

# HBOS Group Money Purchase Scheme

Pension Schemes Registry Number: 10245492

**Trustees' Report and Auditors' Statement  
for year ended 31 March 2009**

*Charmaine Gilbride, Retail*



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# introduction from the chairman

Dear Scheme Member

On behalf of the Trustees, I am pleased to present the Trustees' Report and Auditors' Statement for the year ended 31 March 2009.

In this year's Report we set out the notable events over the year and also, importantly, our activities relating to governance of the Scheme.

As one of the largest schemes of its kind in the UK and with new recruits to HBOS automatically joining the Scheme, the HBOS Group Money Purchase Scheme has a membership of over 30,000 contributing members, with an additional membership in excess of 6,000 holding a preserved benefit.

There have been some big changes since we issued the last Report, with the creation of Lloyds Banking Group. All Scheme contributions are held under trust in the Scheme, which is completely separate from HBOS plc and cannot therefore be accessed by HBOS plc or any other employer. The Scheme continues to operate on the same basis as before.

A year can be a very short period of time when investing for a pension. Some members of the HBOS Group Money Purchase Scheme will be investing for 40 years or more before retirement, so long-term investment performance is likely to be more important for most members than the performance in any one 12 month period. It is important to remember this when looking at investment performance during the last Scheme year.

I hope that you find this report informative. If you have any queries about the Scheme please do not hesitate to contact Group Pensions (see page 18 for contact details).

Yours



**David Nicholson**  
**Chairman of the Trustees**

# about the trustees

The Scheme is managed on your behalf by the Trustees.

The Trustees meet at least four times a year to review the management of the Scheme and to make decisions. Where appropriate, they take advice from a number of specialist advisors.

The Trustees are also responsible for the Scheme's investments and other assets, and these are held separately from those of HBOS plc.

## Management Trustees

### **David Nicholson (Chairman)**

Managing Director  
HBOS Community Bank  
Chair of Trustees

### **Jonathan Kennedy**

Service Delivery Director  
HBOS Services

### **David Latto**

Director of Corporate Banking  
Bank of Scotland (Ireland) Limited  
Chair of Communication & Administration Committee

### **John Veale**

General Counsel  
Wealth and International Division

## Member Trustees

### **Sandra Newth**

Customer Service Manager  
Clerical Medical

### **Gerald McLarnon**

Head of Sales and Marketing  
Banking, Retail

### **Alastair Shand**

Head of Analysis and Strategy  
Finance

### **John Giles**

Head of Group Credit: Financial Institution & Sovereign Assets  
Group Risk

## Independent Trustee

### **Michael Deakin**

Independent Trustee  
Chair of Investment Committee

# about the trustees (cont'd)

## **Appointment of Trustees**

A full nomination and selection process last took place during 2007. All members were invited to nominate themselves or another Scheme member to act as a Trustee. A selection committee made up of Trustee, company and union representatives selected John Giles and Alastair Shand who were appointed Member Trustees on 6 December 2007 from the nominations. Sandra Newth and Gerald McLarnon were reselected.

This procedure was carried out in accordance with the arrangements that we have implemented under the requirements of the Pensions Act 2004 and the Occupational Pension Schemes (Member nominated Trustees and Directors) Regulations 2006. In accordance with these arrangements and the Pension Regulator's guidance on this area, the Trustees will review these arrangements every three years.

Final responsibility for appointing and removing Trustees lies with the principal employer, HBOS plc.

## **Other Trustees During the Year Ended 31 March 2009**

Stephen Krag resigned as a Management Trustee on 31 March 2009.

# trustees' summary of the year

This section of the report summarises notable events during the year.

## A Smarter Way to Pay Pension Contributions

A new arrangement for paying contributions 'A smarter way to pay your pension contributions' was introduced on 1 June 2008, providing a reduction in National Insurance (NI) to the majority of the Scheme's members and HBOS. Most colleagues were automatically included and taking part was a change to contractual terms and conditions of employment with colleagues agreeing to reduce their gross salary. As participants, members give up part of their salary and HBOS pay the equivalent amount into the Scheme on their behalf. By reducing existing salary colleagues pay less NI so take home pay increases with a corresponding reduction in the NI HBOS pays.

