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CHURCH OF ENGLAND FUNDED PENSIONS SCHEME

Deed with effect from 1 August 2007

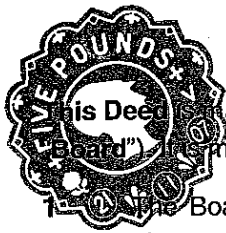
Linklaters

Linklaters LLP
One Silk Street
London EC2Y 8HQ

Telephone (44-20) 7456 2000
Facsimile (44-20) 7456 2222

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Deed

made on 7 November 2007 by the Church of England Pensions Board (the "Board") made in accordance with the Pensions Measure 1997 (the "**Measure**").

1 The Board is the sole Trustee of the Church of England Funded Pension Scheme (the "**Scheme**").

2 The Trust Deed and Rules of the Scheme were made on 5 December 1997 in accordance with the Measure.

3 Clause 2 of the Trust Deed says that the Trust Deed and the Rules may be amended or replaced from time to time by the Board with the approval (actual or where permitted by the Measure deemed) of the General Synod and subject to Section 67 of the Pensions Act 1995.

4 In exercise of its powers under Clause 2 of the Trust Deed, the Board with the approval of the General Synod, amends the Scheme as described in this deed with effect from 1 August 2007.

5 Clause 4 of the Trust Deed is deleted and replaced with the following:

"4 The following provisions apply with regard to contributions.

4.1 Under the Measure it is the duty of each Responsible Body to make contributions for the purposes of the Scheme by paying to the Board in respect of each scheme member ("**Member**") for whom the body is responsible such sums as the Board may determine in accordance with regulations made under Section 6 of the Clergy Pension (Amendment) Measure 1972 (the "**Regulations**").

4.2 Before making any determination under Clause 4.1 the Board will obtain the advice of an Actuary and the determination will be consistent with that advice.

4.3 The payments mentioned in Clause 4.1 above shall be made at such times as may be prescribed by Regulations.

4.4 If and to the extent required by the Pensions Act 2004, the Board will consult with the Responsible Bodies in relation to these matters.

4.5 In this Clause "**Responsible Body**" means:

4.5.1 in the case of a diocesan bishop or dean, provost or residentiary canon in receipt of a stipend or other emoluments under section 28 of the Cathedrals Measure 1963, the Church Commissioners;

4.5.2 in the case of a Member in receipt of a stipend paid from a diocesan stipends fund income account kept by the Church Commissioners under section 1 of the Diocesan Stipends Fund Measure 1953, the Diocesan Board of Finance of the diocese concerned;

4.5.3 in the case of a Member in receipt of a stipend paid wholly from capitular funds, the capitular body of the cathedral church concerned;

4.5.4 in the case of a Member in receipt of periodical payments under section 1(1)(b) of the Ordination of Women (Financial Provisions) Measure 1993, the Church Commissioners;

4.5.5 in the case of a Member who is:

- (i) a clerk in Holy Orders employed by a World Mission Agency of the Church of England which was at the passing of the Measure an associate or full member of the partnership for World Mission; or
- (ii) a clerk in Holy Orders employed by the Church Pastoral Aid Society, the Church Commissioners;

4.5.6 in the case of a Member in receipt of periodical payments under Section 13 of and paragraph 2 of Schedule 2 to the Incumbents (Vacation of Benefices) Measure 1977 (1977 No 1) or compensation under Section 26 of and Schedule 4 to the Pastoral Measure 1983 (1983 No 1), the Diocesan Board of Finance of the diocese concerned;

4.5.7 in the case of a Member employed in pensionable service otherwise than as mentioned in Clause 4.5.5 above, the employer; and

4.5.8 in the case of any other person who is a Member performing pensionable service, the body primarily concerned for the time being in promoting that person's membership of the Scheme.

4.6 In its application to the Isle of Man, Clause 4.5 has effect with the substitution for Clause 4.5.2 of the following paragraph.

"4.5.2 In the case of a scheme member in receipt of a stipend paid from a diocesan stipends account kept by the Sodor and Man Diocesan Board of Finance, that Board."

6 The Rules of the Scheme are amended as set out in Schedules 1 and 2 of this deed.

7 Save as provided in Rule 16 of Part C of Schedule 2 (Members who left Service before 1 August 2007), the amendments made by this deed do not affect the benefits of members of the Scheme who left Service before 1 August 2007 and shall have effect only in so far as they do not adversely affect any subsisting right of any member of the Scheme or any survivor of a member of the Scheme at the date of this deed. For this purpose "subsisting right" means the same as in Sections 67A to 67I of the Pensions Act 1995.

The common seal of
THE CHURCH OF ENGLAND
PENSIONS BOARD
was put on this deed
in the presence of:

Secretary


SECRETARY



Schedule 1

The following amendments take effect on 1 January 2008.

1 In Rule 3.1:

- 1.1** the words from "A Member who leaves Service" to "Full Basic Pension" where they first occur are deleted and replaced with the following words:

"A Member who leaves Service at or after Retiring Age will receive a pension for life at a yearly rate calculated as:

- (a) $\frac{1}{37}$ of $\frac{2}{3}$ of the National Minimum Stipend in the 12 months ending on the 31 March before the Member leaves Service for each year of Pensionable Service before 1 January 2008 plus an additional proportion for each day before that date; and
- (b) $\frac{1}{40}$ of $\frac{2}{3}$ of the National Minimum Stipend in the 12 months ending on the 31 March before the Member leaves Service for each year of Pensionable Service on or after 1 January 2008 plus an additional proportion for each day on or after that date";

- 1.2** the words "Full Basic Pension" in the second place where they occur are deleted and replaced with the words "Member's Pension"; and

- 1.3** the words "For Members with less than 37 years' Pensionable Service, the benefits will be proportionate to their Pensionable Service." are deleted.

