

PLANNING RETIREMENT POLICY AND PROCEDURE

1. POLICY STATEMENT

- As part of HBOS's approach to flexible working, HBOS provides colleagues with choices about when and how they retire from the Company. The implementation of the Finance Act 2004, the Employment Equality (Age) Regulations 2006 and flexible working practices provides colleagues the flexibility to manage their working hours and pensions according to their circumstances.
- HBOS recognises not all colleagues will wish to retire at the same time and therefore to facilitate retirement choices, HBOS does not set a contractual retirement age at which colleagues must retire. Instead retirement will be agreed between the Company and the colleague, although pension schemes will still retain a scheme pension age for funding purposes.
- Decisions made will aim to allow colleague choices while effectively meeting the requirements of the business.

2. APPLICATION

Scope

- This policy applies to all UK based colleagues employed by HBOS plc.
- Colleagues must be over the age of 50 (55 from 6 April 2010) in order to opt for any retirement options.

3. DEFINITIONS

For ease of reference, terms referred to throughout this policy are defined as:

Flexible Retirement: when a colleague draws all of their accrued pension benefits while continuing to work for HBOS. This is an option from age 50 (55 from April 2010) onwards. Pension benefits may be reduced if the colleague is below their scheme pension age.

Flexible Working: when with the agreement of their line manager, a colleague works alternative hours, patterns, locations to that in their contract.

Scheme Pension Age: This is determined by the scheme of which the colleague is a member or former member. Colleagues should refer to the Pensions section of HR in HBOS for further details.

Late Retirement: when a colleague continues to work beyond their scheme pension age, continuing to make pension contributions.

Voluntary Early Retirement: when a colleague leaves the employment of HBOS and takes their pension prior to their scheme pension age.

4. AUTHORITIES / RESPONSIBILITIES

- Line managers and colleagues should discuss retirement plans to ensure that colleagues are aware of their options and that the business can resource plan effectively.
- Once an application for retirement has been made and agreed where necessary, Group Pensions will be responsible for putting the appropriate pension benefits into payment.

5. CROSS REFERENCE

- This policy should be read in conjunction with the Flexible Working Policy and Procedures and the Performance Management Guidelines.
- Separate policies on Ill Health Retirement and Security of Employment should be referred to where colleagues are retiring under these circumstances.
- This policy replaces the Working Beyond Normal Retirement Age policy.
- Colleagues should refer to the Pensions section of HR in HBOS for further information.

6. RETIREMENT PRINCIPLES

- In order to give colleagues flexibility and choice, HBOS does not operate a contractual retirement age, providing colleagues with the opportunity to plan when they will retire.
- As during all stages of a colleague's career, continued employment will be subject to effective performance and business requirements. Any issues with performance will be addressed through the Performance Improvement policy.
- To help both colleagues and HBOS plan ahead, colleagues are encouraged to have discussions with their managers at regular intervals e.g. annual appraisal / development reviews about their career and retirement plans.
- This approach is important to ensure colleagues are aware of the options open to them and to allow HBOS to ensure the business is properly resourced and succession plans are in place.
- Under Scheme Rules, pension benefits must be put into payment by age 75.

7. COLLEAGUE OPTIONS:

From age 50 (55 from 6 April 2010) colleagues have a number of retirement options open to them. These are outlined below.

To ensure a Retirement option is processed promptly, the attached application form must be completed (Appendix 1), printed and forwarded to Group Pensions, together with a certified copy of the colleague's birth certificate.

7.1 FLEXIBLE RETIREMENT

- From age 50 (55 from 6 April 2010), colleagues can take Flexible Retirement. This means that they can draw all of their accrued pension benefits whilst continuing to work for HBOS.
- At the same time a colleague may wish to explore options regarding changing their hours of work or job role in conjunction with Flexible Retirement. See section 7.2 on Flexible Working.

- Flexible Retirement will not affect a colleague's employment status. All terms and conditions of employment, with the exception of pension, will remain the same subject to the colleague remaining in the same role.
- Colleagues must take **all** of their pension benefit in the relevant scheme at the date of their Flexible Retirement.
- If a colleague is drawing benefits from the Final Salary Pension Scheme they may not then rejoin that scheme and accrue further benefits.
- Once pension benefits have been put into payment, colleagues cannot at a future date change the basis on which the pension has been calculated or defer payments.
- All colleagues taking Flexible Retirement may join the HBOS Group Money Purchase Scheme for future pension contributions. Having done so, a colleague may only make one further request for Flexible Retirement, which may be subject to Company approval.
- For colleagues taking Flexible Retirement **before** scheme pension age the following will apply;

Final Salary Pension Scheme: For members of the final salary scheme retiring before scheme pension age, reductions will be applied to their pension. Therefore the annual pension received will be less than the pension benefits which would have been provided at the scheme pension age. From time to time the level of reduction is reviewed and agreed by the Trustees and Company.

HBOS Group Money Purchase Scheme: For members of the Group Money Purchase Scheme, retirement before scheme pension age may mean the pension benefits will be less because the colleagues' individual account will have received fewer contributions, had less time to grow and the pension it provides will start earlier and have to last longer.