## Contribution Increase

The Company and Trustees were successful in automatically enrolling around 20,000 colleagues into the Scheme in May 2006. Contributions for these colleagues commenced at 2%, with a view to increasing contributions up to 4%, the default level by May 2008. The second phase of this process was completed in May 2007, with contributions set at 3% unless members chose otherwise. In May 2008 the final increase applied and the phasing process for the members that were auto enrolled into the Scheme was complete.

## Clerical Medical Pricing Issues

During the year, it has come to the Trustees' attention that on occasions during this year and previous years, Clerical Medical have experienced some problems affecting their administration of the HBOS Group Money Purchase Scheme and other schemes, meaning that some errors have occurred in the administration of members' accounts. As a consequence, some members' accounts have been recorded with a fund value that is (incorrectly) higher or lower than should be the case. In the vast majority of cases, members' accounts are affected by less than £10.

The Trustees have reviewed these errors in detail with Clerical Medical and have agreed a policy for rectifying the errors, as follows:

- All members whose accounts were recorded with a fund value that is lower than the correct value will be reimbursed via an adjustment to their account (other than members who have left the Scheme who were impacted by a de minimus amount).
- Members whose accounts were recorded with a fund value that is higher than the correct value will not be required to return the excess amount.

This approach has been agreed with HM Revenue & Customs and the Financial Services Authority.

The Trustees have sought assurances from Clerical Medical that processes will be put in place to ensure that such errors do not recur. Clerical Medical will be undertaking an audit of their processes for this purpose.

## Scheme Communication

A guide to the 'A smarter way to pay your pension contributions' initiative and the Scheme and Investment Guides are available on the HBOS Group Money Purchase Scheme website at [www.hbosgmps.co.uk](http://www.hbosgmps.co.uk). You should check this site periodically for the latest news about the Scheme.

An annual newsletter was issued to all members of the Scheme in November 2008 which included details from the full Trustees' Report and Auditors' Statement and an up to date individual fund value statement to 30 September 2008.

## Annual Benefit Statements

During July 2009 all colleagues who were in the Scheme at 31 March 2009 received a Statement which included an illustration of their individual retirement account, with expected pension at normal retirement date in today's prices, and a breakdown of contributions and funds.

As with statements that were issued in earlier years, the design has been harmonised with Total Reward communications. The design was reviewed and refreshed this year, to introduce the concept of the member journey and to emphasise the importance of completing a nomination form for death in service benefits.

# trustees' summary of the year (cont'd)

## Pension Planner

The Pension Planner gives at a glance information on how your pension benefits might look at retirement and the actual value of HBOS contributions and tax relief. The planner can be used to model the effects of changing your contribution rates and of different investment returns and retirement dates.

The Pensions Planner can be accessed at [www.hbospensionplanner.co.uk](http://www.hbospensionplanner.co.uk) or via the HBOS Group Money Purchase Scheme website at [www.hbosgmps.co.uk](http://www.hbosgmps.co.uk)

## Investment Self Assessment Questionnaire

The online investment self assessment questionnaire encourages members to think about their attitude to investment related risks. Everyone's attitude to risk is different - particularly where money is involved. Therefore it is important for members to understand that different types of investment offer potentially different returns and attract different risks. The questionnaire will help members to decide upon which funds/investment strategies are most suitable for their attitude towards risk.

The online investment self assessment questionnaire can be accessed via the HBOS Group Money Purchase Scheme website at [www.hbosgmps.co.uk](http://www.hbosgmps.co.uk)

## Online Nomination Forms

The Trustees have developed an online nomination form enabling colleagues to make non-binding nominations of beneficiaries for lump sum payments on death. This can be found in the Pensions section of the Total Reward intranet site on Interchange.

## Scheme Constitution and Governance

The Scheme is a registered pension scheme under Chapter 2 Part 4 of the Finance Act 2004 and so continues to qualify for the tax advantages for both the members and the employer. The Scheme is not contracted out of the earnings-related part of the state pension scheme, the state second pension, as permitted by the Pension Schemes Act 1993.