2 Rule 11.2, save for the final paragraph, is deleted and replaced with the following:

"11.2 Guaranteed pension increases

Any part of a pension in payment that is attributable to Pensionable Service on or after 1 January 2008 will increase in each year by the lower of:

11.2.1 the percentage increase in the retail prices index during a reference period decided by the Board (the "RPI increase"); and

11.2.2 3.5%.

Any part of a pension in payment that is attributable to Pensionable Service before 1 January 2008 will increase in each year by the lower of:

11.2.3 the RPI increase; and

11.2.4 5%.

Pensions will increase on a date decided by the Board. The interval between increases will not exceed 12 months. If an interval is less than 12 months, the increase will not exceed the percentage for the reference period which corresponds to the relevant percentage specified above."

Schedule 2

The following amendments take effect on 1 August 2007.

- 1 Rules 1 to 2.3 are deleted and replaced in their entirety with the Rules set out in Part A of this Schedule.
- 2 In Rule 3.1:
 - 2.1 the paragraph headed "Basic pension rates" is numbered as sub-rule 3.1.1;
 - 2.2 after the words "The member will also receive a lump sum equal to three times the", the words "Full Basic Pension" are deleted and replaced with the words "Member's pension or, if less, the maximum "pension commencement lump sum" permitted for the purposes of Part 4 of the Finance Act 2004." are inserted; and
 - 2.3 the words "two years" are deleted and replaced with the words "3 months".
- 3 Rules 3.1 from the words "Other pension rates" to Rule 11.1 are deleted and replaced in their entirety with the Rules set out in Part B of this Schedule.
- 4 In the final paragraph of Rule 11.2:
 - 4.1 the reference to Rule 13.3 is deleted and replaced with a reference to Rule 14.4; and
 - 4.2 the reference to Rule 14.1 is deleted and replaced with a reference to Rule 15.1.
- 5 Rules 11.3 to 17 are deleted and replaced in their entirety by the Rules set out in Part C of this Schedule.
- 6 The Appendix to the Rules is deleted.

Part A

1 Meaning of words used

1.1 General definitions

"Actuary" means a fellow of the Institute of Actuaries or of the Faculty of Actuaries in Scotland, who is not a Church Commissioner or a member of the Board or an employee of the Church Commissioners or of the Board. Except when required otherwise by the Pensions Act 1995, it includes a firm of Actuaries.

"Bishop" includes archbishop.

"Board" means the Church of England Pensions Board.

"Church of England Pensions Scheme" means the provisions relating to pensions for clerks, deaconesses and licensed lay workers contained in the Church of England Pensions Regulations 1988 and in rules made under section 3 of the Clergy Pensions (Amendment) Measure 1967, and known as the Church of England Pensions Scheme.

"Contracting-out Laws" means the laws as to contracting-out set out in Part III of the Pension Schemes Act 1993.

"Dependant" means anyone who is financially dependent on the Member or other person concerned, or was so dependent at the time of that person's death. This includes anyone who shares living expenses with, or receives financial support from, the Member or other person, and whose standard of living would be affected by the loss of that person's contribution or support, but does not include any person who is not a dependant as defined in Schedule 28 to the Finance Act 2004. The Board's decision as to whether someone is another person's Dependant will be final. However, a person's spouse, civil partner and children (excluding step-children) under the age of 23 will always be Dependents.

"Disability" means physical or mental disability which prevents a Member in Service from performing the duties of his or her office or doing any other remunerated work, or which would prevent a Member who has already left Service from doing any remunerated work. The Board's decision as to whether a Member is suffering from Disability will be final. For this purpose, the Board must consider evidence from a registered medical practitioner and may consider such other evidence as it sees fit.

"Full Basic Pension" means two-thirds of the National Minimum Stipend in the 12 months ending on the previous 31 March less any pension payable from the Church of England Pensions Scheme or, if the pension under that Scheme is not yet in payment, such amount as the Board determines is equal in value to the pension which will become payable under that scheme.

"Fund" means the Church of England Pensions Fund constituted under the Trust Deed.

"Member" means a person who has joined or been included in the Scheme.

"National Minimum Stipend" means such an amount as is determined by the Central Stipends Authority.

"Past Service" means pensionable service under the Church of England Pensions Scheme.

"Pensionable Children" is defined in Rule 7.5 (children's pension).

"Pensionable Service" is defined in Rule 1.2 (meaning of "Service" and "Pensionable Service").

"Preservation Laws" means the laws as to preservation of benefit set out in Chapter I of Part IV of the Pension Schemes Act 1993.

"Responsible Body" is defined in Clause 4.5 of the Trust Deed.

"Retiring Age" means a Member's 65th birthday.

"Revaluation Laws" means the laws as to revaluation of accrued benefits set out in Chapter II of Part IV of the Pension Schemes Act 1993.

"Scheme" means the Church of England Funded Pensions Scheme established by the Trust Deed.

"Service" is defined in Rule 1.2 (meaning of "Service" and "Pensionable Service").

"Transfer Value Laws" means the laws as to transfer values set out in Chapter IV of Part IV of the Pension Schemes Act 1993.

"Trust Deed" means the trust deed to which these Rules are attached.

1.2 Meaning of "Service" and "Pensionable Service"

"Pensionable Service" means full-time equivalent Service on or after 1 January 1998 (or on or after joining or being included in the Scheme, if later); and **"full-time equivalent Service"** means:

- (a) full-time Service during which a Member has earned an amount at least equal to the National Minimum Stipend;
- (b) such proportion as the Board considers appropriate of full-time Service during which a Member has earned less than the National Minimum Stipend; and
- (c) such proportion as the Board considers appropriate of a Member's part-time Service.

