AMALGAMATED ENGINEERING UNION

STAFF PENSION AND ASSURANCE SCHEME

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FOREWORD

The Staff Pension and Assurance Scheme which throughout this booklet is referred to as "the Scheme" commenced on the 29th April, 1959. The Scheme is operated by Trustees under the terms of a formal Trust Deed and Rules.

This booklet contains a short explanation of the main features of the Scheme in its up to date form at the time of printing and is issued in order to make the terms and provisions readily understandable by all employees, but it should be borne in mind that the booklet is issued for information only and nothing in this booklet can override the terms of the Trust Deed and Rules. When the necessary preliminaries are completed, a copy of the Rules can be inspected at any reasonable time on application to the Management.

Members should note that benefits under the Scheme are payable in addition to any benefits to which they may be entitled from the National Insurance Scheme.

By virtue of your membership of the Scheme, you will be contracted-out of the earnings related part of the State Pension Scheme and your National Insurance contributions will be payable at a lower rate. The benefits under the Scheme will ordinarily be a great deal more than the corresponding benefits that the State Scheme would provide if you were not contracted-out. However, the law requires that contracted-out members and their widows be entitled to benefits at specific minimum levels as will be seen by reference to Part A of the Appendix to this booklet.

If you were a member of the Scheme prior to the 29th April, 1979 any special terms and benefits which may apply to you have been explained in earlier notifications which have been issued to you.

If you were contracted-out of the 1961 State Graduated Pension Scheme please refer to Part B of the Appendix to this booklet.

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1. CONSTITUTION

The Scheme, which is established under irrevocable trusts, is quite separate from the Employer's assets and is in conformity with the current requirements of the Commissioners of Inland Revenue for an Exempt Approved Scheme under Chapter II of Part II of the Finance Act 1970.

The Scheme is operated under the trusteeship of individual Trustees who are also the Administrator for the purposes of the above Act.

The power of appointing and removing trustees is vested in the Employer; a Trustee may resign his office.

2. DEFINITIONS

Despite the desire to keep the wording of this booklet as simple as possible some terms must of necessity have a special meaning in the context of the Scheme and these terms are explained below.

In this booklet:

A. "Employer" means THE AMALGAMATED UNION OF ENGINEERING WORKERS (ENGINEERING FOUNDRY CONSTRUCTION SECTION). To be known as the AMALGAMATED ENGINEERING UNION with effect from 1st May 1986.

B. "Normal Pension Date" means your 65th birthday if you are a male or your 60th birthday if you are a female.

C. "Scheme Year" means a period of twelve months commencing on the 29th April.

D. "Pensionable Salary" means your basic rate of remuneration calculated at the beginning of each Scheme Year, including the London Weighting Allowance where applicable.

E. "Final Pensionable Salary" means your Pensionable Salary immediately prior to your Normal Pension Date, or any earlier date of your retirement or leaving service.

F. "Scheme Service" means the number of complete and continuous years and months of your service from the date when you join the Scheme up to your Normal Pension Date.

Any other service may specially be included in Scheme Service, entirely at the discretion of the Employer.

3. COMMENCEMENT DATE

The Commencement Date of the Scheme was the 29th April, 1959.
4. **ELIGIBILITY FOR MEMBERSHIP**
   You may join on the first 29th April on which you satisfy the following conditions:
   
   A. You are a full-time permanent employee of the Employer, and
   
   B. You are over age 18 and if male are under age 60 or if female are under age 55

   You will not be registered as a member of the Scheme until you have completed and returned an entry form to the Employer and you have been notified of your acceptance in the Scheme.

   You will be required as a condition of employment to join the Scheme as soon as you become eligible to do so.

5. **PROOF OF AGE**
   Evidence of your date of birth must be produced on entry into the Scheme and also it will be required before any payment of benefits is made. (If you are a married woman you will be required to produce your marriage certificate in addition to your birth certificate).

6. **MEMBERS’ CONTRIBUTIONS**
   You will contribute to the Scheme at the annual rate of 5% of your Pensionable Salary. If your Pensionable Salary changes your contributions will be adjusted accordingly. Contributions will cease on the last day of the Scheme Year immediately before your Normal Pension Date.