During the year to 31 March 2009, the Trustees met on five occasions. In addition, the Trustee's two sub-committees, the Investment Committee and the Administration and Communications Committee, set up to help them carry out their detailed business, met on four occasions each.

The Investment Committee, now chaired by Michael Deakin, helps to develop investment strategy and monitors the performance of the Scheme's external investment managers. The Administration and Communication Committee, chaired by David Latto, manages the detailed administration issues and communications affecting the Trustees and the members.

The Trustees have continued to work towards the completion of a training framework to help them meet the requirements of the Pensions Regulator's code on Trustee Knowledge and Understanding. These requirements expect Trustees to be conversant with the principles of funding and investment, to have an understanding of trust and pensions law and be familiar with their scheme documentation. In addition, Trustees may need to seek expert advice from time to time. The Trustees' current advisers are set out below.

The Trustees are also keenly aware of the risks inherent in operating and administering a pension scheme and are mindful of the requirements of internal controls legislation and further guidance on the subject issued by the Pensions Regulator. During 2008 the Trustees continued to review their risk register to satisfy themselves that their internal controls are proportionate and adequate.

## Scheme Administrators

The Scheme administrators are the Group Pensions department of HBOS plc and Clerical Medical. The Trustees have a service agreement in place with HBOS plc and this sets out both how decisions will be made and how quickly cases should be dealt with. The key service standards are:

- Written enquiries will receive a response within five working days.
- Any communication relating to a death will always be responded to within two working days.
- 90% of all retirement quotations will be provided within five working days of request and 100% will be provided within 10 working days.
- Lump sum retirement payments will be made within five working days of retirement.

Trustees receive a quarterly report which shows how the administration has been carried out and which details compliance with the service agreement and legal requirements. The Trustees continued to monitor the administration of the Scheme, including the appropriateness of the service standards during the period.

# trustees' summary of the year (cont'd)

## **Employer Related Investment**

There has been no direct self-investment in the participating employer or any associated company at any point in the year. There is some exposure to HBOS plc within the pooled funds. The level of self-investment is within the 5% limit on self-investment imposed by the Occupational Pension Schemes (Investment of Scheme's Resources) Regulations 2005.

## **Scheme Advisors**

### **Auditors**

KPMG LLP, 1 The Embankment, Neville Street, Leeds LS1 4DW

### **Scheme Managers and Administrators**

Group Pensions, HBOS plc, Trinity Road, Halifax HX1 2RG  
Clerical Medical Investment Group Ltd, 10 Cannons Way, Bristol, BS1 5LF

### **Investment Manager**

Clerical Medical Investment Group Ltd, 10 Cannons Way, Bristol, BS1 5LF

### **Legal Advisors**

Allen & Overy LLP, One Bishops Square, London E1 6AD

### **Investment/Actuarial Advisors**

Watson Wyatt Ltd, 1 Wellington Place, Wellington Street, Leeds LS1 4AP

### **Trustee Contact Details**

The Trustees, c/o Group Secretariat, Lloyds Banking Group, 25 Gresham Street, London, EC2V 7HN

# investment summary for year ended 31 March 2009

The majority of members of the HBOS Group Money Purchase Scheme are investing for the long-term and it is particularly important to remember this when looking at investment returns over relatively short periods of time.

2008 saw the start of the worst financial crisis of modern times, with a number of countries around the World, including the UK, officially entering recession. Following government bailouts and increased bad debts amongst commercial banks, particularly in the US, UK and other western European countries, the availability of credit remained restricted and relatively expensive as banks were unwilling or unable to lend at the same levels that they had in recent years.

Consumers and businesses either found it difficult to borrow money or were very reluctant to take on new loans in a time of economic uncertainty, and this reduced the amount of money being spent on goods and services. Companies who saw the demand for their goods and services fall experienced falling profits and consequently lowered dividend payments to investors. As a result, many investors sold company shares and moved to other types of investments in search of better returns. As a consequence, the Scheme's funds that invest in company shares (equities) fell in value and produced negative returns over the year to 31 March 2009.

Lower company profits also affected the returns on corporate bonds as investors were nervous that some companies might default on repaying their bonds, although during the year to 31 March 2009 actual defaults were very few. However, the Scheme's funds that invest in corporate bonds suffered from this nervousness and produced negative returns over the year to 31 March 2009.

