The Co-operative Pension Scheme (Pace)

Rules effective from 7 October 2012
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The Co-operative Pension Scheme (Pace)

These Rules of The Co-operative Pension Scheme (Pace) are made as a deed on 2012 between:

(1) Co-operative Group Limited (formerly known as Co-operative Group (CWS) Limited), a society registered under the Industrial and Provident Societies Act 1965, number 525R and with its registered office at New Century House, Manchester M60 4ES; and

(2) PACE Trustees Limited, a company registered in England, number 05530776 and with its registered office at New Century House, Corporation Street, Manchester, M60 4ES.

They are made to replace the existing Rules of the Scheme with effect from 7 October 2012.

PACE Trustees Limited is the Trustee of the Scheme and Co-operative Group Limited (the “Group”) is the principal employer in relation to the Scheme.

Introduction

The Scheme started on 6 April 2006.

The current Rules of the Scheme were made as a deed on 22 March 2006. Rule 27 of the current Rules (changing the Rules) says that the Group may, with the written consent of the Trustee, amend the Rules at any time and may do so retrospectively. All amendments must comply with any applicable requirements of Sections 67 to 67I of the Pensions Act 1995 (the subsisting rights provisions). Any amendment must be made or confirmed by deed.

In exercise of its power under Rule 27 of the current Rules (changing the Rules), the Group, with the written consent of the Trustee, amends the current Rules by replacing them with these Rules, with effect from 7 October 2012.
General definitions and rules about membership and Employers’ contributions

1 Meaning of words used

“Acquired Scheme” is defined in Rule 28.5 (people who join from an Acquired Scheme).

“Average Revalued Pensionable Earnings” means an amount calculated by adding up the amounts of the Member’s Revalued Pensionable Earnings for each Benefit Year during which the Member was in Service in the Defined Benefit Section, and dividing the total by the number of Benefit Years during which the Member was in such Service.

If the Member was not in Service in the Defined Benefit Section for the whole of a Benefit Year (i.e. the Benefit Year in which the Member joins the Defined Benefit Section, leaves Service in the Defined Benefit Section or dies), only a fraction of the Benefit Year will be included in the number of Benefit Years referred to in the previous paragraph. The fraction will be calculated as N/12, where “N” is the number of complete months for which the Member was in Service in the Defined Benefit Section during that Benefit Year. However, if the Member was in such Service for less than 12 complete months, the Trustee will calculate Average Revalued Pensionable Earnings in a way it considers fair so as to produce an annual equivalent amount.

“Beneficiaries” is defined in Rule 25 (payment of lump sum death benefits).

“Benefit Year” means a period of 12 months ending on a 5 April or such other date as may be agreed between the Group and the Trustee.


“Defined Benefit Section” is explained in Rule 3 (Sections within the Scheme).

“Defined Contribution Section” is explained in Rule 3 (Sections within the Scheme).

“Dependant” means anyone who is financially dependent on the Member or other person concerned, or was so dependent at the time of that person’s death. This includes anyone who shares living expenses with, or receives financial support from, the Member or other person, and whose standard of living would be affected by the loss of that person’s contribution or support. The Trustee's decision as to whether someone is another person's Dependant will be final.

“Employee” means any employee of an Employer.

“Employer” means an employer participating in the Scheme.

“Former Scheme” means each of the CIS Employees’ Pension Scheme, The Co-operative Bank Pension Scheme and the Co-operative Group (CWS) Limited Pension Fund.

“GMP” means a guaranteed minimum pension (or accrued rights to one) under the Contracting-out Laws.

“Group” means the Co-operative Group Limited (formerly known as Co-operative Group (CWS) Limited), a society registered under the Industrial and Provident Societies Act 1965, number 525R.

“Member” means a person who has joined the Scheme.
“Normal Retirement Date” means a Member’s 65th birthday.

“PACE Credit” is defined in Rule 6.1 (retirement at Normal Retirement Date).

“Pace Essential” and “Pace Extra” are explained in Rule 3.3 (Defined Contribution Section (“Pace Essential” and “Pace Extra”)).

“Partial Incapacity” means permanent physical or mental impairment which prevents (and will continue to prevent) a Member from following his or her normal occupation.

The Trustee will obtain evidence from a registered medical practitioner of its own choosing as to whether the Member is suffering from Partial Incapacity. The Trustee’s decision as to whether the Member is suffering from Partial Incapacity will then be final.

“Pensionable Earnings” means the Member’s basic pay plus any earnings from the Employers in respect of overtime, commission and shift allowance, and any other earnings from the Employers that the Group has designated as pensionable, which the Group may change from time to time. However, if a Member’s earnings for pension purposes are limited by agreement or other arrangement between the Member and his or her Employer, Pensionable Earnings will not exceed the amount of the limit.

Note: This definition is modified for certain Members by Rules 16.2 (former Members of the Co-operative Group (CWS) Limited Pension Fund) and 28.2 (“Salary Sacrifice” for Member’s contributions).

“Pensionable Service” means the Member’s Service after joining the Scheme, whether in the Defined Benefit Section or in the Defined Contribution Section.

“Preservation Laws” means the laws on preservation of benefit in Chapter I of Part IV of the Pension Schemes Act 1993.

“Qualifying Children” is defined in Rule 10 (pensions for Qualifying Children).

“Qualifying Partner” means, in relation to a Member or any other person, the person’s legally recognised spouse or registered civil partner (as defined in the Civil Partnership Act 2004) or, in the case of a person who is neither married nor in a civil partnership, any Dependant (of either sex) with whom the person is in a relationship that the Trustee considers similar to marriage for a period of at least 6 months.

“Qualifying Service” means continuous Pensionable Service and employment which qualified the Member for retirement benefits under any occupational pension scheme from which a transfer payment in respect of the Member has been made to the Scheme, or to a “buy-out” policy and subsequently to the Scheme. A period between leaving Service and rejoining the Scheme will be ignored (but will not count as Pensionable Service) when calculating continuous Pensionable Service for this purpose, if it does not exceed one month or is due to a trade dispute.

Note: Qualifying Service is used only for the purpose of deciding whether the Member is entitled to a preserved pension or preserved benefits on leaving Service before Normal Retirement Date. It does not affect the calculation of the amount of any preserved pension or preserved benefits.

“Retirement Account” means a Member’s Retirement Account under the Defined Contribution Section as described in Rule 18 (Member’s Retirement Account).
“Revalued Pensionable Earnings” means, for each Benefit Year, Pensionable Earnings received for that Benefit Year, plus increases awarded on the first day of each following Benefit Year that starts:

(a) more than 12 months after the end of the Benefit Year in which the Pensionable Earnings were received (i.e. there is no increase in the first following Benefit Year); and

(b) before the Member leaves Service or dies (i.e. the last increase is on the first day of the Benefit Year in which the Member leaves Service or dies).

Each increase will be equal to the Revaluation Percentage of the total of the Pensionable Earnings and previous increases.

Note: If a Member dies in Service, the Member’s Revalued Pensionable Earnings may be further increased as described in Rule 9.2 (Member dies in Service in the Defined Benefit Section).

“Revaluation Increase” is defined in Rule 6.1 (retirement at Normal Retirement Date).

“Revaluation Laws” means the laws on revaluation of accrued benefits in Chapter II of Part IV of the Pension Schemes Act 1993.

“Revaluation Percentage” means the smaller of:

(a) the percentage increase in the retail prices index during a 12-month reference period agreed between the Group and the Trustee; and

(b) 5%.

“Scheme” means The Co-operative Pension Scheme (Pace).

Note: The Scheme was formerly known as the Co-operative Group Pension (Average Career Earnings) Scheme.

“Service” means employment with the Employer. For the avoidance of doubt, a Member will not be treated as in Service during any period after leaving Service, ceasing to be eligible or opting out, unless he or she later rejoins the Scheme.

“Total Incapacity” means permanent physical or mental impairment which prevents (and will continue to prevent) a Member from doing any paid work (whether for the Employers or anyone else), except work provided for remedial activity and from which the Member receives only a modest amount of pay.

The Trustee will obtain evidence from a registered medical practitioner of its own choosing as to whether the Member is suffering from Total Incapacity. The Trustee’s decision as to whether the Member is suffering from Total Incapacity will then be final.

“Transfer Value Laws” means the laws on transfer values in Chapter IV of Part IV of the Pension Schemes Act 1993.

“Trustee” means the trustee or trustees for the time being of the Scheme.
2 Joining the Scheme

2.1 Conditions for membership

Each Employee whose contract of employment states that he or she is eligible to join the Scheme may join at any time from starting Service.

An Employee will be included in the Scheme automatically from each automatic enrolment or re-enrolment date if Chapter 1 of the Pensions Act 2008 (employers’ duties) requires the Employer to make arrangements for the Employee to become an active member of an automatic enrolment scheme. The only exception is if the Employee has given a valid opt out notice under Section 8 of that Act (jobholder's right to opt out).

An Employee who is not included in the Scheme automatically can apply to join in the form required by the Trustee. Employees wishing to join the Scheme must also provide any information that the Trustee asks for, which may include evidence of good health.

The Trustee may ask any Employee for evidence of good health. If an Employee cannot produce evidence of good health satisfactory to the Trustee, the Trustee may restrict any benefits payable on the Employee's death in Service or retirement because of incapacity.

The Group and the Trustee may agree to allow an Employee to join the Scheme even though the Employee would not otherwise be eligible to join the Scheme under this Rule.

2.2 Life assurance only members

The Group and the Trustee may agree to include an Employee in the Scheme for death-in-service benefits, even if the Employee chooses not to join the Scheme or has opted out. If such an Employee dies in Service, a benefit will be paid.

The amount of any benefit under this Rule will be agreed between the Group and the Trustee before the Employee is included in the Scheme.

If any lump sum benefit becomes payable under this Rule, it will be paid as described in Rule 25 (payment of lump sum death benefits), as if the references in that Rule to “the Member” included the Employee.
3 Sections within the Scheme

3.1 The Scheme

The Scheme is a single occupational pension scheme with two Sections. The Sections are the Defined Benefit Section and the Defined Contribution Section.

The assets of the Scheme are held as a common trust fund from which all the benefits are payable. However, the assets attributable to the Defined Contribution Section are invested separately from the other assets of the Scheme.

If the Group so decides, it may use Rule 37 (termination of the Scheme) to terminate future benefit accrual under either Section without doing so under the other. For this purpose, Rules 37 and 38 (winding up the Scheme) will apply as if the references in those Rules to the “Scheme” were references to the “Section” concerned (so that, for example, the Group must give the notice mentioned in Rule 37.1 (time of termination) to terminate a Section).

3.2 Defined Benefit Section (“Pace Complete”)

Employees who were active members of the Scheme before 7 October 2012 will continue as active members of the Defined Benefit Section (which is also known as “Pace Complete”). Any Pensionable Service completed before 7 October 2012 will be treated as Service in the Defined Benefit Section.