"Service" means service which is:

- (a) rendered under the direction of a diocesan bishop or carried on in furtherance of the spiritual or administrative work of the Church of England and recognised as such by a diocesan bishop; and
- (b) within the provinces of Canterbury (including the Diocese in Europe) and York in connection with a diocese cathedral or parish, or in connection with the collegiate churches of Westminster or Windsor; and
- (c) stipendiary, i.e. remunerated by a payment from:
 - (i) the Church Commissioners' general fund, including any payment out of that fund by way of a guaranteed annuity under Section 1 of the Endowment and Glebe Measure 1976 or an annual personal grant under section 2 of that measure; or
 - (ii) any diocesan fund; or
 - (iii) money raised in the parish and given for or allocated to the maintenance of that Member.

Service is not stipendiary if the only payment received by the Member is made to him or her by way of reimbursement or contribution to expenses incurred by the Member, including the cost of maintaining, heating, lighting and cleaning the property in which the Member lives or is entitled to live.

2 Participation in the Scheme

2.1 Automatic entry

A person is eligible for membership of the Scheme if he or she is in Service and is:

- 2.1.1** a bishop, priest, deacon or deaconess of the Church of England;
- 2.1.2** a person who has been admitted by a bishop as a lay worker of the Church of England and who has been authorised by the bishop by licence to serve as such a worker; or
- 2.1.3** a person who has been so admitted and has been so authorised otherwise than by licence if he or she was a member of the Church Workers Pension Fund on 1 December 1988.

A person who is eligible for membership of the Scheme will be included as a Member automatically, unless he or she specifically requests otherwise. If a person chooses not to join the Scheme, the person's Service will not be treated as Pensionable Service.

If a person who has joined or been included in the Scheme later ceases to be eligible for membership, he or she will be treated as having left Service.

2.2 Other entrants

It may happen that a person who would otherwise be eligible to join the Scheme under Rule 2.1 (automatic entry) is in service which is not "Service" as defined in Rule 1.2 (meaning of "Service" and "Pensionable Service").

The Board may enter into a participation agreement with any employer or other body so that:

- 2.2.1** the employer or other body is treated as a Responsible Body; and
- 2.2.2** any person who is in service with that employer, or whose membership of the Scheme is promoted by that body, may be treated as in "Service"; and
- 2.2.3** any such person who is then eligible to join the Scheme under Rule 2.1 (automatic entry) may do so.

A person who is eligible to join the Scheme by virtue of this Rule will not be included as a Member automatically. Instead, they must complete an application in the form required by the Board and obtain the written consent of the employer or other body.

The employer or other body must agree to comply with all the requirements of the Trust Deed and Rules (including the requirement to pay contributions). That agreement may be made subject to termination on three months' notice, or such shorter period of notice as the Board may agree. If an agreement is terminated for any reason, any Members for whom the employer or body concerned is under a duty to make contributions for the purposes of the Scheme will be treated as having left Service.

2.3 Evidence of health

The Board may refuse any person entry to the Scheme under Rules 2.1 or 2.2 if he or she fails to provide evidence of good health which is satisfactory to the Board. This Rule only applies where such evidence has been specifically requested.

2.4 Persons who do not join the Scheme at the first opportunity

A person who is eligible for membership of the Scheme who on or after 1 August 2002 does not join the Scheme at the first opportunity may join later only with the specific permission of the Board. The Board will not normally allow the person to join the Scheme within three years of the date on which he or she first became eligible to join. The Board will require the Member to provide evidence of good health and other information, and may restrict any benefits payable on the person's death or early retirement if the person does not provide evidence of good health satisfactory to the Board or such other information as it may require.

Part B

3.1.2 Other pension rates

If a Member has at any time held any office mentioned in the table, a multiple in accordance with the table will be applied to the Member's pension, calculated as above:

Office held within the Provinces of Canterbury (including the Diocese in Europe) or York	Multiple
Archbishop of Canterbury or York	2.0
Bishop of London	1.8
Other diocesan bishop	1.5
Suffragan bishop, dean, provost or archdeacon	1.25

If the Member has held more than one office mentioned in the table, the highest applicable multiple will apply.

The multiples do not affect any lump sum payable.

3.1.3 Maximum pension

The total pension payable under this Rule 3.1 cannot exceed the Full Basic Pension increased when Rule 3.1.2 applies by the multiple specified in that Rule.

3.2 Early retirement

A Member who leaves Service after reaching age 55 and before Retiring Age may choose an immediate pension and lump sum on leaving. However, the Member must give at least three months notice of retirement to the Board (and, if his Service is being performed under the direction of a diocesan bishop, to that bishop).

The benefits will be calculated as described in Rule 3.1, but will then be reduced to take account of early commencement and the longer potential period of payment. The Board will decide the amount of the reduction after obtaining actuarial advice.

The Board must be satisfied that the benefits (including death benefits) for a Member who retires early under this Rule are at least equal in value to the benefits to which the Member would otherwise have become entitled on leaving service.

If the Member is granted Disability benefits under Rule 5.1 (Disability retirement benefits), this Rule will not apply.

4 Early leavers

4.1 Preserved benefits

A Member who leaves Service before Retiring Age with a total of at least 3 months' Pensionable Service and Past Service and without becoming entitled to immediate benefits will receive a pension and lump sum at Retiring Age.

The benefits will be calculated as described in Rule 3.1, and will be increased up to payment by the percentage required by the Revaluation Laws. The Board will review preserved pensions from time to time, and may grant additional increases to all or any pensions, at its discretion.

A Member with less than 3 months' Pensionable Service and Past Service will also receive benefits under this Rule if he or she satisfies the preservation requirements (see Rule 4.4).

