue is one and a half times (120/80ths) your pensionable salary – a limit that will only apply to members with at least 40 years pensionable service. However, if you joined the SCPF after 17 March 1987, the Revenue restricts the maximum to £150,000. It may also be affected by the earnings cap.



Take an example of a member retiring at age 60 after 20 years with a final pensionable salary of £35,000 a year. The total pension is £12,962.96 a year. The maximum cash sum that the member can take is:

20 x 3/80	=	60/80 ths
60/80 ths of £35,000	=	£26,250

This affects the pension of £12,962.96 as follows:

	Maximum commutation	Conversion factors at 60; cash for each £1 of pension	Amount of annual pension given up:	Annual pension before commutation	Annual pension after commutation
Male	£26,250	£13.631	£1,925.76	£12,962.96	£11,037.20
Female	£26,250	£16.189	£1,621.47	£12,962.96	£11,341.49

Taking a commutation cash sum only reduces your own pension. It does not reduce your spouse's, children's or any adult dependant's pension. See appendix 4 for SCPF commutation factors.

Can I retire early?

In certain circumstances, you may be able to retire from employment before reaching your normal retirement date and receive a pension immediately you cease work.

Normally, to qualify you need to have reached age 50 *and* have at least five years pensionable service *and* your **employing company** must give its consent. Such consent is usually given only in cases where members are being made redundant, or are leaving for some other special reason. If you retire early with Company consent, then the pension you would receive is normally reduced by 3% for each year it is paid early.

If you are retiring for medical reasons see section, 'Incapacity benefits'.

See appendix 2 for details of rules which may apply to you for pensions payable before normal retirement date if you joined the SCPF before 1 January 1975.



If, however, you are a **pre-75 member**, you have the right to retire up to five years before your normal pension age. Company consent is not necessary. No reduction for early payment applies if you are a woman. For men, no reduction is made for the part of the pension attributable to service from 17 May 1990; for the pension relating to service before 17 May 1990, a reduction of 5% is made for each year it is paid early.

Will my pension keep its value?

The SCPF provides a high degree of protection to pensions against inflation, so that the real value of your pension is maintained.

Pensions (currently in payment and deferred) are increased each year by the percentage increase in the Retail Prices Index (RPI) up to a maximum of 7%.

If the movement in the RPI is higher than 7%, the **founding companies** can also ask the trustee to approve annual increases higher than 7% up to the percentage increase in the RPI. Similarly, the founding companies can ask the trustee to approve annual increases which reflect the difference between the movement of the RPI and 3%, if the RPI is less than 3%. You cannot assume that the companies will decide to pay increases beyond the guaranteed amount. However, in deciding the level of any such increase, the companies take into account not only the increase in the cost of living, but also the practice of other leading companies, the health of the SCPF and the costs involved.

See appendix 3 for details of increases awarded to SCPF pensions over the last 10 years.

See appendix 2 for details of rules connected with SERPS which apply to you if you joined the SCPF before 6 April 1997.



Are deductions made from my pension?

When your pension is calculated, it may be subject to certain adjustments as provided for in the Regulations. These are:

(1) *Unpaid member contributions*

You may have had periods of service with a Shell company which are taken into account for pension purposes, during which you did not contribute (e.g., periods of leave without pay). In such cases, the annuity equivalent of the amount of unpaid member contributions, plus interest at 3% per annum compound over the period between those contributions being due and the date of leaving service, is deducted from the pension.

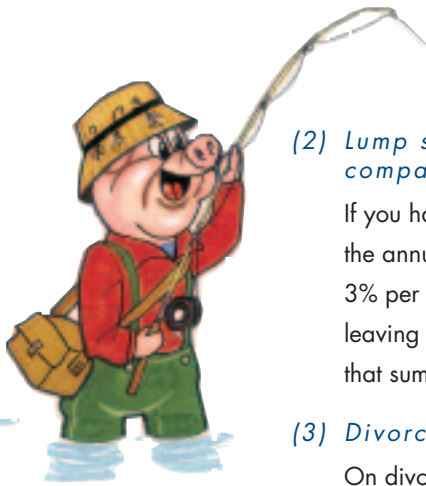
The annuity equivalent of lump sums or unpaid member contributions is based on a percentage related to your pension age. See Regulation 21 of the Trust Deed and Regulations for details.

(2) *Lump sums received as leaving indemnities from Shell companies overseas*

If you have received such a lump sum benefit, then your pension is reduced by the annuity equivalent of the money contributed by the company plus interest at 3% per annum compound for the period between payment and the date of leaving service. The amount available for commutation is reduced by 75% of that sum, plus interest.

(3) *Divorce*

On divorce some of your pension may be earmarked or shared with your ex-spouse. See section 'Divorce' for more details.



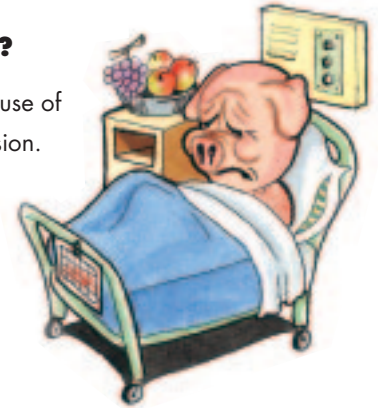
Incapacity benefits

What happens if I have to leave for medical reasons?

*Inland Revenue limits governing incapacity pensions are complex and can restrict the amount of pensions payable; in addition, if you joined the SCPF on or after 1 June 1989 your incapacity benefits may be effected by the **earnings cap**. Each member is given a personal calculation on his or her annual pension benefit statement.*

If you cannot continue working for your **employing company** because of ill health or disability, you may become eligible for an immediate pension.

In this event, the extent of your incapacity will be assessed by a doctor and/or consultant appointed by your employing company. Your pension, which is granted at the discretion of your employing company, will depend on the degree of your incapacity and not on its cause. State benefits are not taken into account.



Total incapacity

Total incapacity is the most severe category. If your incapacity falls in this category, then your employing company may grant you a pension until your **normal retirement date**. It will be based on your **final pensionable salary** and your **pensionable service** up to the date you leave, but the pension will not be less than two-thirds of your final pensionable salary (subject to Inland Revenue limits including the **earnings cap**).

Total incapacity is physical or mental deterioration to an extent which makes the possibility of any future employment unlikely.

Replacement pension at normal retirement date

On reaching your normal retirement date, your total incapacity pension will be replaced by a pension based on your final pensionable salary at the time you ceased being employed and on full prospective service, i.e., the years of pensionable service that you would have had if you had been able to continue in employed membership to normal retirement date. The resultant pension value is adjusted by the same percentage cost of living increases made to your incapacity pension between the date of leaving and reaching normal retirement date.