The returns from commercial property were also affected by the recession, as fewer companies were looking to invest in new premises and rent increases were unaffordable for some tenants. As a consequence, the Property Fund produced negative returns over the year.

Funds that invest in UK fixed interest government bonds (gilts) produced positive returns over the year to 31 March 2009. In an economic downturn and with falling inflation, many investors considered government backed-bonds that pay a fixed rate of interest to be safer than other types of investments. Consequently, this increase in demand for fixed interest gilts pushed up prices in the earlier part of the year, however, the need for the UK Government to borrow more money caused gilt prices to fall back in early 2009 as more new gilts were issued into the market.

Funds that invest in index-linked gilts produced negative returns over the year. Index-linked gilts are linked to the Retail Price Index (RPI), and as a result of the recession affecting demand for goods and services and driving down prices, inflation and the RPI turned negative in late 2008 for the first time in a number of years.

Most of the funds available through the HBOS Group Money Purchase Scheme produced negative returns during the year to 31 March 2009. The Trustees and their advisers believe that this is largely symptomatic of the current global economic situation, although investment manager performance was a secondary factor in some of the closed funds.

The Trustees and their advisers believe that the range of funds available through the Scheme remains appropriate to meet the differing requirements of Scheme members at different times in their lives and that the funds offer the opportunity to benefit from future economic recovery.

The Trustees continue to monitor the performance of all funds on a quarterly basis.

# investment summary (cont'd)

## Funds Available to All Members

All members of the HBOS Group Money Purchase Scheme can choose to invest in any of the following funds:

<b>UK Equity Tracker Fund</b>	<b>Global Equity Tracker Fund</b>
<b>UK Fixed Interest Gilt Tracker Fund</b>	<b>UK Index-Linked Gilt Tracker Fund</b>
<b>Corporate Bond Tracker Fund</b>	<b>Money Market Fund (formerly Cash Fund)</b>
<b>Property Fund</b>	<b>Lifestyle Options 1, 2 or 3</b>

The performance of the funds (net of annual management charge) is shown in the following table. All of the underlying funds were already in existence before they were made available through the Scheme, therefore performance is shown over the previous five years.

The tracker funds aim to deliver investment returns that are as close as possible to the performance of the overall markets in which they invest. The figures show that the tracker funds achieved this. The Money Market Fund and Property Fund are not tracker funds, but they aim to deliver returns that are at least as good as the overall markets in which they invest. Both the Money Market Fund and the Property Fund performed better than their respective benchmarks during the year ended 31 March 2009.

The benchmark is a measure of the performance of the market in which each fund invests. For example, the FTSE All Share Index measures the performance of the majority of company shares in the UK, so it is possible to compare how the UK Equity Tracker Fund has performed against UK share markets as a whole.

Fund	Investment Manager	12 months ended 31 March 2009		3 years (% per year)		5 years (% per year)	
		Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
<b>UK Equity Tracker Fund</b> (Benchmark: FTSE All Share index)	Barclays Global Investors Limited	-29.1%	-29.3%	-10.1%	-10.2%	1.4%	1.4%
<b>Global Equity Tracker Fund</b> (Benchmark: FTSE All World Developed (ex-UK) Index)	Barclays Global Investors Limited	-18.3%	-18.9%	-7.0%	-7.3%	2.1%	2.1%
<b>Property Fund</b> (Benchmark: IPD UK All Property Monthly (£50m-£500m) Index)	Invista Real Estate Management Limited	-19.9%	-25.5%	-8.0%	-8.4%	0.5%	1.9%
<b>UK Index-Linked Gilt Tracker Fund</b> (Benchmark: UK Gilt-Linked Over 5 Years Index)	Barclays Global Investors Limited	-2.7%	-2.8%	4.2%	4.2%	5.4%	5.5%
<b>UK Fixed Interest Gilt Tracker Fund</b> (Benchmark: UK Gilt Over 15 Years Index)	Barclays Global Investors Limited	-8.8%	8.6%	4.2%	4.1%	5.7%	5.7%
<b>Corporate Bond Tracker Fund</b> (Benchmark: iBoxx Sterling Non-Gilts Index)	Barclays Global Investors Limited	-5.0%	-6.2%	-1.7%	-1.9%	1.7%	1.7%
<b>Money Market Fund (Formerly Cash Fund)</b> (Benchmark: LIBID Sterling 7 Day)	Barclays Global Investors Limited	4.2%	3.6%	5.0%	4.8%	4.7%	4.7%

