

UK Division Staff Pension Fund Final Salary Section

Members Booklet

Closed to new employees from 1 January 2007
and to future accrual from 1 April 2016

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Introduction

The Final Salary (also known as Defined Benefit or DB) Section of the Scheme closed to future accrual on 31 March 2016 and all members are now deferred members or pensioners. This booklet is intended as a guide to the benefits provided.

Please note: This booklet is only a summary of the detailed technical provisions of the Final Salary Section. Its formal legal terms are governed by the Scheme's Trust Deed and Rules, which are the legal documents governing the Scheme's operation. In particular, this booklet is subject to the powers in the Rules to terminate, wind up and amend the Scheme. In the event of inconsistency, the Trust Deed and Rules will prevail.

What are the benefits of the scheme?

I still work for Canada Life – what are my benefits?

Deferred membership of the Scheme provides a wide range of valuable benefits for you and your family:

- A pension for life from your Normal Retirement Date (NRD) based on your pay as at the date you became a deferred member and increased to take account of inflation to the date of actual retirement.
- Enhanced revaluation of your deferred pension (**see Appendix 1 - Definitions**)
- The opportunity under current legislation to exchange part of your pension for tax-free cash at retirement (subject to certain limits),
- An option to retire earlier than your NRD with a reduced pension from age 55 (under current legislation)
- A reduced pension if you have to retire early through ill-health, before age 55
- If you had Money Purchase (also known as Defined Contributions or DC) benefits in the scheme that are now held with Lifesight Master Trust, you can use these DC benefits to fund the tax-free cash at retirement
- If you die before taking your benefits, and are under age 65 or State Pension Age if greater, the Scheme will pay
 - A lump sum equal to four times your Life Assurance Salary
 - A lump sum equal to any contributions you made to the scheme together with interest
 - In addition, if you leave a spouse, they will receive the greater of:
 - A pension for life equal to 50% of the pension you would have received had you remained in the DB Section until your Normal Retirement Date or if later, to the date of death. If your spouse is more than 10 years younger than you, this pension may be reduced; or
 - A pension for life equal to 20% of your Pensionable Salary at date of death.
- If you die leaving children and no spouse's pension is payable, a child's pension may be payable to your eligible child or children. The pension payable to children is paid until the child reaches age 18 (or 23 whilst in full-time education or training approved by the Trustee)
- An option to transfer your benefits to another Registered Pension Scheme. A transfer value may be taken up to one day before you take your benefits.

Please note: The value of a transfer to another arrangement may be reduced if the Scheme is not well funded enough to pay the full value and you will need to take Independent Financial Advice at your own cost to help you decide if this is the right option for you.

I no longer work for Canada Life – what are my benefits?

- A pension for life from your NRD based on your pay as at the date you became a deferred member and revalued to take account of inflation to date of actual retirement. The revaluation takes place on 1 April each year using the statutory deferred benefit revaluation rates (**see Appendix 1 - Definitions**)
- The opportunity under current legislation to exchange part of your pension for tax-free cash at retirement (subject to certain limits),
- An option to retire earlier than your NRD with a reduced pension from age 55 (under current legislation)
- A reduced pension if you have to retire early through ill-health, before age 55

- If you have Money Purchase (also known as Defined Contributions or DC) benefits in the scheme that are now held with Lifesight Master Trust, you can use these DC benefits to fund the tax-free cash at retirement
- If you die before taking your benefits the Scheme will pay
 - A lump sum equal to any contributions you made to the scheme together with interest
 - If you leave a spouse, they will receive a pension for life equal to 50% of the pension you would have received at your NRD. If your spouse is more than 10 years younger than you, this pension may be reduced; or
 - If you die leaving children and no spouse's pension is payable, a child's pension may be payable to your eligible child or children. The pension payable to children is paid until the child reaches age 18 (or 23 whilst in full-time education or training approved by the Trustee)
- An option to transfer your benefits to another Registered Pension Scheme. A transfer value may be taken at any time up to one day before the date on which your benefits commence.

Please note: The value of a transfer to another arrangement may be reduced if the Scheme is not well funded enough to pay the full value and you will need to take Independent Financial Advice at your own cost to help you decide if this is the right option for you.

I am a Pensioner Member – what are my benefits?