4.2 Preserved benefits paid early

A Member entitled to preserved benefits may choose to receive them before Retiring Age (but not before reaching age 55). If the benefits are paid before Retiring Age, however, they will be reduced to take account of early commencement and the longer potential period of payment. The Board will decide the amount of the reduction after obtaining actuarial advice.

The Board must be satisfied that the benefits (including death benefits) for a Member who retires early are at least equal in value to the benefits that would otherwise have been provided for the Member under the Scheme.

If the Member is granted Disability benefits under Rule 5 (Disability benefits), this Rule will not apply.

4.3 Right to transfer or buy-out

A Member who leaves Service with preserved benefits at least a year before Retiring Age can require the Board to use the cash equivalent of his or her benefits (including death benefits) to buy one or more annuities, or to acquire rights under another arrangement where this is a "registered transfer" for the purposes of Section 169 of the Finance Act 2004, in accordance with the Transfer Value Laws.

4.4 Preservation requirements

A Member satisfies the preservation requirements if:

- 4.4.1 the Member leaves Service with at least 3 months' Qualifying Service; or
- 4.4.2 a transfer payment in respect of the Member's rights under a personal pension scheme has been made to the Scheme; or
- 4.4.3 the Member is still entitled to benefits under the Scheme from a previous period of Service.

"Qualifying Service" means continuous Service after joining the Scheme and employment that qualified the Member for retirement benefit under any occupational pension scheme from which a transfer payment has been made in respect of the Member either direct to the Scheme, or to an insurance policy or annuity contract and subsequently to the Scheme. A period between leaving Service and rejoining the Scheme will be ignored (but will not count

as Service) when calculating continuous Service for this purpose, if it does not exceed one month or is due to a trade dispute.

5 Disability benefits

5.1 Disability retirement benefits

The Board will grant a Disability pension and lump sum under this Rule if:

- 5.1.1 a Member applies for an early pension on grounds of Disability no later than three months after leaving Service; and
- 5.1.2 the Board is satisfied that the Member is suffering from Disability which is likely to be permanent.

The pension and lump sum will be calculated as described in Rule 3.1 by reference to the Pensionable Service that the Member could have completed if he or she had continued in the Service until Retiring Age. If the Member was in part-time Service or earning less than the National Minimum Stipend immediately before leaving Service, this Pensionable Service will be calculated on the assumption that the Member would have continued in the same Service and earning the same proportion of the National Minimum Stipend until Retiring Age.

The pension will be payable with effect from the day following cessation of Service.

5.2 Preserved benefits payable early on grounds of Disability

The Board will grant a Disability pension and lump sum under this Rule if:

- 5.2.1 a Member entitled to preserved benefits applies to receive them before Retiring Age on grounds of Disability more than three months after leaving Service; and
- 5.2.2 the Board is satisfied that the Member is suffering from Disability which is likely to be permanent.

The pension and lump sum will be equal to the Member's preserved benefits under Rule 4.1, including increases as if the Revaluation Laws applied in respect of the period between the date on which the Member left Service and the date on which the pension and lump sum become payable. If the Board has granted additional increases to the Member's preserved benefits under Rule 4.1, the benefits under this Rule will also take account of those increases.

The pension and lump sum will become payable on the date on which the application is approved, or such earlier date as the Board may decide.

5.3 Evidence of continued Disability

Until Retiring Age, the Board may from time to time require evidence of the Member's continued inability to do any regular Service (or other remunerated work). If not satisfied, the Board may suspend or reduce the Member's pension, for any period or periods before Retiring Age. If the pension is suspended, it may, at the end of the suspension period, be reinstated either in full or at a reduced rate. However, the Board must be satisfied that the benefits (including death benefits) for a Member who retires under this Rule are at least equal in value to the benefits that would otherwise have been provided for the Member under the Scheme. However, the Board may only exercise these powers in a way which is consistent with the pension being an "authorised member payment" for the purposes of Part 4 of the Finance Act 2004.

6 Lump sum payable on Member's death

6.1 Member dies in Service

If a Member dies in Service a lump sum death benefit will be payable as described in Rule 6.4.

If the Member was in full-time Service and earning an amount at least equal to the National Minimum Stipend, the benefit will be equal to three times the National Minimum Stipend in the 12 months ending on the previous 31 March. Otherwise, the benefit will be the same proportion of that amount as the Board has considered appropriate for the purpose of the definition of "full-time equivalent service" in Rule 1.2.

6.2 Member dies within one year after pension starts

If the Member dies within one year after starting to receive a pension, a lump sum death benefit will be paid to the Member's estate.

The benefit will be equal to the pension payments which would have been made during the remainder of the one-year period if the Member had not died.

6.3 Member dies before Retiring Age while receiving a Disability pension under Rule 5.1

If a Member dies before Retiring Age while receiving a Disability pension under Rule 5.1 (Disability retirement benefits), a lump sum death benefit will be payable as described in Rule 6.4.

The benefit will be based on the amount that would have been payable under Rule 6.1 if the Member had died immediately before leaving Service, but based on the National Minimum Stipend in the 12 months ending on the last 31 March before the Member's death (the "Basic Benefit").

If the Member dies within one year after leaving Service, the benefit will be equal to the Basic Benefit less the lump sum paid on retirement and less the payment made to the Member's estate under Rule 6.2.

If the Member dies more than one year but less than two years after leaving Service, the benefit will be equal to 65 per cent of Basic Benefit, less the lump sum paid to the Member on retirement.

If the Member dies more than two years but less than three years after leaving Service, the benefit will be equal to 30 per cent of the Basic Benefit less the lump sum paid to the Member on retirement.

If a Member dies before Retiring Age while receiving a Disability pension under Rule 5.2 (preserved benefits payable early on grounds of Disability), no lump sum death benefit will be payable under this Rule.