An Employee who joins the Scheme on or after 7 October 2012 may choose to join the Defined Benefit Section at any time after completing 2 years’ Service, except that:

3.2.1 Members who join the Scheme from an Acquired Scheme as described in Rule 28.5 (people who join from an Acquired Scheme) may join the Defined Benefit Section on 7 October 2012 for all the Acquired Schemes except The Somerfield Pension Scheme, or on 4 November 2012 in the case of The Somerfield Pension Scheme, even if they have not completed 2 years’ Service;

3.2.2 if the Group agrees, any other Employee may join the Defined Benefit Section before completing 2 years’ Service;

3.2.3 the Group may decide that an Employee cannot join the Defined Benefit Section even though the Employee would otherwise be eligible to do so.

A Member who joins the Defined Benefit Section but then leaves may rejoin the Defined Benefit Section only with the specific permission of the Group and the Trustee. In particular, a Member who has started to receive benefits from the Scheme cannot join or rejoin the Defined Benefit Section unless the Group consents.

Rules 5 to 16 set out the terms and benefits for Service in the Defined Benefit Section. Rules 17 to 24 apply to Members of the Defined Benefit Section only if they are also entitled to benefits in respect of Service in the Defined Contribution Section.
3.3 Defined Contribution Section ("Pace Essential" and "Pace Extra")

Employees who are included in the Scheme automatically will join the Defined Contribution Section.

Any other Employee who joins the Scheme will join the Defined Contribution Section unless he or she satisfies the conditions for joining the Defined Benefit Section and chooses to do so.

The Defined Contribution Section has two tiers of membership with different terms and benefits, known as "Pace Essential" and "Pace Extra". Members will be included in Pace Essential unless they choose to join or switch to Pace Extra. A Member may choose to switch to Pace Extra with effect from any date allowed by the Group.

The Trustee may ask Members for evidence of good health when they join or switch to Pace Extra. If a Member cannot produce evidence of good health satisfactory to the Trustee, the Trustee may restrict any benefits payable on the Member’s death in Service.

Rules 17 to 24 set out the terms and benefits for Service in the Defined Contribution Section. Rules 5 to 16 apply to Members of the Defined Contribution Section only if they are also entitled to benefits in respect of Service in the Defined Benefit Section.

3.4 Switching between Sections

A Member who joins the Defined Contribution Section may switch to the Defined Benefit Section at any time after completing 2 years’ Service or earlier, if the Group agrees.

The Trustee may ask the Member for evidence of good health when the Member switches to the Defined Benefit Section. If the Member cannot produce evidence of good health satisfactory to the Trustee, the Trustee may restrict any benefits payable on the Member’s death in Service or retirement because of incapacity.

A Member of the Defined Benefit Section may switch to the Defined Contribution Section at any time.

A Member who switches from one Section to the other will be treated as having left Service so far as the first Section is concerned. However, unless the Group agrees otherwise:

3.4.1 the Member may not exercise a right to transfer or buy-out until he or she has left all Service in the Scheme (and so stopped all future benefit accrual);

3.4.2 no pension or lump sum will be paid to the Member before the Member leaves all Service in the Scheme;

3.4.3 the Member will be treated as still in Service for the purpose of calculating Qualifying Service and will be entitled to a preserved pension or preserved benefits under the first Section if he or she completes at least 2 years’ Qualifying Service in total before leaving all Service in the Scheme; and

3.4.4 if the Member dies in Service after switching, the Trustee will provide benefits for Service in the first Section as if the Member had become entitled to a preserved pension or preserved benefits under that Section on switching even if the Member did not complete 2 years’ Qualifying Service before dying.
4 Contributions by the Employers

Each Employer must contribute to the Scheme in respect of Members who are or have been employed by it.

The Group will decide the amount of each Employer’s contributions and the dates of payment, after considering actuarial advice. However, if and to the extent required by Part 3 of the Pensions Act 2004 (scheme funding), the Group will agree the total amount of the Employers’ contributions and the dates of payment with the Trustee.
**Defined Benefit Section**

Rules 5 to 16 set out the terms and benefits for Service in the Defined Benefit Section.

5 Contributions by Members

5.1 Basic contributions by Members

Each Member in Service in the Defined Benefit Section must contribute to the Scheme at the rate of 8% of Pensionable Earnings.

However, Members who joined the Defined Benefit Section on or before 31 December 2011 will contribute to the Scheme at the rate of 7% of Pensionable Earnings from 7 October 2012 to 30 September 2013 and at the rate of 8% only after 30 September 2013.

The Employer will deduct each Member’s contributions from the Member’s earnings and pay them to the Trustee.

**Note:** In the case of Members who participate in Salary Sacrifice, this Rule is modified as described in Rule 28.2 (“Salary Sacrifice” for Member’s contributions).

5.2 Additional voluntary contributions by Members

The Trustee may (but need not) allow a Member in Service to pay additional voluntary contributions (“AVCs”) to the Scheme. If the Trustee allows a Member to pay AVCs, it may impose any conditions that it thinks reasonable (including as to the amount payable, the time at which payments can be paid, and the method of payment).

Each Member’s AVCs will be invested separately from all the other assets of the Scheme. The proceeds will be used to provide money purchase benefits for, or in respect of, the Member. These benefits will be additional to the other benefits under the Defined Benefit Section, and will be in a form agreed between the Member and the Trustee. However, unless the Trustee and the Group agree otherwise, any pension must be secured with an annuity contract (and the Member must be given the opportunity to select the insurance company); and no more than 25% of the proceeds can be paid as a lump sum benefit, except on the Member’s death or if the Trustee and the Group agree otherwise.
6 Pensions for Members

Note: This Rule 6 applies only to Members who are in Service in the Defined Benefit Section immediately before leaving Service.

6.1 Retirement at Normal Retirement Date

Calculation of pension

A Member who leaves Service at Normal Retirement Date will be entitled to a pension for life at a yearly rate equal to the total of the PACE Credits and the Revaluation Increases credited to the Member.

Note: Members of a Former Scheme will receive an extra amount of pension in respect of their membership of the Former Scheme, as described in Rule 16.1 (people who transferred from a Former Scheme). PACE Credits and Revaluation Increases will be credited only for Service in the Defined Benefit Section.

PACE Credits and Revaluation Increases will be credited to a Member as described below.

PACE Credits

For each Benefit Year in which the Member is in Service in the Defined Benefit Section, the Member will be credited with a “PACE Credit” equal to 1/60th of Pensionable Earnings received in that Benefit Year.

A PACE Credit will be credited even if the Member has been in Service in the Defined Benefit Section during only part of a Benefit Year. The last PACE Credit will be credited for the Benefit Year in which the Member leaves Service in the Defined Benefit Section or dies (whichever occurs first).

Revaluation Increases

On each 6 April (except the first) after joining the Defined Benefit Section, the Member will be credited with a “Revaluation Increase” equal to the Revaluation Percentage of the total amount of the PACE Credits and Revaluation Increases credited to the Member for Benefit Years ending more than 12 months before that 6 April. However, no Revaluation Increase will be credited to the Member on any 6 April after the Member's pension starts.

6.2 Late retirement

A Member who stays in Service after Normal Retirement Date will receive a pension on leaving. The pension will be calculated as described in Rule 6.1 (retirement at Normal Retirement Date) based on all the Member’s Service in the Defined Benefit Section to the date of leaving.

Note: If a Member opts out of the Scheme on or after Normal Retirement Date and before leaving Service, Rule 27 (opting out) will apply.
6.3 Early retirement

Right to early pension

A Member who leaves Service before Normal Retirement Date, but after reaching age 55, may choose an immediate early pension, but only if the Member’s Employer consents. However:

6.3.1 Members who joined the Scheme on 6 April 2006 and were active members of the CIS Employees’ Pension Scheme immediately before joining the Scheme may choose an immediate early pension without the consent of their Employer, and may do so from age 50;

6.3.2 Members may choose an immediate early pension without the consent of their Employer if they joined the Scheme on 6 April 2006; were active members of The Co-operative Bank Pension Scheme immediately before joining the Scheme; and have reached age 60 at the date of leaving Service.

Calculation of pension

The early pension will be calculated as described in Rule 6.1 (retirement at Normal Retirement Date) but then reduced for early payment on a basis agreed between the Trustee and the Group after considering actuarial advice.

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

If the Member is leaving because of Total or Partial Incapacity, this Rule does not apply. Rule 6.4 (incapacity retirement) applies instead.

6.4 Incapacity retirement

Right to incapacity pension

A Member can choose an immediate incapacity pension under this Rule if:

6.4.1 the Member leaves Service before Normal Retirement Date because of Total or Partial Incapacity;

6.4.2 the Member has completed at least 5 years’ Pensionable Service, including any continuous Service in the Defined Contribution Section and any continuous Service as an active member of an Acquired Scheme; and

6.4.3 the Member’s Employer and the Trustee both consent.

However:

(a) except for Members who join the Defined Benefit Section at the first opportunity from an Acquired Scheme, a Member cannot choose an incapacity pension if the incapacity (whether Total or Partial Incapacity) arises from a medical condition known to the Member at the time of joining the Defined Benefit Section (or, in the case of Members who joined before 7 October 2012, at the time of joining the Scheme or, in the case of Members who were active members of a Former Scheme immediately before joining the Scheme, at the time of joining the Former Scheme) (whether or not this was disclosed to the Trustee or the Group);
(b) if the Incapacity was caused by the Member’s own conduct (which, for this purpose, includes drug or alcohol abuse), the pension will be payable only if the Group and the Trustee agree.

**Calculation of pension**

If the Member is suffering from Partial Incapacity, the immediate incapacity pension will be calculated as described in Rule 6.1 (retirement at Normal Retirement Date).

If the Member is suffering from Total Incapacity, the immediate incapacity pension will be equal to the total of:

(i) an amount calculated at the date of the Member’s leaving Service as described in Rule 6.1 (retirement at Normal Retirement Date); plus

(ii) an amount equal to 1/60th of the Member’s Average Revalued Pensionable Earnings for each year in the period between the Member’s leaving Service and Normal Retirement Date (with an additional proportion for each complete month).

**Trustee’s power to reduce or suspend pension**

Until the Member reaches Normal Retirement Date, the Trustee may from time to time require evidence of the Member’s continued Partial or Total Incapacity. If not satisfied, the Trustee may reduce the Member’s pension, or suspend it for any period or periods before Normal Retirement Date (in which case the pension may also be reduced, or a smaller pension may be paid instead of the original pension). The Trustee may also reduce or suspend the Member’s pension (or both) if it turns out that the impairment arose from a medical condition known to the Member at the time of joining the Defined Benefit Section (or at any earlier time mentioned in Rule 6.4(a)), or was caused by the Member’s own conduct. If the Trustee reduces or suspends a Member’s pension, it may adjust any benefits payable on the Member’s death as it considers appropriate.