Partial incapacity

Partial incapacity is a less severe category. If your incapacity falls in this category, then your employing company may grant you a pension based on your final pensionable salary and your pensionable service up to the date you leave, but the pension will not be less than one-third of your final pensionable salary (subject to Inland Revenue limits, including the earnings cap).

Replacement pension at normal retirement date

On reaching your normal retirement date, your partial incapacity pension will be replaced by whichever is the *lesser* of:

- (a) a pension equal to the partial incapacity pension you were receiving immediately before reaching your normal retiring date; *or*
- (b) a pension based on your final pensionable salary at the time you ceased being employed and on full prospective service, i.e., the years of pensionable service you would have had if you had been able to continue membership to normal retirement date. The resultant pension value is adjusted by the same percentage cost of living increases made to your incapacity pension between the date of leaving and reaching normal retirement date.

Partial incapacity is physical or mental deterioration which prevents you from following your normal employment and seriously impairs your earning capacity.

Ill Health

A third category of immediate pension for even less severe cases is an **ill health** pension. If you fall in this category and you are aged 50 or over with at least five years' pensionable service, your employing company may grant you an ill health pension. It will be based on your final pensionable salary and your pensionable service up to the date you leave (subject to Inland Revenue limits, including the earnings cap). Unlike incapacity pensions, the basis of an ill health pension is not revised at normal retirement date.

Ill health is a minor physical or mental condition which prevents you from remaining in service with your employing company but is unlikely to affect your earnings capacity elsewhere to any great extent.



Can I take a cash lump sum?

Total or Partial Incapacity

If you leave employment with an incapacity pension, and are aged 50 or over with at least five years' pensionable service, then you may exercise your right to **commute** that part of your pension that has been earned to the date of leaving employment. If you choose not to exercise your right to commute at the time of leaving, you will have a further opportunity to commute when you reach your normal retirement date.

If you are under 50 or have less than five years' service at the date of leaving, the right to commute part of your pension *only* arises at normal retirement date.

See section 'Retirement benefits' for more details.

Ill Health

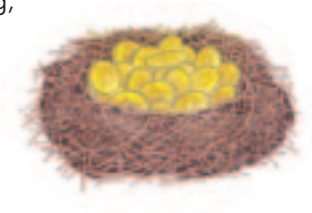
If you leave with an ill health pension, you may exercise your right to commute that part of your pension that has been earned to the date of leaving employment.

See section 'Retirement benefits' for details.

Will my pension be reviewed?

Total or Partial Incapacity

Sometimes, when an incapacity pension is granted, the medical opinion of the doctor/consultant may not be certain that the condition causing the incapacity will continue indefinitely or will not deteriorate further. In such cases, a review date is set for the circumstances to be re-assessed. If this applies to you, you will be told when you leave employment that your case will be reviewed and the date of that review.



Ill Health

These pensions are not subject to review.

Will my pension keep its value?

Cost of living increases are applied to incapacity and replacement pensions and to ill health pensions in the same way as with other pensions from the SCPF. *See section 'Retirement benefits' for details.*



Benefits on leaving before retirement

If you resign, are dismissed or otherwise leave the SCPF before pension age, then the following benefits are available:

Refund of Contributions

If you have less than two years' **pensionable service** when leaving the SCPF, you are entitled to a return of the contributions paid by you into the scheme. The amount will be adjusted by adding interest at 3% a year compound, less a deduction of the trustee's tax liability – currently 20%.

Alternatively a **transfer payment** of the contributions made by you can be transferred to your new employer's pensions scheme (as long as it is a tax-approved pension arrangement), to an individual pension arrangement such as a **Stakeholder pension**, a **Personal pension** or a **Section 32 Buy-Out**.

Deferred pension

If you have at least two years' pensionable service when leaving the SCPF, you are entitled to a deferred pension, payable from your **normal retirement date**. The initial amount of your pension is calculated by reference to your **pensionable salary** (which is subject to the **earnings cap**) at the date of leaving and the number of years and months of service to the date of leaving (less any authorised deductions – see section 'Retirement benefits' for more details).

Will my deferred pension keep its value?

Each year, until your deferred pension becomes payable, cost of living increases are added to the initial amount calculated at the time you left. These increases are more than the present legal requirement which requires deferred pensions to be adjusted by the annual cost of living increases in the RPI up to a maximum of 5% a year. SCPF pensions are increased each year by the percentage increase in the RPI up to 7%.

Once the pension becomes payable, it is treated as a normal pension.
See section 'Retirement benefits' for more details.



Can I take a cash lump sum?

When your deferred pension becomes payable, you will have the right to convert part of that pension into a cash sum. This is known as **commutation** and is tax-free under current legislation. See section 'Retirement benefits' for details.

Can I transfer my pension out of the SCPF?

Instead of leaving your benefits in the SCPF as a deferred pension, you have the right to elect that a **transfer payment** be made to another tax-approved pension arrangement. The payment represents the cash equivalent of your deferred benefits (as calculated by the SCPF's actuary). It is normally possible for this transfer payment to be paid into your new employer's pension scheme (if there is one). Alternatively, the transfer value can be invested in an individual pension arrangement such as a Stakeholder pension, a personal pension contract or a "Section 32-Buy Out" contract from a life company or other provider.

If you wish to take the transfer facility instead of leaving the benefits in the SCPF, then there are a number of factors that you should take into account. A booklet, 'Transfer Payments', is available from your HR unit or the Pensions Advisory Unit.

What happens if I rejoin the SCPF?

If you leave the SCPF and later rejoin, your pensionable service will be counted from the latest date of joining. You will have the option of keeping your deferred pension entitlement or converting its value into additional service. The value of additional service will depend upon the circumstances under which you rejoin.

Normally, the additional service secured on the conversion of the deferred pension will be less than the original period of service. This can be for several reasons, e.g., your current pensionable salary is greater than the salary on which your deferred pension is based (adjusted by SCPF cost of living increases). This subject is also covered in the 'Transfer Payments' booklet mentioned above.

If you left under the Company's severance terms or if your pension is already in payment, certain conditions may apply.

You may wish to contact the Pensions Advisory Unit for assistance.



Dependants' Benefits

This section is complicated because there are many types of dependants' benefits and these differ, depending on when you die, for example, whether this is before or after your **normal retirement date**. Details are given below of the benefits on death in retirement, on death in service, on death in deferment and finally, on death before normal retirement date on an incapacity pension. However, the information which applies in all of these circumstances is given first.