6.4 Payment of lump sum death benefits

The Board will pay any lump sum death benefit, within two years after the Member's death, to any person or people chosen by the Board in its discretion. If the Board decides to pay the benefit to more than one person, the Board will pay the benefit in such shares as it decides.

The Board may use all or part of the amount payable for a person's benefit, instead of paying it direct to the person concerned.

However, no lump sum death benefit will be paid if the Member dies after reaching age 75.

7 Pensions for spouses, civil partners and children

7.1 Spouse's pension

If a Member dies leaving a surviving spouse, the spouse will receive a pension for life, calculated as described below.

Where the marriage took place after the Member started to receive a pension and within six months of the Member's death, the spouse will not be entitled to a pension, unless the Board in its discretion otherwise decides.

The Board may at its discretion discontinue a pension payable to a spouse (and, if it sees fit, a Pensionable Child as defined below) if the spouse remarries or forms a civil partnership. If it does so, it may at its discretion resume the pension or pensions concerned.

7.2 Member dies in Service

If the Member dies in Service before Retiring Age, the spouse's pension will be two-thirds of the Disability pension the Member would have received under Rule 5.1 (Disability retirement pension) if he or she had retired on account of Disability on the day of his or her death.

If the Member dies in Service on or after Retiring Age, the spouse's pension will be equal to two-thirds of the pension that the Member would have received if he or she had retired on the day of his or her death.

7.3 Member dies after pension starts

If the Member dies after starting to receive a pension, the spouse's pension will be two thirds of the pension payable to the Member at the date of death.

7.4 Member dies with a preserved pension that has not started

If the Member dies before Retiring Age with a preserved pension that has not started, the spouse's pension will be two-thirds of the pension the Member would have received under Rule 5.2 (Preserved benefits payable early on grounds of Disability) if he or she had retired on account of Disability on the date of his or her death.

7.5 Children's pension

If the Member dies leaving any Pensionable Children, a children's pension will be payable.

"Pensionable Children" are (i) the Member's children, (ii) children legally adopted by the Member, (iii) the Member's step children and (iv) any other children of the Member's civil partner to whom a children's pension must be paid in order to comply with regulation 9A(1) of the Employment Equality (Sexual Orientation) Regulations 2003 and with any applicable enactment or subordinate legislation in relation to pensions for the surviving dependants of deceased civil partners (provided, in the case of (iii) and (iv) above, that they are financially dependent on the Member at the date of the Member's death). These children remain Pensionable Children for so long as they are under age 18. If a child is over 18, but is still in full-time education approved by the Board, the child will continue to be a Pensionable Child until full-time education ceases or until the child's 23rd birthday, whichever is earlier.

The children's pension will be based on the number of Pensionable Children from time to time, and the Member's pension by reference to which a spouse's pension would be calculated as described in Rule 7.2, 7.3 or 7.4 (as appropriate).

If a spouse's pension is payable and there is one Pensionable Child, the children's pension will be equal to one-sixth of the relevant Member's pension. If there are two or more Pensionable Children, the children's pension will be equal to one-third of the relevant Member's pension.

If no spouse's pension is payable and there are three Pensionable Children or fewer, the children's pension will be equal to one-third of the relevant Member's pension for each Pensionable Child. If there are more than three Pensionable Children, the children's pension will be equal to the relevant Member's pension.

The children's pension will be divided equally between the Pensionable Children.

A children's pension will be paid to the child of a Member's civil partner, where that child is not the Member's child or step-child, only to the extent required in order to comply with regulation 9A(1) of the Employment Equality (Sexual Orientation) Regulations 2003 and with any applicable enactment or subordinate legislation in relation to pensions for the surviving dependants of deceased civil partners.

7.6 Civil partners

If a Member dies leaving a surviving civil partner, all references in Rule 7.1 to 7.5 to a spouse or surviving spouse are to be treated as references to a civil partner or surviving civil partner (and all references to a spouse's pension are to be treated as references to a civil partner's pension), to the extent required in order to comply with regulation 9A(1) of the Employment Equality (Sexual Orientation) Regulations 2003 and with any applicable enactment or subordinate legislation in relation to pensions for the surviving civil partners of deceased civil partners. The reference in Rule 7.1 to the marriage is to be treated as a reference to the formation of the civil partnership, and the reference in rule 7.1 to the surviving spouse remarrying or forming a civil partnership is to be treated as a reference to the surviving civil partner marrying or forming a further civil partnership.

8 Broken Service

8.1 Periods of Pensionable Service aggregated

When a Member has different periods of Pensionable Service, they will be aggregated for the purpose of calculating the Member's benefits (subject to 8.2 below), unless the benefit from the earlier period has been extinguished by a transfer payment or buy-out. If the benefit from any period has been extinguished by a transfer payment or buy-out, the period will still count towards the maximum period of Pensionable Service in respect of which the Scheme will provide benefits.

When the interval between two periods of Service is less than three months (or any greater period that the Board allows in exceptional circumstances), the break between them will also count as Pensionable Service. If the Service before and after the break counted differently for the purpose of calculating Pensionable Service, the break will count as part of that period of Service which would be more beneficial to the Member.

8.2 Return from retirement

If a Member in receipt of a pension from the Scheme returns to Service, the Board may suspend or reduce the pension as it sees fit.

If the Board suspend or reduce the pension, then, on the Member's second retirement, the Member will receive benefits of such amount as the Board sees fit having regard to the Member's total Pensionable Service.

If the Board does not suspend or reduce the pension, the Service after retirement will not count towards pension.

However, the Board may only exercise its powers under this Rule to the extent that is consistent with the pension being an "authorised member payment" for the purposes of the Finance Act 2005.

9 Family leave

In this Rule 9, the terms in bold mean the same as in the Employment Rights Act 1996.

