

DATED 30th June 2008

THALES UK LIMITED (1)

and

THALES PENSION TRUSTEES LIMITED (2)

THALES PENSION TRUSTEES (SECTION 1) LIMITED (3)

and

THALES PENSION TRUSTEES (SECTION 2) LIMITED (4)

SECOND DEFINITIVE DEED AND RULES

relating to

the Thales UK Pension Scheme

We hereby certify that this is
a true and correct copy of
the original.

Dated this 4th day of *SEPTEMBER*
2008

Wragge & Co LLP
.....
Wragge & Co LLP

THIS DEFINITIVE DEED AND RULES is made on 30th June 2008

BETWEEN:

- (1) **THALES UK LIMITED** (No. 868273) whose registered office is at 2 Dashwood Lang Road, The Bourne Business Park, Addlestone, Weybridge, Surrey KT15 2NX;
- (2) **THALES PENSION TRUSTEES LIMITED** (No. 6466974) whose registered office is at 2 Dashwood Lang Road, The Bourne Business Park, Addlestone, Weybridge, Surrey, KT15 2NX.
- (3) **THALES PENSION TRUSTEES (SECTION 1) LIMITED** (No. 6466983) whose registered office is at 2 Dashwood Lang Road, The Bourne Business Park, Addlestone, Weybridge, Surrey KT15 2NX; and
- (4) **THALES PENSION TRUSTEES (SECTION 2) LIMITED** (No. 6467002) whose registered office is at 2 Dashwood Lang Road, The Bourne Business Park, Addlestone, Weybridge, Surrey KT15 2NX.

INTRODUCTION

- (A) Words and phrases in Rule 1 of the Scheme apply to this Deed
- (B) The Scheme was established by a Definitive Deed and Rules dated 9 January 2008.
- (C) The Trustees are the current trustees of the Scheme. The Section 1 Trustees are the current Section 1 Trustees and the Section 2 Trustees are the current Section 2 Trustees for the purposes of the Scheme.
- (D) The Principal Employer is the current principal employer of the Scheme.
- (E) Under the terms of Rule 5 of Part A of the Rules, the Principal Employer, with the consent of the Trustees, may be deed change all or any of the provisions of the Scheme.
- (F) The Principal Employer and the Trustees have agreed to replace in its entirety the Definitive Deed and Rules dated 9 January 2008 ("the First Deed") with this new Definitive Deed and Rules (the "Second Definitive Deed and Rules") which:
 - a. contains materially similar provisions as the First Deed in Part A, B and C of the Rules;
 - b. includes benefit administration provisions which apply to the payment of all benefits under Section 1 and Section 2 of the Scheme in a new Part D of the Rules;

- c. Includes benefit rules which relate to the Former Schemes which comprise Section 1 in a new Part E of the Rules (and its accompanying Schedules and Appendices); and
 - d. includes benefit rules which relate to the Former Schemes which comprise Section 2 in a new Part F of the Rules (and its accompanying Schedules and Appendices);
 - e. includes Scheme Benefit Limits in respect of Final Salary Benefits contained in a new Part G of the Rules; and
 - f. includes Pension Sharing on Divorce Rules in respect of Final Salary Benefits and CARE Benefits in a new Part H of the Rules.
- (G) The parties to the Scheme and the trustees of each of the Former Schemes have entered into transfer agreements each dated 14 January 2008 (as amended) and the Second Definitive Deed and Rules are designed to provide appropriate rules as the receiving pension scheme under the transfer agreements
- (H) A list of the participating employers who have executed deeds of adherence to the Scheme is set out in the Addendum to this Deed.
- (I) The Scheme has been registered for the purposes of Chapter 2 of Part 4 of the Finance Act 2004.
- (J) The Scheme has obtained a contracting-out certificate under the terms of the Pension Schemes Act 1993.
- (K) None of the amendments offends the restrictions to the powers to amend the Scheme contained in Parts A, B and C of the Rules.
- (L) Neither Section 67 of the 1995 Act or Section 37 of the 1993 Act apply to this Deed because no benefits relating to any Beneficiaries will be transferred to the Scheme until after 30 June 2008.

LEGAL EFFECT OF THIS DEED:

The legal effect of this Deed is as set out below.

- 1 By this Deed the Principal Employer with the consent of the Trustees, pursuant to the power to amend the Scheme under Rule 5 and any other enabling power hereby **AMENDS** the First Deed

by deleting it in its entirety and replacing it with this Second Definitive Deed and Rules with effect on and from 30 June 2008.

- 2 The Second Definitive Deed and Rules will apply to all of the Beneficiaries of the Scheme in respect of the provision of all of the benefits transferred to or earned in the Scheme from time to time after 30 June 2008.
- 3 Until such time as the Scheme is de-sectioned in accordance with these Rules, it will be operated on the basis of being a Sectioned Scheme with two formal sections, Section 1 and Section 2. As a result, the two sections shall be treated as separate schemes for the purposes of Part 3 of the 2004 Act, sections 73 - 75 of the 1995 Act and regulations made under them to the extent that such legislation permits. Until the Scheme is de-sectioned, all liabilities, payments of benefits, costs and expenses relating to the Scheme shall be paid out of the section to which they relate in the manner provided for in the Rules and any employee contributions (including additional voluntary contributions) shall be allocated to the applicable section relating to the Member making the contributions and any employer contributions, transfers into the Scheme and income generated on assets held in the Fund shall be allocated to and held within the applicable section. If, at the date of wind up of the Scheme, or of a section of the Scheme, de-sectioning has not occurred, Section 1 and/or Section 2 shall be wound up as if they were separate schemes and there shall be no cross-subsidy between the sections.
- 4 The Trustees hold the Fund on irrevocable trusts to apply it in accordance with the Rules of the Scheme.
- 5 Words and phrases defined in Rule 1 of the attached Rules apply to this Deed.
- 6 If any part of this Second Definitive Deed and Rules is held to be invalid or unenforceable, the rest of this Second Definitive Deed and Rules shall be construed (to the maximum extent possible after making suitable grammatical and other minor consequential changes) as if it had been executed omitting the invalid or unenforceable words and shall remain in full force and effect.
- 7 This Second Definitive Deed and Rules may be entered into in the form of two or more counterparts each executed by one or more signatories but, taken together, executed by all of them and, provided each signatory duly executes such a counterpart, each of the executed counterparts, when duly exchanged or delivered, shall be deemed to be an original, but taken together, they shall constitute one instrument.

SIGNED as a DEED by

THALES UK LIMITED acting by a Director and its Secretary (or two Directors)

Director



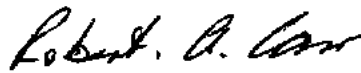
Director/Secretary



SIGNED as a DEED by

THALES PENSION TRUSTEES LIMITED acting by a Director and its Secretary (or two Directors)

Director



Director/Secretary



SIGNED as a DEED by

THALES PENSION TRUSTEES (SECTION 1) LIMITED acting by a Director and its Secretary (or two Directors)

Director




Director/Secretary



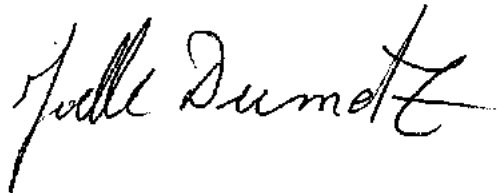
SIGNED as a DEED by

THALES PENSION TRUSTEES (SECTION 2) LIMITED acting by a Director and its Secretary (or two Directors)

Director

A handwritten signature in cursive script, appearing to read "P. P. P.", written in black ink.

Director/Secretary

A handwritten signature in cursive script, appearing to read "Julie Dumetz", written in black ink.

ADDENDUM

1 Principal and Participating Employers in Section 1 of the Scheme

Principal & Participating Employers	Company No
Quintec Associates Ltd	2375963
Thales UK Ltd	868273
Thales Corporate Services Ltd	959962
Thales Naval Ltd	3957722
Thales e-Security Ltd	2518805
Thales Transport and Security Ltd	3132438
Thales ATM Ltd	3229755
Thales Avionics Ltd	523160
Thales Information Systems Ltd	2937836
Thales Missile Electronics Ltd	3004769
Thales Optronics (Staines) Ltd	SC154357
Thales Research & Technology (UK) Ltd	774298
Thales Training & Simulation Ltd	426402
Thales Underwater Systems Ltd	3084140
Thales Optronics Ltd	SC008495
Thales Training & Simulation (ACE) Limited	3023510
Thales Training & Simulation (MERLIN) Limited	4004490
Thales Universite Ltd	1597499
Thales Optronics (Taunton) Ltd	328043

Principal and Participating Employers in Section 2 of the Scheme

Principal & Participating Employers	Company No
Thales Air Defence Ltd	NI027183
Thales Corporate Services Ltd	959962
Thales Information Systems Ltd	2937836
Thales Optronics Ltd	SC008495
Thales Training & Simulation Ltd	426402
Quintec Associates Ltd	2375963
Thales UK Ltd	868273
Thales ATM Ltd	3229755
Thales Avionics Ltd	523160
Thales Universite Ltd	1597499
Thales Training & Simulation (ACE) Limited	3023510
Thales Training & Simulation (MERLIN) Limited	4004490
Thales Missile Electronics Ltd	3004769
Thales Naval Ltd	3957722
Thales Research & Technology (UK) Ltd	774298
Thales Transport and Security Ltd	3132438
Thales Underwater Systems Ltd	3084140
Thales Optronics (Taunton) Ltd	328043
Thales Optronics (Bury St Edmunds) Ltd	1127352

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PART A OF THE RULES: GENERAL

Thales UK Pension Scheme

Definitions and Interpretation

1 Definitions

1.1 In this deed, unless the context otherwise requires:

“1993 Act” means the Pension Schemes Act 1993.

“1995 Act” means the Pensions Act 1995.

“2004 Act” means the Pensions Act 2004.

“2006 Act” means the Companies Act 2006.

“Actuary” means a Fellow of the Institute or Faculty of Actuaries (or a firm making available the services of such a person) appointed under Rule 14.

“Adult Beneficiary” means the Member’s widow, widower or Civil Partner as at the date of his death.

If the Member was unmarried and had not entered into a Civil Partnership as at the date of his death, the Trustees may, in their absolute discretion, determine that any person who was:

- (a) living with the Member in a relationship akin to marriage or a Civil Partnership; and
- (b) financially dependent or inter-dependent on the Member at the date of his death

is his Adult Beneficiary.

“Adviser” means any person including, without limitation, an actuary, auditor, fund manager, legal adviser or surveyor.

“Avimo Scheme” means the Avimo Pension Scheme established with effect from 30 November 1960 and governed by a deed and rules dated 19 June 1995 (as amended).

“Beneficiary” means any person absolutely or contingently entitled to a benefit, whether immediate or prospective, from the Scheme.

“CARE Benefits” means career average revalued earnings benefits earned in a Former Scheme after 31 December 2008 and (if any) in the Scheme after 30 June 2008 the Rules of which are set out in an Appendix One to a Schedule to either Part E or Part F of the Rules.

“Cash Equivalent” has the same meaning as in section 94 of the 1993 Act (as reduced (if it is reduced) under regulations made under section 97(2) of the 1993 Act).

“Closed Fund” means the status of the Scheme during any period from the first of the dates specified in Rule 27.2 until either:

- (a) the commencement of the winding-up period as described in section 73(10) of the 1995 Act; or
- (b) termination of the status of the Scheme as a Closed Fund under Rule 27.3.

“Child Beneficiary” means a child who was:

- (a) the Member's:
 - (i) natural child;
 - (ii) adopted child;
 - (iii) step child who the Trustees consider, in their absolute discretion, was dependent upon the Member; and
 - (iv) any child who the Trustees consider, in their absolute discretion, the Member would have been regarded as a child for whom he was responsible as a parent and where in the opinion of the Trustees the child was dependent on the Member; and
- (b) at the relevant date was:
 - (i) under the age of 18; or
 - (ii) under the age of 23 and in full-time education.

Child Beneficiary includes a child who was conceived and in his mother's womb but not yet born at the relevant date.

“Civil Partner” means a person who is in a registered civil partnership with a Member under the Civil Partnership Act 2004. **“Civil Partnership”** has a corresponding meaning.

"Contracting-out Requirements" means the requirements to be met for the purpose of obtaining and maintaining a contracting-out certificate under Chapter I Part III of the 1993 Act by reference to the Scheme.

"DC Scheme" means in respect of a Former Scheme Beneficiary who was entitled to earn Final Salary Benefits in one of the Former Schemes before 1 January 2008, the enhanced defined contribution pension arrangement made available by each Employer to those of its employees who were either members of a Former Scheme or employees who the Principal Employer determined were eligible to join a Former Scheme as at 31 December 2007.

"DC Scheme Life Assurance Member" has the meaning given to it in each Appendix One to each of the Schedules to Parts E and F.

"Dependant" has the meaning in paragraph 15 of Schedule 28 to the FA 2004.

"Employee" means a person holding a contract of employment with an Employer (or, where the context so requires, who has held a contract of employment with an Employer in the past).

"Employer" means the Principal Employer and any other person admitted to participation under Rule 23.1. In relation to any Employee or former Employee or Beneficiary claiming through him, "Employer" refers to the Employer with which, at the relevant time, the Employee or former Employee holds or last held a contract of employment.

"FA 2004" means the Finance Act 2004.

"Final Salary Benefits" means the final salary benefits earned in a Former Scheme before 1 January 2008 the Rules of which are set out in an Appendix Two to a Schedule to either Part E or Part F of the Rules.

"Former Avimo Beneficiary" means a Former Scheme Beneficiary who was a beneficiary of the Avimo Scheme on 30 June 2008 and whose benefits were transferred to the Scheme after that date. **"Former Avimo Beneficiaries"** has a corresponding meaning;

"Former Employer" means an Employer which, under Rule 24 or Rule 27, has ceased to participate in the Scheme (or, if applicable, in Section 1 or Section 2 only of the Scheme in which case the Employer is treated as a Former Employer in relation to that section it has ceased to participate in).

"Former Racal Decca Beneficiary" means a Former Scheme Beneficiary who was a

beneficiary of the Racal Decca Scheme on 30 June 2008 and whose benefits were transferred to the Scheme after that date. **"Former Racal Decca Beneficiaries"** has a corresponding meaning;

"Former Racal EPP Beneficiary" means a Former Scheme Beneficiary who was a beneficiary of Racal EPP on 30 June 2008 and whose benefits were transferred to the Scheme after that date. **"Former Racal EPP Beneficiaries"** has a corresponding meaning;

"Former Racal Group Executive Beneficiary" means a Former Scheme Beneficiary who was a beneficiary of the Racal Group Executive Scheme on 30 June 2008 and whose benefits were transferred to the Scheme after that date. **"Former Racal Group Executive Beneficiaries"** has a corresponding meaning;

"Former Racal Group Staff Beneficiary" means a Former Scheme Beneficiary who was a beneficiary of the Racal Group Staff Scheme on 30 June 2008 and whose benefits were transferred to the Scheme after that date. **"Former Racal Group Staff Beneficiaries"** has a corresponding meaning;

"Former Scheme" means all or any of (as the context requires):

- (a) Racal Group Executive Scheme;
- (b) Racal Decca Scheme;
- (c) Racal Group Staff Scheme;
- (d) Racal EPP;
- (e) TOPS;
- (f) W Vinten Scheme;
- (g) Avimo Scheme;
- (h) TPP; and
- (i) TRBS

or the trustee or trustees of all or any of those schemes (as the context requires).

"Former Scheme Beneficiary" means any person who was absolutely or contingently entitled to a benefit whether immediate or prospective from a Former Scheme until that entitlement was replaced with rights in the Scheme under Rule 25.1 {transfers to the Scheme}.

“Former TOPS Beneficiary” means a Former Scheme Beneficiary who was a beneficiary of TOPS on 30 June 2008 and whose benefits were transferred to the Scheme after that date. **“Former TOPS Beneficiaries”** has a corresponding meaning.

“Former TPP Beneficiary” means a Former Scheme Beneficiary who was a beneficiary of TPP on 30 June 2008 (which includes any Former TPP Category 1 Beneficiary where the context so requires) and whose benefits were transferred to the Scheme after that date. **“Former TPP Beneficiaries”** has a corresponding meaning.

“Former TPP Category 1 Beneficiary” means a Former TPP Beneficiary who was a beneficiary under Category 1 of the TPP.

“Former TRBS Beneficiary” means a Former Scheme Beneficiary who was a beneficiary of TRBS on 30 June 2008 and whose benefits were transferred to the Scheme after that date. **“Former TRBS Beneficiaries”** has a corresponding meaning.

“Former W Vinten Beneficiary” means a Former Scheme Beneficiary who was a beneficiary of the W Vinten Scheme on 30 June 2008 and whose benefits were transferred to the Scheme after that date. **“Former W Vinten Beneficiaries”** has a corresponding meaning.

“Fund” means the assets for the time being held by or on behalf of the Trustees on the trusts of the Scheme and for so long as the Scheme is a Sectionalised Scheme, the Fund shall be construed as two separate funds attributable to each of Section 1 and Section 2 as relevant.

“GAD Benefits” means the final salary style benefits earned in TPP before 1 July 2008 and earned in Section 2 of the Scheme after 30 June 2008, the Rules of which are set out in an Appendix Three to Schedule One of Part F of the Rules.

“Insolvency Event” means in relation to an Employer a circumstance in which, if the Employer were the employer in relation to the Scheme for the purpose of section 22(1) of the 1995 Act, that section would apply to the Scheme.

“Insurance Company” has the meaning in section 275(1) of the FA 2004.

“Member” means a member, as defined by section 151(1) of the FA 2004, of the Scheme and includes, but is not limited to, any Former Scheme Beneficiary.

“Membership” means the status of being a Member.

“Merging Former Schemes” means the Former Schemes except the Avimo Scheme.

“Money Purchase Assets” means the assets of the Scheme (or a section of the Scheme) which are excluded from the definition of “assets” in section 73(10) of the 1995 Act (i.e. any assets representing the value of any rights in respect of money purchase benefits, where “money purchase benefits” has the same meaning as in the 1993 Act).

“Money Purchase Liabilities” means any liabilities of the Scheme (or a section of the Scheme) which are excluded from the definition of “liabilities” in section 73(10) of the 1995 Act.

“New Principal Employer” has the meaning in Rule 28.1.

“New Revenue Limits” means those provisions of Chapter 2 Part 4 FA 2004, Chapter 3 Part 4 FA 2004 and Chapter 4 Part 4 FA 2004 with which a Registered Pension Scheme must comply in order:

- (a) to maintain its Registration;
- (b) to prevent any charge to tax under section 239 FA 2004 {scheme sanction charge } arising; and
- (c) not to make any Unauthorised Member Payment.

“Old Principal Employer” has the meaning in Rule 28.1.

“Other Scheme” means a Registered Pension Scheme, a qualifying recognised overseas pension scheme as described in section 169(2) of the FA 2004 or an Insurance Company where the proposed transfer is as described in section 169(1A) of the FA 2004.

“person” includes without limitation, any corporation and any unincorporated body of persons.

“Policy” means any contract or policy with an Insurance Company which is an Other Scheme or which provides benefits on the death of a Beneficiary.

“Potential Beneficiaries” has the meaning given to it in Rule 74.3 of Part A of the Rules.

“Pensionable CARE Service” has the meaning given to it in the relevant Rule 15.1 of Appendix One to the Schedule of either Part E or Part F of the Rules (as applicable).

“Pensionable GAD Service” has the meaning given to it in Rule 3.1 of Appendix Three to Schedule One of Part F of the Rules.

"Preservation Requirements" means the provisions of Part IV of the 1993 Act relating to the rights of a deferred member.

"Principal Employer" means Thales UK Limited or any person who becomes the Principal Employer under Rule 28.

"Professional Trustee" means a person who acts as a trustee (or trustee director of a corporate trustee) of the Scheme who is in the business of providing trustee services for a fee (whether full or part time).

"Qualifying Service" has the meaning given to it in Section 71 of the 1993 Act.

"Racal Decca Scheme" means the Racal Decca Staff Pension and Life Assurance Scheme established with effect from 31 December 1947 and governed by a deed dated 19 October 1948 and rules effective from 1 April 1986 (as amended).

"Racal EEP" means the Racal Group Executive Pension Plan established with effect from 1 August 1976 and governed by a deed and rules dated 9 November 1983 (as amended).

"Racal Group Executive Scheme" means the Racal Group Executive and Senior Management Pension Scheme established with effect from 1 April 1973 and governed by a deed dated 7 January 1980 and rules effective from 1 April 1986 (as amended).

"Racal Group Staff Scheme" means the Racal Group Staff Pension and Life Assurance Scheme established with effect from 23 February 1962 and governed by a deed and rules dated 29 May 1987 (as amended).

"Recognised Transfer" has the meaning in section 169 of the FA 2004.

"Revenue" means Her Majesty's Revenue and Customs.

"Registration" means registration under Chapter 2 Part 4 of the FA 2004 or deemed registration under Schedule 36 of the FA 2004.

"Registered Pension Scheme" has the meaning in section 150(2) of the FA 2004.

"Rule" refers to any of these Rules.

"Schedule of Contributions" has the meaning in section 227(2) of the 2004 Act.

"Scheme" means the Thales UK Pension Scheme established by the definitive deed and rules dated 9 January 2008.

“Scheme Administrator” means the scheme administrator, as defined in section 270 of the FA 2004, of the Scheme.

“Scheme Benefits Limits” are the scheme benefit limits, restrictions and limitations placed on the payment of benefits from Section 1 and Section 2 of the Scheme in Part G of the Rules.

“Scheme Chargeable Payment” has the meaning in section 241 of the FA 2004.

“Sectionalised Scheme” means a scheme that has more than one employer and is divided into two or more formal sections whereby:

- (d) contributions payable to the scheme by an employer, or by a member in employment under that employer, are allocated to that employer’s section (or, if more than one section applies to the employer, to the section which is appropriate in respect of the employment in question);
- (e) a specified part or proportion of the assets of the scheme is attributable to each section and cannot be used for the purposes of any other section (including on a wind up); and
- (f) each section will satisfy the requirements of Regulation 19 and Schedule 2, paragraph 1 of the Occupational Pension Schemes (Scheme Funding) Regulations 2005 so that it is treated as a separate scheme for the purposes of both these Regulations and Part 3 of the 2004 Act {scheme funding}.

“Section 1” means the section of the Scheme to which the transfer of all the assets, and which will assume all the liabilities relating to the Racal Group Executive Scheme, the Racal Decca Scheme, the Racal Group Staff Scheme, Racal EPP and TOPS.

“Section 2” means the section of the Scheme to which the transfer of all the assets, and which will assume all the liabilities relating to TPP, TRBS, the W Vinten Scheme and the transferring active members of the Avimo Scheme.

“Section 1 Former Scheme” means a Former Scheme which transferred all of its assets and liabilities to Section 1 of the Scheme.

“Section 1 Former Scheme Beneficiaries” has the meaning given to it in Rule 77.2 of Part E of the Rules.

“Section 2 Former Scheme” means a Former Scheme which transferred all of its assets and liabilities to Section 2 of the Scheme.

“Section 2 Former Scheme Beneficiaries” has the meaning given to it in Rule 80.2 of

Part E of the Rules.

"Section 1 Trustees" means Thales Pension Trustees (Section 1) Limited or the person or persons for the time being carrying out the duties, obligations and powers of the Section 1 Trustee under the Rules and includes, where the context requires, the directors for the time being of a corporate trustee which carries out those duties, obligations and powers.

"Section 2 Trustees" means Thales Pension Trustees (Section 2) Limited or the person or persons for the time being carrying out the duties, obligations and powers of the Section 2 Trustee under the Rules and includes, where the context requires, the directors for the time being of a corporate trustee which carries out those duties, obligations and powers.

"Section Trustees" means the Section 1 Trustees and the Section 2 Trustees.

"Substituted Benefit" means any benefit payable under the Scheme which the Trustees decide, having regard to relevant factors, including without limitation, Rule 17.7, is to be provided by a Policy instead of providing it out of the Fund.

"TOPS" means the Thales Optronics Pension Scheme (originally known as the Barr & Stroud Limited Pension Scheme) established with effect from 1 April 1961 and governed by a deed and rules dated 31 May 2000 (as amended).

"TPP" means the Thomson Pension Plan established with effect from 1 April 1999 and governed by a deed dated 25 July 2002 and three sets of rules (as amended).

"TPP Category 1 Active Transferee" means a Former Scheme Beneficiary who, immediately before his benefits were transferred to the Scheme under Rule 25.1, was an active member of Category 1 of the TPP having transferred into that category of that plan from the Principal Civil Service Pension Scheme under a GAD certificate or passport.

"TRBS" means the Thomson Retirement Benefits Scheme established with effect from 1 January 1985 and governed by a deed dated 8 March 2002 and various sets of rules (as amended).

"Transfer Agreements" means the transfer agreements dated 14 January 2008 (as amended) including as parties the Trustees:

- (a) the Section 1 Trustees and the trustees of the Former Schemes of Section 1;
- and

(b) the Section 2 Trustees and the trustees of the Former Schemes of Section 2.

"Transfer Benefits" means all or such part of the benefits of a Beneficiary or group of Beneficiaries under the Scheme as the Principal Employer and Trustees agree for the purpose of making a transfer under Rule 26.1.

"Transfer Regulations" means the Occupational Pension Schemes (Transfer Values) Regulations 1996 (SI 1996/1847) and the Occupational Pension Schemes (Transfer Values and Miscellaneous Amendments) Regulations 2003 (SI 2003/1727).

"Transfer Requirements" means the provisions of Chapter IV of Part IV of the 1993 Act.

"Trustees" means Thales Pension Trustees Limited (No. 6466974) or the trustee or trustees for the time being of the Scheme and includes, where the context requires, the directors for the time being of a corporate trustee.

"Unauthorised Member Payment" has the meaning in section 160 of the FA 2004.

"W Vinten Scheme" means the W Vinten Limited Pension Scheme established with effect from 5 April 1997 and governed by a deed and rules dated 8 March 1999 (as amended).

2 Interpretation and Overriding Provisions

2.1 The Trustees, the Section Trustees and the Principal Employer will administer the Scheme in a manner which means that it:

- (a) is a Registered Pension Scheme;
- (b) provides such pension and death benefits for and in respect of Members as are provided for under the Transfer Agreements or as the Principal Employer decides with the agreement of the Trustees in writing;
- (c) provides contracted-out benefits for such Members as the Principal Employer decides with the agreement of the Trustees are to be in contracted out employment in accordance with the Contracting-out Requirements by reference to the Scheme;
- (d) complies with the Preservation Requirements for Members;
- (e) is a Sectionalised Scheme with two sections, being Section 1 and Section 2, unless and until the Scheme is de-sectionalised in accordance with these Rules. Where the context requires, and for so long as the Scheme is a Sectionalised

Scheme, "Scheme" shall be read as meaning Section 1 or Section 2 or both of them separately as appropriate

and any provision of this Deed which would otherwise contradict the principles set out in this Rule 2.1 will be interpreted as if it were amended to be consistent with these principles. The Principal Employer with the consent of the Trustees will make such amendments to the Rules of the Scheme as are necessary from time to time to comply with this Rule 2.1 (a) to (d) in accordance with Rule 5.1 {modification}.

- 2.2 The Principal Employer and the Trustees shall, unless and until such time as the Scheme has been de-sectionalised in accordance with these Rules, make such amendments as are necessary from time to time to ensure that the Scheme is a Sectionalised Scheme and to ensure that there can be no cross-subsidy between Section 1 and Section 2 on a wind-up (or otherwise).
- 2.3 Each of the Principal Employer, the Employers, the Trustees and the Section Trustees in making any decision or in giving or withholding agreement or consent or in exercising or not exercising any power in relation to the Scheme shall:
- (a) comply with the Contracting-out Requirements;
 - (b) comply with the Preservation Requirements;
 - (c) comply with the requirements of FA 2004 to be a Registered Pension Scheme and the New Revenue Limits (which may require benefits and/or contributions to be reduced or restricted) unless the Rules require otherwise;
 - (d) limit the activities of the Scheme to retirement benefit activities as defined by section 255(4) of the 2004 Act; and
 - (e) comply with the conditions from time to time required for the Scheme to be a Sectionalised Scheme and to ensure that there can be no cross-subsidy between the sections (on wind-up or otherwise) for so long as the Scheme is to be a Sectionalised Scheme.
- 2.4 Unless the Rules require otherwise, the New Revenue Limits will apply to the Scheme to limit or restrict every payment of any kind to or in respect of a Member or an Employer or Former Employer from the Scheme to a payment which a Registered Pension Scheme is authorised to make under section 164 of the FA 2004 or section 175 of the FA 2004. Without limitation, subject to Rule 6.1(c), every pension and lump sum payable to or in respect of a Member under the Scheme must be in a form which can be treated as authorised member payments for the purposes of the FA 2004.

- 2.5 If at any time the New Revenue Limits are changed in a way which increases the amount or value of any benefit under the Scheme, when compared to its amount or value immediately before such a change after the application of Rule 2.4, then the New Revenue Limits will apply to the Scheme as described in Rule 2.4 as if the New Revenue Limits had not been so changed except insofar as the Principal Employer with the agreement of the Trustees decides otherwise.
- 2.6 Subject to the performance of their duties and Rule 2.3, the Trustees and the Section Trustees in making any decision or in giving or withholding their agreement or consent or in exercising or not exercising any power in relation to the Scheme shall do so at their absolute and uncontrolled discretion (but in the case of the Section Trustees subject to Rule 37 and Rule 50).
- 2.7 The decision of the Trustees shall be final on:
- (a) all questions which are left to their determination or decision in relation to the Scheme; and
 - (b) all matters relating to the management and administration of the Scheme on which this deed, and any other provisions of the Scheme are silent; and
 - (c) all questions and matters of doubt arising in connection with the Scheme.
- except where the Rules provide that the matter or question relates to the powers, discretions or rights of the Section Trustees, in which case the Section Trustees have such decision making power for the purpose of this Rule 2.7.
- 2.8 Words (except the word "sole") importing the singular include the plural and vice versa. The plural form of words and expressions defined in Rule 1 shall be construed according to the meaning given to the singular form and vice versa.
- 2.9 Words denoting one gender (except the words, "male" and "female") or the neuter include the other gender and the neuter as the case may be.
- 2.10 The table of contents, the headings to the provisions of this deed and words between the symbols { } are for reference purposes only and shall not affect the meaning or construction of this deed.
- 2.11 Any reference to a statute or a statutory instrument (or to a particular chapter, part of, section of, regulation of, or schedule to, a statute or statutory instrument) includes any modification or re-enactment of it and (in the case of a reference to a statute) any regulations, orders or other delegated legislation made under it.

- 2.12 If the Trustees reduce or vary the benefits under the Scheme relating to a Member with his agreement, his agreement shall bind any other Beneficiary whose benefits under the Scheme relate to that Member.
- 2.13 If it gives prior written notice of the delegation to the Trustees, the Principal Employer may delegate the exercise of any powers given to it under this deed to an Employer.
- 2.14 This Definitive Deed and Rules is governed by, and shall be construed in accordance with, the laws of England and Wales.

Effective Date and Persons affected by these Rules

3 Effective Date

- 3.1 These Rules have effect on and after 30 June 2008.

4 Persons affected

- 4.1 The provisions of these Rules apply to the benefits of all Beneficiaries of both Sections 1 and 2 of the Scheme.

Modification and Augmentation

5 Modification

- 5.1 Subject to Rule 5.2, the Principal Employer may, with the consent of the Trustees, by deed change all or any of the provisions of this deed or other provisions of the Scheme including this Rule 5 in any way. Any change shall take effect from the date specified in the deed making the change, which date may be earlier or later than the date of that deed.
- 5.2 The power set out in Rule 5.1 is subject to section 67 of the 1995 Act {restrictions on amendments} and any restrictions on the operation of the amendment power set out elsewhere in the Rules.

6 Augmentation

- 6.1 Subject to Rules 6.2 and 6.3, the Principal Employer may:
- (a) direct the Trustees to augment or vary benefits payable under the Scheme either generally or in any particular case, but no benefits can be varied under this Rule 6.1 in a way which adversely affects those benefits (unless the Member or Beneficiary has given their prior consent and the other requirements of sections 67 to 67I of the 1995 Act have been met to the extent applicable);

or

- (b) direct the Trustees to provide benefits out of the Scheme for any Employee or former Employee or any person who would be a Dependant of an Employee or a former Employee as if the Employee or former Employee were or had been a Member; or
 - (c) authorise the Trustees to provide a benefit out of the Scheme which is an Unauthorised Member Payment.
- 6.2 The Principal Employer shall, or shall procure that one or more Employers shall, pay such additional contributions (if any) as are required to be paid to the Scheme (or, so long as the Scheme is a Sectionalised Scheme, the relevant section of the Scheme) in respect of any decision made under Rule 6.1, Rule 26.5 or Rule 61.6, to reflect the cost of the additional benefits, as determined by the Actuary.
- 6.3 If a payment due under this Rule 6 is an Unauthorised Member Payment the Trustees may decide not to pay such a benefit in such circumstances as they determine including (without limitation) if they consider that:
- (a) either on its own or when added to any other Scheme Chargeable Payment it would give the Revenue grounds for withdrawing Registration under section 158(1) of the FA 2004; or
 - (b) it could result in the payment by the Scheme Administrator of all or part of a charge to tax under section 239 of the FA 2004 {scheme sanction charge}.

Constitution of Trustees

7 Appointment and Removal of Trustees

- 7.1 Subject to Rules 7.2 and 7.3, the Principal Employer shall have power by deed to appoint a new or additional Trustee and to remove a Trustee.
- 7.2 There shall be a minimum of twelve posts for Trustees, 50% of which shall be for member-nominated trustees or, if a corporate trustee is the only Trustee of the Scheme (for the avoidance of doubt, not counting any Section Trustee), there shall be a minimum of twelve posts for directors of the corporate trustee, 50% of which shall be for member-nominated directors of the corporate trustee. This Rule 7.2 shall not be breached if the reason for less than 50% member-nominated representation is due to a lack of candidates to fill the available vacancies or due to any reasonable delay for practical and administrative reasons in the implementation of the member-nominated representation provisions.

However, in the period until the Scheme first complies with the requirements for member-nominated trustees or member-nominated directors under the 2004 Act, the posts of member-nominated trustees or member-nominated directors referred to above (or for the purposes of Rule 12.3) will be posts for persons nominated by the Merging Former Schemes as agreed between the Principal Employer and the Merging Former Schemes.

- 7.3 Unless a corporate body is the sole Trustee, the number of Trustees shall not be less than two.
- 7.4 Subject to Rule 7.7, a corporate body (whether or not a trust corporation) may remain or be appointed either as sole Trustee or as an additional Trustee. Where a corporate body is the sole Trustee, it shall adopt articles of association which are not inconsistent with the principles set out in Rules 7.2, 12.3, 12.4, 12.5, 12.6 and 12.7.
- 7.5 Subject to Rule 7.6, if, after the resignation, the continuing Trustees shall be at least either a corporate body or two individuals, any Trustee may resign as a Trustee by serving written notice on the Principal Employer and the other Trustees to that effect.
- 7.6 Every Trustee shall on ceasing to be a Trustee execute such documents and do all such things as may be necessary to give effect to such cessation and to vest the Fund in the continuing Trustees.
- 7.7 This Rule 7 is subject to section 241 or 242 of the 2004 Act (as applicable).
- 7.8 Every Trustee shall:
- (a) on ceasing to be a Trustee; or
 - (b) on being given a transfer notice under section 160(2) of the 2004 Act;

be discharged from the trusts of the Scheme except in respect of a breach of trust knowingly and intentionally committed or condoned by him which, at the time of commission or condonation, the Trustee knew to be a breach of trust.

8 Expenses and Remuneration of Trustees

- 8.1 Subject to Rule 8.4 and section 256 of the 2004 Act {no indemnification for fines and civil penalties}, the Trustees shall be entitled to pay out of the Fund all costs, charges and expenses properly incurred by the Trustees or imposed on them under statute in connection with the Scheme (except to the extent that such costs, charges and expenses are incurred as a result of the Trustees' (or where the Trustee is a sole corporate trustee, the directors of that corporate trustee's) wilful wrongdoing or fraud), to be paid in priority to all other claims falling to be met out of the Fund.
- 8.2 Subject to Rule 8.4, the Trustees with the agreement of the Principal Employer may pay to any Trustee, or director of a corporate Trustee, out of the Fund reasonable remuneration for acting in that capacity or in any other capacity authorised by the Rules, to be so paid in priority to all other claims (other than under Rule 8.1) payable out of the Fund.
- 8.3 A Trustee or director of a corporate Trustee paid or intended to be paid under Rule 8.2 may participate in taking a decision under Rule 8.2 notwithstanding his personal interest in it and may retain for himself any reasonable remuneration which the Trustees decide to pay to him.
- 8.4 Subject to Rule 8.6, the Employers will in such proportion as the Principal Employer decides, reimburse the Scheme for the amount of all or any of these expenses.
- 8.5 The Trustees may make any payment which is authorised by this Rule 8, whether or not it is a scheme administration member payment or a scheme administration employer payment (as described in sections 171 and 180 of the FA 2004 respectively), out of the Fund.
- 8.6 For so long as the Scheme is a Sectionalised Scheme, the costs, charges and expenses of the Trustees payable under these Rules shall be paid out of the relevant section to which such costs, charges and expenses relate. If the costs, charges or expenses are incurred at a Scheme wide basis, the expenses will be allocated between the sections in proportion to the relative proportion of Scheme liabilities that related to each section as determined at the last formal actuarial valuation or by such other fair and equitable method as is determined by the Trustees of the Scheme to ensure that costs, charges and expenses only relate to the Section from which they are paid in order to maintain the Scheme as a Sectionalised Scheme.

9 Trustees Benefiting from the Scheme

- 9.1 No rule of law that a Trustee (or a director or officer of a corporate trustee or a

delegate of the Trustee) may not exercise the powers vested in him so as to give rise to a conflict between his personal interest and his duties to the Beneficiaries shall apply to a Trustee or such a director or officer who is also a Member, exercising the powers vested in him in any manner, merely because their exercise in that manner benefits, or may benefit, him as a Member.

- 9.2 A Beneficiary who is or has been a Trustee (or a director or officer of a corporate Trustee or a delegate of the Trustees) may retain for himself any benefit to which he is entitled by virtue of his Membership, including, without limitation, any benefit as augmented or provided under Rule 6 {augmentations}, whether or not the Beneficiary participated in the exercise of the power in Rule 6 in relation to him.
- 9.3 Subject to the consent of the Principal Employer, a Trustee who is or becomes a director or employee of any company in which the Trustees hold shares or any other interest may retain for himself any resulting fees or remuneration notwithstanding that his retention of, or appointment to, that office or employment may be directly or indirectly due to the exercise or non-exercise of any votes by the Trustees.

10 Trustee Indemnities and Insurance

- 10.1 Subject to section 33 {investment duties: duty of care} of the 1995 Act and section 256 {no indemnification for fines or civil penalties} of the 2004 Act, and subject to and to the maximum extent permitted by section 235 of the 2006 Act {provisions protecting directors from liability}, no Trustee or director or officer of a corporate Trustee shall as trustee (or trustee director or officer) of the Scheme or in respect of the exercise or purported exercise of or the omission of the exercise of his rights powers or duties in relation to the Scheme, incur any personal responsibility or be liable for anything whatsoever except for breach of trust knowingly and intentionally committed or condoned by him which, at the time of commission or condonation, the Trustee (or director or officer of a corporate Trustee) knew to be a breach of trust or, in relation to a Professional Trustee only, negligence.
- 10.2 Subject to Section 256 of the 2004 Act, and subject to and to the maximum extent permitted by section 235 of the 2006 Act and subject to Rule 10.7, each of the Trustees and directors or officers of any corporate Trustee shall, to the fullest extent allowed or not prevented by law, both before and during the winding-up of the Scheme (including without limitation a deemed winding-up arising in the circumstances set out in Section 161(2) of the 2004 Act) forthwith be indemnified out of the Fund, in full and on demand and without any set off, counterclaim or other deduction, against all or any claims, costs (including legal costs on an indemnity basis, other professional fees and disbursements and associated VAT), losses, interest, damages, charges, awards,

actions, proceedings, demands, expenses, which he may pay or incur or which may be made or awarded against him as a trustee (or trustee director or officer) of the Scheme, except for a breach of trust knowingly and intentionally committed or condoned by him which, at the time of commission or condonation, the Trustee (or director or officer of a corporate Trustee) knew to be a breach of trust or, in relation to a Professional Trustee only, negligence, to the extent that such claims, costs, losses, damages, charges, awards and expenses cannot for any reason be met out of a policy effected under Rule 10.5.

- 10.3 The Principal Employer shall, to the fullest extent allowed or not prevented by law, both before and after the winding-up of the Scheme (including without limitation a deemed winding-up arising in the circumstances set out in Section 161(2) of the 2004 Act), indemnify each of the Trustees and directors and officers of any corporate Trustee forthwith, in full and on any demand and without any set off, counterclaim or other deduction against all or any claims, costs, losses, damages, awards and expenses, which he may pay or incur or which may be made or awarded against him as a trustee (or trustee director or officer) of the Scheme, except for a breach of trust knowingly and intentionally committed or condoned by him which, at the time of commission or condonation, the Trustee or director and officer of a corporate Trustee knew to be a breach of trust or, in the case of a Professional Trustee only, negligence, to the extent that such claims, costs, losses, damages, charges, awards and expenses cannot for any reason be met out of the Fund or a policy effected under Rule 10.5.
- 10.4 Each of the indemnities under Rules 10.2 and 10.3 shall continue for the benefit of a former Trustee or former director or former officer of a corporate Trustee.
- 10.5 Subject to Rules 10.6 and 10.8 the Trustees, with the agreement of the Principal Employer, may effect (both before and after the winding-up of the Scheme has commenced) any insurance or policy of indemnity in relation to acts or omissions or liabilities of themselves, their servants, agents or other persons (including employees of the Principal Employer and where the Trustees are a sole corporate trustee, the directors and officers of that company) in connection with the Scheme or in relation to its wind up and may pay the premiums for the insurance or policy and any related expenses from the Fund.
- 10.6 Such insurance or policy shall not require the Trustees, or allow the insurer, to claim in respect of the insured risk:
- (a) under the indemnity out of the Fund under Rule 10.2; or
 - (b) under the indemnity from the Principal Employer under Rule 10.3.

- 10.7 For so long as the Scheme is a Sectionalised Scheme, the indemnity provisions under Rule 10.2 shall apply separately to each section. If a breach occurs for which all or any of the Trustees (or officers or directors of a corporate trustee) are liable, the Trustee or Trustees (or officers or directors of a corporate trustee) who are liable, shall be entitled to be indemnified from assets in the section to which the breach relates. If the breach is on a Scheme wide basis, payments under the indemnity will be made from the sections in proportion to the relative proportion of Scheme liabilities that related to each section as determined at the last actuarial valuation or by such other fair and equitable method as is determined by the Trustees of the Scheme to ensure that the indemnity payments only relate to the section from which they are paid in order to maintain the Scheme as a Sectionalised Scheme.
- 10.8 While the Scheme is a Sectionalised Scheme, the cost of any insurance taken out on a Scheme wide basis shall be allocated to and paid for by the sections in proportion to the relative proportion of Scheme liabilities that related to each section as determined at the last actuarial valuation or by such other fair and equitable method is determined by the Trustees of the Scheme to ensure that the insurance costs only relate to the section from which they are paid in order to maintain the Scheme as a Sectionalised Scheme.

Powers and Duties of Trustees

11 Administration and Management

- 11.1 The Trustees shall be the Scheme Administrator.

12 Trustees' Meetings and Procedures

- 12.1 A Trustee who is suspended under section 4 of the 1995 Act shall, during the period of the suspension, be deemed not to be a Trustee for the purposes of this Rule 12.
- 12.2 The Trustees, or the officers and directors of a corporate body which is sole Trustee, shall meet for the purpose of considering the affairs of the Scheme at least twice a year. Subject to that and as set out in Rule 7.4, the meetings and procedures of a corporate body which is sole Trustee will be regulated by its governing document as overridden by any arrangements from time to time in force under Section 242 of the 2004 Act. Rules 12.3 to 12.7 apply where there is no sole corporate trustee of the Scheme except to the extent referred to in Rule 7.4.
- 12.3 Unless specifically required otherwise elsewhere in these Rules, the decisions of the Trustees are required to be taken by agreement of a majority of all of the Trustees present at a quorate meeting.

12.4

- (a) No business shall be transacted at any meeting of the Trustees unless a quorum is present. Either four or five Trustees as specified in (b) below will be a quorum at any meeting of the Trustees. A Trustee will be counted in the quorum even if he or she is participating in the meeting by means of a conference telephone or any other communication equipment that allows everyone participating to hear each other.
- (b) In order to constitute a quorum, there must be present:
 - (i) one Trustee who is not a member-nominated representative Trustee and who is also a Section 1 Trustee;
 - (ii) one Trustee who is not a member-nominated representative Trustee who is also a Section 2 Trustee;
 - (iii) one member-nominated representative Trustee in respect of each Section of the Scheme; and
 - (iv) at any time when one has been appointed under Rule 12.7 and the subject of the meeting (or that part of the meeting) is one on which deadlock has been reached, the Professional Trustee.

12.5 A decision recorded in writing, whether on the same or separate copies, and signed by a majority of the Trustees shall be effective as if it were a decision of a meeting of the Trustees.

12.6 The Trustees shall appoint a chairman from one of their number. Any decision to select a chairman shall require a majority of all of the Trustees.

12.7 In the event of deadlock being reached on any decision, the following shall apply:

- (a) the chairman of the Trustees shall select, as an additional Trustee, a Professional Trustee taken from a list of Professional Trustees which the Trustees have agreed;
- (b) if no such list exists, the chairman shall select a Professional Trustee as an additional Trustee; and
- (c) if there is no chairman of the Trustees, then the Principal Employer shall select a Professional Trustee as an additional Trustee.

The Professional Trustee shall be appointed solely to consider and vote on the issue on which deadlock was reached. The Professional Trustee must be present (whether in person or by telephone or videoconference) at any meeting held to discuss the matter on which deadlock was reached unless and until such deadlock has been resolved.

- 12.8 Subject to Rules 12.1 to 12.7, the Trustees may make such regulations for the conduct of their business as they decide.

13 Delegation

- 13.1 The Trustees may delegate (and authorise the sub-delegation of) all or any of their powers, duties, trusts and discretions (including the power to delegate in this Rule 13.1) to any person on such terms, for such periods and at such remuneration (if any) as they think fit, but any remuneration for a Trustee must be authorised under Rule 8 {expenses and remuneration of trustees}.

14 Advisers

- 14.1 The Trustees may obtain and rely on advice in connection with the Scheme from any Adviser. There shall be no requirement or presumption that the potential benefits of obtaining such advice should outweigh the cost.
- 14.2 The Trustees may appoint or remove any Adviser on such terms as to remuneration and otherwise as they think fit.

15 Employment of Agents and Staff

- 15.1 The Trustees may employ or engage such persons and on such terms as to remuneration and otherwise as they think fit to transact any business of the Scheme or to administer the Scheme. Except in the case of a Trustee, such person may, if he is acting in good faith, comply with the directions of the Trustees without being obliged to ascertain that those directions comply with this deed.
- 15.2 Any remuneration for a Trustee under Rule 15.1 must be authorised under Rule 8 {expenses and remuneration of trustees}.

16 Investment

- 16.1 The Trustees may invest the Fund, and may retain or transpose and vary any such investment, in any form of investment which they could make if they were a sole, absolute and beneficial owner of the Fund or which could be made by the trustees of a registered pension scheme for the purposes of the FA 2004.
- 16.2 An investment authorised by Rule 16.1 may involve a liability on the Fund, need not

produce income or be authorised by law for the investment of trust moneys, and may be of a wasting or reversionary nature.

- 16.3 The Trustees may improve, repair or develop land or other property.
- 16.4 The Trustees may enter into any contractual obligation as if it is an investment and, without limitation, may underwrite, sub-underwrite or guarantee the subscription of any stocks, shares, debentures, debenture stock, bearer securities or other investments and may deal in commodities, commodity futures, financial futures, traded options, swaps and derivatives of all kinds.
- 16.5 The Trustees may invest all or any part of the Fund in a common investment fund or in a unit trust, mutual fund or managed fund of an insurance company or in the purchase of shares in an investment trust.
- 16.6 The Trustees may hold assets either in the name of the Trustees or any of them or jointly with some other person or in the name of a nominee or custodian or sub-custodian. The Trustees may appoint a custodian of Fund assets on any terms including power to appoint sub-custodians and nominees without the approval of the Trustees.
- 16.7 At any time when the Trustees are a sole corporate Trustee and not a trust corporation, the Trustee may appoint another person to hold any real property in the Fund jointly with it.
- 16.8 The Trustees may apply the Fund or part of it in the purchase of or payment of premiums for a letter of credit, an insurance policy or other contract or instrument under which payments will be made to the Scheme if any Employer ceases or is unable or refuses to pay contributions due from it to the Scheme either under Rule 35 {employers' contributions} or under statute.
- 16.9 The Trustees shall consult the Principal Employer and, to the extent that it relates to the investment of the assets held in the part of the Fund in respect of the relevant Section, the relevant Section Trustee before adopting or revising the Scheme's statement of investment principles required under section 35 of the 1995 Act.
- 16.10 The Occupational Pension Schemes (Investment) Regulations 2005 shall apply.
- 16.11 For so long as the Scheme is a Sectionalised Scheme:
- (a) the assets of the Scheme which relate to Section 1 shall be separately identified from the assets of the Scheme which relate to Section 2; and
 - (b) if the Scheme holds funds for additional voluntary contributions, such funds

shall be clearly attributable to Section 1 or Section 2 separately in so far as is necessary for the Scheme to be a Sectionalised Scheme.

17 Insurance of Benefits

- 17.1 The Trustees may effect and deal with any Policy for the provision of any benefit payable under the Scheme.
- 17.2 The Trustees may appropriate and transfer the legal ownership of any Policy in the Fund to the provision of any benefit payable under the Scheme to any Beneficiary without his consent.
- 17.3 If a Policy is appropriated under Rule 17.2 then:
- (a) the Beneficiary in question shall not be entitled to the Substituted Benefit except for the benefits payable out of the Policy;
 - (b) no person shall have any right to resort to the Policy in priority to or equally with the Beneficiary; and
 - (c) the provisions of this deed relating to the closure or winding-up, in whole or in part, of the Scheme shall have effect subject to this Rule 17.3.
- 17.4 The Trustees may purchase in the name of, or assign to, any Beneficiary any Policy for the provision of any benefit payable to that Beneficiary.
- 17.5 The consent of the Beneficiary to a purchase or assignment under Rule 17.4 shall not be required except in so far as his consent is required in order to comply with the Preservation Requirements or the Contracting-out Requirements. However, a Beneficiary must be given a reasonable opportunity to choose that any benefits provided on a money purchase basis be secured with an annuity contract and to select the insurance company which will provide that contract.
- 17.6 If a Policy is purchased or assigned under Rule 17.4 the Beneficiary in question and any other Beneficiary claiming through him shall immediately cease to have any rights under the Scheme to the Substituted Benefit.
- 17.7 If the Trustees are unable to secure benefits under a Policy which are identical to those under the Scheme they will instead secure benefits as near to those benefits as they, in their opinion, practically can under a Policy.
- 17.8 For any period during which the Scheme is a Sectionalised Scheme, the costs of purchasing the Policy shall be met from the section to which the Policy relates.

18 Bank and Building Society Accounts

- 18.1 The Trustees may (and must to the extent required by section 49 of the 1995 Act) keep any money received by them in a separate bank account kept by them at an institution authorised under section 49 of the 1995 Act.
- 18.2 The Trustees may authorise any person to open and operate an account authorised by Rule 18.1 (including, without limitation, the drawing and endorsing of cheques).

19 Borrowing

- 19.1 To the extent permitted by section 36A of the 1995 Act and regulations made under it the Trustees may borrow money on any terms and conditions (including as to security) and may charge all or part of the Fund with repayment of and payment of interest on any money borrowed.
- 19.2 The Occupational Pension Schemes (Investment) Regulations 2005 shall apply.

20 Accounts and Audit

- 20.1 The Trustees shall obtain at such intervals as they decide accounts audited by the auditor of the Scheme.
- 20.2 For so long as the Scheme is a Sectionalised Scheme, the Trustees shall obtain accounts under Rule 20.1 for each of Section 1 and Section 2 as if they were separate schemes.

21 Actuarial Investigations

- 21.1 The Trustees shall obtain from the Actuary at intervals of not less than three years a valuation of or report on the assets and liabilities of the Scheme using such methods and assumptions as the Trustees and Principal Employer shall agree.
- 21.2 The Trustees may, with the consent of the Principal Employer, obtain from the Actuary at such other intervals as they agree a valuation of or report on the assets and liabilities of the Scheme using such methods and assumptions as the Trustees and Principal Employer shall agree, except that the Principal Employer's consent to obtaining such a valuation or report shall not be required if:
- (a) such valuation is required at a particular interval to comply with Part 3 of the 2004 Act; or
 - (b) after taking actuarial advice, it seems to the Trustees that events have made it inappropriate to continue to rely on the results of the previous valuation as a basis for agreeing the current level of contributions with the Principal Employer

but in either case, the Trustees shall consult the Principal Employer before deciding to commission such a valuation.

- 21.3 The Trustees shall where required to do so by law treat a valuation made under Rule 21.1 as an actuarial valuation required by section 224 of the 2004 Act and shall revise the Schedule of Contributions applying to the Scheme accordingly.
- 21.4 This Rule 21 is subject to Part 3 of the 2004 Act. For so long as the Scheme is a Sectionalised Scheme, the Trustees shall apply this Rule 21 and Part 3 of the 2004 Act as if each of Section 1 and Section 2 were separate schemes.
- 21.5 If, following any actuarial valuation of the Scheme (or for so long as the Scheme is a Sectionalised Scheme, any valuation of a Section), there is a surplus calculated on a basis agreed by the Principal Employer and the Trustees for the purpose of this Rule 21.5, then the Trustees and the Principal Employer may, subject to Section 250 and 251 of the 2004 Act, agree in respect of the Scheme (or for so long as the Scheme is a Sectionalised Scheme, in respect of one or both Sections) to apply such surplus (or a part of it) by way of a combination of a repayment to one or more of the Employers and the augmentation of benefits under Rule 6 {augmentation}.

22 Insurance of Fund Assets

- 22.1 The Trustees may insure any assets against any risks and for any amounts.

Participation of Employers, Transfers and Winding-up

23 Admission of Employers

- 23.1 The Principal Employer may admit any person who is a "sponsoring employer" as defined in section 150(6) of the FA 2004 to participation in the Scheme. For so long as the Scheme is a Sectionalised Scheme, this admission may be to one or both sections of the Scheme.
- 23.2 The Principal Employer may participate in the Scheme itself as an Employer. For so long as the Scheme is a Sectionalised Scheme, this participation may be to one or both sections of the Scheme.
- 23.3 Each Employer who participates in the Scheme (including the Principal Employer):
- (a) may have Employees who are eligible to join the Scheme and become active members;
 - (b) may exercise any power given to it as an Employer under the Rules; and

- (c) must observe and perform the provisions of the Scheme applicable to it as an Employer.
- 23.4 A person permitted to participate in the Scheme must enter into a deed with the Trustees and the Principal Employer to:
- (a) covenant to observe and perform the provisions of the Scheme applicable to it as an Employer;
 - (b) agree that the Principal Employer may make all decisions and exercise all discretions in relation to the Scheme under the 1995 Act and the 2004 Act on that person's behalf as though the Principal Employer were the sole Employer;
 - (c) agree that it will in relation to the Scheme:
 - (i) exercise no right or discretion conferred on it by or under the 1995 Act or the 2004 Act without the prior written consent of the Principal Employer;
 - (ii) exercise each right or discretion conferred on it by or under the 1995 Act or the 2004 Act as directed from time to time in writing by the Principal Employer;
 - (iii) from time to time execute all such deeds, documents, agreements, consents or approvals for the purpose of complying with its obligations under this Rule 23 as may be considered necessary or desirable by the Principal Employer;
 - (iv) co-operate with the Principal Employer and the Trustees in providing information about, and access to, its Employees from time to time;
 - (v) if requested by the Principal Employer execute a deed irrevocably appointing the Principal Employer as its attorney to execute (in the name of that person or otherwise) from time to time any of the deeds, documents, agreements, consents or approvals required by this Rule 23.4;
 - (vi) nominate the Principal Employer to act for it for the purposes of sections 241-243 of the 2004 Act {member-nominated trustees};
 - (vii) agree that the Trustees may consult the Principal Employer under section 35 of the 1995 Act {statement of investment principles} to the exclusion of that person; and

- (viii) nominate the Principal Employer to act for it for the purposes of section 229 of the 2004 Act [scheme funding] in relation to the Scheme.

24 Withdrawal of Employer

24.1 An Employer shall cease to participate in the Scheme (or, for so long as the Scheme is a Sectionalised Scheme and if applicable, Section 1 or Section 2 only as relevant) under this Rule 24 immediately upon:

- (a) the effective date of a notice given by the Principal Employer to the Trustees (and to the Employer if it is not the Principal Employer) terminating the participation of that Employer in the Scheme (or, for as long as the Scheme is a Sectionalised Scheme and if applicable, Section 1 or Section 2 of the Scheme only as relevant) under this Rule 24.1. Any such period of notice cannot be less than four weeks and must be given in writing unless and to the extent that the Trustees waive one or both of these requirements ; or
- (b) the occurrence of an Insolvency Event in relation to that Employer unless the Trustees and the Principal Employer (and during any period while the Scheme is a Sectionalised Scheme, the relevant Section Trustees) agree that the Employer can continue to participate; or
- (c) the effective date of a notice given by the Employer to the Trustees by which the Employer states that it terminates its liability to contribute to the Scheme (or, for as long as the Scheme is a Sectionalised Scheme and if applicable, Section 1 or Section 2 of the Scheme only as relevant). Any such period of notice cannot be less than four weeks and must be given in writing unless and to the extent that the Trustees waive one or both of these requirements.

The cessation of an Employer to employ any active members shall not itself constitute the cessation of participation under this Rule 24.1.

24.2 An active member who is an Employee of an Employer shall cease to accrue benefits under the Scheme and shall become a deferred member on the date on which the Employer becomes a Former Employer. The Member will be entitled to such benefits in respect of his active membership to that date as the Trustees are required to provide under these Rules.

24.3 With effect from the date on which an Employer becomes a Former Employer, it is not liable to pay contributions to the Scheme (or, for as long as the Scheme is a Sectionalised Scheme and if applicable, Section 1 or Section 2 of the Scheme only as relevant) apart from those due to be paid on or before that date, and its liability to

observe and perform the provisions of the Scheme (or, for as long as the Scheme is a Sectionalised Scheme and if applicable, Section 1 or Section 2 of the Scheme only as relevant) shall cease. But this Rule 24.3 shall not relieve the Former Employer from any debt due from it under section 75 or section 75A of the 1995 Act or contributions due under the 2004 Act (if such provisions still apply to that Former Employer).

25 Transfers to the Scheme

25.1 The Trustees will, if directed by the Principal Employer:

- (a) accept a transfer payment from any Former Scheme into whichever of Section 1 and Section 2 the Principal Employer directs on terms that the Former Scheme Beneficiaries will be entitled to such benefits from the Scheme as the Principal Employer has agreed with the Former Schemes;
- (b) accept a transfer payment described in Rule 25.1(a) on such terms as the Principal Employer has agreed with the Former Schemes which includes, but is not limited to granting such indemnity to the trustees of the Former Scheme (and each of its directors and former directors) as the Principal Employer decides;
- (c) to the full extent legally possible, assume such liabilities (which term, for the avoidance of doubt, is not confined in this context to benefit payment liabilities) of each Former Scheme as the Principal Employer has agreed with the Former Schemes; and
- (d) enter into the Transfer Agreements.

25.2 Subject to Rule 25.3, the Trustees may with the consent of the Principal Employer accept a transfer payment from an Other Scheme relating to any Beneficiary or other person on terms that the Beneficiary (or other person) shall be entitled to such benefits under the Scheme as the Trustees, having regard to the advice of the Actuary, decide.

25.3 The Trustees shall not accept a transfer payment under Rule 25.2 or a gift or transfer under Rule 25.4 if any benefit resulting from it, either under the Rules or under general law, is or will be an Unauthorised Member Payment.

25.4 Subject to Rule 25.3, the Trustees may accept gifts and other transfers of assets to the Scheme and apply them in such manner as they decide within the purposes of the Scheme.

- 25.5 If the Trustees accept a liability to pay a Guaranteed Minimum Pension under Rules 25.1 or 25.2, the Trustees may revalue the accrued rights to the Guaranteed Minimum Pension by a method different from that used by the Other Scheme.
- 25.6 In addition to any indemnity that the Trustees are required to give under Rule 25.1(b), the Trustees with the consent of the Principal Employer may give such indemnities or other agreements as they think fit to the trustees of the Other Scheme in relation to the provision of benefits to the Beneficiary or Beneficiaries in respect of whom the Trustees accept a transfer of assets under Rules 25.1 or 25.2. The limit on the liability of the Trustees under the indemnity given or other agreement made under this Rule 25.6 will be no greater than the amount of the assets received in respect of the Beneficiary or Beneficiaries whose benefits are covered by the indemnity or other agreement.
- 25.7 The Trustees will obtain a certificate from the Other Scheme showing any restrictions on the lump sum benefits that a transfer payment may be used to provide and will comply with any such restrictions.
- 25.8 If the Scheme is a Sectionalised Scheme at the time of the transfer payment being received by it, the Trustees shall ensure that:
- (a) the payment is clearly attributed to Section 1 and/or Section 2 as they deem appropriate (or as they are directed under Rule 25.1);
 - (b) any indemnity given is clearly expressed to be a potential call on one Section or the other, or both, as the case may be;

in order to maintain the Scheme as a Sectionalised Scheme.

26 Transfers from the Scheme

- 26.1 Subject to Rule 26.10 and the Transfer Requirements, in respect of a Beneficiary or a group of Beneficiaries, the Trustees with the consent of the Principal Employer (and, for so long as the Scheme is a Sectionalised Scheme, the consent of the relevant Section Trustees) may transfer to an Other Scheme part of the Fund. The amount of that part shall:
- (a) be determined by the Principal Employer having regard to the advice of the Actuary; and
 - (b) subject to Rules 26.4 and 26.5, be equal to the lesser of the value of the Transfer Benefits of the Beneficiary or group of Beneficiaries and the share of the Fund referable to the Beneficiary or group of Beneficiaries.

- 26.2 A transfer made under Rule 26.1 shall be made on the basis that the Beneficiary or group of Beneficiaries shall become entitled under the Other Scheme to such benefits (contingent or otherwise) as the Trustees (or, for so long as the Scheme is a Sectionalised Scheme, the relevant Section Trustees) agree with the Other Scheme.
- 26.3 When a transfer is made under Rule 26.1:
- (a) the Beneficiary, or every Beneficiary in a group, shall immediately cease to be entitled to the Transfer Benefits relating to him and, in the case of an active member, shall immediately cease to be an active member; and
 - (b) the Trustees (and, for so long as the Scheme is a Sectionalised Scheme, the relevant Section Trustees) shall not be responsible for or required to enquire into the application of the assets so transferred.
- 26.4 Subject to Rule 26.5, the value of the Transfer Benefits under Rule 26.1(b) shall not exceed the amount calculated by the Actuary in the manner prescribed by the Transfer Regulations.
- 26.5 The Principal Employer may increase the value attributable to the Transfer Benefits in question or increase those Transfer Benefits for the purpose of determining the amount to be transferred under Rule 26.1, in either case in accordance with Rule 6.2 {augmentations}.
- 26.6 The consent of the Beneficiary to a transfer under Rule 26.1 shall not be required except insofar as his consent is required to comply with the Preservation Requirements or the Contracting-out Requirements.
- 26.7 The Trustees may reduce every Cash Equivalent as promptly and to the maximum extent as regulations made under section 97 of the 1993 Act permit as they decide from time to time.
- 26.8 Subject to Rule 26.9 the amount of any Cash Equivalent payable out of the Fund shall be calculated using methods and assumptions which the Trustees shall, having regard to the advice of the Actuary, determine as appropriate to provide the minimum amount necessary to comply with section 97 of the 1993 Act including any reduction made under Rule 26.7.
- 26.9 The Trustees may having regard to the advice of the Actuary, use methods and assumptions different from those mentioned in Rule 26.8 to calculate the amount of any Cash Equivalent payable out of the Fund from time to time.
- 26.10 A transfer shall not be payable under this Rule 26 unless:

- (a) it satisfies the conditions for it to be a Recognised Transfer; and
- (b) if, at the time of the transfer, the Scheme is a Sectionalised Scheme, the transfer is clearly designated by the Trustees as coming out of Section 1 or Section 2 as relevant.

26.11 This Rule 26 is subject to Rule 79.9 of Part E and Rule 82.10 of Part F of the Rules.

27 Closing the Scheme

27.1 On and with effect from the first of the dates specified in Rule 27.2:

- (a) all active members shall cease to accrue benefits and shall become deferred members;
- (b) no Employee shall be admitted to active membership;
- (c) the Scheme will continue as a Closed Fund;
- (d) Rule 23 {admission of Employers} will cease to apply in relation to every Employer; and
- (e) Rule 24.3 {withdrawal of Employer} will apply to every Employer.

27.2 The dates are:

- (a) the date on which the Principal Employer ceases to participate in the Scheme under Rule 24.1 {withdrawal of employer} and is not promptly replaced by the New Principal Employer under Rule 28 {substitution of Principal Employer};
- (b) the date with effect from which the Principal Employer gives notice to the Trustees to close the Scheme. Any such period of notice cannot be less than four weeks and must be given in writing unless and to the extent that the Trustees waive one or both of these requirements.

27.3 At any time while the Scheme is a Closed Fund, the Trustees may with the consent of the Principal Employer decide to wind-up the Scheme in accordance with Rule 30 {winding-up}. If an event occurs within the meaning of section 121(3) of the 2004 Act to the Principal Employer (save for the purposes of amalgamation or reconstruction), the Principal Employer's consent is not required to wind-up the Scheme.

27.4 While the Scheme is a Closed Fund, all the provisions of the Scheme and powers exercisable under the Scheme, including without limitation Rule 5.1 {modification},

shall continue to operate. Without limitation, the power in Rule 5.1 may with the agreement of the Trustees (and during any period while the Scheme is a Sectionalised Scheme with the agreement of the Section 1 Trustees and the Section 2 Trustees) be exercised to terminate the status of the Scheme as a Closed Fund and to admit persons to participation in the Scheme under Rule 23.

28 Substitution of Principal Employer

28.1 If a person (the "New Principal Employer"):

- (a) executes a deed enforceable by the Trustees under which the New Principal Employer:
 - (i) undertakes the liabilities of the Principal Employer under the Scheme; and
 - (ii) if the Principal Employer also wishes to be an Employer under Rule 23.1, covenants to observe and perform its obligations in relation to the Scheme applicable to it as an Employer;

and

- (b) obtains the consent of:
 - (i) the person (the "Old Principal Employer") who is the Principal Employer immediately before the operation of Rule 28.2 (unless an Insolvency Event has occurred in relation to the Old Principal Employer or it has ceased to exist in which case no such consent is required); and
 - (ii) the Trustees (their consent being required to both the substitution of the New Principal Employer and the terms of the document effecting such a substitution).

then Rule 28.2 applies.

28.2 If the requirements of Rule 28.1 are met, then with effect from such date as the Old Principal Employer and the New Principal Employer agree:

- (a) the *Old Principal Employer* shall be released from all obligations in relation to the Scheme which apply to it other than as an Employer; and
- (b) the Rules and all other provisions of the Scheme shall take effect as if the New Principal Employer had been and is the Principal Employer.

28.3 Rule 24 will be applied to determine whether the Old Principal Employer is also ceasing to be an Employer. Rule 24 will apply to it independently of this Rule if it ceases to be an Employer. Ceasing to be Principal Employer will not on its own prevent the Old Principal Employer from remaining an Employer.

29 **Transfer of Powers**

If the Principal Employer either:

- (a) is subject to an Insolvency Event and is not replaced reasonably promptly (and with immediate effect) by a New Principal Employer under Rule 28; or
- (b) has its name struck off the register by the Registrar of Companies;

then all the powers of the Principal Employer (including the Old Principal Employer) in relation to the Scheme shall be exercisable by the Trustees in the place of the Principal Employer, including but not limited to the power under Rule 27.3 {Closing the Scheme} to agree to commence the wind up of the Scheme in accordance with Rule 30 {winding up}.

30 **Winding-up**

30.1 Subject to the payment of expenses and remuneration authorised by Rule 8 {expenses and remuneration of trustees}, relating to the wind-up (or otherwise) and to the payment of any instalments of pensions and lump sums which have fallen due for payment before the commencement of the wind-up, on the winding-up of the Scheme the Trustees shall apply such part of the Fund (other than the Money Purchase Assets) or appropriate policies under Rule 17.3 {appropriation of policies} in accordance with sections 73, 73B and 74 of the 1995 Act {winding-up} in such manner as is necessary to satisfy the liabilities of the Scheme described in section 73(4) of the 1995 Act (other than the Money Purchase Liabilities). For so long as the Scheme is a Sectionalised Scheme, the application of these sections of the 1995 Act (other than the Money Purchase Liabilities) and this Rule 30 shall be to each of Section 1 and Section 2 as if they were separate schemes.

30.2 The Money Purchase Assets shall be applied to meet the Money Purchase Liabilities to which they relate.

30.3 After the application of Rules 30.1 and 30.2 the Trustees shall apply such proportion (up to the whole) of the remaining assets of the Fund (if any) as the Principal Employer shall direct in providing such augmented, varied or new benefits of the types mentioned in Rule 6.1 {augmentation}.

- 30.4 The Trustees shall pay all of the Fund remaining after the application of Rules 30.1, 30.2 and 30.3 to the Employers in such proportions as the Principal Employer decides (less any tax which the Trustees are required to deduct).
- 30.5 The Trustees may pay a lump sum in the place of the whole of a pension to a Member:
- (a) to the extent to which the Contracting-out Requirements allow; and
 - (b) if the lump sum satisfies all the conditions for it to be a winding-up lump sum as described in paragraph 10 of Schedule 29 to the FA 2004.
- 30.6 The payment of a lump sum under Rule 30.5 will extinguish both the entitlement to benefits under the Scheme of the Member and the entitlement to benefits under the Scheme of any Beneficiary which relate to the Member.
- 30.7 The Trustees may pay a lump sum in the place of the whole of a pension to a Dependant of a deceased Member:
- (a) to the extent to which the Contracting-out Requirements will allow; and
 - (b) if the lump sum satisfies all the conditions for it to be a winding-up lump sum death benefit as described in paragraph 21 of Schedule 29 to the FA 2004.
- 30.8 The payment of a lump sum under Rule 30.7 will extinguish the entitlement to benefits under the Scheme of the Dependant.
- 30.9 The Trustees will calculate the amount of any lump sum payable under this Rule 30 having regard to the advice of the Actuary.
- 30.10 Until the winding-up of the Scheme is completed, all the provisions of the Scheme and powers exercisable under the Scheme, including without limitation Rule 5.1 {modification}, shall continue to operate. Without limitation, but only with the agreement of the Trustees, the power in Rule 5.1 may be exercised to abrogate the winding-up of the Scheme and to admit persons to participation in the Scheme under Rule 23.1 {admission of employers}.
- 30.11 When the Trustees have applied the whole of the Fund in winding-up of the Scheme in accordance with Rules 30.1 to 30.10 in securing the benefits of which they are then aware, so far as the Fund permits:
- (a) none of the Trustees shall be liable for anything whatsoever in relation to the Scheme; and

- (b) the trusts of the Scheme shall cease.