Principles applying to all dependants' benefits

When you die, your spouse and eligible children will be entitled to SCPF pensions from the first day of the month following your death. If you die without leaving a spouse, an adult dependant's pension may be payable in certain circumstances, for example, to a non-married partner. In addition there may be a lump sum payable.

The three types of pensions payable are calculated as a percentage of your, the member's, pension although the basis of the pension used in this calculation depends on when you die; the basis is described separately under each circumstance. Details of any lump sums and what happens if you have no dependants are also given under each circumstance separately.

For the Inland Revenue's rules and related issues concerning the payment of SCPF benefits to non-married partners or other adult dependants, see appendix 1, 'Adult dependant'.



Spouse's pension

Your legal spouse will be entitled to 60% of your pension.



Children's pensions

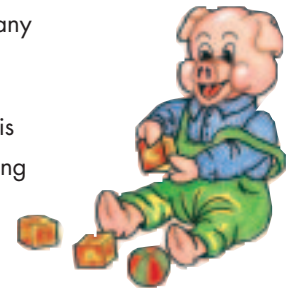
If any of your **children** are under 18 and unmarried at the time of your death, they will be entitled to receive pensions from the SCPF. The overall benefits paid depend on the number of dependent children and whether there is a spouse's pension being paid, as follows:

Number of children	Percentage of member's pension	
	Spouse's pension in payment	No spouse's pension in payment
One	20	40
Two	40 total	80 total
Three or more	40 total	100 total

Children's pensions normally cease when the child reaches age 18 (or on marriage if this occurs before age 18). When payments to a child cease, the pensions paid to any remaining children are adjusted where necessary.

There is a provision, however, to pay a child's pension to an unmarried child, who is aged between 18 and 25 and is undergoing full time education or vocational training for which he or she receives little or no payment. In assessing the level of pension payment, account will be taken of any State education grant received by the child. Payment of this pension is at the discretion of your last **employing company**.

Children's pensions can also be paid to an unmarried child who is suffering from a disability which arose before reaching age 18 and who, in the opinion of your employing company, was financially dependent on you.



Adult dependant's pension

If you die without leaving a legal spouse entitled to a pension, then an **adult dependant's** pension may be paid to anyone aged 18 or over who, in the opinion of your last employing company, was financially dependant on you. As well as a non-married partner, adult dependant pensions may be payable, for example, to brothers, sisters, friends and parents, as long as there is evidence that there was ongoing financial dependency or interdependency (as required by the Inland Revenue).

Such pensions cannot exceed 60% of your pension and will be less than 60% if you leave two or more children in receipt of children's pensions from the SCPF as the total pensions payable cannot exceed 100% of your pension.

Will my dependants' pensions keep their value?

Cost of living increases will be applied to any dependants' pensions in the same way as applied to normal retirement pensions. *See the similarly named section in 'Retirement Benefits' for more details.*

What are the benefits on death in retirement?

What are the cash benefits?

There are two types of cash benefit that may be payable:

Cash lump sum

Should you die within five years of your pension coming into payment, a cash lump sum benefit is payable from the SCPF at the discretion of the trustee to the personal representatives dealing with your estate. This cash sum is equal to the balance of five years' pension, subject to an overall limit of three times your **final pensionable salary** (which may be affected by the **earnings cap**), adjusted by cost of living increases applied since your retirement, less any **commutation** payment.



Here is a simple example of a payment when a member retires at age 60 and then dies after 2 years on pension:

Member's pension entitlement at retirement	= 12,963 pa
Commutation lump sum paid	= 26,250
Revised pension after commutation	= 11,037 pa
Pension, at date of death, age 62 (increased by cost of living awards since retirement)	= 11,709 pa
Lump sum: £11,709 x 3	= 35,127

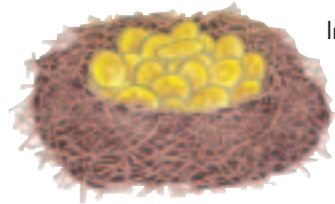
Since the lump sum is a discretionary payment, under present legislation there is no liability to inheritance tax.

Bereavement grant

When you die, a tax-free cash lump sum benefit is payable at the discretion of your last employing company to your spouse, provided he or she was resident with you.

In the absence of such a spouse, the payment may be made to a non-married partner or other adult dependant.

The payment is equal to two months' of your pension, subject to a minimum and maximum amount, which are reviewed annually. Figures from April 2003 are a minimum of £605 and a maximum of £2,500.



What is the basis of the pension benefits?

The percentage of your pension payable to your dependants will be applied to the pension to which you were entitled at the date of your retirement, ignoring reductions made at the time of retirement in respect of any commutation cash sum you may have taken in place of pension and/or any reduction for early payment. This figure is adjusted for any cost of living increases paid since your retirement.

Here is a simple example of a spouse's pension when a member retires at 60 and then dies after 2 years on pension:

	£	
Member's pension entitlement at retirement	= 12,963	pa
Commutation lump sum paid	= 26,250	
Revised pension after commutation	= 11,037	pa
Pension at date of death at age 62 (increased by cost of living awards since retirement)	= 11,709	pa
Spouse's pension:		
Member's pension entitlement of £12,963 pa x 60%	= 7,778	pa
Increased by same % cost of living awards applied to member's pension since retirement	= 474	pa
Total spouse's pension	= 8,252	pa



What if I have no dependants?

If you die within five years after retirement, the cash lump sum described above is payable to the personal representatives dealing with your estate, regardless of whether you have dependants or not.



What are the benefits on death in service?

What are the cash benefits?

A cash lump sum is payable from the SCPF at the discretion of your employing company. The payment, equal to three times your **pensionable salary** (subject to the earnings cap) at the time of your death, can be made to (or divided between) your spouse, children, grandchildren, parents, grandparents, brothers, sisters. It can also be made to a non-married partner or anyone else as long as he or she was financially dependent on you during your lifetime (as required by the Inland Revenue).

When you join the SCPF, you are given a form on which you nominate a person or persons to whom you wish the benefit to be paid. In the event of your death, your employing company will be guided by your wishes when deciding to whom the sum should be paid. The company is not bound by your nomination; for example, the company may need to take account of family circumstances that have changed since you last completed your nomination form. *You should, therefore, keep your nomination under review and update it when necessary.* Nomination forms may be obtained from your HR Unit.

Since the lump sum is a discretionary payment, under present legislation there is no liability to inheritance tax. This is important if you wish the cash to go to someone other than your spouse.

What is the basis of the pension benefits?

The percentage of your pension payable to your dependants will be applied on the pension to which you would have been entitled at normal retirement date, based on your pensionable salary (subject to the earnings cap) at the date of your death.