Statutory family leave

A Member will be treated as still in Service during any period of "ordinary maternity leave", "ordinary adoption leave" or "paternity leave".

The Member's benefits for these periods will be calculated as if the Member had worked normally and received the normal pay for doing so.

Additional paid family leave

Members will also be treated as still in Service during any other period for which they receive pay from their Responsible Body and which, for the purposes of Schedule 5 to the Social Security Act 1989 (equal treatment for men and women), is a period of maternity leave, adoption leave, paternity leave, or absence from work for other family reasons.

In the case of paid maternity, paternity, and adoption leave, the Member's benefits will be calculated as if he or she had worked normally and received the normal pay for doing so.

In the case of any other period of paid family leave, the Member's benefits will be based on the pay received, unless the Board and the Responsible Body agree other terms that are no less favourable to the Member.

Additional unpaid family leave

The Board and the Responsible Body may agree to treat a Member as still in Service, for some or all purposes of the Scheme, during any period of unpaid additional maternity leave, additional adoption leave or parental leave. If this is agreed, the Board and the Responsible Body will also agree terms to apply to the Member's benefits for the period.

If a Member is not treated as still in Service during any period of unpaid leave, the Member will be treated as having left Service. However, if the Member returns to work at the end of the period, the Member's Pensionable Service before being treated as having left Service and after returning to work will be treated as continuous (but excluding the break).

If a Member is not treated as still in Service during any period of unpaid leave, the Member will be treated as having left Service except that:

- 9.1.1 if the Member dies during a period of unpaid family leave, a lump sum benefit will only be paid under Rule 6 (lump sum payable on Member's death) as if the Member had died in Service if the Responsible Body and the Board agree (and will be calculated as they agree); and
- 9.1.2 if the Member returns to work at the end of the period, the Member's Pensionable Service before being treated as having left Service and after returning to work will be treated as continuous (but excluding the break).

10 Opting out

A Member may at any time opt out of the Scheme by giving one month's notice to the Responsible Body and the Board. The Member will be treated as having left Service on the day the notice expires except that no pension or lump sum will be paid to the Member before the Member actually leaves Service (or reaches age 75, if earlier).

Service during which a person has opted-out of the Scheme does not count as Pensionable Service.

A Member who opts out of the Scheme on or after 1 August 2002 may rejoin only with the specific permission of the Board. The Board will not normally allow the Member to rejoin within three years of opting out. The Board will require the Member to provide evidence of good health and other information, and may restrict any benefits payable on the Member's death or early retirement if the Member does not provide evidence of good health satisfactory to the Board or such other information as it may require.

11 General Rules about pensions

11.1 Payment of pensions

Pensions are payable in arrears by equal monthly instalments except that the Board may pay small pensions less often.

Part C

11.3 Discretionary pension increases

The Board will review pensions in payment from time to time, and may grant additional increases to all or any pensions, at its discretion.

12 General Rules about benefits

12.1 Applications to the Board

An application for benefit must be made in such manner as the Board decides.

12.2 Deduction of tax

The Board may deduct from any payment under the Scheme any tax for which the Board may be liable in respect of it.

The Board may reduce any benefit in respect of which a lifetime allowance charge arises, so as fully to reflect the amount of tax payable in respect of it under Section 215 of the Finance Act 2004 (amount of charge). The Board will decide the amount of the reduction after considering advice from an Actuary, and its decision will be final.

12.3 Loss of right to benefits

Benefits under the Scheme are subject to restrictions imposed by Sections 91 to 93 of the Pensions Act 1995 (assignment and forfeiture, etc). These restrictions are intended generally to ensure that benefits are paid only to the person entitled under these Rules, rather than to any other person. The restrictions prevent benefits from being assigned, commuted, surrendered, charged, or forfeited, except in specified circumstances.

However, there are exceptions to these restrictions. Where the exceptions allow:

- 12.3.1** a Responsible Body may require the Board to reduce or forfeit a person's benefits if the person owes money to the Responsible Body and the debt arises out of a criminal fraudulent act or omission. If this happens, the Board will pay the Responsible Body an amount equal to the debt or, if less, the value of the person's benefits.
- 12.3.2** the Board may reduce or forfeit a person's benefits if the person owes money to the Scheme;
- 12.3.3** the Board may forfeit any benefits that are payable in respect of a Member to a person who is convicted of the Member's murder or manslaughter, or any other offence of which unlawful killing of the Member is an element (including aiding, abetting, counselling or procuring the Member's death); and
- 12.3.4** a benefit will cease to be payable if the person entitled to it under these Rules tries to assign or charge it. If this happens, the Board may (but need not) pay an equivalent or smaller discretionary benefit to, or for the benefit of, one or more of:
 - (i) the person who was entitled to the original benefit;
 - (ii) that person's spouse, civil partner or Dependents.

If the Board decides to pay a discretionary benefit to more than one person, the Board will pay it in such shares as it decides and may deduct any expenses incurred in paying the benefit.

- 12.3.5** a benefit will cease to be payable if the person entitled to it does not claim it within six years of the date on which it becomes due.

The Board may also reduce or forfeit a person's benefits in any other circumstances that the exceptions allow.

12.4 Beneficiary who is incapable

If the Board considers that a person cannot look after his or her affairs (because of illness, mental disorder, age or otherwise) they may use any amounts due to that person for his or her benefit or may pay them to some other person to do so. The Board may make, for the person concerned, any choice which that person has under the Scheme. The Board may also treat any application made on behalf of that person as made by that person.

12.5 Tax status of the Scheme

The Scheme is a "registered pension scheme" for the purposes of Part 4 of the Finance Act 2004. If (without this Rule) the Board would be required to make a payment under the Scheme that would be "unauthorised" by virtue of Section 160 of that Act (payments by registered pension schemes), the payment will be treated as discretionary and will not be made unless the Board agree otherwise (which it need not do).