General

31 Notices

31.1 Any notice to be given to a person under the Rules may be given by:

- (a) delivering it to him; or
- (b) leaving it at his proper address (see Rule 31.2); or
- (c) sending it to him by post; or
- (d) in the case of a Beneficiary, email if the Trustees consider it reasonable to do so.

31.2 For the purposes of Rule 31.1 proper address means:

- (a) for any Beneficiary is his latest postal address or email address (as applicable) known to the Trustees;
- (b) for a Trustee is his latest postal address notified by the Trustee to the Principal Employer or, in the case of a corporate Trustee, the address of its registered office; and
- (c) for the Principal Employer or any other Employer is the address of its registered office.

31.3 Any notice given to any person in accordance with Rule 31.1 shall be deemed to have been received by him on the day on which it is so given or emailed or, if sent by post, on the second day after it is sent.

31.4 Any notice to be given to a Beneficiary under the Rules shall be deemed to have been received by the Beneficiary if any procedure has been followed which appears to the Trustees to be adequate to draw his attention to such a notice.

32 Information from Employers

32.1 Subject to Rule 32.3, each Employer shall supply to the Principal Employer and the Trustees any information either of them may reasonably request in respect of itself or in respect of its Employees or former Employees who are Members or prospective Members in order for them to carry out their roles under the Rules or under applicable legislation or in accordance with relevant regulatory guidance.

32.2 Subject to Rule 32.3, each Employer shall provide such information on its financial position and prospects as the Trustees shall reasonably require in order to carry out their role under the Rules or under applicable legislation or in accordance with relevant regulatory guidance.

32.3 The Trustees shall enter into such confidentiality agreement as reasonably requested by the Principal Employer in order to protect its commercial interests and to comply with any rules relating to "insiders" in respect of listed shares. It shall not be a reasonable confidentiality agreement if it prohibits the Trustees from making notifications to the Pensions Regulator or the Pensions Protection Fund or other similar regulatory body where such a notification is either required by law or is considered necessary by the Trustees to protect the interests of the Members of the Scheme. The Trustees shall not be prohibited from disclosing information which is in or enters the public domain (except where this is a result of the Trustees' breach of confidentiality). The Trustees shall also not be prohibited from disclosing information on a confidential basis to their advisers or where the information is required to be disclosed by law.

33 Unclaimed Money

If a Beneficiary fails to claim his benefit within the shortest of the periods referred to or mentioned in section 92(5) of the 1995 Act, it shall not be due or payable, but the Trustees may pay all or any part of such benefit to or for the benefit of the Beneficiary.

34 Taxation and Levies

34.1 The Trustees may pay out of the Fund and may deduct from any benefit or other payment under the Scheme any tax for which they may be liable in respect of it or for which they are liable to account to the Revenue. The Trustees may reduce any benefit in respect of which a lifetime allowance charge arises, so as fully to reflect the amount of tax payable in respect of it under Section 215 of the FA 2004 [amount of charge].

34.2 The Trustees may pay out of the Fund any levy payable by them under the 2004 Act.

34.3 If the Scheme Administrator and any Employer or Beneficiary become jointly and severally liable to a charge to tax, then, as between that person and the Scheme Administrator, that person shall be liable for the whole of the charge to tax in exoneration of the Scheme Administrator. Any amount which the Scheme Administrator pays to the Revenue in respect of that charge to tax shall be treated as a debt due from that person to the Trustees.

34.4 The Trustees may pay out of the Fund any tax for which the Scheme Administrator becomes liable or for which any person who was the Scheme Administrator becomes

liable.

Contributions

35 Employers' Contributions

- 35.1 Subject to Rules 35.2 and 35.3 and to Part 3 of the 2004 Act {scheme funding}, the Employers shall pay such annual or other contributions to the Fund as the Trustees, having considered the advice of the Actuary, shall agree with the Principal Employer. The Principal Employer shall determine the split of the contributions agreed as between the Employers.
- 35.2 For so long as the Scheme is a Sectionalised Scheme, the contributions payable by an Employer shall be allocated to the section of the Scheme which applies to that Employer (or, if more than one section applies to that Employer, to the section which is appropriate in respect of the employment in question). For the purposes of this Rule 35.2, contributions shall include any payment made in respect of an Employer under a guarantee and such payments will be allocated between sections as if the Employer had made the payment.
- 35.3 Any Employer shall, if the Principal Employer so directs, at any time by written notice to the Trustees terminate its liability to contribute to the Scheme (or, for so long as the Scheme is a Sectionalised Scheme, to one or other or both Sections as notified) with effect from the date on which the Employer gives the notice to the Trustees in accordance with Rule 31 {notices} or, if the Employer specifies a later date in the notice, with effect from that later date. Any such period of notice cannot be less than four weeks and must be given in writing unless and to the extent that the Trustees waive one or both of these requirements.
- 35.4 For so long as the Scheme is a Sectionalised Scheme, the Trustees shall consult:
- (a) the Section 1 Trustees before adopting or revising the Scheme's statement of funding principles required under Part 3 of the 2004 Act in relation to the funding of Section 1; and
 - (b) the Section 2 Trustees before adopting or revising the Scheme's statement of funding principles required under Part 3 of the 2004 Act in relation to the funding of Section 2.

36 Agreements relating to section 75 of the 1995 Act

The Trustees and the Principal Employer may agree to make any arrangements as permitted by law in order to mitigate against the impact of section 75 of the 1995 Act

on any Employer or Former Employer. For so long as the Scheme is a Sectionalised Scheme, any such arrangements relating to a particular section of the Scheme shall also require the agreement of the relevant Section Trustee.

PART B OF THE RULES: SECTION 1 RULES

General

37 General

- 37.1 Part A of the Rules shall apply to Section 1 as modified by this Part B of the Rules.
- 37.2 Where the Section 1 Trustees do anything in connection with the Scheme (including, without limitation, exercising any power or discretion or considering something that they are being consulted upon in their role as the Section 1 Trustees under or for the purposes of these Rules), they shall do so:
- (a) on the basis that Section 1 were a separate occupational pension scheme constituted under trust and the Section 1 Trustees were the trustees of that separate trust; and
 - (b) in compliance with all the laws (including, but not limited to, the Rules of this Scheme) which would apply to them if Section 1 were a separate occupational pension scheme constituted under trust and the Section 1 Trustees were the trustees of that separate trust.
- 37.3 The Section 1 Trustees shall, so far as reasonable without compromising their fiduciary duties, work constructively with the Section 2 Trustees and the Trustees in order to minimise costs and expenses (including, but not limited to, adviser costs) and to implement efficient decision-making. This obligation is without prejudice to the Section 1 Trustees' right to appoint separate Advisers where they consider that there is a potential conflict between the interests of the beneficiaries of Section 1 and Section 2.
- 37.4 The Trustees may, subject always to overriding legislation, decide to grant further powers or discretions to the Section Trustees in relation to areas other than those where the Section Trustees were given a role under these Rules on the establishment of the Scheme if, after having received written legal advice that a conflict of interest exists between the beneficiaries of Section 1 and the beneficiaries of Section 2, the Trustees conclude (by a majority of all the Trustees or, where the Trustee is a sole corporate trustee, by a majority of all the directors of that corporate trustee) that such a conflict is most appropriately managed by such a course of action. However, the Trustees may not grant such further powers or discretions at any time before the date on which they have first completed the implementation of arrangements for the purposes of sections 241 to 243 of the 2004 Act.

Modification

38 Modification

- 38.1 No modification may be made under Rule 5.1 of Part A of the Rules which would affect the powers or discretions or the right to be consulted or other rights of the Section 1 Trustees under the Rules or result in the Scheme ceasing to be a Sectionalised Scheme without the consent of the Section 1 Trustees.

Constitution of Section 1 Trustees

39 Appointment and Removal of Section 1 Trustees

- 39.1 Subject to Rule 39.2, the Principal Employer shall have power by deed to appoint a new or additional Section 1 Trustee and to remove a Section 1 Trustee.

- 39.2 There shall be a minimum of six posts for the Section 1 Trustees, 50% of which shall be made up from the *member-nominated* representatives of the Trustees (including member-nominated directors of a corporate trustee) or, if the Section 1 Trustee is a corporate trustee, there shall be a minimum of six posts for directors of that corporate trustee, 50% of which shall be made up from the member-nominated representatives of the Trustees (including member-nominated directors of a corporate trustee). Where the member-nominated representatives of the Trustees (including member-nominated directors) are selected from two constituencies being some or all of the membership of Section 1 and some or all of the membership of Section 2, then the member-nominated representatives in relation to Section 1 will automatically also become Section 1 Trustees (or where the Section 1 Trustee is a corporate trustee, directors of the Section 1 Trustee). This Rule 39.2 shall not be breached if the reason for less than 50% member-nominated representation is due to a lack of candidates to fill the available vacancies.

However, in the period until the Scheme first complies with the requirements for member-nominated trustees or member-nominated directors under the 2004 Act, the posts of member-nominated representatives referred to above (or for the purposes of Rule 43.3) will be posts for persons nominated by the Merging Former Schemes as agreed between the Principal Employer and the Merging Former Schemes.

- 39.3 Unless a corporate body is the sole Section 1 Trustee, the number of Section 1 Trustees shall not be less than two.
- 39.4 A corporate body (whether or not a trust corporation) may remain or be appointed either as sole Section 1 Trustee or as an additional Section 1 Trustee. Where a corporate body is the sole Section 1 Trustee, it shall adopt articles of association which

are not inconsistent with the principles of Rules 39.2, 43.2, 43.3, 43.5 and 43.6.

39.5 Subject to Rule 39.6, if, after the resignation, the continuing Section 1 Trustees shall be at least either a corporate body or two individuals, any Section 1 Trustee may resign as a Section 1 Trustee by serving written notice on the Principal Employer and the other Section 1 Trustees to that effect.

39.6 Every Section 1 Trustee shall on ceasing to be a Section 1 Trustee execute such documents and do all such things as may be necessary to give effect to such cessation.

39.7 Every Section 1 Trustee shall:

(a) on ceasing to be a Section 1 Trustee; or

(b) on being given a transfer notice under section 160(2) of the 2004 Act;

be discharged from the performance of the functions of the Section 1 Trustees under the Scheme except in respect of an act or omission which would, if the Section 1 Trustee were a trustee of Section 1 as a separate occupational pension scheme, be a breach of trust knowingly and intentionally committed or condoned by him which, at the time of commission or condonation, the Section 1 Trustee knew to be a breach of trust.

40 Expenses and Remuneration of Section 1 Trustees

40.1 Subject to Rule 40.4, the Section 1 Trustees shall be entitled to pay out of the Section 1 part of the Fund all costs, charges and expenses properly incurred by the Section 1 Trustees or imposed on them under statute in connection with the Scheme (except to the extent that such costs, charges and expenses are incurred as a result of the Section 1 Trustees' (or where the Section 1 Trustee is a sole corporate trustee, the directors of that corporate trustee's) wilful wrongdoing or fraud), to be paid in priority to all other claims falling to be met out of Section 1 of the Fund.

40.2 Subject to Rule 40.4, the Trustees with the agreement of the Principal Employer may pay to any Section 1 Trustee, or director of a corporate Section 1 Trustee, out of the Section 1 part of the Fund reasonable remuneration for acting in that capacity or in any other capacity authorised by the Rules, to be so paid in priority to all other claims (other than under Rule 40.1) payable out of Section 1 part of the Fund

40.3 A Section 1 Trustee or director of a corporate Section 1 Trustee paid or intended to be paid under Rule 40.2 may participate in taking a decision under Rule 40.2 notwithstanding his personal interest in it and may retain for himself any reasonable remuneration which the Trustees decide to pay to him.

- 40.4 The Employers will, in such proportion as the Principal Employer decides, reimburse Section 1 of the Scheme for the amount of all or any of these expenses.
- 40.5 The Trustees may make any payment which is authorised by this Rule 40.5, whether or not it is a scheme administration member payment or a scheme administration employer payment (as described in sections 171 and 180 of the FA 2004 respectively), out of the Section 1 part of the Fund.

41 Section 1 Trustees Benefiting from the Scheme

- 41.1 No rule of law that a person may not exercise the powers vested in him so as to give rise to a conflict between his personal interest and his duties to beneficiaries shall apply to a Section 1 Trustee (or a director or officer of a corporate trustee) who is also a Member, exercising the powers vested in him in any manner, merely because their exercise in that manner benefits, or may benefit, him as a Member.
- 41.2 A Beneficiary who is or has been a Section 1 Trustee (or a director or officer of a corporate Section 1 Trustee or a delegate of the Section 1 Trustees) may retain for himself any benefit to which he is entitled by virtue of his Membership, including, without limitation, any benefit as augmented or provided under Rule 6 of Part A of the Rules {augmentations}, whether or not the Beneficiary participated in the exercise of the power in Rule 6 of Part A of the Rules in relation to him.
- 41.3 Subject to the consent of the Principal Employer, a Section 1 Trustee who is or becomes a director or employee of any company in which the Section 1 Trustees hold shares or any other interest may retain for himself any resulting fees or remuneration notwithstanding that his retention of, or appointment to, that office or employment may be directly or indirectly due to the exercise or non-exercise of any votes by the Section 1 Trustees.

42 Section 1 Trustee Indemnities and Insurance

- 42.1 Subject to section 33 {investment duties: duty of care} of the 1995 Act and section 256 {no indemnification for fines or civil penalties} of the 2004 Act, and subject to and to the maximum extent permitted by section 235 of the 2006 Act {provisions protecting directors from liability}, no Section 1 Trustee or director or officer of a corporate Section 1 Trustee shall in their capacity as a Section 1 Trustee (or director of the Section 1 Trustee) or in respect of the exercise or purported exercise of or the omission of the exercise of his rights, powers or duties in relation to the Section 1 of the Scheme, incur any personal responsibility or be liable for anything whatsoever except for any wilful default or fraud or any act or omission to act which would, on the assumption that Section 1 was a separate occupational pension scheme set up under

trust and he was a trustee or director of a corporate trustee of that trust, be a breach of trust knowingly and intentionally committed or condoned by him which, at the time of commission or condonation, the Section 1 Trustee (or director or officer of a corporate Section 1 Trustee) knew to be a breach of trust or, in relation to a Professional Trustee only, negligence.

- 42.2 Subject to Section 256 of the 2004 Act {no indemnification for fines or civil penalties} and to the maximum extent permitted by section 235 of the 2006 Act, each of the Section 1 Trustees and directors or officers of any corporate Section 1 Trustee shall, to the fullest extent allowed or not prevented by law, both before and during the winding-up of the Scheme (including without limitation a deemed winding-up arising in the circumstances set out in Section 161(2) of the 2004 Act) forthwith be indemnified out of the Section 1 part of the Fund, in full and on demand and without any set off, counterclaim or other deduction, against all or any claims, costs (including legal costs on an indemnity basis, other professional fees and disbursements and associated VAT), losses, interest, damages, charges, awards, actions, proceedings, demands, expenses, which he may pay or incur or which may be made or awarded against him in his capacity as a Section 1 Trustee (or director or officer of a corporate Section 1 Trustee), except for any wilful default or fraud or any act or omission to act which would, on the assumption that Section 1 was a separate occupational pension scheme set up under trust and he was a trustee or director of a corporate trustee of that trust, be a breach of trust knowingly and intentionally committed or condoned by him which, at the time of commission or condonation, the Section 1 Trustee (or director or officer of a corporate Section 1 Trustee) knew to be a breach of trust or, in relation to a Professional Trustee only, negligence, to the extent that such claims, costs, losses, damages, awards and expenses cannot for any reason be met out of a policy effected under Rule 42.5.
- 42.3 The Principal Employer shall, to the fullest extent allowed or not prevented by law, and subject to section 235 of the 2006 Act {provisions protecting directors from liability}, both before and after the winding-up of the Scheme (including without limitation a deemed winding-up arising in the circumstances set out in Section 161(2) of the 2004 Act), indemnify each of the Section 1 Trustees and directors and officers of any corporate Section 1 Trustee forthwith, in full and on any demand and without any set off, counterclaim or other deduction against all or any claims, costs, losses, damages, awards and expenses, which he may pay or incur or which may be made or awarded against him as a trustee (or trustee director) of Section 1 of the Scheme, except for any wilful default or fraud or any act or omission to act which would, on the assumption that Section 1 was a separate occupational pension scheme set up under trust and he was a trustee or director of a corporate trustee of that trust, be a breach of trust knowingly and intentionally committed or condoned by him which, at the time of

commission or condonation, the Section 1 Trustee or director and officer of a corporate Section 1 Trustee knew to be a breach of trust or, in the case of a Professional Trustee only, negligence, to the extent that such claims, costs, losses, damages, awards and expenses cannot for any reason be met out of the Section 1 part of the Fund or a policy effected under Rule 42.5.

- 42.4 Each of the indemnities under Rules 42.2 and 42.3 shall continue for the benefit of a former Section 1 Trustee or former director or former officer of a corporate Section 1 Trustee.
- 42.5 Subject to Rule 42.6, the Section 1 Trustees, with the agreement of the Principal Employer, may effect (both before and after the winding up of the Scheme has commenced) any insurance or policy of indemnity in relation to acts or omissions or liabilities of themselves, their servants, agents or other persons (including employees of the Principal Employer and where the Section 1 Trustees are a sole corporate trustee, the directors and officers of that company) in connection with Section 1 of the Scheme and may pay the premiums for the insurance or policy and any related expenses from the Section 1 part of the Fund.
- 42.6 Such insurance or policy shall not require the Section 1 Trustees, or allow the insurer, to claim in respect of the insured risk:
- (a) under the indemnity out of the Section 1 part of the Fund under Rule 42.2; or
 - (b) under the indemnity from the Principal Employer under Rule 42.3.

Powers and Duties of Section 1 Trustees

43 Section 1 Trustees' Meetings and Procedures

- 43.1 The Section 1 Trustees, or the officers and directors of a corporate body which is sole Section 1 Trustee, shall meet for the purpose of considering the affairs of the Scheme in so far as the Section 1 Trustees have a power, duty or obligation under the Rules at least twice a year. Subject to that and as set out in Rule 39.4, the meetings and procedures of a corporate body which is sole Section 1 Trustee will be regulated by its governing document. Rules 43.2 to 43.6 apply where there is no sole corporate trustee of Section 1 of the Scheme except to the extent referred to in Rule 39.4.
- 43.2 Unless specifically required otherwise elsewhere in these Rules, the decisions of the Section 1 Trustees are required to be taken by agreement of a majority of all of the Section 1 Trustees present at a quorate meeting.

43.3

- (a) No business shall be transacted at any meeting of the Section 1 Trustees unless a quorum is present. Either four or five Section 1 Trustees as specified in (b) below will be a quorum at any meeting of the Section 1 Trustees. A Section 1 Trustee will be counted in the quorum even if he or she is participating in the meeting by means of a conference telephone or any other communication equipment that allows everyone participating to hear each other.
- (b) In order to constitute a quorum, there must be present:
 - (i) two Section 1 Trustees who are not member-nominated representative Trustees;
 - (ii) two Section 1 Trustees who are member-nominated representative Trustees in respect of Section 1 of the Scheme; and
 - (iii) at any time when one has been appointed under Rule 43.6 and the subject of the meeting (or part of that meeting) is one on which deadlock has been reached, the Professional Trustee.

43.4 A decision recorded in writing, whether on the same or separate copies, and signed by a majority of the Section 1 Trustees shall be effective as if it were a decision of a meeting of the Section 1 Trustees.

43.5 The Section 1 Trustees shall appoint a chairman from one of their number. Any decision to select a chairman shall require a majority of all of the Section 1 Trustees.

43.6 In the event of deadlock being reached on any decision, the following shall apply:

- (a) the chairman of the Section 1 Trustees shall select, as an additional Section 1 Trustee, a Professional Trustee taken from a list of Professional Trustees which the Section 1 Trustees have agreed;
- (b) if no such list exists, the chairman shall select a Professional Trustee as an additional Section 1 Trustee; and
- (c) if there is no chairman of the Section 1 Trustees, then the Principal Employer shall select a Professional Trustee as an additional Section 1 Trustee.

The Professional Trustee shall be appointed solely to consider and vote on the issue on which deadlock was reached. The Professional Trustee must be present (whether in person or by telephone or videoconference) at any meeting held to discuss the matter on which deadlock was reached unless and until such deadlock has been resolved.

43.7 Subject to Rules 43.1 to 43.6, the Section 1 Trustees may make such regulations for the conduct of their business as they decide.

44 **Delegation**

44.1 The Section 1 Trustees may, with the Principal Employer's consent, delegate (and authorise the sub-delegation of) all or any of their powers, duties, trusts and discretions (including the power to delegate in this Rule 44.1) to any person on such terms, for such periods and at such remuneration (if any) as agreed between the Principal Employer and the Section 1 Trustees, but any remuneration for a Section 1 Trustee must be authorised under Rule 40 [expenses and remuneration of trustees].

45 **Advisers**

45.1 Subject to Rule 37.3, the Section 1 Trustees may obtain and rely on advice in connection with the exercise of their powers, duties and obligations under the Rules from any Adviser.

45.2 Subject to Rule 37.3, the Section 1 Trustees may appoint under Rules 45.1, or remove any Adviser appointed under Rule 45.1, on such terms as to remuneration and otherwise as they think fit.

De-sectionalisation

46 **De-sectionalisation**

46.1 If the Principal Employer, the Section 1 Trustees and the Section 2 Trustees agree (having each taken such advice as they consider appropriate) that it should happen, the Trustees shall de-sectionalise the Scheme so that it no longer operates as a Sectionalised Scheme.

46.2 If the Scheme is to be de-sectionalised under Rule 46.1 and 64.1, the Trustees and the Principal Employer shall amend the Rules to give effect to that (including in relation to the fact that it will no longer be necessary to have the Section 1 Trustee and Section 2 Trustee) and the Section 1 part of the Fund will be amalgamated with the Section 2 part of the Fund. The agreement of the Section 1 Trustees for the purposes of Rule 46.1 shall also be agreement of the Section 1 Trustees to the amendments to be made to the Rules in accordance with this Rule 46.2.

46.3 The Section 1 Trustees shall, at the request of the Principal Employer, commence discussions with the intention of achieving de-sectionalisation if the condition set out in Rule 46.4 is met.

46.4 The condition referred to in Rule 46.3 is that the respective funding levels of Section 1 and Section 2 are within 5% (or such other percentage as the Principal Employer, the Section 1 Trustees and the Section 2 Trustees may agree) of each other calculated on such basis as agreed by the Principal Employer, the Section 1 Trustees and the Section 2 Trustees.

46.5 The Section 1 Trustees may refuse to de-sectionalise if, having regard to all relevant factors (which may include the proposed balance of power and the likely funding of the Scheme after the Scheme ceases to be a Sectionalised Scheme), they decide that to de-sectionalise the Scheme would not be in accordance with the fiduciary duties which they would be subject to if Section 1 was a separate occupational pension scheme constituted under trust and the Section 1 Trustees were the trustees of that scheme and they were considering a merger with Section 2 as if it were a separate occupational pension scheme.

47 Information from Employers

47.1 Subject to Rule 47.3, each Employer participating in Section 1 shall supply to the Section 1 Trustees any information they may reasonably request in respect of itself or in respect of its Employees or former Employees who are Members or prospective active members for them to be able to carry out their role under these Rules or under applicable legislation or in accordance with relevant regulatory guidance.

47.2 Subject to Rule 47.3 each Employer participating in Section 1 shall provide such information on its financial position and prospects as the Section 1 Trustees shall reasonably require for them to be able to carry out their role under these Rules or under applicable legislation or in accordance with relevant regulatory guidance.

47.3 The Section 1 Trustees shall enter into such reasonable confidentiality agreement as reasonably requested by the Principal Employer in order to protect its commercial interests and to comply with any rules relating to "insiders" in respect of listed shares. It shall not be a reasonable confidentiality agreement if it prohibits the Section 1 Trustees from making notifications to the Pensions Regulator or the Pension Protection Fund or other similar regulatory body where such a notification is either required by law or is considered necessary by the Section 1 Trustees to protect the interests of the beneficiaries of Section 1. The Section 1 Trustees shall not be prohibited from disclosing information which is in or enters the public domain (except where this is a result of the Section 1 Trustees' breach of confidentiality). The Section 1 Trustees shall also not be prohibited from disclosing information on a confidential basis to their advisers or where the information is required to be disclosed by law.

Contributions

48 Employers' Contributions

- 48.1 Where a formal actuarial valuation of Section 1 has been carried out then, for the purposes of both Rule 35 of Part A of the Rules and Part 3 of the 2004 Act and subject to Rule 48.2, the Trustees shall not agree a level of employer contributions being paid by the relevant Employers under Rule 35 of Part A of the Rules to Section 1 with the Principal Employer, which is less than the level of contributions that the Section 1 Trustees (having considered actuarial advice) agree with the Principal Employer would be paid to Section 1 by the relevant Employers if Section 1 were a separate scheme and the Section 1 Trustees were the trustees of that separate scheme.
- 48.2 In the event that the Principal Employer and the Section 1 Trustees have not agreed a level of contributions for the purposes of Rule 48.1 within 12 months of the effective date of a formal actuarial valuation of Section 1, Rule 48.1 shall no longer apply and, instead, Rule 48.3 shall apply.
- 48.3 Where this Rule 48.3 applies then, for the purposes of both Rule 35 of Part A of the Rules and Part 3 of the 2004 Act, the Trustees shall agree the level of contributions to be paid to Section 1 by the Employers with the Principal Employer, but any decision of the Trustees under this Rule 48.3 must be made by at least a 75% majority of all of the Trustees or, if a sole corporate trustee, a 75% majority of all of the directors of that corporate trustee.
- 48.4 The Section 1 Trustees shall respond as soon as reasonably practicable on being consulted on the statement of funding principles to be adopted by the Trustees for the purposes of Part 3 of the 2004 Act in respect of Section 1 of the Scheme as required by Rule 35.4 of Part A of the Rules.

49 Cessation of accrual

- 49.1 The Principal Employer may, on the expiry of four weeks' written notice, terminate the accrual of pensions under the Scheme in relation to all persons who are, at the expiry of such notice, active members of Section 1. The Trustees may accept a shorter notice period than four weeks. The giving of such notice under this Rule will not of itself trigger the winding up of the Scheme or any Section of the Scheme.

PART C OF THE RULES: SECTION 2 RULES

General

50 General

- 50.1 Part A of the Rules shall apply to Section 2 as modified by this Part C of the Rules.
- 50.2 Where the Section 2 Trustees do anything in connection with the Scheme (including, without limitation, exercising any power or discretion or considering something that they are being consulted upon in their role as the Section 2 Trustees under or for the purposes of these Rules), they shall do so:
- (a) on the basis that Section 2 were a separate occupational pension scheme constituted under trust and the Section 2 Trustees were the trustees of that separate trust; and.
 - (b) in compliance with all the laws (including, but not limited to, the Rules of this Scheme) which would apply to them if Section 2 were a separate occupational pension scheme constituted under trust and the Section 2 Trustees were the trustees of that separate trust.
- 50.3 The Section 2 Trustees shall, so far as reasonable without compromising their fiduciary duties, work constructively with the Section 1 Trustees and the Trustees in order to minimise costs and expenses (including, but not limited to, adviser costs) and to implement efficient decision-making. This obligation is without prejudice to the Section 2 Trustees' right to appoint separate Advisers where they consider that there is a potential conflict between the interests of the beneficiaries of Section 1 and Section 2.
- 50.4 The Trustees may, subject always to overriding legislation, decide to grant further powers or discretions to the Section Trustees in relation to areas other than those where the Section Trustees were given a role under these Rules on the establishment of the Scheme if, after having received written legal advice that a conflict of interest exists between the beneficiaries of Section 1 and the beneficiaries of Section 2, they decide (by a majority of all the Trustees or, where the Trustee is a sole corporate trustee, by a majority of all the directors of that corporate trustee) that such a conflict is most appropriately managed by such a course of action. However, the Trustees may not grant such further powers or discretions at any time before the date on which they have first completed the implementation of arrangements for the purposes of sections 241 to 243 of the 2004 Act.

Modification

51 Modification

- 51.1 In relation to the benefits provided in Section 2 for a Member who is a TPP Category 1 Active Transferee, no modification may be made under Rule 5.1 of Part A of the Rules without the prior consent of such TPP Category 1 Active Transferee so affected if the amendment would result in the reduction of the TPP Category 1 Active Transferee's accrued rights, such rights to be valued by the Actuary on a past service reserve basis allowing for pensionable salary to be projected to the TPP Category 1 Active Transferee's assumed date of leaving pensionable service from the Scheme.
- 51.2 No modification may be made under Rule 5.1 of Part A of the Rules which would affect the powers or discretions or the right to be consulted or other rights of the Section 2 Trustees under the Rules or result in the Scheme ceasing to be a Sectionalised Scheme without the consent of the Section 2 Trustees.

Constitution of Section 2 Trustees

52 Appointment and Removal of Section 2 Trustees

- 52.1 Subject to Rule 52.2, the Principal Employer shall have power by deed to appoint a new or additional Section 2 Trustee and to remove a Section 2 Trustee.
- 52.2 There shall be a minimum of six posts for Section 2 Trustees 50% of which shall be made up from the member-nominated representatives of the Trustees (including member-nominated directors of a corporate trustee) or, if the Section 2 Trustee is a corporate trustee, there shall be a minimum of six posts for directors of that corporate trustee 50% of which shall be made up from the member-nominated representatives of the Trustees (including member-nominated directors of a corporate trustee). Where the member-nominated representatives of the Trustees (including member-nominated directors) are selected from two constituencies being some or all of the membership of Section 1 and some or all of the membership of Section 2, then the member-nominated representatives in relation to Section 2 will automatically also become Section 2 Trustees (or where the Section 2 Trustee is a corporate trustee, directors of the Section 2 Trustee). This Rule 52.2 shall not be breached if the reason for less than 50% member-nominated representation is due to a lack of candidates to fill the available vacancies.

However, in the period until the Scheme first complies with the requirements for member-nominated trustees or member-nominated directors under the 2004 Act, the posts of member-nominated representatives referred to above (or for the purposes of

Rule 56.3) will be posts for persons nominated by the Merging Former Schemes as agreed between the Principal Employer and the Merging Former Schemes.

52.3 Unless a corporate body is the sole Section 2 Trustee, the number of Section 2 Trustees shall not be less than two.

52.4 A corporate body (whether or not a trust corporation) may remain or be appointed either as sole Section 2 Trustee or as an additional Section 2 Trustee. Where a corporate body is the sole Section 2 Trustee, it shall adopt articles of association which are not inconsistent with the principles of Rules 52.2, 56.2, 56.3, 56.5 and 56.6.

52.5 Subject to Rule 52.6 if, after the resignation, the continuing Section 2 Trustees shall be at least either a corporate body or two individuals, any Section 2 Trustee may resign as a Section 2 Trustee by serving written notice on the Principal Employer and the other Section 2 Trustees to that effect.

52.6 Every Section 2 Trustee shall on ceasing to be a Section 2 Trustee execute such documents and do all such things as may be necessary to give effect to such cessation.

52.7 Every Section 2 Trustee shall:

(a) on ceasing to be a Section 2 Trustee; or

(b) on being given a transfer notice under section 160(2) of the 2004 Act;

be discharged from the performance of the functions of the Section 2 Trustees under the Scheme except in respect of an act or omission which would, if the Section 2 Trustee were a trustee of Section 2 as a separate occupational pension scheme, be a breach of trust knowingly and intentionally committed or condoned by him which, at the time of commission or condonation, the Section 2 Trustee knew to be a breach of trust.

53 Expenses and Remuneration of Section 2 Trustees

53.1 Subject to Rule 53.4, the Section 2 Trustees shall be entitled to pay out of Section 2 of the Fund all costs, charges and expenses properly incurred by the Section 2 Trustees or imposed on them under statute in connection with the Scheme (except to the extent that such costs, charges and expenses are incurred as a result of the Section 2 Trustees' (or where the Section 2 Trustee is a sole corporate trustee, the directors of that corporate trustee's) wilful wrongdoing or fraud), to be paid in priority to all other claims falling to be met out of Section 2 of the Fund.

53.2 Subject to Rule 53.4, the Trustees with the agreement of the Principal Employer may

pay to any Section 2 Trustee, or director of a corporate Section 2 Trustee, out of the Section 2 part of the Fund reasonable remuneration for acting in that capacity or in any other capacity authorised by the Rules, to be so paid in priority to all other claims (other than under Rule 53.1) payable out of Section 2 part of the Fund

- 53.3 A Section 2 Trustee or director of a corporate Section 2 Trustee paid or intended to be paid under Rule 53.2 may participate in taking a decision under Rule 53.2 notwithstanding his personal interest in it and may retain for himself any reasonable remuneration which the Trustees decide to pay to him.
- 53.4 The Employers will, in such proportion as the Principal Employer decides, reimburse Section 2 of the Scheme for the amount of all or any of these expenses.
- 53.5 The Trustees may make any payment which is authorised by this Rule 53.5, whether or not it is a scheme administration member payment or a scheme administration employer payment (as described in sections 171 and 180 of the FA 2004 respectively), out of the Section 2 part of the Fund.

54 Section 2 Trustees Benefiting from the Scheme

- 54.1 No rule of law that a person may not exercise the powers vested in him so as to give rise to a conflict between his personal interest and his duties to beneficiaries shall apply to a Section 2 Trustee (or a director or officer of a corporate trustee) who is also a Member, exercising the powers vested in him in any manner, merely because their exercise in that manner benefits, or may benefit, him as a Member.
- 54.2 A Beneficiary who is or has been a Section 2 Trustee (or a director or officer of a corporate Section 2 Trustee or a delegate of the Section 2 Trustees) may retain for himself any benefit to which he is entitled by virtue of his Membership, including, without limitation, any benefit as augmented or provided under Rule 6 of Part A of the Rules {augmentations}, whether or not the Beneficiary participated in the exercise of the power in Rule 6 of Part A of the Rules in relation to him.
- 54.3 Subject to the consent of the Principal Employer, a Section 2 Trustee who is or becomes a director or employee of any company in which the Section 2 Trustees hold shares or any other interest may retain for himself any resulting fees or remuneration notwithstanding that his retention of, or appointment to, that office or employment may be directly or indirectly due to the exercise or non-exercise of any votes by the Section 2 Trustees.

55 Section 2 Trustee Indemnities and Insurance

- 55.1 Subject to section 33 {investment duties: duty of care} of the 1995 Act and section 256

{no indemnification for fines or civil penalties} of the 2004 Act, and subject to and to the maximum extent permitted by section 235 of the 2006 Act {provisions protecting directors from liability}, no Section 2 Trustee or director or officer of a corporate Section 2 Trustee shall in their capacity as a Section 2 Trustee (or director of the Section 2 Trustee) or in respect of the exercise or purported exercise of or the omission of the exercise of his rights, powers or duties in relation to the Section 2 of the Scheme, incur any personal responsibility or be liable for anything whatsoever except for any wilful default or fraud or any act or omission to act which would, on the assumption that Section 2 was a separate occupational pension scheme set up under trust and he was a trustee or director of a corporate trustee of that trust, be a breach of trust knowingly and intentionally committed or condoned by him which, at the time of commission or condonation, the Section 2 Trustee (or director or officer of a corporate Section 2 Trustee) knew to be a breach of trust or, in relation to a Professional Trustee only, negligence.

55.2 Subject to Section 256 of the 2004 Act {no indemnification for fines or civil penalties} and to the maximum extent permitted by section 235 of the 2006 Act, each of the Section 2 Trustees and directors or officers of any corporate Section 2 Trustee shall, to the fullest extent allowed or not prevented by law, both before and during the winding-up of the Scheme (including without limitation a deemed winding-up arising in the circumstances set out in Section 161(2) of the 2004 Act) forthwith be indemnified out of the Section 2 part of the Fund, in full and on demand and without any set off, counterclaim or other deduction, against all or any claims, costs (including legal costs on an indemnity basis, other professional fees and disbursements and associated VAT), losses, interest, damages, charges, awards, actions, proceedings, demands, expenses, which he may pay or incur or which may be made or awarded against him in his capacity as a Section 2 Trustee (or director or officer of a corporate Section 2 Trustee), except for any wilful default or fraud or any act or omission to act which would, on the assumption that Section 2 was a separate occupational pension scheme set up under trust and he was a trustee or director of a corporate trustee of that trust, be a breach of trust knowingly and intentionally committed or condoned by him which, at the time of commission or condonation, the Section 2 Trustee (or director or officer of a corporate Section 2 Trustee) knew to be a breach of trust or, in relation to a Professional Trustee only, negligence, to the extent that such claims, costs, losses, damages, awards and expenses cannot for any reason be met out of a policy effected under Rule 55.5.

55.3 The Principal Employer shall, to the fullest extent allowed or not prevented by law, and subject to section 235 of the 2006 Act {provisions protecting directors from liability} both before and after the winding-up of the Scheme (including without limitation a deemed winding-up arising in the circumstances set out in Section 161(2) of the 2004

Act), indemnify each of the Section 2 Trustees and directors and officers of any corporate Section 2 Trustee forthwith, in full and on any demand and without any set off, counterclaim or other deduction against all or any claims, costs, losses, damages, awards and expenses, which he may pay or incur or which may be made or awarded against him as a trustee (or trustee director) of Section 2 of the Scheme, except for any wilful default or fraud or any act or omission to act which would, on the assumption that Section 2 was a separate occupational pension scheme set up under trust and he was a trustee or director of a corporate trustee of that trust, be a breach of trust knowingly and intentionally committed or condoned by him which, at the time of commission or condonation, the Section 2 Trustee or director and officer of a corporate Section 2 Trustee knew to be a breach of trust or, in the case of a Professional Trustee only, negligence, to the extent that such claims, costs, losses, damages, awards and expenses cannot for any reason be met out of the Section 2 part of the Fund or a policy effected under Rule 55.5.

- 55.4 Each of the indemnities under Rules 55.2 and 55.3 shall continue for the benefit of a former Section 2 Trustee or former director or former officer of a corporate Section 2 Trustee.
- 55.5 Subject to Rule 55.6, the Section 2 Trustees, with the agreement of the Principal Employer, may effect (both before and after the winding up of the Scheme has commenced) any insurance or policy of indemnity in relation to acts or omissions or liabilities of themselves, their servants, agents or other persons (including employees of the Principal Employer and where the Section 2 Trustees are a sole corporate trustee, the directors and officers of that company) in connection with Section 2 of the Scheme and may pay the premiums for the insurance or policy and any related expenses from the Section 2 part of the Fund.
- 55.6 Such insurance or policy shall not require the Section 2 Trustees, or allow the insurer, to claim in respect of the insured risk:
- (a) under the indemnity out of the Section 2 part of the Fund under Rule 55.2; or
 - (b) under the indemnity from the Principal Employer under Rule 55.3.

Powers and Duties of Section 2 Trustees

56 Section 2 Trustees' Meetings and Procedures

- 56.1 The Section 2 Trustees, or the officers and directors of a corporate body which is sole Section 2 Trustee, shall meet for the purpose of considering the affairs of the Scheme in so far as the Section 2 Trustees have a power, duty or obligation under the Rules at

least twice a year. Subject to that and as set out in Rule 52.4, the meetings and procedures of a corporate body which is sole Section 2 Trustee will be regulated by its governing document. Rules 56.2 to 56.7 apply where there is no sole corporate trustee of Section 2 of the Scheme except to the extent referred to in Rule 52.4.

56.2 Unless specifically required otherwise elsewhere in these Rules, the decisions of the Section 2 Trustees are required to be taken by agreement of a majority of all of the Section 2 Trustees present at a quorate meeting.

56.3

(a) No business shall be transacted at any meeting of the Section 2 Trustees unless a quorum is present. Either four or five Section 2 Trustees as specified in (b) below will be a quorum at any meeting of the Section 2 Trustees. A Section 2 Trustee will be counted in the quorum even if he or she is participating in the meeting by means of a conference telephone or any other communication equipment that allows everyone participating to hear each other.

(b) In order to constitute a quorum, there must be present:

(i) two Section 2 Trustees who are not member-nominated representative Trustees;

(ii) two Section 2 Trustees who are member-nominated representative Trustees in respect of Section 2 of the Scheme; and

(iii) at any time when one has been appointed under Rule 56.6 and the subject of the meeting (or part of the meeting) is one on which deadlock has been reached, the Professional Trustee.

56.4 A decision recorded in writing, whether on the same or separate copies, and signed by a majority of the Section 2 Trustees shall be effective as if it were a decision of a meeting of the Section 2 Trustees.

56.5 The Section 2 Trustees shall appoint a chairman from one of their number. Any decision to select a chairman shall require a majority of all of the Section 2 Trustees.

56.6 In the event of deadlock being reached on any decision, the following shall apply:

(a) the chairman of the Section 2 Trustees shall select, as an additional Section 2 Trustee, a Professional Trustee taken from a list of Professional Trustees which the Trustees have agreed;

(b) if no such list exists, the chairman shall select a Professional Trustee as an

additional Section 2 Trustee; and

- (c) if there is no chairman of the Section 2 Trustees, then the Principal Employer shall select a Professional Trustee as an additional Section 2 Trustee.

The Professional Trustee shall be appointed solely to consider and vote on the issue on which deadlock was reached. The Professional Trustee must be present (whether in person or by telephone or videoconference) at any meeting held to discuss the matter on which deadlock was reached unless and until such deadlock has been resolved.

- 56.7 Subject to Rules 56.1 to 56.6, the Section 2 Trustees may make such regulations for the conduct of their business as they decide.

57 Delegation

- 57.1 The Section 2 Trustees may, with the Principal Employer's consent, delegate (and authorise the sub-delegation of) all or any of their powers, duties, trusts and discretions (including the power to delegate in this Rule 57.1) to any person on such terms, for such periods and at such remuneration (if any) as agreed between the Principal Employer and the Section 2 Trustees, but any remuneration for a Section 2 Trustee must be authorised under Rule 53 {expenses and remuneration of trustees}.

58 Advisers

- 58.1 Subject to Rule 50.3, the Section 2 Trustees may obtain and rely on advice in connection with the exercise of their powers, duties and obligations under the Rules from any Adviser.
- 58.2 Subject to Rule 50.3, the Section 2 Trustees may appoint under Rules 50.1, or remove any Adviser appointed under Rule 50.1, on such terms as to remuneration and otherwise as they think fit.

59 Withdrawal of Employer

- 59.1 Subject to Rule 59.2, an Employer may only serve notice terminating its liability to contribute to Section 2 under Rule 24.1(c) or Rule 35.3 and the Principal Employer may only serve notice terminating the liability of an Employer to contribute to Section 2 under Rule 24.1(a) with the agreement of the Section 2 Trustees.
- 59.2 The Section 2 Trustees' agreement shall not be required under Rule 59.1 in the following circumstances:
 - (a) where the shares in the Employer or all of the Employer's business and its employees are transferred to an unconnected third party;

- (b) where the liability to contribute is being terminated in relation to all of the Employers relating to the Scheme;
- (c) where the Employer does not employ persons who are active members in Section 2 (except where this situation arises as the consequence of an internal group business transfer and that transfer results in the active members employed by the Employer immediately prior to the transfer not continuing to accrue benefits under the Scheme as active members with another Employer immediately after the transfer);
- (d) where the active members who are employed by the Employer continue to accrue benefits under the Scheme as an active member with another Employer; or
- (e) where the liability to contribute must be terminated in order to comply with a legal or regulatory requirement.

For the avoidance of doubt, this Rule 59.2 is without prejudice to the powers of the Section 2 Trustee in Rules 62 and 63.

Transfers and Winding-up

60 Transfers to the Scheme

- 60.1 Rule 60.2 shall apply in place of Rule 25.2 of Part A of the Rules in relation to transfers to Section 2. Rules 25.3 to Rule 25.7 shall be read as referring to Rule 60.2 instead of Rule 25.2 of Part A of the Rules as a consequence.
- 60.2 Subject to Rule 25.3, the Principal Employer may direct the Trustees to accept a transfer payment in to Section 2 from an Other Scheme relating to any Beneficiary or other person on terms that the Beneficiary (or other person) shall be entitled to such benefits under the Scheme as the Trustees, having regard to the advice of the Actuary, decide. The transferred-in benefits shall be provided under Section 2.

61 Transfers from the Scheme

- 61.1 Rule 26 of Part A of the Rules shall not apply in relation to transfers out from Section 2. Instead, the remaining provisions of this Rule 61 shall apply to a transfer out from Section 2.
- 61.2 Subject to Rule 61.11 and the Transfer Requirements, in respect of a Beneficiary or a group of Beneficiaries the Trustees may with the consent of both the Principal Employer and the Section 2 Trustees transfer to an Other Scheme part of the Fund.

The amount of that part shall:

- (a) be determined by the Principal Employer having regard to the advice of the Actuary; and
- (b) subject to Rules 61.5 and 61.6, be equal to the lesser of the value of the Transfer Benefits of the Beneficiary or group of Beneficiaries and the share of the Fund referable to the Beneficiary or group of Beneficiaries.

In respect of any TPP Category 1 Active Transferee, the Transfer Benefits shall be the value, as certified by the Actuary, of the ongoing value of the benefits of that person on a past reserve basis (making allowance for projected salary increases).

61.3 A transfer made under Rule 61.2 shall be made on the basis that the Beneficiary or group of Beneficiaries shall become entitled under the Other Scheme to such benefits (contingent or otherwise) as the Section 2 Trustees agree with the Other Scheme.

61.4 When a transfer is made under Rule 61.2:

- (a) the Beneficiary, or every Beneficiary in a group, shall immediately cease to be entitled to the Transfer Benefits relating to him and, in the case of an active member, shall immediately cease to be an active member; and
- (b) the Trustees and the Section 2 Trustees shall not be responsible for or required to enquire into the application of the assets so transferred.

61.5 Subject to Rule 61.6, the value of the Transfer Benefits under Rule 61.2(b) shall not exceed the amount calculated by the Actuary in the manner prescribed by the Transfer Regulations.

61.6 The Principal Employer may increase the value attributable to the Transfer Benefits in question or increase those Transfer Benefits for the purpose of determining the amount to be transferred under Rule 61.2, in either case in accordance with Rule 6.2.

61.7 The consent of the Beneficiary to a transfer under Rule 61.2 shall not be required except insofar as his consent is required to comply with the Preservation Requirements or the Contracting-out Requirements.

61.8 The Trustees may reduce every Cash Equivalent as promptly and to the maximum extent as regulations made under section 97 of the 1993 Act permit as they decide from time to time.

61.9 Subject to Rule 61.10 the amount of any Cash Equivalent payable out of the Fund shall be calculated using methods and assumptions which the Trustees shall, having regard to

the advice of the Actuary, determine as appropriate to provide the minimum amount necessary to comply with section 97 of the 1993 Act including any reduction made under Rule 61.8.

61.10 The Trustees may having regard to the advice of the Actuary, use methods and assumptions different from those mentioned in Rule 61.9 to calculate the amount of any Cash Equivalent payable out of the Fund from time to time.

61.11 A transfer shall not be payable under this Rule 61 unless it satisfies the conditions for it to be a Recognised Transfer.

62 Closing the Scheme

62.1 In addition to the provisions of Rule 27 of Part A of the Rules {closing the scheme}, at any time while Section 2 is a Closed Fund or at any time after termination of accrual under Rule 67.1, the Section 2 Trustees may direct the Trustees and the Principal Employer to wind-up Section 2 in accordance with Rule 30 of Part A of the Rules {winding-up} by giving written notice to the Principal Employer and the Trustees.

63 Winding-up

63.1 In addition to the provisions in Part A of the Rules which lead to the Scheme winding-up, the Section 2 Trustees may direct the Principal Employer and the Trustees to wind up Section 2 of the Scheme at any time after having given written notice to the Principal Employer and the Trustees.

63.2 Rule 30.3 shall not apply and Rule 63.3 shall apply in its place.

63.3 After the application of Rules 30.1 and 30.2, the Trustees shall apply such part (up to the whole) of the remaining assets of the Fund (if any) as the Principal Employer and the Trustees agree in providing such augmented, varied or new benefits of the types mentioned in Rule 6.1 {augmentation}. If, after a period of six months commencing on the start of winding up of Section 2 (or such shorter period as the Trustees and Principal Employer agree), the Principal Employer and the Trustees have not agreed what proportion of the remaining assets should be used under this Rule 63.3 to provide such augmented, varied or new benefits, then Rule 63.4 shall apply.

63.4 If this Rule 63.4 applies, then the remaining assets of the Fund (if any) after application of Rules 30.1 and 30.2 shall be applied as follows:

- (a) first, to be used to augment benefits in respect of any TPP Category 1 Active Transferees to those equal in value to the past service reserve as determined by the Actuary, immediately prior to the commencement of the winding up of

Section 2; and

- (b) second, after the application under (a), to split the remaining assets such that:
 - (i) 50% of those remaining assets shall be applied to provide such augmented, varied or new benefits in such form as the Trustees shall decide; and
 - (ii) 50% of those remaining assets shall be applied under Rule 30.4.

64 De-sectionalisation

- 64.1 If the Principal Employer, the Section 2 Trustees and the Section 1 Trustees agree (having each taken such advice as they consider appropriate) that it should happen, the Trustees shall de-sectionalise the Scheme so that it no longer operates as a Sectionalised Scheme.
- 64.2 If the Scheme is to be de-sectionalised under Rule 64.1 and 46.1, the Trustees and the Principal Employer shall amend the Rules to give effect to that (including in relation to the fact that it will no longer be necessary to have the Section 1 Trustee and Section 2 Trustee) and the Section 2 part of the Fund will be amalgamated with the Section 1 part of the Fund. The agreement of the Section 2 Trustees for the purposes of Rule 64.1 shall also be agreement of the Section 2 Trustees to the amendments to be made to the Rules in accordance with this Rule 64.2.
- 64.3 The Section 2 Trustees shall, at the request of the Principal Employer, commence discussions with the intention of achieving de-sectionalisation if the condition set out in Rule 64.4 is met.
- 64.4 The condition referred to in Rule 64.3 is that the respective funding levels of Section 1 and Section 2 are within 5% (or such other percentage as the Principal Employer, the Section 2 Trustees and the Section 1 Trustees may agree) of each other calculated such basis as agreed by the Principal Employer, the Section 1 Trustees and the Section 2 Trustees.
- 64.5 The Section 2 Trustees may refuse to de-sectionalise if, having regard to all relevant factors (which may include the proposed balance of power and the likely funding of the Scheme after the Scheme ceases to be a Sectionalised Scheme), they decide that to de-sectionalise the Scheme would not be in accordance with the fiduciary duties which they would be subject to if Section 2 was a separate occupational pension scheme constituted under trust and the Section 2 Trustees were the trustees of that scheme and they were considering a merger with Section 1 as if it were a separate occupational pension scheme.

65 Information from Employers

- 65.1 Subject to Rule 65.3, each Employer participating in Section 2 shall supply to the Section 2 Trustees any information they may reasonably request in respect of itself or in respect of its Employees or former Employees who are Members or prospective active members for them to be able to carry out their role under these Rules or under applicable legislation or in accordance with relevant regulatory guidance.
- 65.2 Subject to Rule 65.3 each Employer participating in Section 2 shall provide such information on its financial position and prospects as the Section 2 Trustees shall reasonably require for them to be able to carry out their role under these Rules or under applicable legislation or in accordance with relevant regulatory guidance.
- 65.3 The Section 2 Trustees shall enter into such reasonable confidentiality agreement as reasonably requested by the Principal Employer in order to protect its commercial interests and to comply with any rules relating to "insiders" in respect of listed shares. It shall not be a reasonable confidentiality agreement if it prohibits the Section 2 Trustees from making notifications to the Pensions Regulator or the Pensions Protection Fund or other similar regulatory body where such a notification is either required by law or is considered necessary by the Section 2 Trustees to protect the interests of the beneficiaries of Section 2. The Section 2 Trustees shall not be prohibited from disclosing information which is in or enters the public domain (except where this is a result of the Section 2 Trustees' breach of confidentiality). The Section 2 Trustees shall also not be prohibited from disclosing information on a confidential basis to their advisers or where the information is required to be disclosed by law.

Contributions

66 Employers' Contributions

- 66.1 Where a formal actuarial valuation of Section 2 has been carried out then, for the purposes of both Rule 35 of Part A of the Rules and Part 3 of the 2004 Act and subject to Rule 66.2, the Trustees shall not agree a level of employer contributions being paid by the relevant Employers under Rule 35 of Part A of the Rules to Section 2 with the Principal Employer, which is less than the level of contributions that the Section 2 Trustees (in accordance with actuarial advice) agree with the Principal Employer would be paid to Section 2 by the relevant Employers if Section 2 were a separate scheme and the Section 2 Trustees were the trustees of that separate scheme.
- 66.2 In the event that the Principal Employer and the Section 2 Trustees have not agreed a level of contributions for the purposes of Rule 66.1 within 12 months of the effective date of a formal actuarial valuation of Section 2, Rule 66.1 shall no longer apply and,

instead, Rule 66.3 shall apply.

- 66.3 Where this Rule 66.3 applies then, for the purposes of both Rule 35 of Part A of the Rules and Part 3 of the 2004 Act, the Trustees shall agree the level of contributions to be paid to Section 2 by the Employers with the Principal Employer, but any decision of the Trustees under this Rule 66.3 must be made by at least a 75% majority of all of the Trustees or, if a sole corporate trustee, a 75% majority of all of the directors of that corporate trustee.
- 66.4 The Section 2 Trustees shall respond as soon as reasonably practicable on being consulted on the statement of funding principles to be adopted by the Trustees for the purposes of Part 3 of the 2004 Act in respect of Section 2 of the Scheme as required by Rule 35.4 of Part A of the Rules.
- 66.5 Subject to Rule 66.6, an Employer may only serve notice terminating its liability to contribute to Section 2 under Rule 35.3 with the agreement of the Section 2 Trustees.
- 66.6 The Section 2 Trustees' agreement shall not be required under Rule 66.5 in the following circumstances:
- (a) where the shares in the Employer or all of the Employer's business and its employees are transferred to an unconnected third party;
 - (b) where the liability to contribute is being terminated in relation to all of the Employers relating to the Scheme;
 - (c) where the Employer does not employ persons who are active members in Section 2 (except where this situation arises as the consequence of an internal group business transfer and that transfer results in the active members employed by the Employer immediately prior to the transfer not continuing to accrue benefits under the Scheme as active members with another Employer immediately after the transfer);
 - (d) where the active members who are employed by the Employer continue to accrue benefits under the Scheme as an active member with another Employer; or
 - (e) where the liability to contribute must be terminated in order to comply with a legal or regulatory requirement.

67 Cessation of Accrual

- 67.1 The Principal Employer may, with the consent of the Section 2 Trustees, and on the

expiry of four weeks' written notice terminate the accrual of pensions under the Scheme in relation to all persons who are, at the expiry of such notice, active members of Section 2. The Section 2 Trustees may accept a shorter notice period than four weeks. However, the Section 2 Trustees' agreement shall not be required where the cessation of accrual of all such active members is the result of any of the events listed in Rule 66.6. Subject to Rules 62 and 63, the giving of such notice under this Rule will not of itself trigger the winding up of the Scheme or any Section of the Scheme.

PART D OF THE RULES: BENEFIT RULES ADMINISTRATIVE PROVISIONS

68 General

68.1 The benefit administration Rules contained in this Part D of Rules apply to all Beneficiaries of the Scheme in respect of all of their benefits held in the Scheme whether under Section 1 or Section 2.

69 Benefits Not Assignable

69.1 Benefits payable under the Scheme cannot be assigned or charged to any person other than in circumstances which are permitted under the Rules of the Scheme.

69.2 A benefit payable under the terms of the Scheme will cease to be payable if:

- (a) the person entitled to the benefit under the Scheme attempts to assign or charge it; or
- (b) any other event happens whereby part or all of the benefit under the Scheme would become payable to someone else.

69.3 The Trustees may in their absolute discretion pay or apply from time to time an amount equivalent to all or part of the benefit under the Scheme which has ceased to be payable under this Rule to one or more of:

- (a) the person who was entitled to the original benefit; and
- (b) his Adult Beneficiary or Child Beneficiary

in such shares as the Trustees may determine.

69.4 No payment will be made under this Rule to any person who was to be the recipient of all or part of the benefit which was subject to the attempted assignment or charge.

69.5 This Rule does not apply where an assignment or charge of a benefit is permitted by statute.

70 Beneficiary who is Incapable

70.1 If the Trustees consider that a person entitled to receive a benefit from the Scheme is incapable of managing his affairs due to illness, mental disorder, minority or otherwise, the Trustees may:

- (i) exercise any option or give any notice under the Rules on behalf of that person in respect of his benefits;

- (ii) apply any amounts due to that person for his benefit by paying them to him or some other person, company, institution or authority;
- (iii) apply any amounts due to that person for his benefit by paying them into a trust which is separate from the Scheme trusts, on terms and conditions which the Trustees decide.

70.2 The receipt of any person to whom any amount is paid will discharge the Trustees from any obligation to oversee the application of the payment.

71 Benefit Off-set for Crime, Fraud or Negligence

71.1 If a Member owes money to either the Scheme or an Employer as a result of a criminal, fraudulent or negligent act or omission, the Trustees or Employer (as applicable) may require the Member's benefits under the Scheme to be reduced by the amount due to the Scheme or the Employer (as applicable).

71.2 If the money owed to the Scheme or Employer is equal to or greater than the benefit payable under the Scheme, that benefit will cease to be payable.

71.3 The Trustees will give to the Member a certificate showing the amount of the money owed to the Scheme or the Employer and the effect of the reduction to his benefits in the Scheme.

71.4 If a Member disputes that he has any liability to the Scheme or the Employer or the amount of the money owed, the Trustees will not exercise their powers under this Rule unless and until the Member's liability to the Scheme or the Employer (as applicable) has been agreed with the Member or it is subject to an enforceable obligation under either an order of a Court or an award by an arbitrator.

71.5 This Rule will not operate in a manner which would infringe the Preservation Requirements or any other statutory provision.

72 Benefits not Claimed

72.1 Any instalment of pension or any other benefit in the Scheme ceases to be payable six (6) years after the date it fell due to be paid if the reason for its non payment is:

- (a) the failure of any person to make a claim for the payment of the benefit;
and
- (b) a lack of knowledge by the Trustees of existence or whereabouts of any such person or any relevant, material fact in relation to the payment of the benefit.

72.2 The Trustees may in their discretion pay all or any part of such an instalment of pension or other benefit at any time if they so decide. No interest will be applied to any such payment unless the Trustees decide otherwise.

73 **Provision of Information**

73.1 The payment of any benefit under the Scheme is subject to the production of such material information and evidence as the Trustees may reasonably require.

73.2 The Trustees may withhold the payment of any benefit from the Scheme until they receive such material information and evidence to their satisfaction.

73.3 If any material information or evidence supplied to the Trustees in connection with the provision of a benefit from the Scheme is subsequently proved to the satisfaction of the Trustees to be incorrect or insufficient, the Trustees may pay the benefit which would have been payable had it been calculated by reference to the correct information or evidence. The Trustees may off-set any overpayment of a benefit against future payments of benefits.

73.4 This Rule is subject to the Preservation Requirements.

74 **Payment of Lump Sum Benefits**

74.1 Any lump sum benefit payable upon the death of a Member or a DC Scheme Life Assurance Member will be paid in accordance with this Rule.

74.2 The Trustees will hold any such lump sum benefit payable under this Rule on the discretionary trusts with the power to pay or apply the lump sum benefit to or for the benefit of any one or more of the deceased's Potential Beneficiaries in such shares as the Trustees shall decide.

74.3 For the purposes of this Rule "Potential Beneficiaries" are:

- (a) any person who is an Adult Beneficiary;
- (b) any person who is a Child Beneficiary;
- (c) any person who is the Member's or DC Scheme Life Assurance Member's (or his Adult Beneficiary's) grandparents and their descendants (including their present and former spouses or Civil Partners, widows, widowers or surviving Civil Partners of those descendants);
- (d) any person who is or was, in the opinion of the Trustees, at any time financially dependent or inter-dependent on the Member or the DC Scheme

Life Assurance Member;

- (e) any person who has an interest in the Member's or DC Scheme Life Assurance Member's estate whether under the Member's or DC Scheme Life Assurance Member's intestacy or under his Will;
- (f) any person, charity, club or society nominated by the Member or DC Scheme Life Assurance Member to the Trustees in writing before the date of his death; or
- (g) the Member's or DC Scheme Life Assurance Member's estate.

74.4 No payment will be made under this Rule to the Crown or to the Duchy of Lancaster or the Duke of Cornwall. If the payment of the whole or any part of the lump sum benefit would result in the payment being made to the Crown or to the Duchy of Lancaster or the Duke of Cornwall as bona vacantia, the benefit or that part of it will be retained by the Trustees in either Section 1 or Section 2 (as applicable) of the Scheme as an accretion to its assets.

74.5 Subject to (d) above, if the Trustees have not paid the benefit under this Rule within two (2) years of the date they first knew of or could first reasonably be expected to know of the death of the Member or DC Scheme Life Assurance Member, the lump sum benefit will be paid to the Member's or DC Scheme Life Assurance Member's estate. Any such payment shall be deemed to be made to the estate at the moment before such a payment would otherwise be treated as an unauthorised member payment and will be held on a bare trust for the estate pending physical transfer of the money.

74.6 The Trustees may either:

- (a) resolve that all or part of a lump sum benefit payable under the Scheme Rules be held by the Trustees or such other trustees on such trusts powers and provisions (including powers of selection and variation) as the Trustees may determine; or
- (b) pay all or part of the lump sum benefit payable under the Scheme Rules to the trustees of another existing trust

so long as the Trustees are satisfied that no-one other than the persons who are Potential Beneficiaries can become entitled to some or all of the lump sum death benefit payable under the Scheme Rules.

74.7 No interest will be applied to all or any part of the lump sum death benefit payable under the Scheme Rules between the date of the Member's or DC Scheme Life

Assurance Member's death and the date the benefit is paid unless either:

- (a) the lump sum benefit relates to a Member's Final Salary Benefits and the benefit Rules which apply to the payment of that benefit in respect of that Member provide that interest is payable; or
- (b) in any other case, the Trustees decide otherwise.

75 Pension Exchange

- 75.1 The Principal Employer with the agreement of the Trustees may make arrangements to permit persons entitled to benefits held in the Scheme to agree to exchange non-statutory pension increases which would otherwise be applied to their benefits for either a higher initial rate of pension from the Scheme or a lump sum payment.

76 Conflict of Rules

- 76.1 In the event of a conflict, error, omission or inconsistency in respect of the application of the provisions of the Rules, its Schedules and Appendices between themselves or in so far as they inter-relate with the rules of the Former Schemes, the Principal Employer with the agreement of the Trustees will determine how such provisions are to be applied.

- 76.2 In the event that the Principal Employer and the Trustees agree that an amendment to the Scheme's Rules, its Schedules and Appendices is required under the terms of Rule 76.1:

- (a) any amendment required to be made under Rule 76.1 will be deemed made (to the extent lawful) from such date as the Principal Employer and the Trustees agree to the extent necessary to reflect the determination made under Rule 76.1; and
- (b) the Trustees, with the agreement of the Principal Employer, can administer the Scheme in accordance with the agreement reached between the Principal Employer and the Trustees under Rule 76.1 until such time as a formal amendment to the Scheme's Rules is effected.

PART E OF THE RULES: SECTION 1 BENEFIT RULES

77 Application of Part E of the Rules: Section 1 Benefits Rules

77.1 Part E of the Rules applies to Beneficiaries entitled to benefits which are transferred to or earned in Section 1 of the Scheme.

77.2 Section 1 of the Scheme provides benefits for:

- (a) Former Racal Decca Beneficiaries;
- (b) Former Racal EPP Beneficiaries;
- (c) Former Racal Group Executive Beneficiaries;
- (d) Former Racal Group Staff Beneficiaries; and
- (e) Former TOPS Beneficiaries

("Section 1 Former Scheme Beneficiaries").

77.3 The Principal Employer and the Trustees may by written agreement determine that any person:

- (a) to whom Rule 77.2 does not apply; and
- (b) who is or has been in the employment of an Employer who is or was associated with the Principal Employer

shall be treated as a Section 1 Former Scheme Beneficiary. Such a written agreement must determine which Schedule to Part E of the Rules will apply to the Section 1 Former Scheme Beneficiary and which benefits will be applied to and in respect of such a Section 1 Former Scheme Beneficiary.

78 Structure of Part E of the Rules

78.1 Each of:

- (a) Former Racal Decca Beneficiaries;
- (b) Former Racal EPP Beneficiaries;
- (c) Former Racal Group Executive Beneficiaries;
- (d) Former Racal Group Staff Beneficiaries; and

- (e) Former TOPS Beneficiaries

have a separate Schedule of benefits Rules attached to Part E of the Rules.

78.2 Each Schedule of benefits Rules is divided into two Appendices:

- (a) each Appendix One to a Schedule to Part E of the Rules relates to the provision of CARE Benefits provided by Section 1 of the Scheme which for the purposes of these Rules is deemed to be with effect from 1 January 2008; and
- (b) each Appendix Two to a Schedule to Part E of the Rules relates to the provision of Final Salary Benefits earned in the Section 1 Former Scheme before 1 January 2008.

79 Structure and Conditions to the Payment and Transfer of the Benefits provided by Section 1

79.1 Each Appendix One to a Schedule to Part E of the Rules contains the Rules for the CARE Benefits for the Section 1 Former Scheme Beneficiaries to which that Schedule to Part E of the Rules relates.

79.2 Each Appendix Two to a Schedule to Part E of the Rules contains the Rules for the Final Salary Benefits for the Section 1 Former Scheme Beneficiaries to which that Schedule to Part E of the Rules relates.

79.3 The assets and liabilities of Section 1 of the Scheme which relate to Section 1 Former Scheme Beneficiaries are not Sectionalised Schemes within Section 1 and are not segregated in any way from each other.

79.4 CARE Benefits and Final Salary Benefits held in Section 1 of the Scheme which relate to a Section 1 Former Scheme Beneficiary are calculated separately.

79.5 CARE Benefits and Final Salary Benefits held in Section 1 of the Scheme which relate to a Section 1 Former Scheme Beneficiary are separate arrangements for the purposes of Part 4 of the Finance Act 2004 (as amended).

79.6 If a Section 1 Former Beneficiary is entitled to both CARE Benefits and Final Salary Benefits:

- (a) both his Final Salary Benefits and his CARE Benefits will come into payment at the same time if an absolute and unconditional entitlement to the payment of his benefits has arisen under the relevant benefit Rules contained in the applicable Schedule and Appendices to Part E of the Rules which apply to him;

and

- (b) where, in respect of either one or both of the Final Salary Benefits and the CARE Benefits, a person is required to:
- (i) apply for the payment of the benefits; and / or
 - (ii) obtain a consent to the payment of the benefits from a party to the Scheme; and / or
 - (iii) comply with conditions or restrictions set out in the relevant benefit Rules contained in the applicable Schedule and Appendices to Part E of the Rules which apply to him

that person will take all steps necessary to ensure that he has complied with (b)(i) to (iii) (inclusive) in so far as they relate to him, with the aim that an absolute and unconditional entitlement to his Final Salary Benefits and CARE Benefits will arise at the same time and that the Final Salary Benefits and the CARE Benefits will come into payment at the same time.

- (c) If an absolute and unconditional entitlement to the payment of benefits has arisen to the payment CARE Benefits under the relevant benefit Rules contained in the applicable Schedule and Appendices to Part E of the Rules which apply to the Section 1 Former Scheme Beneficiary and after he has complied with the terms of paragraph (b) above, no such entitlement to the payment of Final Salary Benefits has arisen under the relevant benefit Rules contained in the applicable Schedule and Appendices to Part E of the Rules (or vice versa):
- (i) the benefits in respect of which an absolute and unconditional entitlement to the payment of benefits has arisen will start to be paid under the terms of the relevant benefit Rules contained in the applicable Schedule and Appendices to Part E of the Rules (unless the person exercises any option he may have under the terms of the relevant benefit Rules contained in the applicable Schedule and Appendices to Part E of the Rules to defer payment of the benefit to a later date); and
 - (ii) the benefits in respect of which no absolute and unconditional entitlement to payment has arisen will only start to be paid from the date an absolute and unconditional entitlement to payment in respect of those benefits arises under the relevant benefit Rules contained in the applicable Schedule and Appendices to Part E of the Rules.

79.7 For the purposes of this Rule 79 of Part E of the Rules only, subject to Rule 79.8 below, any restriction contained in or applied by the Scheme Benefit Limits set out in Part G of the Rules applicable to a Section 1 Former Scheme Beneficiaries to the effect that:

- (a) a person's benefits must all come into payment at the same time; and/or
- (b) a Section 1 Former Scheme Beneficiary must leave employment in order for his pension benefits to be paid

are disapplied to the extent necessary to permit the operation of this Rule 79 of Part E of the Rules.

79.8 Nothing in this Rule 79 will be construed as permitting any Section 1 Former Scheme Beneficiary to require the Trustees to pay part of either his Final Salary Benefits or his CARE Benefits at a different time from some or all of the remainder of either his Final Salary Benefits or CARE Benefits.

79.9 If a Section 1 Former Scheme Beneficiary entitled to both Final Salary Benefits and CARE Benefits under Part E of the Rules applies for a guaranteed cash equivalent transfer value pursuant to section 91 of the 1993 Act, that guaranteed cash equivalent transfer value will include all of his Final Salary Benefits and CARE Benefits held in Section 1 of the Scheme.

PART F OF THE RULES: SECTION 2 BENEFIT RULES

80 Application of Part F of the Rules: Section 2 Benefits Rules

80.1 Part F of the Rules applies to Beneficiaries entitled to benefits which are transferred to or earned in Section 2 of the Scheme.

80.2 Section 2 of the Scheme provides benefits for:

- (a) Former Avimo Beneficiaries;
- (b) Former TPP Beneficiaries;
- (c) Former TRBS Beneficiaries; and
- (d) W Vinten Beneficiaries

("Section 2 Former Scheme Beneficiaries").

80.3 The Principal Employer and the Trustees may by written agreement determine that any person:

- (a) to whom Rule 80.2 does not apply; and
- (b) who is or has been in the employment of an Employer who is or was associated with the Principal Employer

shall be treated as a Section 2 Former Scheme Beneficiary. Such a written agreement must determine which Schedule to Part F of the Rules will apply to the Section 2 Former Scheme Beneficiary and which benefits will be applied to and in respect of such a Section 2 Former Scheme Beneficiary.

81 Structure of Part F of the Rules

81.1 Each of:

- (a) Former Avimo Beneficiaries;
- (b) Former TPP Beneficiaries;
- (c) Former TRBS Beneficiaries; and
- (d) W Vinten Beneficiaries

have a separate Schedule of benefits Rules attached to Part F of the Rules.