# investment summary (cont'd)

**Lifestyle Options 1, 2 and 3** invest in different combinations of these funds (excluding the Property Fund). The mix of funds is rebalanced every year and the mix changes during the 10 years before retirement. The Scheme's Investment Guide explains more about this.

The investment performance of an individual member's own investments in Lifestyle Option 1, 2 or 3 will therefore depend on how close the member is to retirement. A member who was more than 10 years from retirement would have seen the following investment returns over the 12 months to 31 March 2009:

Fund	Investment Manager	12 months ended 31 March 2009	
		Fund	Benchmark
<b>Lifestyle Option 1</b> (Benchmark: composite of the funds in which it invests)	Barclays Global Investors Limited	-23.7%	-24.1%
<b>Lifestyle Option 2</b> (Benchmark: composite of the funds in which it invests)	Barclays Global Investors Limited	-18.7%	-19.2%
<b>Lifestyle Option 3</b> (Benchmark: composite of the funds in which it invests)	Barclays Global Investors Limited	-13.8%	-14.3%

All three Lifestyle Options performed slightly better than their respective benchmarks.

## Closed Funds

The following funds ceased to be available to new members from April 2006:

<b>UK Equity Fund</b>	<b>International Fund</b>
<b>Bond Fund</b>	<b>Money Market Fund (formerly Cash Fund)</b>
<b>With Profits Funds</b>	<b>Lifestyle Fund</b>

The performance of the funds (net of annual management charge) is shown in the following table.

Fund	Investment Manager	12 months ended 31 March 2009		3 Years (% per year)		5 years (% per year)	
		Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
<b>UK Equity Fund</b> (Benchmark: FTSE All Share index)	Insight Investment Management Limited	-29.9%	-29.3%	-11.1%	-10.2%	-0.2%	1.4%
<b>International Fund</b> (Benchmark: FTSE World Index)	Insight Investment Management Limited	-20.0%	-20.0%	-8.0%	-7.0%	1.0%	2.7%
<b>Bond Fund</b> (Benchmark: 60% FTSEA UK Gilt All Stocks Index & 40% Merrill Lynch £ Non-Gilt All Stocks Index)	Insight Investment Management Limited	-1.4%	3.5%	1.1%	2.8%	3.1%	4.3%
<b>Money Market Fund (Formerly Cash Fund)</b> (Benchmark: LIBID Sterling 7 Day)	Insight Investment Management Limited	-2.5%	3.6%	4.2%	5.1%	4.3%	4.9%

These funds aim to deliver investment returns that are better than the performance of the overall markets in which they invest. The figures show that none of the funds achieved this during the year ended 31 March 2009.

# investment summary (cont'd)

The **Lifestyle Fund** invests in a combination of the UK Equity Fund, International Fund, Bond Fund and Money Market Fund. (The Lifestyle Fund is different to Lifestyle Options 1, 2 and 3). The mix of funds is rebalanced every year and the mix changes during the 5 or 7 years before retirement, depending on when members joined the Scheme.

The investment performance of an individual member's own investments in the Lifestyle Fund will therefore depend on how close the member is to retirement. A member who was more than 7 years from retirement would have seen the following investment returns over the 12 months to 31 March 2009:

Fund	Investment Manager	12 months ended 31 March 2009	
		Fund	Benchmark
<b>Lifestyle Option (closed option)</b> (Benchmark: composite of the funds in which it invests)	Insight Investment Management Limited	- 25.0%	-24.7%

The performance of each of the two **With Profits Funds** is not shown in this report as it is not the same as the return on each individual member's own investment in the funds. The insurance companies that manage the funds can pay out extra bonuses from investment returns earned in previous years, or they can hold back some of the funds' investment returns from the current year to pay out bonuses in future years. Members who are invested in with profits funds can check the value of their investments on their annual Benefit Statement.