**Minimum benefit value**

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

**7 Retirement lump sum**

A Member may give up pension for a lump sum payable when the pension is due to start but must keep a pension at least equal to his or her GMP. The Member may choose a lump sum of any amount up to the maximum permitted as a “pension commencement lump sum” under Part 4 of the Finance Act 2004.

The Trustee will convert pension to lump sum on a basis agreed between the Group and the Trustee after considering actuarial advice.
8  Lump sum payable on Member’s death

8.1  Circumstances where a benefit is payable

A lump sum death benefit will be paid if a Member dies:

8.1.1  in Service in the Defined Benefit Section;
8.1.2  within 5 years after starting to receive a pension; or
8.1.3  with a preserved pension that has not started (unless a pension is payable under Rule 9.4).

The benefit will be calculated as described in whichever of Rule 8.2, 8.3 or 8.4 applies and paid as described in Rule 25 (payment of lump sum death benefits).

However, no lump sum death benefit will be paid if there are no surviving Beneficiaries when the Member dies.

8.2  Member dies in Service in the Defined Benefit Section

If the Member dies in Service in the Defined Benefit Section before reaching age 75, the benefit will be equal to 3 times the greater of:

8.2.1  the Member’s Pensionable Earnings received in the last 12 months before the date of death; and
8.2.2  the yearly rate of the Member’s basic pay at the date of death.

If the Member dies in Service in the Defined Benefit Section after reaching age 75, the benefit will be the same as if the Member had retired immediately before his or her death.

Note: A Member who dies in Service in the Defined Benefit Section and who was previously a member of the Defined Contribution Section may also be entitled to benefits under Rule 20.2 (benefits on death before retirement).

8.3  Member dies after pension starts

If the Member dies within 5 years after starting to receive a pension, a lump sum will be paid equal to the pension payments which would have been made during the remainder of the 5 year period if the Member had not died (but disregarding any future increases).

8.4  Member dies with a preserved pension

If the Member dies with a preserved pension that has not started and no pension is payable under Rule 9.4 (Member dies with a preserved pension), a lump sum will be paid equal to the Member’s own contributions to the Scheme, with accumulated interest at 4% a year compound (or such other rate as may be agreed between the Group and the Trustee).
9 Pensions for Qualifying Partners and Dependents

9.1 Circumstances where a benefit is payable

If a Member dies leaving a surviving Qualifying Partner, the Qualifying Partner will receive a pension for life.

The pension will be calculated as described in whichever of Rule 9.2, 9.3 or 9.4 applies. However, if the Qualifying Partner was more than 10 years younger than the Member, the Trustee may reduce the pension by such amount as it decides after taking actuarial advice.

If there is more than one Qualifying Partner, any pension will be paid to one or more of them in such shares as the Trustee decides.

If the Member does not leave a Qualifying Partner, the Trustee may (but need not) pay a pension to one or more of the Member’s Dependents for such period as the Trustee decides. The Trustee may calculate the pension as described in whichever of Rule 9.2, 9.3 or 9.4 applies, or may pay a smaller pension.

9.2 Member dies in Service in the Defined Benefit Section

If the Member dies in Service in the Defined Benefit Section, the pension will be equal to one-half of an amount equal to the total of:

9.2.1 1/60th of the Member’s Average Revalued Pensionable Earnings for each year of the Member’s Service in the Defined Benefit Section (with an additional proportion for each additional complete month); plus

9.2.2 1/120th of the Member’s Average Revalued Pensionable Earnings for each year in the period between the Member’s death and Normal Retirement Date (with an additional proportion for each additional complete month).

For this purpose:

(a) any part of a month of Service in the Defined Benefit Section that does not form part of a complete month will be treated as included in the period between the Member’s death and Normal Retirement Date, and any part of a month of more than 15 days in the period between the Member’s death and Normal Retirement Date will count as a complete month; and

(b) Revalued Pensionable Earnings will be increased for the period between the previous 6 April and the date of the Member’s death by an amount calculated as:

\[ \frac{N}{12} \times \text{Last Revaluation Increase} \]

where:

“N” is the number of complete months for which the Member was in Service in the Defined Benefit Section during that Benefit Year; and

“Last Revaluation Increase” means the Revaluation Percentage increase awarded (as mentioned in the definition of Revalued Pensionable Earnings in Rule 1 (meaning of words used)) on the first day of the Benefit Year in which the Member dies.
9.3 Member dies after pension starts
 If the Member dies after starting to receive a pension, the pension will be equal to one-half of the pension payable to the Member at the date of death or, if the Member gave up pension for a lump sum on retirement, one-half of the pension that would have been payable if the Member had not done so.

9.4 Member dies with a preserved pension
 If the Member dies with a preserved pension that has not started, the pension will be equal to one-half of the Member’s preserved pension described in Rule 11.1 (preserved pension), including Revaluation Increases up to the last 6 April before the Member’s death.

10 Pensions for Qualifying Children

10.1 Circumstances where a benefit is payable
 It may be that a Member:

10.1.1 dies in Service in the Defined Benefit Section or dies after starting to receive a pension for Service in the Defined Benefit Section; and

10.1.2 leaves one or more surviving Qualifying Children.

If so, a children’s pension will be paid. However, no pension will be paid under this Rule if the Member does not leave a Qualifying Partner and the Trustee decides to pay a pension to one or more of the Member’s Dependants under Rule 9 (pensions for Qualifying Partners and Dependants).

“Qualifying Children” are the Member’s children (including any conceived but unborn when the Member dies); the Member’s stepchildren, but only if they are financially dependent on the Member when the Member dies; and children legally adopted by the Member. These children remain Qualifying Children for so long as they are under age 16. However, the Trustee may treat a child who has reached age 16 as a Qualifying Child if the child is under age 23 and in full-time education or training approved by the Trustee.

The pension will be calculated as described in Rule 10.2.

If there is more than one Qualifying Child, the pension will be paid to one or more of the Qualifying Children, or used for their benefit, in such shares as the Trustee decides from time to time. The pension will stop when there is no remaining Qualifying Child.

10.2 Amount of children’s pension
 The children’s pension will be equal to one-third of a Qualifying Partner’s pension calculated as described in whichever of Rules 9.2 (Member dies in Service in the Defined Benefit Section) or 9.3 (Member dies after pension starts) applies.

Note: No children’s pension is payable if a Member dies with a preserved pension that has not started.
11 Early leavers

11.1 Preserved pension

A Member who leaves Service before Normal Retirement Date without becoming entitled to an immediate pension but who satisfies the preservation requirements (see Rule 11.3) will receive a pension for life from Normal Retirement Date.

The pension from Normal Retirement Date will be calculated as described in Rule 6.1 (retirement at Normal Retirement Date) and will include any Revaluation Increases credited to the Member between leaving Service in the Defined Benefit Section and Normal Retirement Date.

11.2 Refund of contributions

A Member who leaves Service before Normal Retirement Date without becoming entitled to an immediate pension or a preserved pension will receive a refund of his or her own contributions to the Scheme, with accumulated interest at 4% a year compound (or such other rate as may be agreed between the Group and the Trustee, which may be 0%), less tax.

If the Member has salary-related contracted-out benefits under the Scheme:

11.2.1 the Trustee will pay a contributions equivalent premium under Section 55(2) of the Pension Schemes Act 1993 (payment of state scheme premiums on termination of certified status); and

11.2.2 the Member’s refund of contributions will be reduced by the amount described in Section 61 of that Act (deduction of contributions equivalent premium from refund of scheme contributions).

If the Member leaves Service with at least 3 months' Qualifying Service and so chooses, the Trustee will provide a cash transfer sum in accordance with Chapter 5 of Part IV of the Pension Schemes Act 1993 (early leavers: cash transfer sums and contribution refunds), instead of a refund of the Member’s own contributions.

Notes:

(a) If a contributions equivalent premium is not paid for any reason, the Trustee will provide benefits (including GMPs) for the Member under the Scheme. These benefits will be equal to the benefits that the state would have provided if the premium had been paid.

(b) This Rule does not apply to a Member who switches to the Defined Contribution Section until the Member actually leaves Service, opts out or ceases to be eligible. Its application then depends on the Member’s Qualifying Service at that date, after taking account of Pensionable Service completed in both Sections.
11.3 Preservation requirements

A Member satisfies the preservation requirements if:

11.3.1 the Member leaves Service with at least 2 years’ Qualifying Service;

11.3.2 a transfer payment in respect of the Member’s rights under a personal pension scheme has been made to the Scheme; or

11.3.3 the Member is still entitled to benefits under the Scheme from a previous period of Service.
12 Choices for early leavers

12.1 Right to transfer or buy-out
A Member who leaves Service with a preserved pension at least a year before Normal Retirement Date can require the Trustee to use the cash equivalent of his or her benefits (including death benefits) to buy one or more annuities, or to acquire rights under another occupational pension scheme or a personal pension scheme, in accordance with the Transfer Value Laws.

12.2 Early pension
If the Trustee consents, a Member entitled to a preserved pension may choose to start receiving it before Normal Retirement Date (but not before reaching age 55, unless the Member is suffering from Total Incapacity). However:

12.2.1 Members who joined the Scheme on 6 April 2006 and were active members of the CIS Employees’ Pension Scheme immediately before joining the Scheme may choose an early pension from age 50 without the consent of the Trustee;

12.2.2 Members may choose an early pension from age 60 without the consent of the Trustee if they joined the Scheme on 6 April 2006 and were active members of The Co-operative Bank Pension Scheme immediately before joining the Scheme.

The pension will be reduced for early payment on a basis agreed between the Group and the Trustee after considering actuarial advice.

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

12.3 Late pension
A Member entitled to a preserved pension may, with the consent of the Trustee, choose to start receiving it after Normal Retirement Date (but not after reaching age 75). If the Member's pension starts after Normal Retirement Date, it will be increased on a basis agreed between the Group and the Trustee after considering actuarial advice.

If the Member chooses a late pension and subsequently dies on or after Normal Retirement Date and before the pension starts, the Trustee will provide death benefits under Rules 8 (lump sum payable on Member's death), 9 (pensions for Qualifying Partners and Dependants) and 10 (pensions for Qualifying Children) as if the Member had retired on the day before his or her death without giving up any pension for a retirement lump sum.

The Trustee must be reasonably satisfied that the benefits (including death benefits) for a Member who chooses a late pension are at least equal in value to the benefits that would otherwise have been provided for the Member under the Scheme.

12.4 Choices at retirement
A Member entitled to a preserved pension may choose to give up pension for a lump sum, as described in Rule 7 (retirement lump sum).
13 **Early leavers rejoining**

If a Member leaves Service and later returns, the Member will not be treated as in Service for the purposes of the Scheme unless he or she rejoins the Scheme.