- Colleagues taking Flexible Retirement should be aware that they may pay income tax on their pension in payment and, when added to their earnings from HBOS, this may take them into a different tax band. Colleagues should ensure they take their own financial advice if they are unclear about the position.
- Colleagues taking Flexible Retirement will continue to be covered by life assurance according to the scheme rules.

7.2 FLEXIBLE WORKING

- At any point in their careers, all colleagues can make a flexible working request. This means they may want to vary their hours, work patterns, or locations e.g. work from home.
- At a time when colleagues are considering their retirement options, they may wish to consider Flexible Working options to suit their retirement plans.
- Any requests for Flexible Working must be made in line with the separate Flexible Working policy. Any decision to grant flexible working is dependent on business need and performance and is therefore separate to the ability to take accrued pension benefits i.e. Flexible Retirement.
- Colleagues considering a change in hours, and who are not already in receipt of their accrued pension benefits, should check their scheme booklet and information on HR in HBOS to understand any possible impact on their future retirement and life assurance benefits.

7.3 ALTERNATIVE ROLE / RELINQUISHMENT

- A colleague's retirement plans may include consideration of roles at a lower level than their present role. In this case there may be some protection available for their terms and conditions. Colleagues should refer to the separate Relinquishment policy and discuss their options with their line manager / HR contact.

7.4 VOLUNTARY EARLY RETIREMENT

- From age 50, (55 from 6 April 2010), if colleagues wish to draw their pension and leave the employment of HBOS prior to their scheme pension age, they can apply to do so, subject to company consultation and approval by the Trustees.
- The date of leaving will be mutually agreed between the line manager and the colleague. However, to ensure that their request can be administered, colleagues should discuss

their request with their line manager six months in advance of their planned retirement date.

- For members of the Final Salary Pension Scheme retiring before scheme pension age reductions will be applied to their pension. Therefore the annual pension received will be less than the pension benefits which would have been provided at scheme pension age. From time to time the level of reduction is reviewed and agreed by the Trustees and Company.
- For members of the HBOS Group Money Purchase Scheme retirement before scheme pension age, may mean the pension benefits will be less because the colleagues' individual account will have received fewer contributions, had less time to grow and the pension it provides will start earlier and have to last longer.

7.5 RETIREMENT AT OR AFTER SCHEME PENSIONABLE AGE

When a colleague reaches their scheme pension age, they have a number of options open to them. These can be exercised any time after scheme pension age and are:

Late Retirement – continuing to contribute and accrue additional pension benefits while still working for HBOS and then leave on retirement at a later date.


Retirement - drawing all accrued pension benefits and leaving HBOS.

Flexible Retirement – as outlined above i.e. ceasing pension contributions and drawing all accrued pension benefits whilst continuing to work for HBOS (Full details are contained in Section 7.1 above)

- When a colleague is approaching their scheme pension age, if they have not already exercised any Flexible Retirement options, Group Pensions will automatically contact colleagues with a reminder of their options.
- For colleagues over scheme pension age and still in employment death in service benefits will apply to the same extent as other colleagues. From age 75, under HMRC tax rules, this benefit may be subject to tax.
- When a colleague chooses to leave HBOS under any of these retirement options they must give the notice required in their contract of employment.

Appendix 1

The Retirement Application below should be printed out, completed and mailed to:
Group Pensions Team, Trinity Road, Halifax HX1 2RG.

your pension			
Retirement Application		TO GROUP PENSIONS	
Date	<input type="text"/>	Line Manager	<input type="text"/>
Branch/Dept/Division	<input type="text"/>	Tel No	<input type="text"/>
Colleague Name	<input type="text"/>	Coll Personnel No	<input type="text"/>
Retirement Option Requested	<input type="text"/>	Birth Certificate Attached	Yes / No (delete as appropriate)
RETIREMENT OPTION DEFINITIONS			
Flexible Retirement: draw accrued pension benefits & continue to work for HBOS Voluntary Early Retirement: leave HBOS & draw accrued pension benefits prior to scheme pension age Retirement: draw accrued benefits at (or after) scheme pension age and leave HBOS			
Effective Date	<input type="text"/>	<i>* Flexible Retirement must be effective from the final day of the month</i>	
Colleague Signature	<input type="text"/>	Line Mgr Signature	<input type="text"/>
LINE MANAGER ACTIONS			
Except in the case of Flexible Retirement, a Leavers Forms should be completed and sent to Payroll prior to the date of retirement.			
PENSIONS USE ONLY			
Date Request Received	<input type="text"/>	Date Retirement Acceptance Sent	<input type="text"/>
Date Retirement Options Issued to Colleague	<input type="text"/>	Confirmation of Choice Received from Colleague	<input type="text"/>
Date Benefits Put Into Payment	<input type="text"/>	Confirmation Retirement Processed - email to Manager	<input type="text"/>
Hard Copies Received Birth Certificate	<input type="text"/>		