## Switching Between Funds

All members of the HBOS Group Money Purchase Scheme can choose to switch some or all of their investments into the funds that are available to all members at any time (members cannot switch investments into the closed funds). More information about the funds can be found on the HBOS Group Money Purchase Scheme website at [www.hbosgmps.co.uk](http://www.hbosgmps.co.uk)

Members who have investments in the With Profits Fund should be aware that the insurance company that manages the Fund may apply a market value adjustment if units are switched out of the Fund before retirement.

**Please note that past performance is not a guide to future performance. Market and exchange rate movements may cause the value of investments to go down as well as up.**

## Myners' Principles and Statement of Investment Principles

In March 2000, the Chancellor of the Exchequer commissioned Paul Myners (now Lord Myners) to conduct a review of institutional investment in the UK. The conclusion of the review, published in 2001 and amended in 2004, was that investment related decision making by pension scheme trustees could be improved if trustees adopted a series of best practice principles, now commonly known as the Myners Principles. The Government endorsed the review's findings and expects all trustees to comply with the principles on a voluntary basis, or explain why if there are instances of non-compliance.

In 2007 the Government asked the National Association of Pension Funds (NAPF) to assess the extent to which: pension fund trustees were applying the Myners principles; scheme governance and the quality of trusteeship had improved; and whether key gaps identified in the previous review had been addressed. The Government's response to the NAPF's findings was published in October 2008 and this led to the creation of the Investment Governance Group (IGG). The IGG is sponsored by the Government and is chaired by the Pensions Regulator and includes representatives from the pensions industry. The IGG is looking at how the Myners Principles might be revised to better reflect practices within defined contribution pension schemes and the IGG's findings will be published in due course.

The Trustees of the HBOS Group Money Purchase Scheme are fully compliant with the current Principles and undertake to assess compliance with any subsequent revisions agreed by the IGG.

The Myners Principles are only a voluntary code of best practice, however, legislation does require the Trustees to set out their approach to governing and making investments in a Statement of Investment Principles (SIP). The Scheme's SIP is available on the HBOS Group Money Purchase Scheme website at [www.hbosgmps.co.uk](http://www.hbosgmps.co.uk)

# trustees' legislative report

## Personal Accounts

Personal Accounts have received significant publicity, and are designed to be an opportunity for employees to contribute to low cost retirement saving. They will be introduced in 2012 and will be based on a band of earnings – broadly between £5,000 and £33,000 per year. Employees will pay 3%, employers will pay 4% (though the contribution rates will be phased in) and a further 1% will be paid in the form of tax relief.

Employees will be automatically enrolled into the personal account scheme unless they are already a member of an employer's scheme of broadly equal or better value. However, they may choose to opt out even if they are not in an employer's scheme. The Government has established the Personal Accounts Delivery Authority, which is a new non-departmental public body charged with advising on and implementing the new scheme.

The Trustees will keep members informed of any developments that affect them. It is anticipated that the HBOS Group Money Purchase Scheme will meet the criteria to qualify as an appropriate employer's scheme.

## State Pensions

At some point between 2012 and 2015 the Government plans to reintroduce the link between state pensions and earnings. Presently, state pensions are increased in line with the Retail Price Index. The Government has also announced that the State Second Pension (S2P formerly called SERPS) will lose its earnings link and move to a flat rate pension. The timescale for this is broadly aligned with the basic state pension becoming earnings linked once again.

The Government has also announced changes to the eligibility conditions for State benefits. Firstly, to help provide better state pensions for carers and others with fractured working patterns, the minimum number of years required to qualify for the full basic state pension will reduce to 30 years for those reaching State Pension Age from 2010. However, alongside this there will be changes to the State Pension Age for both men and women moving to 66 from 2024 through to 67 in 2034 and to 68 in 2044.

## Simplification

The Government has indicated that it wants to simplify the regulatory environment in which occupational pension schemes operate. This is primarily aimed at how occupational and personal pension schemes interact with the state pension scheme. Trustees will communicate any changes with the Scheme members where appropriate.