If the Member rejoins the Defined Benefit Section, each period of Service in the Defined Benefit Section will be treated separately, unless the Group and the Trustee agree otherwise.

14 **Members away from work**

14.1 **General rule**

Members who are away from work will normally be treated as having left Service if they stop receiving contractual pay from the Employers. However, the Group may direct the Trustee to treat any Member who is away from work or on secondment as still in Service for so long as it thinks fit.

The Group may direct the Trustee to apply special terms (consistent with the Contracting-out Laws) to any Member’s contributions and benefits for any period during which the Member is away from work. Any special terms will be notified to the Member and the Trustee. Rule 14.2 will apply to Members who are away from work due to family leave.

It may be that a Member is not treated as still in Service during any period of absence from work (including for ill-health). If so, the Member will be treated as having left Service. However, if the Member returns to work and the Group so directs:

14.1.1 the Member’s Pensionable Service before being treated as having left Service and after returning to work will be treated as continuous (but excluding the break); and

14.1.2 the Member may, on returning to work, elect to pay such additional contributions as the Trustee requires (after considering actuarial advice) in order to buy benefits for the period of absence. The Member may buy benefits of up to the amount that would have accrued during the period of absence if the Member had worked normally during that period and received the normal pay for doing so.

If the Group gives any direction to the Trustee under this Rule, the Employers or Members must pay any additional contributions (and none may be required) that the Trustee considers necessary (for which purpose the Trustee will consider actuarial advice).
14.2 Family leave

In this Rule 14.2, the terms in bold mean the same as in the Employment Rights Act 1996.

Ordinary family leave

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

Members who receive pay from their Employer for these periods must pay contributions on the pay received. Members who do not receive any pay do not have to pay contributions. A Member’s benefits for these periods will in any event be calculated as if the Member had worked normally and received the normal pay for doing so.

Additional paid family leave

A Member will also be treated as still in Service during any other period for which the Member receives pay from his or her Employer and which (for the purposes of Schedule 5 to the Social Security Act 1989) is a period of maternity leave, adoption leave, paternity leave or absence from work for other family reasons.

In each case, the Member must pay contributions on the pay received.

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

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

Additional unpaid family leave

The Group may agree to treat a Member as still in Service, for some or all purposes of the Scheme, during any period of unpaid “additional maternity leave”, “additional adoption leave”, “additional paternity leave” or “parental leave”. If this is agreed, the Group may direct the Trustee to apply special terms to the Member’s contributions (if any) and benefits for the period. Any such special terms will be notified to the Member and the Trustee.

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

14.2.1 if a Member dies during a period of additional maternity, adoption or paternity leave, Rules 8 (lump sum payable on Member’s death), 9 (pensions for Qualifying Partners and Dependents) and 10 (pensions for Qualifying Children) will apply as if the Member had returned to work immediately before dying;

14.2.2 if the Member returns to work at the end of the period (including any period of parental leave or absence for other family reasons), the Member’s Pensionable Service, before being treated as having left Service and after returning to work, will be treated as continuous (but excluding the break).

A Member who is treated as having left Service during any period of unpaid family leave may, on returning to work, elect to pay such additional contributions as the Trustee requires (after considering actuarial advice) in order to buy benefits for the period of absence. The Member may buy benefits of up to the amount that would have accrued during the period of absence if the Member had worked normally during that period and received the normal pay for doing so.
In any case where this Rule applies, the Employers must pay any additional contributions (and none may be required) that the Trustee considers necessary (for which purpose the Trustee will consider actuarial advice).

### 15 General rules about pensions for Service in the Defined Benefit Section

#### 15.1 Payment of pensions

Pensions for Service in the Defined Benefit Section are payable at such intervals, and in advance or arrears, as the Trustee decides from time to time.

If pensions are payable in advance and the pensioner dies before the end of the period for which payment has been made, the Trustee may require repayment of all or part of any amount attributable to the period following the pensioner’s death.

#### 15.2 Pension increases

**Dates of increases**

Pensions in payment for Service in the Defined Benefit Section will increase in each year on a date agreed between the Group and the Trustee.

The intervals between increases will not exceed 12 months.

**Rates of increases**

Each pension in payment will increase in each year by the lower of:

15.2.1 the percentage increase in the retail prices index during a reference period agreed between the Group and the Trustee; and

15.2.2 2.5%.

If an interval between increases is less than 12 months, the increase will be an appropriate proportion of the full increase described above.

**Pensions to which the Rule does not apply**

The increases described above in this Rule do not apply to any pension or part of a pension which is derived from additional voluntary contributions, or provided under Rule 16.1 (people who transferred from a Former Scheme), Rule 31.3 (discretionary benefits) or Rule 32.1 (transfers from other pension schemes and arrangements). Those pensions will increase in accordance with the terms on which they were granted.

**Discretionary increases**

Pensions will be reviewed regularly and may be increased (if they would not otherwise increase) or further increased by such amount and at such times as the Trustee decides, with the consent of the Group.
16 Special provisions for certain Members

16.1 People who transferred from a Former Scheme

Benefits will be provided under the Scheme for everyone for whom a transfer payment has been made from a Former Scheme to the Scheme. These benefits will be the same (in amount, terms and options for payment) as the Member’s entitlement or accrued rights under the Former Scheme immediately before the transfer was made (except that, if the Trustee would otherwise be required to make a payment that would be “unauthorised” by virtue of Section 160 of the Finance Act 2004, the payment will be treated as discretionary and will not be made unless the Trustee and the Group agree otherwise). For this purpose, all members of a Former Scheme who were active members on 5 April 2006 will be treated as having left service and become deferred members of the Former Scheme on that date.

However, in the case of Members who joined the Scheme on 6 April 2006 and were active members of a Former Scheme immediately before joining the Scheme, the Member’s benefits will be modified as follows:

16.1.1 the benefits provided in respect of the transfer payment from the Former Scheme (including any benefits payable on the Member’s death) will, if and to the extent that they would have been increased by reference to increases in the Member’s earnings if the Member had remained an active member of the Former Scheme, be increased to the same extent under the Scheme for the period between joining the Scheme and leaving Service (instead of as required by the Revaluation Laws);

16.1.2 any benefits provided in respect of the transfer payment from the Former Scheme that would have been provided under the Former Scheme by reference to a normal retirement date other than the Member’s Normal Retirement Date will be provided under the Scheme by reference to the same date as under the Former Scheme, and will be adjusted for earlier or later payment as provided for under the Former Scheme or, if there is no such provision, by an amount decided by the Trustee after considering the terms of the Former Scheme and taking actuarial advice;

16.1.3 if a Member had a right to take (or request) any benefits from a Former Scheme at a date earlier than his or her Normal Retirement Date, the Member will have a right to take (or request) his or her benefits under the Scheme at that earlier date, subject to the same conditions (and so long as payment of the benefits at the earlier date is “authorised” for a registered pension scheme by Part 4 of the Finance Act 2004). However, the Member must choose to take any benefits accrued under the Scheme at the same time, and the benefits accrued under the Scheme will be adjusted for early payment as described in these Rules;

16.1.4 a Member may choose an incapacity pension under Rule 6.4 (incapacity retirement), only if he or she chooses at the same time to start receiving his or her benefits in respect of the transfer payment from the Former Scheme;

16.1.5 on a Member’s death in Service, the lump sum death benefit payable under Rule 8.2 (Member dies in Service in the Defined Benefit Section) or Rule 20.1 (benefits on death in Service in the Defined Contribution Section) will be reduced by the amount of any refund of contributions payable in respect of the transfer payment from the Former Scheme;
16.1.6 on death in Service, a children’s pension will be payable as if the Member had died immediately before 6 April 2006, but calculated by reference to a pension payable to a spouse in respect of the transfer payment from the Former Scheme (i.e. based on the Member’s pensionable service under the Former Scheme before 6 April 2006 and earnings increased to the date of death as described in 16.1.1, instead of by reference to a death-in-service spouse’s pension under the Former Scheme);

16.1.7 a Member’s contracted-out employment under the Former Scheme and the Scheme will be treated as continuous, as required by the Contracting-out Laws.

In spite of 16.1.1 above, in the case of Members who leave Service before 6 April 2016, the benefits provided in respect of the transfer payment from the Former Scheme will be increased for the period from 6 April 2006 by the amount required by the Revaluation Laws, if this would be more favourable to the Member than applying 16.1.1 above.

Also in spite of the above, the benefits provided in respect of the transfer payment from a Former Scheme will be paid as described in these Rules. In other words, the following Rules will apply in place of any corresponding provisions of the Former Scheme:

(a) Rule 15 (general rules about pensions for Service in the Defined Benefit Section), except for the part of Rule 15.2 (pension increases) about the rates of guaranteed pension increases, which for Former Scheme benefits will be as under the Former Scheme; and

(b) Rules 25 to 40.

For the avoidance of doubt, any reference in a Former Scheme to the trustees shall, for the purpose of this Rule, be treated as a reference to the Trustee; and any such reference to an employer shall be treated as a reference to the corresponding Employer or (if there is no corresponding Employer) to the Group.

The Former Schemes were approved under Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 (retirement benefit schemes). As a condition of this approval, the Former Schemes were subject to various requirements, including limits on the benefits and contributions that could be paid. These limits will continue to apply to benefits provided under the Scheme in respect of the transfer payments from the Former Schemes, except where these Rules specifically say otherwise or the Group and the Trustee agree otherwise. The details of these limits are contained in previous legislation, and in IR12(2001) “Practice Notes on the Approval of Occupational Pension Schemes”.

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16.2 **Former Members of the Co-operative Group (CWS) Limited Pension Fund**

For Members who joined the Scheme on 6 April 2006 and were active members of the Co-operative Group (CWS) Limited Pension Fund immediately before joining the Scheme, Pensionable Earnings will be reduced by an amount equal to the lower earnings limit for National Insurance contributions, unless:

16.2.1 the Member was paying contributions (and receiving benefits) on the full amount of Pensionable Earnings, without any reduction, immediately before 6 April 2006; or

16.2.2 the Member chooses to pay contributions (and receive benefits) on the full amount of Pensionable Earnings, without any reduction.

However, for the purpose of calculating any lump sum payable on a Member’s death in Service, Revalued Pensionable Earnings will, in all cases, be based on the full amount of the Member’s Pensionable Earnings, without any reduction.

A Member may choose to pay contributions on the full amount of Pensionable Earnings with effect from any 6 April. A Member who chooses to pay contributions on the full amount of Pensionable Earnings cannot later change back to paying contributions on reduced Pensionable Earnings.
Defined Contribution Section

Rules 17 to 24 set out the terms and benefits for Service in the Defined Contribution Section.