- 81.2 Subject to 81.3 below, each Schedule of benefits Rules is divided into two Appendices:
- (a) each Appendix One to a Schedule to Part F of the Rules relates to the provision of CARE Benefits provided by Section 2 of the Scheme which for the purposes of these Rules is deemed to be with effect from 1 January 2008; and
 - (b) each Appendix Two to a Schedule to Part F of the Rules relates to the provision of Final Salary Benefits earned in the Section 2 Former Scheme before 1 January 2008.
- 81.3 The Schedule of benefit Rules which relates to the Former TPP Beneficiaries has a third Appendix which relates to the Former TPP Category 1 Beneficiaries only.
- 82 Structure and Conditions to the Payment and Transfer of the Benefits provided by Section 2
- 82.1 Each Appendix One to a Schedule to Part F of the Rules contains the Rules for the CARE Benefits for the Section 2 Former Scheme Beneficiaries to which that Schedule to Part F of the Rules relates.
- 82.2 Each Appendix Two to a Schedule to Part F of the Rules contains the Rules for the Final Salary Benefits for the Section 2 Former Scheme Beneficiaries to which that Schedule to Part F of the Rules relates.
- 82.3 The Appendix Three to Schedule One of Part F of the Rules contains Rules for the GAD Benefits for the Former TPP Category 1 Beneficiaries which are benefits transferred to Section 2 of the Scheme from TPP which relate to benefits held in the TPP under a GAD certificate or passport.
- 82.4 The assets and liabilities of Section 2 of the Scheme which relate to Section 2 Former Scheme Beneficiaries are not Sectionalised Schemes within Section 2 and are not segregated in any way from each other.
- 82.5 CARE Benefits and Final Salary Benefits held in Section 2 of the Scheme which relate to a Section 2 Former Scheme Beneficiary are calculated separately.
- 82.6 CARE Benefits and Final Salary Benefits held in Section 2 of the Scheme which relate to a Section 2 Former Scheme Beneficiary are separate arrangements for the purposes of Part 4 of the Finance Act 2004 (as amended).
- 82.7 If a Section 2 Former Beneficiary is entitled to both CARE Benefits and Final Salary Benefits:

- (a) both his Final Salary Benefits and his CARE Benefits will come into payment at the same time if an absolute and unconditional entitlement to the payment of his benefits has arisen under the relevant benefit Rules contained in the applicable Schedule and Appendices to Part F of the Rules which apply to him; and
- (b) where, in respect of either one or both of the Final Salary Benefits and the CARE Benefits, a person is required to:
 - (i) apply for the payment of the benefits; and / or
 - (ii) obtain a consent to the payment of the benefits from a party to the Scheme; and / or
 - (iii) comply with conditions or restrictions set out in the relevant benefit Rules contained in the applicable Schedule and Appendices to Part F of the Rules which apply to him

that person will take all steps necessary to ensure that he has complied with (b)(i) to (iii) (inclusive) in so far as they relate to him, with the aim that an absolute and unconditional entitlement to his Final Salary Benefits and CARE Benefits will arise at the same time and that the Final Salary Benefits and the CARE Benefits will come into payment at the same time.

- (c) If an absolute and unconditional entitlement to the payment of benefits has arisen to the payment CARE Benefits under the relevant benefit Rules contained in the applicable Schedule and Appendices to Part F of the Rules which apply to the Section 2 Former Scheme Beneficiary and after he has complied with the terms of paragraph (b) above, no such entitlement to the payment of Final Salary Benefits has arisen under the relevant benefit Rules contained in the applicable Schedule and Appendices to Part F of the Rules (or vice versa):
 - (i) the benefits in respect of which an absolute and unconditional entitlement to the payment of benefits has arisen will start to be paid under the terms of the relevant benefit Rules contained in the applicable Schedule and Appendices to Part F of the Rules (unless the person exercises any option he may have under the terms of the relevant benefit Rules contained in the applicable Schedule and Appendices to Part F to defer payment of the benefit to a later date); and
 - (ii) the benefits in respect of which no absolute and unconditional

entitlement to payment has arisen will only start to be paid from the date an absolute and unconditional entitlement to payment in respect of those benefits arises under the relevant Rules of Part F of the Rules.

82.8 For the purposes of this Rule 82 of Part F of the Rules only, subject to Rule 82.9 below, any restriction contained in or applied by the Scheme Benefit Limits set out in Part G of the Rules applicable to a Section 2 Former Scheme Beneficiaries to the effect that:

- (a) a person's benefits must all come into payment at the same time; and/or
- (b) a Section 2 Former Scheme Beneficiary must leave employment in order for his pension benefits to be paid

are disapplied to the extent necessary to permit the operation of this Rule 82 of Part F of the Rules.

82.9 Nothing in this Rule 82 will be construed as permitting any Section 2 Former Scheme Beneficiary to require the Trustees to pay part of either his Final Salary Benefits or his CARE Benefits at a different time from some or all of the remainder of either his Final Salary Benefits or CARE Benefits.

82.10 If a Section 2 Former Scheme Beneficiary entitled to both Final Salary Benefits and CARE Benefits under Part F of the Rules applies for a guaranteed cash equivalent transfer value pursuant to section 91 of the 1993 Act, that guaranteed cash equivalent transfer value will include all of his Final Salary Benefits and CARE Benefits held in Section 2 of the Scheme.

PART G OF THE RULES

SCHEME BENEFIT LIMITS APPLICABLE TO FINAL SALARY BENEFITS IN SECTION 1 AND SECTION 2

83 Application of Part G of the Rules

83.1 Part G of the Rules applies to all Final Salary Benefits held in both Section 1 and Section 2 of the Scheme other than the GAD Benefits applicable to Former TPP Category 1 Beneficiaries and provides:

(a) the maximum Scheme Benefit Limits applicable to Final Salary Benefits earned after 30 September 1980 and all restrictions and limitations to the payment of such benefits except to the extent that such Scheme Benefit Limits, restrictions and limitations to payment are:

(i) disappplied by the Scheme Rules applicable to the person to whom they relate; or

(ii) otherwise determined by the Trustees and the Principal Employer.

(b) the maximum Scheme Benefit Limits applicable to Final Salary Benefits earned before 1 October 1980 and all restrictions and limitations to the payment of such benefits are those applied by the trust deeds and rules which applied to those Final Salary Benefits as applied by the relevant Rules in so far as they are different from the Scheme Benefit Limits set out in Part G of the Rules except to the extent that such Scheme Benefit Limits, restrictions and limitations to payment are:

(i) disappplied by the Scheme Rules applicable to the person to whom they relate; or

(ii) otherwise determined by the Trustees and the Principal Employer.

83.2 Part G of the Rules does not apply to the CARE Benefits held in Section 1 and Section 2 of the Scheme except to the extent provided in the Rules of Section 1 and Section 2 in respect of all CARE Benefits and Rules 86 and 88 of this Part G of the Rules.

83.3 Part G of the Rules does not apply to all Former TPP Category 1 Beneficiaries held in Section 2 of the Scheme except to the extent provided by Rule 88 of this Part G.

83.4 In the event that the Scheme Benefit Limits applied by this Part G (as amended by Rule 1.3 of Appendix Two of the relevant Schedule) to any Former Scheme Beneficiary in

respect of his Final Salary Benefits earned in a Former Scheme are more onerous than the restrictions and / or limitations which were applied to the calculation and / or payment of such a Former Scheme Beneficiary's Final Salary Benefits as at 30 June 2008, the restrictions and / or limitations which were applied in the Former Scheme to that Former Scheme Beneficiary's Final Salary Benefits will be applied to those benefits by the Scheme.

84 Definitions and Interpretation

84.1 In this Part G only, the following expressions have the meanings given to them in this Rule 84 and such terms will be construed in accordance with this Part G only. Such definitions will not be construed in accordance with any other definition in the Rules (unless the context clearly requires otherwise).

84.2 The definitions in this Part G are:

"Aggregate Retirement Benefit" means the aggregate of the:

- (a) Member's Final Salary Benefits pension of this Scheme and any benefits under any Associated Scheme; and
- (b) pension equivalent of the Member's Lump Sum Retirement Benefit.

"Associated Employer" means an employer is associated with another employer if one is controlled by the other, or both are controlled by a third party. Control has the meaning in section 840 of ICTA, or in the case of a close company, section 416 of ICTA.

"Associated Scheme" means any Relevant Scheme providing benefits in respect of Service.

"Class A Member" means any Member who is not a Class B or Class C Member.

"Class B Member" means any Member:

- (a) who, on or after 17 March 1987 and before 1 June 1989, joined a Former Scheme being a scheme which commenced before 14 March 1989; or
- (b) in relation to whom, prior to 6 April 2006, HMRC agreed in writing to be a Class B Member by virtue of previous membership of a Relevant Scheme

and, in either case, has not opted to become a Class A Member.

"Class C Member" means any Member who:

- (a) joined a Former Scheme before 17 March 1987; or
- (b) joined subsequently and, prior to 6 April 2006, HMRC agreed in writing for him to be a Class C Member by virtue of previous membership of a Relevant Scheme

and, in either case, has not opted to become a Class A Member.

"Connected Scheme" means any Relevant Scheme which is connected with the Scheme in relation to the Member i.e. if:

- (a) there is a period during which the Member has been the employee of two Associated Employers;
- (b) that period counts under both schemes as a period in respect of which benefits are payable; and
- (c) the period counts under one scheme for service with one employer and under the other scheme for service with the other employer.

"Controlling Director" means a Member who, at any time on or after 17 March 1987 and in the last 10 years before the Relevant Date has, in relation to the Employer, been a director within paragraph (b) of section 417(5) of ICTA.

"Final Remuneration" means the greater of:

- (a) the highest Remuneration upon which tax liability has been determined for any one of the 5 years preceding the Relevant Date being the aggregate of:
 - (i) the basic pay for the year in question; and
 - (ii) the yearly average over 3 or more consecutive years ending with the expiry of the corresponding basic pay year, of any Fluctuating Emoluments provided that Fluctuating Emoluments of a year other than the basic pay year may be increased in proportion to the increase in the Index from the last day of that year up to the last day of the basic pay year. Remuneration that is received after the Relevant Date and upon which tax liability has been determined will be treated as a Fluctuating Emolument (providing it was earned or qualified for prior to the Relevant Date). In these circumstances it may be included provided the yearly average of 3 or more consecutive years begins no later than the

commencement of the basic pay year; or

- (b) the yearly average of the employment income from the Employer as determined under Parts 2 to 7 of ITEPA upon which tax liability has been determined for any 3 or more consecutive years preceding the Relevant Date ending not earlier than 10 years before the Relevant Date. Where such employment income is received after the Relevant Date but is earned or qualified for prior to that date, that may be included provided that in these circumstances the yearly average of 3 or more consecutive years begins no later than the commencement of the year ending with the Relevant Date.

Provided that:

- (i) Remuneration and employment income does not include anything which is chargeable to tax as employment income and which arises from the acquisition or disposal of shares or any interest in shares or from a right to acquire shares or anything in respect of which tax is chargeable under Chapter 3 of Part 6 of ITEPA {payments and benefits on termination of employment};
- (ii) in relation to a Controlling Director, Final Remuneration shall be the amount ascertained in accordance with (b) and (a) above shall not apply;
- (iii) in relation to any other employee whose Remuneration in any year subsequent to 5 April 1987 used for the purpose of calculating benefits has exceeded £100,000 (or such other figure as the Treasury may have prescribed from time to time), final remuneration shall not exceed the amount ascertained in accordance with (b) above and (a) above shall not apply, unless the individual chooses to adopt £100,000 (or such other figure as may have been prescribed by the Treasury from time to time);
- (iv) where Final Remuneration is computed by reference to any year other than the last complete year ending on the Relevant Date, the Member's remuneration or employment income for any year may be increased in proportion to any increase in the Index from the last day of that year up to the Relevant Date. For a Class C Member this proviso shall not apply to the calculation of the maximum Lump Sum Retirement Benefit unless the member's aggregate total benefits are similarly increased beyond the maximum amount which could be paid but for this proviso and/or the first sentence of (a)(ii) above and then only to the same proportionate extent;
- (v) for Class A Members final remuneration shall not exceed the Permitted Maximum;

- (vi) for the purpose of calculating the maximum Lump Sum Retirement Benefit of a Class B Member Final Remuneration shall not in any event exceed the Permitted Maximum;
- (vii) an employee who remains, or is treated as remaining, in Service but by reason of incapacity is in receipt of a much reduced remuneration i.e. under a sick pay or permanent health insurance scheme, for more than 10 years up to the Relevant Date, may calculate Final Remuneration under (a) or (b) above with the final remuneration calculated at the cessation of normal pay and increased in accordance with the Index;
- (viii) the total amount of any profit related pay (whether relieved from income tax or not) may be classed as pensionable Remuneration and treated as a Fluctuating Emolument;
- (ix) an early retirement pension in payment from the Employer may not be included in Final Remuneration.
- (x) any amounts of pay used to buy partnership shares in a Share Incentive Plan (formerly known as an All-Employee Share Ownership Plan) that are classed as pensionable remuneration qualify for the purpose of section 492 of ITEPA.

Notes:

- 1 Except as in proviso (i) above, benefits in kind may be taken into account when they are assessed to income tax as emoluments under ITEPA, and will normally be regarded as fluctuating emoluments. If benefits are not so assessable, they may not be included as part of Final Remuneration except with the agreement of HMRC.
- 2 Where at the relevant date Final Remuneration cannot be precisely established because tax liability on all the constituent elements of Remuneration for the year or years in question has not been determined, final remuneration may be calculated on the appropriate basis above using those elements of Remuneration which have been finally determined for tax purposes. Immediate "on account" pension and lump sum benefits may be provided based on Final Remuneration so calculated. When tax liability on Remuneration is finally determined, and Final Remuneration recalculated providing scope for further benefits (both pension and lump sum), these may be paid but they must not cause total benefits to exceed inland revenue limits (as required by law before 6 April 2006 in order to be an approved retirement benefits scheme) calculated as at the date benefits were first taken.

Where the above applies in the case of a member who does not have continued rights and whose lump sum retirement benefit is calculated on the basis set out in paragraph 8.7 of IR12, a subsequent additional lump sum will not be possible if Final Remuneration is not finally determined for tax purposes until after the end of the first year in which the pension has been in payment.

Where immediate benefits are not being provided or where a transfer payment is to be made in respect of accrued pension benefits then Final Remuneration may only be calculated using Remuneration assessable to income tax under Parts 2 to 7 of ITEPA and upon which tax liability has been determined.

3 Where the Relevant Date occurs during a period of paid maternity leave or within 12 months of the end of a period of paid maternity leave, Final Remuneration (as defined in this definition) can include an amount based on the greater of:

- (a) the Remuneration that the employer would have been obliged to pay to the employee under a contract of employment in force in respect of that employee prior to the start of the paid maternity leave, or
- (b) the actual amount of Remuneration received by the employee from the employer in the period of 12 months immediately before the commencement of the paid maternity leave.

In the case of 3(a) above the Remuneration that the employer would have been obliged to pay to the employee under a contract of employment in force in respect of that employee prior to the start of the paid maternity leave cannot include any amounts that, had they been paid, would not qualify as Remuneration

In the case of 3(b) above only, the Remuneration may be increased in proportion to any increase in the national average earnings index from the last day of the 12 month period immediately before the commencement of the paid maternity leave up to the end of that leave.

4 Where Fluctuating Emoluments have not been paid for the full 3 years, they should be averaged over the period from the commencement of their entitlement to payment (or the beginning of the 3 year period, if later) to the end of the relevant basic pay year (in respect of the Member in question). Where, however, it is proposed to include in Final Remuneration a Fluctuating Emolument which was payable in a single year only the agreement of HMRC must be sought.

"Fluctuating Emoluments" are any part of an employee's earnings which are not paid on a fixed basis and are additional to the basic wage or salary. They include overtime, commission, bonuses or benefits in kind as long as they are assessable to tax under ITEPA and profit related pay (see proviso (ix) to definition of Final Remuneration). Directors' fees may rank as fluctuating emoluments according to the basis on which they are voted.

"ICTA" means, notwithstanding its repeal, the Income and Corporation Taxes Act 1988 and any statutory amendment, modification or re-enactment of it.

"Incapacity" means physical or mental deterioration which is sufficiently serious to present the individual from following his or her normal employment or which seriously impairs his or her earning capacity.

"Index" means the Government's Index of Retail Prices.

"IR12" means the Practice Notes on the Approval of Occupational Pension Schemes (IR12 (2001)) published by the Inland Revenue (now known as HMRC) on 23 March 2001 as at 5 April 2006.

"ITEPA" means the Income Tax (Earnings and Pensions) Act 2003 and any statutory amendment, modification or re-enactment of it.

"Lifetime Allowance" means the lifetime allowance as described in section 218 of the FA2004.

"Lump Sum Retirement Benefit" means the total value of all retirement benefits payable in any form other than non-commutable pension in respect of Final Salary Benefits under this Scheme and any Associated Scheme that provides final salary benefits.

"Normal Retirement Date" means in relation to the Former Scheme Beneficiaries:

- (a) in so far as it is applied to Final Salary Benefits, the definition:
 - (i) Normal Pension Date for Former Racal Decca Beneficiaries, Former Racal EPP Beneficiaries, Former Racal Group Executive Beneficiaries and Former Racal Group Staff Beneficiaries and Former Avimo Beneficiaries
 - (ii) Normal Retirement Date for Former TPP Beneficiaries, Former TRBS

Beneficiaries and Former W Vinten Beneficiaries; and

(iii) Normal Retiring Date for Former TOPS Beneficiaries;

(b) in so far as it is applied to CARE Benefits, the definition CARE Pension.

"Pensionable Service" shall have the meaning ascribed to it by paragraph 3 Schedule 16 Social Security Act 1973.

"Permitted Maximum" means in respect of a Class A Member, £108,600 for the year beginning 6 April 2006 adjusted on each subsequent 6 April by the Index for the month of September in the previous calendar year rounded up to the next higher multiple of £600. If, on any 6 April, the adjustment to be applied would result in the Permitted Maximum being reduced then the Permitted Maximum will not be adjusted.

"Relevant Date" means the date of retirement, leaving Pensionable Service or death as the case may be.

"Relevant Scheme" means any registered pension scheme or a scheme formerly approved under ICTA and in respect of a Class A Member who is a Controlling Director also any retirement annuity contract, trust scheme or personal pension scheme insofar as it provides benefits secured by contributions in respect of Service.

"Remuneration" in relation to any year shall mean the aggregate of the total employment income for the year in question from the Employer and which is assessable to Income Tax under ITEPA but excluding anything which is chargeable to tax as employment income which arises from the acquisition or disposal of shares or any interest in shares or a right to acquire shares. Provided that for a Class A Member there shall be disregarded any employment income in excess of the Permitted Maximum.

"Retained Death Benefits" means any lump sum benefits payable on the Member's death from:

- (a) retirement benefits schemes that were approved under ICTA;
- (b) funds to which section 608 of ICTA applied;
- (c) retirement benefits schemes that were accepted by HMRC as "corresponding" in respect of a claim made on behalf of the Member for the purposes of section 596(2)(b) of ICTA;
- (d) retirement annuity contracts that were approved under ICTA;

- (e) term life provisions under personal pension schemes approved under ICTA;
- (f) transfer payments from overseas schemes held in a type of arrangement defined in (a) (d) or (e) above in respect of previous employments or periods of self-employment (whether alone or in partnership).

If the Retained Death Benefits do not exceed £2,500 in total they may be ignored.

If the Member is not a Controlling Director and his or her earnings in the 12 months after entry to the Scheme (in this context including any other Relevant Scheme providing benefits in respect of service with the current Employer) do not exceed one quarter of the Permitted Maximum, benefits from these sources, other than those transferred into the Scheme, shall not be classed as Retained Death Benefits.

"Service" means service with an Employer or an Associated Employer or, except in relation to a Class A Member who is a Controlling Director of either employer, an employer who is associated with the Employer only by virtue of a permanent community of interest.

84.3 For the purposes of this Part G, whether something would have prejudiced approval under ICTA had the relevant provisions continued to apply shall be determined by reference to:

- (a) the requirements of IR12; and
- (b) any other requirements made by the Inland Revenue (now known as HMRC) or by statute or statutory regulation for the purpose of obtaining or maintaining the status as an exempt approved retirement benefits scheme under Chapter I Part XIV of ICTA as at 5 April 2006.

85 **Limits on total aggregate retirement benefit**

85.1 This Rule 85 sets out the Scheme Benefit Limits on benefits payable from Section 1 and 2 of the Scheme. The Scheme Benefit Limits in this Rule 85 apply except to the extent that:

- (a) they are disapplied by the Scheme Rules applicable to the person to whom they relate; or
- (b) the Trustees and the Principal Employer determine otherwise.

85.2 Class A Members

Notwithstanding anything to the contrary in the Scheme provisions the Final Salary Benefits payable to a Class A Member or his Dependants or other beneficiaries in respect of him under the Scheme shall not, when aggregated with all benefits provided under all Associated Schemes exceed the limits set out below:

- (a) The Member's Aggregate Retirement Benefit shall not exceed:
- (i) on retirement at any time between attaining age 50 and attaining age 75, except before Normal Retirement Date on grounds of Incapacity, a pension of $\frac{1}{60}$ th of Final Remuneration for each year of Service (not exceeding 40 years) or such greater amount as would not have prejudiced approval under ICTA had the relevant provisions continued to apply;
 - (ii) on retirement at any time before Normal Retirement Date on grounds of Incapacity a pension of the amount which could have been provided at Normal Retirement Date in accordance with paragraph (i) above, Final Remuneration being computed as at the actual date of retirement;
 - (iii) on leaving Pensionable Service before attaining age 75, a pension of $\frac{1}{60}$ th of Final Remuneration for each year of Service prior to leaving Pensionable Service (not exceeding 40 years) or such greater amount as would not have prejudiced approval under ICTA had the relevant provisions continued to apply. The amount computed may be increased by 5% for each complete year or if greater, in proportion to any increase in the Index which has occurred between the date of termination of Pensionable Service and the date on which the pension begins to be payable. Any further increase necessary to comply with social security legislation is also allowable.
 - (iv) Benefits for a Class A Member are further restricted to ensure that his total retirement benefit from this scheme and from any Associated Scheme or Connected Scheme does not exceed a pension of $\frac{1}{30}$ th of the Permitted Maximum for each year of service, subject to a maximum of $\frac{20}{30}$ ths. For the purpose of this limit, service is the aggregate of Service and any period of service which gives rise to benefits under a Connected Scheme provided that no period is to be counted more than once.

- (v) For the purpose of calculating the Aggregate Retirement Benefit or the total retirement benefit in (a) to (d) above, the pension equivalent of any Lump Sum Retirement Benefit is one twelfth of its total cash value.

85.3 Class B or C Members

Notwithstanding anything to the contrary in the Scheme provisions, the Final Salary Benefits payable to a Class B or a Class C Member or to his Dependants or other beneficiaries in respect of him under the Scheme shall not when aggregated with all final salary benefits provided under all Associated Schemes exceed the limits set out below.

- (a) The Members Aggregate Retirement Benefit shall not exceed:
 - (i) on retirement at or before Normal Retirement Date, a pension of 1/60th of Final Remuneration for each year of Service (not exceeding 40 years) or such greater amount as would not have prejudiced approval under ICTA had the relevant provisions continued to apply;
 - (ii) on retirement at any time before Normal Retirement Date on grounds of incapacity a pension of the amount calculated in accordance with paragraph (a)(i) above as if the Member had remained in Service until the Normal Retirement Date, Final Remuneration being computed as at the actual date of retirement;
 - (iii) on retirement after Normal Retirement Date, a pension of the greatest of:
 - (A) the amount calculated in accordance with paragraph (a)(i) above on the basis that the actual date of retirement was the Member's Normal Retirement Date,
 - (B) the amount which could have been provided at Normal Retirement Date in accordance with paragraph (a)(i) above increased either actuarially in respect of the period of deferment or in proportion to any increase in the index during that period, and
 - (C) where the Member's total Service has exceeded 40 years, the aggregate of 1/60th of Final Remuneration for each year of Service before Normal Retirement Date (not exceeding 40 such years) and of a further 1/60th of Final Remuneration for each

year of Service after Normal Retirement Date, with an overall maximum of 45 reckonable years,

Final Remuneration being computed in respect of (A) and (C) above as at the actual date of retirement;

- (iv) on leaving Pensionable Service before Normal Retirement Date, a pension of 1/60th of Final Remuneration for each year of Service prior to leaving Pensionable Service (not exceeding 40 years) or such greater amount as would not have prejudiced approval under ICTA had the relevant provisions continued to apply. The amount computed may be increased by 5% for each complete year or if greater, in proportion to any increase in the index which has occurred between the date of termination of Pensionable Service and the date on which the pension begins to be payable. Any further increase necessary to comply with social security legislation is also allowable.
- (b) If a Member elects to take any part of his benefits in advance of actual retirement, the limits set out in paragraph (a) above shall apply as if he had retired at the date of the election as aforesaid, no account being taken of subsequent Service, save (that the maximum amount of any uncommuted pension not commencing immediately) may be increased either actuarially in respect of the period of deferment of in proportion to any increase in the Index during that period.
- (c) The preceding provisions of this Rule shall be modified in their application to a Member who is a Controlling Director as follows:
 - (i) the amount of the maximum Aggregate Retirement Benefit shall be reduced, where that would have been necessary for approval under ICTA had the relevant provisions remained in force, to take account of any corresponding benefits under retirement annuity contracts, trust schemes or personal pension schemes which were approved under ICTA;
 - (ii) where retirement takes place after Normal Retirement Date but not later than the Member's 70th birthday, paragraph (a)(iii)(B) and (C) shall not apply, and if retirement is later than the attainment of that age, the said paragraphs shall apply as if the Member's 70th birthday had been specified in the Rules as his Normal Retirement Date, so as not to treat as Service after Normal Retirement Date any Service before the Member reaches the age of 70;

- (iii) where paragraph (b) applies to him, the rate of the actuarial increase referred to therein in relation to any period of deferment prior to his attaining the age of 70, shall not exceed the percentage increase in the Index during that period.

86 Other benefit limits relating to all members

86.1 The limits set out in this Rule 86 are global limits on the total Lump Sum Death Benefit and Dependants' pension payable from the Scheme whether in respect of Final Salary Benefits in the Scheme or CARE Benefits in the Scheme or both. For the avoidance of doubt, any Lump Sum Death Benefit and any Dependants' pension payable under this Scheme are also subject to the New Revenue Limits and Rule 88 of this Part G.

86.2 Lump Sum Death Benefit

The lump sum benefit (exclusive of any refund of the Member's own contributions not applied specifically to secure the payment of benefits on the Member's death and any interest thereon) payable on the death of a Member while in Service or (having left Pensionable Service with a deferred pension) before the commencement of his pension, shall not, when aggregated with all benefits of a like nature under all Associated Schemes, exceed the greater of:

- (a) £5,000; and
- (b) 4 times the greatest of:
 - (i) the annual rate (for a Class A Member subject to the Permitted Maximum) of the Member's basic salary or wages at the date of death or leaving Pensionable Service together with the yearly average of Fluctuating Emoluments received in the 3 years (or the whole period of Service if less) up to the date of death or leaving Pensionable Service; and
 - (ii) the Member's total emoluments (as determined in accordance with the law relating to approval of retirement benefits schemes in force before 6 April 2006 and for a Class A Member subject to the Permitted Maximum) of any selected period of 12 months ending not earlier than 36 months before the date of death.
 - (iii) Final Remuneration disregarding provisos (i), (ii) and (iii) of that definition less Retained Death Benefits.

86.3 Pensions for Dependants

- (a) Any pension for a Dependant when aggregated with the pensions other than those provided by surrender or allocation of the Member's own pension payable to that Dependant under all Associated Schemes shall not exceed an amount equal to 2/3rds of the maximum Aggregate Retirement Benefit payable to the Member immediately before death under paragraph 2, above.
- (b) Where the death of the Member occurs whilst in Service before the Normal Retirement Date the maximum is that appropriate had the Member retired on grounds of Incapacity on the date of death entitled to no retained benefits from previous employments.
- (c) If pensions are payable to more than one Dependant of a Member the aggregate of all Dependants' pensions payable in respect of him under this and all Associated Schemes shall not exceed the full amount of the maximum Aggregate Retirement Benefit described in the previous paragraph of this rule.

86.4 Increases of Pensions in Payment

The maximum amount of a pension ascertained in accordance with Rule 86 or Rule 85.4 less any pension which has been commuted for a lump sum or the pension equivalent of any benefits in lump sum form and any pension surrendered to provide a Dependant's pension may be increased by 3% for each complete year or if greater in proportion to any increase in the Index since the pension commenced.

86.5 AVCs must be paid as a pension

Where, prior to 1 January 2008, a Member made voluntary contributions to a Former Scheme to secure additional benefits for himself and/or his Dependants and those contributions commenced on or after 8 April 1987, any retirement benefits so secured must be in the form of non-commutable pension except to the extent that:

- (a) Rules of the Scheme allow for the payment of the benefits in lump sum form; or
- (b) Trustees and the Principal Employer determine otherwise.

86.6 Drawing pension

A Member must leave the Service of his Employer before drawing his Final Salary Benefits except to the extent that the:

- (a) Rules of the Scheme allow for the payment of his Final Salary Benefits whilst he remains in the Service of his Employer; or
- (b) Trustees and the Principal Employer determine otherwise.

87 Historic provisions

87.1 Application of the Historic Provisions

- (a) The historic provisions are included in this Part G in order to provide background information to the calculation of the Inland Revenue limits in place before 6 April 2006.
- (b) These limits are applicable to all Members and persons claiming benefits in respect of them unless the Principal Employer and Trustees determine otherwise or the Rules of the Scheme so require.

Class A Members

87.2 Lump Sum Retirement Benefits

This paragraph sets out the limits on the maximum lump sum retirement benefit that could be paid to a Class A Member prior to 6 April 2006.

- (a) The Member's Lump Sum Retirement Benefit shall not exceed:
 - (i) on retirement at any time between attaining age 50 and attaining age 75, except before Normal Retirement Date on grounds of Incapacity, $\frac{3}{80}$ ths of Final Remuneration for each year of Service (not exceeding 40 years) or such greater amount as would not have prejudiced approval under ICTA;
 - (ii) on retirement at any time before Normal Retirement Date on grounds of Incapacity the amount which could have been provided at Normal Retirement Date in accordance with paragraph (a)(i) above; Final Remuneration being computed as at the actual date of retirement;
- (b) on leaving Pensionable Service before attaining age 75, a lump sum of $\frac{3}{80}$ ths of Final Remuneration for each year of Service prior to leaving Pensionable Service (not exceeding 40 years) or such greater amount as would not have prejudiced approval under ICTA. The amount computed may be increased in proportion to any increase in the Index which has occurred between the date of termination of Pensionable Service and the date on which the benefit is first

paid.

87.3 Member Contributions to a Contributory Scheme

This paragraph sets out the limits on the maximum contributions that could be paid by a member of a contributory scheme prior to 6 April 2006 where that member was a Class A Member. It also sets out the other restrictions relating to contributions that applied before 6 April 2006 but that now no longer apply. Members may not pay voluntary contributions to the Scheme and so the restrictions set out below are a matter of historic record only.

- (a) Each Member is required to contribute at such a rate as determined by the Employer and notified in writing to the Member. No rate of contribution determined under this sub-rule may be altered before the expiry of a period of 12 months from the date on which the first payment at the current rate became due without the specific agreement of HMRC.
- (b) In addition before 1 January 2008 a Member could make voluntary contributions to his Former Scheme to secure additional benefits for himself and/or his Dependants. Any retirement benefits so secured must be in the form of non-commutable pension except to the extent to which the provisions of the Scheme allow commutation under Rules 88.4 to 88.6.
- (c) The contributions paid to the Scheme by a Member in a year of assessment shall not exceed either:
 - (i) when aggregated with the Member's contributions to any other exempt approved schemes, 15 per cent of the Member's Remuneration; or
 - (ii) when aggregated with the Member's contributions to any schemes which are Associated or Connected Schemes, 15 per cent of the Permitted Maximum.

87.4 Member Contributions to a Non-Contributory Scheme

This paragraph sets out the limits on the maximum contributions that could be paid by a member of a non-contributory scheme prior to 6 April 2006 where that member was a Class A Member. It also sets out the other restrictions relating to contributions that applied before 6 April 2006.

- (a) A Member is not required to contribute to the Scheme but may make voluntary contributions to secure additional benefits for himself and/or his Dependants.

Any retirement benefits so secured must be in the form of non-commutable pension except to the extent permitted by Rules 88.4 to 88.6.

- (b) The contributions paid to the Scheme by a Member in a year of assessment shall not exceed either:
 - (i) when aggregated with the Member's contributions to any other exempt approved schemes, 15 per cent of the Member's Remuneration; or
 - (ii) when aggregated with the Member's contributions to any schemes which are Associated or Connected Schemes, 15 per cent of the Permitted Maximum.

87.5 Other restrictions

This paragraph sets out other restrictions on the provision of benefits that applied in respect of members who were Class A Members before 6 April 2006.

(a) Continued Life Cover

Any provision in the rules to provide a lump sum benefit on the death of a Member occurring after retirement on pension (other than a payment under a guarantee of pension provision) shall be restricted in respect of a Member who joined the Scheme on or after 1 October 1991 to exclude any provision other than on death occurring before the Normal Retirement Date and after retirement on grounds of incapacity. The amount of the benefit shall not exceed the amount payable had the Member died immediately before retirement increased in proportion to any increase in the Index between the date of the Member's retirement and the date of death.

(b) Payment of Retirement Benefits

- (i) The payment of a Member's retirement benefits shall not commence earlier than the Member attaining age 50, except on retirement on grounds of incapacity, nor later than attaining age 75.
- (ii) No part of the Member's retirement benefits is to be paid in advance of actual retirement except as necessary to comply with paragraph (i) above or to the extent necessary to comply with the requirements of the Social Security Pensions Act 1975.

Class B and C Members

87.6 Lump Sum Retirement Benefits

This paragraph sets out the limits on the maximum lump sum retirement benefit that could be paid to a Class B or C Member prior to 6 April 2006.

- (a) The Member's Lump Sum Retirement Benefit shall not exceed:
- (i) on retirement at or before Normal Retirement Date, $\frac{3}{80}$ ths of Final Remuneration for each year of Service (not exceeding 40 years) or such greater amount as would not have prejudiced approval under ICTA;
 - (ii) on retirement at any time before Normal Retirement Date on grounds of incapacity the amount calculated in accordance with paragraph (a)(i) above as if the Member had remained in Service until the Normal Retirement Date, Final Remuneration being computed as at the actual date of retirement;
 - (iii) on retirement after Normal Retirement Date, the greatest of:
 - (A) the amount calculated in accordance with paragraph (a)(i) above on the basis that the actual date of retirement was the Member's Normal Retirement Date;
 - (B) the amount which could have been provided at Normal Retirement Date in accordance with paragraph (a)(i) above together with an amount representing interest thereon; and
 - (C) where the Member's total Service has exceeded 40 years, the aggregate of $\frac{3}{80}$ ths of Final Remuneration for each year of Service before Normal Retirement Date (not exceeding 40 such years) and of a further $\frac{3}{80}$ ths of Final Remuneration for each year of Service after Normal Retirement Date, with an overall maximum of 45 reckonable years.Final Remuneration being computed in respect of (A) and (C) above as at the actual date of retirement, but subject always to Rule (c) below;
 - (iv) on leaving Pensionable Service before Normal Retirement Date, a lump sum of $\frac{3}{80}$ ths of Final Remuneration for each year of Service prior to leaving Pensionable Service (not exceeding 40 years) or such greater amount as would not have prejudiced approval under ICTA. The amount computed as aforesaid may be increased in proportion to any increase in the index which has occurred between the date of termination of

Pensionable Service and the date on which the benefit is first paid.

- (b) If a Member elected to take any part of his benefits in advance of actual retirement, the limits set out in Rule (a) above shall apply as if he had retired at the date of the election as aforesaid, no account being taken of subsequent Service, save (that the maximum amount of any uncommuted pension not commencing immediately may be increased either actuarially in respect of the period of deferment or in proportion to any increase in the Index during that period.
- (c) The preceding provisions of this Rule shall be modified in their application to a Member who is a Controlling Director as follows:
 - (i) the amount of the Lump Sum Retirement Benefit shall be reduced, where that would have been necessary for approval under ICTA had the relevant provisions remained in force, to take account of any corresponding benefits under retirement annuity contracts, trust schemes or personal pension schemes which were approved under ICTA;
 - (ii) where retirement takes place after Normal Retirement Date but not later than the Member's 70th birthday, paragraph (a)(iii)(B) and (C) shall not apply, and if retirement is later than the attainment of that age, the said paragraphs shall apply as if the Member's 70th birthday had been specified in the Rules as his Normal Retirement Date, so as not to treat as Service after Normal Retirement Date any Service before the Member reaches the age of 70;
 - (iii) where Rule (b) applies to him, the rate of the actuarial increase referred to therein in relation to any period of deferment prior to his attaining the age of 70, shall not exceed the percentage increase in the Index during that period.

87.7 Member Contributions to a Contributory Scheme

This paragraph sets out the limits on the maximum contributions that could be paid by a member of a contributory scheme prior to 6 April 2006 where that member was a Class B or C Member. It also sets out the other restrictions relating to contributions that applied before 6 April 2006 but that now no longer apply. Members may not pay voluntary contributions to the Scheme and so the restrictions set out below are a matter of historic record only.

- (a) Each Member was required to contribute at such a rate as determined by the

Employer and notified in writing to the Member. No rate of contribution determined under this sub-rule could be altered before the expiry of a period of 12 months from the date on which the first payment at the current rate became due without the specific agreement of the Board of Inland Revenue.

- (b) In addition the Member could before 1 January 2008 make voluntary contributions to the Scheme to secure additional benefits for himself and /or his Dependants.
- (c) The total contributions paid by the Member in a year of assessment to this and any Associated Scheme shall not exceed 15% of his Remuneration for that year.

87.8 Member Contributions to a Non-Contributory Scheme

This paragraph sets out the limits on the maximum contributions that could be paid by a member of a non-contributory scheme prior to 6 April 2006 where that member was a Class B or C Member. It also sets out the other restrictions relating to contributions that applied before 6 April 2006.

A Member is not required to contribute to the Scheme but may make voluntary contributions not exceeding, when aggregated with his contributions to any Associated Scheme, in a year of assessment 15% of his Remuneration for that year, to secure additional benefits. Where such contributions commence on or after 8 April 1987 any retirement benefits so secured must be in the form of non-commutable pension for himself and/or his Dependants, except to the extent permitted under Rules 88.4 to 88.6.

87.9 Other restrictions

This paragraph sets out other restrictions on the provision of benefits that applied in respect of members who were Class B or C Members before 6 April 2006.

(a) Transfers

- (i) Any retirement benefits arising by virtue of the receipt by the Scheme of a transfer value (other than from another scheme providing benefits in respect of Service) shall not be capable of commutation unless and then only to the extent that a certificate has been obtained from the administrator of the transferring scheme showing the maximum lump sum payable from the transfer value. The amount so certified may be increased in proportion to any increase in the Index since the date the transfer payment was received.

- (ii) When, on or after a transfer having been made to another occupational pension scheme, the administrator of that scheme requests such a certificate as is referred to in Rule (i), above, the Administrator shall calculate as at the date of the transfer the maximum lump sum payable on retirement from the transfer value and certify that amount to the receiving scheme.

87.10 Restrictions applying to all members

This Rule details the restrictions that applied to all members prior to 6 April 2006.

(a) Surplus AVCs

Where the application of the limits in this Schedule requires the quantum of the Aggregate Retirement Benefit to be restricted and the Member has paid additional voluntary contributions to supplement scheme benefits that restriction shall first be effected on these supplementary benefits so as to permit the repayment of the surplus additional voluntary contributions subject to section 599A of ICTA.

The Administrator of the Scheme shall comply with the requirements of Regulation 5 of The Retirement Benefits Schemes (Restriction on Discretion to Approve) (Additional Voluntary Contributions) Regulations 1993 [SI 1993 No 3016] and where the Scheme is the 'leading scheme' in relation to a member with the requirements of Regulation 6 of those Regulations so far as they concern 'main schemes'. If these Regulations are amended or replaced by any other Regulations then this Rule will have effect as if it had been amended or replaced accordingly.

(b) Transfers

- (i) The benefits arising on retirement from a transfer value shall not be capable of commutation nor shall they be paid in lump sum form if the transfer is accompanied by a certificate from the administrator of the transferring scheme to the effect that the transfer value is not to be used to provide benefits in lump sum form.
- (ii) When making a transfer to an approved personal pension scheme the Administrator shall provide a certificate of the maximum lump sum payable on retirement from a transfer value if the member has in respect of any period to which the transfer payment or any part of it relates been either:

- (A) a Controlling Director at any time within the 10 years preceding the transfer date; or
- (B) in receipt of annual Remuneration in any year of assessment falling (wholly or partly) during the period of six years prior to the transfer date more than the allowable maximum (within the meaning of section 640A(2) of the Taxes Act) for the year of assessment in which the transfer date falls and the individual's age at the transfer date is 45 or more.

88 New Revenue Limits Restrictions applying to all members

88.1 This Rule 88 applies to all Final Salary Benefits and CARE Benefits held in both Section 1 and Section 2 of the Scheme.

88.2 Pre-6 April 2006 requirement to make an unauthorised payment

- (a) Any provision contained in the rules of any Former Schemes as they stood immediately before 6 April 2006 which would require the trustees of the Former Scheme to make:
 - (i) a payment which, by virtue of section 160 of the FA 2004, would be an unauthorised payment; or
 - (ii) such a payment if the consent of the sponsoring employer or any other person was given for their so doing

shall be construed, subject to Rule (b), below, as conferring a discretion on the Section 1 Trustees or the Section 2 Trustees (as appropriate) to make that payment.

- (b) If, immediately before 6 April 2006, under the rules of the Former Scheme, the consent of any person was required before the trustees of the Former Scheme could make any other discretionary payments under the Former Scheme, then the discretion under Rule (a), above, may only be exercised with the consent of that person.
- (c) The payment of Final Salary Benefits and CARE Benefits from either Section 1 or Section 2 of the Rules will comply with the terms of Rules 2.3(c), 2.4, 2.5 and 2.6 of Part A of the Rules.

88.3 Pension Commencement Lump Sum

Any lump sum payable to a Member (whether by commutation of his pension or

otherwise) shall not exceed the maximum permitted by HMRC under Part 4 of the FA2004 unless the Member has an entitlement to a higher amount under the terms of paragraph 31 of Schedule 36 to the FA2004 or the Rules of the Scheme in respect of that Member provide otherwise.

88.4 Trivial Commutation

- (a) Where the total value of a Member's pension under this Scheme and any other Registered Pension Scheme is no more than 1% of the Lifetime Allowance, the pension may be commuted for a cash payment.
- (b) Any such cash payment must satisfy all the conditions for it to be a trivial commutation lump sum as described in paragraph 7 of Schedule 29 to the FA2004.

88.5 Serious Ill Health Lump Sum

- (a) If the Trustees have received evidence from a registered medical practitioner confirming that the member is expected to live for less than one year, the Trustees may in their discretion at the request of the Member pay a cash sum at the date of retirement instead of the member's pension.
- (b) Such payment must satisfy all the conditions for it to be a serious ill health lump sum as described in paragraph 4 of Schedule 29 to the FA 2004.

88.6 Trivial Commutation Lump Sum Death Benefit

- (a) Where the value of a Dependant's pension is less than 1% of the standard Lifetime Allowance on the date the lump sum is paid, the pension may be commuted for a cash sum.
- (b) Such payment must satisfy all the conditions for it to be a trivial commutation lump sum death benefit as described in paragraph 20 of Schedule 29 to the FA2004.

88.7 Commencement of Pension

- (a) Any pension payable to a member must come into payment no later than the member's 75th birthday.

PART H OF THE RULES: PENSION SHARING ON DIVORCE

89 Application of Part H of the Rules

- 89.1 This Part H of the Rules applies to all Beneficiaries of both Sections 1 and 2 of the Scheme who are subject to a pension sharing order implemented by the Scheme after 30 June 2008.
- 89.2 This Part H of the Rules is subject to the terms of Rule 1.3(d) each Appendix 1 to each of the Schedules to Sections 1 and 2 of the Rules.
- 89.3 This Part H of the Rules does not apply to the implementation of any pension sharing order made in respect of a Beneficiary by the Former Schemes before 1 July 2008. In such cases, the rules of the Former Schemes apply in so far as is necessary to administer the pension sharing order implemented by the Former Scheme.

90 Definitions and Interpretations

- 90.1 Defined terms used in this Part H have the meanings given to them in Part A of the Rules. Additionally the following terms have the following meanings:

“1999 Act” means the Welfare Reform and Pensions Act 1999.

“Child” has the meaning given to “Child Beneficiary” in the Rule 1 of Part A of the Rules.

“Ex-Spouse” means an individual to whom Pension Credit Rights have been or are to be allocated following a Pension Sharing Order, agreement or equivalent provision permitted by law.

“Ex-Spouse’s Dependant” means in relation to an Ex-Spouse his or her Dependant.

“Ex-Spouse Participant” is an Ex-Spouse who participates in the Scheme. For this purpose the Ex-Spouse must participate in the Scheme either:

- (a) solely for the provision of a Pension Credit Benefit; or
- (b) for the wholly separate provision of a Pension Credit Benefit where benefits accrue or have accrued to that individual under the Scheme for any other reason.

“Ex-Spouse’s Fund” means the Cash Equivalent of the Ex-Spouse’s Pension Credit Rights under the Scheme or the fund which would have provided the Pension Credit Rights for the Ex-Spouse.

“Implementation Period” means the implementation period for a Pension Credit of an Ex-Spouse described in Section 34 1999 Act.

“Negative Deferred Pension” means the amount by which the Member’s pension or deferred pension under the Scheme which arose/arises from Pensionable Service with an Employer, is reduced by section 31 1999 Act or under corresponding Northern Ireland legislation, under a Pension Sharing Order. For this purpose, Pensionable Service with an Employer includes all periods of service with other employers which have been treated as if they were Pensionable Service with an Employer where a transfer payment has been made to the Scheme in respect of that other service.

“Normal Annuity Age” is the 65th birthday of an Ex-Spouse Participant.

“Paragraph” means a paragraph in this Schedule.

“Pension Credit” means a credit under section 29(1)(b) 1999 Act or under corresponding Northern Ireland legislation.

“Pension Credit Benefit” in relation to the Scheme means the benefits payable under the Scheme to or in respect of a person by virtue of rights under the Scheme attributable (directly or indirectly) to a Pension Credit.

“Pension Credit Rights” means rights to benefits or future benefits under a scheme which are attributable (directly or indirectly) to a Pension Credit.

“Pension Debit” means a debit under section 29(1)(a) 1999 Act or under corresponding Northern Ireland legislation.

“Pension Debit Member” means a Member whose benefits have been permanently reduced by a Pension Debit.

“Pension Sharing Order” means any order agreement or equivalent provision as is mentioned in section 28(1) 1999 Act or Article 25(1) of the Welfare Reform and Pensions (Northern Ireland) Order 1999.

“Safeguarded Rights” means:

- (a) in the case of Pension Credit Rights directly attributable to a Pension Credit, the percentage of those rights equal to the percentage of the rights, by reference to which the relevant Pension Credit was calculated, which

constituted contracted-out rights, or rights derived from contracted-out rights;
and

- (b) in the case of Pension Credit Rights directly attributable to a transfer payment, the percentage of those rights notified to the Trustees by the trustees or managers of the arrangement from which the transfer payment is made as being, within that arrangement, either safeguarded rights (within the meaning of section 68A 1993 Act) or rights derived from contracted-out rights.

“Social Security Legislation” means the 1999 Act and any legislation relating to Safeguarded Rights.

- 90.2 In giving effect to this Part H, the Trustees shall, as far as required by the Social Security Legislation, comply with the Social Security Legislation. To that extent, this Part H takes effect subject to the Social Security Legislation.

91 Assignment

- 91.1 Notwithstanding any provisions in the Rules, a Beneficiary or Ex-Spouse Participant may assignment or transfer part or all of his retirement benefits or rights to benefits under the Scheme to his Ex-Spouse to the extent necessary to comply with a Pension Sharing Order, agreement or equivalent provision as permitted at law.

- 91.2 The Trustees shall give effect to the assignment of part or all of a Beneficiary's retirement benefits or rights to benefits under the Scheme to his Ex-Spouse to the extent necessary to comply with a Pension Sharing Order, agreement or equivalent provision as permitted at law.

92 Satisfaction of Pension Credit Rights

- 92.1 The Trustees shall at their absolute discretion and subject to Rule 97 discharge their liability in respect of an Ex-Spouse's Pension Credit Rights either by:

- (a) the payment of a credit to a qualifying arrangement under Schedule 5(3) 1999 Act or under corresponding Northern-Ireland legislation; or

- (b) where:

- (i) Rule 92.1(a) of this Part H of the Rules is not possible; or

- (ii) with the consent of the Principal Employer;

providing the Ex-Spouse with rights to benefits under the Scheme as an Ex-Spouse Participant.

92.2 If an Ex-Spouse's 75th birthday is on or before the end of the Implementation Period, the benefits derived from his entitlement discharged under Rule 92.1 of this Part H of the Rules, must come into payment on or before the end of the Implementation Period.

93 Internal benefits for Ex-Spouses

93.1 Where Rule 92.1(b) of this Part H of the Rules applies the Trustees shall before the end of the Implementation Period apply the Ex-Spouse's Fund to provide Pension Credit Rights for the Ex-Spouse on the terms of Rule 95 of Part H of the Rules {internal money purchase benefits}.

94 Safeguarded Rights

94.1 Where the Ex-Spouse's Pension Credit Rights includes Safeguarded Rights the Trustees shall comply with the requirements of the 1999 Act and all regulations made there under in giving effect to Rule 92.1(a) or (b) of Part H of the Rules. In particular, where the Ex-Spouse becomes an Ex-Spouse Participant the Trustees shall ensure that Safeguarded Rights can be identified separately from the Ex-Spouse's other rights under the Scheme.

95 Internal Money Purchase Benefits

95.1 The Terms

The terms of the Pension Credit Benefit provided under this Rule 95 of Part H of the Rules are defined in Rules 95.2 - 95.13 of Part H subject to the provisions of this Part H of the Rules.

95.2 Death in Deferment

If the Ex-Spouse Participant dies before his Individual Ex-Spouse's Account is applied under Rule 95.3, the Trustees may at their discretion and in place of any other benefit:

- (a) provide a lump sum death benefit (provided that such lump sum is an authorised payment for the purposes of the FA2004); and/or
- (b) provide a pension to an Ex-Spouse's Dependant; and/or
- (c) subject to the provisions of Regulation 6 of the Pension Sharing (Implementation and Discharge of Liability) Regulations 2000, enter into an annuity contract or take out a policy of insurance with an insurance company for the benefit of an Ex-Spouse's Dependant.

95.3 Notice to Start Pension

- (a) An Ex-Spouse Participant may by three months' notice in writing to the Trustees expiring at any time:
- (i) on or before 5 April 2010, between his attaining age 50 and Normal Annuity Age; and
 - (ii) on or after 6 April 2010, between his attaining age 55 and Normal Annuity Age
- requiring the Trustees to apply his Individual Ex-Spouse's Account in the provision of a pension for himself for life commencing either on the expiry of the notice or on a specified date between his Normal Annuity Age and his 75th birthday;
- (b) An Ex-Spouse Participant must, if he gives a notice under Rule 95.3(a) of Part H, notify the Trustees in writing either at the same time as giving that first notice or not later than one month before the start date for the pension notified under Rule 95.3(a) of Part H, of:
- (i) any other benefits he may choose under this Rule 95 of Part H; and
 - (ii) the Insurance Company with which he wishes the Trustees to secure the benefits.
- (c) If the Ex-Spouse Participant who has given a notice under Rule 95.3(a) of Part H to start his pension on a specified date does not give written notice to the Trustees of the benefits chosen under Rule 95.3(b)(i) of Part H and the Insurance Company chosen under Rule 95.3(b)(ii) of Part H at least one month before any of the benefits become payable, then the Trustees may choose those benefits and the Insurance Company in his place.

95.4 Incapacity Pension

If an Ex-Spouse Participant is a Member and if he is to be paid an ill-health early retirement pension in respect of his Membership before age 50, then he may with the consent of the Trustees choose benefits under Rule 95.3 of Part H and give notice to the Trustees requiring his pension payable by virtue of his status as an Ex-Spouse Participant to start at the same time as his benefits as a Member if in the opinion of the Trustees on the basis of evidence received from a registered medical practitioner he is

suffering from serious physical or mental ill-health or incapacity which in the opinion of the Trustees will prevent the Ex-Spouse Participant from being employed were he to seek to be employed and if the Ill-health Condition is satisfied.

95.5 Medical Evidence

The Trustees may require such medical evidence as they deem necessary.

95.6 Normal Annuity Age

If the Ex-Spouse Participant does not give a notice under Rule 95.3 of Part H to start his pension either on or before Normal Annuity Age, or on a specified date between Normal Annuity Age and his 75th birthday, the Trustees shall choose his benefits and the Insurance Company under Rule 95.3 of Part H for him and arrange payment of them with effect from his Normal Annuity Age.

95.7 Compliance

The Ex-Spouse Participant's choices under this Rule 95 of Part H must comply with the 1993 Act, the requirements of the Inland Revenue to maintain the Registration of the Plan, the provisions of this Part H and the legislation and other provisions referred to in this Part H.

95.8 Securing the Benefits

Subject to Rule 95.7 of this Part H, and in order to secure the benefits payable out of an Individual Ex-Spouse's Account, the Trustees shall apply the Individual Ex-Spouse's Account in the purchase from an Insurance Company chosen under Rules 95.3 or 95.6 of Part H of the appropriate benefits.

95.9 Policy Terms

A pension shall be payable on the terms agreed by the Trustees with the Insurance Company from whom it is purchased.

95.10 Cost

The total cost of providing the benefits under Rule 95 of Part H shall not exceed the realised value of the Ex-Spouse's Individual Ex-Spouse's Account and the Trustees shall limit the benefits accordingly.

95.11 Commutation

The Principal Employer may at its absolute discretion allow an Ex-Spouse Participant to choose to have part or all of his Individual Ex-Spouse's Account paid as a lump sum subject to the following:

- (a) The lump sum must satisfy the conditions for it to be a Pension Commencement Lump Sum.
- (b) The lump sum will be payable on the date when the pension begins to be paid.
- (c) The Trustees may allow an Ex-Spouse Participant who is in the opinion of the Trustees in such exceptional circumstances of ill-health as to have a life expectancy of less than one year, to have all of his Individual Ex-Spouse's Account paid to him as a lump sum provided that the lump sum satisfies all of the requirements for it to be a Serious Ill-health Lump Sum.
- (d) The Trustees may, instead of applying the Individual Ex-Spouse's Account to provide a pension, pay the whole of it to the Ex-Spouse Participant as a lump sum if the lump sum would satisfy all the requirements for it to be a Trivial Commutation Lump Sum.

95.12 Pension Guarantee

A pension payable to the Ex-Spouse Participant will be payable with effect from the date of commencement under Rule 95.3 or 95.6 of Part H for life, but if the Ex-Spouse Participant has chosen to have his pension guaranteed to continue for a minimum period (not exceeding ten years), then it will continue until at least the expiry of the guarantee period.

95.13 Investment Funds

For the purpose of this Schedule, the Trustees may establish one or more Investment Funds. If there is more than one Investment Fund:

- (a) the Trustees may invite an Ex-Spouse Participant to choose and to change, at such times and subject to such restrictions as the Trustees decide, one or more of the Investment Funds in which his Individual Ex-Spouse's Account is to be invested and in what proportions;
- (b) the Ex-Spouse Participant will be responsible for his choice under Rule 95.13(a) of Part H in exoneration of the Trustees;

- (c) subject to Rule 95.13(a) and (b) of Part H, the Trustees shall specify, at such times as they decide, one or more of the Investment Funds in which the Individual Ex-Spouse's Account of each Ex-Spouse Participant is to be invested and in what proportions.

96 Receipt of Transfers including Pension Credit Rights

96.1 Where the Trustees accept a transfer payment for an individual who is already a Member of the Scheme or is already an Ex-Spouse Participant in the Scheme and are informed by the transferor that the transfer value consists wholly or partly of Pension Credit Rights in the former scheme or arrangement, then the Trustees must separately identify the transfer payment relating to the Pension Credit Rights or the part of the transfer payment relating to the Pension Credit Rights from other funds held for the benefit of the Member or Ex-Spouse Participant.

96.2 If the Pension Credit Rights were acquired by the Member or Ex-Spouse Participant before 6 April 2006 he shall be given a pre-commencement pension credit factor. The pre-commencement pension credit factor shall be calculated in accordance with the following formula:

IAPC/SLA

Where:

- (a) IAPC is the amount of the pension credit awarded for the purposes of section 29(1) of the 1999 Act increased by the percentage increase in the retail price index from the month in which the rights were acquired to April 2006; and
- (b) SLA is the standard lifetime allowance for the tax year 2006-07.

96.3 If the Pension Credit Rights:

- (a) were acquired by the Member or Ex-Spouse Participant on or after 6 April 2006;
- (b) are derived from a pension benefit that was already in payment to the Member's ex-spouse or Ex-Spouse Participant's ex-spouse at the time of the Pension Sharing Order; and
- (c) the Member's ex-spouse or Ex-Spouse Participant's ex-spouse became entitled to that pension in payment on or after 6 April 2006

the Member or Ex-Spouse Participant shall be given a pension credit factor. The pension credit factor shall be calculated in accordance with the following formula:

APC/SLA

Where:

- (a) APC is the appropriate amount that the pension credit rights attributable to the post 5 April 2006 pension in payment represent (calculated under either (i) section 29(2) or 3(b) of the 1999 Act or (ii) section 29(3)(a) of the 1999 Act); and
- (b) SLA is the standard lifetime allowance at the time when the rights are acquired.

97 Death before Implementation

- 97.1 If the Ex-Spouse dies after a Pension Sharing Order is made but before it is acted upon by the Trustees, the Ex-Spouse's Fund shall be retained by the Trustees and added to the funds of the Scheme.

98 Charges

- 98.1 The Trustees may at their discretion require either or both of the Member and the Ex-Spouse to pay the reasonable administrative expenses involved in giving effect to a Pension Sharing Order or providing information in relation to a proposed Pension Sharing Order. At the first notification of the parties' intention to seek a Pension Credit and a Pension Debit the Trustees shall notify both of them of the relevant charges and the timing and method of payment as required by Regulation 2 of the Pensions on Divorce etc (Charging) Regulations 2000. The Trustees may require payment of the charges in cash or may deduct the charges from the Pension Credit, the Pension Credit Benefits or from the accrued rights of the Member under the Scheme as appropriate in accordance with the notification that the Trustees have given to the Member and the Ex-Spouse.

**SCHEDULE ONE OF PART E OF THE RULES
FORMER RACAL DECCA BENEFICIARIES**

1 Application of Schedule One of Part E of the Rules

1.1 Schedule One of Part E of the Rules applies to:

- (a) Former Racal Decca Beneficiaries; and
- (b) any person who the Principal Employer and Trustees have agreed should be treated as a Former Racal Decca Beneficiary under Rule 77.3 of Part E of the Rules.

1.2 CARE Benefits earned in the Racal Decca Scheme by Former Racal Decca Beneficiaries which are transferred to Section 1 of the Scheme are calculated as if those CARE Benefits had been earned in Section 1 of the Scheme from (and including) 1 January 2008 rather than in the Racal Decca Scheme.

1.3 For those of the Former Racal Decca Beneficiaries who are in Pensionable CARE Service in Section 1 of the Scheme on 1 July 2008 and whose CARE Benefits from the Racal Decca Scheme are transferred to Section 1 of the Scheme, Pensionable CARE Service in Section 1 of the Scheme will be treated as continuous.

2 Structure of Schedule One of Part E of the Rules

2.1 Appendix One sets out the Rules to Schedule One of Part E which apply to the provision of CARE Benefits for Former Racal Decca Beneficiaries.

2.2 Appendix Two sets out the Rules to Schedule One Part E which apply to the provision of Final Salary Benefits for Former Racal Decca Beneficiaries.

2.3 Final Salary Benefits earned in the Racal Decca Scheme by Former Racal Decca Beneficiaries before 1 January 2008 will be of the same nature, amount and value and be calculated in the same way as under the terms which applied in the Racal Decca Scheme to that Former Racal Decca Beneficiary on 31 December 2007. Such benefits will be administered in accordance with Parts A, B, D, E, G and H of the Rules of the Scheme.

**SCHEDULE ONE OF PART E OF THE RULES
CARE BENEFITS RULES FOR FORMER RACAL DECCA BENEFICIARIES**

APPENDIX ONE

1 General Benefits Description

1.1 Type of Benefits

The Rules for CARE Benefits for Former Racal Decca Beneficiaries provide career average revalued earnings style benefits for:

- (a) all Pensionable CARE Service in the Racal Decca Scheme after 31 December 2007 and before 1 July 2008 which is transferred to Section 1 of the Scheme; and
- (b) all Pensionable CARE Service (if any) in Section 1 of the Scheme after 30 June 2008

which shall be treated as continuous Pensionable CARE Service.

1.2 Contracting-out Status

The CARE Benefits are contracted-in.

1.3 Tax Status and Plan Limits

- (a) The Rules for the provision of CARE Benefits are designed to provide pension and death benefits for a registered occupational pension scheme under Part 4 of the Finance Act 2004 (as amended).
- (b) For the purposes of determining the maximum benefits payable to a Former Racal Decca Beneficiary and any restrictions on their payment:
 - (i) the Scheme Benefit Limits contained in Part G of the Rules do not apply to the CARE Benefits;
 - (ii) the total pension payable to a Former Racal Decca Beneficiary from Section 1 of the Scheme when the CARE Benefits and the Final Salary Benefits are aggregated together will not exceed two thirds of the Former Racal Decca Beneficiary's Final Remuneration (as defined in Part G of the Rules) (ignoring the effect of any salary sacrifice arrangement made between the CARE Member and his Employer);

- (c) save as provided in Rule 77 of Part E of the Rules, this Rule 1.3 of this Appendix One to Schedule One of Part E does not disapply:
- (i) the Scheme Benefit Limits which apply to the Final Salary Benefits of Former Racal Decca Beneficiaries in Part G of the Rules; or
 - (ii) any other benefit limits rules and / or restrictions applied to the Final Salary Benefits under Rule 1.3(c) of Appendix Two to Schedule One of Part E of the Rules; and
- (d) if a CARE Member is subject to a pension sharing on divorce order, agreement or equivalent provision, Rule 1.3(b)(ii) will be applied to the total pension payable to a CARE Member from the Scheme when the CARE Benefits payable under this Appendix One to Schedule One of Part E and the Final Salary Benefits payable under Appendix Two to Schedule One of Part E are aggregated together before the pension sharing on divorce order, agreement or equivalent provision, is applied.

1.4 Early Leaver Rights

- (a) Where the CARE Benefits Rules of this Appendix One to Schedule One specify the manner in which the Preservation Requirements will be complied with under it, those Rules will apply in respect of the Preservation Requirements.
- (b) If the CARE Benefits Rules of this Appendix One to Schedule One do not specify the manner in which the Preservation Requirements will be complied with under it, the Rules will be construed in a manner which is consistent with the Preservation Requirements.

2 Membership for CARE Benefits

2.1 Becoming an Active CARE Member

- (a) An Employee is able to become and remain an Active CARE Member of Section 1 of the Scheme for so long as he satisfies all of the following conditions. The employee:
 - (i) was, on 31 December 2007, either:
 - (A) a member of the Racal Decca Scheme in Pensionable Service under the rules of that scheme in force on that date; or
 - (B) an employee who was not a member of the Racal Decca Scheme in Pensionable Service under the rules of that scheme in force

on that date but whom the Principal Employer has determined was eligible to join the Racal Decca Scheme and did not join the DC Scheme on 1 January 2008;

- (ii) before 1 January 2008, elected in writing using the election form provided by Thales Electronics Plc to become an Active CARE Member of the Racal Decca Scheme from either 1 January 2008 or such later date as his employer in the Racal Decca Scheme agreed in writing;
- (iii) has either:
 - (A) a written pension salary sacrifice arrangement in force with his Employer; or
 - (B) if the Principal Employer permits, a written consent in force with his Employer to deduct his contributions from his CARE Salary; and
- (iv) was continuously an Active CARE Member from either 1 January 2008 or such later date as he was first admitted to the Racal Decca Scheme; and
- (v) joined the Scheme as an Active CARE Member of Section 1 of the Scheme with effect from 1 July 2008 and transferred all of his benefits in the Racal Decca Scheme to Section 1 of the Scheme with effect on and from 1 July 2008.

- (b) Section 1 of the Scheme is closed to new members and only Employees who meet the conditions set out in Rule 2.1(a) can be Active CARE Members of Section 1 of the Scheme entitled to CARE Benefits under the terms of this Appendix One to Schedule One of Part E of the Rules.

2.2 Stopping being an Active CARE Member

- (a) An Active CARE Member will cease to be an Active CARE Member on the earlier of the date:
 - (i) he leaves employment or dies; or
 - (ii) of the expiry of not less than one month's written notice which he has given to the Trustees to end his Pensionable CARE Service; or
 - (iii) he ceases to satisfy all of the eligibility criteria to be an Active CARE Member under Rule 2.1(a) above (and for these purposes absence whilst the CARE Member remains in Service under Rule 12 of this Appendix One

to Schedule One of Part E is ignored); or

- (iv) he otherwise ceases to be in Pensionable CARE Service under any other provision of the Rules of this Appendix One to Schedule One of Part E of the Rules.
- (b) No Employee who has ceased to be an Active CARE Member under Rule 2.2(a) above can rejoin the Scheme in order to earn either CARE Benefits or Final Salary Benefits.
- (c) An Active CARE Member who opts-out of Active CARE Membership under Rule 2.2(a)(ii) above before his CARE Pension Date will be treated as a Deferred CARE Member from the date his notice to opt-out expires. Rules 6 and 9 apply to this Appendix One to Schedule One of Part E of the Rules.

3 Payment of Contributions

3.1 Rate of Contributions

- (a) The rate of contributions due to Section 1 of the Scheme from each Active CARE Member is:
 - (i) 6 (six) per cent of CARE Salary for that part of the CARE Salary up to and including the upper earnings limit; and
 - (ii) 9 (nine) per cent of CARE Salary for that part (if any) of the CARE Salary in excess of the upper earnings limit.
- (b) Upper earnings limit is the annual equivalent of upper earnings limit published immediately before each 1 April for the following tax year.
- (c) Upper earnings limit has the meaning given in section 181 of the 1993 Act.
- (d) If an Active CARE Member has a period of Part-Time Employment the upper earnings limit will be adjusted in accordance with Rule 13 of this Appendix One to Schedule One of Part E of the Rules.

3.2 Payment of Contributions

- (a) Active CARE Members who enter into a pension salary sacrifice arrangement with their Employer pursuant to Rule 3.2(c) below do not contribute to Section 1 of the Scheme.
- (b) Active CARE Members who, with the agreement of the Principal Employer, do

not enter into a pension salary sacrifice arrangement with their Employer must contribute to Section 1 of the Scheme at the rate set out in Rule 3.1 above).

- (c) In order for Rule 3.2(a) above to apply the:
 - (i) Active CARE Member must sacrifice from his pay from his Employer an amount equivalent to the contributions he would have paid to the Section 1 of the Scheme at the rate set out in Rule 3.1 above had the pension salary sacrifice arrangement not been in force; and
 - (ii) Active CARE Member's Employer must pay monthly to the Trustees contributions to Section 1 of the Scheme of an amount equal to the sums sacrificed by the Active CARE Member from his remuneration from that Employer under his pension salary sacrifice arrangement.
- (d) All Active CARE Members are required to enter into a pension salary sacrifice arrangement with an Employer unless the Principal Employer determines otherwise in writing.
- (e) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule One of Part E of the Rules applies.
- (f) In the event that the Principal Employer decides not to permit Active CARE Members to sacrifice pay from their Employer in accordance with Rule 3.2(c) above, such Active CARE Members will:
 - (i) continue to earn CARE Benefits provided that they contribute to Section 1 of the Scheme under the terms of Rule 3.2(b) above; and
 - (ii) provide such written consents as their Employer requests in writing to be able to deduct such contributions from their pay.

Such Active CARE Members will become Deferred CARE Members if they do not provide to their Employer such written consents as are required for them to contribute to Section 1 of the Scheme under Rule 3.2(b) above within one (1) month of the date the Active CARE Members are asked to pay contributions to Section 1 of the Scheme or such longer period as the Principal Employer may decide.

3.3 Additional Voluntary Contributions

No Active CARE Member can pay additional voluntary contributions to Section 1 of the Scheme.

3.4 Employer Contributions

The balance of the cost of providing the CARE Benefits will be paid by the Employers in accordance with Rule 35 of Part A of the Rules.

4 Calculation of CARE Pension

4.1 CARE Pension Calculation

The "CARE Pension" is: $(X - Y) \times Z$ where:

- (a) "X" is 1/720th of Averaged Revalued CARE Salary for each complete calendar month of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service;
- (b) "Y" is the Pension Deduction; and
- (c) "Z" is the LAF.

Conditions:

- (i) The LAF applied to the CARE Pension will be either the LAF in force at the date:
 - (A) the Active CARE Member leaves Pensionable CARE Service; or
 - (B) the CARE Pension starts to be paidwhichever results in the payment of the higher CARE Pension to the CARE Member (or any person claiming through him).
- (ii) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule One of Part E of the Rules applies to the calculation of his CARE Pension for that period of part-time Pensionable CARE Service.

4.2 Meaning of Words used in the Calculation of CARE Pension

- (a) "Averaged Revalued CARE Salary" is:
 - (i) the aggregate of the Revalued CARE Salary at each 1 April during Pensionable CARE Service; DIVIDED BY

- (ii) the number of years in which the Active CARE Member was in Pensionable CARE Service on a 1 April.

Condition:

If an Active CARE Member leaves Pensionable CARE Service before 1 April 2008, his Average Revalued CARE Salary will be his CARE Salary on 1 January 2008.

- (b) **"Pension Deduction"** is:

- (i) 0.4% of the Active CARE Member's Gross Band Earnings for the last complete tax year immediately preceding the date the Active CARE Member left Pensionable CARE Service; MULTIPLIED BY

- (ii) the number of complete calendar months of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service; DIVIDED BY

- (iii) twelve (12).

Provided that with on and effect from 1 April 2009, Pension Deduction will be adjusted in accordance with the terms of Rule 13 in respect of Active CARE Members in Part-time Employment after that date.

- (c) **"Gross Band Earnings"** is the Active CARE Member's gross earnings between the lower and upper earnings limit.

- (d) **"Revalued CARE Salary"** is the Active CARE Member's CARE Salary as at each 1 April revalued by the Revaluation Factor up to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.

- (e) **"Revaluation Factor"** is the Revaluation Rate compounded over the Revaluation Period.

Conditions:

- (i) The **"Revaluation Rate"** is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the Maximum Revaluation Rate set out in (ii) and will not be a negative amount.

- (ii) The **"Maximum Revaluation Rate"** is what the Revaluation Rate would be if the rise in the Government retail prices index for all items was eight (8) per cent compound each year for the Revaluation Period.

(iii) The "Revaluation Period" is the period from 1 April to which the relevant CARE Salary relates to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.

(iv) The rise in the Government retail prices index for all items used for the Revaluation Rate is the one published before each 1 April for the immediately preceding month of September.