Here is a simple example of a spouse's pension when a member with 5 years' pensionable service, and a pensionable salary of £35,000, dies in service 15 years before normal retirement date:

Pensionable service at date of death	= 5 years
Period from death to normal retiring date	= 15 years
Total potential pensionable service	= 20 years
Member's notional pension ($20/54 \times \text{£}35,000$)	= £12,963 pa
Spouse's pension (60% of £12,963)	= £7,778 pa

What if I have no dependants?

If you die in service and leave no dependants to whom a pension is payable, a refund of the contributions which have been paid by you into the SCPF will be paid to the personal representatives dealing with your estate. Interest is added to the refund at 3% a year compound.

What are the benefits on death in deferment?

What is the basis of the pension benefits?

The percentage of your pension payable to your dependants will be applied on your deferred pension at the date you left the SCPF, adjusted for any cost of living increases made since you left.

What if I have no dependants?

If you die before your pension comes into payment and leave no dependants to whom a pension is payable, a refund of the contributions which have been paid by you into



the SCPF will be paid to the personal representatives dealing with your estate. Interest is added to the refund at 3% a year compound.

What are the benefits on death whilst in receipt of an incapacity pension?

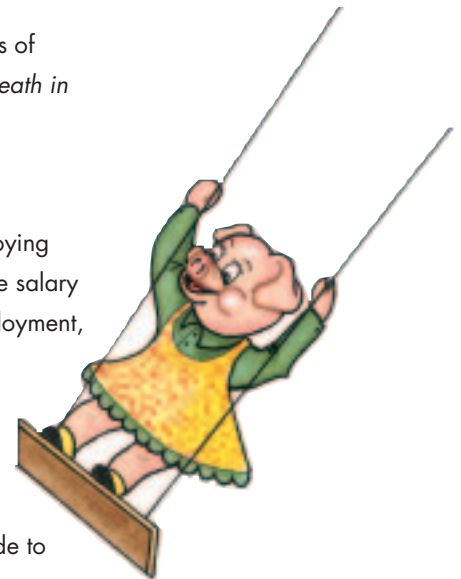
This section deals only with benefits payable when death occurs in the period *between* the date of leaving *and* normal retirement date. This is because **partial** and **total incapacity** pensions provide, in effect, replacement income for the member from the date of leaving until normal retirement date; this is the period that would have been pensionable service had it not been for early retirement on incapacity. At normal retirement date, the bases of the pensions may change when they are recalculated as normal retirement pensions. Please refer to the '*death in retirement*' section for details of dependants' benefits when death occurs *after* normal retirement date.

Ill health pensions are not recalculated at normal retirement date; details of dependants' benefits in these circumstances are also to be found in the '*death in retirement*' section.

What are the cash benefits?

A cash lump sum is payable from the SCPF at the discretion of your employing company. This cash sum is equivalent to three times your final pensionable salary (which may be affected by the earnings cap) at the date you ceased employment, adjusted by the percentage cost of living increases made to your pension between the date of leaving and the date of your death, *less* any lump sum commutation already paid to you.

The payment can be made to (or divided between) your spouse, children, grandchildren, parents, grandparents, brothers, sisters. It can also be made to



a non-married partner or anyone else as long as he or she was financially dependent on you during your lifetime (as required by the Inland Revenue).

When you join the SCPF, you are given a form on which you nominate a person or persons to whom you wish the benefit to be paid. In the event of your death, your employing company will be guided by your wishes when deciding to whom the sum should be paid. The company is not bound by your nomination; for example, the company may need to take account of family circumstances that have changed since you last completed your nomination form. *You should, therefore, keep your nomination under review and update it when necessary.* Nomination forms may be obtained from your HR Unit.



Since the lump sum is a discretionary payment, under present legislation there is no liability to inheritance tax. This is important if you wish the cash to go to someone other than your spouse.

What is the basis of the pension benefits?

This varies, depending on whether you are being paid a total incapacity pension or a partial incapacity pension at the time of your death.

Total incapacity pension in payment at time of death

These pension benefits will be calculated as though you had died in service. That is, the percentage payable to your dependants will be applied to the pension to which you would have been entitled at normal retirement date, based on your final pensionable salary (which may be affected by the earnings cap) at the time you ceased employment, adjusted by the same percentage cost of living increases made to your total incapacity pension between the date of leaving and the date of your death.



Partial incapacity pension in payment at time of death

The percentage of your pension payable to your dependants will be applied to whichever is the *lesser* of:

a) pensions calculated on the basis of the partial incapacity pension you were receiving at the date of your death, ignoring reductions made to your pension at the time of retirement in respect of any commutation cash sum you may have taken in place of pension.

or

b) pensions calculated as if you had died in service; that is, the pension to which you would have been entitled at normal retirement date, based on your final pensionable salary (which may have been affected by the earnings cap) when you ceased employment, adjusted by the same percentage cost of living increases made to your partial incapacity pension between the date of leaving and the date of death.

What if I have no dependants?

If you die after retirement on an incapacity pension and leave no dependants to whom a pension is payable, the cash lump sum benefit described in this page is still payable to the personal representatives dealing with your estate at the discretion of your last employing company.



Leave of absence



These are the main types of leave of absence. Your local HR unit will be able to tell you whether you are eligible for the various breaks.

What happens if I go on Company Maternity, Paternity or Adoption leave?

You remain an employed member of the SCPF and do not lose any service in calculating your pension and other benefit entitlements for your period of absence from your employing company. Your employing company will continue to pay the employer's contribution due to the SCPF for the period of your paid leave.

If you go on *maternity leave*, you will be required to pay your contributions for up to six months of maternity leave. If your period of company maternity leave exceeds six months, then you have the option to continue paying contributions for the time beyond the six months. Should you choose not to pay contributions for this further period, then there will be a minor offset deducted from your eventual pension.

If you go on *adoption leave*, you will be required to pay employee contributions for your paid adoption leave. For any unpaid leave, employee contributions will be optional and if you do not pay contributions during this period then there will be a minor offset deducted from your eventual pension.

If you take *paternity leave*, you continue to make employee contributions for the duration of your paternity leave.

What if I decide not to return to work?

If you do not return to work with your employing company at the end of your leave, then your pensionable service will cease at the end of your paid leave period. In these circumstances, you will then become eligible for either a deferred pension or a refund of your contributions depending on your length of service to the end of your paid leave. See section 'Benefits on leaving before retirement' for details.

If you die while on a period of leave, then the benefits payable will be as if you had died in service, the benefits being based on your pensionable service at the end of your paid leave. See section 'Dependants' benefits' for details.



What happens if I go on a break without pay?