   Arrangements can be made for you to pay additional contributions in order to secure additional benefits and further details of this facility will be given to you on request.

   Your contributions will be deducted from your salary or wages.

7. **EMPLOYER’S CONTRIBUTIONS**
   The Employer contributes the balance of the cost of the benefits under the Scheme.

8. **PENSIONS**
   A. **Normal pension**

   If you retire at Normal Pension Date the annual amount of your pension will be 1/60th of your Final Pensionable Salary times your Scheme Service. However, if your Scheme Service should exceed 40, your pension will be limited to two-thirds of your Final Pensionable Salary. (See example in sub-section D.)
B. Early retirement on a reduced pension

With the Employer's consent (unless you propose to retire on or after your 64th birthday if male or 59th birthday if female), you may retire at any time before your Normal Pension Date on a reduced pension commencing on your retirement, provided that you are incapacitated or otherwise if you have attained age 50. The amount of this reduced pension will be notified to you when you retire. (See example in sub-section D.)

C. Late retirement on an increased pension

It is a condition of employment that retirement takes place on Normal Pension Date. If the Employer requires you to remain in service because of special circumstances, no pension will be payable until you actually retire, when an increased sum will become payable. The amount of such pension will be notified to you when you retire. (See example in sub-section D.)

D. Examples of pensions

1. Normal retirement

Assume that a male employee joins the Scheme on his 35th birthday and retires at age 65. The following method is used to calculate his pension:

His Scheme Service would be 30 years (i.e. 65 minus 35).

His Final Pensionable Salary (see Definition in Section 2) is calculated to amount to £6000.

His pension would be 30/60ths of £6000
   = £3000 per annum.

(Note:- Until such time as your Final Pensionable Salary is ascertained you may calculate your prospective normal retirement pension as if your last Pensionable Salary continued unaltered to your Normal Pension Date.)

2. Early retirement

In this event the pension is calculated as a proportion of the prospective normal retirement pension (using the Final Pensionable Salary at the date of early retirement) and, subject to paragraph 5 of the Appendix, the pension so calculated is reduced by a small percentage for each complete month between the date of early retirement and Normal Pension Date to allow for its earlier payment.

However no such reduction will apply if you are incapacitated. Furthermore, if you retire on or after your 64th birthday if male or your 59th birthday if female, the
pension is so calculated as your prospective normal retirement pension (using the Final Pensionable Salary at the date of early retirement and Scheme Service which you would have completed had you remained in service until your Normal Pension Date) and no reduction to allow for earlier payment will be made.

3. Late retirement

In this event, the pension calculated as in 1 above, is increased by a small percentage for each complete month between Normal Pension Date and the date of late retirement to allow for its later payment.

E. Options

Subject to paragraph 5 of the Appendix you may choose one or both of the following options:-

1. to give up part of your pension in order to provide a pension for your spouse or another named dependant. Such a pension will commence after your death and will be payable as long as the chosen dependant is alive. The amount of this pension when aggregated with the widow’s pension under Section 9B2 must not be more than the pension you keep for yourself after exercising this option and option 2. Further details will be given to you on request.

2. to exchange with the consent of the Employer part of your pension for an immediate tax free cash sum. The cash sum which you will be permitted to take will be notified to you at the time of your retirement, but normally it will not exceed 3/80ths of your Final Pensionable Salary times your Scheme Service, which will be limited to 40.

These options are exercisable only shortly before retirement except that if you remain in service after Normal Pension Date option 1 will only be available up to Normal Pension Date.

F. Payment of pension

1. Your pension will normally be paid by monthly instalments commencing on the day of retirement on pension and will continue for the remainder of your life. If, however, you die within the period of five years from the commencement of your pension a cash sum will be paid in accordance with Section 9B1.