17 Contributions by Members

17.1 Basic contributions by Members

Each Member in Service in Pace Essential must contribute to the Scheme at the rate of:

17.1.1 1% of Pensionable Earnings from 7 October 2012 to 30 September 2017;
17.1.2 2% of Pensionable Earnings from 1 October 2017 to 30 September 2018; and
17.1.3 3% of Pensionable Earnings from 1 October 2018.

Each Member in Service in Pace Extra must contribute to the Scheme at the rate of 4% of Pensionable Earnings.

The Employer will deduct these contributions from the Member's earnings and pay them to the Trustee.

Note: In the case of Members who participate in Salary Sacrifice, this Rule is modified as described in Rule 28.2 (“Salary Sacrifice” for Member’s contributions).

17.2 Additional voluntary contributions by Members

If the Group agrees, a Member in Service may also choose to pay additional voluntary contributions to the Scheme on a basis agreed with the Trustee.

These voluntary contributions will be credited to the Member’s Retirement Account and the proceeds will be used to provide additional benefits for, or in respect of, the Member.
18 Member’s Retirement Account

18.1 Calculation of Member’s benefits
The value of the benefits provided for each Member’s Service in the Defined Contribution Section will be determined by reference to the value of the Member’s Retirement Account at the date on which the benefits are provided.

18.2 Credits to Retirement Accounts
The Trustee will credit to each Member’s Retirement Account:

18.2.1 an amount equal to the Member’s basic and voluntary contributions under Rule 17 (contributions by Members);

18.2.2 for each Member who is in Pace Essential, an amount equal to:
   (i) 2% of Pensionable Earnings from 7 October 2012 to 30 September 2017;
   (ii) 3% of Pensionable Earnings from 1 October 2017 to 30 September 2018; and
   (iii) 5% of Pensionable Earnings from 1 October 2018;

18.2.3 for each Member who is in Pace Extra, an amount equal to 8% of Pensionable Earnings; and

18.2.4 an amount equal to any assets or surrender values accepted by the Trustee in respect of the Member under Rule 32.1 (transfers from other pension schemes and arrangements).

Note: The amounts described in 18.2.2 and 18.2.3 are “employer contributions”.

18.3 Allocation of expenses
The Trustee will deduct from each Member’s Retirement Account a fair share (as determined by the Trustee) of any expenses of the Defined Contribution Section that are not paid by the Employers or from the general assets of the Scheme.
18.4 Investment options

Members may choose to link the value of their Retirement Accounts to one or more investment options offered by the Trustee from time to time. If a Member does not choose an investment option, the Trustee will choose for the Member. The value of each Member’s Retirement Account will fluctuate in line with changes in the value of the investment option or options to which the Account is linked.

If the Trustee allows, Members may switch between the available investment options offered by the Trustee. Switching may apply to amounts already credited to Retirement Accounts, as well as for amounts to be credited in future. Switching will be subject to any restrictions or conditions that the Trustee may impose from time to time.

The Trustee may at any time change the investment options available under the Scheme. In particular, the Trustee may withdraw any investment option at any time, for amounts already credited to Retirement Accounts, as well as for amounts to be credited in future. If the Trustee withdraws an investment option and a Member does not choose a replacement from the options offered by the Trustee, the Trustee will choose for the Member.

The Trustee is not responsible for the performance of any investment option, and will not be liable for any loss arising from any choice of any investment option.

18.5 No segregation of assets

The credit of assets to a particular Member’s Retirement Account, and the linking of an Account to the value of particular investments, is for benefit calculation purposes only. The assets of the Scheme are held as a common trust fund from which all the benefits are provided. No Member or other person entitled to benefits is entitled to any specific assets of the Scheme.
19 Member’s retirement benefits

19.1 Date when benefits start

Taking benefits at or after Normal Retirement Date

If a Member leaves Service on or after reaching Normal Retirement Date, the Trustee will provide immediate benefits for the Member on leaving. However, if the Member asks to defer receiving benefits until a later date, the Trustee will provide benefits at that later date.

Taking benefits before Normal Retirement Date

A Member who leaves Service before reaching Normal Retirement Date may choose to receive immediate benefits on leaving, but only if:

19.1.1 the Member has reached age 55; or

19.1.2 paragraph 22 or 23 of Schedule 36 to the Finance Act 2004 applies (rights to take benefit before normal minimum pension age) and the Member has reached his or her “protected pension age” (as defined in paragraph 21 of that Schedule); or

19.1.3 the Trustee is satisfied, after receiving evidence from a registered medical practitioner, that the Member is suffering from Partial or Total Incapacity.

19.2 Form of benefits

The Trustee will use a Member’s Retirement Account to provide benefits in one or more of the following forms, as chosen by the Member or, if the Member does not make a choice when asked to do so by the Trustee, as the Trustee considers appropriate:

19.2.1 a pension payable to the Member;

19.2.2 a lump sum for the Member when the Member’s pension starts;

19.2.3 benefits payable on the Member’s death.

These benefits must all be authorised for the purposes of Part 4 of the Finance Act 2004.

If the Trustee agrees, the Member may choose benefits in some other form so long as the benefits are authorised for the purposes of Part 4 of the Finance Act 2004.

If the Member does not make a choice, the Trustee may choose for the Member.
20 Benefits on Member’s death

20.1 Benefits on death in Service in the Defined Contribution Section

If a Member dies in Service in the Defined Contribution Section before reaching age 75, the Trustee will provide benefits as follows:

20.1.1 for Members of Pace Essential, a lump sum equal to the greater of the Member’s Pensionable Earnings received in the last 12 months before the date of death and the yearly rate of the Member’s basic pay at the date of death;

20.1.2 for Members of Pace Extra, a lump sum equal to 3 times the greater of the Member’s Pensionable Earnings received in the last 12 months before the date of death and the yearly rate of the Member’s basic pay at the date of death; and

20.1.3 for all Members, benefits from the Member’s Retirement Account as described in Rule 20.2 (benefits on death before retirement).

If a Member dies in Service in the Defined Contribution Section after reaching age 75, the Trustee will provide benefits from the Member’s Retirement Account as described in Rule 20.2 (benefits on death before retirement).

The benefits must all be authorised for the purposes of Part 4 of the Finance Act 2004.

The lump sum will be paid as described in Rule 25 (payment of lump sum death benefits).

20.2 Benefits on death before retirement

If a Member dies before starting to receive benefits under the Defined Contribution Section, the Trustee will use the Member’s Retirement Account to provide benefits in one or both of the following forms, as the Trustee considers appropriate:

20.2.1 a lump sum payable as described in Rule 25 (payment of lump sum death benefits);

20.2.2 a pension or pensions for one or more of the Member’s Qualifying Partner, Qualifying Children and Dependants.

The benefits must all be authorised for the purposes of Part 4 of the Finance Act 2004.

20.3 Benefits on death after retirement

If a Member dies after starting to receive benefits under the Defined Contribution Section, the Trustee will provide the benefits chosen when the Member retired.

If the benefits were secured with an annuity contract before the Member died, any benefits on death will be as provided for under the contract.
21 Early leavers

21.1 Preserved benefits
A Member who leaves Service without becoming entitled to immediate benefits but who satisfies the preservation requirements (see Rule 21.3) will remain entitled to preserved benefits under the Scheme.

If the Member remains entitled to benefits, the Trustee will use the Member’s Retirement Account to provide benefits for the Member, as described in Rule 19 (Member’s retirement benefits), on the Member’s Normal Retirement Date. However:

21.1.1 if the Member asks to defer receiving benefits until a later date, the Trustee will provide benefits at that later date;

21.1.2 the Member can choose to receive benefits before Normal Retirement Date if he or she satisfies one of the conditions for doing so under Rule 19.1 (date when benefits start); and

21.1.3 if the Preservation Laws allow, the Trustee can use a Member’s Retirement Account to buy one or more annuities with an insurer in accordance with Rule 32.2 (transfers to other pension schemes and arrangements).

However, a Member of a Former Scheme who has a right to take benefits from the Defined Benefit Section before age 55, or without the Trustee’s consent in accordance with Rule 12.2 (early pension), may choose to receive benefits from the Defined Contribution Section at the same age.

If the Member dies before starting to receive benefits under the Defined Contribution Section, death benefits will be provided as described in Rule 20.2 (benefits on death before retirement).

21.2 Refund of contributions
A Member who leaves Service without becoming entitled to immediate or preserved benefits will receive a refund of:

21.2.1 his or her own basic contributions to the Scheme; and

21.2.2 if the Member has paid additional voluntary contributions, the proceeds (after adjustment in line with fluctuations in the value of the investment option or options to which the Member’s Retirement Account is linked) of those contributions.

The Trustee will deduct tax at 20% or such other rate as applies from time to time. However, the amount of the refund will not exceed that which would be an authorised payment under the Finance Act 2004.

If the Member leaves Service with at least 3 months’ Qualifying Service and so chooses, the Trustee will provide a cash transfer sum in accordance with Chapter 5 of Part IV of the Pension Schemes Act 1993 (early leavers: cash transfer sums and contribution refunds), instead of a refund of the Member’s own contributions.

Note: This Rule does not apply to a Member who switches to the Defined Benefit Section until the Member actually leaves Service, opts out or ceases to be eligible. Its application then depends on the Member’s Qualifying Service at that date, after taking account of Pensionable Service completed in both Sections.
21.3 **Preservation requirements**

A Member satisfies the preservation requirements if:

21.3.1 the Member leaves Service with at least 2 years' Qualifying Service; or

21.3.2 a transfer payment in respect of the Member's rights under a personal pension scheme has been made to the Scheme; or

21.3.3 the Member is still entitled to benefits under the Scheme from a previous period of Service.

22 **Right to transfer or buy-out**

A Member who leaves Service with preserved benefits before reaching Normal Retirement Date can require the Trustee to use his or her Retirement Account to buy one or more annuities, or to acquire rights under another occupational pension scheme or a personal pension scheme, in accordance with the Transfer Value Laws.
23 Members away from work

23.1 General principle
Members who are away from work will normally be treated as having left Service if they stop receiving contractual pay from the Employers. However, the Group may direct the Trustee to treat any Member who is away from work or on secondment as still in Service, for some or all purposes of the Scheme, for so long as it thinks fit.

23.2 Family leave
In this Rule 23.2, the terms in bold mean the same as in the Employment Rights Act 1996.

The Trustee will continue to make regular credits to the Member’s Retirement Account, in accordance with Rule 18.2 (credits to Retirement Accounts), during:

23.2.1 a Member’s “ordinary maternity leave”, “ordinary adoption leave” or “ordinary paternity leave”; and

23.2.2 any period of paid absence that (for the purposes of Schedule 5 to the Social Security Act 1989) is a period of maternity leave, adoption leave, paternity leave or absence from work for other family reasons.