Details of the various types of breaks without pay are available from your HR unit.

What happens if I take a short term break or parental leave?

Whilst you are on a short term break or parental leave, your pensionable service continues during the period of the break. On your return to work you can make up your contributions. Should you choose not to make up contributions, then there will be a minor offset deducted from your eventual pension.

If you opt not return to work from either your short term break or paternal leave then your SCPF membership will cease on the date your contract of employment ceases. In these circumstances, you will then become eligible for either a deferred pension or a refund of your contributions depending on your length of service. The deferred pension will be based on the recorded annual salary in operation during your break. See section, 'Benefits on leaving before retirement' for details.

If you die during your break, benefits from the SCPF will be paid as if you had died in service. Your benefits will be based on the recorded annual salary in operation during your break. See section 'Dependants' benefits' for details.

What if I go on a long term break?

Whilst you take a long term break you remain a member of the SCPF during the period of the break. All pensionable service earned prior to the break is maintained. However, only periods of work performed for your employing company during the long term break are regarded as pensionable service. Your contributions are payable for periods of work during the break.



If you do not return to work with your employing company after your long term break, your SCPF membership will cease on the date that your contract of employment ceases. In these circumstances, you will then become eligible for either a deferred pension or a refund of your contributions depending on your length of service. The deferred pension will be based on the recorded annual salary in operation during your break. See section, *'Benefits on leaving before retirement'* for details.

If you die during your long term break, benefits from the SCPF will be paid as if you had died in service. Your benefits will be based on the recorded annual salary in operation during your break. See section *'Dependants' benefits'* for details.



Divorce

What happens to my pension if I get divorced?

There are three methods the UK Courts can use when dealing with pension rights of a divorcing couple. The three options are offsetting, earmarking and pension sharing. A combination of the options may also be applied. Each affects your SCPF pension in different ways. You should consult a solicitor experienced in dealing with pension matters. A briefing note on Pensions on Divorce is available from your HR unit or the Pensions Advisory Unit.

The UK Courts' powers do not extend to SOCPF pensions which are not subject to UK legislation.

What happens if my pension is to be offset?

Offsetting is a means of sharing marital assets at the time of divorce. If your SCPF pension is offset then you will keep your pension and your ex-spouse will receive other assets of a similar value as compensation.

What happens if my pension is to be earmarked?

Earmarking is a means of deferring the sharing of pension rights. If your pension is earmarked then when you retire your pension rights will be shared with your ex-spouse. An SCPF pension can only be earmarked as a result of a court order.

What is pension sharing?

Pension sharing follows the 'clean break' principle and pension rights are shared at the time of divorce. If your pension is shared then your ex-spouse is awarded a one-off 'pension credit' which enables him/her to acquire a benefit in his/her own right. Ex-spouses of SCPF member can either choose to keep their 'pension credit' as an



entitlement in the SCPF or transfer it to another tax approved pension arrangement. Your SCPF entitlement receives a corresponding 'pension debit'. An SCPF pension can only be shared as a result of a court order.

Can I pay Additional Voluntary Contributions (AVCs) to top up my pension after divorce?

If you wish to rebuild your pension rights you can do so through paying additional voluntary contributions (AVCs) to the extent allowed under Inland Revenue limits. The Inland Revenue generally consider the shared benefits to be part of the member's benefit, although under certain circumstances there are concessions that apply. For further details you should contact the Pensions Advisory Unit.



Glossary of terms

Some of the terms defined below are found in the Trust Deed and Regulations of the SCPF, others are explanations of general pensions terms.

Additional Voluntary Contributions (AVCs)

Additional Voluntary Contributions are the means by which an employed member can secure extra pension to make up some or all of the difference, if any, between his or her SCPF entitlement and the Inland Revenue maximum permissible pension.

The SCPF's AVC Arrangement is secured through a contract with Legal & General and members have access to one with-profits fund and eight unit-linked funds. The with-profits investment offers a return made up of your contributions plus bonuses. Each year bonuses may be declared which depend on the investment profit of the contract and which, once added, cannot be taken away. When the AVC benefits are taken, a terminal bonus is added; this is not guaranteed and only applies at the rate in force at the time the AVC benefits are paid. There are no commission or administration charges, so all the contributions made are credited directly and in full to the member's account.

The unit-linked funds available include cash, fixed interest, consensus, managed, UK equity index, equity, ethical and international fund. Contributions are invested in a unit trust. The amount available for the purchase of additional pension will depend on how these units fare and there are no guarantees of any kind. Dependant upon the degree of risk, the value of funds can go down as well as up. There is an annual management charge calculated daily and taken monthly in arrears by unit encashment. Current charges are as follows:

Value of unit-linked funds	Annual management charge %
The first £50,000	0.5
Funds in excess of the first £50,000	0.3

An explanatory booklet is available from HR which gives details of the SCPF's AVC Arrangement.

SCPF members may also make 'free standing' additional voluntary contribution – or FSAVCs – to a tax-approved pension contract of their own choice, in addition, or as an alternative, to the SCPF's contract (but they need to be aware of the commission and administrative charges that will apply).

Adult Dependant

An Adult Dependant is defined by the Inland Revenue as a person who was financially dependant on the member at the time of the member's death. It is not necessary for financial dependency to be proved for a person dependent on the member because of disability or in the case of legal spouses – spouses qualify automatically on the basis that partners in a legal marriage are assumed to be financially dependant on each other. But an unmarried partner, whether of the same or opposite sex, may be paid a pension only if he or she was financially dependent on the member.

Financial **interdependence** of the member and his or her partner is also an acceptable criterion, for example, where the partner relied on a second income to maintain a standard of living which had depended on joint income prior to the member's death. But for a pension to be paid, your **employing company** will need some evidence of shared living costs, for example, joint bank accounts, the sharing of household bills, etc.

Similarly, to be able to pay a cash lump sum on death in service or on incapacity pension to someone other than your family there must be evidence of financial dependency or interdependency. Family in this context is your spouse, children, grandchildren, parents, grandparents, brothers and sisters.

If you are not married to the person to whom you would wish SCPF benefits to be paid, please ensure there is sufficient information available to your employing company at the time of your death for your wishes to be understood and ensure that your financial arrangements support your wishes.

Children

Children's pensions are paid to legitimate (or legitimated) children of the member. They can also be paid to a step-child or an illegitimate child of the member, providing that the child was in the trustee's opinion, financially dependent on the member.

Commutation

Commutation means converting part of your pension into a cash lump sum. Under present legislation, this cash sum is paid tax-free. The amount by which your pension is reduced for each unit of cash depends on your sex and your age at retirement. See appendix 4 for commutation factors for ages 50 to 60; factors at other ages are given in Appendix V of the Trust Deed and Regulations.