Before 6 April 2006, the Scheme was approved under Chapter 1 of Part 14 of the Income and Corporation Taxes Act 1988 (retirement benefit schemes). As a condition of this approval, the Scheme was subject to various requirements including limits on the benefits and contributions that could be paid. The details of these limits are contained in previous legislation, and in IR12(2001) "Practice Notes on the Approval of Occupational Pension Schemes".

In spite of the changes made by the Finance Act 2004, the limits that previously applied to the amount and form of benefits under the Scheme continue to apply in respect of Members who started to receive a pension before 6 April 2006, but not otherwise.

12.6 Contracting-out

The Board will operate the Scheme in accordance with the Contracting-out Laws applicable to salary related contracted-out schemes. These Rules will be treated as including Rules to same effect as any rule that must be included for the Scheme to be contracted-out in relation to a Member's Service.

This Rule overrides all other provisions of the Scheme, except those that are in accordance with the Pension Schemes Act 1993.

13 Pension sharing on divorce, etc

13.1 Compliance with pension sharing orders

It may be that an order or other provision under Section 28(1) of the Welfare Reform and Pensions Act 1999 or equivalent Northern Ireland laws (activation of pension sharing) requires all or part of a Member's benefits to be transferred to the Member's former spouse or civil partner. If this happens, the Board will discharge its liability to the former spouse or civil partner in respect of pension sharing costs, as allowed by the Act.

In discharging its liability to a former spouse or civil partner, the Board will treat as safeguarded rights only the safeguarded percentage of the person's rights, as allowed by Part IIIA of the Pension Schemes Act 1993 (safeguarded rights).

13.2 Benefits under the Scheme

If the Board provides pension credit benefits for the former spouse or civil partner under the Scheme, these benefits will comply with the laws on safeguarded rights in Part IIIA of the Pension Schemes Act 1993, and will be provided separately from any other benefits to which the former spouse or civil partner may be entitled under the Scheme.

13.3 Death of former spouse or civil partner before a transfer payment is made

It may be that the Board intends to discharge its liability to the former spouse or civil partner by making a transfer payment to another pension arrangement, but the former spouse or civil partner dies before the payment is made. If this happens, the Board may (but need not) use the intended transfer payment to provide benefits in respect of the former spouse or civil partner in any of the ways allowed by the Welfare Reform and Pensions Act 1999. Any part of the intended transfer payment that is not used in this way will be retained by the Board as part of the Scheme's general assets.

14 Additional and Discretionary benefits

14.1 Voluntary contributions by Members

Members are not required to contribute to the Scheme. However, the Board may (but need not) allow a Member in Service to pay voluntary contributions ("AVCs") to the Scheme. If the Board allows a Member to pay AVCs, it may impose any conditions it thinks reasonable (including as to amounts that can be paid, the time at which payments can be paid, and the method of payment).

Each Member's AVCs will be used to provide insured or money purchase benefits for, or in respect of, the Member. These benefits will be additional to the other benefits described in these Rules. The Member and the Board will agree the form of these benefits, or the Board will decide their form if they cannot be agreed. However, unless the Board agrees otherwise any pension must be secured with an annuity contract (and the Member must be given an opportunity to select the insurance company).

It may be that, before 6 April 2006, the conditions for tax approval of the Scheme would not have allowed the Member to take a retirement lump sum from the proceeds of his or her AVCs. If so, the Board may now allow the Member to take up to 25% of the proceeds as a lump sum, and may allow the Member to take a larger sum provided that the total lump sum payable under the Scheme, including the lump sum under Rule 3 does not exceed the maximum "pension commencement lump sum" permitted for the purposes of the Finance Act 2004.

14.2 Trivial commutation lump sums

It may be that a Member would be allowed by the Contracting-out Laws and the Finance Act 2004 to give up all of his or her benefits under the Scheme in return for a lump sum. If so, the Board may allow the Member to do this.

The Board will calculate the lump sum on a basis certified as reasonable by an Actuary.

14.3 Serious ill-health lump sums

It may be that the Board receives evidence from a registered medical practitioner that a Member is expected to live for less than one year. If this happens before the Member starts to receive benefits from the Scheme, and if the Contracting-out Laws allow, the Board may allow the Member to give up all of his or her benefits under the Scheme in return for a lump sum. However, this will be allowed only if payment of a "serious ill-health lump sum" is permitted under Part 4 of the Finance Act 2004.

The Board will calculate the lump sum on a basis certified as reasonable by an Actuary.

14.4 Discretionary Benefits

If the relevant Responsible Body (if any) agrees and pays any additional contribution that the Board considers appropriate (after taking actuarial advice), the Board may provide:

- 14.4.1** increased or additional benefits for or in respect of any Member or Members;
- 14.4.2** benefits for or in respect of any Member or Members different, or on different terms (including as to time of payment), from those set out elsewhere in the Rules; or
- 14.4.3** benefits on any terms for any other person for whom the relevant Responsible Body wishes to provide benefits.

Any benefits provided under this Rule will be consistent with the Contracting-out, Preservation, Revaluation and Transfer Value Laws.

15 Transfers and buy-outs

15.1 Transfers from other schemes

The Board may accept a transfer of assets or surrender value in respect of any person from another pension scheme or other arrangement. The Board will provide such benefits in respect of the person concerned as they decide are appropriate after considering actuarial advice. The benefits must comply with the Contracting-out, Preservation, Revaluation and Transfer Value Laws.

15.2 Transfers to other pension schemes and arrangements

Instead of providing benefits under the Scheme in respect of any person, the Board may transfer assets to another occupational pension scheme or to a personal pension scheme so that benefits will be provided under the other scheme in respect of the person concerned. The Board may (but need not) agree to make a payment in respect of part only of a person's benefits under the Scheme.