A Member who receives pay from the Employer for these periods must pay contributions on the pay received.

The amounts credited under Rules 18.2.2 and 18.2.3 during ordinary and paid maternity, adoption and paternity leave will be calculated as if the Member was working normally and receiving the normal pay for doing so. The Employer’s decision as to the Member’s normal pay for these periods will be final.

The amounts credited under Rules 18.2.2 and 18.2.3 during any other period of paid family leave will normally be based on the pay received.

The Employer may direct the Trustee not to apply any credits for a Member during any period of unpaid “additional maternity leave”, “additional adoption leave”, “additional paternity leave” or “parental leave”. However, the Member will still be covered for benefits under Rule 20.1 (benefits on death in Service in the Defined Contribution Section), until the end of the period. Any benefit under Rule 20.1 (benefits on death in service in the Defined Contribution Section) will be calculated as if the Member were working normally at the date of death and receiving the normal pay for doing so.
24 General rules about pensions for Service in the Defined Contribution Section

24.1 Securing pensions with an insurance company
The Trustee will secure all pensions under the Defined Contribution Section by buying annuity contracts from an insurance company, unless the Group agrees otherwise.

An annuity contract may be bought in the Trustee's name, or in the name of the Member or other person entitled to the benefit. If a contract is bought in the Trustee's name, the Trustee may transfer it to the Member or other person at any time.

The Trustee must allow the Member a reasonable opportunity to choose the insurance company. If the Member dies before retirement, the Trustee must allow the person entitled to the pension a reasonable opportunity to choose the insurance company. The Trustee will choose the insurance company if the Member or other person does not make a choice.

If a Member chooses to provide a pension for a spouse, civil partner, child or Dependant on the Member's death after retirement, the Trustee will normally secure that pension at the same time as they secure the Member's pension. However, the Trustee may secure the survivor's pension at a later date, if permitted under Part 4 of the Finance Act 2004.

24.2 Paying pensions from the Scheme
If the Group agrees, the Trustee may provide any pension from the Scheme's assets. The Trustee will then calculate the amount of the pension after taking actuarial advice.

However, before providing a pension from the Scheme's assets, the Trustee must allow the Member a reasonable opportunity to choose an insurance company to provide the pension. If the Member has died before retirement, the Trustee must allow the person entitled to the pension a reasonable opportunity to choose an insurance company.

Pensions from the Scheme's assets will be paid at such intervals, and in advance or arrears, as the Trustee decides from time to time. If a pension is payable in advance and the pensioner dies before the end of the period for which payment has been made, the Trustee may require repayment of all or part of any amount attributable to the period following the pensioner's death.

24.3 Pension increases
Pensions that are secured with an annuity contract will increase in payment at a rate (if any) chosen by the Member or, if the Member dies before starting to receive benefits under the Defined Contribution Section, at a rate chosen by the Trustee.

Pensions provided from the Scheme's assets will increase in payment at a rate decided by the Trustee when calculating the amount of the pension under Rule 24.2.
General rules applicable to all Members and benefits

25  Payment of lump sum death benefits

The Trustee will pay any lump sum death benefit to such one or more of the Beneficiaries as it considers appropriate. If the Trustee decides to pay the benefit to more than one of the Beneficiaries, it will pay the benefit in such shares as it decides.

The “Beneficiaries” are:

25.1.1 the Member’s surviving Qualifying Partner, and any other former Qualifying Partner of the Member;

25.1.2 any ancestors and descendants (including stepchildren) of the Member, or of any former Qualifying Partner of the Member, and the Qualifying Partners and former Qualifying Partners of those ancestors and descendants;

25.1.3 any other descendants (including stepchildren) of the grandparents of the Member, or of any former Qualifying Partner of the Member; and any Qualifying Partners and former Qualifying Partners of those descendants;

25.1.4 the Member’s Dependents and any other person who, in the opinion of the Trustee, has at any time received financial support from the Member, or who was, at the date of the Member’s death, a person for whom the Member was under a legal or moral obligation to make financial provision;

25.1.5 any person, charity or club with an interest in the Member’s estate (but not including the Crown, the Duchy of Lancaster or the Duke of Cornwall);

25.1.6 any person, charity or club nominated by the Member in writing to the Trustee or to the trustees of a Former Scheme or the trustees of an Acquired Scheme; and

25.1.7 the Member’s legal personal representatives.

The Trustee may use all or part of the amount payable for the benefit of one or more of the Beneficiaries, instead of paying it direct to the Beneficiaries concerned.

So long as only Beneficiaries can become entitled to the benefit, the Trustee may:

(a) direct that all or part of the lump sum be held by itself or other trustees on such trusts (including discretionary trusts) and with such powers and provisions (including powers of selection and variation) as the Trustee sees fit; or

(b) pay all or part of the lump sum to the trustees of any other existing trust.

If the Trustee does not pay the benefit within 6 months after the Member’s death, the Trustee may add interest to the benefit at such rate as it decides.

If the Trustee cannot pay the benefit within 2 years after being told of the Member’s death, it will transfer the benefit to a separate account outside the Scheme and pay it under this Rule as soon as possible afterwards.
26 **Ceasing to be eligible**

A Member in Service will cease to be eligible for membership of the Scheme if the Member's contract of service is varied so that he or she is no longer eligible for membership.

The Member will be treated as having left Service on ceasing to be eligible. However, unless the Group agrees otherwise, a Member with a preserved pension cannot choose an early pension under Rule 12.2 (early pension) or Rule 21.1 (preserved benefits) before actually leaving Service.

27 **Opting out**

A Member may at any time opt out of the Scheme by giving at least 30 days' notice to the Employer and the Trustee. The Member will be treated as having left Service at the end of the pay period in which the notice expires, except that:

- **27.1.1** if the Member gives a valid opt out notice under Section 8 of the Pensions Act 2008 (jobholder's right to opt out), the Trustee and the Employer will take appropriate action so that the Member is treated as if he or she had never been included in the Scheme;

- **27.1.2** the Group and the Trustee may agree to still include the Member the Scheme for death-in-service benefits as described in Rule 2.2 (life assurance only members);

- **27.1.3** unless the Group agrees otherwise, no pension or retirement lump sum will be paid to the Member until the Member actually leaves Service (or reaches age 75, if earlier), unless the Member has a right to choose benefits between Normal Retirement Date and leaving Service under Rule 16.1 (people who transferred from a Former Scheme).

If the Member is entitled to a preserved pension for Service in the Defined Benefit Section and the pension starts after Normal Retirement Date, it will be increased on a basis agreed between the Group and the Trustee after considering actuarial advice.

A Member who opts out of the Scheme may rejoin only with the specific permission of the Group and the Trustee. The Group and the Trustee may agree to allow the Employee to rejoin the Scheme either on normal terms or only on special terms.

However, a Member who opts out will be included in the Scheme automatically from the next re-enrolment date if Chapter 1 of the Pensions Act 2008 (employers’ duties) requires the Employer to make arrangements for the Member to again become an active member of an automatic enrolment scheme. This will happen unless the Member gives a valid opt out notice under Section 8 of that Act (Jobholder's right to opt out).
28 Special provisions for certain Members

28.1 Members who left Service or reached Normal Retirement Date before 7 October 2012

The benefits for Members who left Service or reached Normal Retirement Date before 7 October 2012 (and the benefits payable on their deaths) will be as described in the Rules in force previously from time to time. However, the current Rules about paying pensions from the Scheme, and Rules 25 to 40 of these Rules, will apply in place of any corresponding pensions provisions of the Scheme. In particular, Rule 29.5 (tax status of the Scheme) will apply so that, if the Trustee would otherwise be required to make a payment that would be "unauthorised" by virtue of Section 160 of the Finance Act 2004, the payment will be treated as discretionary and will not be made unless the Trustee and the Group agree otherwise (which they need not do).

28.2 "Salary Sacrifice" for Member's contributions

Members who participate in "Salary Sacrifice" for Members' pension contributions accept a reduction in their pay in return for non-contributory membership of the Scheme. The reduction in each Member's pay is equal to the basic contributions that the Member would otherwise be required to pay under Rule 5.1 or 17.1 (basic contributions by Members). Members who participate in Salary Sacrifice are not required to pay basic contributions.

To ensure that a Member's benefits are not affected:

28.2.1 "Pensionable Earnings", at any date and for any period while a Member participates in Salary Sacrifice for pension contributions, will include the amount by which the Member’s Pensionable Earnings are reduced;

28.2.2 for Members in Service in the Defined Contribution Section, the amounts credited to each Member’s Retirement Account under Rule 18.2 will include an amount equal to any basic contributions that the Member would have paid if the Member had not participated in Salary Sacrifice for pension contributions; and

28.2.3 when calculating any benefit under Rule 8.4 (Member dies with a preserved pension), Members will be treated as having paid contributions equal to those they would have paid if they had not participated in Salary Sacrifice for pension contributions. However, this does not apply to any refund of contributions for an early leaver under Rule 11.2 or Rule 21.2 (refund of contributions).

28.3 Members with more than one contract of employment

It may be that a Member has more than one contract of employment with the Employers (whether with the same Employer or different Employers) at the same time. If so, the Trustee will calculate the benefits for Service under each contract separately (as if each contract were for Service by different members) unless the Group directs otherwise.

However, the Member’s continuous Service under all contracts will be taken into account when calculating whether the Member is eligible to join the Defined Benefit Section, and the Member’s continuous Pensionable Service under all contracts will be taken into account when calculating the Member’s Qualifying Service or eligibility for an incapacity pension under Rule 6.4 (incapacity retirement).
28.4 **Members who have been employed in Jersey, Guernsey and the Isle of Man**

**Tax approval**

The Scheme is designed for tax approval in:

28.4.1 Jersey insofar as it relates to a Member who is or has been employed in Jersey;

28.4.2 Guernsey insofar as it relates to a Member who is or has been employed in Guernsey; and

28.4.3 the Isle of Man insofar as it relates to a Member who is or has been employed in the Isle of Man.

In spite of anything else in these Rules, the Trustee and the Group will operate the Scheme in compliance with any requirements imposed as a condition of such approval, including, in particular, any limits on benefits and contributions. These Rules shall be treated as including any Rules which are necessary for the purposes of such approval.

**Retirement Benefit Schemes Act 2000**

The Trustee will comply with all applicable requirements of the Retirement Benefit Schemes Act 2000 in the Isle of Man.

**Contracting-out**

A Member’s Service while employed in Jersey or Guernsey is not contracted-out.

In these Rules, references to the "Contracting-out Laws" mean, in relation to Members in the Isle of Man, the contracting-out laws set out in Part III of the Pension Schemes Act 1993 as applied in the Isle of Man.