Earnings Cap

The earnings cap applies if you joined the SCPF on or after 1 June 1989.

It means that your **pensionable salary** is limited by a ceiling set in accordance with the terms of the Finance Act 1989. In practical terms, it means that if your *basic* salary is higher than the earnings cap, the Inland Revenue limits applying to your total pension contributions (to the SCPF, **AVCs** and **FSAVCs**) are calculated by reference to the earnings cap figure, rather than to your actual *basic* salary. Similarly, your **final pensionable salary** on which SCPF benefits are calculated is limited by reference to the cap figure.

The earnings cap is adjusted annually in line with the Retail Prices Index. The rate for the 2003/2004 tax year is £99,000.

Employing Company

This is the company or body with which the member's employment counts as accredited service in the SCPF. Your employing company has discretion to exercise certain powers relating to you or your dependants under the Trust Deed and Regulations of the SCPF during your employment with that company or, if it is your last employing company before leaving pensionable service, after you have left whilst you remain a member of the SCPF.

See also, **Founding Companies** and **Member Companies**.

Final Pensionable Salary

Final pensionable salary is your annual rate of **pensionable salary** at the date of ceasing work with your **employing company**, plus an additional element in respect of any pensionable shift pay.

See below for details of the pensionable shift element, Inland Revenue and other SCPF rules which affect the calculation of final pensionable salary in certain circumstances:

Pensionable shift pay

The additional element in respect of pensionable shift pay is defined as follows:

If you have been on shift work throughout the three consecutive years before retiring from or leaving company service, this additional element in respect of pensionable shift pay is based on the greatest of the following:

- (a) the amount of shift allowance received during the twelve months before ceasing employment with the member company;

- (b) the annual average amount of shift allowance received during the three years before ceasing employment;
- (c) the annual average amount of shift allowance received during any three year period in the 13 years before ceasing employment with the employing company. In calculating this element, the annual average shift allowance is increased by the movement in the Retail Prices Index between the end of the three year period and the date of leaving service.

If you have not been on shift work throughout the three consecutive years before ceasing employment, the additional element is based on the greater of (b) and (c). However, the additional element obtained from the formula in (c) must not be more than the annual average of the shift allowance which you would have received if you had been on the same shifts and in the same job during the three consecutive years before ceasing work with the employing company.

Your HR unit can provide you with details of the shift cycles for which a pensionable allowance is paid.

Earnings Cap

If you joined the SCPF on or after 1 June 1989, you are subject to the Inland Revenue's **earnings cap**.

Your final pensionable salary is your basic annual salary at the date of ceasing work with your employing company plus an additional element in respect of any pensionable shift pay, but subject to the earnings cap.

Part-time service

Your pension is calculated on your final pensionable salary which, therefore, relates to your current work pattern at the date of leaving. However, past variations in work patterns are taken into account in the calculation of pensionable service. See **part-time service** for more details.

Pre-75 Members' Bonus Credits

The pension formula changed on 1 January 1975. As a consequence, bonus credits apply to **pre-75 members** when the old formula would have produced a greater percentage of final pensionable salary than the new formula. See *appendix 2 for more details*.

Final Remuneration

Final remuneration is your **pensionable salary** (restricted by the earnings cap) over the last 12 months plus the annual average over the last three years of any other remuneration received constituting gross pay for 'Pay-as-you-earn' (PAYE) purposes.

Alternatively, if it produces a more beneficial answer, final remuneration is the annual average of your total remuneration over a consecutive three year period, ending not earlier than 10 years before leaving. Your remuneration related to the three year period chosen is revalued in proportion to the increase in the Retail Prices Index from the end of the three year period until your leaving date. As above, remuneration in this context means gross pay for PAYE purposes.

When a member's final remuneration, on the calculation above, is over £100,000, Inland Revenue rules require that final remuneration is calculated on the annual average over the last three years of your total remuneration (gross pay for PAYE purposes), with earlier years revalued by the movement in the Retail Prices Index.

Founding Companies

The founding companies are The "Shell" Transport and Trading Company, p.l.c. and The Shell Petroleum Company Limited, which established the SCPF in 1947. The founding companies have the ultimate responsibility for ensuring there is enough money to pay the benefits due from the SCPF. Their powers include admitting new member companies, awarding discretionary pension increases beyond the increase guarantee and winding up the SCPF. See also **Employing Company** and **Member Companies**.

Free Standing AVCs (FSAVCs)

See **Additional Voluntary Contributions**.

Ill Health

Ill health is a minor physical or mental condition which prevents you from remaining in service with your **employing company** but is unlikely to affect your earnings capacity elsewhere to any great extent.

Integration with State Pensions

On 1 June, 2000, SCPF benefits were improved for all members and dependant beneficiaries by the removal of the rules for integrating SCPF benefits with the State pension. Before then, the design of members' contributions and benefits took into account part of the State scheme benefits that the member would receive. Member contributions were reduced by an offset deemed equivalent to the proportion of National Insurance contributions used by the Government to fund the basic State pension. At **State pension age** a State Pension Deduction (SPD) was applied to the SCPF pension.

Member Companies

A member company is a company admitted to membership of the SCPF by the trustee at the request of the founding companies. The member companies have the power to request the trustee to modify the provisions of the scheme, providing that a majority of the member companies approve the change. The member companies must pay into the SCPF whatever contributions are required to make and keep the SCPF actuarially solvent, as required by the scheme actuary. A copy of the current list of Member Companies can be obtained from HR.

See also **Employing Company** and **Founding Companies**.

Member of the SCPF

See **People Categories**.

Member-Nominated Trustee Director (MNT)

An MNT is a 'selected director' appointed to the board of Shell Pensions Trust, after being chosen by the SCPF membership. Nine MNTs make up one half of the trustee board and are elected for four year terms of office on a rolling basis in accordance with procedures established by the SCPF's **member companies**. There separate elections are held: five employed members are chosen by employees; retired members, deferred and dependant pensioners choose three MNTs; **pensioner liaison representative (PLRs)** chose one MNT.

Normal Retirement Date

Normal retirement date is the last day of the month in which you reach **pension age** (60 for men and women). Women may retire on the day immediately before their 60th birthday if they wish. This is relevant for women who have a GMP (those who joined the SCPF before 6 April 1997; see 'SERPS' in appendix 2 for details) which they are entitled to draw from their 60th birthday (regardless of their **State pension age**) rather than the end of the month following their 60th birthday.

If you were engaged in fleet or aircrew service, or were employed in certain overseas areas before 1.1.86, your normal retirement date may be earlier than shown above. See *appendix 2 for more details*.