## Minimum Retirement Age

Previously and following a change in legislation, HBOS and the Trustees have agreed that the minimum age at which members could take retirement was to be increased to 55 from April 2010.

However, before 6 April 2006, the Scheme rules allowed active members of the Scheme to retire from 50 without having to seek permission from HBOS or the Trustees and this right to retire from age 50 is preserved for active members who joined the Scheme before April 2006.

Active members of the Scheme that joined on or after 6 April 2006 will still have to be at least 55 before being able to take benefits after 2010. This also applies to preserved members that left before April 2006, but members who joined before April 2006 will still be able to retire from age 50.

# scheme facts and figures

## Scheme Membership

Members	As at 31 March 2009
Active	30,446
Members with deferred benefits at the end of the Scheme year who had not already attained normal retirement age	6,684
<b>Total</b>	<b>37,130</b>

## The Profile of Active Members at 31 March 2009

Membership Breakdown	%
Under 30	43.9
Age 30-39	31.9
Age 40-49	16.8
Over 50	7.4
<b>Total</b>	<b>100</b>

## Active Membership Profile by Division at 31 March 2009

Division Breakdown	%
Strategy & International	0.20
Treasury	1.50
Group Services	7.40
Corporate	9.20
Insurance & Investment	16.00
Retail	65.70
<b>Total</b>	<b>100</b>

Following the formation of Lloyds Banking Group, there have been some structural changes to the HBOS divisional structure; however, for the purposes of compiling the membership profile for this Report, the HBOS heritage divisions are used.

## Scheme Assets

Over the year to 31 March 2009, the total value of the Scheme Assets increased from £200.7m to £230.3m.

## Scheme Contributions

Quarter	Fund Size (£m)
End of June 2008	200.7
End of September 2008	223.2
End of December 2008	224.9
End of March 2009	230.3

The majority of new contributions into the Scheme are invested in the UK Equity Tracker Fund and the Global Equity Tracker Fund.

Total contributions as reported on by the Scheme auditor during the year to 31 March 2009 were £91.796m.

# independent auditors' statement about contributions

## **Independent Auditors' Statement about Contributions, under Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustees of the HBOS Group Money Purchase Scheme.**

We have examined the summary of contributions payable under the Payment Schedule to the HBOS Group Money Purchase Scheme in respect of the Scheme year ended 31 March 2009, which is set out on page 16.

This statement is made solely to the Scheme's Trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in an auditors' statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees as a body, for our work, for this statement, or for the opinions we have formed.

### **Respective Responsibilities of Trustees and Auditors**

As described on page 16, the Scheme's Trustees are responsible, under the Pensions Act 1995, for ensuring that there is prepared, maintained and from time to time revised a Payment Schedule which sets out the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustees have a general responsibility for procuring that contributions are made to the Scheme in accordance with the Payment Schedule.

It is our responsibility to provide a statement about contributions paid to the Scheme and to report our opinion to you.

We read the Trustee's report and other information in the annual report and consider whether it is consistent with the summary of contributions. We consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary of contributions.

### **Basis of Statement About Contributions**

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the relevant requirements. For this purpose, the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments. Our statement about contributions is required to refer to those exceptions which come to our attention in the course of our work. Our work did not constitute an audit of the financial transactions and net assets of the Scheme and was performed solely for the purposes of making this statement about contributions.

### **Statement About Contributions Payable Under the Schedules**

In our opinion, contributions for the Scheme year ended 31 March 2009, as reported in the summary of contributions and payable under the schedules, have in all material respects been paid from 1 April 2008 to 31 May 2008, at least in accordance with the Payment Schedule dated 21 February 2006 and have in all material respects been paid from 1 June 2008 to 18 January 2009 at least in accordance with the Payment Schedule dated 1 June 2008 and subsequently have in all material respects been paid at least in accordance with the Payment Schedule dated 19 January 2009.

**KPMG LLP**  
**Chartered Accountants**  
**1 The Embankment**  
**Neville Street**  
**Leeds**  
**LS1 4DW**

**22 October 2009**

# statement of trustees' responsibilities in respect of contributions (forming part of the trustees' annual report)

The Scheme's Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time a revised Payment Schedule showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

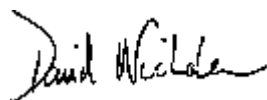
The Scheme's Trustees are also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme in accordance with the schedules.