(v) If:

(A) for any period during the Revaluation Period, the rise in the Government retail prices index for all items is higher than eight (8) per cent compound each year; and

(B) the Actuary advises the Trustees that either:

1) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 1); or

2) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and

(C) the Principal Employer consents in writing.

the Trustees may apply a higher Revaluation Factor than is provided for under the CARE Benefits Rules for such period as the Principal Employer agrees.

(vi) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

(f) "LAF" is the longevity adjustment factor and is calculated as follows:

$$\frac{1 - (A \times B)}{100}$$

Where:

(i) "A" equals the number of years (rounded to the nearest 0.1 years) by which the anticipated life expectancy of a man aged 65 on the LAF

Recalculation Table is higher or lower (as applicable) than on the LAF Base Table. Where the anticipated life expectancy is higher than on the LAF Base table, "A" will be positive and where lower "A" will be negative.

- (ii) "B" equals 1.5.

Conditions:

- (A) The LAF will be one (1) between 1 January 2008 and 31 March 2012 (inclusive).
- (B) The LAF cannot be greater than one (1).
- (C) The LAF cannot decrease by more than 0.05 as at any LAF recalculation date.
- (D) "A" will assume a value of zero if, as at any LAF recalculation date, "A" is less than the years noted on the table below:

LAF recalculation date year For Rule 4.3(a)	Years for the purposes of "A"
2011	0.5
2014	0.75
2017	1.00
2020	1.25
2023	1.50
2026	1.75
2029	2.00
2032	2.25
2035	2.50
2038	2.75
2041	3.00
2044	3.25
2047	3.50
2050	3.75
2053	4.00

- (E) The LAF will be rounded to the nearest 0.0025.
- (F) The LAF will be recalculated in accordance with Rule 4.3.

- (g) **“LAF Base Table”** is the life expectancy table for a man aged 65 years old using the Government Actuaries Department’s national 2006 based principal population projections with “cohort expectation” adjustments, which provides as follows:

Year to which Rule 4.3(a) Applies	Life Expectancy of a Male Retiring at Age 65
2007	20.7
2008	20.8
2009	21.0
2010	21.1
2011	21.2
2012	21.3
2013	21.5
2014	21.6
2015	21.7
2016	21.8
2017	21.9
2018	22.0
2019	22.1
2020	22.2
2021	22.3
2022	22.4
2023	22.5
2024	22.5
2025	22.6
2026	22.7
2027	22.8
2028	22.9
2029	23.0
2030	23.1
2031	23.2
2032	23.3
2033	23.4
2034	23.5
2035	23.6
2036	23.7
2037	23.7
2038	23.8
2039	23.9

2040	24.0
2041	24.1
2042	24.2
2043	24.3
2044	24.4
2045	24.5
2046	24.6
2047	24.7
2048	24.8
2049	24.9
2050	25.0
2051	25.1
2052	25.2
2053	25.3
2054	25.3

- (h) "LAF Recalculation Table" is, as at the current LAF recalculation date, the most recently published Government Actuaries Department table published since the previous LAF recalculation date, showing the life expectancy for a man aged 65 years old using the Government Actuaries Department's table for national principal population projections with "cohort expectation" adjustments.

Conditions:

- (i) If the LAF Recalculation Table is not available at any LAF recalculation date, an alternative life expectancy table published by the Government Actuaries Department, the Office of National Statistics or similar body which uses the latest available national population statistics to show the current life expectancy of a male member retiring at age 65 and adjusted to reflect "cohort expectation" will be used.
- (ii) If a table meeting the requirements of (i) is not available at any LAF recalculation date, the Principal Employer with the agreement of the Trustees, will agree a life expectancy table which is nearest to the LAF Recalculation Table.

4.3 Recalculation of the LAF

- (a) The LAF will automatically be recalculated in accordance with Rule 4.2(f) above:

- (i) as at 1 January 2011 (being the first LAF recalculation date); and
 - (ii) at three (3) yearly intervals thereafter as at 1 January.
- (b) The recalculated LAF will be applied to CARE Members' benefits on expiry of the notice given under Rule 4.3(c) below unless the Principal Employer, with the agreement of the Trustees, decides to apply a recalculation to the LAF which would result in a LAF being applied to CARE Members' benefits which would result in a higher benefit for a CARE Member than would otherwise have been applied under Rule 4.3(a) above.
- (c) Upon a LAF recalculation being effected under Rule 4.3(a) above at a LAF recalculation date, the Principal Employer will give all Active CARE Members at least twelve (12) months written notice of the amount of the recalculated LAF and the details of how it will be applied to benefits before the LAF is applied to benefits under this Appendix One to Schedule One of Part E of the Rules.

5 Active CARE Member's CARE Pension

5.1 Drawing CARE Pension at CARE Pension Date

Upon an Active CARE Member attaining his CARE Pension Date but subject to the terms of Rule 5.4(a) and (b) below his annual CARE Pension will start on the next day.

5.2 Drawing CARE Pension before CARE Pension Date

- (a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if:
- (i) before 6 April 2010, he is aged 50 or over; or
 - (ii) after 5 April 2010, he is aged 55 or over; and
 - (iii) he applies to draw his CARE Pension early whilst he is in Pensionable CARE Service; and
 - (iv) he has the written consent of the Principal Employer to draw his CARE Pension early; and
 - (v) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) If at any age from the age of 60 up to his Normal Pension Date an Active CARE Member is entitled to receive his Final Salary Benefits under Appendix Two to Schedule One of Part E of the Rules without any consents being required from

any party to the Scheme or compliance with any other conditions, the payment of the CARE Pension is not subject to Rule 5.2(a)(iv) above after he attains that age.

- (c) An Active CARE Member may, with the consent of the Principal Employer, remain in the employment of an Employer after his CARE Pension starts to be paid under the terms of this Rule 5.2.
- (d) The annual CARE Pension will start on the day agreed by the CARE Member and the Trustees.

5.3 Drawing CARE Pension due to Serious Ill-Health

- (a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health if, subject to the terms of Rule 5.3(d) below:
 - (i) he has not attained his CARE Pension Date;
 - (ii) he applies to draw his CARE Pension early due to Serious Ill-Health whilst he is in Pensionable CARE Service and will have left Pensionable CARE Service when his CARE Pension starts to be paid;
 - (iii) the Principal Employer, with the agreement of the Trustees, decide after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Active CARE Member is suffering from Serious Ill-Health;
 - (iv) the Trustees are satisfied that the Active CARE Member meets the ill-health condition for the purposes of the Part 4 of the Finance Act 2004; and
 - (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health.
- (b) The CARE Pension payable under this Rule 5.3 will:
 - (i) have no LAF applied to it; and
 - (ii) not be reduced by an Early Retirement Reduction; and
 - (iii) be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule One of Part E of the Rules.

- (c) The annual CARE Pension will start on the day after the CARE Member left Pensionable CARE Service.
- (d) An Active CARE Member who is not able to work due to ill-health or injury and who is in receipt of payments from an employer's permanent health insurance scheme of at least 50 per cent of his CARE Salary less statutory sick pay is not entitled to apply for the payment of his CARE Pension under this Rule unless the Principal Employer, with the agreement of the Trustees, decide otherwise.

5.4 Drawing CARE Pension after CARE Pension Date

- (a) If an Active CARE Member, with the consent of the Principal Employer, remains in the employment of an Employer after his CARE Pension Date, he may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date (or such later date as the Principal Employer and the Trustees may agree) to either:
 - (i) leave Pensionable CARE Service on his CARE Pension Date and be treated as either a CARE Pensioner or a CARE Postponed Pensioner; or
 - (ii) remain in Pensionable CARE Service and continue to be treated as an Active CARE Member.

Conditions:

- (A) If an Active CARE Member makes no election under this Rule 5.4(a), the Trustees will treat the Active CARE Member as if he had left Active CARE Membership on his CARE Pension Date and he will become a CARE Postponed Pensioner under Rule 5.4(b)(ii) below.
 - (B) The option to be treated as a CARE Pensioner under Rule 5.4(a)(i) can only be exercised by the CARE Member with the consent of the Principal Employer.
- (b) This Rule 5.4(b) applies to an Active CARE Member who elects or is deemed to leave Pensionable CARE Service under Rule 5.4(a)(i). Such a CARE Member who may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date to either:
 - (i) draw his CARE Pension under Rule 5.1 above and become a CARE Pensioner; or
 - (ii) defer payment of his CARE Pension and become a CARE Postponed Pensioner until the earlier of the date he elects for his CARE Pension to

start to be paid and the date he attains age 75.

Conditions:

- (A) If the Active CARE Member makes no election under this Rule 5.4(b) the Trustees will defer payment of his CARE Pension under Rule 5.4(b)(ii) above.
- (B) An Active CARE Member to which this Rule 5.4(b) applies will on his CARE Pension Date cease to either:
 - 1) pay contributions under Rule 3.2(b) of this Appendix One to Schedule One of Part E of the Rules; or
 - 2) be subject to a pension salary sacrifice arrangement under Rule 3.2(d) of this Appendix One to Schedule One of Part E of the Rules.
- (C) A CARE Postponed Pensioner's CARE Pension will start to be paid on the earlier of:
 - 1) the day after he elects for his CARE Pension to start; or
 - 2) his 75th birthday.
- (D) A CARE Postponed Pensioner's CARE Pension will be calculated as at his CARE Pension Date. Upon drawing his CARE Pension the Trustees will apply to it a Late Retirement Increase.
- (E) Upon the death of a CARE Postponed Pensioner before his CARE Pension starts to be paid, he will be treated as if he had:
 - 1) started to draw his CARE Pension immediately before his death; and
 - 2) not elected to exchange any of his CARE Pension for pension commencement lump sum under Rule 7 of this Appendix One to Schedule One of Part E of the Rules.
- (F) For the purposes of the CARE death benefit Rules, Rule 10 of this Appendix One to Schedule One of Part E of the Rules applies.
- (G) Upon the death of a CARE Pensioner who remains in the employment of an Employer at the date of his death, the CARE death benefits for a CARE Pensioner will be payable under Rule 10 of this Appendix One to

Schedule One of Part E of the Rules.

(c) This Rule 5.4(c) applies to an Active CARE Member who elects to continue in Pensionable CARE Service under Rule 5.4(a)(ii). Such a CARE Member will be treated as an Active CARE Member until the earlier of:

- (i) the date he leaves Pensionable CARE Service; and
- (ii) his 75th birthday.

Conditions:

(A) The CARE Member will continue to be treated as an Active CARE Member and will continue to either:

- 1) make contributions under Rule 3.2(b) of this Appendix One to Schedule One of Part E of the Rules; or
- 2) be subject to a salary sacrifice pension arrangement under Rule 3.2(d) of this Appendix One to Schedule One of Part E of the Rules

for so long as he remains in Pensionable CARE Service after his CARE Pension Date.

(B) An Active CARE Member's Pensionable CARE Service must cease on his 75th birthday even if he remains in the employment of an Employer.

(C) The annual CARE Pension will start on the earlier of:

- 1) the day after he elects for his CARE Pension to start; or
- 2) his 75th birthday.

(D) When an Active CARE Member to which this Rule 5.4(c) relates leaves Pensionable CARE Service his CARE Pension will be calculated under Rule 4.1 of this Appendix One to Schedule One of Part E of the Rules.

(E) If an Active CARE Member to which this Rule 5.4 (c) relates dies after his CARE Pension Date but before his CARE Pension starts to be paid the lump sum death benefit payable under this Rule in respect of his death will be:

- 1) the Lump Sum Benefit; PLUS

- 2) the lump sum Final Salary Benefit payable under Rule 3.6 of Appendix Two to Schedule One of Part E of the Rules; LESS
- 3) any lump sum Final Salary Benefit payable under Appendix Two to Schedule One of Part E of the Rules upon the death of a Pensioner or a member who has deferred payment of his Final Salary Benefit under rule 11, rule 11 of schedule part III applicable to Specified Members and / or where applicable the relevant part of the Special Terms under the Racal Decca Scheme Rules as provided for in Appendix Two to Schedule One of Part E of the Rules.

6 Deferred CARE Member Benefits

6.1 Deferred CARE Member with less than Two (2) years Qualifying Service

An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service with less than two (2) years Qualifying Service will become a Deferred CARE Member entitled to elect to receive:

- (a) a Contribution Refund less any tax payable, of any contributions paid in respect of CARE Benefits after 31 December 2007 to the Racal Decca Scheme and transferred to the Scheme with effect from 1 July 2008; and/or
- (b) a sum equal to the earnings sacrificed from his pay under a pension salary sacrifice arrangement in force after 31 December 2007 less any tax and national insurance. Such a sum is payable by the Deferred CARE Member's last Employer before he left Pensionable CARE Service in respect of all earnings sacrificed under Rule 3.2(d) of this Appendix One to Schedule One of Part E of the Rules; or
- (c) if he satisfies the Three Month Condition, a Cash Transfer Sum.

Conditions:

- (i) Rule 6.2 below will apply to a Deferred CARE Member who has received a transfer into Section 1 of the Scheme in respect of him from a registered pension scheme.
- (ii) Any election by a Deferred CARE Member for a Cash Transfer Sum must comply with the requirements of the 1993 Act.
- (iii) No interest will be applied to any sum paid to a Deferred CARE Member either by the Trustees under Rule 6.1(a)(i) above or his last Employer under Rule

6.1(a)(ii) above.

(iv) Where a CARE Member was both:

(A) a Former Racal Decca Beneficiary entitled to Final Salary Benefits earned in the Racal Decca Scheme before 1 January 2008 which were transferred to Section 1 of the Scheme with effect from 1 July 2008; and

(B) an Active CARE Member entitled to CARE Benefits from:

1) the Racal Decca Scheme after 31 December 2007 which were transferred to Section 1 of the Scheme with effect from 1 July 2008; and

2) Section 1 of the Scheme after 30 June 2008 (if any)

the Trustees will aggregate any CARE Benefits and Final Salary Benefits payable by them due to the length of the CARE Member's Qualifying Service.

(v) Once all payments due to or in respect of a CARE Member both under this Rule in respect of his CARE Benefits and Final Salary Benefits have been made, all entitlements to benefits from the Scheme (whether they are Final Salary Benefits or CARE Benefits) will be extinguished for the CARE Member and any person claiming through him.

6.2 Deferred CARE Member with more than Two (2) years Qualifying Service

(a) An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service:

(i) with at least two (2) years Qualifying Service; or

(ii) with less than two (2) years Qualifying Service and Section 1 of the Scheme has received a transfer from another registered pension scheme in respect of him; and

(iii) without receiving an immediate CARE Pension from Section 1 of the Scheme under Rule 5 of this Appendix One to Schedule One of Part E of the Rules

will become a Deferred CARE Member entitled to receive a CARE Pension from Section 1 of the Scheme under the terms of this Rule 6.2.

- (b) The Deferred CARE Member's CARE Pension will be calculated in accordance with Rule 4.1 of this Appendix One to Schedule One of Part E of the Rules up to the date he leaves Pensionable CARE Service.
- (c) The Trustees will revalue the CARE Pension using the final salary method of statutory revaluation (as set out in Section 84(1) and Paragraphs 1 and 2 to Schedule 3 of the 1993 Act) from the date the Deferred CARE Member leaves Pensionable CARE Service up to the earlier of the date:
 - (i) of his death;
 - (ii) his CARE Pension starts to be paid; or
 - (iii) his CARE Pension Date.

6.3 Drawing CARE Pension at CARE Pension Date

Upon a Deferred CARE Member attaining his CARE Pension Date his annual CARE Pension will start on the next day.

6.4 Drawing CARE Pension before CARE Pension Date

- (a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension Date if:
 - (i) before 6 April 2010, he is aged 50 or over; or
 - (ii) after 5 April 2010, he is aged 55 or over; and
 - (iii) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early; and
 - (iv) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) If at any age from the age of 60 up to his Normal Pension Date a Deferred CARE Member is entitled to receive his Final Salary Benefits without any consents being required from any party to the Scheme or compliance with any other conditions, the payment of the CARE Pension is not subject to Rule 6.4(a)(iii) above after he attains that age.
- (c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their consent to its early payment.

6.5 Drawing CARE Pension due to Serious Ill-Health

- (a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health if:
 - (i) he has not attained his CARE Pension Date;
 - (ii) he applies to draw his CARE Pension early due to Serious Ill-Health;
 - (iii) the Principal Employer, with the agreement of the Trustees, decides after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Deferred CARE Member is suffering from Serious Ill-Health;
 - (iv) the Trustees are satisfied that the Deferred CARE Member meets the ill-health condition for the purposes of the Part 4 of the Finance Act 2004;
 - (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health; and
 - (vi) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) The CARE Pension payable under this Rule 6.5 will be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule One of Part E of the Rules.
- (c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their written consent to its early payment due to Serious Ill-Health.

6.6 Drawing CARE Pension after CARE Pension Date

- (a) A Deferred CARE Member may, with the consent of the Principal Employer and the Trustees, defer payment of his CARE Pension until a date after his CARE Pension Date.
- (b) The CARE Pension of a Deferred CARE Member who defers payment of it under this Rule will come into payment on the earlier of:
 - (i) the expiry of one (1) month's written notice by him to the Trustees to start payment of the CARE Pension; and
 - (ii) the Deferred CARE Member's 75th birthday.
- (c) If a Deferred CARE Member defers payment of his CARE Pension under this Rule, his CARE Pension will be calculated as at his CARE Pension Date. When his CARE Pension starts to be paid, the Trustees will apply to it a Late Retirement

Increase.

- (d) The annual CARE Pension will start on the earlier of:
 - (i) the day after he elects for his CARE Pension to start; or
 - (ii) his 75th birthday.
- (e) If a Deferred CARE Member dies before his CARE Pension starts to be paid, he will be treated as if he had:
 - (i) started to draw his CARE Pension immediately before his death; and
 - (ii) not elected to commute any of his CARE Pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule One of Part E of the Rules.

For these purposes, Rule 10 of this Appendix One to Schedule One of Part E of the Rules applies.

7 Pension Commencement Lump Sum

- 7.1 A CARE Member may, with the consent of the Trustees, elect to exchange part of his CARE Pension for a pension commencement lump sum (as defined in Part 1 to Schedule 29 of the Finance Act 2004).
- 7.2 The election must be made in writing by the CARE Member and provided to the Trustees before the date the CARE Member is due to draw his CARE Pension.
- 7.3
 - (a) The rate at which CARE Pension can be exchanged for a pension commencement lump sum, subject to Rules 7.8 and 7.9 below, will be as follows:

Age at the date of exchange of CARE Pension for a pension commencement lump sum	Commutation Factor
50	18.0
51	17.6
52	17.2
53	16.8
54	16.4
55	16.0

56	15.6
57	15.2
58	14.8
59	14.4
60	14.0
61	13.6
62	13.2
63	12.8
64	12.4
65	12.0
66	11.6
67	11.2
68	10.8
69	10.4
70	10.0
71	9.6
72	9.2
73	8.8
74	8.4
75	8.0

- (b) The table set out in this Rule 7.3 sets out the rate at which CARE Pension can be exchanged for pension commencement lump sum as at a specified age. Where a CARE Member is older than the specified age by a proportion of a year, the relevant exchange rate set out in the table in Rule 7.3 above will be a pro rata amount calculated in complete months.

7.4

- (a) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the rate at which CARE Pension can be exchanged for pension commencement lump sum to an alternative rate which may be higher or lower than the rate set out in Rule 7.3 above.
- (b) Such a rate agreed under Rule 7.4(a) above cannot be implemented unless it is first certified as reasonable by the Actuary having regard to the assumptions used at the last actuarial valuation for either:
- (i) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme;
- or

- (ii) after the Scheme has become desectionalised, the Scheme
- (c) A rate agreed and certified under this Rule 7.4 will remain in force until such time as a new rate is agreed and certified under this Rule 7.4

7.5

- (a) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule One of Part E of the Rules in circumstances which result in a different LAF being automatically applied to benefits under Rule 4.3 of this Appendix One to Schedule One of Part E of the Rules, the Principal Employer and the Trustees must review the rate at which CARE Pension can be exchanged for a pension commencement lump sum and agree the rate at which CARE Pension can be so exchanged.
- (b) If under the terms of Rule 7.5(a) above, the Principal Employer and the Trustees cannot agree a rate at which CARE Pension can be exchanged for a pension commencement lump sum, the Actuary will either:
 - (i) revise the rate at which CARE Pension can be exchanged for a pension commencement lump sum by increasing or reducing the rate by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under Rule 7.5(a) above; or
 - (ii) leave the rate at which CARE Pension can be exchanged for a pension commencement lump sum unchanged.

7.6 A CARE Member can only elect to commute CARE Pension for a pension commencement lump sum at the same time as drawing his CARE Pension.

7.7 Once a CARE Member's CARE Pension starts to be paid, an election to exchange CARE Pension for a pension commencement lump sum cannot be revoked.

7.8 In the case of a CARE Member who also has an entitlement to Final Salary Benefits as a result of his own membership of Section 1 of the Scheme, he can only exchange his CARE Pension for a pension commencement lump sum in proportion to the amount his CARE Pension represents to his aggregated pension from Section 1 of the Scheme when his CARE Pension and his Final Salary Benefits are aggregated together.

7.9 The pension commencement lump sum will not exceed the maximum permitted by HMRC under Part 4 of the Finance Act 2004 unless the CARE Member has an entitlement

to a higher amount in respect of his benefits held in Section 1 of the Scheme under the terms of Paragraph 31 to Schedule 36 of the 2004 Act.

8 Death Benefits for an Active CARE Member or a DC Scheme Life Assurance Member

8.1 Lump Sum Death Benefit

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member the Trustees will hold on the discretionary trusts for:
 - (i) an Active CARE Member, the Lump Sum Benefit; or
 - (ii) a DC Scheme Life Assurance Member, the Lump Sum Benefit LESS the DC Lump Sum.
- (b) The Lump Sum Benefit will be applied in accordance with Rule 74 of Part D of the Rules.
- (c) "Lump Sum Benefit" means subject to the terms of Rule 16 of this Appendix One to Schedule One of Part E of the Rules, four (4) times the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC Salary (as applicable) as at the 1 April immediately preceding the date of his death.
- (d) "DC Lump Sum" means the amount notified to the Trustees by the manager of the DC Scheme as being the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is used to provide lump sum benefits payable in respect of the DC Scheme Life Assurance Member. The DC Lump Sum excludes the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death).

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule One of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule One of Part E of the Rules will apply.
- (ii) A CARE Member who remains in the employment of an Employer after his CARE Pension Date under Rule 5.4(a) of this Appendix One to Schedule One of Part E of the Rules and who is in receipt of his CARE Pension at the date of his death is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule One

of Part E of the Rules will apply.

- (iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule One of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule applies but such a CARE Member's Lump Sum Benefit will be calculated in accordance with condition (E) of Rule 5.4(c) of this Appendix One to Schedule One of Part E of the Rules.
- (iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but who remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule One of Part E of the Rules will apply.
- (v) An Active CARE Member who on the date of his death is:
 - (A) not in receipt of his CARE Pension;
 - (B) is in receipt of a pension which are Final Salary Benefits as a result of his own membership of Section 1 of the Scheme; or
 - (C) has not attained his CARE Pension Datewill have deducted from his Lump Sum Benefit payable in respect of his CARE Benefits any lump sum payable in respect of his Final Salary Benefits in so far as it is greater than the benefit payable under Rule 3.6 of Appendix Two to Schedule One of Part E of the Rules.
- (vi) On the date of the death of either:
 - (A) an Active CARE Member; or
 - (B) a DC Scheme Life Assurance Memberwho is also a Scheme Enhanced Member of Section 1 of the Scheme, the Scheme will pay the Final Salary Benefits lump sum contained in Rule 3.6 of Appendix Two to Schedule One of Part E of the Rules in addition to the Lump Sum Benefit payable under the CARE Benefits Rules.
- (vii) A DC Scheme Life Assurance Member who remains in the employment of an Employer after his CARE Pension Date will continue to be treated as a DC Scheme Life Assurance Member until the earlier of the date he leaves the

employment of an Employer and age 75.

8.2 Adult Dependant's Pension

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Adult Dependant.
- (b) The pension payable under (a) will be equal to thirty three (33) per cent of the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC Salary (as applicable) as at 1 April immediately preceding his death LESS:
 - (i) any pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Eligible Spouse accrued as Final Salary Benefits in respect of Pensionable Service earned in the Racial Decca Scheme before 1 January 2008; and
 - (ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Adult Dependant by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is not used to provide lump sum benefits under Rule 8.1 (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death)).
- (c) The Adult Dependant's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule One of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule One of Part E of the Rules will apply.
- (ii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule One of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.2 will apply.

- (iii) A CARE Member who remains in the employment of an Employer at the date of his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule One of Part E of the Rules will apply.
- (iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule One of Part E of the Rules will apply.
- (v) In the event that the pension payable to an Adult Dependant which are CARE Benefits under Rule 8.2(b) above is smaller than the Final Salary Benefits pension which would have been payable to the Eligible Spouse under Appendix Two calculated upon the basis that the CARE Member became a deferred pensioner in respect of his Final Salary Benefits on 31 December 2007 in the Raca Decca Scheme, the higher benefit is payable.

8.3 Dependant Children's Pensions

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Dependant Children.
- (b) The pension payable under (a) is a maximum of thirty (30) percent of the Active CARE Member's or DC Scheme Life Assurance Member's CARE Salary as at 1 April immediately preceding his death LESS:
 - (i) any pension which are Final Salary Benefits payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Dependents who are Children in respect of Pensionable Service in the Raca Decca Scheme before 1 January 2008; and
 - (ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Dependant Children by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is not used to provide lump sum benefits under Rule 8.1 of this Appendix One to Schedule One of Part E of the Rules (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death)).

- (c) The Trustees will determine the amount of each Dependent Child's pension from time to time.
- (d) Subject to (e) below, the maximum pension payable to an individual Dependant Child is ten (10) percent of the Active CARE Member's CARE Salary or the DC Scheme Life Assurance Member's DC Salary as at 1 April immediately preceding his death LESS the maximum Final Salary Benefits pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Dependant who is a child in respect of Pensionable Service in the Racal Decca Scheme before 1 January 2008.
- (e) The Dependant Children's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) If no Adult Dependant's pension is payable at the date of the Active CARE Member's or DC Scheme Life Assurance Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (ii) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule One of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule One of Part E of the Rules will apply.
- (iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule One of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.3 will apply.
- (iv) A CARE Member who remains in the employment of an Employer at the date of his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule One of Part E of the Rules will apply.
- (v) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule One of Part E of the Rules will apply.

- (vi) In the event that the CARE Benefits pension payable to Dependant Children under Rule 8.3(b) above is smaller than the Final Salary Benefits pension payable in respect of an Active CARE Member's or DC Scheme Life Assurance Member's Dependant who is a child calculated upon the basis that the CARE Member became a deferred pensioner in respect of his Final Salary Benefits on 31 December 2007 in the Raca Decca Scheme, the higher benefit will be payable.

9 Deferred CARE Member Death Benefits

9.1 Lump Sum Death Benefit

- (a) No lump sum death benefit is payable upon the death of a Deferred CARE Member before his CARE Pension Date from Section 1 of the Scheme in respect of his CARE Benefits.
- (b) Rules 6.6(e) and 10 of this Appendix One to Schedule One of Part E of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.2 Adult Dependant's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Adult Dependant.
- (b) The pension payable under (a) will be equal to half of the Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule One of Part E of the Rules and revalued under that Rule to the date of the Deferred CARE Member's death.
- (c) The Adult Dependant's pension will start on the day after the date of the Deferred CARE Member's death.
- (d) Rules 6.6(e) and 10 of this Appendix One to Schedule One of Part E of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.3 Dependant Children's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Dependant Children.

- (b) The pension payable under (a) is a maximum of forty five (45) percent of the Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule One of Part E of the Rules and revalued to the date of the Deferred CARE Member's death.
- (c) The Trustees will determine the amount of each Dependant Child's pension from time to time.
- (d) Subject to (e), the maximum pension payable to an individual Dependant Child is fifteen (15) percent of the Deferred CARE Member's CARE Pension.
- (e) If no Adult Dependant's pension is payable at the date of the Deferred CARE Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension will start on the day after the date of the Deferred CARE Member's death.
- (g) Rules 6.6(e) and 10 apply of this Appendix One to Schedule One of Part E of the Rules upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

10 CARE Pensioner Death Benefits

10.1 Lump Sum Death Benefit

- (a) If a CARE Pensioner dies less than five (5) years after the date his CARE Pension started to be paid and before age 75, the Trustees will hold on the discretionary trusts a lump sum equal to the total pension payments which would have been paid to the CARE Pensioner during the remaining balance of the period of five (5) years from the date his CARE Pension started to be paid.
- (b) The lump sum under (a) will be calculated using the rate of CARE Pension payable immediately before the date of the CARE Pensioner's death. Future CARE Pension increases are ignored.
- (c) The lump sum death benefit payable under this Rule will be applied in accordance with Rule 74 of Part D of the Rules.
- (d) If a CARE Pensioner dies more than five (5) years after the date his CARE Pension started to be paid or after attaining age 75, no lump sum death benefit is payable.

10.2 Adult Dependant's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Adult Dependant.
- (b) The pension payable under (a) will be equal to half of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule One of Part E of the Rules).
- (c) The Adult Dependant's pension will start on the first day of the next month following the date of the CARE Pensioner's death.

10.3 Dependant Children's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Dependant Children.
- (b) The pension payable under (a) is a maximum of forty five (45) percent of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule One of Part E of the Rules).
- (c) The Trustees will determine the amount of each Dependant Child's pension from time to time.
- (d) Subject to (e), the maximum pension payable to an individual Dependant Child is fifteen (15) percent of the CARE Pensioner's CARE Pension.
- (e) If no Adult Dependant's pension is payable at the date of the CARE Pensioner's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension starts to be paid on the first day of the next month following the date of the CARE Pensioner's death.

11 Payment of Pensions and Lump Sum Benefits

11.1 Payment of a CARE Member's Pensions

- (a) A CARE Member's CARE Pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.
- (b) The first CARE Pension payment will be the aggregate of:

- (i) the proportion of one month's instalment of CARE Pension payment calculated from the date the CARE Pension started to the first day of the next month (if any); and
- (ii) the next full month's instalment of CARE Pension.

11.2 Stopping a CARE Member's CARE Pension

- (a) Subject to Rule 11.3 below, a CARE Member's CARE Pension is payable for life and will stop on the date of his death.
- (b) The last month's CARE Pension instalment made to a CARE Member immediately before his death will not be apportioned.
- (c) Any one or more instalments of pension paid after the date of the CARE Member's death will be treated as a debt to Section 1 of the Scheme which is repayable to Section 1 of the Scheme unless the Trustees determine otherwise.

11.3 Review of Serious Ill-Health CARE Pensions

- (a) A CARE Pension which is paid under either Rule 5.3 or 6.5 of this Appendix One to Schedule One of Part E of the Rules due to the Serious Ill-Health of the CARE Member will be reviewed by the Trustees every three (3) years after the date his CARE Pension starts to be paid or such other period as the Trustees determine. No reviews will be made once the CARE Member attains his CARE Pension Date.
- (b) At each review of the payment of CARE Pension due to Serious Ill-Health, the Trustees may ask the CARE Pensioner to:
 - (i) attend a medical with the registered medical practitioner of the Trustees selection; and / or
 - (ii) provide any information and other co-operation to allow the Trustees to complete their review.
- (c) If the Trustees are satisfied that the CARE Pensioner:
 - (i) is no longer suffering from Serious Ill-Health; or
 - (ii) failed to co-operate with the review to such a degree that they are not able to determine if the CARE Pensioner continues to suffer from Serious Ill-Health

they may reduce or terminate the payment of the CARE Pension as they determine.

- (d) Having reduced or terminated a CARE Pension under (c) above, the Trustees may, if it appears appropriate to them to do so, restore the payment of the CARE Pension.
- (e) If a CARE Pensioner's CARE Pension payable due to Serious Ill-Health is terminated under this Rule he will:
 - (i) be treated as a Deferred CARE Member; and
 - (ii) have his CARE Pension calculated in accordance with Rule 6.2 of this Appendix One to Schedule One of Part E of the Rules as at the date he left Pensionable CARE Service.

Conditions:

- (A) The calculation of the CARE Member's Deferred CARE Pension will ignore the fact that he initially started to receive his CARE Pension under either Rule 5.3 or 6.5 of this Appendix One to Schedule One of Part E of the Rules as applicable.
- (B) All payments of CARE Pension made to him between the date his CARE Pension started under Rule 5.3 or 6.5 of this Appendix One to Schedule One of Part E of the Rules and the date it was terminated under this Rule will be ignored (unless the Trustees determine otherwise in their absolute discretion).
- (C) The Deferred CARE Pension will not be less than the amount required to be paid under the Preservation Requirements.
- (f) This Rule 11.3 is subject to the terms of disability discrimination legislation in so far as it applies to the Scheme.

11.4 Payment of Adult Dependant's Pensions and Dependant Children's Pensions

- (a) An Adult Dependant's pension and a Dependant Children's pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.
- (b) In the case of an Adult Dependant's pension or Dependant Children's pension payable due to the death of an Active CARE Member, a Deferred CARE Member or a CARE Postponed Pensioner, the first Adult Dependant's or first Dependant

Children's pension payment will be the aggregate of:

- (i) the proportion of one month's pension instalment calculated from the date of the CARE Member's death to the first day of the next month (if any); and
 - (ii) the next full month's pension instalment.
- (c) In the case of an Adult Dependant's pension or Dependant Children's pension payable due to the death of a CARE Pensioner, the first Adult Dependant's or first Dependant Children's pension payment will be a full month's pension instalment and will be made on the first day of the month following the date of the CARE Pensioner's death.

11.5 Stopping the Adult Dependant's Pension

- (a) An Adult Dependant's pension is payable for life and will stop on the date of his death.
- (b) The last month's pension instalment paid to an Adult Dependant immediately before his death will not be apportioned.
- (c) Any one or more instalments of pension paid after the date of the Adult Dependant's death will be treated as a debt to Section 1 of the Scheme which is repayable to Section 1 of the Scheme unless the Trustees determine otherwise.

11.6 Stopping the Dependant Children's Pensions

- (a) A Dependant Child's pension is only payable to a child for so long as the Trustees are satisfied that the child remains a Dependant Child.
- (b) A Dependant Child's pension will stop on the date he ceases to be a Dependant Child.
- (c) The last month's pension instalment paid in respect of a Dependant Child immediately before he stopped being a Dependant Child will not be apportioned.
- (d) When a child ceases to be a Dependant Child, if there are remaining Dependant Children whose pensions are less than the maximum pension payable to an individual Dependant Child under Rules 8.3, 9.3 or 10.3 of this Appendix One to Schedule One of Part E of the Rules, the Trustees will recalculate the proportion of the Dependant Children's pension payable to the remaining Dependant Children in such manner as the Trustees determine.

- (e) Any one or more instalments of pension paid after the date the Dependant Child's pension was payable under the Rules contained in this Appendix One to Schedule One of Part E of the Rules will be treated as a debt to Section 1 of the Scheme which is repayable to Section 1 of the Scheme unless the Trustees determine otherwise.

12 Family Leave and Absence from Work

12.1 Family Leave

- (a) In this Rule:
 - (i) "Family Leave" refers jointly to Adoption Leave, Maternity Leave, Paternity Leave and Parental Leave (whether Paid Family Leave or Unpaid Family Leave).
 - (ii) "Adoption Leave", "Maternity Leave", "Ordinary Adoption Leave", "Ordinary Maternity Leave", "Paternity Leave" and "Parental Leave" are as defined in the Employment Rights Act 1996.
 - (iii) The definition of "CARE Salary" is modified for any period of Family Leave during which an Active CARE Member is not in receipt of pay as if he were working normally:
 - (A) for the purposes of calculating all pension and death benefits in respect of the CARE Benefits, CARE Salary will be the CARE Salary in force on 1 April immediately before the Active CARE Member's Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the CARE Salary attributable to the Active CARE Member had he continued to work normally);
 - (B) for the purposes of Rule 3.1 of this Appendix One to Schedule One of Part E of the Rules CARE Salary is deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Family Leave (including any statutory maternity pay, adoption pay or paternity pay).
 - (iv) The definition of "DC Salary" is modified for any period of Family Leave during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he was working normally. For the purposes of calculating all

pension and death benefits in respect of the CARE Benefits, the DC Salary will be the amount which was in payment to the DC Scheme Life Assurance Member before the Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the DC Salary which the DC Scheme Life Assurance Scheme Member would have received if he had continued to work normally).

12.2 Paid Family Leave

- (a) A CARE Member will remain an Active CARE Member in respect of the CARE Benefits during any period of Family Leave during which he is entitled to and receives pay (including any statutory maternity pay, adoption pay or paternity pay) from his Employer ("Paid Family Leave").
- (b) All periods of Paid Family Leave are Pensionable CARE Service and the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule One of Part E of the Rules for so long as he is in receipt of pay from his Employer.
- (c) Any period of Ordinary Maternity Leave or Ordinary Adoption Leave during which a CARE Member is not entitled to statutory maternity pay will be treated as Paid Family Leave under this Rule.
- (d) A DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule One of Part E of the Rules during any period of Paid Family Leave and any period of Ordinary Maternity Leave or Ordinary Adoption Leave or Ordinary Adoption Leave during which the DC Scheme Life Assurance Member is not entitled to statutory maternity pay.

12.3 Unpaid Family Leave

- (a) Subject to Rule 12.2(c) above, an Active CARE Member will remain in Service during any period of Family Leave when he is not entitled to and does not receive pay (including any statutory maternity pay, adoption pay or paternity pay) from his Employer ("Unpaid Family Leave").
- (b) Subject to Rule 12.4(a) below, all periods of Unpaid Family Leave are Service but not Pensionable CARE Service.
- (c) During Unpaid Family Leave an Active CARE Member and his Employer are not required to comply with Rule 3.2 of this Appendix One to Schedule One of Part

E of the Rules.

- (d) During all periods of Unpaid Family Leave, the Active CARE Member or DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule One of Part E of the Rules and will be treated as either an Active CARE Member or a DC Scheme Life Assurance Member (as applicable) for these purposes.

12.4 Returning to Work

- (a) If an Active CARE Member returns to work after a period of Unpaid Family Leave, he may pay contributions in order to earn Pensionable CARE Service for any periods of Unpaid Family Leave. The terms will be agreed between the Active CARE Member and the Trustees.
- (b) If Rule 12.4(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any period of Family Leave will be treated as continuous.

12.5 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of Family Leave, he will cease to be an Active CARE Member or DC Scheme Life Assurance Member (as applicable) on the earliest of the date:
 - (i) he informs his Employer that he will not be returning to work;
 - (ii) her right to Ordinary Maternity Leave or Ordinary Adoption Leave ended;
 - (iii) when his right to Paid Family Leave ended; or
 - (iv) he started Parental Leave under the Employment Rights Act 1996 or any extension of those terms allowed by the Employer if none of the period of Parental Leave is paid.
- (b) The Principal Employer's confirmation of the date is final.

12.6 Absence

- (a) General
 - (i) This Rule applies where either an Active CARE Member or DC Scheme

Life Assurance Member is not at work whilst still in Service (except on normal holiday leave or Family Leave) due to:

- (A) injury or illness; or
- (B) secondment or attending full-time education with the agreement of his Employer in circumstances where there is an expectation on the part of the Active CARE Member or DC Scheme Life Assurance Member and the Employer that he will return to work for an Employer.

(ii) Where the absence is due to illness or injury, the definition of:

(A) "CARE Salary" is modified for any period of the absence during which an Active CARE Member is not in receipt of his pay as if he was working normally:

- 1) for the purposes of calculating all pension and death benefits which are CARE Benefits, the amount of the CARE Salary which was in payment to the Active CARE Member before his absence due to ill-health or injury started as increased as at each 1 April by such amount as the Principal Employer decides;
- 2) for the purposes of Rule 3.1 of this Appendix One to Schedule One of Part E of the Rules CARE Salary is deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Paid Absence either from an Employer or payments from an employer's permanent health insurance scheme; or

(B) "DC Salary" is modified by any period of absence during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he were working normally. For the purposes of calculating all pension and death benefits which are CARE Benefits the amount of the DC Salary before his absence due to ill-health or injury started, as increased as at each 1 April by such amount as the Principal Employer decides.

(iii) Where absence is due to secondment or attending full-time education, the Principal Employer will determine the extent to which (if at all) the

definitions of "CARE Salary" and "DC Salary" are modified during the period of absence. The Principal Employer will notify the Trustees of any modifications made to either CARE Salary or DC Salary under this Rule.

12.7 Paid Absence

- (a) During a period of absence to which this Rule applies when the CARE Member is in receipt of pay from either an Employer or payments from an employer's permanent health insurance scheme ("Paid Absence"), the CARE Member will be treated as an Active CARE Member and will remain in Pensionable CARE Service.
- (b) During all periods of Paid Absence, the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule One of Part E of the Rules for so long as he is in receipt of pay from either an Employer or if he is absent due to ill-health or injury, payments from an employer's permanent health insurance scheme.
- (c) During all periods of Paid Absence, the Principal Employer will determine the level of the Active CARE Member's CARE Salary for the purposes of calculating his pension and death benefits.
- (d) During all periods of Paid Absence a DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule One of Part E of the Rules and will be treated as a DC Scheme Life Assurance Member for these purposes unless the Principal Employer decides otherwise.

12.8 Unpaid Absence

- (a) During a period of absence to which this Rule applies, when the Active CARE Member is not in receipt of pay from an Employer or in the case of absence due to ill-health or injury, payments from an employer's permanent health insurance scheme ("Unpaid Absence"), the Active CARE Member will be treated as being in Service but not Pensionable CARE Service (unless the Principal Employer determines otherwise).
- (b) During all periods of Unpaid Absence, the Active CARE Member and his Employer are not required to comply with the terms of Rule 3.2 of this Appendix One to Schedule One of Part E of the Rules.
- (c) During all periods of Unpaid Absence whilst either the Active CARE Member or

DC Scheme Life Assurance Member (as applicable) remains in service, he will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule One of Part E of the Rules and will be treated as either an Active CARE Member or DC Scheme Life Assurance Member (as applicable) for these purposes unless the Principal Employer decides otherwise.

12.9 Returning to Work

- (a) If an Active CARE Member returns to work for an Employer or starts to be in receipt of payments from an employer's permanent health insurance scheme after a period of Unpaid Absence, he may pay contributions in order to earn Pensionable CARE Service for any period of Unpaid Absence. The terms will be agreed between the Active CARE Member and the Trustees.
- (b) If Rule 12.9(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any periods of Unpaid Absence will be treated as continuous.

12.10 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of absence, he will cease to be either an Active CARE Member or a DC Scheme Life Assurance Member on the earliest of the date:
 - (i) he informs his Employer that he will not be returning to work;
 - (ii) his Employer terminates his employment; or
 - (iii) such other date as the Principal Employer decides and notifies to the Trustees.
- (b) The Principal Employer's confirmation of the date is final.

13 Part-Time Workers

13.1 Application of this Rule

- (a) This Rule applies to any Active CARE Member who is in Part-Time Employment for any period of Pensionable CARE Service.
- (b) This Rule overrides the rest of the Rules contained in this Appendix One to Schedule One of Part E of the Rules in respect of periods of Part-Time Employment relating to the calculation of all CARE Benefits held in the Scheme.

13.2 Adjustment of Part-Time Active CARE Member's CARE Benefits

(a) If an Active CARE Member is in Part-Time Employment for any period of Pensionable CARE Service:

(i) his CARE Salary for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\text{CARE Salary} \quad \times \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$

(ii) his Pensionable CARE Service for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}} \times \text{Period of Part-Time Pensionable CARE Service}$$

(iii) the upper earnings limit used to determine the level of an Active CARE Member's contributions or rate at which salary should be sacrificed from his pay under a pension salary sacrifice arrangement under Rule 3.2 of this Appendix One to Schedule One of Part E of the Rules in respect of each period of Part-Time Employment, will be adjusted by the following formula:

$$\text{upper earnings limit} \quad \times \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

For the purposes of this adjustment, upper earnings limit has the same meaning as in Rule 3.2 of this Appendix One to Schedule One of Part E of the Rules;

(iv) the Salary Cap for the purposes of calculating his CARE Pension and level of Active CARE Member's contributions or rate at which salary should be sacrificed from his pay under pension salary sacrifice arrangements under Rule 3.2 of this Appendix One to Schedule One of Part E of the Rules in respect of each period of Part-Time Employment, will be adjusted using the following formula:

$$\text{Salary Cap} \quad \times \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

(v) with effect on and from 1 April 2009 for Pensionable CARE Service earned after that date his Gross Band Earnings for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\text{Gross Band Earnings} \quad \times \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$

Provided that Gross Band Earnings in all cases will not be greater than the upper earnings limit.

- (b) If an Active CARE Member has more than one period of Service which is Part-Time Employment and / or Full-Time Employment, each one will be treated separately.
- (c) The Trustees will determine all questions of doubt in respect of the calculation of an Active CARE Member's CARE Benefits for periods of Part-Time Employment if there is an inadequacy in the data provided to them.

13.3 The Meaning of Words used in this Rule 13

- (a) "Average Weekly Contractual Hours" is the average number of hours in each standard working week for which an Active CARE Member is contracted to work for an Employer.
- (b) "Standard Weekly Hours" is the number of hours during a standard working week which an Active CARE Member would be contracted to work for an Employer if he was contracted to work on a full-time basis.
- (c) "Part-Time Employment" is any period of Pensionable CARE Service during which an Active CARE Member is contracted to work for a lower number of weekly hours of work than those applicable to an Active CARE Member who is contracted to work on a full-time basis.

14 CARE Pension Increases

14.1 The Rate of Pension Increases

- (a) A pension which is in payment will increase on each 1 April:
 - (i) for:
 - (A) a CARE Pensioner; or
 - (B) an Adult Dependant and/or Dependant Children of either an Active CARE Member, Deferred CARE Member or CARE Postponed Pensioner

by the smaller of the Rate and $1/365$ th of the Rate multiplied by the number of days since the date pension started;

(ii) for an Adult Dependant or Dependant Children of a CARE Pensioner, by the Rate.

(b) "Rate" as at each 1 April is the lower of:

(i) the annual rise in the published Government retail prices index for all items for the immediately preceding month of September; and

(ii) 2.5%.

Conditions:

(A) If:

1) for any period on and after 1 January 2008, the Rate is lower than the rise in the Government retail prices index for all items under (b)(i) above; and

2) the Actuary advises the Trustees that either:

1a) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 1); or

1b) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and

3) the Principal Employer consents in writing

the Trustees may apply a Rate of greater than 2.5% at the next 1 April.

(B) Any increase in pension required to be paid by Section 1 of the Scheme by statute will be included within any increase in pension payable under this Rule.

(C) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index

to be applied.

15 Definitions used in this Appendix One to Schedule One of Part E of the Rules

15.1 Meaning of Words Used in this Appendix One

In this Appendix One to Schedule One of Part E of the Rules only, the words listed below have the following meanings:

“Active CARE Member” means a CARE Member who has:

- (a) joined Section 1 of the Scheme to be provided with CARE Benefits under Rule 2.1 of this Appendix One to Schedule One of Part E of the Rules; and
- (b) makes contributions to Section 1 of the Scheme or has a pension salary sacrifice arrangement in place with his Employer under Rule 3.2 of this Appendix One to Schedule One of Part E of the Rules; and
- (c) not yet left Pensionable CARE Service. (For these purposes absence whilst the Active CARE Member remains in Service under Rule 12 of this Appendix One to Schedule One of Part E of the Rules is ignored).

“Active CARE Membership” has a corresponding meaning.

“Adoption Leave” is defined in Rule 12.1 of this Appendix One to Schedule One of Part E of the Rules.

“Adult Dependant” means the CARE Member's widow, widower or Civil Partner as at the date of his death.

If the CARE Member was unmarried and had not entered into a Civil Partnership as at the date of his death, the Trustees may, in their absolute discretion, determine that any person who was:

- (a) living with the CARE Member in a relationship akin to marriage or a Civil Partnership; and
- (b) financially dependent or inter-dependent on the CARE Member at the date of his death

is his Adult Dependant.

“Average Weekly Contractual Hours” is defined in Rule 13.3 of this Appendix One to Schedule One of Part E of the Rules.

"Averaged Revalued CARE Salary" is defined in Rule 4.2 of this Appendix One to Schedule One of Part E of the Rules.

"CARE Member" means a person who is entitled or prospectively entitled to CARE Benefits from Section 1 of the Scheme. Unless the context requires otherwise, CARE Member includes:

- (a) an Active CARE Member, Deferred CARE Member, CARE Postponed Pensioner and CARE Pensioner; and
- (b) excludes a DC Scheme Life Assurance Member for all purposes other than the payment of benefits upon the death of a DC Scheme Life Assurance Member.

"CARE Membership" has a corresponding meaning.

"CARE Pension" is defined in Rule 4.1 of this Appendix One to Schedule One of Part E of the Rules.

"CARE Pension Date" means the CARE Member's or DC Scheme Life Assurance Member's 65th birthday.

"CARE Pensioner" means a CARE Member who is being paid a CARE Pension from Section 1 of the Scheme by virtue of his own CARE Membership.

"CARE Postponed Pensioner" means a CARE Member who:

- (a) remains in the employment of an Employer after his CARE Pension Date; and
- (b) has deferred or is deemed to have deferred payment of his CARE Pension under Rule 5.4(b) of this Appendix One to Schedule One of Part E of the Rules; and
- (c) whose CARE pension has not started to be paid.

"CARE Salary" means the Active CARE Member's:

- (a) basic salary had the Active CARE Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) CARE Salary is determined as at each 1 April and confirmed to the Active CARE Member annually by his Employer in writing after that date.
- (ii) An Active CARE Member's CARE Salary cannot be greater than the Salary Cap.

- (iii) An Active CARE Member's first CARE Salary for the purposes of calculating CARE Benefits in the Scheme was the CARE Salary in respect of the Raca Decca Scheme determined as at 31 December 2007 and notified to him in writing. It was applied from 1 January 2008 to 31 March 2008 inclusive in that scheme.
- (iv) In the case of an Active CARE Member who has entered into a pension salary sacrifice arrangement with his Employer, for the purposes of calculating all of his CARE Benefits, his CARE Salary will be calculated ignoring the effect of any salary sacrifice arrangements in force between him and his Employer from time to time.

"Cash Transfer Sum" means a cash equivalent transfer as described in Section 101AB (3) of the 1993 Act.

"Contribution Refund" has the meaning given to it in Section 101AB of the 1993 Act.

"DC Scheme Life Assurance Member" means an employee:

- (a) who was in the employment of an Employer on 31 December 2007; and
- (b) who elected to join the DC Scheme after 31 December 2007; and
- (c) in respect of whom contributions are made by an employer in the group of companies owned by Thales Holdings UK plc (or its successors) to the DC Scheme.

"DC Lump Sum" is defined in Rule 8.1(d) of this Appendix One to Schedule One of Part E of the Rules.

"DC Salary" means the DC Scheme Life Assurance Member's:

- (a) basic salary had the DC Scheme Life Assurance Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) DC Salary is determined as at each 1 April and confirmed to the DC Life Assurance Scheme Member annually by his Employer in writing after that date.
- (ii) A DC Scheme Life Assurance Member's DC Salary cannot be greater than the Salary Cap.

- (iii) DC Salary will be calculated ignoring the effect of any salary sacrifice arrangements in force between him and his Employer from time to time.

“Deferred CARE Member” means a CARE Member who has:

- (a) not attained his CARE Pension Date or has deferred commencement of his CARE Pension after his CARE Pension Date;
- (b) left Pensionable CARE Service (regardless of whether he remains in the employment of an Employer or not); and
- (c) not either:
 - (i) started to be paid his CARE Pension; or
 - (ii) received any benefits payable under Rule 6.1 of this Appendix One to Schedule One of Part E of the Rules.

Deferred CARE Member includes a person treated as such under Rule 11.3 of this Appendix One to Schedule One of Part E of the Rules.

“Dependant Child(ren)” means a child who was:

- (a) the CARE Member's:
 - (i) natural child;
 - (ii) adopted child;
 - (iii) step child who the Trustees consider, in their absolute discretion, was dependent upon the CARE Member; and
 - (iv) any child who the Trustees consider, in their absolute discretion, the CARE Member would have been regarded as a child for whom he was responsible as a parent and where in the opinion of the Trustees the child was dependent on the CARE Member; and
- (b) at the date of the CARE Member's death was:
 - (i) under the age of 18; or
 - (ii) under the age of 23 and in full-time education.

Condition:

Dependant Child includes a child who was conceived and in his mother's womb but not yet born at the date of the CARE Member's death.

“Early Retirement Reduction” is the amount by which a CARE Member's CARE Pension is reduced to take account of the period of time by which the CARE Pension is being paid early.

- (a) With effect on and from 1 January 2008, the amount of the Early Retirement Reduction in respect of the CARE Pension will be 5% for each complete year (and a pro rata amount for each complete month of any part year) that the CARE Pension is paid before the CARE Member's CARE Pension Date.
- (b) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the Early Retirement Reduction to an alternative Early Retirement Reduction which may be higher or lower than the Early Retirement Reduction set out in (a) above. But,
 - (i) such an Early Retirement Reduction agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:
 - (A) whilst the Scheme is a Sectionalised Scheme, the assumptions used at the last actuarial valuation for Section 1 of the Scheme; or
 - (B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme;
 - (ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).
- (c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule One of Part E of the Rules, the Principal Employer and Trustees must review the Early Retirement Reduction and agree the Early Retirement Reduction to be applied. If the Principal Employer and the Trustees cannot agree the Early Retirement Reduction under this (c), the Actuary will either:
 - (i) revise the Early Retirement Reduction by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or
 - (ii) leave the Early Retirement Reduction unchanged.

“Family Leave” is defined in Rule 12.1 of this Appendix One to Schedule One of Part E of the Rules.

"LAF" is defined in Rule 4.2 of this Appendix One to Schedule One of Part E of the Rules.

"LAF Base Table" is defined in Rule 4.2 of this Appendix One to Schedule One of Part E of the Rules.

"LAF Recalculation Table" is defined in Rule 4.2 of this Appendix One to Schedule One of Part E of the Rules.

"Late Retirement Increase" is the amount by which a CARE Member's CARE Pension is increased to take account of the period of time by which the CARE Pension is being paid late.

- (a) With effect on and from 1 January 2008, the amount of the Late Retirement Increase in respect of the CARE Pension will be 8.5% for each complete year (and a pro rata amount for each complete month of any part year) that the CARE Pension is paid after the CARE Member's CARE Pension Date.
- (b) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the Late Retirement Increase to an alternative Late Retirement Increase which may be higher or lower than the Late Retirement Increase set out in (a) above. But,
 - (i) such a Late Retirement Increase agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:
 - (A) whilst the Scheme is a Sectionalised Scheme, the assumptions used at the last actuarial valuation for Section 1 of the Scheme; or
 - (B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme; and
 - (ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).
- (c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule One of Part E of the Rules, the Principal Employer and Trustees must review the Late Retirement Increase and agree the Late Retirement Increase to be applied. If the Principal Employer and the Trustees cannot agree the Late Retirement Increase under this (c), the Actuary will either:
 - (i) revise the Late Retirement Increase by no more than an amount to

reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or

- (ii) leave the Late Retirement Increase unchanged.

“Lump Sum Benefit” is defined in Rule 8.1(c) of this Appendix One to Schedule One of Part E of the Rules.

“Paid Absence” is defined in Rule 12.2(b) of this Appendix One to Schedule One of Part E of the Rules.

“Paid Family Leave” is defined in Rule 12.1(b) of this Appendix One to Schedule One of Part E of the Rules.

“Parental Leave” is defined in Rule 12.1(a) of this Appendix One to Schedule One of Part E of the Rules.

“Part-Time Employment” is defined in Rule 13.3(c) of this Appendix One to Schedule One of Part E of the Rules.

“Paternity Leave” is defined in Rule 12.1(a) of this Appendix One to Schedule One of Part E of the Rules.

“Pensionable CARE Service” means a CARE Member's:

- (a) last or only continuous period of Service as an Active CARE Member;
- (b) any additional period of Service as an Active CARE Member aggregated with the CARE Member's last period of Service as an Active CARE Member; and
- (c) any additional period of Pensionable CARE Service awarded to the CARE Member in respect of a transfer payment received by Section 1 of the Scheme or augmentation made in respect of his CARE Benefits for him where the Trustees, with the agreement of the Principal Employer have determined to award Pensionable CARE Service in respect of such a transfer or augmentation.

“Rate” is defined in Rule 14.1(b) of this Appendix One to Schedule One of Part E of the Rules.

“Revalued CARE Salary” is defined in Rule 4.2(d) of this Appendix One to Schedule One of Part E of the Rules.

“Revaluation Factor” is defined in Rule 4.2(e) of this Appendix One to Schedule One of Part E of the Rules.

"Salary Cap" is determined each year as at each 1 April and is calculated as:

- (a) the Salary Cap in force on each 31 March;
- (b) increased on 1 April by the rise in the published Government's retail prices index for all items for the immediately preceding month of September. If the figure arrived at is not a multiple of £600, the figure will be rounded up to the nearest figure that is divisible by £600.

Conditions:

- (i) If in any year the published Government retail prices index for all items has not increased, the Salary Cap for that year will remain unchanged.
- (ii) The first Salary Cap is £112,800 which will apply from 1 January 2008 to 31 March 2008 inclusive in respect of CARE Benefits earned in the Racal Decca Scheme. The second Salary Cap to apply from 1 April 2008 to 30 June 2008 in the Racal Decca Scheme and from 1 July 2008 to 31 March 2009 to CARE Benefits earned in the Scheme is £117,600.
- (iii) If an Active CARE Member has a period of Part-Time Employment the Salary CAP will be adjusted in accordance with Rule 13 of this Appendix One to Schedule One of Part E of the Rules.
- (iv) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

"Serious Ill-Health" is the total incapacity of an Active CARE Member by reason of illness or injury such that the Principal Employer, with the agreement of the Trustees, are satisfied (after taking the advice of a registered medical practitioner selected by the Principal Employer with the agreement of the Trustees) that the Active CARE Member is not able to carry out the material and substantial duties of his occupation.

"Service" means service as an employee of an Employer.

"Standard Weekly Hours" is defined in Rule 13.3(b) of this Appendix One to Schedule One of Part E of the Rules.

"Three Month Condition" has the meaning given to it in Section 101AA of the 1993 Act.

"Unpaid Absence" is defined in Rule 12.2(c) of this Appendix One to Schedule One of Part E of the Rules.

"Unpaid Family Leave" is defined in Rule 12.1(c) of this Appendix One to Schedule One of Part E of the Rules.

15.2 Other Definitions used in Appendix One to Schedule One

- (a) In this Appendix One to Schedule One of Part E of the Rules, the words “Pensionable Service”, “Dependant”, “Eligible Spouse”, “Normal Pension Date” and “Pensioner” have the meanings given to them in Appendix Two to Schedule One of Part E of the Rules.
- (b) In this Appendix One to Schedule One of Part E of the Rules, all other definitions are defined in Part A of the Rules unless the Rules expressly state otherwise.

16 Restrictions on Lump Sum Death Benefits

16.1 In the event that the Lump Sum Benefit payable upon the death of an Active CARE Member or a DC Scheme Life Assurance Member is insured by the Scheme using a policy of insurance from an insurance company, the maximum amount of the Lump Sum Benefit will be determined in accordance with this Rule 16.

16.2 The Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule One of Part E of the Rules in respect of an Active CARE Member or a DC Scheme Life Assurance Member will not be greater than the monies paid by the insurance company under the policy of insurance effected by the Scheme to the Trustees in respect of the deceased Active CARE Member or DC Scheme Life Assurance Member (as applicable).

16.3 If Rule 16.2 above applies, the Trustees may pay a sum greater than the monies received from the insurance company but not greater than the Lump Sum Benefit. This Rule applies only if the Actuary advises the Trustees that the Scheme is fully funded on its ongoing funding basis using either:

- (a) if the Scheme is a Sectionalised Scheme, the assumptions used at the Scheme’s previous actuarial valuation for Section 1 of the Scheme; or
- (b) if the Scheme has desectionalised, the assumptions used at the Scheme’s previous actuarial valuation for the Scheme.

16.4 This Rule is subject to the terms of legislation relating to age discrimination and disability discrimination insofar as they apply to the Scheme.

16.5 This Rule 16 will not apply to have the effect of reducing the Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule One of Part E of the Rules where either:

- (a) the Trustees are aware that the application of this Rule will have the effect of reducing the Lump Sum Benefit payable upon the death of an Active CARE

Member or DC Scheme Life Assurance Member due to the level of such a Active CARE Member's or DC Scheme Life Assurance Member's pay from an Employer or the state of his health and the Trustees have failed to inform the Active CARE Member or DC Scheme Life Assurance Member of the effect of this Rule upon the Active CARE Member's or DC Scheme Life Assurance Member's Lump Sum Benefit within one (1) month of becoming aware of it; or

- (b) the full extent of the Lump Sum Benefit is not insured due to an act or omission or failure on the part of the Trustees or the Active CARE Member's or DC Scheme Life Assurance Member's Employer.

Provided that this Rule 16.5 will not apply if the reduction in the Lump Sum Benefit is caused as a direct result of an act, omission or failure by the Active CARE Member or DC Scheme Life Assurance Member to ensure that the Lump Sum Benefit is insured in full.

**SCHEDULE ONE OF PART E OF THE RULES
FOR FINAL SALARY BENEFITS RULES FOR FORMER RACAL DECCA BENEFICIARIES**

APPENDIX TWO

1 General Benefits Description

1.1 Type of Benefits

The Rules for Final Salary Benefits provide final salary style benefits for all Pensionable Service in the Racal Decca Scheme before 1 January 2008 in accordance with the trust provisions and the rules of the Racal Decca Scheme from time to time in force since the inception of the Racal Decca Scheme on 31 December 1947 up until 31 December 2007 which are transferred to Section 1 of the Scheme.

1.2 Contracting-out Status

The Final Salary Benefits are contracted-out on a salary related basis in so far as was required by the trust provisions and / or rules of the Racal Decca Scheme in force from time to time since the inception of the Racal Decca Scheme and shall be provided in a manner consistent with such contracting-out requirements.

1.3 Tax Status and Scheme Benefit Limits

- (a) Subject to (c) below, the Final Salary Benefits are subject to and restricted by Scheme Benefit Limits set out in Part G of the Rules which limit and restrict the amount and payment of benefits in respect of all Former Racal Decca Beneficiaries who were entitled to Final Salary Benefits from the Racal Decca Scheme earned before 1 January 2008 and transferred to Section 1 of the Scheme.
- (b) Subject to (c) below, all Final Salary Benefits earned before 1 October 1980 are subject to and restricted by all and any limits and restrictions contained in the trust deeds and rules which applied to those benefits in the Racal Decca Scheme on 30 June 2008 in so far as they are different from the Scheme Benefit Limits set out in Part G of the Rules.
- (c) Part G is varied for Former Racal Decca Beneficiaries as follows:
 - (i) In calculating the maximum benefits payable to and in respect of any Former Racal Decca Beneficiary, no account shall be taken of benefits payable in respect of any voluntary contributions paid by the Former Racal Decca Beneficiary to the Racal Decca Scheme.

- (ii) Drawing benefits whilst in Service
 - (A) Subject to the consent of the Trustees and the Principal Employer and to sub-paragraphs (B) and (C), a Former Racial Decca Beneficiary may receive a pension in respect of Final Salary Benefits whether or not his Service has ended.
 - (B) No benefits payable under the Scheme will be deferred beyond the day before the Member's 75th birthday.
 - (C) A Former Racial Decca Beneficiary to whom this paragraph (ii) applies will cease to be an Active CARE Member and Scheme Enhanced Member on the commencement of payment of his Final Salary Benefits.

1.4 Subsisting Rights

If (were it not for this Rule 1.4) any provision set out in this Appendix Two to Schedule One would or might affect any Former Racial Decca Beneficiary in respect of his subsisting rights (as defined in section 67A(6) of the Pensions Act 1995) acquired before 1 January 2008 in the Racial Decca Scheme, such a provision shall not apply to such a Former Racial Decca Beneficiary but only to the extent that it would or might have such an adverse effect.

2 Applicable Racial Decca Rules - Members who left Pensionable Service before 1 January 2008

2.1 For the purposes of this Appendix Two to Schedule One of Part E of the Rules the following terms have the following meanings:

- (a) "Racial Decca Rules" means the second definitive deed and rules of the Racial Decca Scheme dated 29 May 1987 (as amended by all deeds of amendment, announcements and other member communications other than the 2007 Deed unless the Rules expressly state otherwise).
- (b) "Old Rules" means any provisions of any trust deed and rules of the Racial Decca Scheme (including any announcements and other member communications) in force before the Racial Decca Rules came into force on 29 May 1987 which continued to apply to any Former Racial Decca Beneficiaries in the Racial Decca Scheme before 1 July 2008.
- (c) "2007 Deed" means the Enhanced Benefits Appendix of the deed of amendment dated 21 December 2007.

2.2 Subject to Rule 1.3 of this Appendix Two to Schedule One of Part E of the Rules above, for the purposes of this Appendix Two to Schedule One of Part E of the Rules the following provisions apply in respect of all Former Racal Decca Beneficiaries who ceased to be in Pensionable Service in the Racal Decca Scheme before 1 January 2008 and are neither Scheme Enhanced Members or Former Scheme Enhanced Members:

- (a) the Old Rules in force from time to time before 29 May 1987 which applied to any Former Racal Decca Beneficiaries of Section 1 of the Scheme in respect of their Final Salary Benefits before that date for the purposes of determining the nature, amount, value and the calculation of the Former Racal Decca Beneficiary's Final Salary Benefits transferred from the Racal Decca Scheme to Section 1 of the Scheme;
- (b) in respect of Former Racal Decca Beneficiaries to whom Rule 2.2(a) does not apply, the provisions of the Racal Decca Rules listed below will (with the necessary alterations to points of detail) be treated as applying to any Former Racal Decca Beneficiaries of Section 1 of the Scheme for the purposes of determining the nature, amount, value and the calculation of the Former Racal Decca Beneficiary's Final Salary Benefits transferred from the Racal Decca Scheme to Section 1 of the Scheme. (unless the context clearly requires otherwise):
 - (i) clause 15(b) of the Racal Decca Rules;
 - (ii) all of the rules other than rules 1(a), 2, 3, 7(a) I and II, 13 to 15 and 19 of the Racal Decca Rules;
 - (iii) all of the rules of schedule part III other than rules 2, 3, 7(a) I and II of schedule part III of the Racal Decca Rules;
 - (iv) all of the rules of schedule part IV of the Racal Decca Rules;
 - (v) all of the rules of schedule part V of the Racal Decca Rules contained in the deed of amendment to the Racal Decca Scheme dated 5 April 2006 in respect of part V of the schedule other than those provisions which describe the rights of employees to join the Racal Decca Scheme and the rights of members in Pensionable Service in the Racal Decca Scheme to:
 - (A) contribute to the Racal Decca Scheme (including the payment of additional contributions);
 - (B) earn benefits during temporary absence; and

(C) be provided with lump sum benefits upon death in Pensionable Service;

(vi) (where applicable) the Special Terms except insofar as they relate to a person's eligibility to join or re-join the Racial Decca Scheme, the payment of member contributions and additional voluntary contributions, the payment of lump sum benefits upon death in Pensionable Service and temporary absence; and

(vii) all of the definitions contained in the Racial Decca Rules and (where applicable) the Special Terms as amended from time to time and in particular by the 2007 Deed which are used in the above listed clause, rules and Special Terms but only in so far as it is necessary to interpret the listed clause, rules and Special Terms.

Provided that such definitions will only have the meanings given to them in the Racial Decca Rules and (where applicable) the Special Terms and will not be construed in accordance with any other definitions in the Rules.

2.3 Rule 3 of this Appendix Two to Schedule One of Part E of the Rules does not apply to any Former Racial Decca Beneficiary who is neither a Scheme Enhanced Member nor a Former Enhanced Member (both as defined in Rule 3.1 below).

2.4 For the purposes of this Appendix Two to Schedule One of Part E of the Rules a Former Racial Decca Beneficiary who on:

(a) 31 December 2007 had:

(i) attained his Normal Pension Date; and

(ii) deferred payment of his pension for Final Salary Benefits under the terms of rule 11 and rule 11 of schedule part III applicable to Specified Members and/or (where applicable) the relevant part of the Special Terms of the Racial Decca Rules; and

(iii) was not in receipt of his pension for Final Salary Benefits; and

(b) 30 June 2008 was still not in receipt of his pension for Final Salary Benefits

will continue to be treated as such a Member under the terms of rule 11 and rule 11 of schedule part III applicable to Specified Members and/or (where applicable) the relevant part of the Special Terms of the Racial Decca Rules with the right to the

application of an actuarial increase in his pension under the terms of rule 11 and / or (where applicable) the relevant part of the Special Terms of the Racial Decca Rules.

3 Applicable Racial Decca Rules - Members who were in Pensionable Service at any time after 31 December 2007 and entitled to Enhanced Benefits

3.1 Members affected by Enhanced Benefits and the Meaning of Past Service Pension

(a) For the purposes of this Appendix Two to Schedule One of Part E of the Rules, "Scheme Enhanced Member" means any Former Racial Decca Beneficiary who:

- (i) was an Enhanced Member in respect of Final Salary Benefits under the terms of the Racial Decca Rules and/or the Special Terms (where applicable) as amended by the 2007 Deed; and
- (ii) who transferred his Final Salary Benefits to Section 1 of the Scheme with effect on and from 1 July 2008; and
- (iii) was either an:
 - (A) Active CARE Member of Section 1 of the Scheme; or
 - (B) employee in respect of whom an employer in the group of companies owned by Thales Holdings (UK) plc or its successors make contributions to the DC Scheme

after 30 June 2008.

(b) For the purposes of this Appendix Two to Schedule One of Part E of the Rules, "Former Enhanced Member" means any Former Racial Decca Beneficiary who:

- (i) was an Enhanced Member in respect of Final Salary Benefits under the Racial Decca Rules and/or the Special Terms (where applicable) as amended by the 2007 Deed; and
- (ii) ceased to be an Enhanced Member in Racial Decca Scheme after 1 January 2008 but before 1 July 2008; and
- (iii) who transferred his Final Salary Benefits to Section 1 of the Scheme.

(c) For the purposes of this Appendix Two to Schedule One of Part E of the Rules, the "Past Service Pension" is calculated using a Scheme Enhanced Member's or Former Enhanced Member's (as applicable) Pensionable Service and Final Pensionable Salary calculated as at 31 December 2007 in accordance with the Racial Decca Rules (as amended by the 2007 Deed). Past Service Pension does

not include any Previous Membership Benefits;

3.2 Scheme Enhanced Members' and Former Enhanced Members' Benefits and Benefit Options

- (a) Subject to Rule 1.3 of this Appendix Two to Schedule One of Part E of the Rules, a Former Racial Decca Beneficiary who is either a Scheme Enhanced Member or a Former Enhanced Member will have his Final Salary Benefits calculated in accordance with the provisions listed in Rule 2.2 (with the necessary alterations to points of detail) as amended by the provisions in Rule 3 to this Appendix Two to Schedule One of Part E of the Rules.
- (b) All Former Racial Decca Beneficiaries who are Scheme Enhanced Members in Section 1 of the Scheme will, whilst they remain Scheme Enhanced Members of Section 1 of the Scheme, have the same benefit options in respect of their Final Salary Benefits held in Section 1 of the Scheme as Members of the Racial Decca Scheme in Pensionable Service on 31 December 2007 had under the terms of the Racial Decca Rules and/or the Special Terms (where applicable), but such benefit options are as amended by Rules 3.4 to 3.13 of this Appendix Two to Schedule One of Part E of the Rules.
- (c) All Former Racial Decca Beneficiaries who are Former Enhanced Members in Section 1 of the Scheme will have the same benefit options in respect of their Final Salary Benefits held in Section 1 of the Scheme as they had under the terms of the Racial Decca Rules and/or the Special Terms (where applicable) (as amended by the 2007 Deed) as Enhanced Members who had stopped being Enhanced Members under those rules.