2. In addition your annual pension will increase at the rate of 2½% per annum compound at each anniversary of the first payment date of your pension following your retirement.
9. BENEFITS ON DEATH

Subject to the conditions of Section 10 and as provided in Section 11 the following benefits are payable on death depending on your marital status viz:–

A. In Service before Normal Pension Date

If you die while you are in Service before Normal Pension Date the benefits under the Scheme will be

1. a refund without interest of all your ordinary contributions
2. a return of the fund built up as a result of any additional voluntary contributions you may have paid
3. a life assurance benefit of a cash sum equal to twice your Pensionable Salary for the Scheme Year in which death occurs, and
4. if you are a married male member who leaves a widow and/or an orphan
   (a) a pension to your widow of an annual amount equal to 1/120th of your Final Pensionable Salary for each complete year of your contracted-out service by reference to the Scheme
   (b) a pension payable in respect of each orphan (subject to a maximum of two at any one time) of an amount equal to 25% of your prospective pension at Normal Pension Date based on continued membership to Normal Pension Date at the rate of your Pensionable Salary for the Scheme Year in which death occurs.

B. After retirement on pension

If you die after you have retired on pension the benefits under the Scheme will be

1. if death occurs within 5 years after your retirement - a cash sum equal to the unpaid balance of 5 years' payments of pension at the rate applicable at the date of death, and
2. If you are a married male member who leaves a widow, a pension to your widow of an annual amount equal to 1/120th of your Final Pensionable Salary for each complete year of your contracted-out service by reference to the Scheme.

NOTE: If you remain in service after Normal Pension Date and die before retirement you will for the purposes of the Scheme be regarded as if you retired on the date of your death.
10. **SPECIAL CONDITIONS RELATING TO BENEFITS ON DEATH**

A. You will be covered for your initial amount of death in service benefit under Section 9 A3 and where applicable 9A4 only if as at the date of your entry into membership you have satisfied the "at work" conditions, details of which are available from the Trustees, and you have furnished the Trustees with such evidence of your insurability as the Insurance Company may require and the Insurance Company shall have notified its acceptance of the cover. On each subsequent occasion when for any reason the amount of a previously existing benefit falls to be increased, your entitlement to be covered for the increased benefit is conditional upon your having furnished the Trustees with such evidence of your insurability as the Insurance Company may require in connection with the increase and upon the Insurance Company having notified its acceptance of the increase of cover concerned.

B. Restrictions may be imposed in certain special circumstances in respect of your death in service benefits but you will be notified if any restrictions apply.

C. If your wife is more than ten years younger than you then, subject to paragraph 3 of the Appendix, the widow's pension described in sub-sections A4 and B2 of Section 9 will be reduced by 2½% thereof for each year (including a part of a year) by which the age difference exceeds ten years up to a maximum of 37½% of the initial amount.

11. **PAYMENT OF BENEFITS ON DEATH**

A. All lump sum benefits on your death will be payable by the Trustees to such one or more of your relatives or dependants or your estate and in such shares as the Trustees shall decide.

You may notify the Trustees of any special preference you may have as to the recipient of the lump sum death benefit and you may similarly notify the Trustees of any change in your wishes. All such notifications must be in writing to the Trustees and a form is available for this purpose on application to the Trustees. It must be understood however that the Trustees are not bound to follow your wishes as the ultimate selection of the beneficiary is solely within their discretion.

B. 1. The widow's pension will be payable by monthly instalments throughout the lifetime of the widow or, if your widow remarries before age 60, until the date of such remarriage — the first instalment falling due on the first
day of the month next following the date of your death.

2. The widow’s pension will increase at the rate of 2½% per annum compound, on each anniversary of the first payment date thereof in the case of a widow’s pension payable as a result of death in service or on the first day of the month following each anniversary of the commencement of your pension which occurs after your death if the widow’s pension is payable as a result of your death after retirement.

3. The orphan’s pension will be payable by monthly instalments the first payment being made in each case on the first day of the month next following your death and be payable for so long as any of your surviving children are under age 18 or if later following a full-time educational course.

4. The orphan’s pension will increase at the rate of 2½% per annum compound, on each anniversary of the first payment date.

12. LEAVING SERVICE BEFORE NORMAL PENSION DATE

Subject to the minimum pension provisions set out in the Appendix to this booklet the following will apply:-

A. On leaving Service before Normal Pension Date for any reason other than death you will be entitled to have your benefit rights preserved.