## Trustees' Summary of Contributions Payable Under the Schedules in Respect of the Scheme Year Ended 31 March 2009

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustees. It sets out the employer and member contributions payable to the Scheme under the payment schedules dated 21 February 2006, 1 June 2008 and 19 January 2009 in respect of the Scheme year ended 31 March 2009. The Scheme auditor reports on contributions payable under the schedule in the Auditor's Statement about Contributions.

Contributions payable under the Payment Schedule in respect of the Scheme year	£'000
<b>Employer</b>	
Normal contributions (including salary sacrifice)	83,365
Employer matching additional voluntary contributions	1,345
<b>Member</b>	
Normal contributions	7,085
<b>Total Contributions payable under the Payment Schedule (as reported on by the Scheme auditors)</b>	<b>91,795</b>

Signed on behalf of the Trustees



David Nicholson  
Chairman of the Trustees

15 October 2009

# other information

The following independent bodies have been set up to help pension scheme members who may have problems regarding administrators or trustees of their scheme.

## **The Pension Tracing Service (formerly the Pensions Registry)**

The Pension Tracing Service's main purpose is to provide a tracing service for members (and their dependants) of previous employers' schemes, who have lost touch with earlier employers and Trustees. To trace a benefit entitlement under a former employer's scheme, enquiries should be addressed to:

**The Pension Service  
Tyneview Park  
Whitley Road  
Newcastle Upon Tyne  
NE98 1BA**

Or you can trace a pension online at [www.pensionservice.gov.uk](http://www.pensionservice.gov.uk)

The information provided includes details of the address at which the Trustees of a pension scheme may be contacted.

This Scheme has been registered with the Pension Tracing Service.

## **The Pensions Advisory Service**

Any concerns regarding this Scheme should be directed to the Secretary who will try to resolve the matter as quickly as possible. Members and beneficiaries of occupational pension schemes who have problems with their scheme that remain unresolved can approach the Pensions Advisory Service for help. A local advisor can usually be contacted through a Citizen's Advice Bureau. Alternatively, the Pensions Advisory Service can be contacted at:

**11 Belgrave Road  
London  
SW1V 1RB**

**Telephone:** 0845 6012923

**Online:** [www.thepensionsadvisoryservice.org.uk](http://www.thepensionsadvisoryservice.org.uk)

## **Pensions Ombudsman**

In cases where a complaint or dispute cannot be resolved, normally after the intervention of the Pensions Advisory Service, an application can be made to the Pensions Ombudsman to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is as for the Pensions Advisory Service but other contact details are:

**Telephone:** 0207 630 2200

**Online:** [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

## **Data Protection Act 1998**

Trustees hold and process personal data on you in order to administer the Scheme. This data is held for the duration of your membership of the Scheme or for any longer period necessary to enable the Trustees to answer questions relating to your benefits.

Trustees may share or transfer this data with third parties or your employer (for example insurers and pension scheme administrators) providing services in connection with the administration of the Scheme. Every care is taken to ensure that personal data is held securely.

This Report is for information only and is based on information available when the Report was produced. We make every effort to make sure that it is accurate. If any of the benefits are incorrectly shown, this does not mean that you are entitled to these benefits as the Report is not binding on the Trustees. Your actual benefits are worked out at the time that they are due to be paid, based on the Trust Deed and Rules.

# scheme contact details

 **Email:** [GroupPensions@hbosplc.com](mailto:GroupPensions@hbosplc.com)

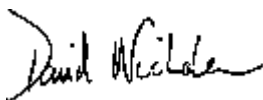
 **Online:** [www.hbosgmps.co.uk](http://www.hbosgmps.co.uk)

 **Post:** Group Pensions, Trinity Road, Halifax, HX1 2RG

 **Telephone:** HR Advice and Guidance on 08456 40 60 80 (option 5)

**Please note that the information contained in this report is for information only and does not constitute advice.**

Trustees Report, signed on behalf of the Trustees



David Nicholson  
Chairman of the Trustees

15 October 2009