3.3 Revaluation of Final Salary Benefits earned before 31 December 2007 for Former Enhanced Members

Each of the Former Racial Decca Beneficiaries who is a Former Enhanced Member and was entitled to Final Salary Benefits payable under the Racial Decca Rules and/or the Special Terms (where applicable) will be entitled to Final Salary Benefits in Section 1 of the Scheme which are:

- (a) of the same nature, amount, value and calculated in the same way as the Former Enhanced Member's Past Service Pension in the Racial Decca Scheme; and
- (b) adjusted in accordance with the terms of the 2007 Deed from 1 January 2008 to the date he stopped being an Enhanced Member in the Racial Decca Scheme;

and

- (c) revalued in Section 1 of the Scheme using the final salary method of statutory revaluation (as set out in section 84(1) and paragraphs 1 and 2 to Schedule 3 of the 1993 Act) to the earlier of the date:
 - (i) of his death;
 - (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule One of Part E of the Rules; or
 - (iii) his Normal Pension Date.

3.4 Revaluation of Final Salary Benefits earned before 31 December 2007 for Scheme Enhanced Members

- (a) Each of the Former Racal Decca Beneficiaries who is a Scheme Enhanced Member of Section 1 of the Scheme is entitled to Final Salary Benefits payable under the Racal Decca Rules and/or the Special Terms (where applicable) which is:
 - (i) of the same nature, amount, value and calculated in the same way as the Scheme Enhanced Member's Past Service Pension in the Racal Decca Scheme; and
 - (ii) then adjusted in accordance with the terms of this Rule 3.4 of this Appendix Two to Schedule One of Part E of the Rules.
- (b) A Scheme Enhanced Member's Past Service Pension will be revalued as at 1 April 2008 in the Racal Decca Scheme. Thereafter, subject to (c) below, a Scheme Enhanced Member's Past Service Pension will be revalued as at each 1 April in Section 1 of the Scheme by the Special Revaluation Factor for the Revaluation Period.
- (c) As at the date a Scheme Enhanced Member stops being a Scheme Enhanced Member in Section 1 of the Scheme, his Past Service Pension will not be less than the aggregate of:
 - (i) in the case of that part of the Scheme Enhanced Member's Past Service Pension which is in excess of his Guaranteed Minimum Pension, that part of his Past Service Pension revalued by the Special Revaluation Factor for the Revaluation Period; and
 - (ii) in the case of that part of the Scheme Enhanced Member's Past Service

Pension which is his Guaranteed Minimum Pension, his Guaranteed Minimum Pension revalued from 1 January 2008 to the date he ceased to be a Scheme Enhanced Member by the greater of statutory revaluation applied to a Guaranteed Minimum Pension under the terms of the 1993 Act or revaluation applied by the Raca! Decca Rules and/or the Special Terms (where applicable) in force before 1 January 2008, if higher.

Conditions:

- (A) The "Special Revaluation Factor" is the Revaluation Rate compounded over the Revaluation Period.
- (B) The "Revaluation Rate" is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the Maximum Revaluation Rate set out in paragraph (C) below and will not be a negative amount.
- (C) The "Maximum Revaluation Rate" is what the Revaluation Rate would be if the rise in the Government retail prices index for all items was eight (8) per cent compound each year for the Revaluation Period.
- (D) The "Revaluation Period" is the period from 1 January 2008 to the 1 April immediately preceding the date the Scheme Enhanced Member stops being a Scheme Enhanced Member.
- (E) The rise in the Government retail prices index for all items used for the Revaluation Rate is:
 - 1) in the case of revaluation applied in the Raca! Decca Scheme as at 1 April 2008, a full year's increase using the annual rise in the Government retail prices index for all items published for September 2007; and
 - 2) for each subsequent 1 April in Section 1 of the Scheme the annual rise in the Government retail prices index for all items published for the immediately preceding month of September.
- (F) If:
 - 1) for any period during the Revaluation Period, the rise in the Government retail prices index for all items is higher than eight (8) per cent compound each year;

2) the Actuary advises the Trustees that either:

1a) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 1); or

1b) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and

3) the Principal Employer consents in writing

the Trustees may apply a higher Special Revaluation Factor than is provided for under these Rules for such period as the Principal Employer agrees.

(G) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer with the agreement of the Trustees will decide the nearest alternative index to be applied.

(d) A Former Racal Decca Beneficiary who is a Scheme Enhanced Member of Section 1 of the Scheme will stop being a Scheme Enhanced Member when either:

(i) he stops being an Active CARE Member under the terms of this Appendix One to Schedule One of Part E of the Rules; or

(ii) an employer in the group of companies owned by Thales Holdings UK plc (or its successors) stops paying contributions to the DC Scheme in respect of him

at a date after 30 June 2008.

(e) When a Scheme Enhanced Member stops being a Scheme Enhanced Member before his Normal Pension Date for the purposes of this Appendix Two to Schedule One of Part E of the Rules, if his Past Service Pension does not immediately start to be paid from Section 1 of the Scheme, he will become a deferred pensioner and his deferred pension will be calculated in accordance with the terms of Rule 3.4(c) above up to the date he ceased to be a Scheme Enhanced Member.

Thereafter, the Trustees will revalue the Past Service Pension using the final salary method of statutory revaluation (as set out in section 84(1) and paragraphs 1 and 2 of Schedule 3 of the 1993 Act) from the date he ceased to be a Scheme Enhanced Member to the earlier of the date:

- (i) of his death;
- (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule One of Part E of the Rules; or
- (iii) of his Normal Pension Date.

(f) Under the terms of this Rule 3.4, a Scheme Enhanced Member's Past Service Pension at the earlier of the date:

- (i) of his death;
- (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule One of Part E of the Rules; or
- (iii) his Normal Pension Date

will not be less than the pension he would have been entitled to as a Member of the Raca Decca Scheme becoming a deferred pensioner entitled to Final Salary Benefits on 31 December 2007 under the terms of the Raca Decca Rules or (where applicable) the relevant part of the Special Terms upon the basis that the part of his pension which is in excess of his Guaranteed Minimum Pension and his Guaranteed Minimum Pension will be revalued separately in accordance with either the requirements of statutory revaluation or the provisions of the Raca Decca Rules, if higher, in force on 31 December 2007.

(g) If, when a Scheme Enhanced Member stops being a Scheme Enhanced Member and his Past Service Pension immediately starts to be paid from the Scheme, he will be a Pensioner in receipt of his pension from that date in respect of his Past Service Pension.

Provided that where the Past Service Pension starts to be paid under this Rule before the Scheme Enhanced Member's Normal Pension Date, the early retirement reduction applied (if any) will be the reduction applicable on retirement from Pensionable Service.

(h) If a Scheme Enhanced Member remains in Service upon attaining his Normal Pension Date and his Past Service Pension does not start to be paid from the

Scheme:

- (i) rule 11; or
- (ii) rule 11 of schedule part III applicable to Specified Members; and/or
- (iii) the relevant parts of schedule part V applicable to Transferred Thorn Fund Members (as amended by the deed of amendment dated 6 April 2006) in respect of which describe the benefits payable to and in respect of a Member who remains in Service having attained his Normal Pension Date

of the Raca Decca Rules and / or (where applicable) the relevant part of the Special Terms will apply in respect of his Past Service Pension from his Normal Pension Date.

3.5 Ill-Health Early Retirement - Special Rules for Scheme Enhanced Members

- (a) If a Scheme Enhanced Member is suffering from Incapacity and an entitlement to a pension has arisen under the terms of:

- (i) rule 10;
- (ii) rule 10 of schedule part III applicable to Specified Members; and / or
- (iii) the relevant parts of schedule part V applicable to Transferred Thorn Fund Members (as amended by the deed of amendment dated 6 April 2006) in respect of which describe the benefits payable to and in respect of a Transferred Thorn Member due to Incapacity;

of the Raca Decca Rules and / or (where applicable) the relevant part of the Special Terms, the Final Salary Benefits pension payable will be equal to the Scheme Enhanced Member's Past Service Pension adjusted in accordance with Rule 3.4 above to the date he stops being a Scheme Enhanced Member. No prospective service to Normal Pension Date will be added to the pension, but the pension will not be reduced to take account of early payment.

- (b) A Scheme Enhanced Member who is not able to work due to ill-health or injury and who is in receipt of payments from an employer's permanent health insurance of at least 50 per cent of either his:

- (i) CARE Salary in the case of an Active CARE Member; or
- (ii) DC Salary in the case of a DC Scheme Life Assurance Member; less

(iii) In either case statutory sick pay

is not entitled to apply for the payment of his Past Service Pension under this Rule 3.5 unless the Principal Employer with the agreement of the Trustees decide otherwise.

(c) This Rule 3.4 will cease to apply when a Former Racial Decca Beneficiary stops being a Scheme Enhanced Member.

3.6 Death whilst a Scheme Enhanced Member - Lump Sums

(a) If a person dies whilst a Scheme Enhanced Member, Section 1 of the Scheme will pay on the discretionary trusts pursuant to Rule 74 of Part D of the Rules:

(i) a refund of the Scheme Enhanced Member's own contributions which he was required to pay to the Racial Decca Scheme before 1 January 2008 and which have been transferred to Section 1 of the Scheme; and

(ii) any benefits due under the terms of this Appendix Two to Schedule One of Part E of the Rules or (where applicable) the relevant part of the Special Terms as a result of the payment of Members Voluntary Contributions paid before 1 January 2008 to the Racial Decca Scheme which have been transferred to Section 1 of the Scheme.

(b) Any Final Salary Benefits lump sum death benefit (other than that referred to in Rule 3.6(a) above) which would have been paid upon the death of either a member or a deferred pensioner under the terms of the Racial Decca Rules and / or (where applicable) any relevant part of the Special Terms will not be paid.

(c) The balance of the Scheme Enhanced Member's death in service lump sum benefits will be paid under the terms of this Appendix One to Schedule One of Part E of the Rules in accordance with the terms of Rule 74 of Part D to the Rules (regardless of whether the Scheme Enhanced Member is an Active CARE Member or a DC Scheme Life Assurance Member on the date of his death).

3.7 Death whilst a Scheme Enhanced Member - Pension Benefits

(a) Subject to Rule 3.7 (d) below, if a person dies whilst a Scheme Enhanced Member, Section 1 of the Scheme will, subject to (b) below, pay pension benefits in accordance with the terms of:

(i) rule 7(a) III;

(ii) rule 7(a) III schedule part III applicable to Specified Members; and / or

(iii) the relevant parts of schedule V applicable to Transferred Thorn Fund Members (as amended by the deed of amendment dated 6 April 2006) in respect of which describe the pension benefits payable upon the death of a Transferred Thorn Member upon his death whilst in Pensionable Service; and / or

of the Racal Decca Rules or (where applicable) any relevant part of the Special Terms, in respect of his Past Service Pension.

- (b) The amount of any pension payable under Rule 3.7(a) above will be determined using the Scheme Enhanced Member's Past Service Pension adjusted to the date of his death in accordance with Rule 3.4 above. No prospective service will be included in the calculation of any pensions payable under the Racal Decca Rules or where applicable any relevant part of the Special Terms as specified under Rule 3.7(a).
- (c) The balance of the pension payable upon the death of a Scheme Enhanced Member will be paid under the terms of Appendix One to Schedule One of Part E of the Rules.
- (d) Any pension payable under this Appendix Two to Schedule One of Part E of the Rules in a manner consistent with the Racal Decca Rules or (where applicable) the Special Terms upon the death of a Member in Pensionable Service which is calculated as a percentage or proportion of a member's Final Pensionable Salary, Current Pensionable Salary, Basic Salary or other definition of pay (as amended by the 2007 Deed) will not be payable from Section 1 of the Scheme.

3.8 Prospective Service Benefits

No benefit payable to or in respect of a Scheme Enhanced Member from Section 1 of the Scheme in accordance with this Appendix Two to Schedule One of Part E of the Rules will include in its calculation any prospective Pensionable Service.

3.9 Continued Life Assurance Benefits

- (a) This Rule 3.9 applies to a Scheme Enhanced Member and a Former Enhanced Member:
- (i) who either:
- (A) stops being a Scheme Enhanced Member; or
- (B) stopped being a Former Enhanced Member

due to Incapacity or Serious Ill-Health (or both); and

(ii) whose:

- (A) Past Service Pension payable under the terms of rule 10 of the Racial Decca Rules and / or (where applicable) the relevant part of the Special Terms (as amended by Rule 3.5 above) due to Incapacity; or
- (B) CARE Pension payable under Rule 5.3 of Appendix One to Schedule One of Part E of the Rules; or
- (C) both (A) and (B)

immediately starts to be paid upon him stopping being either a Scheme Enhanced Member of Section 1 of the Scheme or an Enhanced Member of the Racial Decca Scheme.

(b) A Scheme Enhanced Member or Former Enhanced Member to whom this Rule 3.9 of Appendix One to Schedule One of Part E of the Rules applies will continue to be provided with the Lump Sum Benefit under this Rule 3.9 of Appendix One to Schedule One of Part E of the Rules from the date he either stops being a Scheme Enhanced Member of Section 1 of the Scheme or stopped being an Enhanced Member of the Racial Decca Scheme to the earlier of:

- (i) his CARE Pension Date; and
- (ii) any date before his CARE Pension Date when all of his pension benefits which are in payment from Section 1 of the Scheme (whether under the terms of this Appendix Two to Schedule One or Appendix One to Schedule One of Part E of the Rules or both) stop being paid (other than where benefits stop as a result of his death).

(c) The amount of the Scheme Enhanced Member's or Former Enhanced Member's CARE Salary or DC Salary (as applicable) for the purposes of calculating his Lump Sum Benefit will be his CARE Salary or DC Salary as at the date he ceased to be either a Scheme Enhanced Member of Section 1 of the Scheme or an Enhanced Member of the Racial Decca Scheme, increased by such amount as the Principal Employer decides from time to time.

3.10 Pension Commencement Lump Sum

(a) Where a Scheme Enhanced Member or Former Enhanced Member has an

entitlement to:

- (i) Final Salary Benefits and CARE Benefits as a result of his own membership of the Racal Decca Scheme which were transferred to Section 1 of the Scheme; and
- (ii) In the case of a Scheme Enhanced Member only, CARE Benefits earned in Section 1 of the Scheme

he can only exchange Past Service Pension for a pension commencement lump sum in proportion to the amount his Past Service Pension represents as a part of his aggregated pension from Section 1 of the Scheme when his Past Service Pension and his CARE Pension are aggregated together.

- (b) Where a Scheme Enhanced Member or Former Enhanced Member has an entitlement to Previous Membership Benefits, he can only exchange Previous Membership Benefits for pension commencement lump sum:
 - (i) in accordance with the Racal Decca Rules or (where applicable) any relevant part of the Special Terms which apply to it; and
 - (ii) in proportion to the amount his Previous Membership Benefits represents as a part of his aggregated pension from Section 1 of the Scheme when his Previous Membership Benefits, Past Service Pension and his CARE Pension are aggregated together.
- (c) Nothing in this Rule 3.10 will reduce the maximum amount of Past Service Pension which a Scheme Enhanced Member or Former Enhanced Member can elect to exchange for a pension commencement lump sum under the Racal Decca Rules (including (where applicable) the Special Terms) insofar as such a maximum amount was a subsisting right within the meaning of Section 67 A(6) of the 1995 Act as at 31 December 2007.

3.11 Other Benefits

- (a) Where a Scheme Enhanced Member or Former Enhanced Member has benefits which were transferred into Section 1 of the Scheme which relate to previous period of membership of the Racal Decca Scheme which are separate from his Past Service Pension, those benefits will be paid under the terms of the Racal Decca Rules in force at the relevant time when such previous period of membership in the Racal Decca Scheme ended.
- (b) For the purposes of these Rules the benefits referred to in 3.11(a) are referred

to as the "Previous Membership Benefits".

3.12 Early Leaver Rights

- (a) Where the Racial Decca Rules applicable to the Former Racial Decca Beneficiaries' Final Salary Benefits specify the manner in which the Preservation Requirements will be complied with under them, those rules will apply in respect of the Preservation Requirements.
- (b) If the provisions of the Racial Decca Rules or (where applicable) any relevant part of the Special Terms which apply to the Former Racial Decca Beneficiaries' Final Salary Benefits referred to in (a) above do not specify the manner in which the Preservation Requirements will be complied with under them, the rules or (where applicable) any relevant part of the Special Terms will be construed in a manner which is consistent with the Preservation Requirements.

3.13 Additional Voluntary Contributions

No Scheme Enhanced Member or Former Enhanced Member can pay Members Voluntary Contributions to Section 1 of the Scheme under the terms of this Appendix Two to Schedule One of Part E of the Rules

3.14 Targeted Benefits

In so far as any Scheme Enhanced Member's or Former Enhanced Member's benefits are calculated under the terms of the Rules and (where applicable) the Special Terms, as a proportion of the Scheme Enhanced Member's or Former Enhanced Member's Final Pensionable Salary (or similar formula), such a Scheme Enhanced Member's or Former Enhanced Member's Past Service Pension will be calculated as a proportion of his Final Pensionable Salary (or under any similar formula) applicable to a person as if he had become a deferred pensioner on 31 December 2007.

3.15 2007 Pension Increases Exchange

- (a) In this Rule the following expressions have the following meanings:
 - (i) "2007 Non-Statutory Increase Pensions" means, in relation to a Pension Increase Swap Member, the part of a pension (except any pension attributable to additional voluntary contributions) which:
 - (A) is not required to be increased in order to comply with legislation; and
 - (B) has been correctly identified as being subject to non-statutory

increases in the personal information statement enclosed with the Pensioner Option Letter.

(ii) **“Pension Increase Swap Member”** means a Member or the Dependant or Eligible Spouse of a Member in each case who was in receipt of a pension from the Racal Decca Scheme on 11 June 2007 and who:

(A) elected to accept the offer contained in the Pensioner Option Letter by completing the decision form enclosed with the Pensioner Option Letter and returning it as directed no later than 30 September 2007; and

(B) received from Thales Holdings UK Plc on or before 31 December 2007 the cash sum shown in the personal information statement enclosed with the Pensioner Option Letter, in accordance with the terms of the Pensioner Option Letter.

(iii) **“Pensioner Option Letter”** means a letter from Thales Holdings UK Plc dated 20 August 2007, 23 August 2007 or 24 August 2007 to Members and the Dependants of Members in receipt of a pension from the Racal Decca Scheme on 11 June 2007.

(b) Notwithstanding rule 9 of the Racal Decca Rules and any other provisions of the Racal Decca Scheme which are Racal Decca Rules including without limitation the Racal Decca Rules including the relevant schedules and (where applicable) the Special Terms relating to pension increases, in the case of:

(i) a Pension Increase Swap Member no increase shall be payable on any 2007 Non-Statutory Increase Pensions after 31 March 2008 (or such other date as Thales Holdings UK Limited and the Trustees may agree which is before 30 June 2008); and

(ii) any pension payable to any person on the death of a Pension Increase Swap Member, no increase shall be payable on such person's pension after 31 March 2008 (or such other date as Thales Holdings UK Limited and the Trustees may agree which is before 30 June 2008) except to the extent required by legislation.

Provided in either case that the entitlement to increases to Non-Statutory Increase Pensions shall be reinstated retrospectively if the Pension Increase Swap Member (or his estate if he dies before receipt) has not received from Thales Holdings UK Plc on or before 30 September 2008 the cash sum shown in

the personal information statement enclosed with the Pensioner Option Letter.

3.16 2008 Pension Increases Exchange

- (a) In this Rule the following expressions have the following meanings:
- (i) **“2008 Non-Statutory Increase Pensions”** means, in relation to a Phase 3 Pension Increase Swap Member, the part of a pension (except any pension attributable to additional voluntary contributions) which:
 - (A) is not required to be increased in order to comply with legislation; and
 - (B) has been correctly identified as being subject to non-statutory increases in the personal information statement enclosed with the Pensioner Option Pack.
 - (ii) **“Phase 3 Pension Increase Swap Member”** means a Member or the Dependant or Eligible Spouse of a Member in each case who was in receipt of a pension from the Racal Decca Scheme on 1 April 2008 (or such other date as Thales Holdings UK plc and the Trustees may agree) and who elected to accept the offer contained in the Pensioner Option Letter by completing the decision form enclosed with the Pensioner Option Pack by completing the decision form enclosed in the Pensioner Option Pack and returning it as directed no later than 20 June 2008 (or such later date as Thales Holdings UK plc and the Trustees may agree).
 - (iii) **“Pensioner Option Pack”** means a letter from Thales Holdings UK Plc dated April 2008 (or such other date as Thales Holdings UK plc and the Trustees may agree) and the subsequent communication from Heath Lambert dated 2 May 2008 (or such other date as Thales Holdings UK plc and the Trustees may agree) both of which were sent to certain Members and certain Dependants of Members in receipt of a pension on 1 April 2008 (or such other date as Thales Holdings UK plc and the Trustees may agree).
- (b) Notwithstanding rule 9 of the Racal Decca Rules and any other provisions of the Racal Decca Scheme which are Racal Decca Rules including without limitation the Racal Decca Rules including the relevant schedules and (where applicable) the Special Terms relating to pension increases, in the case of:
- (i) a Phase 3 Pension Increase Swap Member no increase shall be payable on any 2008 Non-Statutory Increase Pensions after 29 June 2008; and

- (ii) any pension payable to any person on the death of a Phase 3 Pension Increase Swap Member, no increase shall be payable on such person's pension after 29 June 2008 except to the extent required by legislation.

Provided in either case that the entitlement to increases to 2008 Non-Statutory Increase Pensions shall be reinstated retrospectively if the Phase 3 Pension Increase Swap Member (or his estate if he dies before receipt) has not received from Thales Holdings UK Plc on or before 30 September 2008 the cash sum shown in the personal information statement enclosed with the Pensioner Option Pack.

4 Meanings of Words Used

4.1 Use of Definitions in this Appendix Two to Schedule One

In this Appendix Two to Schedule One of Part E of the Rules, the following words have the following special meanings:

"2007 Deed" has the meaning given to it in Rule 2.1(c) of Appendix Two to Schedule One of Part E of the Rules.

"2007 Non-Statutory Increase Pensions" has the meaning given to it in Rule 3.15(a)(i) of Appendix Two to Schedule One of Part E of the Rules.

"2008 Non-Statutory Increase Pensions" has the meaning given to it in Rule 3.16(a)(i) of Appendix Two to Schedule One of Part E of the Rules

"Former Enhanced Member" has the meaning given to Rule 3.1(b) of Appendix Two to Schedule One of Part E of the Rules.

"Maximum Revaluation Rate" has the meaning given in the conditions to Rule 3.3(b) of Appendix Two to Schedule One of Part E of the Rules.

"Old Rules" has the meaning given to it in Rule 2.1(b) of Appendix Two to Schedule One of Part E of the Rules.

"Past Service Pension" has the meaning given in Rule 3.1(c) of Appendix Two to Schedule One of Part E of the Rules.

"Pension Increase Swap Member" has the meaning given to it in Rule 3.15(a)(ii) of Appendix Two to Schedule One of Part E of the Rules.

"Pensioner Option Letter" has the meaning given to it in Rule 3.15(a)(iii) of Appendix Two to Schedule One of Part E of the Rules.

“Pensioner Option Pack” has the meaning given to it in Rule 3.16(a)(iii) of Appendix Two to Schedule One of Part E of the Rules

“Phase 3 Pension Increase Swap Member” has the meaning given to it in Rule 3.16(a)(ii) of Appendix Two to Schedule One of Part E of the Rules.

“Previous Membership Benefits” has the meaning given in Rule 3.11 of Appendix Two to Schedule One of Part E of the Rules.

“Racal Decca Rules” has the meaning given to it in Rule 2.1(a) of Appendix Two to Schedule One of Part E of the Rules.

“Revaluation Period” has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule One of Part E of the Rules.

“Revaluation Rate” has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule One of Part E of the Rules.

“Scheme Enhanced Member” has the meaning given in Rule 3.1(a) of Appendix Two to Schedule One of Part E of the Rules.

“Special Revaluation Factor” has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule One of Part E of the Rules.

“Special Terms” means any benefits in respect of a Former Racal Decca Beneficiary or any person claiming through him which as at 31 December 2007:

- (a) the Racal Decca Scheme had lawfully granted under the provisions of the Racal Decca Scheme; and
- (b) had been communicated to Members in writing; and
- (c) had not been formally recorded in the Racal Decca Rules.

4.2 Other Definitions used in Appendix Two to Schedule One

- (a) In this Appendix Two to Schedule One of Part E of the Rules, the words “Active CARE Member”, “CARE Pension”, “CARE Pension Date”, “CARE Salary”, “DC Salary”, “DC Scheme Life Assurance Member” and “Serious Ill-Health” have the meanings given to them in Appendix One to Schedule One of Part E of the Rules.
- (b) In this Appendix Two to Schedule One of Part E of the Rules, the words “Basic Salary”, “Current Pensionable Salary”, “Dependant”, “Enhanced Member”,

“Final Pensionable Salary”, “Guaranteed Minimum Pension”, “Incapacity”, “Member”, “Members Voluntary Contributions”, “Normal Pension Date”, “Pensionable Service”, “Specified Member” and “Transferred Thorn Member” have the meanings given to them in the Racial Decca Rules (as amended, where applicable, by the 2007 Deed).

- (c) In this Appendix Two to Schedule One of Part E of the Rules, all other definitions are defined in Part A of the Rules.

SCHEDULE TWO OF PART E OF THE RULES

FORMER RACAL EPP BENEFICIARIES

1 Application of Schedule Two of Part E of the Rules

1.1 Schedule Two of Part E of the Rules applies to:

- (a) Former Racal EPP Beneficiaries; and
- (b) any person who the Principal Employer and Trustees have agreed should be treated as a Former Racal EPP Beneficiary under Rule 77.3 of Part E of the Rules.

1.2 CARE Benefits earned in Racal EPP by Former Racal EPP Beneficiaries which are transferred to Section 1 of the Scheme are calculated as if those CARE Benefits had been earned in Section 1 of the Scheme from (and including) 1 January 2008 rather than in Racal EPP.

1.3 For those of the Former Racal EPP Beneficiaries who are in Pensionable CARE Service in Section 1 of the Scheme on 1 July 2008 and whose CARE Benefits from Racal EPP are transferred to Section 1 of the Scheme, Pensionable CARE Service in Section 1 of the Scheme will be treated as continuous.

2 Structure of Schedule Two of Part E of the Rules

2.1 Appendix One sets out the Rules to Schedule Two of Part E which apply to the provision of CARE Benefits for Former Racal EPP Beneficiaries.

2.2 Appendix Two sets out the Rules to Schedule Two Part E which apply to the provision of Final Salary Benefits for Former Racal EPP Beneficiaries.

2.3 Final Salary Benefits earned in Racal EPP by Former Racal EPP Beneficiaries before 1 January 2008 will be of the same nature, amount and value and be calculated in the same way as under the terms which applied in Racal EPP to that Former Racal EPP Beneficiary on 31 December 2007. Such benefits will be administered in accordance with Parts A, B, D, E, G and H of the Rules of the Scheme.

**SCHEDULE TWO OF PART E OF THE RULES
CARE BENEFITS RULES FOR FORMER RACAL EPP BENEFICIARIES**

APPENDIX ONE

1 General Benefits Description

1.1 Type of Benefits

The Rules for CARE Benefits for Former Racal EPP Beneficiaries provide career average revalued earnings style benefits for:

- (a) all Pensionable CARE Service in Racal EPP after 31 December 2007 and before 1 July 2008 which is transferred to Section 1 of the Scheme; and
- (b) all Pensionable CARE Service (if any) in Section 1 of the Scheme after 30 June 2008

which shall be treated as continuous Pensionable CARE Service.

1.2 Contracting-out Status

The CARE Benefits are contracted-in.

1.3 Tax Status and Plan Limits

- (a) The Rules for the provision of CARE Benefits are designed to provide pension and death benefits for a registered occupational pension scheme under Part 4 of the Finance Act 2004 (as amended).
- (b) For the purposes of determining the maximum benefits payable to a Former Racal EPP Beneficiary and any restrictions on their payment:
 - (i) the Scheme Benefit Limits contained in Part G of the Rules do not apply to the CARE Benefits;
 - (ii) the total pension payable to a Former Racal EPP Beneficiary from Section 1 of the Scheme when the CARE Benefits and the Final Salary Benefits are aggregated together will not exceed two thirds of the Former Racal EPP Beneficiary's Final Remuneration (as defined in Part G of the Rules) (ignoring the effect of any salary sacrifice arrangement made between the CARE Member and his Employer);
- (c) save as provided in Rule 77 of Part E of the Rules, this Rule 1.3 of this Appendix One to Schedule Two of Part E does not disapply:

- (i) the Scheme Benefit Limits which apply to the Final Salary Benefits of Former Racal EPP Beneficiaries in Part G of the Rules; or
 - (ii) any other benefit limits rules and / or restrictions applied to the Final Salary Benefits under Rule 1.3(c) of Appendix Two to Schedule Two of Part E of the Rules; and
- (d) if a CARE Member is subject to a pension sharing on divorce order, agreement or equivalent provision, Rule 1.3(b)(ii) will be applied to the total pension payable to a CARE Member from the Scheme when the CARE Benefits payable under this Appendix One to Schedule Two of Part E and the Final Salary Benefits payable under Appendix Two to Schedule Two of Part E are aggregated together before the pension sharing on divorce order, agreement or equivalent provision, is applied.

1.4 Early Leaver Rights

- (a) Where the CARE Benefits Rules of this Appendix One to Schedule Two specify the manner in which the Preservation Requirements will be complied with under it, those Rules will apply in respect of the Preservation Requirements.
- (b) If the CARE Benefits Rules of this Appendix One to Schedule Two do not specify the manner in which the Preservation Requirements will be complied with under it, the Rules will be construed in a manner which is consistent with the Preservation Requirements.

2 Membership for CARE Benefits

2.1 Becoming an Active CARE Member

- (a) An Employee is able to become and remain an Active CARE Member of Section 1 of the Scheme for so long as he satisfies all of the following conditions. The employee:
 - (i) was, on 31 December 2007, either:
 - (A) a member of Racal EPP in Pensionable Service under the rules of that scheme in force on that date; or
 - (B) an employee who was not a member of Racal EPP in Pensionable Service under the rules of that scheme in force on that date but whom the Principal Employer has determined was eligible to join Racal EPP and did not join the DC Scheme on 1 January

2008;

- (ii) before 1 January 2008, elected in writing using the election form provided by Thales Electronics Plc to become an Active CARE Member of Racal EPP from either 1 January 2008 or such later date as his employer in Racal EPP agreed in writing;
 - (iii) has either:
 - (A) a written pension salary sacrifice arrangement in force with his Employer; or
 - (B) if the Principal Employer permits, a written consent in force with his Employer to deduct his contributions from his CARE Salary; and
 - (iv) was continuously an Active CARE Member from either 1 January 2008 or such later date as he was first admitted to the Racal EPP; and
 - (v) joined the Scheme as an Active CARE Member of Section 1 of the Scheme with effect from 1 July 2008 and transferred all of his benefits in Racal EPP to Section 1 of the Scheme with effect on and from 1 July 2008.
- (b) Section 1 of the Scheme is closed to new members and only Employees who meet the conditions set out in Rule 2.1(a) can be Active CARE Members of Section 1 of the Scheme entitled to CARE Benefits under the terms of this Appendix One to Schedule Two of Part E of the Rules.

2.2 Stopping being an Active CARE Member

- (a) An Active CARE Member will cease to be an Active CARE Member on the earlier of the date:
- (i) he leaves employment or dies; or
 - (ii) of the expiry of not less than one month's written notice which he has given to the Trustees to end his Pensionable CARE Service; or
 - (iii) he ceases to satisfy all of the eligibility criteria to be an Active CARE Member under Rule 2.1(a) above (and for these purposes absence whilst the CARE Member remains in Service under Rule 12 of this Appendix One to Schedule Two of Part E is ignored); or

- (iv) he otherwise ceases to be in Pensionable CARE Service under any other provision of the Rules of this Appendix One to Schedule Two of Part E of the Rules.
- (b) No Employee who has ceased to be an Active CARE Member under Rule 2.2(a) above can rejoin the Scheme in order to earn either CARE Benefits or Final Salary Benefits.
- (c) An Active CARE Member who opts-out of Active CARE Membership under Rule 2.2(a)(ii) above before his CARE Pension Date will be treated as a Deferred CARE Member from the date his notice to opt-out expires. Rules 6 and 9 apply to this Appendix One to Schedule Two of Part E of the Rules.

3 Payment of Contributions

3.1 Rate of Contributions

- (a) The rate of contributions due to Section 1 of the Scheme from each Active CARE Member is:
 - (i) 6 (six) per cent of CARE Salary for that part of the CARE Salary up to and including the upper earnings limit; and
 - (ii) 9 (nine) per cent of CARE Salary for that part (if any) of the CARE Salary in excess of the upper earnings limit.
- (b) Upper earnings limit is the annual equivalent of upper earnings limit published immediately before each 1 April for the following tax year.
- (c) Upper earnings limit has the meaning given in section 181 of the 1993 Act.
- (d) If an Active CARE Member has a period of Part-Time Employment the upper earnings limit will be adjusted in accordance with Rule 13 of this Appendix One to Schedule Two of Part E of the Rules.

3.2 Payment of Contributions

- (a) Active CARE Members who enter into a pension salary sacrifice arrangement with their Employer pursuant to Rule 3.2(c) below do not contribute to Section 1 of the Scheme.
- (b) Active CARE Members who, with the agreement of the Principal Employer, do not enter into a pension salary sacrifice arrangement with their Employer must contribute to Section 1 of the Scheme at the rate set out in Rule 3.1 above).

- (c) In order for Rule 3.2(a) above to apply the:
- (i) Active CARE Member must sacrifice from his pay from his Employer an amount equivalent to the contributions he would have paid to the Section 1 of the Scheme at the rate set out in Rule 3.1 above had the pension salary sacrifice arrangement not been in force; and
 - (ii) Active CARE Member's Employer must pay monthly to the Trustees contributions to Section 1 of the Scheme of an amount equal to the sums sacrificed by the Active CARE Member from his remuneration from that Employer under his pension salary sacrifice arrangement.
- (d) All Active CARE Members are required to enter into a pension salary sacrifice arrangement with an Employer unless the Principal Employer determines otherwise in writing.
- (e) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule Two of Part E of the Rules applies.
- (f) In the event that the Principal Employer decides not to permit Active CARE Members to sacrifice pay from their Employer in accordance with Rule 3.2(c) above, such Active CARE Members will:
- (i) continue to earn CARE Benefits provided that they contribute to Section 1 of the Scheme under the terms of Rule 3.2(b) above; and
 - (ii) provide such written consents as their Employer requests in writing to be able to deduct such contributions from their pay.

Such Active CARE Members will become Deferred CARE Members if they do not provide to their Employer such written consents as are required for them to contribute to Section 1 of the Scheme under Rule 3.2(b) above within one (1) month of the date the Active CARE Members are asked to pay contributions to Section 1 of the Scheme or such longer period as the Principal Employer may decide.

3.3 Additional Voluntary Contributions

No Active CARE Member can pay additional voluntary contributions to Section 1 of the Scheme.

3.4 Employer Contributions

The balance of the cost of providing the CARE Benefits will be paid by the Employers in accordance with Rule 35 of Part A of the Rules.

4 Calculation of CARE Pension

4.1 CARE Pension Calculation

The "CARE Pension" is: $(X - Y) \times Z$ where:

- (a) "X" is 1/720th of Averaged Revalued CARE Salary for each complete calendar month of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service;
- (b) "Y" is the Pension Deduction; and
- (c) "Z" is the LAF.

Conditions:

- (i) The LAF applied to the CARE Pension will be either the LAF in force at the date:
 - (A) the Active CARE Member leaves Pensionable CARE Service; or
 - (B) the CARE Pension starts to be paidwhichever results in the payment of the higher CARE Pension to the CARE Member (or any person claiming through him).
- (ii) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule Two of Part E of the Rules applies to the calculation of his CARE Pension for that period of part-time Pensionable CARE Service.

4.2 Meaning of Words used in the Calculation of CARE Pension

- (a) "Averaged Revalued CARE Salary" is:
 - (i) the aggregate of the Revalued CARE Salary at each 1 April during Pensionable CARE Service; DIVIDED BY
 - (ii) the number of years in which the Active CARE Member was in Pensionable CARE Service on a 1 April.

Condition:

If an Active CARE Member leaves Pensionable CARE Service before 1 April 2008, his Average Revalued CARE Salary will be his CARE Salary on 1 January 2008.

- (b) **"Pension Deduction"** is:
- (i) 0.4% of the Active CARE Member's Gross Band Earnings for the last complete tax year immediately preceding the date the Active CARE Member left Pensionable CARE Service; MULTIPLIED BY
 - (ii) the number of complete calendar months of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service; DIVIDED BY
 - (iii) twelve (12).

Provided that with on and effect from 1 April 2009, Pension Deduction will be adjusted in accordance with the terms of Rule 13 in respect of Active CARE Members in Part-time Employment after that date.

- (c) **"Gross Band Earnings"** is the Active CARE Member's gross earnings between the lower and upper earnings limit.
- (d) **"Revalued CARE Salary"** is the Active CARE Member's CARE Salary as at each 1 April revalued by the Revaluation Factor up to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.
- (e) **"Revaluation Factor"** is the Revaluation Rate compounded over the Revaluation Period.

Conditions:

- (i) The **"Revaluation Rate"** is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the Maximum Revaluation Rate set out in (ii) and will not be a negative amount.
- (ii) The **"Maximum Revaluation Rate"** is what the Revaluation Rate would be if the rise in the Government retail prices index for all items was eight (8) per cent compound each year for the Revaluation Period.
- (iii) The **"Revaluation Period"** is the period from 1 April to which the relevant CARE Salary relates to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.

(iv) The rise in the Government retail prices index for all items used for the Revaluation Rate is the one published before each 1 April for the immediately preceding month of September.

(v) If:

(A) for any period during the Revaluation Period, the rise in the Government retail prices index for all items is higher than eight (8) per cent compound each year; and

(B) the Actuary advises the Trustees that either:

1) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 1); or

2) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and

(C) the Principal Employer consents in writing.

the Trustees may apply a higher Revaluation Factor than is provided for under the CARE Benefits Rules for such period as the Principal Employer agrees.

(vi) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

(f) "LAF" is the longevity adjustment factor and is calculated as follows:

$$1 - \frac{(A \times B)}{100}$$

Where:

(i) "A" equals the number of years (rounded to the nearest 0.1 years) by which the anticipated life expectancy of a man aged 65 on the LAF Recalculation Table is higher or lower (as applicable) than on the LAF Base Table. Where the anticipated life expectancy is higher than on the LAF Base table, "A" will be positive and where lower "A" will be

negative.

- (ii) "B" equals 1.5.

Conditions:

- (A) The LAF will be one (1) between 1 January 2008 and 31 March 2012 (inclusive).
- (B) The LAF cannot be greater than one (1).
- (C) The LAF cannot decrease by more than 0.05 as at any LAF recalculation date.
- (D) "A" will assume a value of zero if, as at any LAF recalculation date, "A" is less than the years noted on the table below:

LAF recalculation date year For Rule 4.3(a)	Years for the purposes of "A"
2011	0.5
2014	0.75
2017	1.00
2020	1.25
2023	1.50
2026	1.75
2029	2.00
2032	2.25
2035	2.50
2038	2.75
2041	3.00
2044	3.25
2047	3.50
2050	3.75
2053	4.00

- (E) The LAF will be rounded to the nearest 0.0025.
- (F) The LAF will be recalculated in accordance with Rule 4.3.
- (g) "LAF Base Table" is the life expectancy table for a man aged 65 years old using the Government Actuaries Department's national 2006 based principal population projections with "cohort expectation" adjustments, which provides

as follows:

Year to which Rule 4.3(a) Applies	Life Expectancy of a Male Retiring at Age 65
2007	20.7
2008	20.8
2009	21.0
2010	21.1
2011	21.2
2012	21.3
2013	21.5
2014	21.6
2015	21.7
2016	21.8
2017	21.9
2018	22.0
2019	22.1
2020	22.2
2021	22.3
2022	22.4
2023	22.5
2024	22.5
2025	22.6
2026	22.7
2027	22.8
2028	22.9
2029	23.0
2030	23.1
2031	23.2
2032	23.3
2033	23.4
2034	23.5
2035	23.6
2036	23.7
2037	23.7
2038	23.8
2039	23.9
2040	24.0
2041	24.1
2042	24.2

2043	24.3
2044	24.4
2045	24.5
2046	24.6
2047	24.7
2048	24.8
2049	24.9
2050	25.0
2051	25.1
2052	25.2
2053	25.3
2054	25.3

- (h) “LAF Recalculation Table” is, as at the current LAF recalculation date, the most recently published Government Actuaries Department table published since the previous LAF recalculation date, showing the life expectancy for a man aged 65 years old using the Government Actuaries Department’s table for national principal population projections with “cohort expectation” adjustments.

Conditions:

- (i) If the LAF Recalculation Table is not available at any LAF recalculation date, an alternative life expectancy table published by the Government Actuaries Department, the Office of National Statistics or similar body which uses the latest available national population statistics to show the current life expectancy of a male member retiring at age 65 and adjusted to reflect “cohort expectation” will be used.
- (ii) If a table meeting the requirements of (i) is not available at any LAF recalculation date, the Principal Employer with the agreement of the Trustees, will agree a life expectancy table which is nearest to the LAF Recalculation Table.

4.3 Recalculation of the LAF

- (a) The LAF will automatically be recalculated in accordance with Rule 4.2(f) above:
- (i) as at 1 January 2011 (being the first LAF recalculation date); and
- (ii) at three (3) yearly intervals thereafter as at 1 January.

- (b) The recalculated LAF will be applied to CARE Members' benefits on expiry of the notice given under Rule 4.3(c) below unless the Principal Employer, with the agreement of the Trustees, decides to apply a recalculation to the LAF which would result in a LAF being applied to CARE Members' benefits which would result in a higher benefit for a CARE Member than would otherwise have been applied under Rule 4.3(a) above.
- (c) Upon a LAF recalculation being effected under Rule 4.3(a) above at a LAF recalculation date, the Principal Employer will give all Active CARE Members at least twelve (12) months written notice of the amount of the recalculated LAF and the details of how it will be applied to benefits before the LAF is applied to benefits under this Appendix One to Schedule Two of Part E of the Rules.

5 Active CARE Member's CARE Pension

5.1 Drawing CARE Pension at CARE Pension Date

Upon an Active CARE Member attaining his CARE Pension Date but subject to the terms of Rule 5.4(a) and (b) below his annual CARE Pension will start on the next day.

5.2 Drawing CARE Pension before CARE Pension Date

- (a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if:
 - (i) before 6 April 2010, he is aged 50 or over; or
 - (ii) after 5 April 2010, he is aged 55 or over; and
 - (iii) he applies to draw his CARE Pension early whilst he is in Pensionable CARE Service; and
 - (iv) he has the written consent of the Principal Employer to draw his CARE Pension early; and
 - (v) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) If at any age from the age of 60 up to his Normal Pension Date an Active CARE Member is entitled to receive his Final Salary Benefits under Appendix Two to Schedule Two of Part E of the Rules without any consents being required from any party to the Scheme or compliance with any other conditions, the payment of the CARE Pension is not subject to Rule 5.2(a)(iv) above after he attains that age.

- (c) An Active CARE Member may, with the consent of the Principal Employer, remain in the employment of an Employer after his CARE Pension starts to be paid under the terms of this Rule 5.2.
- (d) The annual CARE Pension will start on the day agreed by the CARE Member and the Trustees.

5.3 Drawing CARE Pension due to Serious Ill-Health

- (a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health if, subject to the terms of Rule 5.3(d) below:
 - (i) he has not attained his CARE Pension Date;
 - (ii) he applies to draw his CARE Pension early due to Serious Ill-Health whilst he is in Pensionable CARE Service and will have left Pensionable CARE Service when his CARE Pension starts to be paid;
 - (iii) the Principal Employer, with the agreement of the Trustees, decide after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Active CARE Member is suffering from Serious Ill-Health;
 - (iv) the Trustees are satisfied that the Active CARE Member meets the ill-health condition for the purposes of the Part 4 of the Finance Act 2004; and
 - (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health.
- (b) The CARE Pension payable under this Rule 5.3 will:
 - (i) have no LAF applied to it; and
 - (ii) not be reduced by an Early Retirement Reduction; and
 - (iii) be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule Two of Part E of the Rules.
- (c) The annual CARE Pension will start on the day after the CARE Member left Pensionable CARE Service.
- (d) An Active CARE Member who is not able to work due to ill-health or injury and

who is in receipt of payments from an employer's permanent health insurance scheme of at least 50 per cent of his CARE Salary less statutory sick pay is not entitled to apply for the payment of his CARE Pension under this Rule unless the Principal Employer, with the agreement of the Trustees, decide otherwise.

5.4 Drawing CARE Pension after CARE Pension Date

- (a) If an Active CARE Member, with the consent of the Principal Employer, remains in the employment of an Employer after his CARE Pension Date, he may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date (or such later date as the Principal Employer and the Trustees may agree) to either:
- (i) leave Pensionable CARE Service on his CARE Pension Date and be treated as either a CARE Pensioner or a CARE Postponed Pensioner; or
 - (ii) remain in Pensionable CARE Service and continue to be treated as an Active CARE Member.

Conditions:

- (A) If an Active CARE Member makes no election under this Rule 5.4(a), the Trustees will treat the Active CARE Member as if he had left Active CARE Membership on his CARE Pension Date and he will become a CARE Postponed Pensioner under Rule 5.4(b)(ii) below.
 - (B) The option to be treated as a CARE Pensioner under Rule 5.4(a)(i) can only be exercised by the CARE Member with the consent of the Principal Employer.
- (b) This Rule 5.4(b) applies to an Active CARE Member who elects or is deemed to leave Pensionable CARE Service under Rule 5.4(a)(i). Such a CARE Member who may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date to either:
- (i) draw his CARE Pension under Rule 5.1 above and become a CARE Pensioner; or
 - (ii) defer payment of his CARE Pension and become a CARE Postponed Pensioner until the earlier of the date he elects for his CARE Pension to start to be paid and the date he attains age 75.

Conditions:

- (A) If the Active CARE Member makes no election under this Rule 5.4(b) the Trustees will defer payment of his CARE Pension under Rule 5.4(b)(ii) above.
- (B) An Active CARE Member to which this Rule 5.4(b) applies will on his CARE Pension Date cease to either:
 - 1) pay contributions under Rule 3.2(b) of this Appendix One to Schedule Two of Part E of the Rules; or
 - 2) be subject to a pension salary sacrifice arrangement under Rule 3.2(d) of this Appendix One to Schedule Two of Part E of the Rules.
- (C) A CARE Postponed Pensioner's CARE Pension will start to be paid on the earlier of:
 - 1) the day after he elects for his CARE Pension to start; or
 - 2) his 75th birthday.
- (D) A CARE Postponed Pensioner's CARE Pension will be calculated as at his CARE Pension Date. Upon drawing his CARE Pension the Trustees will apply to it a Late Retirement Increase.
- (E) Upon the death of a CARE Postponed Pensioner before his CARE Pension starts to be paid, he will be treated as if he had:
 - 1) started to draw his CARE Pension immediately before his death; and
 - 2) not elected to exchange any of his CARE Pension for pension commencement lump sum under Rule 7 of this Appendix One to Schedule Two of Part E of the Rules.
- (F) For the purposes of the CARE death benefit Rules, Rule 10 of this Appendix One to Schedule Two of Part E of the Rules applies.
- (G) Upon the death of a CARE Pensioner who remains in the employment of an Employer at the date of his death, the CARE death benefits for a CARE Pensioner will be payable under Rule 10 of this Appendix One to Schedule Two of Part E of the Rules.

(c) This Rule 5.4(c) applies to an Active CARE Member who elects to continue in Pensionable CARE Service under Rule 5.4(a)(ii). Such a CARE Member will be treated as an Active CARE Member until the earlier of:

- (i) the date he leaves Pensionable CARE Service; and
- (ii) his 75th birthday.

Conditions:

(A) The CARE Member will continue to be treated as an Active CARE Member and will continue to either:

- 1) make contributions under Rule 3.2(b) of this Appendix One to Schedule Two of Part E of the Rules; or
- 2) be subject to a salary sacrifice pension arrangement under Rule 3.2(d) of this Appendix One to Schedule Two of Part E of the Rules

for so long as he remains in Pensionable CARE Service after his CARE Pension Date.

(B) An Active CARE Member's Pensionable CARE Service must cease on his 75th birthday even if he remains in the employment of an Employer.

(C) The annual CARE Pension will start on the earlier of:

- 1) the day after he elects for his CARE Pension to start; or
- 2) his 75th birthday.

(D) When an Active CARE Member to which this Rule 5.4(c) relates leaves Pensionable CARE Service his CARE Pension will be calculated under Rule 4.1 of this Appendix One to Schedule Two of Part E of the Rules.

(E) If an Active CARE Member to which this Rule 5.4 (c) relates dies after his CARE Pension Date but before his CARE Pension starts to be paid the lump sum death benefit payable under this Rule in respect of his death will be:

- 1) the Lump Sum Benefit; PLUS
- 2) the lump sum Final Salary Benefit payable under Rule 3.6 of Appendix Two to Schedule Two of Part E of the Rules; LESS

- 3) any lump sum Final Salary Benefit payable under Appendix Two to Schedule Two of Part E of the Rules upon the death of a Pensioner or a member who has deferred payment of his Final Salary Benefit under rule 11, rule 11 of schedule part III applicable to Specified Members and / or where applicable the relevant part of the Special Terms under the Racal EPP Rules as provided for in Appendix Two to Schedule Two of Part E of the Rules.

6 Deferred CARE Member Benefits

6.1 Deferred CARE Member with less than Two (2) years Qualifying Service

An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service with less than two (2) years Qualifying Service will become a Deferred CARE Member entitled to elect to receive:

- (a) a Contribution Refund less any tax payable, of any contributions paid in respect of CARE Benefits after 31 December 2007 to Racal EPP and transferred to the Scheme with effect from 1 July 2008; and/or
- (b) a sum equal to the earnings sacrificed from his pay under a pension salary sacrifice arrangement in force after 31 December 2007 less any tax and national insurance. Such a sum is payable by the Deferred CARE Member's last Employer before he left Pensionable CARE Service in respect of all earnings sacrificed under Rule 3.2(d) of this Appendix One to Schedule Two of Part E of the Rules; or
- (c) if he satisfies the Three Month Condition, a Cash Transfer Sum.

Conditions:

- (i) Rule 6.2 below will apply to a Deferred CARE Member who has received a transfer into Section 1 of the Scheme in respect of him from a registered pension scheme.
- (ii) Any election by a Deferred CARE Member for a Cash Transfer Sum must comply with the requirements of the 1993 Act.
- (iii) No interest will be applied to any sum paid to a Deferred CARE Member either by the Trustees under Rule 6.1(a)(i) above or his last Employer under Rule 6.1(a)(ii) above.
- (iv) Where a CARE Member was both:

- (A) a Former Racal EPP Beneficiary entitled to Final Salary Benefits earned in Racal EPP before 1 January 2008 which were transferred to Section 1 of the Scheme with effect from 1 July 2008; and
- (B) an Active CARE Member entitled to CARE Benefits from:
 - 1) Racal EPP after 31 December 2007 which were transferred to Section 1 of the Scheme with effect from 1 July 2008; and
 - 2) Section 1 of the Scheme after 30 June 2008 (if any)

the Trustees will aggregate any CARE Benefits and Final Salary Benefits payable by them due to the length of the CARE Member's Qualifying Service.

- (v) Once all payments due to or in respect of a CARE Member both under this Rule in respect of his CARE Benefits and Final Salary Benefits have been made, all entitlements to benefits from the Scheme (whether they are Final Salary Benefits or CARE Benefits) will be extinguished for the CARE Member and any person claiming through him.

6.2 Deferred CARE Member with more than Two (2) years Qualifying Service

- (a) An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service:
 - (i) with at least two (2) years Qualifying Service; or
 - (ii) with less than two (2) years Qualifying Service and Section 1 of the Scheme has received a transfer from another registered pension scheme in respect of him; and
 - (iii) without receiving an immediate CARE Pension from Section 1 of the Scheme under Rule 5 of this Appendix One to Schedule Two of Part E of the Rules

will become a Deferred CARE Member entitled to receive a CARE Pension from Section 1 of the Scheme under the terms of this Rule 6.2.

- (b) The Deferred CARE Member's CARE Pension will be calculated in accordance with Rule 4.1 of this Appendix One to Schedule Two of Part E of the Rules up to the date he leaves Pensionable CARE Service.
- (c) The Trustees will revalue the CARE Pension using the final salary method of statutory revaluation (as set out in Section 84(1) and Paragraphs 1 and 2 to

Schedule 3 of the 1993 Act) from the date the Deferred CARE Member leaves Pensionable CARE Service up to the earlier of the date:

- (i) of his death;
- (ii) his CARE Pension starts to be paid; or
- (iii) his CARE Pension Date.

6.3 Drawing CARE Pension at CARE Pension Date

Upon a Deferred CARE Member attaining his CARE Pension Date his annual CARE Pension will start on the next day.

6.4 Drawing CARE Pension before CARE Pension Date

(a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension Date if:

- (i) before 6 April 2010, he is aged 50 or over; or
- (ii) after 5 April 2010, he is aged 55 or over; and
- (iii) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early; and
- (iv) his CARE Pension is reduced by the Early Retirement Reduction.

(b) If at any age from the age of 60 up to his Normal Pension Date a Deferred CARE Member is entitled to receive his Final Salary Benefits without any consents being required from any party to the Scheme or compliance with any other conditions, the payment of the CARE Pension is not subject to Rule 6.4(a)(iii) above after he attains that age.

(c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their consent to its early payment.

6.5 Drawing CARE Pension due to Serious Ill-Health

(a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health If:

- (i) he has not attained his CARE Pension Date;
- (ii) he applies to draw his CARE Pension early due to Serious Ill-Health;

- (iii) the Principal Employer, with the agreement of the Trustees, decides after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Deferred CARE Member is suffering from Serious Ill-Health;
 - (iv) the Trustees are satisfied that the Deferred CARE Member meets the ill-health condition for the purposes of the Part 4 of the Finance Act 2004;
 - (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health; and
 - (vi) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) The CARE Pension payable under this Rule 6.5 will be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule Two of Part E of the Rules.
 - (c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their written consent to its early payment due to Serious Ill-Health.

6.6 Drawing CARE Pension after CARE Pension Date

- (a) A Deferred CARE Member may, with the consent of the Principal Employer and the Trustees, defer payment of his CARE Pension until a date after his CARE Pension Date.
- (b) The CARE Pension of a Deferred CARE Member who defers payment of it under this Rule will come into payment on the earlier of:
 - (i) the expiry of one (1) month's written notice by him to the Trustees to start payment of the CARE Pension; and
 - (ii) the Deferred CARE Member's 75th birthday.
- (c) If a Deferred CARE Member defers payment of his CARE Pension under this Rule, his CARE Pension will be calculated as at his CARE Pension Date. When his CARE Pension starts to be paid, the Trustees will apply to it a Late Retirement Increase.
- (d) The annual CARE Pension will start on the earlier of:
 - (i) the day after he elects for his CARE Pension to start; or
 - (ii) his 75th birthday.

(e) If a Deferred CARE Member dies before his CARE Pension starts to be paid, he will be treated as if he had:

- (i) started to draw his CARE Pension immediately before his death; and
- (ii) not elected to commute any of his CARE Pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Two of Part E of the Rules.

For these purposes, Rule 10 of this Appendix One to Schedule Two of Part E of the Rules applies.

7 Pension Commencement Lump Sum

7.1 A CARE Member may, with the consent of the Trustees, elect to exchange part of his CARE Pension for a pension commencement lump sum (as defined in Part 1 to Schedule 29 of the Finance Act 2004).

7.2 The election must be made in writing by the CARE Member and provided to the Trustees before the date the CARE Member is due to draw his CARE Pension.

7.3

(a) The rate at which CARE Pension can be exchanged for a pension commencement lump sum, subject to Rules 7.8 and 7.9 below, will be as follows:

Age at the date of exchange of CARE Pension for a pension commencement lump sum	Commutation Factor
50	18.0
51	17.6
52	17.2
53	16.8
54	16.4
55	16.0
56	15.6
57	15.2
58	14.8
59	14.4
60	14.0
61	13.6

62	13.2
63	12.8
64	12.4
65	12.0
66	11.6
67	11.2
68	10.8
69	10.4
70	10.0
71	9.6
72	9.2
73	8.8
74	8.4
75	8.0

- (b) The table set out in this Rule 7.3 sets out the rate at which CARE Pension can be exchanged for pension commencement lump sum as at a specified age. Where a CARE Member is older than the specified age by a proportion of a year, the relevant exchange rate set out in the table in Rule 7.3 above will be a pro rata amount calculated in complete months.

7.4

- (a) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the rate at which CARE Pension can be exchanged for pension commencement lump sum to an alternative rate which may be higher or lower than the rate set out in Rule 7.3 above.
- (b) Such a rate agreed under Rule 7.4(a) above cannot be implemented unless it is first certified as reasonable by the Actuary having regard to the assumptions used at the last actuarial valuation for either:
- (i) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme;
or
 - (ii) after the Scheme has become desectionalised, the Scheme
- (c) A rate agreed and certified under this Rule 7.4 will remain in force until such time as a new rate is agreed and certified under this Rule 7.4

7.5

- (a) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Two of Part E of the Rules in circumstances which result in a different LAF being automatically applied to benefits under Rule 4.3 of this Appendix One to Schedule Two of Part E of the Rules, the Principal Employer and the Trustees must review the rate at which CARE Pension can be exchanged for a pension commencement lump sum and agree the rate at which CARE Pension can be so exchanged.
 - (b) If under the terms of Rule 7.5(a) above, the Principal Employer and the Trustees cannot agree a rate at which CARE Pension can be exchanged for a pension commencement lump sum, the Actuary will either:
 - (i) revise the rate at which CARE Pension can be exchanged for a pension commencement lump sum by increasing or reducing the rate by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under Rule 7.5(a) above; or
 - (ii) leave the rate at which CARE Pension can be exchanged for a pension commencement lump sum unchanged.
- 7.6 A CARE Member can only elect to commute CARE Pension for a pension commencement lump sum at the same time as drawing his CARE Pension.
- 7.7 Once a CARE Member's CARE Pension starts to be paid, an election to exchange CARE Pension for a pension commencement lump sum cannot be revoked.
- 7.8 In the case of a CARE Member who also has an entitlement to Final Salary Benefits as a result of his own membership of Section 1 of the Scheme, he can only exchange his CARE Pension for a pension commencement lump sum in proportion to the amount his CARE Pension represents to his aggregated pension from Section 1 of the Scheme when his CARE Pension and his Final Salary Benefits are aggregated together.
- 7.9 The pension commencement lump sum will not exceed the maximum permitted by HMRC under Part 4 of the Finance Act 2004 unless the CARE Member has an entitlement to a higher amount in respect of his benefits held in Section 1 of the Scheme under the terms of Paragraph 31 to Schedule 36 of the 2004 Act.

8 **Death Benefits for an Active CARE Member or a DC Scheme Life Assurance Member**

8.1 **Lump Sum Death Benefit**

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member the Trustees will hold on the discretionary trusts for:
- (i) an Active CARE Member, the Lump Sum Benefit; or
 - (ii) a DC Scheme Life Assurance Member, the Lump Sum Benefit LESS the DC Lump Sum.
- (b) The Lump Sum Benefit will be applied in accordance with Rule 74 of Part D of the Rules.
- (c) "Lump Sum Benefit" means subject to the terms of Rule 16 of this Appendix One to Schedule Two of Part E of the Rules, four (4) times the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC Salary (as applicable) as at the 1 April immediately preceding the date of his death.
- (d) "DC Lump Sum" means the amount notified to the Trustees by the manager of the DC Scheme as being the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is used to provide lump sum benefits payable in respect of the DC Scheme Life Assurance Member. The DC Lump Sum excludes the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death).

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Two of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Two of Part E of the Rules will apply.
- (ii) A CARE Member who remains in the employment of an Employer after his CARE Pension Date under Rule 5.4(a) of this Appendix One to Schedule Two of Part E of the Rules and who is in receipt of his CARE Pension at the date of his death is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Two of Part E of the Rules will apply.

- (iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Two of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule applies but such a CARE Member's Lump Sum Benefit will be calculated in accordance with condition (E) of Rule 5.4(c) of this Appendix One to Schedule Two of Part E of the Rules.
- (iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but who remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Two of Part E of the Rules will apply.
- (v) An Active CARE Member who on the date of his death is:
 - (A) not in receipt of his CARE Pension;
 - (B) is in receipt of a pension which are Final Salary Benefits as a result of his own membership of Section 1 of the Scheme; or
 - (C) has not attained his CARE Pension Date

will have deducted from his Lump Sum Benefit payable in respect of his CARE Benefits any lump sum payable in respect of his Final Salary Benefits in so far as it is greater than the benefit payable under Rule 3.6 of Appendix Two to Schedule Two of Part E of the Rules.
- (vi) On the date of the death of either:
 - (A) an Active CARE Member; or
 - (B) a DC Scheme Life Assurance Member

who is also a Scheme Enhanced Member of Section 1 of the Scheme, the Scheme will pay the Final Salary Benefits lump sum contained in Rule 3.6 of Appendix Two to Schedule Two of Part E of the Rules in addition to the Lump Sum Benefit payable under the CARE Benefits Rules.
- (vii) A DC Scheme Life Assurance Member who remains in the employment of an Employer after his CARE Pension Date will continue to be treated as a DC Scheme Life Assurance Member until the earlier of the date he

leaves the employment of an Employer and age 75.

8.2 Adult Dependant's Pension

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Adult Dependant.
- (b) The pension payable under (a) will be equal to thirty three (33) per cent of the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC Salary (as applicable) as at 1 April immediately preceding his death LESS:
 - (i) any pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Eligible Spouse accrued as Final Salary Benefits in respect of Pensionable Service earned in Racal EPP before 1 January 2008; and
 - (ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Adult Dependant by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is not used to provide lump sum benefits under Rule 8.1 (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death)).
- (c) The Adult Dependant's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(i) of this Appendix One to Schedule Two of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Two of Part E of the Rules will apply.
- (ii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Two of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.2 will apply.

- (iii) A CARE Member who remains in the employment of an Employer at the date of his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Two of Part E of the Rules will apply.
- (iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Two of Part E of the Rules will apply.
- (v) In the event that the pension payable to an Adult Dependant which are CARE Benefits under Rule 8.2(b) above is smaller than the Final Salary Benefits pension which would have been payable to the Eligible Spouse under Appendix Two calculated upon the basis that the CARE Member became a deferred pensioner in respect of his Final Salary Benefits on 31 December 2007 in the Racial EPP, the higher benefit is payable.

8.3 Dependant Children's Pensions

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Dependant Children.
- (b) The pension payable under (a) is a maximum of thirty (30) percent of the Active CARE Member's or DC Scheme Life Assurance Member's CARE Salary as at 1 April immediately preceding his death LESS:
 - (i) any pension which are Final Salary Benefits payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Dependents who are Children in respect of Pensionable Service in Racial EPP before 1 January 2008; and
 - (ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Dependant Children by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is not used to provide lump sum benefits under Rule 8.1 of this Appendix One to Schedule Two of Part E of the Rules (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death)).

- (c) The Trustees will determine the amount of each Dependent Child's pension from time to time.
- (d) Subject to (e) below, the maximum pension payable to an individual Dependant Child is ten (10) percent of the Active CARE Member's CARE Salary or the DC Scheme Life Assurance Member's DC Salary as at 1 April immediately preceding his death LESS the maximum Final Salary Benefits pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Dependant who is a child in respect of Pensionable Service in Racal EPP before 1 January 2008.
- (e) The Dependant Children's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) If no Adult Dependant's pension is payable at the date of the Active CARE Member's or DC Scheme Life Assurance Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (ii) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Two of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Two of Part E of the Rules will apply.
- (iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Two of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.3 will apply.
- (iv) A CARE Member who remains in the employment of an Employer at the date of his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Two of Part E of the Rules will apply.
- (v) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Two of Part E of the Rules will apply.

- (vi) In the event that the CARE Benefits pension payable to Dependant Children under Rule 8.3(b) above is smaller than the Final Salary Benefits pension payable in respect of an Active CARE Member's or DC Scheme Life Assurance Member's Dependant who is a child calculated upon the basis that the CARE Member became a deferred pensioner in respect of his Final Salary Benefits on 31 December 2007 in the RacaL EPP, the higher benefit will be payable.

9 Deferred CARE Member Death Benefits

9.1 Lump Sum Death Benefit

- (a) No lump sum death benefit is payable upon the death of a Deferred CARE Member before his CARE Pension Date from Section 1 of the Scheme in respect of his CARE Benefits.
- (b) Rules 6.6(e) and 10 of this Appendix One to Schedule Two of Part E of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.2 Adult Dependant's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Adult Dependant.
- (b) The pension payable under (a) will be equal to half of the Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule Two of Part E of the Rules and revalued under that Rule to the date of the Deferred CARE Member's death.
- (c) The Adult Dependant's pension will start on the day after the date of the Deferred CARE Member's death.
- (d) Rules 6.6(e) and 10 of this Appendix One to Schedule Two of Part E of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.3 Dependant Children's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Dependant Children.
- (b) The pension payable under (a) is a maximum of forty five (45) percent of the

Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule Two of Part E of the Rules and revalued to the date of the Deferred CARE Member's death.

- (c) The Trustees will determine the amount of each Dependant Child's pension from time to time.
- (d) Subject to (e), the maximum pension payable to an individual Dependant Child is fifteen (15) percent of the Deferred CARE Member's CARE Pension.
- (e) If no Adult Dependant's pension is payable at the date of the Deferred CARE Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension will start on the day after the date of the Deferred CARE Member's death.
- (g) Rules 6.6(e) and 10 apply of this Appendix One to Schedule Two of Part E of the Rules upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

10 CARE Pensioner Death Benefits

10.1 Lump Sum Death Benefit

- (a) If a CARE Pensioner dies less than five (5) years after the date his CARE Pension started to be paid and before age 75, the Trustees will hold on the discretionary trusts a lump sum equal to the total pension payments which would have been paid to the CARE Pensioner during the remaining balance of the period of five (5) years from the date his CARE Pension started to be paid.
- (b) The lump sum under (a) will be calculated using the rate of CARE Pension payable immediately before the date of the CARE Pensioner's death. Future CARE Pension increases are ignored.
- (c) The lump sum death benefit payable under this Rule will be applied in accordance with Rule 74 of Part D of the Rules.
- (d) If a CARE Pensioner dies more than five (5) years after the date his CARE Pension started to be paid or after attaining age 75, no lump sum death benefit is payable.

10.2 Adult Dependant's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Adult Dependant.
- (b) The pension payable under (a) will be equal to half of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Two of Part E of the Rules).
- (c) The Adult Dependant's pension will start on the first day of the next month following the date of the CARE Pensioner's death.

10.3 Dependant Children's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Dependant Children.
- (b) The pension payable under (a) is a maximum of forty five (45) percent of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Two of Part E of the Rules).
- (c) The Trustees will determine the amount of each Dependant Child's pension from time to time.
- (d) Subject to (e), the maximum pension payable to an individual Dependant Child is fifteen (15) percent of the CARE Pensioner's CARE Pension.
- (e) If no Adult Dependant's pension is payable at the date of the CARE Pensioner's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension starts to be paid on the first day of the next month following the date of the CARE Pensioner's death.

11 Payment of Pensions and Lump Sum Benefits

11.1 Payment of a CARE Member's Pensions

- (a) A CARE Member's CARE Pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.
- (b) The first CARE Pension payment will be the aggregate of:
 - (i) the proportion of one month's instalment of CARE Pension payment

calculated from the date the CARE Pension started to the first day of the next month (if any); and

- (ii) the next full month's instalment of CARE Pension.

11.2 Stopping a CARE Member's CARE Pension

- (a) Subject to Rule 11.3 below, a CARE Member's CARE Pension is payable for life and will stop on the date of his death.
- (b) The last month's CARE Pension instalment made to a CARE Member immediately before his death will not be apportioned.
- (c) Any one or more instalments of pension paid after the date of the CARE Member's death will be treated as a debt to Section 1 of the Scheme which is repayable to Section 1 of the Scheme unless the Trustees determine otherwise.

11.3 Review of Serious Ill-Health CARE Pensions

- (a) A CARE Pension which is paid under either Rule 5.3 or 6.5 of this Appendix One to Schedule Two of Part E of the Rules due to the Serious Ill-Health of the CARE Member will be reviewed by the Trustees every three (3) years after the date his CARE Pension starts to be paid or such other period as the Trustees determine. No reviews will be made once the CARE Member attains his CARE Pension Date.
- (b) At each review of the payment of CARE Pension due to Serious Ill-Health, the Trustees may ask the CARE Pensioner to:
 - (i) attend a medical with the registered medical practitioner of the Trustees selection; and / or
 - (ii) provide any information and other co-operation to allow the Trustees to complete their review.
- (c) If the Trustees are satisfied that the CARE Pensioner:
 - (i) is no longer suffering from Serious Ill-Health; or
 - (ii) failed to co-operate with the review to such a degree that they are not able to determine if the CARE Pensioner continues to suffer from Serious Ill-Health

they may reduce or terminate the payment of the CARE Pension as they determine.

- (d) Having reduced or terminated a CARE Pension under (c) above, the Trustees may, if it appears appropriate to them to do so, restore the payment of the CARE Pension.
- (e) If a CARE Pensioner's CARE Pension payable due to Serious Ill-Health is terminated under this Rule he will:
 - (f) be treated as a Deferred CARE Member; and
 - (ii) have his CARE Pension calculated in accordance with Rule 6.2 of this Appendix One to Schedule Two of Part E of the Rules as at the date he left Pensionable CARE Service.

Conditions:

- (A) The calculation of the CARE Member's Deferred CARE Pension will ignore the fact that he initially started to receive his CARE Pension under either Rule 5.3 or 6.5 of this Appendix One to Schedule Two of Part E of the Rules as applicable.
- (B) All payments of CARE Pension made to him between the date his CARE Pension started under Rule 5.3 or 6.5 of this Appendix One to Schedule Two of Part E of the Rules and the date it was terminated under this Rule will be ignored (unless the Trustees determine otherwise in their absolute discretion).
- (C) The Deferred CARE Pension will not be less than the amount required to be paid under the Preservation Requirements.
- (f) This Rule 11.3 is subject to the terms of disability discrimination legislation in so far as it applies to the Scheme.