- A pension during your lifetime paid monthly into your bank or building society account, beginning on the last day of the month following your retirement (or following death in the case of a spouse's pension). PAYE tax is deducted from your pension before it is paid.
- Increases to your pension whilst in payment
 - **Statutory increases**
Your pension will be increased on 1 January each year (The increase will be pro-rated if you have not been retired for a full year by the time of the increase) on the following basis:
 - The Scheme will increase your GMP earned since April 1988 in line with the Consumer Price Index (CPI) up to 3% per year. The State will pay any further increases to this part of your pension necessary to provide full inflation-proofing; including increases on any GMP built up before April 1988.
 - Pension accrued between 6 April 1997 and 5 April 2005 will increase each year in line with the annual increase in the Retail Prices Index, subject to a maximum of 5% per annum.
 - Pension accrued post 5 April 2005 will increase each year in line with the annual increases in the Retail Prices Index, subject to a maximum of 2.5% per annum.
 - **Discretionary increases**
The Trustees have agreed with the sponsoring Employer that they will consider discretionary increases approximately twice during each valuation period (a valuation period is usually every three years). At the time of the review a number of factors will be taken into account including the inflationary trend since the last discretionary increase, competitor practice and the overall financial condition of the pension scheme. This process will be separate and distinct from the annual process to apply any Statutory increases.
- Payments after your death
 - If you leave a spouse, your widow or widower will receive a pension for life equal to 50% of your pension before any reduction for tax-free cash taken at retirement, increased from date of retirement to date of death. This is on the condition that the marriage took place before you started to receive a pension under the Scheme. If your spouse is more than 10 years younger than you, the pension will likely be reduced.
 - If you die leaving children and no spouse's pension is payable or your spouse's pension has ceased to be paid, a child's pension may be payable to your eligible child or children. The pension payable to children is paid until the child reaches age 18 (or 23 whilst in full-time education or training approved by the Trustee). The total amount of children's pensions payable will be equal to the spouse's pension and if there is more than one child the pension may be split accordingly. Pensions may be paid to disabled children beyond this age.
 - If you die within five years of your retirement and do not leave a spouse or any dependants, an amount equal to five years payments less any payments already made will be paid to your estate.

How are my benefits calculated?

Taking benefits at your Normal Retirement Date

Your pension benefits at your NRD are calculated as outlined in Appendix 2 (Membership Categories). If you are unsure which category applies to you please contact the administrator – Hymans, their contact details can be found in the section “**Further Details**”.

Taking benefits early

If you choose to take your benefits before your NRD (under current legislation the earliest you can take your benefits is at age 55, this is increasing to age 57 in 2028), and your pension will be reduced to reflect the fact that it will be payable for a longer period of time.

At present the Trustee applies ‘**Early Retirement Factors**’ that reduce the pension payable because your pension will be paid for a longer period. The factors currently differ for deferred members that are still employed compared to those that are no longer employed meaning that while you remain employed you will benefit from any enhanced factors the Trustee may apply and the reduction will be less than that applied to a deferred member who is no longer employed.

Early Retirement Factors are the responsibility of the Trustee who review these following each triennial valuation, based on advice from the Scheme Actuary.

Taking benefits before age 55 due to Ill Health

If you are too ill to continue working, you can, subject to any medical evidence the Trustee requires, retire earlier than age 55, subject to an early retirement factor. Your pension will be calculated in the same way as at early retirement.

Taking benefits after Normal Retirement Date

If you take your DB Section benefits after NRD they may be subject to an increased payment, as at present the Trustee apply ‘**Late Retirement Factors**’ because your pension will be paid for a shorter period. The Late Retirement Factors are currently the same for all deferred members. Reviewing Late Retirement Factors is also a responsibility of the Trustee and you should be aware that in the future the Late Retirement Factors may change if the Trustee felt this was necessary, based on advice from the Scheme Actuary.

Transferring benefits from the Canada Life to another Registered Pension Scheme

All Deferred Members have an option to transfer benefits to another Registered Pension Scheme. A transfer value may be taken up to one day before you take your benefits.

Please note: The value of a transfer to another arrangement may be reduced if the Scheme is not well funded enough to pay the full value and you will need to take Independent Financial Advice at your own cost to help you decide if this is the right option for you.

Additional Information

Tax status of the Scheme

The Scheme is a registered pension scheme for the purposes of the Finance Act 2004. As a result, it has the benefit of tax relief on contributions payable under it, and tax relief on the investment returns achieved by it. In exchange for the tax-advantageous nature of the Scheme, HM Revenue & Customs imposes certain limits on the benefits that can be paid by it without tax charges falling due. Your benefits may be reduced to pay any tax charge that falls due in respect of them.

Your pension will be taxed as earned income. Currently, the only tax-free benefit provided by the DB Section is the lump sum on retirement.

Lifetime Allowance (LTA) and Annual Allowance (AA)

Information on the LTA and the AA is available on www.gov.uk.

Financial basis

The DB Section assets are held by the Trustee and not the Company. Therefore, if the Company becomes insolvent the assets will not be available to the Company's creditors. In addition, the Trustees can only use the assets in the ways that are described in the formal documents that legally govern the Scheme.