Your preserved benefits will be calculated by reference to your Scheme Service up to the date of leaving and your then Final Pensionable Salary with such adjustment as may be necessary to take account of pensionable service prior to both you becoming a member of the Scheme and the Commencement Date.

In addition, the proportion of your preserved pension (in excess of your Guaranteed Minimum Pension (before revaluation) – see Appendix) that your Scheme Service from the 1st January 1985 up to the date of leaving bears to the period of Scheme Service completed at the date of leaving will be revalued up to your Normal Pension Date at the rate of 5% per annum compound (or, if less, in line with the increase in the retail price index).

Your preserved benefits will be payable from Normal Pension Date (or on death as the circumstances require) subject to the
same conditions as are in force under the Scheme at the time when your pensionable service ceases. The provisions of subsections B, C, E and F of Section 8 will also apply to your preserved benefits.

Your preserved benefit rights will include rights to widow's pension benefit although this benefit will be of a reduced amount if you die before Normal Pension Date.

If you have completed 5 years' qualifying service provided you last joined the Scheme before 6th April, 1975 you may, in lieu of the rights above, elect to take a refund of your contributions (without interest) paid prior to 6th April, 1975 only, with an appropriately reduced preserved benefit.

All pensionable service under the Scheme will count towards qualifying service and, if you have had earlier service with your Employer which was pensionable service under any other scheme of that Employer, account may have to be taken of service under all the schemes concerned in deciding whether or not you have satisfied the 5 years' qualifying service condition.

If at the date of leaving you have not completed 5 years' qualifying service you will be entitled to a refund of all your own contributions without interest. If a refund of contributions is paid you will not be entitled to the preserved benefits referred to above.

B. 1. If any contributions are refunded in respect of those paid after you have become a contracted-out member a deduction will be made equal to your share of the cost of securing the minimum benefits to which you will be entitled for your period of contracted-out service as set out in the Appendix.

2. If any contributions are refunded to you on leaving service any tax for which the Administrator is liable will be deducted. (At present the tax is at the rate of 10%.)

C. 1. In no circumstances will the benefits provided in accordance with sub-section A above be of less value than the amount of your own contributions excluding any which are refunded.

2. You may transfer the value of the benefits otherwise available on your leaving service to a suitably approved scheme of which you are or are to be a member or to a suitable individual policy.

3. If you are to receive a retirement benefit under this Section
and you die before Normal Pension Date and before you retire there will be payable (in addition to any widows pension) a refund of your contributions without interest. If you have paid additional voluntary contributions a payment will be made of the value of the resultant fund.

4. Your entitlement to lump sum life assurance benefit will cease immediately if you leave service. However, if you are under age 60 and are not retiring immediately you may continue your life assurance cover by effecting a whole life or endowment assurance policy with the Eagle Star Insurance Group or such other company as may be the relevant insurer at the time within 31 days of leaving service. No further evidence of health will be required provided the benefit under the individual policy does not exceed the amount for which you were covered on normal terms under the Scheme immediately before leaving service.

13. TEMPORARY ABSENCE

If you are away from work, you may remain in the Scheme for a period of up to thirty months if absence is due to injury or illness and up to twelve months if absence is due to any other reason approved by the Employer.

The Employer will continue its contribution for the death in service benefit during this absence and you may either continue your contributions to the Scheme and maintain your full pension rights or, if you cease contributions and do not repay them on return to work, an appropriate reduction will be made in your pension.

14. INCOME TAX RELIEF

Contributions to the Scheme by members who are liable to U.K. Income Tax are allowed as a deduction from income before assessment for Income Tax purposes.

15. LIMITATION OF BENEFITS

As a condition of approval of the Scheme by the Inland Revenue, all benefits under the Scheme are subject to maximum limits as detailed in the formal Rules and where necessary the amount of any particular benefit under the Scheme may have to be restricted in order to preserve such approval.
16. **PENSIONS PAID SUBJECT TO PAYE**
All pensions under the Scheme are taxable under Schedule E and treated as earned income. Payment is made subject to deduction of tax under the PAYE system.