28.5 **People who join from an Acquired Scheme**

Special provisions apply to Members who joined the Scheme from an Acquired Scheme on or after 7 October 2012 and were active members of the relevant Acquired Scheme immediately before joining the Scheme. Benefits will be provided under the Scheme for such Members on a basis agreed with the Group and the Trustee and as notified to the relevant Members.

For the purpose of this Rule, “Acquired Scheme” means each of:

28.5.1 The United Norwest Co-operatives Employees’ Pension Fund;

28.5.2 The Yorkshire Co-operatives Limited Employees’ Superannuation Fund;

28.5.3 The Leeds Co-operative Society Limited Employees’ Pension Fund;

28.5.4 The Sheffield Co-operative Society Limited Employees’ Superannuation Fund;

28.5.5 The Lothian Borders and Angus Co-operative Society Limited Employees’ Pension Fund;

28.5.6 The Britannia Pension Scheme;

28.5.7 The Plymouth & South West Co-operative Society Limited Employees’ Superannuation Fund;

28.5.8 The Brixham Co-operative Society Limited Employees’ Superannuation Fund; and

28.5.9 The Somerfield Pension Scheme.
29 General rules about benefits

29.1 Recovery of tax and other charges

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

The Trustee may reduce any Retirement Account or other benefit in respect of which a tax or other charge arises (including an annual or lifetime allowance charge), so as fully to reflect the amount of the tax or charge payable in respect of it. The Trustee will decide the amount of the reduction after considering actuarial advice, and its decision will be final.

29.2 Evidence of health

It may be that benefits payable under the Scheme on a Member’s death in Service or incapacity retirement are insured. If so, those benefits will be subject to any restrictions imposed by the insurer and which have been notified to the Member. However, in the case of Members who joined the Scheme on 6 April 2006 and were active members of a Former Scheme immediately before joining the Scheme, benefits will not be restricted to any greater extent than the corresponding benefit could have been restricted under the Former Scheme.

The Trustee may decide that benefits will also be restricted for any Member who fails to provide evidence of good health satisfactory to the Trustee (or any insurer), or whose death or incapacity results from a cause specified in a notice to Members or Employees.

However, benefits cannot be restricted under this Rule to less than the amount that would have been payable if the Member had left Service immediately before death or retirement.

29.3 Loss of right to benefits

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

However, there are exceptions to the restrictions imposed by Sections 91 to 93. To the extent permitted by those exceptions and the Contracting-out Laws:

29.3.1 an Employer may require the Trustee to reduce or forfeit a person’s benefits if the person owes money to the Employer and the debt arises from a criminal or fraudulent act or omission (in which case the Trustee will pay the Employer an amount equal to the debt or, if less, the value of the person’s benefits);

29.3.2 the Trustee may reduce or forfeit a person’s benefits if the person owes money to the Scheme and the debt arises from a criminal or fraudulent act or omission;

29.3.3 the Trustee may forfeit any benefits that are payable in respect of a Member to a person who is convicted of the offence of murder or manslaughter of the Member, or any other offence of which unlawful killing of the Member is an element (including aiding, abetting, counselling or procuring the Member’s death); and

29.3.4 the Trustee may forfeit any benefit if the person entitled to the benefit does not claim it within 6 years of the date on which it becomes due.
29.4 **Beneficiary who is incapable**

If the Trustee considers that a person cannot look after his or her own affairs (by reason of illness, mental disorder, age or otherwise), the Trustee may use any amounts due to that person for his or her benefit or may pay them to some other person to do so. The Trustee may also make, for the person concerned, any choice which that person has under the Scheme.

29.5 **Tax status of the Scheme**

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

29.6 **Contracting-out**

The Trustee will operate the Defined Benefit Section of the Scheme in accordance with the Contracting-out Laws that apply to salary-related contracted-out schemes. These Rules will be treated as including Rules to the same effect as any rule that must be included for the Scheme to be contracted-out in relation to a Member’s Service. In particular, if a Member has a guaranteed minimum under Section 14 of the Pension Schemes Act 1993 (earner’s guaranteed minimum) in relation to a pension provided by the Scheme:

- **29.6.1** the weekly rate of the Member’s pension under the Scheme at age 65 if a man or 60 if a woman, in respect of service before 6 April 1997, will not be less than that guaranteed minimum;

- **29.6.2** the weekly rate of pension payable to any widow of the Member under the Scheme in respect of the Member’s service before 6 April 1997 (excluding pension provided by additional voluntary contributions) will not be less than half the Member’s guaranteed minimum;

- **29.6.3** the weekly rate of pension payable to any widower or surviving civil partner of the Member under the Scheme in respect of the Member’s service before 6 April 1997 (excluding pension provided by additional voluntary contributions) will not be less than half the part of the Member’s guaranteed minimum which is attributable to earnings factors for the tax year 1988-89 and subsequent tax years up to and including the tax year 1996-97.

This Rule overrides all other provisions of the Scheme, except those that are in accordance with the Pension Schemes Act 1993. However, it does not require any pension to be paid to any person in any circumstances where the Scheme is not required to provide a pension for that person under the Contracting-out Laws.

In spite of Rules 6.3 (early retirement) and 12.2 (early pension), a Member cannot choose a pension that starts before Normal Retirement Date unless the Trustee is satisfied that the pension will satisfy the requirements of this Rule without any additional cost to the Scheme.
30  Pension sharing on divorce, etc.

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

30.2 Benefits under the Scheme
If the Trustee provides benefits for the former spouse or civil partner under the Scheme, those benefits will be provided separately from any other benefits to which the former spouse or civil partner is entitled under the Scheme.

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

31  Discretionary benefits

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

The Trustee will calculate the lump sum on a basis agreed with the Group, after considering actuarial advice.

31.2 Lump sums instead of small pensions
It may be that the value of a person’s benefits under the Scheme (including any death benefits) is so small that the Contracting-out Laws and Part 4 of the Finance Act 2004 would allow payment of a lump sum instead of those benefits. If so, the Trustee may pay a lump sum instead of those benefits.

The Trustee will calculate the value of the benefits and the amount of the lump sum on a basis agreed with the Group after considering actuarial advice.
31.3 Discretionary benefits

If the Group so requests and the Employers or Members pay any additional contributions (and none may be required) that the Trustee considers necessary (for which purpose the Trustee will consider actuarial advice), the Trustee may provide:

31.3.1 increased or additional benefits in respect of any Member or Members; or

31.3.2 benefits in respect of any Member or Members that are different, or on different terms (including as to time of payment), from those set out elsewhere in the Rules; or

31.3.3 benefits in respect of any Employee or former Employee or any spouse, registered civil partner or Dependant of a former Employee (or for any other person for whom the Group wishes to provide benefits).

Any benefits provided under this Rule must be consistent with the Contracting-out, Preservation, Revaluation, and Transfer Value Laws and with the Scheme’s tax status as a registered pension scheme under Part 4 of the Finance Act 2004.

32 Transfers and buy-outs

32.1 Transfers from other pension schemes and arrangements

If the Group agrees, the Trustee may accept a transfer of assets in respect of any person from another pension scheme or arrangement.

The Trustee will use the assets or surrender value to provide benefits for the person concerned on a basis agreed with the Group (after considering actuarial advice). The benefits must comply with the Contracting-out, Preservation, Revaluation and Transfer Value Laws, and must be consistent with the Scheme’s tax status as a registered pension scheme under Part 4 of the Finance Act 2004.

32.2 Transfers to other pension schemes and arrangements

Instead of providing benefits under the Scheme in respect of any person, the Trustee may transfer assets to another pension scheme or arrangement (including any person who is permitted by the Financial Services and Markets Act 2000 to effect or carry out contracts of long-term insurance) so that benefits will be provided under the other scheme or arrangement in respect of the person concerned. If the Group agrees, the Trustee may transfer assets in respect of part only of a person’s benefits under the Scheme.

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

A transfer payment for a Member of the Defined Contribution Section who has not started to receive benefits will be equal to the value of the Member’s Retirement Account, less any expenses or charges relating to the transfer.

For all other cases, the Trustee will decide the amount of the transfer payment after considering actuarial advice. However, the amount will be calculated on a basis consistent with the calculation of cash equivalents under the Transfer Value Laws, unless the Group and the Trustee agree to use a different calculation basis.
32.3  **Securing benefits with insurance policies and annuity contracts**

If the Trustee has bought an insurance policy or annuity contract to secure all or part of a person’s benefits under the Scheme, it may transfer the policy or contract into the person’s name at any time. If the Trustee does this, the person will cease to be entitled to those benefits under the Scheme.

Any transfer under this Rule must comply with the Contracting-out and Preservation Laws.

33  **Assets of the Scheme**

33.1  **Assets held on trust**

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

33.2  **Investment of assets**

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

33.2.1 acquire and dispose of any property (tangible or intangible, movable or immovable), whether or not it produces income;

33.2.2 enter into any contract or incur any obligation;

33.2.3 lend or borrow money or other property for any purpose (including acquiring assets);

33.2.4 grant any mortgage or charge over, or give any right of recourse against, any or all of the assets of the Scheme;

33.2.5 form and finance any company;

33.2.6 carry on and finance any business;

33.2.7 insure assets of the Scheme for any amount against any risk;

33.2.8 pool assets with other occupational pension schemes in common investment funds;

33.2.9 keep assets in nominee names; and

33.2.10 exercise its powers under Section 34(1) of the Pensions Act 1995 (power of investment and delegation) to make an investment of any other kind as if they were absolutely entitled to the assets of the Scheme.

The Trustee will exercise these powers in accordance with Sections 36 and 40 of the Pensions Act 1995 (choosing investments and restriction on employer-related investments).
33.3 **Scheme expenses**

The Trustee will pay any expenses of the Scheme from the Scheme’s assets, unless they are paid by the Employers. This includes all expenses and liabilities incurred by a trustee or former trustee through acting as a trustee of the Scheme. However, no amount may be paid from the Scheme’s assets to reimburse a trustee or former trustee for:

33.3.1 expenses or liabilities incurred through wilful wrongdoing or which are covered by insurance under Rule 34.6 (trustee insurance); or

33.3.2 fines or penalties of a kind mentioned in Section 256 of the Pensions Act 2004 (no indemnification for fines or civil penalties).

The Trustee will deduct from Retirement Accounts a share of any expenses of the Defined Contribution Section that are not paid by the Employers, unless the Group and the Trustee agree that the Trustee should pay them from the general assets of the Scheme.

33.4 **Accounts and actuarial valuations**

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

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

33.5 **Treatment of surplus**

It may be that an actuarial valuation of the Scheme shows that the value of the Scheme’s assets exceeds the value of the Scheme’s liabilities. If this happens, the Trustee with the Group’s consent may, after considering actuarial advice, pay all or part of the surplus (less tax) to the Employers in such shares as it agrees with the Group. However, this Rule is subject to the requirements of Section 37 of the Pensions Act 1995 (payment of surplus to employer), which imposes restrictions on any payments to the Employers from the assets of an occupational pension scheme.
34  Trustee

34.1 Appointment and removal

The Group may appoint new or additional trustees or a body corporate as sole trustee. The Group may also remove trustees.