Trustee

The Scheme is run by a Board of Trustee Directors (the Trustee) who are appointed and replaced, as necessary, by the Company in accordance with the Scheme Rules and legislation. It is also a legal requirement that one third of the Trustee is nominated by the members. Member-nominated trustee directors can only be removed with the consent of all the Trustee Directors, and not the Company. A list of the current Trustee Directors, including those nominated by the membership, is shown at the end of this booklet.

The Trustee is responsible for the general operation of the Scheme and the calculation and payment of benefits. In addition, it is responsible for determining the Scheme's investment policy and it takes expert advice on this. It also has the duty of agreeing, on actuarial advice, an appropriate level of Company contributions.

Changes to the Scheme

The Trustee must abide by the Trust Deed and Rules of the Scheme which are the legal documents governing its operation, and which contain provisions allowing for change or wind up.

As a reminder, this booklet is only a summary of the detailed technical provisions of the DB Section. Its formal legal terms are governed the Trust Deed and Rules, and these will override this booklet in the event of any inconsistency between them.

Further Details

Trust Deed and Rules

If you wish to see a copy of the Trust Deed and Rules, or to find out any more details about the Scheme and how it affects you, you should contact the PX mailbox, PXRewardHelpCLUK@canadalife.co.uk. In the event of inconsistency, the Trust Deed and Rules will prevail. The Scheme's Annual Report and Accounts are available upon request.

Internal disputes

An Internal Dispute Resolution Procedure has been set up as a requirement of the Pensions Act 1995 to help members with any disputes they may have with the Trustee. All members may be issued with a copy of the procedure, upon request. This procedure is summarised below:

If you have a complaint or grievance in relation to a decision or the way you have been treated, the Administration Team at Hymans Robertson will always try to sort it out informally first. However, if you are unable to resolve the matter informally, you can make a formal complaint. In the first instance, please write to Secretary to, who will aim to respond within two months. If you are unhappy with the response that you have received, you are then able to write directly to the Trustee. This should be done within six months of receiving your reply from the Secretary to the Trustee. Please contact Hymans Robertson for details of how to do this. The Trustee will aim to respond within two months.

If you are still dissatisfied, you are entitled to raise your grievance with Money Helper or the Pensions Ombudsman. The contact details can be found on the next page.

Useful Contact Information

The Staff Pension Fund

Please contact Hymans Robertson for any questions you have about the fund or your benefits.

Hymans Robertson LLP

The Canada Life UK Division Staff Pension Fund
PO Box 27170
Glasgow
G2 9NF

Email: canadalifepensions@hymans.co.uk
Telephone: 0141 227 9743

MoneyHelper

MoneyHelper is an independent non-profit organisation. It is available at any time to give you information and guidance on pensions. It covers State, Company, Personal and Stakeholder Schemes. MoneyHelper can also help anyone who has a problem, complaint or dispute with their occupational or private pension arrangements. MoneyHelper operates a national telephone helpline.

It can be contacted as follows:

Money and Pension Service
120 Holborn
London
EC1N 2TD

Telephone: 0800 011 3797

Website: <https://www.moneyhelper.org.uk/en>

The Pensions Ombudsman

The Pensions Ombudsman investigates and decides complaints about the way that pension schemes are run. It is completely independent and there is no charge for using the service. The Pensions Ombudsman will normally only consider cases after you have used the schemes own Internal Dispute Resolution Procedure and have consulted TPAS. It can be contacted as follows:

10 South Colonnade
London
E14 4PU

It can be contacted via MoneyHelper as listed above

The Pensions Regulator

The Pensions Regulator is the regulator of work-based pension schemes in the UK. Its priority is to work with schemes to identify and reduce any risk to the members' benefits. It can be contacted as follows:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton BN1 4DW

Website: www.thepensionsregulator.gov.uk

Pension Tracing Service

If you have lost contact with a previous pension scheme, you can use the pension tracing service.

This holds details of registered pension schemes in the UK, including the addresses for contacting scheme trustees. It can be contacted as follows:

Pension Tracing Service
The Pension Service
9 Mail Handling Site A
Wolverhampton WV98 1LU
Telephone: 0345 600 2537

Website:

www.gov.uk/find-pension-contact-details

Fund administration

Trustee Directors

John Occleshaw – Chair

Tracey Deeks

Narmie Riley

Rick Wisentaner

Richard Helyer (member nominated)

Nicki Pett (member nominated)

Investment Manager

Canada Life Asset Management

Actuarial Consultants

Hymans Robertson

Administration

Hymans Robertson LLP

Scheme Secretary

Ben.Thompson@hymans.co.uk

Communications

All members will receive the annual Pension Scheme newsletter. A wide range of communications are also available on PRISM which include this Scheme Member Booklet, the Statement of Investment Principles and other information that may be of interest to you.