17. **BENEFITS NON-ASSIGNABLE**
You may not assign or charge your benefits under the Scheme. If you attempt to do so you may forfeit your rights to benefit.

Subject to the minimum pension provision set out in the Appendix to this booklet the right is reserved, however, to exercise a charge or lien on, or offset against, any benefit entitlement under the Scheme for the purposes of recovering any debt to the Employer which results from a criminal, negligent or fraudulent act or omission on your part; if you are affected by this condition full details will be given.

18. **TRANSFER FROM OTHER SCHEMES**
If you join this Scheme from another scheme it may be possible for the assets which have been built up in respect of you under such other scheme to be transferred to this Scheme in order to provide extra benefits. Further details will be given on request.

19. **TRUST FUNDS**
The contributions of the Employer and the members together with any other monies paid to the Trustees for the purposes of the Scheme form the trust funds out of which the Trustees will provide the Scheme benefits. In accordance with their investment powers under the Trust Deed, the Trustees currently invest the trust monies in pooled funds managed by Eagle Pension Funds Limited. The cash lump sum life assurance benefit is currently insured with the Eagle Star Insurance Group.

20. **AMENDMENT OR DISCONTINUANCE OF THE SCHEME**
The Scheme may be amended at any time or contributions discontinued on the Employer giving six months notice to the Trustees. Neither amendment nor discontinuance will adversely affect pensions in course of payment prior to such amendment or discontinuance.

Upon the discontinuance of contributions the Trustees have certain options available to them viz: to continue the Scheme as a closed Scheme with no further contributions by the Employer or the members, to transfer the assets in whole or in part to another scheme
which must be a contracted-out scheme if such transfer occurs after the date from which you are contracted-out or to wind-up the Scheme completely. If the Scheme is completely wound-up, the conditions in paragraph 6 of Part A of the Appendix to this booklet will apply.

21. SPECIAL MEMBERSHIP

If you are a full-time permanent employee who would subsequently qualify for membership of the Scheme under Section 4, you will be admitted to the Scheme as a special member from the date you join the Employer until the 29th April on which or which next follows the date on which you first satisfy all the conditions of eligibility set out in Section 4.

Entry into the Scheme on this basis is automatic – you need not complete an entry form at this stage but you must join the Scheme as a full member as soon as you are eligible to do so. You will not be required to pay any contributions until you become a full member.

If you should die while you are in service and while you are a special member, the benefit in respect of you under the Scheme will be a life assurance benefit of a cash sum equal to twice your Pensionable Salary for the Scheme Year in which death occurs. The grant of cover for this benefit is subject to conditions corresponding to those in A and B of Section 10 and payment would be made as provided in Section 11A.

While you are a special member, no pension benefits accrue in respect of you under the Scheme. You will not be regarded as a contracted-out member and your period of special membership does not count as qualifying service for any subsequent operation of Section 12.

If you leave service before you become a full member and you have not attained age 60, you may, provided that application is made by you within 31 days of the date of leaving service and depending on the circumstances, be able to pay premiums so as to continue all or part of your life assurance benefit without evidence of health. Further details will be supplied on request at the time of leaving service.

YOU SHOULD KEEP THIS BOOKLET IN A SAFE PLACE FOR FUTURE REFERENCE
APPENDIX

PART A OF THIS APPENDIX DOES NOT APPLY TO MARRIED WOMEN (OR WIDOWS) WHO HAVE RETAINED THE RIGHT TO PAY REDUCED RATE NATIONAL INSURANCE CONTRIBUTIONS.

PART A  Contracting-out of the earnings-related part of the 1978 State Pension Scheme

The current State Scheme came into effect on 6th April 1978. The earnings-related part of this State Scheme is based on earnings between the lower and upper earnings limits. These limits are fixed by law for each tax year. The current basis is that the lower limit will be almost the same as the basic pension component of the State Scheme in force at the beginning of that year and that the upper limit will be approximately seven times the lower limit.