Part-time Service

Your pension for part-time service is calculated on your **final pensionable salary** (and, therefore, your current work pattern) at the date of leaving, but past variations in work patterns are taken into account in the calculation of **pensionable service**. Pensionable service is calculated on the relationship between the hours worked and the corresponding hours for full-time employment; each different work pattern is taken into account. Here are two simple examples, which both assume that the corresponding full-time hours are 37.5 per week:

(1) Member works 4 years full-time, then 5 years part-time before leaving

Work pattern at time of leaving	For	Previous work pattern	For	Pension calculation based on	No. of years service used in calculation	Explanation
18.75 hrs pw	5 years	37.5 hrs pw	4 years	part time salary	13 years	4 years full-time is worth 8 years half-time (5+8=13)

(2) Members works 4 years part-time, then 5 years full-time before leaving

Work pattern at time of leaving	For	Previous work pattern	For	Pension calculation based on	No. of years service used in calculation	Explanation
37.5 hrs pw	5 years	18.75 hrs pw	4 years	full time salary	7 years	4 years half-time is worth 2 years full-time (5+2=7)

Partial Incapacity

Partial incapacity is physical or mental deterioration which prevents you from following your normal employment and seriously impairs your earning capacity.

Pension Age

The SCPF's normal pension age is 60 for both men and women.

If you were engaged in fleet or aircrew service, or were employed in certain overseas areas before 1.1.86, your pension age may be lower than 60. *See appendix 2 for more details.*

Pensionable Salary

Pensionable salary is your basic salary plus any pensionable shift pay, but excluding overtime or non pensionable allowances. If you joined the SCPF on or after 1 June 1989, your pensionable salary will be limited by the **Earnings Cap**.

Pensionable Service

Pensionable service is normally the number of years and months (to the nearest month) of the latest unbroken period of full-time employment while an employed member of the SCPF (or the Shell Overseas Contributory Pension Fund or the Shell-Mex and BP Group Contributory Pension Fund). Any service bought in as a result of a **transfer** from a former pension arrangement is also included.

Pensionable service for members with part-time employment is calculated on the relationship between the hours worked and the corresponding hours for full-time employment. Each different work pattern is taken into account. See **Part-time Service** for more details.

If you were engaged in fleet or aircrew service, or were employed in certain overseas areas before 1.1.86, your pensionable service calculation may be different from that shown above. *See appendix 2 for more details.*

Pensionable Shift Pay

See **Final Pensionable Salary**

Pensioner Liaison Representative

A PLR is a retired member of the SCPF re-employed by Shell for 3-3.5 days a week until retirement again at age 65. The 45 PLRs across the UK help maintain links between the Company and the pensioner. They assist pensioners in solving problems which they cannot handle by means of their own resources or those of the State and other agencies. They can also tap available sources of charitable monies for those with financial hardships and recommend cases for consideration from the benevolence side of both the Shell Pensioner Association and the Shell-Mex and BP 44 Club. Pensions administrators rely on the PLRs' help to tell them of changes of address and of deaths and they help the Company by providing valuable background information when discretionary pension benefits are potentially payable.

People Categories

People accruing or receiving SCPF benefits can be classified as:

Members

- Employed members are members still in pensionable service
- Deferred pensioners have left employed membership with a pension entitlement from the SCPF that has not yet come into payment
- Retired members are pensioners whose SCPF pension has already come into payment.

Dependants

- Dependant pensioners are those in receipt of an SCPF pension by virtue of their relationship to a member, now deceased, that is, spouses, children or adult dependants.

Beneficiaries

- Beneficiaries are those in receipt of an SCPF pension, i.e. retired members or dependants.

Personal Pension

A Personal Pension is a tax-efficient savings investment scheme which belongs to an individual. It is set up through a personal contract with a provider (such as an insurance company, bank or building society) through which pension provision can be made by someone who is self employed, or in non-pensionable employment, or employed but not a member of an occupational pension scheme. Contributions by the individual are invested with the provider and later used to purchase retirement benefits, i.e. a defined contribution arrangement. See also **Stakeholder Pension**.

An appropriate personal pension is one set up in order to contract-out of **S2P**. The National Insurance rebate due as a result of being contracted-out is paid directly by the Department of Social Security to the provider of the personal pension.

Pre-75 Members

Pre-1975 members are those with unbroken service and who joined the SCPF and SOCPF before 01/03/74. Such members have the right to retire upto 5 years before NRD. For female members, there is no reduction to the pension. For male members, there is no reduction to the part of the pension attributed to service on or after 17/5/90. However, the pension attributable to service before 17/5/90 is reduced by 5% for each year it is taken before normal retirement date.

Section 32 Buy-out

A personal insurance policy in the name of an individual, purchased with a **transfer** value on leaving the SCPF, in lieu of entitlement to benefits from the SCPF.

Stakeholder Pension

Stakeholder pensions were introduced by the Government in April 2001 to encourage people to save for retirement. They are designed to be low in cost, flexible and simple to understand. Shell companies in the UK have designated Legal & General Assurance Society Limited (L&G) as the designated provider.

SCPF Members with earnings of less than £30,000 a year (for any of the previous five tax years, not starting before 2000/2001) can contribute £3,600 a year gross into a Stakeholder pension at the same time under Inland Revenue Concurrency Regulations. Stakeholder pensions taken out under concurrency, do not form part of the Inland Revenue limits with regard to contributions and benefits to the SCPF or AVCs. Further details are available on a Factfile from HR units or the Pension Advisory Unit.

State Earnings Related Pension Scheme (SERPS)

SERPs was the second tier of State pension provision from 6 April 1978 until 5 April 2002. See appendix 2 for further details. See also **Second State Pension** overleaf.

State Pension Age

State pension age is the age at which you are entitled to receive retirement pensions from the State. It is 65 for men and for women born after 6 April 1955. For women born before 6 April 1950 it is 60. For women born between 6 April 1950 and 6 April 1955, it is being raised to 65, phased in over a ten year period between 2010 and 2020.

State Pension Deduction

See [Integration with State Pensions](#).

State Second Pension (S2P)

S2P was introduced 6 April 2002 by the government and replaced the State Earnings Related Pension Scheme (**SERPS**). S2P aims to provide a more generous additional State Pension for low and moderate earners than under SERPS. Members of the SCPF are contracted-out of S2P and thus, both the employee and the Company pay a lower, or rebated level of National Insurance contributions.

Total Incapacity

Total incapacity is physical or mental deterioration to an extent which makes the possibility of any future employment unlikely.