These powers will be exercised by deed. They may be exercised without giving any reasons. However, they may not be exercised in any way that conflicts with any arrangements made under Sections 16 to 21 of the Pensions Act 1995 or Sections 241 to 243 of the Pensions Act 2004 (requirement for member-nominated trustees and directors).

34.2 Exercise of powers

The Trustee may act by majority vote and may delegate powers, duties or discretions to any person and on any terms (including terms that allow the delegate to sub-delegate).

The Trustee may appoint professional advisers, as required by Section 47 of the Pensions Act 1995.

The Group may from time to time appoint a secretary to the Trustee for such period and on such terms as the Group sees fit.

34.3 Trustee charges

If the Group and the other trustees agree, any trustee may charge for services provided on a basis agreed with the Group and the Trustee, as also may a company or firm in which a trustee is interested. These charges will be from the Scheme’s assets.

34.4 Limit of liability

A trustee will not be liable for any negligence, default, breach of duty or breach of trust, except wilful wrongdoing.

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

34.5 Indemnity and protection from loss

The Employers will jointly and severally indemnify each trustee and former trustee against any expenses and liabilities which are incurred through acting as trustees of the Scheme but which cannot, for any reason, be met from the Scheme’s assets. However, this Rule does not apply to any expenses or liabilities which are incurred through wilful wrongdoing or covered by insurance under Rule 34.6 (trustee insurance).
34.6 Trustee insurance

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

If the Trustee is insured, it will waive the protection of Rule 34.4 (limit of liability).

34.7 Corporate trustee

Where there is a corporate trustee:

34.7.1 Rules 33.3 (scheme expenses) and 34.3 (trustee charges) apply for the benefit of directors and employees of the corporate trustee in the same way as for an individual trustee;

34.7.2 the directors and employees of the corporate trustee will not be liable for any negligence, default, breach of duty or breach of trust except:
   (i) knowing and deliberate wrongdoing; and
   (ii) any liability in relation to the corporate trustee itself that, under company law, cannot be excluded;

34.7.3 the Employers will jointly and severally indemnify the directors and employees of the corporate trustee, under Rule 34.5 (indemnity and protection from loss), as if they were individual trustees;

34.7.4 the Employers will also jointly and severally indemnify those directors and employees against any expenses and liabilities incurred in relation to the corporate trustee itself and in connection with its activities as a trustee of the Scheme except:
   (i) expenses or liabilities incurred through knowing and deliberate wrongdoing or covered by insurance under Rule 34.6 (trustee insurance); and
   (ii) liabilities of the kind mentioned in Section 235(3) of the Companies Act 2006, to which a qualifying pension scheme indemnity must not apply; and

34.7.5 the Trustee may insure the directors and employees of the corporate trustee, under Rule 34.6 (trustee insurance), as if they were individual trustees.
34.8 **Professional Trustee**

These Rules are modified as follows in relation to anyone who acts as a trustee of the Scheme, or as a director of a corporate trustee, in the course of a business or profession of acting as a professional pension trustee (a "Professional Trustee"):

34.8.1 in spite of Rule 33.3 (scheme expenses), no amount may be paid from the Scheme’s assets to reimburse a Professional Trustee or former Professional Trustee for any expenses or liabilities incurred though their own negligence;

34.8.2 in spite of Rules 34.4 (limit of liability) and 34.7 (corporate trustee), a Professional Trustee will be liable for breach of trust committed negligently;

34.8.3 in spite of Rule 34.5 (indemnity and protection from loss), the Employers will not indemnify a Professional Trustee or former Professional Trustee against any expenses or liabilities, unless they specifically agree otherwise in writing;

34.8.4 in spite of Rule 34.6 (trustee insurance), any cost of insuring a Professional Trustee against liability for breach of trust involving negligence may be paid from the Scheme’s assets only if the Group agrees;

34.8.5 in spite of Rule 34.6 (trustee insurance), if a Professional Trustee maintains its own insurance cover at its own expense, it will not be required to waive the protection of Rule 34.4 (limit of liability) in relation to any matter covered by that insurance; and

34.8.6 the indemnities from the Employers in Rules 34.7.3 and 34.7.4 do not apply to any officer or employee of a corporate trustee if (a) the corporate trustee is a Professional Trustee or (b) the officer or employee is a Professional Trustee.

However, the Group and the Trustee may agree that some or all of these modifications should not apply or should apply only to a limited extent.
35  Participating employers

35.1 Inclusion in the Scheme
The Group and the Trustee may allow any employer to participate in the Scheme in respect of all or some only of its employees.

An employer wishing to participate in the Scheme must agree by deed to comply with the Rules, including any special terms which the Group and the Trustee may require.

35.2 Ceasing to participate
An Employer may cease to participate in the Scheme at any time by written notice to the Trustee.

An Employer will cease to participate if required to do so by the Group. The Group will notify the Trustee if it requires an Employer to cease to participate.

When an Employer ceases to participate in the Scheme, any Members who are then in employment with that employer will become entitled to benefits as if they had then left Service.

35.3 Employer Debt Laws
The Trustee may enter into any arrangement it thinks fit to modify any amount that might otherwise be treated as a debt due from an employer under Section 75 of the Pensions Act 1995 (deficiencies in the assets) (the “Employer Debt Laws”). However, only a flexible apportionment arrangement can reduce the amount of a debt to less than £1.

The Trustee may enter into an arrangement under this Rule before, on or after the time at which the debt would otherwise have been calculated and certified. However, the arrangement must comply with the Employer Debt Laws and the Trustee must comply with those Laws when entering into the arrangement.

36  New principal employer
The Trustee may allow another employer or holding company to take over the role of the Group in relation to the Scheme. This requires the Group’s agreement, however, unless it has been dissolved.
37 Termination of the Scheme

37.1 Time of termination
The Group may terminate the Scheme at any time by giving 6 months’ written notice to the Trustee (or such shorter period as the Trustee agrees). The Group may also terminate one Section of the Scheme but not the other, as mentioned in Rule 3.1 (the Scheme).

The Trustee will terminate the Scheme if the Group goes into liquidation, unless another person agrees to take over the role of the Group in relation to the Scheme.

37.2 Effect of termination
Any Members who are in Service when the Scheme terminates will be treated as having left Service with preserved pensions.

After the Scheme terminates, the Trustee will continue to provide benefits in accordance with the Rules. However, no further contributions will become payable, unless required by Part 3 of the Pensions Act 2004 (scheme funding).

37.3 Reopening the Scheme
At any time before the Trustee decides to wind up the Scheme, the Trustee and the Group may agree to reopen the Scheme, so that Employees can again start qualifying for benefits.

38 Winding up the Scheme

38.1 Time of winding-up
The Trustee may decide to wind up the Scheme at any time after the Scheme terminates. This requires the consent of the Group, however, unless it has been dissolved.

The Trustee will continue to provide benefits in accordance with the Rules, and Rule 39 (changing the Rules) will continue to apply, until the Scheme has been wound up and all the benefits secured. If the Group is dissolved before the winding up is completed, the Trustee may exercise any powers given to the Group, unless another person has taken over the role of the Group in relation to the Scheme.

38.2 Use of assets
When the winding-up starts, the Trustee will set aside sufficient assets to pay the expenses of the Scheme until the winding-up has been completed. The Trustee will then use the rest of the Scheme assets as described in Rules 38.3 to 38.7 below.

38.3 Securing benefits with insurance policies and annuity contracts
The Trustee will buy an insurance policy or annuity contract in the name of each person entitled to benefits under the Scheme, except those for whom they pay a lump sum under Rule 38.4 (winding-up lump sums) or make a transfer under Rule 38.5 (transfers to other pension schemes and arrangements). If the Trustee has bought suitable policies or contracts before the winding-up starts, the Trustee may transfer them into the names of people entitled to benefits.
The policies and contracts will comply with the Contracting-out, Preservation and Revaluation Laws and must be consistent with the Scheme’s tax status as a registered pension scheme under Part 4 of the Finance Act 2004. The Trustee will provide benefits that are, as nearly as practicable, the same as the benefits that would otherwise have been provided under the Scheme for, and in respect of, the people for whom they are bought. However, a policy or contract may provide different benefits (including money purchase benefits) if the Trustee decides (after taking appropriate advice) that this would be in the interests of the people entitled to benefits.

38.4 Winding-up lump sums
When winding up the Scheme, the Trustee may pay an immediate lump sum instead of providing other benefits, if payment of a “winding-up lump sum” is permitted under Part 4 of the Finance Act 2004. The Trustee will pay the lump sum to the person in whose name they would otherwise have bought an insurance policy or annuity contract.

38.5 Transfers to other pension schemes and arrangements
When winding up the Scheme, the Trustee may make transfer payments in accordance with Rule 32.2 (transfers to other pension schemes and arrangements) in respect of all or any of the people entitled to benefits under the Scheme, instead of buying insurance policies or annuity contracts. A transfer of benefits in respect of contracted-out employment must be approved by the HM Revenue & Customs in accordance with Section 50 of the Pension Schemes Act 1993 (powers of Inland Revenue to approve arrangements for scheme ceasing to be certified).

38.6 Surplus assets
If any assets remain after all benefits have been provided in full, the Trustee will pay them to the Group, unless the Group directs that all or part of the remaining assets be paid to one or more of the other Employers or used to provide:

38.6.1 increased or additional benefits for all or any of the people already entitled to benefits under the Scheme; or

38.6.2 benefits for any other Employee or former Employee or any Qualifying Partner or Dependant of a former Employee (or for any other person for whom the Group wishes to provide benefits).

The requirements of Section 76 of the Pension Act 1995 (excess assets on winding up) must be satisfied before any payment is made to the Employers.

38.7 Insufficient assets
If the assets are insufficient to provide all benefits in full, Section 73 of the Pensions Act 1995 (preferential liabilities on winding up) will apply.

However, Section 73 does not apply to assets that represent the value of any rights in respect of money purchase benefits under the Scheme. Any assets representing the value of money purchase benefits (including AVCs) will be used to provide those benefits.
39  **Changing the Rules**

The Group may, with the written consent of the Trustee, amend the Rules at any time and may do so retrospectively. All amendments must comply with any applicable requirements of Sections 67 to 67I of the Pensions Act 1995 (the subsisting rights provisions). Any amendment must be made or confirmed by deed.

40  **Governing law**

English law governs the Scheme and its administration.

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The common seal of Co-operative Group Limited was put on this deed in the presence of an authorised signing and sealing officer:

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The common seal of PACE Trustees Limited was put on this deed in the presence of:

Director

Secretary