1. STATE SCHEME CONTRIBUTIONS

Your contributions to the State Scheme on earnings up to the lower earnings limit are not affected as a result of your being contracted-out. However, your contributions on earnings between the lower and upper earnings limits will be payable at a reduced rate. The Employer pays the full rate of contribution on your earnings up to the lower earnings limit and any which exceed the upper earnings limit. The Employer's contribution on earnings between these limits is reduced.

You do not pay State Scheme contributions on any part of your earnings in excess of the upper earnings limit.

2. YOUR GUARANTEED MINIMUM PENSION

The minimum pension you will receive from the Scheme will normally not be less than that part of the State Scheme Pension given up due to your being contracted-out. The minimum pension is known as your "Guaranteed Minimum Pension" which for convenience is referred to as your "GMP".

To calculate your GMP all earnings between the lower and upper earnings limits during the period of contracted-out service are revalued in line with the general movement in national average earnings up to the last tax year before State Pensionable Age (65 for men, 60 for women). If you were within 20 years of State Pensionable Age at 6th April 1978 your GMP will be 1¼% of the total of those revalued earnings expressed as a weekly amount. If you were younger the percentage will be 25% divided by the number of complete tax years from 6th April 1978 (or if later the tax year in which you attained age 16) to State Pensionable Age. For example, if you complete 40 such tax years the percentage will be 25% divided by 40 =5/8ths%.
3. **YOUR WIDOW’S GUARANTEED MINIMUM PENSION**

If, you die at any time and you leave a widow, the weekly rate of your widow’s pension under the Scheme will be not less than half the weekly rate of the GMP in respect of you under the Scheme at the date of your death (including any revaluation — see paragraph 4 below).

4. **TERMINATION OF CONTRACTED-OUT SERVICE**

If your contracted-out service terminates for any reason except death before Normal Pension Date your rights to GMP will normally be preserved for you under the Scheme and revalued at the rate of 8½% per annum compound to cover the period from the termination date to State Pensionable Age, or the date of your death if earlier. This revaluation will be added to your normal Scheme preserved pension at Normal Pension Date.

Alternatively, your GMP rights may be:

(i) transferred to another contracted-out scheme

(ii) fully transferred to the State Scheme on payment of a State Scheme Premium in which event your Scheme benefits will be reduced accordingly.

5. **BENEFIT RESTRICTIONS**

It may be necessary to restrict the operation of some of the Scheme’s provisions to ensure that the full amount of your GMP is payable from State Pensionable Age. The provisions most likely to be affected are those related to early retirement pensions (see Section 8D2) and the options under Section 8E. If your Scheme benefits have to be restricted on this account you will be specially notified.

6. **WIND-UP PROVISIONS**

If the Scheme is wound up, then after payment of all costs, charges and expenses which may be owing at that time, any liabilities of the Scheme in respect of the following will be accorded priority over other liabilities under the Scheme:

(i) pensions and other benefits in respect of which entitlement to payment shall have already arisen including pensions and other benefits for widows and dependants payable on the death of any such persons.

(ii) any benefits under the Scheme attributable to any period of service before the date on which the Scheme was contracted-
out in relation to persons whose benefits are not covered in (i) above and in relation to those who were included in the Scheme before that date.

(iii) guaranteed minimum pensions and accrued rights to such pensions not covered above.

(iv) benefits, if any, to which you are entitled as a result of contracted-out employment under the terms of the 1961 State Graduated Pensions Scheme.

(v) State Scheme Premiums.

The assets of the Scheme will be applied to meet those liabilities in the order set out above.

PART B: Contracting-out under the 1961 State Graduated Pensions Scheme

The above Graduated Scheme was wound up on 5th April 1975. If you were contracted-out of the Graduated Scheme as a member of the Scheme you must have a pension assured for you in respect of contracted-out service before 6th April 1975 in accordance with the terms of the National Insurance Act 1965. This further restricts certain of your rights as follows:-

(i) If you leave service before Normal Pension Date and elect to take a refund of contributions paid whilst you were contracted-out of the Graduated Scheme there will be deducted an amount equal to your share of the cost of securing the pension and,

(ii) You are restricted from exercising any option under the Scheme which would reduce your pension to less than the level required by the 1965 Act.