Appendix 1 Definitions

Contracting-out

This is where the Scheme provides certain benefits in place of the State Pension in exchange for paying lower National Insurance contributions. The Scheme ceased to contract out of the State Pension when it closed to future accrual as at 31 March 2016.

DB Section

The Final Salary, or Defined Benefit, Section of the Scheme.

Deferred member

A deferred member has retained rights within the DB Section of the Scheme.

There are two categories of deferred membership. These categories are:

- “**Employed deferred**” which means that the member was an active member of the DB Section on 31 March 2016 and is still employed by Canada Life;
- “**Deferred**” is a member of the Scheme who has ceased working for the Company but has not yet taken their DB pension.

Dependant

Means a spouse, a child up to age 23 if he or she remains in suitable full-time education or anyone who the Trustee considers is financially dependent upon you. This may include those who share living expenses with you or receive financial support from you. The Trustee’s decision as to whether someone is a dependant will be final.

Guaranteed Minimum Pension (GMP)

This is broadly equivalent to the amount of pension you would have received from the State had you not been contracted-out of the State Scheme. Since 6 April 1997, GMPs have ceased to accrue in all pension schemes, but in order to contract-out of the State Second Pension, the Scheme had to pass a test of the general quality of its benefits.

Life Assurance salary

Please see Appendix 2.

Normal Retirement Age

This is the age at which benefits become due without any adjustment. The Normal Retirement Age is dependent on the type of membership (see Appendix 2).

Pensionable Service

This is the period in completed months between the date you joined the Final Salary Section of the Pension Scheme and the earlier of (i) the date you left the DB Section of the Scheme and (ii) 31 March 2016 when the Scheme closed to future accrual.

Revaluation

• Statutory Revaluation

The rates at which deferred members benefits are revalued on 1 April each year

- a. Any Guaranteed Minimum Pension (**GMP**) built up before 5 April 1997 increased at a fixed rate which is dependent on the date you became a deferred member of the Scheme.
- b. Pension in excess of the GMP built up to 5 April 2009 increased in line with the Consumer Price Index (**CPI**) price inflation, capped at 5%;
- c. Pension in excess of the GMP built up from 6 April 2009 increased in line with the Consumer Price Index (**CPI**) price inflation. Capped at 2.5% a year

• Enhanced Revaluation

For Employed deferred members, benefits are revalued on 1 April each year by the greater of RPI (subject to a maximum of 6%) or Statutory Revaluation

Scheme Specific Earnings Cap

This is the maximum salary by reference to which contributions and benefits under the Scheme were generally calculated. For tax year 2016/17 this was £151,200.

Spouse

A person who is legally married (including a same sex partner) or who has registered as a civil partner of the member.

Appendix 2 Membership categories

Office

Final Pensionable Salary

The average Pensionable Salary received in the last three years of active membership of the Scheme. For employed deferreds, this will be the average over the period 1 April 2013 to 31 March 2016.

Life Assurance Pay

Basic salary at the date of death, plus any preserved pensionable bonus as at 31 December 2006 revalued to date of death.

Scheme Normal Retirement Date

Age 60 for both men and women; retirement is on the last day of the month in which that birthday falls.

Pensionable Salary

Basic salary to a maximum of the Scheme Specific Earnings Cap.

Retirement Pension

Calculated as 1/60th of Final Pensionable Salary for each year of Pensionable Service within the Final Salary Scheme, plus any preserved bonus pension as at 31 December 2006 revalued to date of retirement.

Sales members

Final Pensionable Salary

The highest annual average of Pensionable Salary over a period of three consecutive years in any of the six years before the Sales Member ceased to be in Pensionable Service.

The Final Pensionable Salary so defined is usually subject to a maximum equal to 1.3 times the yearly average of his or her Pensionable Salary received in the six years ending when Pensionable Service ended.

Life Assurance Pay

Average annual remuneration during the final three calendar years in the period of service ending 31 December immediately preceding the date of death.

Scheme Normal Retirement Age

Age 60 for both men and women; retirement is on the last day of the month in which that birthday falls.

Pensionable Salary

Basic salary, plus any pensionable bonus in that year, to a maximum of the Scheme Specific Earnings Cap.

Retirement Pension

Calculated as 1/60th of Final Pensionable Salary for each year of Pensionable Service within the Final Salary Scheme.

Previous Branch Managers (Direct Sales Force)

Please contact Hymans for full details.

Previous Sales Representatives (Direct Sales Force)

Please contact Hymans for full details.



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