Transfer Payment

A payment made from one tax-approved pension scheme to another, in lieu of benefits which have accrued to the member to enable the receiving scheme to provide alternative benefits. A booklet giving general guidance about transfer payments is available from HR.

Upper Earnings Limit (UEL)

The National Insurance Upper Earnings Limit (UEL) is the limit beyond which employees are not required to pay contributions to the State's National Insurance Fund on their earned income. Details of the employee National Insurance contributions payable on earnings below the UEL are available from HR. The UEL for the tax year 2003/2004 is £30,940.

The UEL was also used in the formula for members' contributions to the SCPF until 31 December 2003.

Historical provisionals and rules

This appendix expands the notes in the booklet, which apply to previous periods of service in the SCPF (or the Shell Overseas Contributory Pension Fund or Shell-Mex and BP Fund).

See appendix 1 for definitions of items highlighted in the text below.

Bonus credits

If you were admitted to the SCPF before 1 January 1975, different regulations applied. If, under the earlier regulations, your pension at **normal retirement date** would have been a greater percentage of your **final pensionable salary** than is produced by the formula of 1/54th for each year of **pensionable service**, an additional percentage, known as a bonus credit, will be applied. These credits apply to most **pre-75 members** except those with long potential service.

If you leave before normal retirement date, the proportion of your bonus credit earned to date will be added to your pension entitlement. If you die in service, the projected pension on which your dependants' pensions are based will include the whole of any bonus credit which would have applied to your pension at normal retirement date.

Commutation

If you were admitted to the SCPF before 1 January 1975, different **commutation** regulations applied. Under the earlier regulations, you could convert 25% of your *pension* on retirement into a tax-free lump sum. The current regulations allow a lump sum of 3/80ths of your *pensionable salary* over the last 12 months before leaving.

Your pension will be regarded as being in two parts, one part attributable to pre-75 service and one part to post-75 service. The 25% rule will apply to your pension relating to pre-75 service and the 3/80ths rule will apply to the post-75 portion.

Normal retirement date/pension age

If you were engaged in fleet or aircrew service, or were employed in certain overseas areas before 1 January, 1986, your **normal retirement date** may be earlier than the last day of the month in which you reach 60. This is because your **pension age** may be lower than 60 as follows:

SHELL CONTRIBUTORY PENSION FUND

Type of Service before 1.1.86	Reduction in pension age	Maximum reduction
Fleet – Eastern Waters only (before 1970)	1 month for each completed 4 months	5 years
Fleet – from 1970	1 month for each completed 8 months	3 years
Aircrew	1 month for each completed 4 months	5 years
Overseas 'B'	1 month for each completed 4 months	5 years
Any combination of the above		5 years

See appendix II to the Trust Deed and Regulations

See appendix I to the Trust Deed and Regulations

Pensions payable before normal retirement date

If you were admitted to the SCPF before 1 January 1975 and have continuous pensionable service since then, the restriction that an early pension cannot be paid before you reach age 50 does not apply. An early pension can be paid, with the consent of your **employing company**, provided you are within 10 years of your **normal retirement date** (see previous item).

Pensionable service

If you were engaged in fleet or aircrew service, or employed in certain overseas areas before 1 January, 1986, your **pensionable service** calculation is as follows:

Type of Service	During Period	Additional service for pension calculation purposes
Fleet – Eastern Waters only	1.10.47 – 31.12.69	1 month for each completed 4 months
Fleet	1.1.70 – 31.12.85	1 month for each completed 8 months
Aircrew	Before 1.1.86	1 month for each completed 4 months
Overseas 'B'	Before 1.1.86	1 month for each completed 4 months

See appendix II to the Trust Deed and Regulations

See appendix I to the Trust Deed and Regulations

State Earnings Related Pension Scheme (SERPS)

The SCPF was contracted-out of **SERPS** from 6 April 1978 until 5 April 2002. SERPS was replaced by the **Second State Pension (S2P)** on 6 April 2002.

In being contracted out of SERPS for pensionable service before 6 April 1997, the SCPF undertook to provide a minimum level of pension (the Guaranteed Minimum Pension - GMP) for you (and your spouse) which was roughly equivalent to the pension you would have earned if you had remained in SERPS. The rules which may affect your benefits are:

Pension calculation

Your pension for **pensionable service** between 6 April 1978 and 5 April 1997 must not be less than the GMP to which you will be entitled from **State pension age**.

Pension increases

Once you reach State pension age, the increases from the SCPF are only applied to that part of your pension in excess of the GMP entitlement. The GMP comprises two elements, the first in respect of SCPF service between 6 April 1978 and 5 April 1988 and the second in respect of SCPF service between 6 April 1988 and 5 April 1997. Pension increases on the first element will be paid, *by the State*, together with your basic State pension. The SCPF will pay pension increases on the second element in line with the movement of the RPI up to 3%. Any excess over 3% will be paid *by the State* with your basic State pension.

The Pensions Act 1995 changed the method of contracting-out and GMPs ceased to accrue on SCPF service from 6 April 1997. See appendix 1 for current contracting-out requirements.

Appendix 3**Increases awarded to SCPF pensions over the last 10 Years**

Increase Date	Guaranteed Increase (%)	Additional Increase (%)	RPI increase (%) over relevant period
1.4.94	1.9	–	1.9
1.4.95	2.9	–	2.9
1.4.96	3.2	–	3.2
1.4.97	2.5	–	2.5
1.4.98	3.6	2.1 (max)*	3.6
1.4.99	2.8	–	2.8
1.4.00	1.8	1.4 (max)**	1.8
1.4.01	2.9	0.1	2.9
1.4.02	0.7	2.3	0.7
1.4.03	2.9	–	2.9

* A special one-off increase with a maximum of 2.1% for those who retired before 2 April 1992, with pro-rata increases for members whose pension had been in payment for a lesser period.

** A special one-off increase with a maximum of 1.4% for those who retired before 2 April 1998, with pro-rata increases for members whose pension had been in payment for a lesser period.

SCPF commutation factors

To convert SCPF pension into a cash lump sum, apply the following factors - e.g. at age 60, £1 of annual pension is worth a cash lump sum of £13.631 if you're male; £16.189 if you're female.

(Note: Commutation factors are greater for women because statistically, on average, they live longer than men.)

Nearest Age	Male Lives	Female Lives
50	17.752	20.156
51	17.340	19.789
52	16.926	19.414
53	16.509	19.033
54	16.091	18.645
55	15.674	18.251
56	15.258	17.850
57	14.845	17.443
58	14.437	17.031
59	14.034	16.613
60	13.631	16.189

The above table is an extract from Appendix V of the Trust Deed and Regulations.



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