11.4 Payment of Adult Dependant's Pensions and Dependant Children's Pensions

- (a) An Adult Dependant's pension and a Dependant Children's pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.
- (b) In the case of an Adult Dependant's pension or Dependant Children's pension payable due to the death of an Active CARE Member, a Deferred CARE Member or a CARE Postponed Pensioner, the first Adult Dependant's or first Dependant

Children's pension payment will be the aggregate of:

- (i) the proportion of one month's pension instalment calculated from the date of the CARE Member's death to the first day of the next month (if any); and
 - (ii) the next full month's pension instalment.
- (c) In the case of an Adult Dependant's pension or Dependant Children's pension payable due to the death of a CARE Pensioner, the first Adult Dependant's or first Dependant Children's pension payment will be a full month's pension instalment and will be made on the first day of the month following the date of the CARE Pensioner's death.

11.5 Stopping the Adult Dependant's Pension

- (a) An Adult Dependant's pension is payable for life and will stop on the date of his death.
- (b) The last month's pension instalment paid to an Adult Dependant immediately before his death will not be apportioned.
- (c) Any one or more instalments of pension paid after the date of the Adult Dependant's death will be treated as a debt to Section 1 of the Scheme which is repayable to Section 1 of the Scheme unless the Trustees determine otherwise.

11.6 Stopping the Dependant Children's Pensions

- (a) A Dependant Child's pension is only payable to a child for so long as the Trustees are satisfied that the child remains a Dependant Child.
- (b) A Dependant Child's pension will stop on the date he ceases to be a Dependant Child.
- (c) The last month's pension instalment paid in respect of a Dependant Child immediately before he stopped being a Dependant Child will not be apportioned.
- (d) When a child ceases to be a Dependant Child, if there are remaining Dependant Children whose pensions are less than the maximum pension payable to an individual Dependant Child under Rules 8.3, 9.3 or 10.3 of this Appendix One to Schedule Two of Part E of the Rules, the Trustees will recalculate the proportion of the Dependant Children's pension payable to the remaining Dependant Children in such manner as the Trustees determine.

- (e) Any one or more instalments of pension paid after the date the Dependant Child's pension was payable under the Rules contained in this Appendix One to Schedule Two of Part E of the Rules will be treated as a debt to Section 1 of the Scheme which is repayable to Section 1 of the Scheme unless the Trustees determine otherwise.

12 Family Leave and Absence from Work

12.1 Family Leave

(a) In this Rule:

- (i) "Family Leave" refers jointly to Adoption Leave, Maternity Leave, Paternity Leave and Parental Leave (whether Paid Family Leave or Unpaid Family Leave).
- (ii) "Adoption Leave", "Maternity Leave", "Ordinary Adoption Leave", "Ordinary Maternity Leave", "Paternity Leave" and "Parental Leave" are as defined in the Employment Rights Act 1996.
- (iii) The definition of "CARE Salary" is modified for any period of Family Leave during which an Active CARE Member is not in receipt of pay as if he were working normally:
- (A) for the purposes of calculating all pension and death benefits in respect of the CARE Benefits, CARE Salary will be the CARE Salary in force on 1 April immediately before the Active CARE Member's Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the CARE Salary attributable to the Active CARE Member had he continued to work normally);
- (B) for the purposes of Rule 3.1 of this Appendix One to Schedule Two of Part E of the Rules CARE Salary is deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Family Leave (including any statutory maternity pay, adoption pay or paternity pay).
- (iv) The definition of "DC Salary" is modified for any period of Family Leave during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he was working normally. For the purposes of calculating all

pension and death benefits in respect of the CARE Benefits, the DC Salary will be the amount which was in payment to the DC Scheme Life Assurance Member before the Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the DC Salary which the DC Scheme Life Assurance Scheme Member would have received if he had continued to work normally).

12.2 Paid Family Leave

- (a) A CARE Member will remain an Active CARE Member in respect of the CARE Benefits during any period of Family Leave during which he is entitled to and receives pay (including any statutory maternity pay, adoption pay or paternity pay) from his Employer ("Paid Family Leave").
- (b) All periods of Paid Family Leave are Pensionable CARE Service and the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule Two of Part E of the Rules for so long as he is in receipt of pay from his Employer.
- (c) Any period of Ordinary Maternity Leave or Ordinary Adoption Leave during which a CARE Member is not entitled to statutory maternity pay will be treated as Paid Family Leave under this Rule.
- (d) A DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Two of Part E of the Rules during any period of Paid Family Leave and any period of Ordinary Maternity Leave or Ordinary Adoption Leave during which the DC Scheme Life Assurance Member is not entitled to statutory maternity pay.

12.3 Unpaid Family Leave

- (a) Subject to Rule 12.2(c) above, an Active CARE Member will remain in Service during any period of Family Leave when he is not entitled to and does not receive pay (including any statutory maternity pay, adoption pay or paternity pay) from his Employer ("Unpaid Family Leave").
- (b) Subject to Rule 12.4(a) below, all periods of Unpaid Family Leave are Service but not Pensionable CARE Service.
- (c) During Unpaid Family Leave an Active CARE Member and his Employer are not required to comply with Rule 3.2 of this Appendix One to Schedule Two of Part E of the Rules.

- (d) During all periods of Unpaid Family Leave, the Active CARE Member or DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Two of Part E of the Rules and will be treated as either an Active CARE Member or a DC Scheme Life Assurance Member (as applicable) for these purposes.

12.4 Returning to Work

- (a) If an Active CARE Member returns to work after a period of Unpaid Family Leave, he may pay contributions in order to earn Pensionable CARE Service for any periods of Unpaid Family Leave. The terms will be agreed between the Active CARE Member and the Trustees.
- (b) If Rule 12.4(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any period of Family Leave will be treated as continuous.

12.5 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of Family Leave, he will cease to be an Active CARE Member or DC Scheme Life Assurance Member (as applicable) on the earliest of the date:
 - (i) he informs his Employer that he will not be returning to work;
 - (ii) her right to Ordinary Maternity Leave or Ordinary Adoption Leave ended;
 - (iii) when his right to Paid Family Leave ended; or
 - (iv) he started Parental Leave under the Employment Rights Act 1996 or any extension of those terms allowed by the Employer if none of the period of Parental Leave is paid.
- (b) The Principal Employer's confirmation of the date is final.

12.6 Absence

- (a) General
 - (i) This Rule applies where either an Active CARE Member or DC Scheme Life Assurance Member is not at work whilst still in Service (except on normal holiday leave or Family Leave) due to:

- (A) injury or illness; or
 - (B) secondment or attending full-time education with the agreement of his Employer in circumstances where there is an expectation on the part of the Active CARE Member or DC Scheme Life Assurance Member and the Employer that he will return to work for an Employer.
- (ii) Where the absence is due to illness or injury, the definition of:
- (A) "CARE Salary" is modified for any period of the absence during which an Active CARE Member is not in receipt of his pay as if he was working normally:
 - 1) for the purposes of calculating all pension and death benefits which are CARE Benefits, the amount of the CARE Salary which was in payment to the Active CARE Member before his absence due to ill-health or injury started as increased as at each 1 April by such amount as the Principal Employer decides;
 - 2) for the purposes of Rule 3.1 of this Appendix One to Schedule Two of Part E of the Rules CARE Salary is deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Paid Absence either from an Employer or payments from an employer's permanent health insurance scheme; or
 - (B) "DC Salary" is modified by any period of absence during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he were working normally. For the purposes of calculating all pension and death benefits which are CARE Benefits the amount of the DC Salary before his absence due to ill-health or injury started, as increased as at each 1 April by such amount as the Principal Employer decides.
- (iii) Where absence is due to secondment or attending full-time education, the Principal Employer will determine the extent to which (if at all) the definitions of "CARE Salary" and "DC Salary" are modified during the period of absence. The Principal Employer will notify the Trustees of any modifications made to either CARE Salary or DC Salary under this

Rule.

12.7 Paid Absence

- (a) During a period of absence to which this Rule applies when the CARE Member is in receipt of pay from either an Employer or payments from an employer's permanent health insurance scheme ("Paid Absence"), the CARE Member will be treated as an Active CARE Member and will remain in Pensionable CARE Service.
- (b) During all periods of Paid Absence, the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule Two of Part E of the Rules for so long as he is in receipt of pay from either an Employer or if he is absent due to ill-health or injury, payments from an employer's permanent health insurance scheme.
- (c) During all periods of Paid Absence, the Principal Employer will determine the level of the Active CARE Member's CARE Salary for the purposes of calculating his pension and death benefits.
- (d) During all periods of Paid Absence a DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Two of Part E of the Rules and will be treated as a DC Scheme Life Assurance Member for these purposes unless the Principal Employer decides otherwise.

12.8 Unpaid Absence

- (a) During a period of absence to which this Rule applies, when the Active CARE Member is not in receipt of pay from an Employer or in the case of absence due to ill-health or injury, payments from an employer's permanent health insurance scheme ("Unpaid Absence"), the Active CARE Member will be treated as being in Service but not Pensionable CARE Service (unless the Principal Employer determines otherwise).
- (b) During all periods of Unpaid Absence, the Active CARE Member and his Employer are not required to comply with the terms of Rule 3.2 of this Appendix One to Schedule Two of Part E of the Rules.
- (c) During all periods of Unpaid Absence whilst either the Active CARE Member or DC Scheme Life Assurance Member (as applicable) remains in service, he will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Two of Part E of the Rules and will be treated as either an Active

CARE Member or DC Scheme Life Assurance Member (as applicable) for these purposes unless the Principal Employer decides otherwise.

12.9 Returning to Work

- (a) If an Active CARE Member returns to work for an Employer or starts to be in receipt of payments from an employer's permanent health insurance scheme after a period of Unpaid Absence, he may pay contributions in order to earn Pensionable CARE Service for any period of Unpaid Absence. The terms will be agreed between the Active CARE Member and the Trustees.
- (b) If Rule 12.9(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any periods of Unpaid Absence will be treated as continuous.

12.10 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of absence, he will cease to be either an Active CARE Member or a DC Scheme Life Assurance Member on the earliest of the date:
 - (i) he informs his Employer that he will not be returning to work;
 - (ii) his Employer terminates his employment; or
 - (iii) such other date as the Principal Employer decides and notifies to the Trustees.
- (b) The Principal Employer's confirmation of the date is final.

13 Part-Time Workers

13.1 Application of this Rule

- (a) This Rule applies to any Active CARE Member who is in Part-Time Employment for any period of Pensionable CARE Service.
- (b) This Rule overrides the rest of the Rules contained in this Appendix One to Schedule Two of Part E of the Rules in respect of periods of Part-Time Employment relating to the calculation of all CARE Benefits held in the Scheme.

13.2 Adjustment of Part-Time Active CARE Member's CARE Benefits

- (a) If an Active CARE Member is in Part-Time Employment for any period of Pensionable CARE Service:

- (i) his CARE Salary for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\text{CARE Salary} \quad \times \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$

- (ii) his Pensionable CARE Service for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}} \times \text{Period of Part-Time Pensionable CARE Service}$$

- (iii) the upper earnings limit used to determine the level of an Active CARE Member's contributions or rate at which salary should be sacrificed from his pay under a pension salary sacrifice arrangement under Rule 3.2 of this Appendix One to Schedule Two of Part E of the Rules in respect of each period of Part-Time Employment, will be adjusted by the following formula:

$$\text{upper earnings limit} \quad \times \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

For the purposes of this adjustment, upper earnings limit has the same meaning as in Rule 3.2 of this Appendix One to Schedule Two of Part E of the Rules;

- (iv) the Salary Cap for the purposes of calculating his CARE Pension and level of Active CARE Member's contributions or rate at which salary should be sacrificed from his pay under pension salary sacrifice arrangements under Rule 3.2 of this Appendix One to Schedule Two of Part E of the Rules in respect of each period of Part-Time Employment, will be adjusted using the following formula:

$$\text{Salary Cap} \quad \times \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

- (v) with effect on and from 1 April 2009 for Pensionable CARE Service earned after that date his Gross Band Earnings for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\text{Gross Band Earnings} \quad \times \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$

Provided that Gross Band Earnings in all cases will not be greater than the upper earnings limit.

- (b) If an Active CARE Member has more than one period of Service which is Part-Time Employment and / or Full-Time Employment, each one will be treated separately.
- (c) The Trustees will determine all questions of doubt in respect of the calculation of an Active CARE Member's CARE Benefits for periods of Part-Time Employment if there is an inadequacy in the data provided to them.

13.3 The Meaning of Words used in this Rule 13

- (a) "Average Weekly Contractual Hours" is the average number of hours in each standard working week for which an Active CARE Member is contracted to work for an Employer.
- (b) "Standard Weekly Hours" is the number of hours during a standard working week which an Active CARE Member would be contracted to work for an Employer if he was contracted to work on a full-time basis.
- (c) "Part-Time Employment" is any period of Pensionable CARE Service during which an Active CARE Member is contracted to work for a lower number of weekly hours of work than those applicable to an Active CARE Member who is contracted to work on a full-time basis.

14 CARE Pension Increases

14.1 The Rate of Pension Increases

- (a) A pension which is in payment will increase on each 1 April:
 - (i) for:
 - (A) a CARE Pensioner; or
 - (B) an Adult Dependant and/or Dependant Children of either an Active CARE Member, Deferred CARE Member or CARE Postponed Pensionerby the smaller of the Rate and $1/365$ th of the Rate multiplied by the number of days since the date pension started;
- (ii) for an Adult Dependant or Dependant Children of a CARE Pensioner, by

the Rate.

(b) "Rate" as at each 1 April is the lower of:

- (i) the annual rise in the published Government retail prices index for all items for the immediately preceding month of September; and
- (ii) 2.5%.

Conditions:

(A) If:

- 1) for any period on and after 1 January 2008, the Rate is lower than the rise in the Government retail prices index for all items under (b)(i) above; and
- 2) the Actuary advises the Trustees that either:
 - 1a) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 1); or
 - 1b) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and
- 3) the Principal Employer consents in writing

the Trustees may apply a Rate of greater than 2.5% at the next 1 April.

- (B) Any increase in pension required to be paid by Section 1 of the Scheme by statute will be included within any increase in pension payable under this Rule.
- (C) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

15 **Definitions used in this Appendix One to Schedule Two of Part E of the Rules**

15.1 **Meaning of Words Used in this Appendix One**

In this Appendix One to Schedule Two of Part E of the Rules only, the words listed below have the following meanings:

“Active CARE Member” means a CARE Member who has:

- (a) joined Section 1 of the Scheme to be provided with CARE Benefits under Rule 2.1 of this Appendix One to Schedule Two of Part E of the Rules; and
- (b) makes contributions to Section 1 of the Scheme or has a pension salary sacrifice arrangement in place with his Employer under Rule 3.2 of this Appendix One to Schedule Two of Part E of the Rules; and
- (c) not yet left Pensionable CARE Service. (For these purposes absence whilst the Active CARE Member remains in Service under Rule 12 of this Appendix One to Schedule Two of Part E of the Rules is ignored).

“Active CARE Membership” has a corresponding meaning.

“Adoption Leave” is defined in Rule 12.1 of this Appendix One to Schedule Two of Part E of the Rules.

“Adult Dependant” means the CARE Member’s widow, widower or Civil Partner as at the date of his death.

If the CARE Member was unmarried and had not entered into a Civil Partnership as at the date of his death, the Trustees may, in their absolute discretion, determine that any person who was:

- (d) living with the CARE Member in a relationship akin to marriage or a Civil Partnership; and
- (e) financially dependent or inter-dependent on the CARE Member at the date of his death

is his Adult Dependant.

“Average Weekly Contractual Hours” is defined in Rule 13.3 of this Appendix One to Schedule Two of Part E of the Rules.

“Averaged Revalued CARE Salary” is defined in Rule 4.2 of this Appendix One to Schedule Two of Part E of the Rules.

"CARE Member" means a person who is entitled or prospectively entitled to CARE Benefits from Section 1 of the Scheme. Unless the context requires otherwise, CARE Member includes:

- (a) an Active CARE Member, Deferred CARE Member, CARE Postponed Pensioner and CARE Pensioner; and
- (b) excludes a DC Scheme Life Assurance Member for all purposes other than the payment of benefits upon the death of a DC Scheme Life Assurance Member.

"CARE Membership" has a corresponding meaning.

"CARE Pension" is defined in Rule 4.1 of this Appendix One to Schedule Two of Part E of the Rules.

"CARE Pension Date" means the CARE Member's or DC Scheme Life Assurance Member's 65th birthday.

"CARE Pensioner" means a CARE Member who is being paid a CARE Pension from Section 1 of the Scheme by virtue of his own CARE Membership.

"CARE Postponed Pensioner" means a CARE Member who:

- (a) remains in the employment of an Employer after his CARE Pension Date; and
- (b) has deferred or is deemed to have deferred payment of his CARE Pension under Rule 5.4(b) of this Appendix One to Schedule Two of Part E of the Rules; and
- (c) whose CARE pension has not started to be paid.

"CARE Salary" means the Active CARE Member's:

- (a) basic salary had the Active CARE Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) CARE Salary is determined as at each 1 April and confirmed to the Active CARE Member annually by his Employer in writing after that date.
- (ii) An Active CARE Member's CARE Salary cannot be greater than the Salary Cap.
- (iii) An Active CARE Member's first CARE Salary for the purposes of calculating CARE

Benefits in the Scheme was the CARE Salary in respect of Racial EPP determined as at 31 December 2007 and notified to him in writing. It was applied from 1 January 2008 to 31 March 2008 inclusive in that scheme.

- (iv) In the case of an Active CARE Member who has entered into a pension salary sacrifice arrangement with his Employer, for the purposes of calculating all of his CARE Benefits, his CARE Salary will be calculated ignoring the effect of any salary sacrifice arrangements in force between him and his Employer from time to time.

“Cash Transfer Sum” means a cash equivalent transfer as described in Section 101AB (3) of the 1993 Act.

“Contribution Refund” has the meaning given to it in Section 101AB of the 1993 Act.

“DC Scheme Life Assurance Member” means an employee:

- (a) who was in the employment of an Employer on 31 December 2007; and
- (b) who elected to join the DC Scheme after 31 December 2007; and
- (c) in respect of whom contributions are made by an employer in the group of companies owned by Thales Holdings UK plc (or its successors) to the DC Scheme.

“DC Lump Sum” is defined in Rule 8.1(d) of this Appendix One to Schedule Two of Part E of the Rules.

“DC Salary” means the DC Scheme Life Assurance Member’s:

- (a) basic salary had the DC Scheme Life Assurance Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) DC Salary is determined as at each 1 April and confirmed to the DC Life Assurance Scheme Member annually by his Employer in writing after that date.
- (ii) A DC Scheme Life Assurance Member’s DC Salary cannot be greater than the Salary Cap.
- (iii) DC Salary will be calculated ignoring the effect of any salary sacrifice

arrangements in force between him and his Employer from time to time.

“Deferred CARE Member” means a CARE Member who has:

- (a) not attained his CARE Pension Date or has deferred commencement of his CARE Pension after his CARE Pension Date;
- (b) left Pensionable CARE Service (regardless of whether he remains in the employment of an Employer or not); and
- (c) not either:
 - (i) started to be paid his CARE Pension; or
 - (ii) received any benefits payable under Rule 6.1 of this Appendix One to Schedule Two of Part E of the Rules.

Deferred CARE Member includes a person treated as such under Rule 11.3 of this Appendix One to Schedule Two of Part E of the Rules.

“Dependant Child(ren)” means a child who was:

- (a) the CARE Member's:
 - (i) natural child;
 - (ii) adopted child;
 - (iii) step child who the Trustees consider, in their absolute discretion, was dependent upon the CARE Member; and
 - (iv) any child who the Trustees consider, in their absolute discretion, the CARE Member would have been regarded as a child for whom he was responsible as a parent and where in the opinion of the Trustees the child was dependent on the CARE Member; and
- (b) at the date of the CARE Member's death was:
 - (i) under the age of 18; or
 - (ii) under the age of 23 and in full-time education.

Condition:

Dependant Child includes a child who was conceived and in his mother's womb but not yet born at the date of the CARE Member's death.

“Early Retirement Reduction” is the amount by which a CARE Member’s CARE Pension is reduced to take account of the period of time by which the CARE Pension is being paid early.

- (a) With effect on and from 1 January 2008, the amount of the Early Retirement Reduction in respect of the CARE Pension will be 5% for each complete year (and a pro rata amount for each complete month of any part year) that the CARE Pension is paid before the CARE Member’s CARE Pension Date.
- (b) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the Early Retirement Reduction to an alternative Early Retirement Reduction which may be higher or lower than the Early Retirement Reduction set out in (a) above. But,
 - (i) such an Early Retirement Reduction agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:
 - (A) whilst the Scheme is a Sectionalised Scheme, the assumptions used at the last actuarial valuation for Section 1 of the Scheme; or
 - (B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme;
 - (ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).
- (c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Two of Part E of the Rules, the Principal Employer and Trustees must review the Early Retirement Reduction and agree the Early Retirement Reduction to be applied. If the Principal Employer and the Trustees cannot agree the Early Retirement Reduction under this (c), the Actuary will either:
 - (i) revise the Early Retirement Reduction by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or
 - (ii) leave the Early Retirement Reduction unchanged.

“Family Leave” is defined in Rule 12.1 of this Appendix One to Schedule Two of Part E of the Rules.

"LAF" is defined in Rule 4.2 of this Appendix One to Schedule Two of Part E of the Rules.

"LAF Base Table" is defined in Rule 4.2 of this Appendix One to Schedule Two of Part E of the Rules.

"LAF Recalculation Table" is defined in Rule 4.2 of this Appendix One to Schedule Two of Part E of the Rules.

"Late Retirement Increase" is the amount by which a CARE Member's CARE Pension is increased to take account of the period of time by which the CARE Pension is being paid late.

- (a) With effect on and from 1 January 2008, the amount of the Late Retirement Increase in respect of the CARE Pension will be 8.5% for each complete year (and a pro rata amount for each complete month of any part year) that the CARE Pension is paid after the CARE Member's CARE Pension Date.
- (b) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the Late Retirement Increase to an alternative Late Retirement Increase which may be higher or lower than the Late Retirement Increase set out in (a) above. But,
 - (i) such a Late Retirement Increase agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:
 - (A) whilst the Scheme is a Sectionalised Scheme, the assumptions used at the last actuarial valuation for Section 1 of the Scheme; or
 - (B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme; and
 - (ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).
- (c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Two of Part E of the Rules, the Principal Employer and Trustees must review the Late Retirement Increase and agree the Late Retirement Increase to be applied. If the Principal Employer and the Trustees cannot agree the Late Retirement Increase under this (c), the Actuary will either:
 - (i) revise the Late Retirement Increase by no more than an amount to

reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or

- (ii) leave the Late Retirement Increase unchanged.

"Lump Sum Benefit" is defined in Rule 8.1(c) of this Appendix One to Schedule Two of Part E of the Rules.

"Paid Absence" is defined in Rule 12.2(b) of this Appendix One to Schedule Two of Part E of the Rules.

"Paid Family Leave" is defined in Rule 12.1(b) of this Appendix One to Schedule Two of Part E of the Rules.

"Parental Leave" is defined in Rule 12.1(a) of this Appendix One to Schedule Two of Part E of the Rules.

"Part-Time Employment" is defined in Rule 13.3(c) of this Appendix One to Schedule Two of Part E of the Rules.

"Paternity Leave" is defined in Rule 12.1(a) of this Appendix One to Schedule Two of Part E of the Rules.

"Pensionable CARE Service" means a CARE Member's:

- (a) last or only continuous period of Service as an Active CARE Member;
- (b) any additional period of Service as an Active CARE Member aggregated with the CARE Member's last period of Service as an Active CARE Member; and
- (c) any additional period of Pensionable CARE Service awarded to the CARE Member in respect of a transfer payment received by Section 1 of the Scheme or augmentation made in respect of his CARE Benefits for him where the Trustees, with the agreement of the Principal Employer have determined to award Pensionable CARE Service in respect of such a transfer or augmentation.

"Rate" is defined in Rule 14.1(b) of this Appendix One to Schedule Two of Part E of the Rules.

"Revalued CARE Salary" is defined in Rule 4.2(d) of this Appendix One to Schedule Two of Part E of the Rules.

"Revaluation Factor" is defined in Rule 4.2(e) of this Appendix One to Schedule Two of Part E of the Rules.

“Salary Cap” is determined each year as at each 1 April and is calculated as:

- (a) the Salary Cap in force on each 31 March;
- (b) increased on 1 April by the rise in the published Government’s retail prices index for all items for the immediately preceding month of September. If the figure arrived at is not a multiple of £600, the figure will be rounded up to the nearest figure that is divisible by £600.

Conditions:

- (i) If in any year the published Government retail prices index for all items has not increased, the Salary Cap for that year will remain unchanged.
- (ii) The first Salary Cap is £112,800 which will apply from 1 January 2008 to 31 March 2008 inclusive in respect of CARE Benefits earned in Racal EPP. The second Salary Cap to apply from 1 April 2008 to 30 June 2008 in Racal EPP and from 1 July 2008 to 31 March 2009 to CARE Benefits earned in the Scheme is £117,600.
- (iii) If an Active CARE Member has a period of Part-Time Employment the Salary CAP will be adjusted in accordance with Rule 13 of this Appendix One to Schedule Two of Part E of the Rules.
- (iv) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

“Serious Ill-Health” is the total incapacity of an Active CARE Member by reason of illness or injury such that the Principal Employer, with the agreement of the Trustees, are satisfied (after taking the advice of a registered medical practitioner selected by the Principal Employer with the agreement of the Trustees) that the Active CARE Member is not able to carry out the material and substantial duties of his occupation.

“Service” means service as an employee of an Employer.

“Standard Weekly Hours” is defined in Rule 13.3(b) of this Appendix One to Schedule Two of Part E of the Rules.

“Three Month Condition” has the meaning given to it in Section 101AA of the 1993 Act.

“Unpaid Absence” is defined in Rule 12.2(c) of this Appendix One to Schedule Two of Part E of the Rules.

"Unpaid Family Leave" is defined in Rule 12.1(c) Appendix One to Schedule Two of Part E of the Rules.

15.2 Other Definitions used in Appendix One to Schedule Two

(a) In this Appendix One to Schedule Two of Part E of the Rules, the words "Pensionable Service", "Dependant", "Eligible Spouse", "Normal Pension Date" and "Pensioner" have the meanings given to them in Appendix Two to Schedule Two of Part E of the Rules.

(b) In this Appendix One to Schedule Two of Part E of the Rules, all other definitions are defined in Part A of the Rules unless the Rules expressly state otherwise.

16 Restrictions on Lump Sum Death Benefits

16.1 In the event that the Lump Sum Benefit payable upon the death of an Active CARE Member or a DC Scheme Life Assurance Member is insured by the Scheme using a policy of insurance from an insurance company, the maximum amount of the Lump Sum Benefit will be determined in accordance with this Rule 16.

16.2 The Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule Two of Part E of the Rules in respect of an Active CARE Member or a DC Scheme Life Assurance Member will not be greater than the monies paid by the insurance company under the policy of insurance effected by the Scheme to the Trustees in respect of the deceased Active CARE Member or DC Scheme Life Assurance Member (as applicable).

16.3 If Rule 16.2 above applies, the Trustees may pay a sum greater than the monies received from the insurance company but not greater than the Lump Sum Benefit. This Rule applies only if the Actuary advises the Trustees that the Scheme is fully funded on its ongoing funding basis using either:

(a) if the Scheme is a Sectionalised Scheme, the assumptions used at the Scheme's previous actuarial valuation for Section 1 of the Scheme; or

(b) if the Scheme has desectionalised, the assumptions used at the Scheme's previous actuarial valuation for the Scheme.

16.4 This Rule is subject to the terms of legislation relating to age discrimination and disability discrimination insofar as they apply to the Scheme.

16.5 This Rule 16 will not apply to have the effect of reducing the Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule Two of Part E of the Rules where either:

- (a) the Trustees are aware that the application of this Rule will have the effect of reducing the Lump Sum Benefit payable upon the death of an Active CARE Member or DC Scheme Life Assurance Member due to the level of such a Active CARE Member's or DC Scheme Life Assurance Member's pay from an Employer or the state of his health and the Trustees have failed to inform the Active CARE Member or DC Scheme Life Assurance Member of the effect of this Rule upon the Active CARE Member's or DC Scheme Life Assurance Member's Lump Sum Benefit within one (1) month of becoming aware of it; or
- (b) the full extent of the Lump Sum Benefit is not insured due to an act or omission or failure on the part of the Trustees or the Active CARE Member's or DC Scheme Life Assurance Member's Employer.

Provided that this Rule 16.5 will not apply if the reduction in the Lump Sum Benefit is caused as a direct result of an act, omission or failure by the Active CARE Member or DC Scheme Life Assurance Member to ensure that the Lump Sum Benefit is insured in full.

**SCHEDULE TWO OF PART E OF THE RULES
FINAL SALARY BENEFITS RULES FOR FORMER RACAL EPP BENEFICIARIES**

APPENDIX TWO

1 General Benefits Description

1.1 Type of Benefits

The Rules for Final Salary Benefits provide final salary style benefits for all Pensionable Service in Racal EPP before 1 January 2008 in accordance with the trust provisions and the rules of Racal EPP from time to time in force since the inception of Racal EPP on 26 March 1976 up until 31 December 2007 which are transferred to Section 1 of the Scheme.

1.2 Contracting-out Status

The Final Salary Benefits are contracted-out on a salary related basis in so far as was required by the trust provisions and / or rules of Racal EPP in force from time to time since the inception of Racal EPP and shall be provided in a manner consistent with such contracting-out requirements.

1.3 Tax Status and Scheme Benefit Limits

- (a) Subject to (c) below, the Final Salary Benefits are subject to and restricted by Scheme Benefit Limits set out in Part G of the Rules which limit and restrict the amount and payment of benefits in respect of all Former Racal EPP Beneficiaries who were entitled to Final Salary Benefits from Racal EPP earned before 1 January 2008 and transferred to Section 1 of the Scheme.
- (b) Subject to (c) below, all Final Salary Benefits earned before 1 October 1980 are subject to and restricted by all and any limits and restrictions contained in the trust deeds and rules which applied to those benefits in Racal EPP on 30 June 2008 in so far as they are different from the Scheme Benefit Limits set out in Part G of the Rules.
- (c) Part G is varied for Former Racal EPP Beneficiaries as follows:
 - (i) in calculating the maximum benefits payable to and in respect of any Former Racal EPP Beneficiary, no account shall be taken of benefits payable in respect of any voluntary contributions paid by the Former Racal EPP Beneficiary to the Racal EPP.

- (ii) Drawing benefits whilst in Service
 - (A) Subject to the consent of the Trustees and the Principal Employer and to sub-paragraphs (B) and (C), a Former Racal EPP Beneficiary may receive a pension in respect of Final Salary Benefits whether or not his Service has ended.
 - (B) No benefits payable under the Scheme will be deferred beyond the day before the Member's 75th birthday.
 - (C) A Former Racal EPP Beneficiary to whom this paragraph (ii) applies will cease to be an Active CARE Member and Scheme Enhanced Member on the commencement of payment of his Final Salary Benefits.

1.4 Subsisting Rights

If (were it not for this Rule 1.4) any provision set out in this Appendix Two to Schedule One would or might affect any Former Racal EPP Beneficiary in respect of his subsisting rights (as defined in section 67A(6) of the Pensions Act 1995) acquired before 1 January 2008 in the Racal EPP, such a provision shall not apply to such a Former Racal EPP Beneficiary but only to the extent that it would or might have such an adverse effect.

2 Applicable Racal EPP Rules - Members who left Pensionable Service before 1 January 2008

2.1 For the purposes of this Appendix Two to Schedule Two of Part E of the Rules the following terms have the following meanings:

- (a) "Racal EPP Rules" means the second definitive deed and rules of Racal EPP dated 9 November 1983 (as amended by all deeds of amendment, announcements and other member communications other than the 2007 Deed unless the Rules expressly state otherwise).
- (b) "Old Rules" means any provisions of any trust deed and rules of Racal EPP in force before the Racal EPP Rules came into force on 9 November 1983 (including any announcements and other member communications) which continued to apply to any Former Racal EPP Beneficiaries in Racal EPP before 1 July 2008.
- (c) "2007 Deed" means the Enhanced Benefits Appendix of the deed of amendment dated 21 December 2007.

2.2 Subject to Rule 1.3 of this Appendix Two to Schedule Two of Part E of the Rules above, for the purposes of this Appendix Two to Schedule Two of Part E of the Rules the

following provisions apply in respect of all Former Racal EPP Beneficiaries who ceased to be in Pensionable Service in Racal EPP before 1 January 2008 and are neither Scheme Enhanced Members or Former Scheme Enhanced Members:

- (a) the Old Rules in force from time to time before 9 November 1983 which applied to any Former Racal EPP Beneficiaries of Section 1 of the Scheme in respect of their Final Salary Benefits before that date for the purposes of determining the nature, amount, value and the calculation of the Former Racal EPP Beneficiary's Final Salary Benefits transferred from Racal EPP to Section 1 of the Scheme;
- (b) in respect of Former Racal EPP Beneficiaries to whom Rule 2.2(a) does not apply, the provisions of the Racal EPP Rules listed below will (with the necessary alterations to points of detail) be treated as applying to any Former Racal EPP Beneficiaries of Section 1 of the Scheme for the purposes of determining the nature, amount, value and the calculation of the Former Racal EPP Beneficiary's Final Salary Benefits transferred from Racal EPP to Section 1 of the Scheme. (unless the context clearly requires otherwise):
 - (i) clause 15(b) of the Racal EPP Rules;
 - (ii) all of the rules other than rules 1(a), 2, 3, 7(a) I and II, 13 to 15 and 19 of the Racal EPP Rules;
 - (iii) all of the rules of schedule part III other than rules 2, 3, 7(a) I and II of schedule part III of the Racal EPP Rules;
 - (iv) all of the rules of schedule part IV of the Racal EPP Rules;
 - (v) all of the rules of schedule part V of the Racal EPP Rules contained in the deed of amendment to the Racal EPP dated 5 April 2006 in respect of part V of the schedule other than those provisions which describe the rights of employees to join the Racal EPP and the rights of members in Pensionable Service in the Racal EPP to:
 - (A) contribute to Racal EPP (including the payment of additional contributions);
 - (B) earn benefits during temporary absence; and
 - (C) be provided with lump sum benefits upon death in Pensionable Service;

- (vi) (where applicable) the Special Terms except insofar as they relate to a person's eligibility to join or re-join Racal EPP, the payment of member contributions and additional voluntary contributions, the payment of lump sum benefits upon death in Pensionable Service and temporary absence; and
- (vii) all of the definitions contained in the Racal EPP Rules and (where applicable) the Special Terms as amended from time to time and in particular by the 2007 Deed which are used in the above listed clause, rules and Special Terms but only in so far as it is necessary to interpret the listed clause, rules and Special Terms.

Provided that such definitions will only have the meanings given to them in the Racal EPP Rules and (where applicable) the Special Terms and will not be construed in accordance with any other definitions in the Rules.

2.3 Rule 3 of this Appendix Two to Schedule Two of Part E of the Rules does not apply to any Former Racal EPP Beneficiary who is neither a Scheme Enhanced Member nor a Former Enhanced Member (both as defined in Rule 3.1 below).

2.4 For the purposes of this Appendix Two to Schedule Two of Part E of the Rules a Former Racal EPP Beneficiary who on:

- (a) 31 December 2007 had:
 - (i) attained his Normal Pension Date; and
 - (ii) deferred payment of his pension for Final Salary Benefits under the terms of rule 11 and rule 11 of schedule part III applicable to Specified Members and/or (where applicable) the relevant part of the Special Terms of the Racal Decca Rules; and
 - (iii) was not in receipt of his pension for Final Salary Benefits; and

(b) 30 June 2008 was still not in receipt of his pension for Final Salary Benefits

will continue to be treated as such a Member under the terms of rule 11 and rule 11 of schedule part III applicable to Specified Members and/or (where applicable) the relevant part of the Special Terms of the Racal EPP Rules with the right to the application of an actuarial increase in his pension under the terms of rule 11 and / or (where applicable) the relevant part of the Special Terms of the Racal EPP Rules.

3 Applicable Racial EPP Rules - Members who were in Pensionable Service at any time after 31 December 2007 and entitled to Enhanced Benefits

3.1 Members affected by Enhanced Benefits and the Meaning of Past Service Pension

(a) For the purposes of this Appendix Two to Schedule Two of Part E of the Rules, "Scheme Enhanced Member" means any Former Racial EPP Beneficiary who:

(i) was an Enhanced Member in respect of Final Salary Benefits under the terms of the Racial EPP Rules and/or the Special Terms (where applicable) as amended by the 2007 Deed; and

(ii) who transferred his Final Salary Benefits to Section 1 of the Scheme with effect on and from 1 July 2008; and

(iii) was either an:

(A) Active CARE Member of Section 1 of the Scheme; or

(B) employee in respect of whom an employer in the group of companies owned by Thales Holdings (UK) plc or its successors make contributions to the DC Scheme

after 30 June 2008.

(b) For the purposes of this Appendix Two to Schedule Two of Part E of the Rules, "Former Enhanced Member" means any Former Racial EPP Beneficiary who:

(i) was an Enhanced Member in respect of Final Salary Benefits under the Racial EPP Rules and/or the Special Terms (where applicable) as amended by the 2007 Deed; and

(ii) ceased to be an Enhanced Member in Racial EPP after 1 January 2008 but before 1 July 2008; and

(iii) who transferred his Final Salary Benefits to Section 1 of the Scheme.

(c) For the purposes of this Appendix Two to Schedule Two of Part E of the Rules, the "Past Service Pension" is calculated using a Scheme Enhanced Member's or Former Enhanced Member's (as applicable) Pensionable Service and Final Pensionable Salary calculated as at 31 December 2007 in accordance with the Racial EPP Rules (as amended by the 2007 Deed). Past Service Pension does not include any Previous Membership Benefits.

3.2 Scheme Enhanced Members' and Former Enhanced Members' Benefits and Benefit Options

- (a) Subject to Rule 1.3 of this Appendix Two to Schedule Two of Part E of the Rules, a Former Racal EPP Beneficiary who is either a Scheme Enhanced Member or a Former Enhanced Member will have his Final Salary Benefits calculated in accordance with the provisions listed in Rule 2.2 (with the necessary alterations to points of detail) as amended by the provisions in Rule 3 to this Appendix Two to Schedule Two of Part E of the Rules.
- (b) All Former Racal EPP Beneficiaries who are Scheme Enhanced Members in Section 1 of the Scheme will, whilst they remain Scheme Enhanced Members of Section 1 of the Scheme, have the same benefit options in respect of their Final Salary Benefits held in Section 1 of the Scheme as Members of Racal EPP in Pensionable Service on 31 December 2007 had under the terms of the Racal EPP Rules and/or the Special Terms (where applicable), but such benefit options are as amended by Rules 3.4 to 3.13 of this Appendix Two to Schedule Two of Part E of the Rules.
- (c) All Former Racal EPP Beneficiaries who are Former Enhanced Members in Section 1 of the Scheme will have the same benefit options in respect of their Final Salary Benefits held in Section 1 of the Scheme as they had under the terms of the Racal EPP Rules and/or the Special Terms (where applicable) (as amended by the 2007 Deed) as Enhanced Members who had stopped being Enhanced Members under those rules.

3.3 Revaluation of Final Salary Benefits earned before 31 December 2007 for Former Enhanced Members

Each of the Former Racal EPP Beneficiaries who is a Former Enhanced Member and was entitled to Final Salary Benefits payable under the Racal EPP Rules and/or the Special Terms (where applicable) will be entitled to Final Salary Benefits in Section 1 of the Scheme which are:

- (a) of the same nature, amount, value and calculated in the same way as the Former Enhanced Member's Past Service Pension in the Racal EPP; and
- (b) adjusted in accordance with the terms of the 2007 Deed from 1 January 2008 to the date he stopped being an Enhanced Member in the Racal EPP; and
- (c) revalued in Section 1 of the Scheme using the final salary method of statutory

reevaluation (as set out in section 84(1) and paragraphs 1 and 2 to Schedule 3 of the 1993 Act) to the earlier of the date:

- (i) of his death;
- (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Two of Part E of the Rules; or
- (iii) his Normal Pension Date.

3.4 Reevaluation of Final Salary Benefits earned before 31 December 2007 for Scheme Enhanced Members

- (a) Each of the Former Racal EPP Beneficiaries who is a Scheme Enhanced Member of Section 1 of the Scheme is entitled to Final Salary Benefits payable under the Racal EPP Rules and/or the Special Terms (where applicable) which is:
 - (i) of the same nature, amount, value and calculated in the same way as the Scheme Enhanced Member's Past Service Pension in the Racal EPP; and
 - (ii) then adjusted in accordance with the terms of this Rule 3.4 of this Appendix Two to Schedule Two of Part E of the Rules.
- (b) A Scheme Enhanced Member's Past Service Pension will be revalued as at 1 April 2008 in Racal EPP. Thereafter, subject to (c) below, a Scheme Enhanced Member's Past Service Pension will be revalued as at each 1 April in Section 1 of the Scheme by the Special Revaluation Factor for the Revaluation Period.
- (c) As at the date a Scheme Enhanced Member stops being a Scheme Enhanced Member in Section 1 of the Scheme his Past Service Pension will not be less than the aggregate of:
 - (i) in the case of that part of the Scheme Enhanced Member's Past Service Pension which is in excess of his Guaranteed Minimum Pension, that part of his Past Service Pension revalued by the Special Revaluation Factor for the Revaluation Period; and
 - (ii) in the case of that part of the Scheme Enhanced Member's Past Service Pension which is his Guaranteed Minimum Pension, his Guaranteed Minimum Pension revalued from 1 January 2008 to the date he ceased to be a Scheme Enhanced Member by the greater of statutory revaluation applied to a Guaranteed Minimum Pension under the terms

of the 1993 Act or revaluation applied by the Racal EPP Rules and/or the Special Terms (where applicable) in force before 1 January 2008, if higher.

Conditions:

- (A) The "Special Revaluation Factor" is the Revaluation Rate compounded over the Revaluation Period.
- (B) The "Revaluation Rate" is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the Maximum Revaluation Rate set out in paragraph (C) below and will not be a negative amount.
- (C) The "Maximum Revaluation Rate" is what the Revaluation Rate would be if the rise in the Government retail prices index for all items was eight (8) per cent compound each year for the Revaluation Period.
- (D) The "Revaluation Period" is the period from 1 January 2008 to the 1 April immediately preceding the date the Scheme Enhanced Member stops being a Scheme Enhanced Member.
- (E) The rise in the Government retail prices index for all items used for the Revaluation Rate is:
 - 1) in the case of revaluation applied in Racal EPP as at 1 April 2008, a full year's increase using the annual rise in the Government retail prices index for all items published for September 2007; and
 - 2) for each subsequent 1 April in Section 1 of the Scheme the annual rise in the Government retail prices index for all items published for the immediately preceding month of September.
- (F) If:
 - 1) for any period during the Revaluation Period, the rise in the Government retail prices index for all items is higher than eight (8) per cent compound each year;
 - 2) the Actuary advises the Trustees that either:
 - 1a) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme is fully funded on its ongoing funding

basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 1); or

- 1b) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and

- 3) the Principal Employer consents in writing

the Trustees may apply a higher Special Revaluation Factor than is provided for under these Rules for such period as the Principal Employer agrees.

- (G) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer with the agreement of the Trustees will decide the nearest alternative index to be applied.

- (d) A Former Racial EPP Beneficiary who is a Scheme Enhanced Member of Section 1 of the Scheme will stop being a Scheme Enhanced Member when either:

- (i) he stops being an Active CARE Member under the terms of this Appendix One to Schedule Two of Part E of the Rules; or
- (ii) an employer in the group of companies owned by Thales Holdings UK plc (or its successors) stops paying contributions to the DC Scheme in respect of him

at a date after 30 June 2008.

- (e) When a Scheme Enhanced Member stops being a Scheme Enhanced Member before his Normal Pension Date for the purposes of this Appendix Two to Schedule Two of Part E of the Rules, if his Past Service Pension does not immediately start to be paid from Section 1 of the Scheme, he will become a deferred pensioner and his deferred pension will be calculated in accordance with the terms of Rule 3.4(c) above up to the date he ceased to be a Scheme Enhanced Member.

Thereafter, the Trustees will revalue the Past Service Pension using the final salary method of statutory revaluation (as set out in section 84(1) and paragraphs 1 and 2 of Schedule 3 of the 1993 Act) from the date he ceased to be a Scheme Enhanced Member to the earlier of the date:

- (i) of his death;
 - (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Two of Part E of the Rules; or
 - (iii) his Normal Pension Date.
- (f) Under the terms of this Rule 3.4, a Scheme Enhanced Member's Past Service Pension at the earlier of the date:
- (i) of his death;
 - (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Two of Part E of the Rules; or
 - (iii) of his Normal Pension Date

will not be less than the pension he would have been entitled to as a Member of Racal EPP becoming a deferred pensioner entitled to Final Salary Benefits on 31 December 2007 under the terms of the Racal EPP Rules or (where applicable) the relevant part of the Special Terms upon the basis that the part of his pension which is in excess of his Guaranteed Minimum Pension and his Guaranteed Minimum Pension will be revalued separately in accordance with either the requirements of statutory revaluation or the provisions of the Racal EPP Rules, if higher, in force on 31 December 2007.

- (g) If, when a Scheme Enhanced Member stops being a Scheme Enhanced Member and his Past Service Pension immediately starts to be paid from the Scheme, he will be a Pensioner in receipt of his pension from that date in respect of his Past Service Pension.

Provided that where the Past Service Pension starts to be paid under this Rule before the Scheme Enhanced Member's Normal Pension Date, the early retirement reduction applied (if any) will be the reduction applicable on retirement from Pensionable Service:

- (h) If a Scheme Enhanced Member remains in Service upon attaining his Normal Pension Date and his Past Service Pension does not start to be paid from the Scheme:
- (i) rule 11; or
 - (ii) rule 11 of schedule part III applicable to Specified Members; and/or

- (iii) the relevant parts of schedule part V applicable to Transferred Thorn Fund Members (as amended by the deed of amendment dated 6 April 2006) in respect of which describe the benefits payable to and in respect of a Member who remains in Service having attained his Normal Pension Date

of the Racial EPP Rules and / or (where applicable) the relevant part of the Special Terms will apply in respect of his Past Service Pension from his Normal Pension Date.

3.5 Ill-Health Early Retirement - Special Rules for Scheme Enhanced Members

- (a) If a Scheme Enhanced Member is suffering from Incapacity and an entitlement to a pension has arisen under the terms of:

- (i) rule 10;
- (ii) rule 10 of schedule part III applicable to Specified Members; and / or
- (iii) the relevant parts of schedule part V applicable to Transferred Thorn Fund Members (as amended by the deed of amendment dated 6 April 2006) in respect of which describe the benefits payable to and in respect of a Transferred Thorn Member due to Incapacity;

of the Racial EPP Rules and / or (where applicable) the relevant part of the Special Terms, the Final Salary Benefits pension payable will be equal to the Scheme Enhanced Member's Past Service Pension adjusted in accordance with Rule 3.4 above to the date he stops being a Scheme Enhanced Member. No prospective service to Normal Pension Date will be added to the pension, but the pension will not be reduced to take account of early payment.

- (b) A Scheme Enhanced Member who is not able to work due to ill-health or injury and who is in receipt of payments from an employer's permanent health insurance of at least 50 per cent of either his:

- (i) CARE Salary in the case of an Active CARE Member; or
- (ii) DC Salary in the case of a DC Scheme Life Assurance Member; less
- (iii) in either case statutory sick pay

is not entitled to apply for the payment of his Past Service Pension under this Rule 3.5 unless the Principal Employer with the agreement of the Trustees decide otherwise.

- (c) This Rule 3.4 will cease to apply when a Former Racal EPP Beneficiary stops being a Scheme Enhanced Member.

3.6 Death whilst a Scheme Enhanced Member - Lump Sums

- (a) If a person dies whilst a Scheme Enhanced Member, Section 1 of the Scheme will pay on the discretionary trusts pursuant to Rule 74 of Part D of the Rules:
 - (i) a refund of the Scheme Enhanced Member's own contributions which he was required to pay to Racal EPP before 1 January 2008 and which have been transferred to Section 1 of the Scheme; and
 - (ii) any benefits due under the terms of this Appendix Two to Schedule Two of Part E of the Rules or (where applicable) the relevant part of the Special Terms as a result of the payment of Members Voluntary Contributions paid before 1 January 2008 to Racal EPP which have been transferred to Section 1 of the Scheme.
- (b) Any Final Salary Benefits lump sum death benefit (other than that referred to in Rule 3.6(a) above) which would have been paid upon the death of either a member or a deferred pensioner under the terms of the Racal EPP Rules and / or (where applicable) any relevant part of the Special Terms will not be paid.
- (c) The balance of the Scheme Enhanced Member's death in service lump sum benefits will be paid under the terms of Appendix One to Schedule Two of Part E of the Rules in accordance with the terms of Rule 74 of Part D to the Rules (regardless of whether the Scheme Enhanced Member is an Active CARE Member or a DC Scheme Life Assurance Member on the date of his death).

3.7 Death whilst a Scheme Enhanced Member - Pension Benefits

- (a) Subject to Rule 3.7 (d) below, if a person dies whilst a Scheme Enhanced Member, Section 1 of the Scheme will, subject to (b) below, pay pension benefits in accordance with the terms of:
 - (i) rule 7(a) III;
 - (ii) rule 7(a) III schedule part III applicable to Specified Members; and / or
 - (iii) the relevant parts of schedule V applicable to Transferred Thorn Fund Members (as amended by the deed of amendment dated 6 April 2006) in respect of which describe the pension benefits payable upon the death of a Transferred Thorn Member upon his death whilst in Pensionable

Service; and / or

of the Racal EPP Rules or (where applicable) any relevant part of the Special Terms, in respect of his Past Service Pension.

- (b) The amount of any pension payable under Rule 3.7(a) above will be determined using the Scheme Enhanced Member's Past Service Pension adjusted to the date of his death in accordance with Rule 3.4 above. No prospective service will be included in the calculation of any pensions payable under the Racal EPP Rules or where applicable any relevant part of the Special Terms as specified under Rule 3.7(a).
- (c) The balance of the pension payable upon the death of a Scheme Enhanced Member will be paid under the terms of Appendix One to Schedule Two of Part E of the Rules.
- (d) Any pension payable under this Appendix Two to Schedule Two of Part E of the Rules in a manner consistent with the Racal EPP Rules or (where applicable) the Special Terms upon the death of a Member in Pensionable Service which is calculated as a percentage or proportion of a member's Final Pensionable Salary, Current Pensionable Salary, Basic Salary or other definition of pay (as amended by the 2007 Deed) will not be payable from Section 1 of the Scheme.

3.8 Prospective Service Benefits

No benefit payable to or in respect of a Scheme Enhanced Member from Section 1 of the Scheme in accordance with this Appendix Two to Schedule Two of Part E of the Rules will include in its calculation any prospective Pensionable Service.

3.9 Continued Life Assurance Benefits

- (a) This Rule 3.9 applies to a Scheme Enhanced Member and a Former Enhanced Member:
 - (i) who either:
 - (A) stops being a Scheme Enhanced Member; or
 - (B) stopped being a Former Enhanced Member due to incapacity or Serious Ill-Health (or both); and
 - (ii) whose:

- (A) Past Service Pension payable under the terms of rule 10 of the Racial EPP Rules and / or (where applicable) the relevant part of the Special Terms (as amended by Rule 3.5 above) due to Incapacity; or
- (B) CARE Pension payable under Rule 5.3 of Appendix One to Schedule Two of Part E of the Rules; or
- (C) both (A) and (B)

immediately starts to be paid upon him stopping being either a Scheme Enhanced Member of Section 1 of the Scheme or an Enhanced Member of Racial EPP.

- (b) A Scheme Enhanced Member or Former Enhanced Member to whom this Rule 3.9 of Appendix Two to Schedule Two of Part E of the Rules applies will continue to be provided with the Lump Sum Benefit under this Rule 3.9 of Appendix Two to Schedule Two of Part E of the Rules from the date he either stops being a Scheme Enhanced Member of Section 1 of the Scheme or stopped being an Enhanced Member of Racial EPP to the earlier of:
 - (i) his CARE Pension Date; and
 - (ii) any date before his CARE Pension Date when all of his pension benefits which are in payment from Section 1 of the Scheme (whether under the terms of this Appendix Two to Schedule Two or Appendix One to Schedule Two of Part E of the Rules or both) stop being paid (other than where benefits stop as a result of his death).
- (c) The amount of the Scheme Enhanced Member's or Former Enhanced Member's CARE Salary or DC Salary (as applicable) for the purposes of calculating his Lump Sum Benefit will be his CARE Salary or DC Salary as at the date he ceased to be either a Scheme Enhanced Member of Section 1 of the Scheme or an Enhanced Member of Racial EPP, increased by such amount as the Principal Employer decides from time to time.

3.10 Pension Commencement Lump Sum

- (a) Where a Scheme Enhanced Member or Former Enhanced Member has an entitlement to:
 - (i) Final Salary Benefits and CARE Benefits as a result of his own membership of Racial EPP which were transferred to Section 1 of the

Scheme; and

- (ii) In the case of a Scheme Enhanced Member only, CARE Benefits earned in Section 1 of the Scheme

he can only exchange Past Service Pension for a pension commencement lump sum in proportion to the amount his Past Service Pension represents as a part of his aggregated pension from Section 1 of the Scheme when his Past Service Pension and his CARE Pension are aggregated together.

- (b) Where a Scheme Enhanced Member or Former Enhanced Member has an entitlement to Previous Membership Benefits, he can only exchange Previous Membership Benefits for pension commencement lump sum:

- (i) in accordance with the Racal EPP Rules or (where applicable) any relevant part of the Special Terms which apply to it; and

- (ii) in proportion to the amount his Previous Membership Benefits represents as a part of his aggregated pension from Section 1 of the Scheme when his Previous Membership Benefits, Past Service Pension and his CARE Pension are aggregated together.

- (c) Nothing in this Rule 3.10 will reduce the maximum amount of Past Service Pension which a Scheme Enhanced Member or Former Enhanced Member can elect to exchange for a pension commencement lump sum under the Racal EPP Rules (including (where applicable) the Special Terms) insofar as such a maximum amount was a subsisting right within the meaning of Section 67 A(6) of the 1995 Act as at 31 December 2007.

3.11 Other Benefits

- (a) Where a Scheme Enhanced Member or Former Enhanced Member has benefits which were transferred into Section 1 of the Scheme which relate to previous period of membership of Racal EPP which are separate from his Past Service Pension, those benefits will be paid under the terms of the Racal EPP Rules in force at the relevant time when such previous period of membership in Racal EPP ended.

- (b) For the purposes of these Rules the benefits referred to in 3.11(a) are referred to as the "Previous Membership Benefits".

3.12 Early Leaver Rights

- (a) Where the Racial EPP Rules applicable to the Former Racial EPP Beneficiaries' Final Salary Benefits specify the manner in which the Preservation Requirements will be complied with under them, those rules will apply in respect of the Preservation Requirements.
- (b) If the provisions of the Racial EPP Rules or (where applicable) any relevant part of the Special Terms which apply to the Former Racial EPP Beneficiaries' Final Salary Benefits referred to in (a) above do not specify the manner in which the Preservation Requirements will be complied with under them, the rules or (where applicable) any relevant part of the Special Terms will be construed in a manner which is consistent with the Preservation Requirements.

3.13 Additional Voluntary Contributions

No Scheme Enhanced Member or Former Enhanced Member can pay Members Voluntary Contributions to Section 1 of the Scheme under the terms of this Appendix Two to Schedule Two of Part E of the Rules

3.14 Targeted Benefits

In so far as any Scheme Enhanced Member's or Former Enhanced Member's benefits are calculated under the terms of the Rules and (where applicable) the Special Terms, as a proportion of the Scheme Enhanced Member's or Former Enhanced Member's Final Pensionable Salary (or similar formula), such a Scheme Enhanced Member's or Former Enhanced Member's Past Service Pension will be calculated as a proportion of his Final Pensionable Salary (or under any similar formula) applicable to a person as if he had become a deferred pensioner on 31 December 2007.

3.15 2007 Pension Increases Exchange

- (a) In this Rule the following expressions have the following meanings:
 - (i) "2007 Non-Statutory Increase Pensions" means, in relation to a Pension Increase Swap Member, the part of a pension (except any pension attributable to additional voluntary contributions) which:
 - (A) is not required to be increased in order to comply with legislation; and
 - (B) has been correctly identified as being subject to non-statutory increases in the personal information statement forming part of the Pensioner Option Pack.

- (ii) "Pension Increase Swap Member" means a Member or the Dependant of a Member in each case who was in receipt of a pension from Racal EPP on 19 September 2007 (or such other date as Thales Holdings UK Limited and the Trustees may agree) and who:
 - (A) elected to accept the offer contained in the Pensioner Option Pack by completing the decision form enclosed with the Pensioner Option Pack and returning it as directed no later than 29 February 2008 (or such other date as Thales Holdings UK Limited and the Trustees may agree); and
 - (B) received from Thales Holdings UK Plc on or before 31 March 2008 (or such other date as Thales Holdings UK Limited and the Trustees may agree) the cash sum shown in the personal information statement enclosed with the Pensioner Option Pack, in accordance with the terms of the Pensioner Option Pack.
- (iii) "Pensioner Option Pack" means together a letter from Thales Holdings UK Plc dated December 2007 (or such other date as Thales Holdings UK Limited and the Trustees may agree) and the subsequent communication from Heath Lambert dated January 2008 (or such other date as Thales Holdings UK Limited and the Trustees may agree) both of which were sent to Members and the Dependants of Members in receipt of a pension from Racal EPP on 19 September 2007 (or such other date as Thales Holdings UK Limited and the Trustees may agree).
- (b) Notwithstanding rule 9 of the Racal EPP Rules and any other provisions of Racal EPP which are Racal EPP Rules including without limitation the Racal EPP Rules including the relevant schedules and (where applicable) the Special Terms relating to pension increases, in the case of:
 - (i) a Pension Increase Swap Member no increase shall be payable on any Non-Statutory Increase Pensions after 31 March 2008 (or such other date as Thales Holdings UK Limited and the Trustees may agree which is before 30 June 2008); and
 - (ii) any pension payable to any person on the death of a Pension Increase Swap Member, no increase shall be payable on such person's pension after 31 March 2008 (or such other date as Thales Holdings UK Limited and the Trustees may agree which is before 30 June 2008) except to the extent required by legislation.

Provided in either case that the entitlement to increases to Non-Statutory Increase Pensions shall be reinstated retrospectively if the Pension Increase Swap Member (or his estate if he dies before receipt) has not received from Thales Holdings UK Plc on or before 30 September 2008 the cash sum shown in the personal information statement enclosed with the Pensioner Option Pack.

3.16 2008 Pension Increases Exchange

- (a) In this Rule the following expressions have the following meanings:
- (i) **"2008 Non-Statutory Increase Pensions"** means, in relation to a Phase 3 Pension Increase Swap Member, the part of a pension (except any pension attributable to additional voluntary contributions) which:
 - (A) is not required to be increased in order to comply with legislation; and
 - (B) has been correctly identified as being subject to non-statutory increases in the personal information statement enclosed with the Pensioner Option Letter.
 - (ii) **"Phase 3 Pension Increase Swap Member"** means a Member or the Dependant or Eligible Spouse of a Member in each case who was in receipt of a pension from the Racal Decca Scheme on 1 April 2008 (or such other date as Thales Holdings UK plc and the Trustees may agree) and who elected to accept the offer contained in the Pensioner Option Letter by completing the decision form enclosed with the Pensioner Option Pack by completing the decision form enclosed in the Pensioner Option Pack and returning it as directed no later than 20 June 2008 (or such later date as Thales Holdings UK plc and the Trustees may agree).
 - (iii) **"Pensioner Option Letter"** mean together a letter from Thales Holdings UK Plc dated April 2008 or, in some cases, May 2008 (or such other date as Thales Holdings UK plc and the Trustees may agree) and the subsequent communication from Heath Lambert dated 2 May 2008 (or such other date as Thales Holdings UK plc and the Trustees may agree) both of which were sent to certain Members and certain Dependants of Members in receipt of a pension on 1 April 2008 (or such other date as Thales Holdings UK plc and the Trustees may agree).
- (b) Notwithstanding rule 9 of the Racal EPP Rules and any other provisions of Racal EPP which are the Racal EPP Rules including without limitation the Racal EPP Rules including the relevant schedules and (where applicable) the Special Terms

relating to pension increases, in the case of:

- (i) a Phase 3 Pension Increase Swap Member no increase shall be payable on any 2008 Non-Statutory Increase Pensions after 29 June 2008; and
- (ii) any pension payable to any person on the death of a Phase 3 Pension Increase Swap Member, no increase shall be payable on such person's pension after 29 June 2008 except to the extent required by legislation.

Provided in either case that the entitlement to increases to 2008 Non-Statutory Increase Pensions shall be reinstated retrospectively if the Phase 3 Pension Increase Swap Member (or his estate if he dies before receipt) has not received from Thales Holdings UK Plc on or before 30 September 2008 the cash sum shown in the personal information statement enclosed with the Pensioner Option Letter.

4 Meanings of Words Used

4.1 Use of Definitions in this Appendix Two to Schedule Two

In this Appendix Two to Schedule Two of Part E of the Rules, the following words have the following special meanings:

"2007 Deed" has the meaning given to it in Rule 2.1(c) of Appendix Two to Schedule Two of Part E of the Rules.

"2007 Non-Statutory Increase Pensions" has the meaning given to it in Rule 3.15(a)(i) of Appendix Two to Schedule Two of Part E of the Rules.

"2008 Non-Statutory Increase Pensions" has the meaning given to it in Rule 3.16(a)(i) of Appendix Two to Schedule Two of Part E of the Rules

"Former Enhanced Member" has the meaning given to Rule 3.1(b) of Appendix Two to Schedule Two of Part E of the Rules.

"Maximum Revaluation Rate" has the meaning given in the conditions to Rule 3.3(b) of Appendix Two to Schedule Two of Part E of the Rules.

"Old Rules" has the meaning given to it in Rule 2.1(b) of Appendix Two to Schedule Two of Part E of the Rules.

"Past Service Pension" has the meaning given in Rule 3.1(c) of Appendix Two to Schedule Two of Part E of the Rules.

“Pension Increase Swap Member” has the meaning given to it in Rule 3.15(a)(ii) of Appendix Two to Schedule Two of Part E of the Rules.

“Pensioner Option Pack” has the meaning given to it in Rule 3.15(a)(iii) of Appendix Two to Schedule Two of Part E of the Rules.

“Pensioner Option Letter” has the meaning given to it in Rule 3.16(a)(iii) of Appendix Two to Schedule Two of Part E of the Rules.

“Phase 3 Pension Increase Swap Member” has the meaning given to it in Rule 3.16(a)(ii) of Appendix Two to Schedule Two of Part E of the Rules.

“Previous Membership Benefits” has the meaning given in Rule 3.11 of Appendix Two to Schedule Two of Part E of the Rules.

“Racal EPP Rules” has the meaning given to it in Rule 2.1(a) of Appendix Two to Schedule Two of Part E of the Rules.

“Revaluation Period” has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Two of Part E of the Rules.

“Revaluation Rate” has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Two of Part E of the Rules.

“Scheme Enhanced Member” has the meaning given in Rule 3.1(a) of Appendix Two to Schedule Two of Part E of the Rules.

“Special Revaluation Factor” has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Two of Part E of the Rules.

“Special Terms” means any benefits in respect of a Former Racal EPP Beneficiary or any person claiming through him which as at 31 December 2007:

- (a) Racal EPP had lawfully granted under the provisions of Racal EPP; and
- (b) had been communicated to Members in writing; and
- (c) had not been formally recorded in the Racal EPP Rules.

4.2 Other Definitions used in Appendix Two to Schedule Two

- (a) In this Appendix Two to Schedule Two of Part E of the Rules, the words **“Active CARE Member”**, **“CARE Pension”**, **“CARE Pension Date”**, **“CARE Salary”**, **“DC Salary”**, **“DC Scheme Life Assurance Member”** and **“Serious Ill-Health”** have the meanings given to them in Appendix One to Schedule Two of Part E of the

Rules.

- (b) In this Appendix Two to Schedule Two of Part E of the Rules, the words “**Basic Salary**”, “**Current Pensionable Salary**”, “**Dependant**”, “**Enhanced Member**”, “**Final Pensionable Salary**”, “**Guaranteed Minimum Pension**”, “**Incapacity**”, “**Member**”, “**Members Voluntary Contributions**”, “**Normal Pension Date**”, “**Pensionable Service**”, “**Specified Member**” and “**Transferred Thorn Member**” have the meanings given to them in the Rocal EPP Rules (as amended, where applicable, by the 2007 Deed).
- (c) In this Appendix Two to Schedule Two of Part E of the Rules, all other definitions are defined in Part A of the Rules.

**SCHEDULE THREE OF PART E OF THE RULES
FORMER RACAL GROUP EXECUTIVE BENEFICIARIES**

1 Application of Schedule Three of Part E of the Rules

1.1 Schedule Three of Part E of the Rules applies to:

- (a) Former Racal Group Executive Beneficiaries; and
- (b) any person who the Principal Employer and Trustees have agreed should be treated as a Former Racal Group Executive Beneficiary under Rule 77.3 of Part E of the Rules.

1.2 CARE Benefits earned in the Racal Group Executive Scheme by Former Racal Group Executive Beneficiaries which are transferred to Section 1 of the Scheme are calculated as if those CARE Benefits had been earned in Section 1 of the Scheme from (and including) 1 January 2008 rather than in the Racal Group Executive Scheme.

1.3 For those of the Former Racal Group Executive Beneficiaries who are in Pensionable CARE Service in Section 1 of the Scheme on 1 July 2008 and whose CARE Benefits from the Racal Group Executive Scheme are transferred to Section 1 of the Scheme, Pensionable CARE Service in Section 1 of the Scheme will be treated as continuous.

2 Structure of Schedule Three of Part E of the Rules

2.1 Appendix One sets out the Rules to Schedule Three of Part E which apply to the provision of CARE Benefits for Former Racal Group Executive Beneficiaries.

2.2 Appendix Two sets out the Rules to Schedule Three Part E which apply to the provision of Final Salary Benefits for Former Racal Group Executive Beneficiaries.

2.3 Final Salary Benefits earned in the Racal Group Executive Scheme by Former Racal Group Executive Beneficiaries before 1 January 2008 will be of the same nature, amount and value and be calculated in the same way as under the terms which applied in the Racal Group Executive Scheme to that Former Racal Group Executive Beneficiary on 31 December 2007. Such benefits will be administered in accordance with Parts A, B, D, E, G and H of the Rules of the Scheme.

SCHEDULE THREE OF PART E OF THE RULES

CARE BENEFITS RULES FOR FORMER RACAL GROUP EXECUTIVE BENEFICIARIES

APPENDIX ONE

1 General Benefits Description

1.1 Type of Benefits

The Rules for CARE Benefits for Former Racal Group Executive Beneficiaries provide career average revalued earnings style benefits for:

- (a) all Pensionable CARE Service in the Racal Group Executive Scheme after 31 December 2007 and before 1 July 2008 which is transferred to Section 1 of the Scheme; and
- (b) all Pensionable CARE Service (if any) in Section 1 of the Scheme after 30 June 2008

which shall be treated as continuous Pensionable CARE Service.

1.2 Contracting-out Status

The CARE Benefits are contracted-in.

1.3 Tax Status and Plan Limits

- (a) The Rules for the provision of CARE Benefits are designed to provide pension and death benefits for a registered occupational pension scheme under Part 4 of the Finance Act 2004 (as amended).
- (b) For the purposes of determining the maximum benefits payable to a Former Racal Group Executive Beneficiary and any restrictions on their payment:
 - (i) the Scheme Benefit Limits contained in Part G of the Rules do not apply to the CARE Benefits;
 - (ii) the total pension payable to a Former Racal Group Executive Beneficiary from Section 1 of the Scheme when the CARE Benefits and the Final Salary Benefits are aggregated together will not exceed two thirds of the Former Racal Group Executive Beneficiary's Final Remuneration (as defined in Part G of the Rules) (ignoring the effect of any salary sacrifice arrangement made between the CARE Member and his Employer);

- (c) save as provided in Rule 77 of Part E of the Rules, this Rule 1.3 of this Appendix One to Schedule Three of Part E does not disapply:
 - (i) the Scheme Benefit Limits which apply to the Final Salary Benefits of Former Racial Group Executive Beneficiaries in Part G of the Rules; or
 - (ii) any other benefit limits rules and / or restrictions applied to the Final Salary Benefits under Rule 1.3(c) of Appendix Two to Schedule Three of Part E of the Rules; and
- (d) if a CARE Member is subject to a pension sharing on divorce order, agreement or equivalent provision, Rule 1.3(b)(ii) will be applied to the total pension payable to a CARE Member from the Scheme when the CARE Benefits payable under this Appendix One to Schedule Three of Part E and the Final Salary Benefits payable under Appendix Two to Schedule Three of Part E are aggregated together before the pension sharing on divorce order, agreement or equivalent provision, is applied.

1.4 Early Leaver Rights

- (a) Where the CARE Benefits Rules of this Appendix One to Schedule Three specify the manner in which the Preservation Requirements will be complied with under it, those Rules will apply in respect of the Preservation Requirements.
- (b) If the CARE Benefits Rules of this Appendix One to Schedule Three do not specify the manner in which the Preservation Requirements will be complied with under it, the Rules will be construed in a manner which is consistent with the Preservation Requirements.

2 Membership for CARE Benefits

2.1 Becoming an Active CARE Member

- (a) An Employee is able to become and remain an Active CARE Member of Section 1 of the Scheme for so long as he satisfies all of the following conditions. The employee:
 - (i) was, on 31 December 2007, either:
 - (A) a member of the Racial Group Executive Scheme in Pensionable Service under the rules of that scheme in force on that date; or
 - (B) an employee who was not a member of the Racial Group Executive Scheme in Pensionable Service under the rules of that

scheme in force on that date but whom the Principal Employer has determined was eligible to join the Racal Group Executive Scheme and did not join the DC Scheme on 1 January 2008;

- (ii) before 1 January 2008, elected in writing using the election form provided by Thales Electronics Plc to become an Active CARE Member of the Racal Group Executive Scheme from either 1 January 2008 or such later date as his employer in the Racal Group Executive Scheme agreed in writing;
 - (iii) has either:
 - (A) a written pension salary sacrifice arrangement in force with his Employer; or
 - (B) if the Principal Employer permits, a written consent in force with his Employer to deduct his contributions from his CARE Salary; and
 - (iv) was continuously an Active CARE Member from either 1 January 2008 or such later date as he was first admitted to the Racal Group Executive Scheme; and
 - (v) joined the Scheme as an Active CARE Member of Section 1 of the Scheme with effect from 1 July 2008 and transferred all of his benefits in the Racal Group Executive Scheme to Section 1 of the Scheme with effect on and from 1 July 2008.
- (b) Section 1 of the Scheme is closed to new members and only Employees who meet the conditions set out in Rule 2.1(a) can be Active CARE Members of Section 1 of the Scheme entitled to CARE Benefits under the terms of this Appendix One to Schedule Three of Part E of the Rules.