The transfer must comply with the Contracting-out and Preservation Laws. It must also be a "recognised transfer" under Section 169 of the Finance Act 2004 (recognised transfers).

16 Members who left Service before 1 August 2007

The benefits for Members who left Service before 1 August 2007 will be calculated as described in the provisions of the Scheme in force previously from time to time. The benefits will, however, be paid as described in these Rules, and the Trust Deed. Rules 6.4 (payment of lump sum death benefits), 11 to 15 and 17 to 18 of these Rules will apply in place of any corresponding previous provisions of the Scheme. In particular, Rule 12.5 (tax status of the Scheme) will apply so that, if the Board would otherwise be required to make a payment that would have "unauthorised" by virtue of Section 160 of the Finance Act

2004, the payment will be treated as discretionary and will not be made unless Board agrees otherwise (which it need not do).

17 Assets of the Scheme

17.1 Contributions

Each Responsible Body participating in the Scheme must contribute to the Scheme as required under the Trust Deed and under the Pensions Acts 1995 and 2004.

17.2 Assets held on trust

The Board will hold all the contributions and other assets which it receives and the property representing them and all the income on trust for the purposes of the Scheme.

17.3 Investment of assets

For the purposes of the Scheme, the Board may, in any part of the world, alone or together with others:

- 17.3.1 acquire and dispose of any property (tangible or intangible, movable or immovable), whether or not it produces income;
- 17.3.2 enter into any contract or incur any obligation;
- 17.3.3 lend or borrow money or other property for any purpose (including acquiring assets);
- 17.3.4 grant any mortgage or charge over or give any right of recourse against any or all of the assets in the Fund;
- 17.3.5 form and finance any company;
- 17.3.6 carry on and finance any business;
- 17.3.7 insure assets in the Fund for any amount against any risk;
- 17.3.8 keep assets in nominee names; and
- 17.3.9 exercise their powers under Section 34(1) of the Pensions Act 1995 (power of investment and delegation) to make an investment of any other kind as if they were absolutely entitled to the assets in the Fund.

The Board will exercise these powers in accordance with Sections 36 and 40 of that Act (choosing investments and restriction on employer-related investments).

17.4 Participation in common investment funds

If the Board decides to pool assets with other occupational pension schemes in common investment funds, the Board may exercise its powers under Rule 18.1 (delegation) to delegate investment funds to the trustee or administrator of the common investment fund. The functions that may be delegated include:

- 17.4.1 the Board's powers under Rule 17.3;
- 17.4.2 any discretion to make any decision about investments;
- 17.4.3 the power to delegate investment functions on behalf of the Board to a fund manager in accordance with Section 34 of the Pensions Act 1995 (power of investment and delegation);

17.4.4 the duty to be satisfied that the fund manager has appropriate knowledge and experience and is carrying out his or her work competently and in accordance with Section 36 of the Pensions Act 1995 (choosing investments); and

17.4.5 the power to appoint any professional advisers under Section 47 of the Pensions Act 1995 (professional advisers).

17.5 Scheme expenses and trustee liabilities

The Board may pay the expenses of the Scheme and the Fund (including its own expenses incurred in attending to Scheme or Fund business) from the Fund. This includes all expenses and liabilities incurred by a trustee or a former trustee through acting as a trustee of the Scheme. However, no amount may be paid from the Fund for the purpose of reimbursing the Board in respect of a fine or penalty of a kind mentioned in Section 256 of the Pensions Act 2004 (no indemnification for fines or civil penalties).

17.6 Accounts and actuarial valuations

The Board will prepare accounts of the Scheme and have them audited.

The Board will obtain actuarial valuations of the Scheme and the Fund at intervals of not more than 3 years, and (if so required by the Pensions Act 2005) an actuarial report for any year in which they do not obtain a valuation. The valuations and reports must comply with any requirements of Section 224 of the Pensions Act 2004 (actuarial valuations and reports).

17.7 Surplus assets

It may be that an actuarial valuation of the Scheme shows that the value of the Fund exceeds the value of the Scheme's liabilities. If this happens, the Board may, after satisfying the requirements of Section 37 of the Pensions Act 1995, pay all or part of the surplus (less tax) to the Responsible Bodies, in such proportions as the Board directs.

18 The Board

18.1 Delegation

The Board may delegate powers, duties or discretions to any person and on any terms (including terms that allow the delegate to sub-delegate).

18.2 Limit of liability

The Board will not be liable for any negligence, default, breach of duty or breach of trust other than wilful wrongdoing.

Note: This Rule is subject to Section 33 of the Pensions Act 1995 (investment powers: duty of care). Section 33 limits the extent to which liability for breach of any obligation to take care or exercise skill in the performance of any investment functions can be excluded or restricted.

18.3 Indemnity

The Responsible Bodies will jointly and severally indemnify each member of the Board against any expenses and liabilities which are incurred through acting in relation to the Scheme but which cannot, for any reason, be met from the Fund. But this does not apply to expenses and liabilities which are incurred through wilful wrongdoing or covered by insurance under Rule 18.4 (insurance).

18.4 Insurance

The Board may insure the Scheme and the Fund against any loss caused by the Board. The Board may also insure itself (and its members) against liability for negligence, default, breach of duty or breach of trust not involving wilful wrongdoing. The premiums may be paid from the Fund unless the insurance covers fines or penalties of a kind mentioned in Section 256 of the Pensions Act 2004 (no indemnification for fines or civil penalties).

If the Board is insured, it will waive the protection of Rule 18.2 (limit on liability).

19 Governing law

English law governs the Fund and the Scheme and their administration.