2.2 Stopping being an Active CARE Member

- (a) An Active CARE Member will cease to be an Active CARE Member on the earlier of the date:
 - (i) he leaves employment or dies; or
 - (ii) of the expiry of not less than one month's written notice which he has given to the Trustees to end his Pensionable CARE Service; or
 - (iii) he ceases to satisfy all of the eligibility criteria to be an Active CARE

Member under Rule 2.1(a) above (and for these purposes absence whilst the CARE Member remains in Service under Rule 12 of this Appendix One to Schedule Three of Part E is ignored); or

- (iv) he otherwise ceases to be in Pensionable CARE Service under any other provision of the Rules of this Appendix One to Schedule Three of Part E of the Rules.
- (b) No Employee who has ceased to be an Active CARE Member under Rule 2.2(a) above can rejoin the Scheme in order to earn either CARE Benefits or Final Salary Benefits.
- (c) An Active CARE Member who opts-out of Active CARE Membership under Rule 2.2(a)(ii) above before his CARE Pension Date will be treated as a Deferred CARE Member from the date his notice to opt-out expires. Rules 6 and 9 apply to this Appendix One to Schedule Three of Part E of the Rules.

3 Payment of Contributions

3.1 Rate of Contributions

- (a) The rate of contributions due to Section 1 of the Scheme from each Active CARE Member is:
 - (i) 6 (six) per cent of CARE Salary for that part of the CARE Salary up to and including the upper earnings limit; and
 - (ii) 9 (nine) per cent of CARE Salary for that part (if any) of the CARE Salary in excess of the upper earnings limit.
- (b) Upper earnings limit is the annual equivalent of upper earnings limit published immediately before each 1 April for the following tax year.
- (c) Upper earnings limit has the meaning given in section 181 of the 1993 Act.
- (d) If an Active CARE Member has a period of Part-Time Employment the upper earnings limit will be adjusted in accordance with Rule 13 of this Appendix One to Schedule Three of Part E of the Rules.

3.2 Payment of Contributions

- (a) Active CARE Members who enter into a pension salary sacrifice arrangement with their Employer pursuant to Rule 3.2(c) below do not contribute to Section 1 of the Scheme.

- (b) Active CARE Members who, with the agreement of the Principal Employer, do not enter into a pension salary sacrifice arrangement with their Employer must contribute to Section 1 of the Scheme at the rate set out in Rule 3.1 above).
- (c) In order for Rule 3.2(a) above to apply the:
 - (i) Active CARE Member must sacrifice from his pay from his Employer an amount equivalent to the contributions he would have paid to the Section 1 of the Scheme at the rate set out in Rule 3.1 above had the pension salary sacrifice arrangement not been in force; and
 - (ii) Active CARE Member's Employer must pay monthly to the Trustees contributions to Section 1 of the Scheme of an amount equal to the sums sacrificed by the Active CARE Member from his remuneration from that Employer under his pension salary sacrifice arrangement.
- (d) All Active CARE Members are required to enter into a pension salary sacrifice arrangement with an Employer unless the Principal Employer determines otherwise in writing.
- (e) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule Three of Part E of the Rules applies.
- (f) In the event that the Principal Employer decides not to permit Active CARE Members to sacrifice pay from their Employer in accordance with Rule 3.2(c) above, such Active CARE Members will:
 - (i) continue to earn CARE Benefits provided that they contribute to Section 1 of the Scheme under the terms of Rule 3.2(b) above; and
 - (ii) provide such written consents as their Employer requests in writing to be able to deduct such contributions from their pay.

Such Active CARE Members will become Deferred CARE Members if they do not provide to their Employer such written consents as are required for them to contribute to Section 1 of the Scheme under Rule 3.2(b) above within one (1) month of the date the Active CARE Members are asked to pay contributions to Section 1 of the Scheme or such longer period as the Principal Employer may decide.

3.3 Additional Voluntary Contributions

No Active CARE Member can pay additional voluntary contributions to Section 1 of the Scheme.

3.4 Employer Contributions

The balance of the cost of providing the CARE Benefits will be paid by the Employers in accordance with Rule 35 of Part A of the Rules.

4 Calculation of CARE Pension

4.1 CARE Pension Calculation

The "CARE Pension" is: $(X - Y) \times Z$ where:

- (a) "X" is 1/720th of Averaged Revalued CARE Salary for each complete calendar month of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service;
- (b) "Y" is the Pension Deduction; and
- (c) "Z" is the LAF.

Conditions:

- (i) The LAF applied to the CARE Pension will be either the LAF in force at the date:
 - (A) the Active CARE Member leaves Pensionable CARE Service; or
 - (B) the CARE Pension starts to be paidwhichever results in the payment of the higher CARE Pension to the CARE Member (or any person claiming through him).
- (ii) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule Three of Part E of the Rules applies to the calculation of his CARE Pension for that period of part-time Pensionable CARE Service.

4.2 Meaning of Words used in the Calculation of CARE Pension

- (a) "Averaged Revalued CARE Salary" is:
 - (i) the aggregate of the Revalued CARE Salary at each 1 April during Pensionable CARE Service; DIVIDED BY

- (ii) the number of years in which the Active CARE Member was in Pensionable CARE Service on a 1 April.

Condition:

If an Active CARE Member leaves Pensionable CARE Service before 1 April 2008, his Average Revalued CARE Salary will be his CARE Salary on 1 January 2008.

(b) **"Pension Deduction" is:**

- (i) 0.4% of the Active CARE Member's Gross Band Earnings for the last complete tax year immediately preceding the date the Active CARE Member left Pensionable CARE Service; MULTIPLIED BY
- (ii) the number of complete calendar months of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service; DIVIDED BY
- (iii) twelve (12).

Provided that with on and effect from 1 April 2009, Pension Deduction will be adjusted in accordance with the terms of Rule 13 in respect of Active CARE Members in Part-time Employment after that date.

- (c) **"Gross Band Earnings"** is the Active CARE Member's gross earnings between the lower and upper earnings limit.
- (d) **"Revalued CARE Salary"** is the Active CARE Member's CARE Salary as at each 1 April revalued by the Revaluation Factor up to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.
- (e) **"Revaluation Factor"** is the Revaluation Rate compounded over the Revaluation Period.

Conditions:

- (i) The **"Revaluation Rate"** is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the Maximum Revaluation Rate set out in (ii) and will not be a negative amount.
- (ii) The **"Maximum Revaluation Rate"** is what the Revaluation Rate would be if the rise in the Government retail prices index for all items was eight (8) per cent compound each year for the Revaluation Period.

(iii) The "Revaluation Period" is the period from 1 April to which the relevant CARE Salary relates to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.

(iv) The rise in the Government retail prices index for all items used for the Revaluation Rate is the one published before each 1 April for the immediately preceding month of September.

(v) If:

(A) for any period during the Revaluation Period, the rise in the Government retail prices index for all items is higher than eight (8) per cent compound each year; and

(B) the Actuary advises the Trustees that either:

1) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 1); or

2) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and

(C) the Principal Employer consents in writing.

the Trustees may apply a higher Revaluation Factor than is provided for under the CARE Benefits Rules for such period as the Principal Employer agrees.

(vi) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

(f) "LAF" is the longevity adjustment factor and is calculated as follows:

$$\frac{1 - (A \times B)}{100}$$

Where:

(i) "A" equals the number of years (rounded to the nearest 0.1 years) by which the anticipated life expectancy of a man aged 65 on the LAF

Recalculation Table is higher or lower (as applicable) than on the LAF Base Table. Where the anticipated life expectancy is higher than on the LAF Base table, "A" will be positive and where lower "A" will be negative.

(ii) "B" equals 1.5.

Conditions:

- (A) The LAF will be one (1) between 1 January 2008 and 31 March 2012 (inclusive).
- (B) The LAF cannot be greater than one (1).
- (C) The LAF cannot decrease by more than 0.05 as at any LAF recalculation date.
- (D) "A" will assume a value of zero if, as at any LAF recalculation date, "A" is less than the years noted on the table below:

LAF recalculation date year For Rule 4.3(a)	Years for the purposes of "A"
2011	0.5
2014	0.75
2017	1.00
2020	1.25
2023	1.50
2026	1.75
2029	2.00
2032	2.25
2035	2.50
2038	2.75
2041	3.00
2044	3.25
2047	3.50
2050	3.75
2053	4.00

(E) The LAF will be rounded to the nearest 0.0025.

(F) The LAF will be recalculated in accordance with Rule 4.3.

(g) "LAF Base Table" is the life expectancy table for a man aged 65 years old using the Government Actuaries Department's national 2006 based principal

population projections with "cohort expectation" adjustments, which provides as follows:

Year to which Rule 4.3(a) Applies	Life Expectancy of a Male Retiring at Age 65
2007	20.7
2008	20.8
2009	21.0
2010	21.1
2011	21.2
2012	21.3
2013	21.5
2014	21.6
2015	21.7
2016	21.8
2017	21.9
2018	22.0
2019	22.1
2020	22.2
2021	22.3
2022	22.4
2023	22.5
2024	22.5
2025	22.6
2026	22.7
2027	22.8
2028	22.9
2029	23.0
2030	23.1
2031	23.2
2032	23.3
2033	23.4
2034	23.5
2035	23.6
2036	23.7
2037	23.7
2038	23.8
2039	23.9
2040	24.0
2041	24.1

2042	24.2
2043	24.3
2044	24.4
2045	24.5
2046	24.6
2047	24.7
2048	24.8
2049	24.9
2050	25.0
2051	25.1
2052	25.2
2053	25.3
2054	25.3

- (h) “LAF Recalculation Table” is, as at the current LAF recalculation date, the most recently published Government Actuaries Department table published since the previous LAF recalculation date, showing the life expectancy for a man aged 65 years old using the Government Actuaries Department’s table for national principal population projections with “cohort expectation” adjustments.

Conditions:

- (i) If the LAF Recalculation Table is not available at any LAF recalculation date, an alternative life expectancy table published by the Government Actuaries Department, the Office of National Statistics or similar body which uses the latest available national population statistics to show the current life expectancy of a male member retiring at age 65 and adjusted to reflect “cohort expectation” will be used.
- (ii) If a table meeting the requirements of (i) is not available at any LAF recalculation date, the Principal Employer with the agreement of the Trustees, will agree a life expectancy table which is nearest to the LAF Recalculation Table.

4.3 Recalculation of the LAF

- (a) The LAF will automatically be recalculated in accordance with Rule 4.2(f) above:
- (i) as at 1 January 2011 (being the first LAF recalculation date); and

- (ii) at three (3) yearly intervals thereafter as at 1 January.
- (b) The recalculated LAF will be applied to CARE Members' benefits on expiry of the notice given under Rule 4.3(c) below unless the Principal Employer, with the agreement of the Trustees, decides to apply a recalculation to the LAF which would result in a LAF being applied to CARE Members' benefits which would result in a higher benefit for a CARE Member than would otherwise have been applied under Rule 4.3(a) above.
- (c) Upon a LAF recalculation being effected under Rule 4.3(a) above at a LAF recalculation date, the Principal Employer will give all Active CARE Members at least twelve (12) months written notice of the amount of the recalculated LAF and the details of how it will be applied to benefits before the LAF is applied to benefits under this Appendix One to Schedule Three of Part E of the Rules.

5 Active CARE Member's CARE Pension

5.1 Drawing CARE Pension at CARE Pension Date

Upon an Active CARE Member attaining his CARE Pension Date but subject to the terms of Rule 5.4(a) and (b) below his annual CARE Pension will start on the next day.

5.2 Drawing CARE Pension before CARE Pension Date

- (a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if:
 - (i) before 6 April 2010, he is aged 50 or over; or
 - (ii) after 5 April 2010, he is aged 55 or over; and
 - (iii) he applies to draw his CARE Pension early whilst he is in Pensionable CARE Service; and
 - (iv) he has the written consent of the Principal Employer to draw his CARE Pension early; and
 - (v) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) If at any age from the age of 60 up to his Normal Pension Date an Active CARE Member is entitled to receive his Final Salary Benefits under Appendix Two to Schedule Three of Part E of the Rules without any consents being required from any party to the Scheme or compliance with any other conditions, the payment

of the CARE Pension is not subject to Rule 5.2(a)(iv) above after he attains that age.

- (c) An Active CARE Member may, with the consent of the Principal Employer, remain in the employment of an Employer after his CARE Pension starts to be paid under the terms of this Rule 5.2.
- (d) The annual CARE Pension will start on the day agreed by the CARE Member and the Trustees.

5.3 Drawing CARE Pension due to Serious Ill-Health

(a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health if, subject to the terms of Rule 5.3(d) below:

- (i) he has not attained his CARE Pension Date;
- (ii) he applies to draw his CARE Pension early due to Serious Ill-Health whilst he is in Pensionable CARE Service and will have left Pensionable CARE Service when his CARE Pension starts to be paid;
- (iii) the Principal Employer, with the agreement of the Trustees, decide after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Active CARE Member is suffering from Serious Ill-Health;
- (iv) the Trustees are satisfied that the Active CARE Member meets the ill-health condition for the purposes of the Part 4 of the Finance Act 2004; and
- (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health.

(b) The CARE Pension payable under this Rule 5.3 will:

- (i) have no LAF applied to it; and
- (ii) not be reduced by an Early Retirement Reduction; and
- (iii) be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule Three of Part E of the Rules.

(c) The annual CARE Pension will start on the day after the CARE Member left

Pensionable CARE Service.

- (d) An Active CARE Member who is not able to work due to ill-health or injury and who is in receipt of payments from an employer's permanent health insurance scheme of at least 50 per cent of his CARE Salary less statutory sick pay is not entitled to apply for the payment of his CARE Pension under this Rule unless the Principal Employer, with the agreement of the Trustees, decide otherwise.

5.4 Drawing CARE Pension after CARE Pension Date

- (a) If an Active CARE Member, with the consent of the Principal Employer, remains in the employment of an Employer after his CARE Pension Date, he may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date (or such later date as the Principal Employer and the Trustees may agree) to either:
 - (i) leave Pensionable CARE Service on his CARE Pension Date and be treated as either a CARE Pensioner or a CARE Postponed Pensioner; or
 - (ii) remain in Pensionable CARE Service and continue to be treated as an Active CARE Member.

Conditions:

- (A) If an Active CARE Member makes no election under this Rule 5.4(a), the Trustees will treat the Active CARE Member as if he had left Active CARE Membership on his CARE Pension Date and he will become a CARE Postponed Pensioner under Rule 5.4(b)(ii) below.
 - (B) The option to be treated as a CARE Pensioner under Rule 5.4(a)(i) can only be exercised by the CARE Member with the consent of the Principal Employer.
- (b) This Rule 5.4(b) applies to an Active CARE Member who elects or is deemed to leave Pensionable CARE Service under Rule 5.4(a)(i). Such a CARE Member who may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date to either:
 - (i) draw his CARE Pension under Rule 5.1 above and become a CARE Pensioner; or
 - (ii) defer payment of his CARE Pension and become a CARE Postponed Pensioner until the earlier of the date he elects for his CARE Pension to start to be paid and the date he attains age 75.

Conditions:

- (A) If the Active CARE Member makes no election under this Rule 5.4(b) the Trustees will defer payment of his CARE Pension under Rule 5.4(b)(ii) above.
- (B) An Active CARE Member to which this Rule 5.4(b) applies will on his CARE Pension Date cease to either:
 - 1) pay contributions under Rule 3.2(b) of this Appendix One to Schedule Three of Part E of the Rules; or
 - 2) be subject to a pension salary sacrifice arrangement under Rule 3.2(d) of this Appendix One to Schedule Three of Part E of the Rules.
- (C) A CARE Postponed Pensioner's CARE Pension will start to be paid on the earlier of:
 - 1) the day after he elects for his CARE Pension to start; or
 - 2) his 75th birthday.
- (D) A CARE Postponed Pensioner's CARE Pension will be calculated as at his CARE Pension Date. Upon drawing his CARE Pension the Trustees will apply to it a Late Retirement Increase.
- (E) Upon the death of a CARE Postponed Pensioner before his CARE Pension starts to be paid, he will be treated as if he had:
 - 1) started to draw his CARE Pension immediately before his death; and
 - 2) not elected to exchange any of his CARE Pension for pension commencement lump sum under Rule 7 of this Appendix One to Schedule Three of Part E of the Rules.
- (F) For the purposes of the CARE death benefit Rules, Rule 10 of this Appendix One to Schedule Three of Part E of the Rules applies.
- (G) Upon the death of a CARE Pensioner who remains in the employment of an Employer at the date of his death, the CARE death benefits for a CARE Pensioner will be payable under Rule 10 of this Appendix One to Schedule Three of Part E of the Rules.

(c) This Rule 5.4(c) applies to an Active CARE Member who elects to continue in Pensionable CARE Service under Rule 5.4(a)(ii). Such a CARE Member will be treated as an Active CARE Member until the earlier of:

- (i) the date he leaves Pensionable CARE Service; and
- (ii) his 75th birthday.

Conditions:

(A) The CARE Member will continue to be treated as an Active CARE Member and will continue to either:

- 1) make contributions under Rule 3.2(b) of this Appendix One to Schedule Three of Part E of the Rules; or
- 2) be subject to a salary sacrifice pension arrangement under Rule 3.2(d) of this Appendix One to Schedule Three of Part E of the Rules

for so long as he remains in Pensionable CARE Service after his CARE Pension Date.

(B) An Active CARE Member's Pensionable CARE Service must cease on his 75th birthday even if he remains in the employment of an Employer.

(C) The annual CARE Pension will start on the earlier of:

- 1) the day after he elects for his CARE Pension to start; or
- 2) his 75th birthday.

(D) When an Active CARE Member to which this Rule 5.4(c) relates leaves Pensionable CARE Service his CARE Pension will be calculated under Rule 4.1 of this Appendix One to Schedule Three of Part E of the Rules.

(E) If an Active CARE Member to which this Rule 5.4 (c) relates dies after his CARE Pension Date but before his CARE Pension starts to be paid the lump sum death benefit payable under this Rule in respect of his death will be:

- 1) the Lump Sum Benefit; PLUS
- 2) the lump sum Final Salary Benefit payable under Rule 3.6 of Appendix Two to Schedule Three of Part E of the Rules; LESS

- 3) any lump sum Final Salary Benefit payable under Appendix Two to Schedule Three of Part E of the Rules upon the death of a Pensioner or a member who has deferred payment of his Final Salary Benefit under rule 11, rule 11 of schedule part III applicable to Specified Members and / or where applicable the relevant part of the Special Terms under the Racial Group Executive Scheme Rules as provided for in Appendix Two to Schedule Three of Part E of the Rules.

6 Deferred CARE Member Benefits

6.1 Deferred CARE Member with less than Two (2) years Qualifying Service

An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service with less than two (2) years Qualifying Service will become a Deferred CARE Member entitled to elect to receive:

- (a) a Contribution Refund less any tax payable, of any contributions paid in respect of CARE Benefits after 31 December 2007 to the Racial Group Executive Scheme and transferred to the Scheme with effect from 1 July 2008; and/or
- (b) a sum equal to the earnings sacrificed from his pay under a pension salary sacrifice arrangement in force after 31 December 2007 less any tax and national insurance. Such a sum is payable by the Deferred CARE Member's last Employer before he left Pensionable CARE Service in respect of all earnings sacrificed under Rule 3.2(d) of this Appendix One to Schedule Three of Part E of the Rules; or
- (c) if he satisfies the Three Month Condition, a Cash Transfer Sum.

Conditions:

- (i) Rule 6.2 below will apply to a Deferred CARE Member who has received a transfer into Section 1 of the Scheme in respect of him from a registered pension scheme.
- (ii) Any election by a Deferred CARE Member for a Cash Transfer Sum must comply with the requirements of the 1993 Act.
- (iii) No Interest will be applied to any sum paid to a Deferred CARE Member either by the Trustees under Rule 6.1(a)(i) above or his last Employer under Rule 6.1(a)(ii) above.
- (iv) Where a CARE Member was both:

(A) a Former Racal Group Executive Beneficiary entitled to Final Salary Benefits earned in the Racal Group Executive Scheme before 1 January 2008 which were transferred to Section 1 of the Scheme with effect from 1 July 2008; and

(B) an Active CARE Member entitled to CARE Benefits from:

1) the Racal Group Executive Scheme after 31 December 2007 which were transferred to Section 1 of the Scheme with effect from 1 July 2008; and

2) Section 1 of the Scheme after 30 June 2008 (if any)

the Trustees will aggregate any CARE Benefits and Final Salary Benefits payable by them due to the length of the CARE Member's Qualifying Service.

(v) Once all payments due to or in respect of a CARE Member both under this Rule in respect of his CARE Benefits and Final Salary Benefits have been made, all entitlements to benefits from the Scheme (whether they are Final Salary Benefits or CARE Benefits) will be extinguished for the CARE Member and any person claiming through him.

6.2 Deferred CARE Member with more than Two (2) years Qualifying Service

(a) An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service:

(i) with at least two (2) years Qualifying Service; or

(ii) with less than two (2) years Qualifying Service and Section 1 of the Scheme has received a transfer from another registered pension scheme in respect of him; and

(iii) without receiving an immediate CARE Pension from Section 1 of the Scheme under Rule 5 of this Appendix One to Schedule Three of Part E of the Rules

will become a Deferred CARE Member entitled to receive a CARE Pension from Section 1 of the Scheme under the terms of this Rule 6.2.

(b) The Deferred CARE Member's CARE Pension will be calculated in accordance with Rule 4.1 of this Appendix One to Schedule Three of Part E of the Rules up to the date he leaves Pensionable CARE Service.

- (c) The Trustees will revalue the CARE Pension using the final salary method of statutory revaluation (as set out in Section 84(1) and Paragraphs 1 and 2 to Schedule 3 of the 1993 Act) from the date the Deferred CARE Member leaves Pensionable CARE Service up to the earlier of the date:

- (i) of his death;
- (ii) his CARE Pension starts to be paid; or
- (iii) his CARE Pension Date.

6.3 Drawing CARE Pension at CARE Pension Date

Upon a Deferred CARE Member attaining his CARE Pension Date his annual CARE Pension will start on the next day.

6.4 Drawing CARE Pension before CARE Pension Date

- (a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension Date if:

- (i) before 6 April 2010, he is aged 50 or over; or
- (ii) after 5 April 2010, he is aged 55 or over; and
- (iii) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early; and
- (iv) his CARE Pension is reduced by the Early Retirement Reduction.

- (b) If at any age from the age of 60 up to his Normal Pension Date a Deferred CARE Member is entitled to receive his Final Salary Benefits without any consents being required from any party to the Scheme or compliance with any other conditions, the payment of the CARE Pension is not subject to Rule 6.4(a)(iii) above after he attains that age.

- (c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their consent to its early payment.

6.5 Drawing CARE Pension due to Serious Ill-Health

- (a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health if:

- (i) he has not attained his CARE Pension Date;

- (ii) he applies to draw his CARE Pension early due to Serious Ill-Health;
 - (iii) the Principal Employer, with the agreement of the Trustees, decides after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Deferred CARE Member is suffering from Serious Ill-Health;
 - (iv) the Trustees are satisfied that the Deferred CARE Member meets the ill-health condition for the purposes of the Part 4 of the Finance Act 2004;
 - (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health; and
 - (vi) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) The CARE Pension payable under this Rule 6.5 will be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule Three of Part E of the Rules.
 - (c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their written consent to its early payment due to Serious Ill-Health.

6.6 Drawing CARE Pension after CARE Pension Date

- (a) A Deferred CARE Member may, with the consent of the Principal Employer and the Trustees, defer payment of his CARE Pension until a date after his CARE Pension Date.
- (b) The CARE Pension of a Deferred CARE Member who defers payment of it under this Rule will come into payment on the earlier of:
 - (i) the expiry of one (1) month's written notice by him to the Trustees to start payment of the CARE Pension; and
 - (ii) the Deferred CARE Member's 75th birthday.
- (c) If a Deferred CARE Member defers payment of his CARE Pension under this Rule, his CARE Pension will be calculated as at his CARE Pension Date. When his CARE Pension starts to be paid, the Trustees will apply to it a Late Retirement Increase.
- (d) The annual CARE Pension will start on the earlier of:
 - (i) the day after he elects for his CARE Pension to start; or

- (ii) his 75th birthday.
- (e) If a Deferred CARE Member dies before his CARE Pension starts to be paid, he will be treated as if he had:
 - (i) started to draw his CARE Pension immediately before his death; and
 - (ii) not elected to commute any of his CARE Pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Three of Part E of the Rules.

For these purposes, Rule 10 of this Appendix One to Schedule Three of Part E of the Rules applies.

7 Pension Commencement Lump Sum

- 7.1 A CARE Member may, with the consent of the Trustees, elect to exchange part of his CARE Pension for a pension commencement lump sum (as defined in Part 1 to Schedule 29 of the Finance Act 2004).
- 7.2 The election must be made in writing by the CARE Member and provided to the Trustees before the date the CARE Member is due to draw his CARE Pension.
- 7.3
 - (a) The rate at which CARE Pension can be exchanged for a pension commencement lump sum, subject to Rules 7.8 and 7.9 below, will be as follows:

Age at the date of exchange of CARE Pension for a pension commencement lump sum	Commutation Factor
50	18.0
51	17.6
52	17.2
53	16.8
54	16.4
55	16.0
56	15.6
57	15.2
58	14.8
59	14.4
60	14.0

61	13.6
62	13.2
63	12.8
64	12.4
65	12.0
66	11.6
67	11.2
68	10.8
69	10.4
70	10.0
71	9.6
72	9.2
73	8.8
74	8.4
75	8.0

- (b) The table set out in this Rule 7.3 sets out the rate at which CARE Pension can be exchanged for pension commencement lump sum as at a specified age. Where a CARE Member is older than the specified age by a proportion of a year, the relevant exchange rate set out in the table in Rule 7.3 above will be a pro rata amount calculated in complete months.

7.4

- (a) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the rate at which CARE Pension can be exchanged for pension commencement lump sum to an alternative rate which may be higher or lower than the rate set out in Rule 7.3 above.
- (b) Such a rate agreed under Rule 7.4(a) above cannot be implemented unless it is first certified as reasonable by the Actuary having regard to the assumptions used at the last actuarial valuation for either:
- (i) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme; or
 - (ii) after the Scheme has become desectionalised, the Scheme
- (c) A rate agreed and certified under this Rule 7.4 will remain in force until such time as a new rate is agreed and certified under this Rule 7.4.

7.5

- (a) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Three of Part E of the Rules in circumstances which result in a different LAF being automatically applied to benefits under Rule 4.3 of this Appendix One to Schedule Three of Part E of the Rules, the Principal Employer and the Trustees must review the rate at which CARE Pension can be exchanged for a pension commencement lump sum and agree the rate at which CARE Pension can be so exchanged.
- (b) If under the terms of Rule 7.5(a) above, the Principal Employer and the Trustees cannot agree a rate at which CARE Pension can be exchanged for a pension commencement lump sum, the Actuary will either:
 - (i) revise the rate at which CARE Pension can be exchanged for a pension commencement lump sum by increasing or reducing the rate by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under Rule 7.5(a) above; or
 - (ii) leave the rate at which CARE Pension can be exchanged for a pension commencement lump sum unchanged.

7.6 A CARE Member can only elect to commute CARE Pension for a pension commencement lump sum at the same time as drawing his CARE Pension.

7.7 Once a CARE Member's CARE Pension starts to be paid, an election to exchange CARE Pension for a pension commencement lump sum cannot be revoked.

7.8 In the case of a CARE Member who also has an entitlement to Final Salary Benefits as a result of his own membership of Section 1 of the Scheme, he can only exchange his CARE Pension for a pension commencement lump sum in proportion to the amount his CARE Pension represents to his aggregated pension from Section 1 of the Scheme when his CARE Pension and his Final Salary Benefits are aggregated together.

7.9 The pension commencement lump sum will not exceed the maximum permitted by HMRC under Part 4 of the Finance Act 2004 unless the CARE Member has an entitlement to a higher amount in respect of his benefits held in Section 1 of the Scheme under the terms of Paragraph 31 to Schedule 36 of the 2004 Act.

8 Death Benefits for an Active CARE Member or a DC Scheme Life Assurance Member

8.1 Lump Sum Death Benefit

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member the Trustees will hold on the discretionary trusts for:
- (i) an Active CARE Member, the Lump Sum Benefit; or
 - (ii) a DC Scheme Life Assurance Member, the Lump Sum Benefit LESS the DC Lump Sum.
- (b) The Lump Sum Benefit will be applied in accordance with Rule 74 of Part D of the Rules.
- (c) "Lump Sum Benefit" means subject to the terms of Rule 16 of this Appendix One to Schedule Three of Part E of the Rules, four (4) times the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC Salary (as applicable) as at the 1 April immediately preceding the date of his death.
- (d) "DC Lump Sum" means the amount notified to the Trustees by the manager of the DC Scheme as being the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is used to provide lump sum benefits payable in respect of the DC Scheme Life Assurance Member. The DC Lump Sum excludes the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death).

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Three of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Three of Part E of the Rules will apply.
- (ii) A CARE Member who remains in the employment of an Employer after his CARE Pension Date under Rule 5.4(a) of this Appendix One to Schedule Three of Part E of the Rules and who is in receipt of his CARE Pension at the date of his death is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Three of Part E of the Rules will apply.

- (iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Three of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule applies but such a CARE Member's Lump Sum Benefit will be calculated in accordance with condition (E) of Rule 5.4(c) of this Appendix One to Schedule Three of Part E of the Rules.
- (iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but who remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Three of Part E of the Rules will apply.
- (v) An Active CARE Member who on the date of his death is:
 - (A) not in receipt of his CARE Pension;
 - (B) is in receipt of a pension which are Final Salary Benefits as a result of his own membership of Section 1 of the Scheme; or
 - (C) has not attained his CARE Pension Date
 will have deducted from his Lump Sum Benefit payable in respect of his CARE Benefits any lump sum payable in respect of his Final Salary Benefits in so far as it is greater than the benefit payable under Rule 3.6 of Appendix Two to Schedule Three of Part E of the Rules.
- (vi) On the date of the death of either:
 - (A) an Active CARE Member; or
 - (B) a DC Scheme Life Assurance Member
 who is also a Scheme Enhanced Member of Section 1 of the Scheme, the Scheme will pay the Final Salary Benefits lump sum contained in Rule 3.6 of Appendix Two to Schedule Three of Part E of the Rules in addition to the Lump Sum Benefit payable under the CARE Benefits Rules.
- (vii) A DC Scheme Life Assurance Member who remains in the employment of an Employer after his CARE Pension Date will continue to be treated as a DC Scheme Life Assurance Member until the earlier of the date he

leaves the employment of an Employer and age 75.

8.2 Adult Dependant's Pension

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Adult Dependant.
- (b) The pension payable under (a) will be equal to thirty three (33) per cent of the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC Salary (as applicable) as at 1 April immediately preceding his death LESS:
 - (i) any pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Eligible Spouse accrued as Final Salary Benefits in respect of Pensionable Service earned in the Racal Group Executive Scheme before 1 January 2008; and
 - (ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Adult Dependant by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is not used to provide lump sum benefits under Rule 8.1 (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death)).
- (c) The Adult Dependant's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Three of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Three of Part E of the Rules will apply.
- (ii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Three of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.2 will apply.

- (iii) A CARE Member who remains in the employment of an Employer at the date of his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Three of Part E of the Rules will apply.
- (iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Three of Part E of the Rules will apply.
- (v) In the event that the pension payable to an Adult Dependant which are CARE Benefits under Rule 8.2(b) above is smaller than the Final Salary Benefits pension which would have been payable to the Eligible Spouse under Appendix Two calculated upon the basis that the CARE Member became a deferred pensioner in respect of his Final Salary Benefits on 31 December 2007 in the Raca Group Executive Scheme, the higher benefit is payable.

8.3 Dependant Children's Pensions

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Dependant Children.
- (b) The pension payable under (a) is a maximum of thirty (30) percent of the Active CARE Member's or DC Scheme Life Assurance Member's CARE Salary as at 1 April immediately preceding his death LESS:
 - (i) any pension which are Final Salary Benefits payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Dependents who are Children in respect of Pensionable Service in the Raca Group Executive Scheme before 1 January 2008; and
 - (ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Dependant Children by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is not used to provide lump sum benefits under Rule 8.1 of this Appendix One to Schedule Three of Part E of the Rules (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date

of his death)).

- (c) The Trustees will determine the amount of each Dependent Child's pension from time to time.
- (d) Subject to (e) below, the maximum pension payable to an individual Dependant Child is ten (10) percent of the Active CARE Member's CARE Salary or the DC Scheme Life Assurance Member's DC Salary as at 1 April immediately preceding his death LESS the maximum Final Salary Benefits pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Dependant who is a child in respect of Pensionable Service in the Racial Group Executive Scheme before 1 January 2008.
- (e) The Dependant Children's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) If no Adult Dependant's pension is payable at the date of the Active CARE Member's or DC Scheme Life Assurance Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (ii) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Three of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Three of Part E of the Rules will apply.
- (iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Three of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.3 will apply.
- (iv) A CARE Member who remains in the employment of an Employer at the date of his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Three of Part E of the Rules will apply.
- (v) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred

CARE Member. Rule 9 of this Appendix One to Schedule Three of Part E of the Rules will apply.

- (vi) In the event that the CARE Benefits pension payable to Dependant Children under Rule 8.3(b) above is smaller than the Final Salary Benefits pension payable in respect of an Active CARE Member's or DC Scheme Life Assurance Member's Dependant who is a child calculated upon the basis that the CARE Member became a deferred pensioner in respect of his Final Salary Benefits on 31 December 2007 in the Racal Group Executive Scheme, the higher benefit will be payable.

9 Deferred CARE Member Death Benefits

9.1 Lump Sum Death Benefit

- (a) No lump sum death benefit is payable upon the death of a Deferred CARE Member before his CARE Pension Date from Section 1 of the Scheme in respect of his CARE Benefits.
- (b) Rules 6.6(e) and 10 of this Appendix One to Schedule Three of Part E of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.2 Adult Dependant's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Adult Dependant.
- (b) The pension payable under (a) will be equal to half of the Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule Three of Part E of the Rules and revalued under that Rule to the date of the Deferred CARE Member's death.
- (c) The Adult Dependant's pension will start on the day after the date of the Deferred CARE Member's death.
- (d) Rules 6.6(e) and 10 of this Appendix One to Schedule Three of Part E of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.3 Dependant Children's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date

whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Dependant Children.

- (b) The pension payable under (a) is a maximum of forty five (45) percent of the Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule Three of Part E of the Rules and revalued to the date of the Deferred CARE Member's death.
- (c) The Trustees will determine the amount of each Dependant Child's pension from time to time.
- (d) Subject to (e), the maximum pension payable to an Individual Dependant Child is fifteen (15) percent of the Deferred CARE Member's CARE Pension.
- (e) If no Adult Dependant's pension is payable at the date of the Deferred CARE Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension will start on the day after the date of the Deferred CARE Member's death.
- (g) Rules 6.6(e) and 10 apply of this Appendix One to Schedule Three of Part E of the Rules upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

10 CARE Pensioner Death Benefits

10.1 Lump Sum Death Benefit

- (a) If a CARE Pensioner dies less than five (5) years after the date his CARE Pension started to be paid and before age 75, the Trustees will hold on the discretionary trusts a lump sum equal to the total pension payments which would have been paid to the CARE Pensioner during the remaining balance of the period of five (5) years from the date his CARE Pension started to be paid.
- (b) The lump sum under (a) will be calculated using the rate of CARE Pension payable immediately before the date of the CARE Pensioner's death. Future CARE Pension increases are ignored.
- (c) The lump sum death benefit payable under this Rule will be applied in accordance with Rule 74 of Part D of the Rules.
- (d) If a CARE Pensioner dies more than five (5) years after the date his CARE Pension started to be paid or after attaining age 75, no lump sum death benefit

is payable.

10.2 Adult Dependant's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Adult Dependant.
- (b) The pension payable under (a) will be equal to half of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Three of Part E of the Rules).
- (c) The Adult Dependant's pension will start on the first day of the next month following the date of the CARE Pensioner's death.

10.3 Dependant Children's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Dependant Children.
- (b) The pension payable under (a) is a maximum of forty five (45) percent of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Three of Part E of the Rules).
- (c) The Trustees will determine the amount of each Dependant Child's pension from time to time.
- (d) Subject to (e), the maximum pension payable to an individual Dependant Child is fifteen (15) percent of the CARE Pensioner's CARE Pension.
- (e) If no Adult Dependant's pension is payable at the date of the CARE Pensioner's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension starts to be paid on the first day of the next month following the date of the CARE Pensioner's death.

11 Payment of Pensions and Lump Sum Benefits

11.1 Payment of a CARE Member's Pensions

- (a) A CARE Member's CARE Pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.

- (b) The first CARE Pension payment will be the aggregate of:
 - (i) the proportion of one month's instalment of CARE Pension payment calculated from the date the CARE Pension started to the first day of the next month (if any); and
 - (ii) the next full month's instalment of CARE Pension.

11.2 Stopping a CARE Member's CARE Pension

- (a) Subject to Rule 11.3 below, a CARE Member's CARE Pension is payable for life and will stop on the date of his death.
- (b) The last month's CARE Pension instalment made to a CARE Member immediately before his death will not be apportioned.
- (c) Any one or more instalments of pension paid after the date of the CARE Member's death will be treated as a debt to Section 1 of the Scheme which is repayable to Section 1 of the Scheme unless the Trustees determine otherwise.

11.3 Review of Serious Ill-Health CARE Pensions

- (a) A CARE Pension which is paid under either Rule 5.3 or 6.5 of this Appendix One to Schedule Three of Part E of the Rules due to the Serious Ill-Health of the CARE Member will be reviewed by the Trustees every three (3) years after the date his CARE Pension starts to be paid or such other period as the Trustees determine. No reviews will be made once the CARE Member attains his CARE Pension Date.
- (b) At each review of the payment of CARE Pension due to Serious Ill-Health, the Trustees may ask the CARE Pensioner to:
 - (i) attend a medical with the registered medical practitioner of the Trustees selection; and / or
 - (ii) provide any information and other co-operation to allow the Trustees to complete their review.
- (c) If the Trustees are satisfied that the CARE Pensioner:
 - (i) is no longer suffering from Serious Ill-Health; or
 - (ii) failed to co-operate with the review to such a degree that they are not able to determine if the CARE Pensioner continues to suffer from

Serious Ill-Health

they may reduce or terminate the payment of the CARE Pension as they determine.

- (d) Having reduced or terminated a CARE Pension under (c) above, the Trustees may, if it appears appropriate to them to do so, restore the payment of the CARE Pension.
- (e) If a CARE Pensioner's CARE Pension payable due to Serious Ill-Health is terminated under this Rule he will:
 - (i) be treated as a Deferred CARE Member; and
 - (ii) have his CARE Pension calculated in accordance with Rule 6.2 of this Appendix One to Schedule Three of Part E of the Rules as at the date he left Pensionable CARE Service.

Conditions:

- (A) The calculation of the CARE Member's Deferred CARE Pension will ignore the fact that he initially started to receive his CARE Pension under either Rule 5.3 or 6.5 of this Appendix One to Schedule Three of Part E of the Rules as applicable.
- (B) All payments of CARE Pension made to him between the date his CARE Pension started under Rule 5.3 or 6.5 of this Appendix One to Schedule Three of Part E of the Rules and the date it was terminated under this Rule will be ignored (unless the Trustees determine otherwise in their absolute discretion).
- (C) The Deferred CARE Pension will not be less than the amount required to be paid under the Preservation Requirements.
- (f) This Rule 11.3 is subject to the terms of disability discrimination legislation in so far as it applies to the Scheme.

11.4 Payment of Adult Dependant's Pensions and Dependant Children's Pensions

- (a) An Adult Dependant's pension and a Dependant Children's pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.
- (b) In the case of an Adult Dependant's pension or Dependant Children's pension

payable due to the death of an Active CARE Member, a Deferred CARE Member or a CARE Postponed Pensioner, the first Adult Dependant's or first Dependant Children's pension payment will be the aggregate of:

- (i) the proportion of one month's pension instalment calculated from the date of the CARE Member's death to the first day of the next month (if any); and
 - (ii) the next full month's pension instalment.
- (c) In the case of an Adult Dependant's pension or Dependant Children's pension payable due to the death of a CARE Pensioner, the first Adult Dependant's or first Dependant Children's pension payment will be a full month's pension instalment and will be made on the first day of the month following the date of the CARE Pensioner's death.

11.5 Stopping the Adult Dependant's Pension

- (a) An Adult Dependant's pension is payable for life and will stop on the date of his death.
- (b) The last month's pension instalment paid to an Adult Dependant immediately before his death will not be apportioned.
- (c) Any one or more instalments of pension paid after the date of the Adult Dependant's death will be treated as a debt to Section 1 of the Scheme which is repayable to Section 1 of the Scheme unless the Trustees determine otherwise.

11.6 Stopping the Dependant Children's Pensions

- (a) A Dependant Child's pension is only payable to a child for so long as the Trustees are satisfied that the child remains a Dependant Child.
- (b) A Dependant Child's pension will stop on the date he ceases to be a Dependant Child.
- (c) The last month's pension instalment paid in respect of a Dependant Child immediately before he stopped being a Dependant Child will not be apportioned.
- (d) When a child ceases to be a Dependant Child, if there are remaining Dependant Children whose pensions are less than the maximum pension payable to an individual Dependant Child under Rules 8.3, 9.3 or 10.3 of this Appendix One to Schedule Three of Part E of the Rules, the Trustees will recalculate the

proportion of the Dependant Children's pension payable to the remaining Dependant Children in such manner as the Trustees determine.

- (e) Any one or more instalments of pension paid after the date the Dependant Child's pension was payable under the Rules contained in this Appendix One to Schedule Three of Part E of the Rules will be treated as a debt to Section 1 of the Scheme which is repayable to Section 1 of the Scheme unless the Trustees determine otherwise.

12 Family Leave and Absence from Work

12.1 Family Leave

- (a) In this Rule:
 - (i) "Family Leave" refers jointly to Adoption Leave, Maternity Leave, Paternity Leave and Parental Leave (whether Paid Family Leave or Unpaid Family Leave).
 - (ii) "Adoption Leave", "Maternity Leave", "Ordinary Adoption Leave", "Ordinary Maternity Leave", "Paternity Leave" and "Parental Leave" are as defined in the Employment Rights Act 1996.
 - (iii) The definition of "CARE Salary" is modified for any period of Family Leave during which an Active CARE Member is not in receipt of pay as if he were working normally:
 - (A) for the purposes of calculating all pension and death benefits in respect of the CARE Benefits, CARE Salary will be the CARE Salary in force on 1 April immediately before the Active CARE Member's Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the CARE Salary attributable to the Active CARE Member had he continued to work normally);
 - (B) for the purposes of Rule 3.1 of this Appendix One to Schedule Three of Part E of the Rules CARE Salary is deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Family Leave (including any statutory maternity pay, adoption pay or paternity pay).

- (iv) The definition of "DC Salary" is modified for any period of Family Leave during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he was working normally. For the purposes of calculating all pension and death benefits in respect of the CARE Benefits, the DC Salary will be the amount which was in payment to the DC Scheme Life Assurance Member before the Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the DC Salary which the DC Scheme Life Assurance Scheme Member would have received if he had continued to work normally).

12.2 Paid Family Leave

- (a) A CARE Member will remain an Active CARE Member in respect of the CARE Benefits during any period of Family Leave during which he is entitled to and receives pay (including any statutory maternity pay, adoption pay or paternity pay) from his Employer ("Paid Family Leave").
- (b) All periods of Paid Family Leave are Pensionable CARE Service and the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule Three of Part E of the Rules for so long as he is in receipt of pay from his Employer.
- (c) Any period of Ordinary Maternity Leave or Ordinary Adoption Leave during which a CARE Member is not entitled to statutory maternity pay will be treated as Paid Family Leave under this Rule.
- (d) A DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Three of Part E of the Rules during any period of Paid Family Leave and any period of Ordinary Maternity Leave or Ordinary Adoption Leave during which the DC Scheme Life Assurance Member is not entitled to statutory maternity pay.

12.3 Unpaid Family Leave

- (a) Subject to Rule 12.2(c) above, an Active CARE Member will remain in Service during any period of Family Leave when he is not entitled to and does not receive pay (including any statutory maternity pay, adoption pay or paternity pay) from his Employer ("Unpaid Family Leave").
- (b) Subject to Rule 12.4(a) below, all periods of Unpaid Family Leave are Service but not Pensionable CARE Service.

- (c) During Unpaid Family Leave an Active CARE Member and his Employer are not required to comply with Rule 3.2 of this Appendix One to Schedule Three of Part E of the Rules.
- (d) During all periods of Unpaid Family Leave, the Active CARE Member or DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Three of Part E of the Rules and will be treated as either an Active CARE Member or a DC Scheme Life Assurance Member (as applicable) for these purposes.

12.4 Returning to Work

- (a) If an Active CARE Member returns to work after a period of Unpaid Family Leave, he may pay contributions in order to earn Pensionable CARE Service for any periods of Unpaid Family Leave. The terms will be agreed between the Active CARE Member and the Trustees.
- (b) If Rule 12.4(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any period of Family Leave will be treated as continuous.

12.5 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of Family Leave, he will cease to be an Active CARE Member or DC Scheme Life Assurance Member (as applicable) on the earliest of the date:
 - (i) he informs his Employer that he will not be returning to work;
 - (ii) her right to Ordinary Maternity Leave or Ordinary Adoption Leave ended;
 - (iii) when his right to Paid Family Leave ended; or
 - (iv) he started Parental Leave under the Employment Rights Act 1996 or any extension of those terms allowed by the Employer if none of the period of Parental Leave is paid.
- (b) The Principal Employer's confirmation of the date is final.

12.6 Absence

- (a) General

(i) This Rule applies where either an Active CARE Member or DC Scheme Life Assurance Member is not at work whilst still in Service (except on normal holiday leave or Family Leave) due to:

(A) injury or illness; or

(B) secondment or attending full-time education with the agreement of his Employer in circumstances where there is an expectation on the part of the Active CARE Member or DC Scheme Life Assurance Member and the Employer that he will return to work for an Employer.

(ii) Where the absence is due to illness or injury, the definition of:

(A) "CARE Salary" is modified for any period of the absence during which an Active CARE Member is not in receipt of his pay as if he was working normally:

1) for the purposes of calculating all pension and death benefits which are CARE Benefits, the amount of the CARE Salary which was in payment to the Active CARE Member before his absence due to ill-health or injury started as increased as at each 1 April by such amount as the Principal Employer decides;

2) for the purposes of Rule 3.1 of this Appendix One to Schedule Three of Part E of the Rules CARE Salary is deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Paid Absence either from an Employer or payments from an employer's permanent health insurance scheme; or

(B) "DC Salary" is modified by any period of absence during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he were working normally. For the purposes of calculating all pension and death benefits which are CARE Benefits the amount of the DC Salary before his absence due to ill-health or injury started, as increased as at each 1 April by such amount as the Principal Employer decides.

(iii) Where absence is due to secondment or attending full-time education,

the Principal Employer will determine the extent to which (if at all) the definitions of "CARE Salary" and "DC Salary" are modified during the period of absence. The Principal Employer will notify the Trustees of any modifications made to either CARE Salary or DC Salary under this Rule.

12.7 Paid Absence

- (a) During a period of absence to which this Rule applies when the CARE Member is in receipt of pay from either an Employer or payments from an employer's permanent health insurance scheme ("Paid Absence"), the CARE Member will be treated as an Active CARE Member and will remain in Pensionable CARE Service.
- (b) During all periods of Paid Absence, the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule Three of Part E of the Rules for so long as he is in receipt of pay from either an Employer or if he is absent due to ill-health or injury, payments from an employer's permanent health insurance scheme.
- (c) During all periods of Paid Absence, the Principal Employer will determine the level of the Active CARE Member's CARE Salary for the purposes of calculating his pension and death benefits.
- (d) During all periods of Paid Absence a DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Three of Part E of the Rules and will be treated as a DC Scheme Life Assurance Member for these purposes unless the Principal Employer decides otherwise.

12.8 Unpaid Absence

- (a) During a period of absence to which this Rule applies, when the Active CARE Member is not in receipt of pay from an Employer or in the case of absence due to ill-health or injury, payments from an employer's permanent health insurance scheme ("Unpaid Absence"), the Active CARE Member will be treated as being in Service but not Pensionable CARE Service (unless the Principal Employer determines otherwise).
- (b) During all periods of Unpaid Absence, the Active CARE Member and his Employer are not required to comply with the terms of Rule 3.2 of this Appendix One to Schedule Three of Part E of the Rules.

- (c) During all periods of Unpaid Absence whilst either the Active CARE Member or DC Scheme Life Assurance Member (as applicable) remains in service, he will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Three of Part E of the Rules and will be treated as either an Active CARE Member or DC Scheme Life Assurance Member (as applicable) for these purposes unless the Principal Employer decides otherwise.

12.9 Returning to Work

- (a) If an Active CARE Member returns to work for an Employer or starts to be in receipt of payments from an employer's permanent health insurance scheme after a period of Unpaid Absence, he may pay contributions in order to earn Pensionable CARE Service for any period of Unpaid Absence. The terms will be agreed between the Active CARE Member and the Trustees.
- (b) If Rule 12.9(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any periods of Unpaid Absence will be treated as continuous.

12.10 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of absence, he will cease to be either an Active CARE Member or a DC Scheme Life Assurance Member on the earliest of the date:
 - (i) he informs his Employer that he will not be returning to work;
 - (ii) his Employer terminates his employment; or
 - (iii) such other date as the Principal Employer decides and notifies to the Trustees.
- (b) The Principal Employer's confirmation of the date is final.

13 Part-Time Workers

13.1 Application of this Rule

- (a) This Rule applies to any Active CARE Member who is in Part-Time Employment for any period of Pensionable CARE Service.
- (b) This Rule overrides the rest of the Rules contained in this Appendix One to Schedule Three of Part E of the Rules in respect of periods of Part-Time Employment relating to the calculation of all CARE Benefits held in the Scheme.

13.2 Adjustment of Part-Time Active CARE Member's CARE Benefits

(a) If an Active CARE Member is in Part-Time Employment for any period of Pensionable CARE Service:

(i) his CARE Salary for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\text{CARE Salary} \quad \times \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$

(ii) his Pensionable CARE Service for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}} \times \text{Period of Part-Time Pensionable CARE Service}$$

(iii) the upper earnings limit used to determine the level of an Active CARE Member's contributions or rate at which salary should be sacrificed from his pay under a pension salary sacrifice arrangement under Rule 3.2 of this Appendix One to Schedule Three of Part E of the Rules in respect of each period of Part-Time Employment, will be adjusted by the following formula:

$$\text{upper earnings limit} \quad \times \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

For the purposes of this adjustment, upper earnings limit has the same meaning as in Rule 3.2 of this Appendix One to Schedule Three of Part E of the Rules;

(iv) the Salary Cap for the purposes of calculating his CARE Pension and level of Active CARE Member's contributions or rate at which salary should be sacrificed from his pay under pension salary sacrifice arrangements under Rule 3.2 of this Appendix One to Schedule Three of Part E of the Rules in respect of each period of Part-Time Employment, will be adjusted using the following formula:

$$\text{Salary Cap} \quad \times \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

(v) with effect on and from 1 April 2009 for Pensionable CARE Service earned after that date his Gross Band Earnings for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\text{Gross Band Earnings} \quad \times \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$

Provided that Gross Band Earnings in all cases will not be greater than the upper earnings limit.

- (b) If an Active CARE Member has more than one period of Service which is Part-Time Employment and / or Full-Time Employment, each one will be treated separately.
- (c) The Trustees will determine all questions of doubt in respect of the calculation of an Active CARE Member's CARE Benefits for periods of Part-Time Employment if there is an inadequacy in the data provided to them.

13.3 The Meaning of Words used in this Rule 13

- (a) "Average Weekly Contractual Hours" is the average number of hours in each standard working week for which an Active CARE Member is contracted to work for an Employer.
- (b) "Standard Weekly Hours" is the number of hours during a standard working week which an Active CARE Member would be contracted to work for an Employer if he was contracted to work on a full-time basis.
- (c) "Part-Time Employment" is any period of Pensionable CARE Service during which an Active CARE Member is contracted to work for a lower number of weekly hours of work than those applicable to an Active CARE Member who is contracted to work on a full-time basis.

14 CARE Pension Increases

14.1 The Rate of Pension Increases

- (a) A pension which is in payment will increase on each 1 April:
 - (i) for:
 - (A) a CARE Pensioner; or
 - (B) an Adult Dependant and/or Dependant Children of either an Active CARE Member, Deferred CARE Member or CARE Postponed Pensioner

by the smaller of the Rate and 1/365th of the Rate multiplied by the number of days since the date pension started;

(ii) for an Adult Dependant or Dependant Children of a CARE Pensioner, by the Rate.

(b) "Rate" as at each 1 April is the lower of:

(i) the annual rise in the published Government retail prices index for all items for the immediately preceding month of September; and

(ii) 2.5%.

Conditions:

(A) If:

1) for any period on and after 1 January 2008, the Rate is lower than the rise in the Government retail prices index for all items under (b)(i) above; and

2) the Actuary advises the Trustees that either:

1a) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 1); or

1b) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and

3) the Principal Employer consents in writing

the Trustees may apply a Rate of greater than 2.5% at the next 1 April.

(B) Any increase in pension required to be paid by Section 1 of the Scheme by statute will be included within any increase in pension payable under this Rule.

(C) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

15 Definitions used in this Appendix One to Schedule Three of Part E of the Rules

15.1 Meaning of Words Used in this Appendix One

In this Appendix One to Schedule Three of Part E of the Rules only, the words listed below have the following meanings:

“Active CARE Member” means a CARE Member who has:

- (a) joined Section 1 of the Scheme to be provided with CARE Benefits under Rule 2.1 of this Appendix One to Schedule Three of Part E of the Rules; and
- (b) makes contributions to Section 1 of the Scheme or has a pension salary sacrifice arrangement in place with his Employer under Rule 3.2 of this Appendix One to Schedule Three of Part E of the Rules; and
- (c) not yet left Pensionable CARE Service. (For these purposes absence whilst the Active CARE Member remains in Service under Rule 12 of this Appendix One to Schedule Three of Part E of the Rules is ignored).

“Active CARE Membership” has a corresponding meaning.

“Adoption Leave” is defined in Rule 12.1 of this Appendix One to Schedule Three of Part E of the Rules.

“Adult Dependant” means the CARE Member’s widow, widower or Civil Partner as at the date of his death.

If the CARE Member was unmarried and had not entered into a Civil Partnership as at the date of his death, the Trustees may, in their absolute discretion, determine that any person who was:

- (a) living with the CARE Member in a relationship akin to marriage or a Civil Partnership; and
- (b) financially dependent or inter-dependent on the CARE Member at the date of his death

is his Adult Dependant.

“Average Weekly Contractual Hours” is defined in Rule 13.3 of this Appendix One to Schedule Three of Part E of the Rules.

“Averaged Revalued CARE Salary” is defined in Rule 4.2 of this Appendix One to Schedule Three of Part E of the Rules.

"CARE Member" means a person who is entitled or prospectively entitled to CARE Benefits from Section 1 of the Scheme. Unless the context requires otherwise, CARE Member includes:

- (a) an Active CARE Member, Deferred CARE Member, CARE Postponed Pensioner and CARE Pensioner; and
- (b) excludes a DC Scheme Life Assurance Member for all purposes other than the payment of benefits upon the death of a DC Scheme Life Assurance Member.

"CARE Membership" has a corresponding meaning.

"CARE Pension" is defined in Rule 4.1 of this Appendix One to Schedule Three of Part E of the Rules.

"CARE Pension Date" means the CARE Member's or DC Scheme Life Assurance Member's 65th birthday.

"CARE Pensioner" means a CARE Member who is being paid a CARE Pension from Section 1 of the Scheme by virtue of his own CARE Membership.

"CARE Postponed Pensioner" means a CARE Member who:

- (a) remains in the employment of an Employer after his CARE Pension Date; and
- (b) has deferred or is deemed to have deferred payment of his CARE Pension under Rule 5.4(b) of this Appendix One to Schedule Three of Part E of the Rules; and
- (c) whose CARE pension has not started to be paid.

"CARE Salary" means the Active CARE Member's:

- (a) basic salary had the Active CARE Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) CARE Salary is determined as at each 1 April and confirmed to the Active CARE Member annually by his Employer in writing after that date.
- (ii) An Active CARE Member's CARE Salary cannot be greater than the Salary Cap.
- (iii) An Active CARE Member's first CARE Salary for the purposes of calculating CARE Benefits in the Scheme was the CARE Salary in respect of the Racial Group

Executive Scheme determined as at 31 December 2007 and notified to him in writing. It was applied from 1 January 2008 to 31 March 2008 inclusive in that scheme.

- (iv) In the case of an Active CARE Member who has entered into a pension salary sacrifice arrangement with his Employer, for the purposes of calculating all of his CARE Benefits, his CARE Salary will be calculated ignoring the effect of any salary sacrifice arrangements in force between him and his Employer from time to time.

"Cash Transfer Sum" means a cash equivalent transfer as described in Section 101AB (3) of the 1993 Act.

"Contribution Refund" has the meaning given to it in Section 101AB of the 1993 Act.

"DC Scheme Life Assurance Member" means an employee:

- (a) who was in the employment of an Employer on 31 December 2007; and
- (b) who elected to join the DC Scheme after 31 December 2007; and
- (c) in respect of whom contributions are made by an employer in the group of companies owned by Thales Holdings UK plc (or its successors) to the DC Scheme.

"DC Lump Sum" is defined in Rule 8.1(d) of this Appendix One to Schedule Three of Part E of the Rules.

"DC Salary" means the DC Scheme Life Assurance Member's:

- (a) basic salary had the DC Scheme Life Assurance Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) DC Salary is determined as at each 1 April and confirmed to the DC Life Assurance Scheme Member annually by his Employer in writing after that date.
- (ii) A DC Scheme Life Assurance Member's DC Salary cannot be greater than the Salary Cap.
- (iii) DC Salary will be calculated ignoring the effect of any salary sacrifice

arrangements in force between him and his Employer from time to time.

"Deferred CARE Member" means a CARE Member who has:

- (a) not attained his CARE Pension Date or has deferred commencement of his CARE Pension after his CARE Pension Date;
- (b) left Pensionable CARE Service (regardless of whether he remains in the employment of an Employer or not); and
- (c) not either:
 - (i) started to be paid his CARE Pension; or
 - (ii) received any benefits payable under Rule 6.1 of this Appendix One to Schedule Three of Part E of the Rules.

Deferred CARE Member includes a person treated as such under Rule 11.3 of this Appendix One to Schedule Three of Part E of the Rules.

"Dependant Child(ren)" means a child who was:

- (a) the CARE Member's:
 - (i) natural child;
 - (ii) adopted child;
 - (iii) step child who the Trustees consider, in their absolute discretion, was dependent upon the CARE Member; and
 - (iv) any child who the Trustees consider, in their absolute discretion, the CARE Member would have been regarded as a child for whom he was responsible as a parent and where in the opinion of the Trustees the child was dependent on the CARE Member; and
- (b) at the date of the CARE Member's death was:
 - (i) under the age of 18; or
 - (ii) under the age of 23 and in full-time education.

Condition:

Dependant Child includes a child who was conceived and in his mother's womb but not yet born at the date of the CARE Member's death.

“Early Retirement Reduction” is the amount by which a CARE Member’s CARE Pension is reduced to take account of the period of time by which the CARE Pension is being paid early.

- (a) With effect on and from 1 January 2008, the amount of the Early Retirement Reduction in respect of the CARE Pension will be 5% for each complete year (and a pro rata amount for each complete month of any part year) that the CARE Pension is paid before the CARE Member’s CARE Pension Date.
- (b) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the Early Retirement Reduction to an alternative Early Retirement Reduction which may be higher or lower than the Early Retirement Reduction set out in (a) above. But,
 - (i) such an Early Retirement Reduction agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:
 - (A) whilst the Scheme is a Sectionalised Scheme, the assumptions used at the last actuarial valuation for Section 1 of the Scheme; or
 - (B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme;
 - (ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).
- (c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Three of Part E of the Rules, the Principal Employer and Trustees must review the Early Retirement Reduction and agree the Early Retirement Reduction to be applied. If the Principal Employer and the Trustees cannot agree the Early Retirement Reduction under this (c), the Actuary will either:
 - (i) revise the Early Retirement Reduction by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or
 - (ii) leave the Early Retirement Reduction unchanged.

“Family Leave” is defined in Rule 12.1 of this Appendix One to Schedule Three of Part E of the Rules.

"LAF" is defined in Rule 4.2 of this Appendix One to Schedule Three of Part E of the Rules.

"LAF Base Table" is defined in Rule 4.2 of this Appendix One to Schedule Three of Part E of the Rules.

"LAF Recalculation Table" is defined in Rule 4.2 of this Appendix One to Schedule Three of Part E of the Rules.

"Late Retirement Increase" is the amount by which a CARE Member's CARE Pension is increased to take account of the period of time by which the CARE Pension is being paid late.

(a) With effect on and from 1 January 2008, the amount of the Late Retirement Increase in respect of the CARE Pension will be 8.5% for each complete year (and a pro rata amount for each complete month of any part year) that the CARE Pension is paid after the CARE Member's CARE Pension Date.

(b) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the Late Retirement Increase to an alternative Late Retirement Increase which may be higher or lower than the Late Retirement Increase set out in (a) above. But,

(i) such a Late Retirement Increase agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:

(A) whilst the Scheme is a Sectionalised Scheme, the assumptions used at the last actuarial valuation for Section 1 of the Scheme; or

(B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme; and

(ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).

(c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Three of Part E of the Rules, the Principal Employer and Trustees must review the Late Retirement Increase and agree the Late Retirement Increase to be applied. If the Principal Employer and the Trustees cannot agree the Late Retirement Increase under this (c), the Actuary will either:

(i) revise the Late Retirement Increase by no more than an amount to

reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or

- (ii) leave the Late Retirement Increase unchanged.

"Lump Sum Benefit" is defined in Rule 8.1(c) of this Appendix One to Schedule Three of Part E of the Rules.

"Paid Absence" is defined in Rule 12.2(b) of this Appendix One to Schedule Three of Part E of the Rules.

"Paid Family Leave" is defined in Rule 12.1(b) of this Appendix One to Schedule Three of Part E of the Rules.

"Parental Leave" is defined in Rule 12.1(a) of this Appendix One to Schedule Three of Part E of the Rules.

"Part-Time Employment" is defined in Rule 13.3(c) of this Appendix One to Schedule Three of Part E of the Rules.

"Paternity Leave" is defined in Rule 12.1(a) of this Appendix One to Schedule Three of Part E of the Rules.

"Pensionable CARE Service" means a CARE Member's:

- (a) last or only continuous period of Service as an Active CARE Member;
- (b) any additional period of Service as an Active CARE Member aggregated with the CARE Member's last period of Service as an Active CARE Member; and
- (c) any additional period of Pensionable CARE Service awarded to the CARE member in respect of a transfer payment received by Section 1 of the Scheme or augmentation made in respect of his CARE Benefits for him where the Trustees, with the agreement of the Principal Employer have determined to award Pensionable CARE Service in respect of such a transfer or augmentation.

"Rate" is defined in Rule 14.1(b) of this Appendix One to Schedule Three of Part E of the Rules.

"Revalued CARE Salary" is defined in Rule 4.2(d) of this Appendix One to Schedule Three of Part E of the Rules.

"Revaluation Factor" is defined in Rule 4.2(e) of this Appendix One to Schedule Three of Part E of the Rules.

"Salary Cap" is determined each year as at each 1 April and is calculated as:

- (a) the Salary Cap in force on each 31 March;
- (b) increased on 1 April by the rise in the published Government's retail prices index for all items for the immediately preceding month of September. If the figure arrived at is not a multiple of £600, the figure will be rounded up to the nearest figure that is divisible by £600.

Conditions:

- (i) If in any year the published Government retail prices index for all items has not increased, the Salary Cap for that year will remain unchanged.
- (ii) The first Salary Cap is £112,800 which will apply from 1 January 2008 to 31 March 2008 inclusive in respect of CARE Benefits earned in the Racal Group Executive Scheme. The second Salary Cap to apply from 1 April 2008 to 30 June 2008 in the Racal Group Executive Scheme and from 1 July 2008 to 31 March 2009 to CARE Benefits earned in the Scheme is £117,600.
- (iii) If an Active CARE Member has a period of Part-Time Employment the Salary CAP will be adjusted in accordance with Rule 13 of this Appendix One to Schedule Three of Part E of the Rules.
- (iv) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

"Serious Ill-Health" is the total incapacity of an Active CARE Member by reason of illness or injury such that the Principal Employer, with the agreement of the Trustees, are satisfied (after taking the advice of a registered medical practitioner selected by the Principal Employer with the agreement of the Trustees) that the Active CARE Member is not able to carry out the material and substantial duties of his occupation.

"Service" means service as an employee of an Employer.

"Standard Weekly Hours" is defined in Rule 13.3(b) of this Appendix One to Schedule Three of Part E of the Rules.

"Three Month Condition" has the meaning given to it in Section 101AA of the 1993 Act.

"Unpaid Absence" is defined in Rule 12.2(c) of this Appendix One to Schedule Three of Part E of the Rules.

"Unpaid Family Leave" is defined in Rule 12.1(c) of this Appendix One to Schedule Three of Part E of the Rules.

15.2 Other Definitions used in Appendix One to Schedule Three

- (a) In this Appendix One to Schedule Three of Part E of the Rules, the words “Pensionable Service”, “Dependant”, “Eligible Spouse”, “Normal Pension Date” and “Pensioner” have the meanings given to them in Appendix Two to Schedule Three of Part E of the Rules.
- (b) In this Appendix One to Schedule Three of Part E of the Rules, all other definitions are defined in Part A of the Rules unless the Rules expressly state otherwise.

16 Restrictions on Lump Sum Death Benefits

16.1 In the event that the Lump Sum Benefit payable upon the death of an Active CARE Member or a DC Scheme Life Assurance Member is insured by the Scheme using a policy of insurance from an insurance company, the maximum amount of the Lump Sum Benefit will be determined in accordance with this Rule 16.

16.2 The Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule Three of Part E of the Rules in respect of an Active CARE Member or a DC Scheme Life Assurance Member will not be greater than the monies paid by the insurance company under the policy of insurance effected by the Scheme to the Trustees in respect of the deceased Active CARE Member or DC Scheme Life Assurance Member (as applicable).

16.3 If Rule 16.2 above applies, the Trustees may pay a sum greater than the monies received from the insurance company but not greater than the Lump Sum Benefit. This Rule applies only if the Actuary advises the Trustees that the Scheme is fully funded on its ongoing funding basis using either:

- (a) if the Scheme is a Sectionalised Scheme, the assumptions used at the Scheme’s previous actuarial valuation for Section 1 of the Scheme; or
- (b) if the Scheme has desectionalised, the assumptions used at the Scheme’s previous actuarial valuation for the Scheme.

16.4 This Rule is subject to the terms of legislation relating to age discrimination and disability discrimination insofar as they apply to the Scheme.

16.5 This Rule 16 will not apply to have the effect of reducing the Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule Three of Part E of the Rules where either:

- (a) the Trustees are aware that the application of this Rule will have the effect of

reducing the Lump Sum Benefit payable upon the death of an Active CARE Member or DC Scheme Life Assurance Member due to the level of such a Active CARE Member's or DC Scheme Life Assurance Member's pay from an Employer or the state of his health and the Trustees have failed to inform the Active CARE Member or DC Scheme Life Assurance Member of the effect of this Rule upon the Active CARE Member's or DC Scheme Life Assurance Member's Lump Sum Benefit within one (1) month of becoming aware of it; or

- (b) the full extent of the Lump Sum Benefit is not insured due to an act or omission or failure on the part of the Trustees or the Active CARE Member's or DC Scheme Life Assurance Member's Employer.

Provided that this Rule 16.5 will not apply if the reduction in the Lump Sum Benefit is caused as a direct result of an act, omission or failure by the Active CARE Member or DC Scheme Life Assurance Member to ensure that the Lump Sum Benefit is insured in full.

SCHEDULE THREE OF PART E OF THE RULES
FINAL SALARY BENEFITS RULES FOR FORMER RACAL GROUP EXECUTIVE BENEFICIARIES

APPENDIX TWO

1 General Benefits Description

1.1 Type of Benefits

The Rules for Final Salary Benefits provide final salary style benefits for all Pensionable Service in the Racal Group Executive Scheme before 1 January 2008 in accordance with the trust provisions and the rules of the Racal Group Executive Scheme from time to time in force since the inception of the Racal Group Executive Scheme on 1 April 1973 up until 31 December 2007 which are transferred to Section 1 of the Scheme.

1.2 Contracting-out Status

The Final Salary Benefits are contracted-out on a salary related basis in so far as was required by the trust provisions and / or rules of the Racal Group Executive Scheme in force from time to time since the inception of the Racal Group Executive Scheme and shall be provided in a manner consistent with such contracting-out requirements.

1.3 Tax Status and Scheme Benefit Limits

(a) Subject to (c) below, the Final Salary Benefits are subject to and restricted by Scheme Benefit Limits set out in Part G of the Rules which limit and restrict the amount and payment of benefits in respect of all Former Racal Group Executive Beneficiaries who were entitled to Final Salary Benefits from the Racal Group Executive Scheme earned before 1 January 2008 and transferred to Section 1 of the Scheme.

(b) Subject to (c) below, all Final Salary Benefits earned before 1 October 1980 are subject to and restricted by all and any limits and restrictions contained in the trust deeds and rules which applied to those benefits in the Racal Group Executive Scheme on 30 June 2008 in so far as they are different from the Scheme Benefit Limits set out in Part G of the Rules.

(c) Part G is varied for Former Racal Group Executive Beneficiaries as follows:

(i) in calculating the maximum benefits payable to and in respect of any Former Racal Group Executive Beneficiary, no account shall be taken of benefits payable in respect of any voluntary contributions paid by the Former Racal Group Executive Beneficiary to the Racal Group Executive

Scheme.

- (ii) Drawing benefits whilst in Service
 - (A) Subject to the consent of the Trustees and the Principal Employer and to sub-paragraphs (B) and (C), a Former Racal Group Executive Beneficiary may receive a pension in respect of Final Salary Benefits whether or not his Service has ended.
 - (B) No benefits payable under the Scheme will be deferred beyond the day before the Member's 75th birthday.
 - (C) A Former Racal Group Executive Beneficiary to whom this paragraph (ii) applies will cease to be an Active CARE Member and Scheme Enhanced Member on the commencement of payment of his Final Salary Benefits.

1.4 Subsisting Rights

If (were it not for this Rule 1.4) any provision set out in this Appendix Two to Schedule One would or might affect any Former Racal Group Executive Beneficiary in respect of his subsisting rights (as defined in section 67A(6) of the Pensions Act 1995) acquired before 1 January 2008 in the Racal Group Executive Scheme, such a provision shall not apply to such a Former Racal Group Executive Beneficiary but only to the extent that it would or might have such an adverse effect.

2 Applicable Racal Group Executive Scheme Rules - Members who left Pensionable Service before 1 January 2008

2.1 For the purposes of this Appendix Two to Schedule Three of Part E of the Rules the following terms have the following meanings:

- (a) "Racal Group Executive Rules" means the second definitive deed and rules of the Racal Decca Scheme dated 29 May 1987 (as amended by all deeds of amendment, announcements and other member communications other than the 2007 Deed unless the Rules expressly state otherwise).
- (b) "Old Rules" means any provisions of any trust deed and rules of the Racal Group Executive Scheme (including any announcements and other member communications) in force before the Racal Group Executive Rules came into force on 29 May 1987 which continued to apply to any Former Racal Group Executive Beneficiaries in the Racal Group Executive Scheme before 1 July 2008.

- (c) "2007 Deed" means the Enhanced Benefits Appendix of the deed of amendment dated 21 December 2007.

2.2 Subject to Rule 1.3 of this Appendix Two to Schedule Three of Part E of the Rules above, for the purposes of this Appendix Two to Schedule Three of Part E of the Rules the following provisions apply in respect of all Former Racal Group Executive Beneficiaries who ceased to be in Pensionable Service in the Racal Group Executive Scheme before 1 January 2008 and are neither Scheme Enhanced Members or Former Scheme Enhanced Members:

- (a) the Old Rules in force from time to time before 29 May 1987 which applied to any Former Racal Group Executive Beneficiaries of Section 1 of the Scheme in respect of their Final Salary Benefits before that date for the purposes of determining the nature, amount, value and the calculation of the Former Racal Group Executive Beneficiary's Final Salary Benefits transferred from the Racal Group Executive Scheme to Section 1 of the Scheme;

- (b) in respect of Former Racal Group Executive Beneficiaries to whom Rule 2.2(a) does not apply, the provisions of the Racal Group Executive Rules listed below will (with the necessary alterations to points of detail) be treated as applying to any Former Racal Group Executive Beneficiaries of Section 1 of the Scheme for the purposes of determining the nature, amount, value and the calculation of the Former Racal Group Executive Beneficiary's Final Salary Benefits transferred from the Racal Group Executive Scheme to Section 1 of the Scheme. (unless the context clearly requires otherwise):

- (i) clause 15(b) of the Racal Group Executive Rules;
- (ii) all of the rules other than rules 1(a), 2, 3, 7(a) I and II, 13 to 15 and 19 of the Racal Group Executive Rules;
- (iii) all of the rules of schedule part III other than rules 2, 3, 7(a) I and II of schedule part III of the Racal Group Executive Rules;
- (iv) all of the rules of schedule part IV of the Racal Group Executive Rules;
- (v) all of the rules of schedule part V of the Racal Group Executive Rules contained in the deed of amendment to the Racal Group Executive Scheme dated 5 April 2006 in respect of part V of the schedule other than those provisions which describe the rights of employees to join the Racal Group Executive Scheme and the rights of members in Pensionable Service in the Racal Group Executive Scheme to:

- (A) contribute to the Racal Group Executive Scheme (including the payment of additional contributions);
 - (B) earn benefits during temporary absence; and
 - (C) be provided with lump sum benefits upon death in Pensionable Service;
- (vi) (where applicable) the Special Terms except insofar as they relate to a person's eligibility to join or re-join the Racal Group Executive Scheme, the payment of member contributions and additional voluntary contributions, the payment of lump sum benefits upon death in Pensionable Service and temporary absence; and
 - (vii) all of the definitions contained in the Racal Group Executive Rules and (where applicable) the Special Terms as amended from time to time and in particular by the 2007 Deed which are used in the above listed clause, rules and Special Terms but only in so far as it is necessary to interpret the listed clause, rules and Special Terms.

Provided that definitions will only have the meanings given to them in the Racal Group Executive Rules and (where applicable) the Special Terms and will not be construed in accordance with any other definitions in the Rules.

- 2.3 Rule 3 of this Appendix Two to Schedule Three of Part E of the Rules does not apply to any Former Racal Group Executive Scheme Beneficiary who is neither a Scheme Enhanced Member nor a Former Enhanced Member (both as defined in Rule 3.1 below).
- 2.4 For the purposes of this Appendix Two to Schedule Three of Part E of the Rules a Former Racal Group Executive Beneficiary who on:
- (a) 31 December 2007 had:
 - (i) attained his Normal Pension Date; and
 - (ii) deferred payment of his pension for Final Salary Benefits under the terms of rule 11 and rule 11 of schedule part III applicable to Specified Members and/or (where applicable) the relevant part of the Special Terms of the Racal Group Executive Rules; and
 - (iii) was not in receipt of his pension for Final Salary Benefits; and
 - (b) 30 June 2008 was still not in receipt of his pension for Final Salary Benefits

will continue to be treated as such a Member under the terms of rule 11 and rule 11 of schedule part III applicable to Specified Members and/or (where applicable) the relevant part of the Special Terms of the Raca! Group Executive Rules with the right to the application of an actuarial increase in his pension under the terms of rule 11 and / or (where applicable) the relevant part of the Special Terms of the Raca! Group Executive Rules.

3 Applicable Raca! Group Executive Rules - Members who were in Pensionable Service at any time after 31 December 2007 and entitled to Enhanced Benefits

3.1 Members affected by Enhanced Benefits and the Meaning of Past Service Pension

(a) For the purposes of this Appendix Two to Schedule Three of Part E of the Rules, "Scheme Enhanced Member" means any Former Raca! Group Executive Beneficiary who:

(i) was an Enhanced Member in respect of Final Salary Benefits under the terms of the Raca! Group Executive Rules and/or the Special Terms (where applicable) as amended by the 2007 Deed; and

(ii) who transferred his Final Salary Benefits to Section 1 of the Scheme with effect on and from 1 July 2008; and

(iii) was either an:

(A) Active CARE Member of Section 1 of the Scheme; or

(B) employee in respect of whom an employer in the group of companies owned by Thales Holdings (UK) plc or its successors make contributions to the DC Scheme

after 30 June 2008.

(b) For the purposes of this Appendix Two to Schedule Three of Part E of the Rules, "Former Enhanced Member" means any Former Raca! Group Executive Beneficiary who:

(i) was an Enhanced Member in respect of Final Salary Benefits under the Raca! Group Executive Rules and/or the Special Terms (where applicable) as amended by the 2007 Deed; and

(ii) ceased to be an Enhanced Member in Raca! Group Executive after 1 January 2008 but before 1 July 2008; and

(iii) who transferred his Final Salary Benefits to Section 1 of the Scheme.

- (c) For the purposes of this Appendix Two to Schedule Three of Part E of the Rules, the "Past Service Pension" is calculated using a Scheme Enhanced Member's or Former Enhanced Member's (as applicable) Pensionable Service and Final Pensionable Salary calculated as at 31 December 2007 in accordance with the Racal Group Executive Rules (as amended by the 2007 Deed). Past Service Pension does not include any Previous Membership Benefits;

3.2 Scheme Enhanced Members' and Former Enhanced Members' Benefits and Benefit Options

- (a) Subject to Rule 1.3 of this Appendix Two to Schedule Three of Part E of the Rules, a Former Racal Group Executive Beneficiary who is either a Scheme Enhanced Member or a Former Enhanced Member will have his Final Salary Benefits calculated in accordance with the provisions listed in Rule 2.2 (with the necessary alterations to points of detail) as amended by the provisions in Rule 3 to this Appendix Two to Schedule Three of Part E of the Rules.
- (b) All Former Racal Group Executive Beneficiaries who are Scheme Enhanced Members in Section 1 of the Scheme, will whilst they remain Scheme Enhanced Members of Section 1 of the Scheme have the same benefit options in respect of their Final Salary Benefits held in Section 1 of the Scheme as Members of the Racal Group Executive Scheme in Pensionable Service on 31 December 2007 had under the terms of the Racal Group Executive Rules and/or the Special Terms (where applicable), but such benefit options are as amended by Rules 3.4 to 3.13 of this Appendix Two to Schedule Three of Part E of the Rules.
- (c) All Former Racal Group Executive Beneficiaries who are Former Enhanced Members in Section 1 of the Scheme will have the same benefit options in respect of their Final Salary Benefits held in Section 1 of the Scheme as they had under the terms of the Racal Group Executive Rules and/or the Special Terms (where applicable) (as amended by the 2007 Deed) as Enhanced Members who had stopped being Enhanced Members under those rules.

3.3 Revaluation of Final Salary Benefits earned before 31 December 2007 for Former Enhanced Members

Each of the Former Racal Group Executive Beneficiaries who is a Former Enhanced Member and was entitled to Final Salary Benefits payable under the Racal Group Executive Rules and/or the Special Terms (where applicable) will be entitled to Final Salary Benefits in Section 1 of the Scheme which are:

- (a) of the same nature, amount, value and calculated in the same way as the Former Enhanced Member's Past Service Pension in the Racal Group Executive Scheme; and
- (b) adjusted in accordance with the terms of the 2007 Deed from 1 January 2008 to the date he stopped being an Enhanced Member in the Racal Group Executive Scheme; and
- (c) revalued in Section 1 of the Scheme using the final salary method of statutory revaluation (as set out in section 84(1) and paragraphs 1 and 2 to Schedule 3 of the 1993 Act) to the earlier of the date:
 - (i) of his death;
 - (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Three of Part E of the Rules; or
 - (iii) his Normal Pension Date.

3.4 Revaluation of Final Salary Benefits earned before 31 December 2007 for Scheme Enhanced Members

- (a) Each of the Former Racal Group Executive Beneficiaries who is a Scheme Enhanced Member of Section 1 of the Scheme is entitled to Final Salary Benefits payable under the Racal Group Executive Rules and/or the Special Terms (where applicable) which is:
 - (i) of the same nature, amount, value and calculated in the same way as the Scheme Enhanced Member's Past Service Pension in the Racal Group Executive Scheme; and
 - (ii) then adjusted in accordance with the terms of this Rule 3.4 of this Appendix Two to Schedule Three of Part E of the Rules.
- (b) A Scheme Enhanced Member's Past Service Pension will be revalued as at 1 April 2008 in the Racal Group Executive Scheme. Thereafter, subject to (c) below, a Scheme Enhanced Member's Past Service Pension will be revalued as at each 1 April in Section 1 of the Scheme by the Special Revaluation Factor for the Revaluation Period.
- (c) As at the date a Scheme Enhanced Member stops being a Scheme Enhanced Member in Section 1 of the Scheme, his Past Service Pension will not be less than the aggregate of:

- (i) in the case of that part of the Scheme Enhanced Member's Past Service Pension which is in excess of his Guaranteed Minimum Pension, that part of his Past Service Pension revalued by the Special Revaluation Factor for the Revaluation Period; and
- (ii) in the case of that part of the Scheme Enhanced Member's Past Service Pension which is his Guaranteed Minimum Pension, his Guaranteed Minimum Pension revalued from 1 January 2008 to the date he ceased to be a Scheme Enhanced Member by the greater of statutory revaluation applied to a Guaranteed Minimum Pension under the terms of the 1993 Act or revaluation applied by the Racal Group Executive Rules and/or the Special Terms (where applicable) in force before 1 January 2008, if higher.

Conditions:

- (A) The "Special Revaluation Factor" is the Revaluation Rate compounded over the Revaluation Period.
- (B) The "Revaluation Rate" is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the Maximum Revaluation Rate set out in paragraph (C) below and will not be a negative amount.
- (C) The "Maximum Revaluation Rate" is what the Revaluation Rate would be if the rise in the Government retail prices index for all items was eight (8) per cent compound each year for the Revaluation Period.
- (D) The "Revaluation Period" is the period from 1 January 2008 to the 1 April immediately preceding the date the Scheme Enhanced Member stops being a Scheme Enhanced Member.
- (E) The rise in the Government retail prices index for all items used for the Revaluation Rate is:
 - 1) in the case of revaluation applied in the Racal Group Executive Scheme as at 1 April 2008, a full year's increase using the annual rise in the Government retail prices index for all items published for September 2007; and
 - 2) for each subsequent 1 April in Section 1 of the Scheme the annual rise in the Government retail prices index for all items published for the immediately preceding month of September.

- (F) If:
- 1) for any period during the Revaluation Period, the rise in the Government retail prices index for all items is higher than eight (8) per cent compound each year;
 - 2) the Actuary advises the Trustees that either:
 - 1a) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 1); or
 - 1b) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and
 - 3) the Principal Employer consents in writing
- the Trustees may apply a higher Special Revaluation Factor than is provided for under these Rules for such period as the Principal Employer agrees.
- (G) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer with the agreement of the Trustees will decide the nearest alternative index to be applied.
- (d) A Former Racal Group Executive Beneficiary who is a Scheme Enhanced Member of Section 1 of the Scheme will stop being a Scheme Enhanced Member when either:
- (i) he stops being an Active CARE Member under the terms of this Appendix One to Schedule Three of Part E of the Rules; or
 - (ii) an employer in the group of companies owned by Thales Holdings UK plc (or its successors) stops paying contributions to the DC Scheme in respect of him
- at a date after 30 June 2008.
- (e) When a Scheme Enhanced Member stops being a Scheme Enhanced Member before his Normal Pension Date for the purposes of this Appendix Two to

Schedule Three of Part E of the Rules, if his Past Service Pension does not immediately start to be paid from Section 1 of the Scheme, he will become a deferred pensioner and his deferred pension will be calculated in accordance with the terms of Rule 3.4(c) above up to the date he ceased to be a Scheme Enhanced Member.

Thereafter, the Trustees will revalue the Past Service Pension using the final salary method of statutory revaluation (as set out in section 84(1) and paragraphs 1 and 2 of Schedule 3 of the 1993 Act) from the date he ceased to be a Scheme Enhanced Member to the earlier of the date:

- (i) of his death;
 - (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Three of Part E of the Rules; or
 - (iii) his Normal Pension Date.
- (f) Under the terms of this Rule 3.4, a Scheme Enhanced Member's Past Service Pension at the earlier of the date:
- (i) of his death;
 - (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Three of Part E of the Rules; or
 - (iii) of his Normal Pension Date

will not be less than the pension he would have been entitled to as a Member of the Racal Group Executive Scheme becoming a deferred pensioner entitled to Final Salary Benefits on 31 December 2007 under the terms of the Racal Group Executive Rules or (where applicable) the relevant part of the Special Terms upon the basis that the part of his pension which is in excess of his Guaranteed Minimum Pension and his Guaranteed Minimum Pension will be revalued separately in accordance with either the requirements of statutory revaluation or the provisions of the Racal Group Executive Rules, if higher, in force on 31 December 2007.

- (g) If, when a Scheme Enhanced Member stops being a Scheme Enhanced Member and his Past Service Pension immediately starts to be paid from the Scheme, he will be a Pensioner in receipt of his pension from that date in respect of his Past Service Pension.

Provided that where the Past Service Pension starts to be paid under this Rule before the Scheme Enhanced Member's Normal Pension Date, the early retirement reduction applied (if any) will be the reduction applicable on retirement from Pensionable Service.

(h) If a Scheme Enhanced Member remains in Service upon attaining his Normal Pension Date and his Past Service Pension does not start to be paid from the Scheme:

- (i) rule 11; or
- (ii) rule 11 of schedule part III applicable to Specified Members; and/or
- (iii) the relevant parts of schedule part V applicable to Transferred Thorn Fund Members (as amended by the deed of amendment dated 6 April 2006) in respect of which describe the benefits payable to and in respect of a Member who remains in Service having attained his Normal Pension Date

of the Racal Group Executive Rules and / or (where applicable) the relevant part of the Special Terms will apply in respect of his Past Service Pension from his Normal Pension Date.

3.5 Ill-Health Early Retirement - Special Rules for Scheme Enhanced Members

(a) If a Scheme Enhanced Member is suffering from Incapacity and an entitlement to a pension has arisen under the terms of:

- (i) rule 10;
- (ii) rule 10 of schedule part III applicable to Specified Members; and / or
- (iii) the relevant parts of schedule part V applicable to Transferred Thorn Fund Members (as amended by the deed of amendment dated 6 April 2006) in respect of which describe the benefits payable to and in respect of a Transferred Thorn Member due to Incapacity;

of the Racal Group Executive Rules and / or (where applicable) the relevant part of the Special Terms, the Final Salary Benefits pension payable will be equal to the Scheme Enhanced Member's Past Service Pension adjusted in accordance with Rule 3.4 above to the date he stops being a Scheme Enhanced Member. No prospective service to Normal Pension Date will be added to the pension, but the pension will not be reduced to take account of early payment.

(b) A Scheme Enhanced Member who is not able to work due to ill-health or injury and who is in receipt of payments from an employer's permanent health insurance of at least 50 per cent of either his:

- (i) CARE Salary in the case of an Active CARE Member; or
- (ii) DC Salary in the case of a DC Scheme Life Assurance Member; less
- (iii) In either case statutory sick pay

is not entitled to apply for the payment of his Past Service Pension under this Rule 3.5 unless the Principal Employer with the agreement of the Trustees decide otherwise.

(c) This Rule 3.4 will cease to apply when a Former Racal Group Executive Beneficiary stops being a Scheme Enhanced Member.

3.6 Death whilst a Scheme Enhanced Member - Lump Sums

(a) If a person dies whilst a Scheme Enhanced Member, Section 1 of the Scheme will pay on the discretionary trusts pursuant to Rule 74 of Part D of the Rules:

- (i) a refund of the Scheme Enhanced Member's own contributions which he was required to pay to the Racal Group Executive Scheme before 1 January 2008 and which have been transferred to Section 1 of the Scheme; and
- (ii) any benefits due under the terms of this Appendix Two to Schedule Three of Part E of the Rules or (where applicable) the relevant part of the Special Terms as a result of the payment of Members Voluntary Contributions paid before 1 January 2008 to the Racal Group Executive Scheme which have been transferred to Section 1 of the Scheme.

(b) Any Final Salary Benefits lump sum death benefit (other than that referred to in Rule 3.6(a) above) which would have been paid upon the death of either a member or a deferred pensioner under the terms of the Racal Group Executive Rules and / or (where applicable) any relevant part of the Special Terms will not be paid.

(c) The balance of the Scheme Enhanced Member's death in service lump sum benefits will be paid under the terms of Appendix One to Schedule Three of Part E of the Rules in accordance with the terms of Rule 74 of Part D to the Rules (regardless of whether the Scheme Enhanced Member is an Active CARE

Member or a DC Scheme Life Assurance Member on the date of his death).

3.7 Death whilst a Scheme Enhanced Member - Pension Benefits

- (a) Subject to Rule 3.7 (d) below, if a person dies whilst a Scheme Enhanced Member, Section 1 of the Scheme will, subject to (b) below, pay pension benefits in accordance with the terms of:
- (i) rule 7(a) III;
 - (ii) rule 7(a) III schedule part III applicable to Specified Members; and / or
 - (iii) the relevant parts of schedule V applicable to Transferred Thorn Fund Members (as amended by the deed of amendment dated 6 April 2006) in respect of which describe the pension benefits payable upon the death of a Transferred Thorn Member upon his death whilst in Pensionable Service; and / or
- of the Racial Group Executive Rules or (where applicable) any relevant part of the Special Terms, in respect of his Past Service Pension.
- (b) The amount of any pension payable under Rule 3.7(a) above will be determined using the Scheme Enhanced Member's Past Service Pension adjusted to the date of his death in accordance with Rule 3.4 above. No prospective service will be included in the calculation of any pensions payable under the Racial Group Executive Rules or where applicable any relevant part of the Special Terms as specified under Rule 3.7(a).
- (c) The balance of the pension payable upon the death of a Scheme Enhanced Member will be paid under the terms of Appendix One to Schedule Three of Part E of the Rules.
- (d) Any pension payable under this Appendix Two to Schedule Three of Part E of the Rules in a manner consistent with the Racial Group Executive Rules or (where applicable) the Special Terms upon the death of a Member in Pensionable Service which is calculated as a percentage or proportion of a member's Final Pensionable Salary, Current Pensionable Salary, Basic Salary or other definition of pay (as amended by the 2007 Deed) will not be payable from Section 1 of the Scheme.

3.8 Prospective Service Benefits

No benefit payable to or in respect of a Scheme Enhanced Member from Section 1 of the Scheme in accordance with this Appendix Two to Schedule Three of Part E of the Rules will include in its calculation any prospective Pensionable Service.

3.9 Continued Life Assurance Benefits

(a) This Rule 3.9 applies to a Scheme Enhanced Member and a Former Enhanced Member:

(i) who either:

(A) stops being a Scheme Enhanced Member; or

(B) stopped being a Former Enhanced Member

due to Incapacity or Serious Ill-Health (or both); and

(ii) whose:

(A) Past Service Pension payable under the terms of rule 10 of the Racial Group Executive Rules and / or (where applicable) the relevant part of the Special Terms (as amended by Rule 3.5 above) due to Incapacity; or

(B) CARE Pension payable under Rule 5.3 of Appendix One to Schedule Three of Part E of the Rules; or

(C) both (A) and (B)

immediately starts to be paid upon him stopping being either a Scheme Enhanced Member of Section 1 of the Scheme or an Enhanced Member of the Racial Group Executive Scheme.

(b) A Scheme Enhanced Member or Former Enhanced Member to whom this Rule 3.9 of Appendix Two to Schedule Three of Part E of the Rules applies will continue to be provided with the Lump Sum Benefit under this Rule 3.9 of Appendix Two to Schedule Three of Part E of the Rules from the date he either stops being a Scheme Enhanced Member of Section 1 of the Scheme or stopped being an Enhanced Member of the Racial Group Executive Scheme to the earlier of:

(i) his CARE Pension Date; and

(ii) any date before his CARE Pension Date when all of his pension benefits

which are in payment from Section 1 of the Scheme (whether under the terms of this Appendix Two to Schedule Three or Appendix One to Schedule Three of Part E of the Rules or both) stop being paid (other than where benefits stop as a result of his death).

- (c) The amount of the Scheme Enhanced Member's or Former Enhanced Member's CARE Salary or DC Salary (as applicable) for the purposes of calculating his Lump Sum Benefit will be his CARE Salary or DC Salary as at the date he ceased to be either a Scheme Enhanced Member of Section 1 of the Scheme or an Enhanced Member of the Racal Group Executive Scheme, increased by such amount as the Principal Employer decides from time to time.

3.10 Pension Commencement Lump Sum

- (a) Where a Scheme Enhanced Member or Former Enhanced Member has an entitlement to:

- (i) Final Salary Benefits and CARE Benefits as a result of his own membership of the Racal Group Executive Scheme which were transferred to Section 1 of the Scheme; and
- (ii) In the case of a Scheme Enhanced Member only, CARE Benefits earned in Section 1 of the Scheme

he can only exchange Past Service Pension for a pension commencement lump sum in proportion to the amount his Past Service Pension represents as a part of his aggregated pension from Section 1 of the Scheme when his Past Service Pension and his CARE Pension are aggregated together.

- (b) Where a Scheme Enhanced Member or Former Enhanced Member has an entitlement to Previous Membership Benefits, he can only exchange Previous Membership Benefits for pension commencement lump sum:

- (i) in accordance with the Racal Group Executive Rules or (where applicable) any relevant part of the Special Terms which apply to it; and
- (ii) in proportion to the amount his Previous Membership Benefits represents as a part of his aggregated pension from Section 1 of the Scheme when his Previous Membership Benefits, Past Service Pension and his CARE Pension are aggregated together.

- (c) Nothing in this Rule 3.10 will reduce the maximum amount of Past Service

Pension which a Scheme Enhanced Member or Former Enhanced Member can elect to exchange for a pension commencement lump sum under the Racal Group Executive Rules (including (where applicable) the Special Terms) insofar as such a maximum amount was a subsisting right within the meaning of Section 67 A(6) of the 1995 Act as at 31 December 2007.

3.11 Other Benefits

- (a) Where a Scheme Enhanced Member or Former Enhanced Member has benefits which were transferred into Section 1 of the Scheme which relate to previous period of membership of the Racal Group Executive Scheme which are separate from his Past Service Pension, those benefits will be paid under the terms of the Racal Group Executive Rules in force at the relevant time when such previous period of membership in the Racal Group Executive Scheme ended.
- (b) For the purposes of these Rules the benefits referred to in 3.11(a) are referred to as the "Previous Membership Benefits".

3.12 Early Leaver Rights

- (a) Where the Racal Group Executive Rules applicable to the Former Racal Group Executive Beneficiaries' Final Salary Benefits specify the manner in which the Preservation Requirements will be complied with under them, those rules will apply in respect of the Preservation Requirements.
- (b) If the provisions of the Racal Group Executive Rules or (where applicable) any relevant part of the Special Terms which apply to the Former Racal Group Executive Beneficiaries' Final Salary Benefits referred to in (a) above do not specify the manner in which the Preservation Requirements will be complied with under them, the rules or (where applicable) any relevant part of the Special Terms will be construed in a manner which is consistent with the Preservation Requirements.

3.13 Additional Voluntary Contributions

No Scheme Enhanced Member or Former Enhanced Member can pay Members Voluntary Contributions to Section 1 of the Scheme under the terms of this Appendix Two to Schedule Three of Part E of the Rules

3.14 Targeted Benefits

In so far as any Scheme Enhanced Member's or Former Enhanced Member's benefits are calculated under the terms of the Rules and (where applicable) the Special Terms, as a

proportion of the Scheme Enhanced Member's or Former Enhanced Member's Final Pensionable Salary (or similar formula), such a Scheme Enhanced Member's or Former Enhanced Member's Past Service Pension will be calculated as a proportion of his Final Pensionable Salary (or under any similar formula) applicable to a person as if he had become a deferred pensioner on 31 December 2007.

4 Meanings of Words Used

4.1 Use of Definitions in this Appendix Two to Schedule Three

In this Appendix Two to Schedule Three of Part E of the Rules, the following words have the following special meanings:

"2007 Deed" has the meaning given to it in Rule 2.1(c) of Appendix Two to Schedule Three Part E of the Rules.

"Former Enhanced Member" has the meaning given to Rule 3.1(b) of Appendix Two to Schedule Three Part E of the Rules.

"Maximum Revaluation Rate" has the meaning given in the conditions to Rule 3.3(b) of Appendix Two to Schedule Three of Part E of the Rules.

"Old Rules" has the meaning given to it in Rule 2.1(b) of Appendix Two to Schedule Three of Part E of the Rules.

"Past Service Pension" has the meaning given in Rule 3.1(c) of Appendix Two to Schedule Three of Part E of the Rules.

"Previous Membership Benefits" has the meaning given in Rule 3.11 of Appendix Two to Schedule Three of Part E of the Rules.

"Racial Group Executive Rules" has the meaning given to it in Rule 2.1(a) of Appendix Two to Schedule Three of Part E of the Rules.

"Revaluation Period" has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Three of Part E of the Rules.

"Revaluation Rate" has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Three of Part E of the Rules.

"Scheme Enhanced Member" has the meaning given in Rule 3.1(a) of Appendix Two to Schedule Three of Part E of the Rules.

“Special Revaluation Factor” has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Three of Part E of the Rules.

“Special Terms” means any benefits in respect of a Former Racial Group Executive Beneficiary or any person claiming through him which as at 31 December 2007:

- (a) the Racial Group Executive Scheme had lawfully granted under the provisions of the Racial Group Executive Scheme; and
- (b) had been communicated to Members in writing; and
- (c) had not been formally recorded in the Racial Group Executive Rules.

4.2 Other Definitions used in Appendix Two to Schedule Three

- (a) In this Appendix Two to Schedule Three of Part E of the Rules, the words **“Active CARE Member”**, **“CARE Pension”**, **“CARE Pension Date”**, **“CARE Salary”**, **“DC Salary”**, **“DC Scheme Life Assurance Member”** and **“Serious Ill-Health”** have the meanings given to them in Appendix One to Schedule Three of Part E of the Rules.
- (b) In this Appendix Two to Schedule Three of Part E of the Rules, the words **“Basic Salary”**, **“Current Pensionable Salary”**, **“Dependant”**, **“Enhanced Member”**, **“Final Pensionable Salary”**, **“Guaranteed Minimum Pension”**, **“Incapacity”**, **“Member”**, **“Members Voluntary Contributions”**, **“Normal Pension Date”**, **“Pensionable Service”**, **“Specified Member”** and **“Transferred Thorn Member”** have the meanings given to them in the Racial Group Executive Rules (as amended, where applicable, by the 2007 Deed).
- (c) In this Appendix Two to Schedule Three of Part E of the Rules, all other definitions are defined in Part A of the Rules.

**SCHEDULE FOUR OF PART E OF THE RULES
FORMER RACAL GROUP STAFF BENEFICIARIES**

1 Application of Schedule Four of Part E of the Rules

1.1 Schedule Four of Part E of the Rules applies to:

- (a) Former Racal Group Staff Beneficiaries; and
- (b) any person who the Principal Employer and Trustees have agreed should be treated as a Former Racal Group Staff Beneficiary under Rule 77.3 of Part E of the Rules.

1.2 CARE Benefits earned in the Racal Group Staff Scheme by Former Racal Group Staff Beneficiaries which are transferred to Section 1 of the Scheme are calculated as if those CARE Benefits had been earned in Section 1 of the Scheme from (and including) 1 January 2008 rather than in the Racal Group Staff Scheme.

1.3 For those of the Former Racal Group Staff Beneficiaries who are in Pensionable CARE Service in Section 1 of the Scheme on 1 July 2008 and whose CARE Benefits from the Racal Group Staff Scheme are transferred to Section 1 of the Scheme, Pensionable CARE Service in Section 1 of the Scheme will be treated as continuous.

2 Structure of Schedule Four of Part E of the Rules

2.1 Appendix One sets out the Rules to Schedule Four of Part E which apply to the provision of CARE Benefits for Former Racal Group Staff Beneficiaries.

2.2 Appendix Two sets out the Rules to Schedule Four Part E which apply to the provision of Final Salary Benefits for Former Racal Group Staff Beneficiaries.

2.3 Final Salary Benefits earned in the Racal Group Staff Scheme by Former Racal Group Staff Beneficiaries before 1 January 2008 will be of the same nature, amount and value and be calculated in the same way as under the terms which applied in the Racal Group Staff Scheme to that Former Racal Group Staff Beneficiary on 31 December 2007. Such benefits will be administered in accordance with Parts A, B, D, E, G and H of the Rules of the Scheme.

**SCHEDULE FOUR OF PART E OF THE RULES
CARE BENEFITS RULES FOR FORMER RACAL GROUP STAFF BENEFICIARIES**

APPENDIX ONE

1 General Benefits Description

1.1 Type of Benefits

The Rules for CARE Benefits for Former Racal Group Staff Beneficiaries provide career average revalued earnings style benefits for:

- (a) all Pensionable CARE Service in the Racal Group Staff Scheme after 31 December 2007 and before 1 July 2008 which is transferred to Section 1 of the Scheme; and
- (b) all Pensionable CARE Service (if any) in Section 1 of the Scheme after 30 June 2008

which shall be treated as continuous Pensionable CARE Service.

1.2 Contracting-out Status

The CARE Benefits are contracted-in.

1.3 Tax Status and Plan Limits

- (a) The Rules for the provision of CARE Benefits are designed to provide pension and death benefits for a registered occupational pension scheme under Part 4 of the Finance Act 2004 (as amended).
- (b) For the purposes of determining the maximum benefits payable to a Former Racal Group Staff Beneficiary and any restrictions on their payment:
 - (i) the Scheme Benefit Limits contained in Part G of the Rules do not apply to the CARE Benefits;
 - (ii) the total pension payable to a Former Racal Group Staff Beneficiary from Section 1 of the Scheme when the CARE Benefits and the Final Salary Benefits are aggregated together will not exceed two thirds of the Former Racal Group Staff Beneficiary's Final Remuneration (as defined in Part G of the Rules) (ignoring the effect of any salary sacrifice arrangement made between the CARE Member and his Employer);

- (c) save as provided in Rule 77 of Part E of the Rules, this Rule 1.3 of this Appendix One to Schedule Four of Part E does not disapply:
 - (i) the Scheme Benefit Limits which apply to the Final Salary Benefits of Former Racal Group Staff Beneficiaries in Part G of the Rules; or
 - (ii) any other benefit limits rules and / or restrictions applied to the Final Salary Benefits under Rule 1.3(c) of Appendix Two to Schedule Four of Part E of the Rules; and
- (d) if a CARE Member is subject to a pension sharing on divorce order, agreement or equivalent provision, Rule 1.3(b)(ii) will be applied to the total pension payable to a CARE Member from the Scheme when the CARE Benefits payable under this Appendix One to Schedule Four of Part E and the Final Salary Benefits payable under Appendix Two to Schedule Four of Part E are aggregated together before the pension sharing on divorce order, agreement or equivalent provision, is applied.

1.4 Early Leaver Rights

- (a) Where the CARE Benefits Rules of this Appendix One to Schedule Four specify the manner in which the Preservation Requirements will be complied with under it, those Rules will apply in respect of the Preservation Requirements.
- (b) If the CARE Benefits Rules of this Appendix One to Schedule Four do not specify the manner in which the Preservation Requirements will be complied with under it, the Rules will be construed in a manner which is consistent with the Preservation Requirements.

2 Membership for CARE Benefits

2.1 Becoming an Active CARE Member

- (a) An Employee is able to become and remain an Active CARE Member of Section 1 of the Scheme for so long as he satisfies all of the following conditions. The employee:
 - (i) was, on 31 December 2007, either:
 - (A) a member of the Racal Group Staff Scheme in Pensionable Service under the rules of that scheme in force on that date; or
 - (B) an employee who was not a member of the Racal Group Staff Scheme in Pensionable Service under the rules of that scheme in

force on that date but whom the Principal Employer has determined was eligible to join the Racal Group Staff Scheme and did not join the DC Scheme on 1 January 2008;

- (ii) before 1 January 2008, elected in writing using the election form provided by Thales Electronics Plc to become an Active CARE Member of the Racal Group Staff Scheme from either 1 January 2008 or such later date as his employer in the Racal Group Staff Scheme agreed in writing;
- (iii) has either:
 - (A) a written pension salary sacrifice arrangement in force with his Employer; or
 - (B) if the Principal Employer permits, a written consent in force with his Employer to deduct his contributions from his CARE Salary; and
- (iv) was continuously an Active CARE Member from either 1 January 2008 or such later date as he was first admitted to the Racal Group Staff Scheme; and
- (v) joined the Scheme as an Active CARE Member of Section 1 of the Scheme with effect from 1 July 2008 and transferred all of his benefits in the Racal Group Staff Scheme to Section 1 of the Scheme with effect on and from 1 July 2008.

- (b) Section 1 of the Scheme is closed to new members and only Employees who meet the conditions set out in Rule 2.1(a) can be Active CARE Members of Section 1 of the Scheme entitled to CARE Benefits under the terms of this Appendix One to Schedule Four of Part E of the Rules.

2.2 Stopping being an Active CARE Member

- (a) An Active CARE Member will cease to be an Active CARE Member on the earlier of the date:
 - (i) he leaves employment or dies; or
 - (ii) of the expiry of not less than one month's written notice which he has given to the Trustees to end his Pensionable CARE Service; or
 - (iii) he ceases to satisfy all of the eligibility criteria to be an Active CARE Member under Rule 2.1(a) above (and for these purposes absence whilst

the CARE Member remains in Service under Rule 12 of this Appendix One to Schedule Four of Part E is ignored); or

- (iv) he otherwise ceases to be in Pensionable CARE Service under any other provision of the Rules of this Appendix One to Schedule Four of Part E of the Rules.
- (b) No Employee who has ceased to be an Active CARE Member under Rule 2.2(a) above can rejoin the Scheme in order to earn either CARE Benefits or Final Salary Benefits.
- (c) An Active CARE Member who opts-out of Active CARE Membership under Rule 2.2(a)(ii) above before his CARE Pension Date will be treated as a Deferred CARE Member from the date his notice to opt-out expires. Rules 6 and 9 apply to this Appendix One to Schedule Four of Part E of the Rules.

3 Payment of Contributions

3.1 Rate of Contributions

- (a) The rate of contributions due to Section 1 of the Scheme from each Active CARE Member is:
 - (i) 6 (six) per cent of CARE Salary for that part of the CARE Salary up to and including the upper earnings limit; and
 - (ii) 9 (nine) per cent of CARE Salary for that part (if any) of the CARE Salary in excess of the upper earnings limit.
- (b) Upper earnings limit is the annual equivalent of upper earnings limit published immediately before each 1 April for the following tax year.
- (c) Upper earnings limit has the meaning given in section 181 of the 1993 Act.
- (d) If an Active CARE Member has a period of Part-Time Employment the upper earnings limit will be adjusted in accordance with Rule 13 of this Appendix One to Schedule Four of Part E of the Rules.

3.2 Payment of Contributions

- (a) Active CARE Members who enter into a pension salary sacrifice arrangement with their Employer pursuant to Rule 3.2(c) below do not contribute to Section 1 of the Scheme.

- (b) Active CARE Members who, with the agreement of the Principal Employer, do not enter into a pension salary sacrifice arrangement with their Employer must contribute to Section 1 of the Scheme at the rate set out in Rule 3.1 above).
- (c) In order for Rule 3.2(a) above to apply the:
 - (i) Active CARE Member must sacrifice from his pay from his Employer an amount equivalent to the contributions he would have paid to the Section 1 of the Scheme at the rate set out in Rule 3.1 above had the pension salary sacrifice arrangement not been in force; and
 - (ii) Active CARE Member's Employer must pay monthly to the Trustees contributions to Section 1 of the Scheme of an amount equal to the sums sacrificed by the Active CARE Member from his remuneration from that Employer under his pension salary sacrifice arrangement.
- (d) All Active CARE Members are required to enter into a pension salary sacrifice arrangement with an Employer unless the Principal Employer determines otherwise in writing.
- (e) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule Four of Part E of the Rules applies.
- (f) In the event that the Principal Employer decides not to permit Active CARE Members to sacrifice pay from their Employer in accordance with Rule 3.2(c) above, such Active CARE Members will:
 - (i) continue to earn CARE Benefits provided that they contribute to Section 1 of the Scheme under the terms of Rule 3.2(b) above; and
 - (ii) provide such written consents as their Employer requests in writing to be able to deduct such contributions from their pay.

Such Active CARE Members will become Deferred CARE Members if they do not provide to their Employer such written consents as are required for them to contribute to Section 1 of the Scheme under Rule 3.2(b) above within one (1) month of the date the Active CARE Members are asked to pay contributions to Section 1 of the Scheme or such longer period as the Principal Employer may decide.

3.3 Additional Voluntary Contributions

No Active CARE Member can pay additional voluntary contributions to Section 1 of the Scheme.

3.4 Employer Contributions

The balance of the cost of providing the CARE Benefits will be paid by the Employers in accordance with Rule 35 of Part A of the Rules.

4 Calculation of CARE Pension

4.1 CARE Pension Calculation

The "CARE Pension" is: $(X - Y) \times Z$ where:

- (a) "X" is 1/720th of Averaged Revalued CARE Salary for each complete calendar month of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service;
- (b) "Y" is the Pension Deduction; and
- (c) "Z" is the LAF.

Conditions:

- (i) The LAF applied to the CARE Pension will be either the LAF in force at the date:
 - (A) the Active CARE Member leaves Pensionable CARE Service; or
 - (B) the CARE Pension starts to be paidwhichever results in the payment of the higher CARE Pension to the CARE Member (or any person claiming through him).
- (ii) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule Four of Part E of the Rules applies to the calculation of his CARE Pension for that period of part-time Pensionable CARE Service.

4.2 Meaning of Words used in the Calculation of CARE Pension

- (a) "Averaged Revalued CARE Salary" is:
 - (i) the aggregate of the Revalued CARE Salary at each 1 April during Pensionable CARE Service; DIVIDED BY

- (ii) the number of years in which the Active CARE Member was in Pensionable CARE Service on a 1 April.

Condition:

If an Active CARE Member leaves Pensionable CARE Service before 1 April 2008, his Average Revalued CARE Salary will be his CARE Salary on 1 January 2008.

- (b) **"Pension Deduction"** is:

- (i) 0.4% of the Active CARE Member's Gross Band Earnings for the last complete tax year immediately preceding the date the Active CARE Member left Pensionable CARE Service; MULTIPLIED BY
- (ii) the number of complete calendar months of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service; DIVIDED BY
- (iii) twelve (12).

Provided that with on and effect from 1 April 2009, Pension Deduction will be adjusted in accordance with the terms of Rule 13 in respect of Active CARE Members in Part-time Employment after that date.

- (c) **"Gross Band Earnings"** is the Active CARE Member's gross earnings between the lower and upper earnings limit.
- (d) **"Revalued CARE Salary"** is the Active CARE Member's CARE Salary as at each 1 April revalued by the Revaluation Factor up to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.
- (e) **"Revaluation Factor"** is the Revaluation Rate compounded over the Revaluation Period.

Conditions:

- (i) The **"Revaluation Rate"** is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the *Maximum Revaluation Rate* set out in (ii) and will not be a negative amount.
- (ii) The **"Maximum Revaluation Rate"** is what the Revaluation Rate would be if the rise in the Government retail prices index for all items was eight (8) per cent compound each year for the Revaluation Period.

(iii) The "Revaluation Period" is the period from 1 April to which the relevant CARE Salary relates to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.

(iv) The rise in the Government retail prices index for all items used for the Revaluation Rate is the one published before each 1 April for the immediately preceding month of September.

(v) If:

(A) for any period during the Revaluation Period, the rise in the Government retail prices index for all items is higher than eight (8) per cent compound each year; and

(B) the Actuary advises the Trustees that either:

1) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 1); or

2) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and

(C) the Principal Employer consents in writing.

the Trustees may apply a higher Revaluation Factor than is provided for under the CARE Benefits Rules for such period as the Principal Employer agrees.

(vi) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

(f) "LAF" is the longevity adjustment factor and is calculated as follows:

$$\frac{1 - (A \times B)}{100}$$

Where:

(i) "A" equals the number of years (rounded to the nearest 0.1 years) by which the anticipated life expectancy of a man aged 65 on the LAF

Recalculation Table is higher or lower (as applicable) than on the LAF Base Table. Where the anticipated life expectancy is higher than on the LAF Base table, "A" will be positive and where lower "A" will be negative.

- (ii) "B" equals 1.5.

Conditions:

- (A) The LAF will be one (1) between 1 January 2008 and 31 March 2012 (inclusive).
- (B) The LAF cannot be greater than one (1).
- (C) The LAF cannot decrease by more than 0.05 as at any LAF recalculation date.
- (D) "A" will assume a value of zero if, as at any LAF recalculation date, "A" is less than the years noted on the table below:

LAF recalculation date year For Rule 4.3(a)	Years for the purposes of "A"
2011	0.5
2014	0.75
2017	1.00
2020	1.25
2023	1.50
2026	1.75
2029	2.00
2032	2.25
2035	2.50
2038	2.75
2041	3.00
2044	3.25
2047	3.50
2050	3.75
2053	4.00

- (E) The LAF will be rounded to the nearest 0.0025.
- (F) The LAF will be recalculated in accordance with Rule 4.3.
- (g) "LAF Base Table" is the life expectancy table for a man aged 65 years old using the Government Actuaries Department's national 2006 based principal

population projections with "cohort expectation" adjustments, which provides as follows:

Year to which Rule 4.3(a) Applies	Life Expectancy of a Male Retiring at Age 65
2007	20.7
2008	20.8
2009	21.0
2010	21.1
2011	21.2
2012	21.3
2013	21.5
2014	21.6
2015	21.7
2016	21.8
2017	21.9
2018	22.0
2019	22.1
2020	22.2
2021	22.3
2022	22.4
2023	22.5
2024	22.5
2025	22.6
2026	22.7
2027	22.8
2028	22.9
2029	23.0
2030	23.1
2031	23.2
2032	23.3
2033	23.4
2034	23.5
2035	23.6
2036	23.7
2037	23.7
2038	23.8
2039	23.9
2040	24.0
2041	24.1

2042	24.2
2043	24.3
2044	24.4
2045	24.5
2046	24.6
2047	24.7
2048	24.8
2049	24.9
2050	25.0
2051	25.1
2052	25.2
2053	25.3
2054	25.3

- (h) **“LAF Recalculation Table”** is, as at the current LAF recalculation date, the most recently published Government Actuaries Department table published since the previous LAF recalculation date, showing the life expectancy for a man aged 65 years old using the Government Actuaries Department’s table for national principal population projections with “cohort expectation” adjustments.

Conditions:

- (i) If the LAF Recalculation Table is not available at any LAF recalculation date, an alternative life expectancy table published by the Government Actuaries Department, the Office of National Statistics or similar body which uses the latest available national population statistics to show the current life expectancy of a male member retiring at age 65 and adjusted to reflect “cohort expectation” will be used.
- (ii) If a table meeting the requirements of (i) is not available at any LAF recalculation date, the Principal Employer with the agreement of the Trustees, will agree a life expectancy table which is nearest to the LAF Recalculation Table.

4.3 Recalculation of the LAF

- (a) The LAF will automatically be recalculated in accordance with Rule 4.2(f) above:
- (i) as at 1 January 2011 (being the first LAF recalculation date); and

- (ii) at three (3) yearly intervals thereafter as at 1 January.
- (b) The recalculated LAF will be applied to CARE Members' benefits on expiry of the notice given under Rule 4.3(c) below unless the Principal Employer, with the agreement of the Trustees, decides to apply a recalculation to the LAF which would result in a LAF being applied to CARE Members' benefits which would result in a higher benefit for a CARE Member than would otherwise have been applied under Rule 4.3(a) above.
- (c) Upon a LAF recalculation being effected under Rule 4.3(a) above at a LAF recalculation date, the Principal Employer will give all Active CARE Members at least twelve (12) months written notice of the amount of the recalculated LAF and the details of how it will be applied to benefits before the LAF is applied to benefits under this Appendix One to Schedule Four of Part E of the Rules.

5 Active CARE Member's CARE Pension

5.1 Drawing CARE Pension at CARE Pension Date

Upon an Active CARE Member attaining his CARE Pension Date but subject to the terms of Rule 5.4(a) and (b) below his annual CARE Pension will start on the next day.

5.2 Drawing CARE Pension before CARE Pension Date

- (a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if:
 - (i) before 6 April 2010, he is aged 50 or over; or
 - (ii) after 5 April 2010, he is aged 55 or over; and
 - (iii) he applies to draw his CARE Pension early whilst he is in Pensionable CARE Service; and
 - (iv) he has the written consent of the Principal Employer to draw his CARE Pension early; and
 - (v) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) If at any age from the age of 60 up to his Normal Pension Date an Active CARE Member is entitled to receive his Final Salary Benefits under Appendix Two to Schedule Four of Part E of the Rules without any consents being required from any party to the Scheme or compliance with any other conditions, the payment

of the CARE Pension is not subject to Rule 5.2(a)(iv) above after he attains that age.

- (c) An Active CARE Member may, with the consent of the Principal Employer, remain in the employment of an Employer after his CARE Pension starts to be paid under the terms of this Rule 5.2.
- (d) The annual CARE Pension will start on the day agreed by the CARE Member and the Trustees.

5.3 Drawing CARE Pension due to Serious Ill-Health

- (a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health if, subject to the terms of Rule 5.3(d) below:
 - (i) he has not attained his CARE Pension Date;
 - (ii) he applies to draw his CARE Pension early due to Serious Ill-Health whilst he is in Pensionable CARE Service and will have left Pensionable CARE Service when his CARE Pension starts to be paid;
 - (iii) the Principal Employer, with the agreement of the Trustees, decide after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Active CARE Member is suffering from Serious Ill-Health;
 - (iv) the Trustees are satisfied that the Active CARE Member meets the ill-health condition for the purposes of the Part 4 of the Finance Act 2004; and
 - (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health.
- (b) The CARE Pension payable under this Rule 5.3 will:
 - (i) have no LAF applied to it; and
 - (ii) not be reduced by an Early Retirement Reduction; and
 - (iii) be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule Four of Part E of the Rules.
- (c) The annual CARE Pension will start on the day after the CARE Member left

Pensionable CARE Service.

- (d) An Active CARE Member who is not able to work due to ill-health or injury and who is in receipt of payments from an employer's permanent health insurance scheme of at least 50 per cent of his CARE Salary less statutory sick pay is not entitled to apply for the payment of his CARE Pension under this Rule unless the Principal Employer, with the agreement of the Trustees, decide otherwise.

5.4 Drawing CARE Pension after CARE Pension Date

- (a) If an Active CARE Member, with the consent of the Principal Employer, remains in the employment of an Employer after his CARE Pension Date, he may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date (or such later date as the Principal Employer and the Trustees may agree) to either:
 - (i) leave Pensionable CARE Service on his CARE Pension Date and be treated as either a CARE Pensioner or a CARE Postponed Pensioner; or
 - (ii) remain in Pensionable CARE Service and continue to be treated as an Active CARE Member.

Conditions:

- (A) If an Active CARE Member makes no election under this Rule 5.4(a), the Trustees will treat the Active CARE Member as if he had left Active CARE Membership on his CARE Pension Date and he will become a CARE Postponed Pensioner under Rule 5.4(b)(ii) below.
 - (B) The option to be treated as a CARE Pensioner under Rule 5.4(a)(i) can only be exercised by the CARE Member with the consent of the Principal Employer.
- (b) This Rule 5.4(b) applies to an Active CARE Member who elects or is deemed to leave Pensionable CARE Service under Rule 5.4(a)(i). Such a CARE Member who may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date to either:
 - (i) draw his CARE Pension under Rule 5.1 above and become a CARE Pensioner; or
 - (ii) defer payment of his CARE Pension and become a CARE Postponed Pensioner until the earlier of the date he elects for his CARE Pension to

start to be paid and the date he attains age 75.

Conditions:

- (A) If the Active CARE Member makes no election under this Rule 5.4(b) the Trustees will defer payment of his CARE Pension under Rule 5.4(b)(ii) above.
- (B) An Active CARE Member to which this Rule 5.4(b) applies will on his CARE Pension Date cease to either:
 - 1) pay contributions under Rule 3.2(b) of this Appendix One to Schedule Four of Part E of the Rules; or
 - 2) be subject to a pension salary sacrifice arrangement under Rule 3.2(d) of this Appendix One to Schedule Four of Part E of the Rules.
- (C) A CARE Postponed Pensioner's CARE Pension will start to be paid on the earlier of:
 - 1) the day after he elects for his CARE Pension to start; or
 - 2) his 75th birthday.
- (D) A CARE Postponed Pensioner's CARE Pension will be calculated as at his CARE Pension Date. Upon drawing his CARE Pension the Trustees will apply to it a Late Retirement Increase.
- (E) Upon the death of a CARE Postponed Pensioner before his CARE Pension starts to be paid, he will be treated as if he had:
 - 1) started to draw his CARE Pension immediately before his death; and
 - 2) not elected to exchange any of his CARE Pension for pension commencement lump sum under Rule 7 of this Appendix One to Schedule Four of Part E of the Rules.
- (F) For the purposes of the CARE death benefit Rules, Rule 10 of this Appendix One to Schedule Four of Part E of the Rules applies.
- (G) Upon the death of a CARE Pensioner who remains in the employment of an Employer at the date of his death, the CARE death benefits for a

CARE Pensioner will be payable under Rule 10 of this Appendix One to Schedule Four of Part E of the Rules.

(c) This Rule 5.4(c) applies to an Active CARE Member who elects to continue in Pensionable CARE Service under Rule 5.4(a)(ii). Such a CARE Member will be treated as an Active CARE Member until the earlier of:

- (i) the date he leaves Pensionable CARE Service; and
- (ii) his 75th birthday.

Conditions:

(A) The CARE Member will continue to be treated as an Active CARE Member and will continue to either:

- 1) make contributions under Rule 3.2(b) of this Appendix One to Schedule Four of Part E of the Rules; or
- 2) be subject to a salary sacrifice pension arrangement under Rule 3.2(d) of this Appendix One to Schedule Four of Part E of the Rules

for so long as he remains in Pensionable CARE Service after his CARE Pension Date.

(B) An Active CARE Member's Pensionable CARE Service must cease on his 75th birthday even if he remains in the employment of an Employer.

(C) The annual CARE Pension will start on the earlier of:

- 1) the day after he elects for his CARE Pension to start; or
- 2) his 75th birthday.

(D) When an Active CARE Member to which this Rule 5.4(c) relates leaves Pensionable CARE Service his CARE Pension will be calculated under Rule 4.1 of this Appendix One to Schedule Four of Part E of the Rules.

(E) If an Active CARE Member to which this Rule 5.4 (c) relates dies after his CARE Pension Date but before his CARE Pension starts to be paid the lump sum death benefit payable under this Rule in respect of his death will be:

- 1) the Lump Sum Benefit; PLUS

- 2) the lump sum Final Salary Benefit payable under Rule 3.6 of Appendix Two to Schedule Four of Part E of the Rules; LESS
- 3) any lump sum Final Salary Benefit payable under Appendix Two to Schedule Four of Part E of the Rules upon the death of a Pensioner or a member who has deferred payment of his Final Salary Benefit under rule 11, rule 11 of schedule part III applicable to Specified Members and / or where applicable the relevant part of the Special Terms under the Racal Group Staff Scheme Rules as provided for in Appendix Two to Schedule Four of Part E of the Rules.

6 Deferred CARE Member Benefits

6.1 Deferred CARE Member with less than Two (2) years Qualifying Service

An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service with less than two (2) years Qualifying Service will become a Deferred CARE Member entitled to elect to receive:

- (a) a Contribution Refund less any tax payable, of any contributions paid in respect of CARE Benefits after 31 December 2007 to the Racal Group Staff Scheme and transferred to the Scheme with effect from 1 July 2008; and/or
- (b) a sum equal to the earnings sacrificed from his pay under a pension salary sacrifice arrangement in force after 31 December 2007 less any tax and national insurance. Such a sum is payable by the Deferred CARE Member's last Employer before he left Pensionable CARE Service in respect of all earnings sacrificed under Rule 3.2(d) of this Appendix One to Schedule Four of Part E of the Rules; or
- (c) if he satisfies the Three Month Condition, a Cash Transfer Sum.

Conditions:

- (i) Rule 6.2 below will apply to a Deferred CARE Member who has received a transfer into Section 1 of the Scheme in respect of him from a registered pension scheme.
- (ii) Any election by a Deferred CARE Member for a Cash Transfer Sum must comply with the requirements of the 1993 Act.
- (iii) No interest will be applied to any sum paid to a Deferred CARE Member either by the Trustees under Rule 6.1(a)(i) above or his last Employer under Rule

6.1(a)(ii) above.

(iv) Where a CARE Member was both:

(A) a Former Racal Group Staff Beneficiary entitled to Final Salary Benefits earned in the Racal Group Staff Scheme before 1 January 2008 which were transferred to Section 1 of the Scheme with effect from 1 July 2008; and

(B) an Active CARE Member entitled to CARE Benefits from:

1) the Racal Group Staff Scheme after 31 December 2007 which were transferred to Section 1 of the Scheme with effect from 1 July 2008; and

2) Section 1 of the Scheme after 30 June 2008 (if any)

the Trustees will aggregate any CARE Benefits and Final Salary Benefits payable by them due to the length of the CARE Member's Qualifying Service.

(v) Once all payments due to or in respect of a CARE Member both under this Rule in respect of his CARE Benefits and Final Salary Benefits have been made, all entitlements to benefits from the Scheme (whether they are Final Salary Benefits or CARE Benefits) will be extinguished for the CARE Member and any person claiming through him.

6.2 Deferred CARE Member with more than Two (2) years Qualifying Service

(a) An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service:

(i) with at least two (2) years Qualifying Service; or

(ii) with less than two (2) years Qualifying Service and Section 1 of the Scheme has received a transfer from another registered pension scheme in respect of him; and

(iii) without receiving an immediate CARE Pension from Section 1 of the Scheme under Rule 5 of this Appendix One to Schedule Four of Part E of the Rules

will become a Deferred CARE Member entitled to receive a CARE Pension from Section 1 of the Scheme under the terms of this Rule 6.2.

- (b) The Deferred CARE Member's CARE Pension will be calculated in accordance with Rule 4.1 of this Appendix One to Schedule Four of Part E of the Rules up to the date he leaves Pensionable CARE Service.
- (c) The Trustees will revalue the CARE Pension using the final salary method of statutory revaluation (as set out in Section 84(1) and Paragraphs 1 and 2 to Schedule 3 of the 1993 Act) from the date the Deferred CARE Member leaves Pensionable CARE Service up to the earlier of the date:
 - (i) of his death;
 - (ii) his CARE Pension starts to be paid; or
 - (iii) his CARE Pension Date.

6.3 Drawing CARE Pension at CARE Pension Date

Upon a Deferred CARE Member attaining his CARE Pension Date his annual CARE Pension will start on the next day.

6.4 Drawing CARE Pension before CARE Pension Date

- (a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension Date if:
 - (i) before 6 April 2010, he is aged 50 or over; or
 - (ii) after 5 April 2010, he is aged 55 or over; and
 - (iii) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early; and
 - (iv) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) If at any age from the age of 60 up to his Normal Pension Date a Deferred CARE Member is entitled to receive his Final Salary Benefits without any consents being required from any party to the Scheme or compliance with any other conditions, the payment of the CARE Pension is not subject to Rule 6.4(a)(iii) above after he attains that age.
- (c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their consent to its early payment.

6.5 Drawing CARE Pension due to Serious Ill-Health

- (a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health if:
 - (i) he has not attained his CARE Pension Date;
 - (ii) he applies to draw his CARE Pension early due to Serious Ill-Health;
 - (iii) the Principal Employer, with the agreement of the Trustees, decides after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Deferred CARE Member is suffering from Serious Ill-Health;
 - (iv) the Trustees are satisfied that the Deferred CARE Member meets the ill-health condition for the purposes of the Part 4 of the Finance Act 2004;
 - (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health; and
 - (vi) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) The CARE Pension payable under this Rule 6.5 will be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule Four of Part E of the Rules.
- (c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their written consent to its early payment due to Serious Ill-Health.

6.6 Drawing CARE Pension after CARE Pension Date

- (a) A Deferred CARE Member may, with the consent of the Principal Employer and the Trustees, defer payment of his CARE Pension until a date after his CARE Pension Date.
- (b) The CARE Pension of a Deferred CARE Member who defers payment of it under this Rule will come into payment on the earlier of:
 - (i) the expiry of one (1) month's written notice by him to the Trustees to start payment of the CARE Pension; and
 - (ii) the Deferred CARE Member's 75th birthday.
- (c) If a Deferred CARE Member defers payment of his CARE Pension under this Rule, his CARE Pension will be calculated as at his CARE Pension Date. When his CARE

Pension starts to be paid, the Trustees will apply to it a Late Retirement Increase.

- (d) The annual CARE Pension will start on the earlier of:
- (i) the day after he elects for his CARE Pension to start; or
 - (ii) his 75th birthday.
- (e) If a Deferred CARE Member dies before his CARE Pension starts to be paid, he will be treated as if he had:
- (i) started to draw his CARE Pension immediately before his death; and
 - (ii) not elected to commute any of his CARE Pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Four of Part E of the Rules.

For these purposes, Rule 10 of this Appendix One to Schedule Four of Part E of the Rules applies.

7 Pension Commencement Lump Sum

7.1 A CARE Member may, with the consent of the Trustees, elect to exchange part of his CARE Pension for a pension commencement lump sum (as defined in Part 1 of Schedule 29 of the Finance Act 2004).

7.2 The election must be made in writing by the CARE Member and provided to the Trustees before the date the CARE Member is due to draw his CARE Pension.

7.3

- (a) The rate at which CARE Pension can be exchanged for a pension commencement lump sum, subject to Rules 7.8 and 7.9 below, will be as follows:

Age at the date of exchange of CARE Pension for a pension commencement lump sum	Commutation Factor
50	18.0
51	17.6
52	17.2
53	16.8
54	16.4

55	16.0
56	15.6
57	15.2
58	14.8
59	14.4
60	14.0
61	13.6
62	13.2
63	12.8
64	12.4
65	12.0
66	11.6
67	11.2
68	10.8
69	10.4
70	10.0
71	9.6
72	9.2
73	8.8
74	8.4
75	8.0

- (b) The table set out in this Rule 7.3 sets out the rate at which CARE Pension can be exchanged for pension commencement lump sum as at a specified age. Where a CARE Member is older than the specified age by a proportion of a year, the relevant exchange rate set out in the table in Rule 7.3 above will be a pro rata amount calculated in complete months.

7.4

- (a) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the rate at which CARE Pension can be exchanged for pension commencement lump sum to an alternative rate which may be higher or lower than the rate set out in Rule 7.3 above.
- (b) Such a rate agreed under Rule 7.4(a) above cannot be implemented unless it is first certified as reasonable by the Actuary having regard to the assumptions used at the last actuarial valuation for either:
- (i) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme;
or

- (ii) after the Scheme has become desectionalised, the Scheme
- (c) A rate agreed and certified under this Rule 7.4 will remain in force until such time as a new rate is agreed and certified under this Rule 7.4

7.5

- (a) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Four of Part E of the Rules in circumstances which result in a different LAF being automatically applied to benefits under Rule 4.3 of this Appendix One to Schedule Four of Part E of the Rules, the Principal Employer and the Trustees must review the rate at which CARE Pension can be exchanged for a pension commencement lump sum and agree the rate at which CARE Pension can be so exchanged.
- (b) If under the terms of Rule 7.5(a) above, the Principal Employer and the Trustees cannot agree a rate at which CARE Pension can be exchanged for a pension commencement lump sum, the Actuary will either:
 - (i) revise the rate at which CARE Pension can be exchanged for a pension commencement lump sum by increasing or reducing the rate by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under Rule 7.5(a) above; or
 - (ii) leave the rate at which CARE Pension can be exchanged for a pension commencement lump sum unchanged.

7.6 A CARE Member can only elect to commute CARE Pension for a pension commencement lump sum at the same time as drawing his CARE Pension.

7.7 Once a CARE Member's CARE Pension starts to be paid, an election to exchange CARE Pension for a pension commencement lump sum cannot be revoked.

7.8 In the case of a CARE Member who also has an entitlement to Final Salary Benefits as a result of his own membership of Section 1 of the Scheme, he can only exchange his CARE Pension for a pension commencement lump sum in proportion to the amount his CARE Pension represents to his aggregated pension from Section 1 of the Scheme when his CARE Pension and his Final Salary Benefits are aggregated together.

7.9 The pension commencement lump sum will not exceed the maximum permitted by HMRC under Part 4 of the Finance Act 2004 unless the CARE Member has an entitlement

to a higher amount in respect of his benefits held in Section 1 of the Scheme under the terms of Paragraph 31 to Schedule 36 of the 2004 Act.

8 Death Benefits for an Active CARE Member or a DC Scheme Life Assurance Member

8.1 Lump Sum Death Benefit

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member the Trustees will hold on the discretionary trusts for:
- (i) an Active CARE Member, the Lump Sum Benefit; or
 - (ii) a DC Scheme Life Assurance Member, the Lump Sum Benefit LESS the DC Lump Sum.
- (b) The Lump Sum Benefit will be applied in accordance with Rule 74 of Part D of the Rules.
- (c) "Lump Sum Benefit" means subject to the terms of Rule 16 of this Appendix One to Schedule Four of Part E of the Rules, four (4) times the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC Salary (as applicable) as at the 1 April immediately preceding the date of his death.
- (d) "DC Lump Sum" means the amount notified to the Trustees by the manager of the DC Scheme as being the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is used to provide lump sum benefits payable in respect of the DC Scheme Life Assurance Member. The DC Lump Sum excludes the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death).

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Four of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Four of Part E of the Rules will apply.
- (ii) A CARE Member who remains in the employment of an Employer after his CARE Pension Date under Rule 5.4(a) of this Appendix One to Schedule Four of Part E of the Rules and who is in receipt of his CARE

Pension at the date of his death is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Four of Part E of the Rules will apply.

- (iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Four of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule applies but such a CARE Member's Lump Sum Benefit will be calculated in accordance with condition (E) of Rule 5.4(c) of this Appendix One to Schedule Four of Part E of the Rules.
- (iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but who remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Four of Part E of the Rules will apply.
- (v) An Active CARE Member who on the date of his death is:
 - (A) not in receipt of his CARE Pension;
 - (B) is in receipt of a pension which are Final Salary Benefits as a result of his own membership of Section 1 of the Scheme; or
 - (C) has not attained his CARE Pension Datewill have deducted from his Lump Sum Benefit payable in respect of his CARE Benefits any lump sum payable in respect of his Final Salary Benefits in so far as it is greater than the benefit payable under Rule 3.6 of Appendix Two to Schedule Four of Part E of the Rules.
- (vi) On the date of the death of either:
 - (A) an Active CARE Member; or
 - (B) a DC Scheme Life Assurance Memberwho is also a Scheme Enhanced Member of Section 1 of the Scheme, the Scheme will pay the Final Salary Benefits lump sum contained in Rule 3.6 of Appendix Two to Schedule Four of Part E of the Rules in addition to the Lump Sum Benefit payable under the CARE Benefits Rules.
- (vii) A DC Scheme Life Assurance Member who remains in the employment of

an Employer after his CARE Pension Date will continue to be treated as a DC Scheme Life Assurance Member until the earlier of the date he leaves the employment of an Employer and age 75.

8.2 Adult Dependant's Pension

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Adult Dependant.
- (b) The pension payable under (a) will be equal to thirty three (33) per cent of the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC Salary (as applicable) as at 1 April immediately preceding his death LESS:
 - (i) any pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Eligible Spouse accrued as Final Salary Benefits in respect of Pensionable Service earned in the Racial Group Staff Scheme before 1 January 2008; and
 - (ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Adult Dependant by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is not used to provide lump sum benefits under Rule 8.1 (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death)).
- (c) The Adult Dependant's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Four of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Four of Part E of the Rules will apply.
- (ii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to

Schedule Four of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.2 will apply.

- (iii) A CARE Member who remains in the employment of an Employer at the date of his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Four of Part E of the Rules will apply.
- (iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Four of Part E of the Rules will apply.
- (v) In the event that the pension payable to an Adult Dependant which are CARE Benefits under Rule 8.2(b) above is smaller than the Final Salary Benefits pension which would have been payable to the Eligible Spouse under Appendix Two calculated upon the basis that the CARE Member became a deferred pensioner in respect of his Final Salary Benefits on 31 December 2007 in the Racal Group Staff Scheme, the higher benefit is payable.

8.3 Dependant Children's Pensions

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Dependant Children.
- (b) The pension payable under (a) is a maximum of thirty (30) percent of the Active CARE Member's or DC Scheme Life Assurance Member's CARE Salary as at 1 April immediately preceding his death LESS:
 - (i) any pension which are Final Salary Benefits payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Dependents who are Children in respect of Pensionable Service in the Racal Group Staff Scheme before 1 January 2008; and
 - (ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Dependant Children by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on

the date of the DC Scheme Life Assurance Member's death which is not used to provide lump sum benefits under Rule 8.1 of this Appendix One to Schedule Four of Part E of the Rules (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death)).

- (c) The Trustees will determine the amount of each Dependent Child's pension from time to time.
- (d) Subject to (e) below, the maximum pension payable to an individual Dependant Child is ten (10) percent of the Active CARE Member's CARE Salary or the DC Scheme Life Assurance Member's DC Salary as at 1 April immediately preceding his death LESS the maximum Final Salary Benefits pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Dependant who is a child in respect of Pensionable Service in the Racial Group Staff Scheme before 1 January 2008.
- (e) The Dependant Children's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) If no Adult Dependant's pension is payable at the date of the Active CARE Member's or DC Scheme Life Assurance Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (ii) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Four of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Four of Part E of the Rules will apply.
- (iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Four of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.3 will apply.
- (iv) A CARE Member who remains in the employment of an Employer at the date of

his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Four of Part E of the Rules will apply.

- (v) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Four of Part E of the Rules will apply.
- (vi) In the event that the CARE Benefits pension payable to Dependant Children under Rule 8.3(b) above is smaller than the Final Salary Benefits pension payable in respect of an Active CARE Member's or DC Scheme Life Assurance Member's Dependant who is a child calculated upon the basis that the CARE Member became a deferred pensioner in respect of his Final Salary Benefits on 31 December 2007 in the Racal Group Staff Scheme, the higher benefit will be payable.

9 Deferred CARE Member Death Benefits

9.1 Lump Sum Death Benefit

- (a) No lump sum death benefit is payable upon the death of a Deferred CARE Member before his CARE Pension Date from Section 1 of the Scheme in respect of his CARE Benefits.
- (b) Rules 6.6(c) and 10 of this Appendix One to Schedule Four of Part E of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.2 Adult Dependant's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Adult Dependant.
- (b) The pension payable under (a) will be equal to half of the Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule Four of Part E of the Rules and revalued under that Rule to the date of the Deferred CARE Member's death.
- (c) The Adult Dependant's pension will start on the day after the date of the Deferred CARE Member's death.

- (d) Rules 6.6(e) and 10 of this Appendix One to Schedule Four of Part E of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.3 Dependant Children's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Dependant Children.
- (b) The pension payable under (a) is a maximum of forty five (45) percent of the Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule Four of Part E of the Rules and revalued to the date of the Deferred CARE Member's death.
- (c) The Trustees will determine the amount of each Dependant Child's pension from time to time.
- (d) Subject to (e), the maximum pension payable to an individual Dependant Child is fifteen (15) percent of the Deferred CARE Member's CARE Pension.
- (e) If no Adult Dependant's pension is payable at the date of the Deferred CARE Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension will start on the day after the date of the Deferred CARE Member's death.
- (g) Rules 6.6(e) and 10 apply of this Appendix One to Schedule Four of Part E of the Rules upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

10 CARE Pensioner Death Benefits

10.1 Lump Sum Death Benefit

- (a) If a CARE Pensioner dies less than five (5) years after the date his CARE Pension started to be paid and before age 75, the Trustees will hold on the discretionary trusts a lump sum equal to the total pension payments which would have been paid to the CARE Pensioner during the remaining balance of the period of five (5) years from the date his CARE Pension started to be paid.
- (b) The lump sum under (a) will be calculated using the rate of CARE Pension payable immediately before the date of the CARE Pensioner's death. Future

CARE Pension increases are ignored.

- (c) The lump sum death benefit payable under this Rule will be applied in accordance with Rule 74 of Part D of the Rules.
- (d) If a CARE Pensioner dies more than five (5) years after the date his CARE Pension started to be paid or after attaining age 75, no lump sum death benefit is payable.

10.2 Adult Dependant's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Adult Dependant.
- (b) The pension payable under (a) will be equal to half of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Four of Part E of the Rules).
- (c) The Adult Dependant's pension will start on the first day of the next month following the date of the CARE Pensioner's death.

10.3 Dependant Children's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Dependant Children.
- (b) The pension payable under (a) is a maximum of forty five (45) percent of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Four of Part E of the Rules).
- (c) The Trustees will determine the amount of each Dependant Child's pension from time to time.
- (d) Subject to (e), the maximum pension payable to an individual Dependant Child is fifteen (15) percent of the CARE Pensioner's CARE Pension.
- (e) If no Adult Dependant's pension is payable at the date of the CARE Pensioner's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension starts to be paid on the first day of the next month following the date of the CARE Pensioner's death.

11 Payment of Pensions and Lump Sum Benefits

11.1 Payment of a CARE Member's Pensions

- (a) A CARE Member's CARE Pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.
- (b) The first CARE Pension payment will be the aggregate of:
 - (i) the proportion of one month's instalment of CARE Pension payment calculated from the date the CARE Pension started to the first day of the next month (if any); and
 - (ii) the next full month's instalment of CARE Pension.

11.2 Stopping a CARE Member's CARE Pension

- (a) Subject to Rule 11.3 below, a CARE Member's CARE Pension is payable for life and will stop on the date of his death.
- (b) The last month's CARE Pension instalment made to a CARE Member immediately before his death will not be apportioned.
- (c) Any one or more instalments of pension paid after the date of the CARE Member's death will be treated as a debt to Section 1 of the Scheme which is repayable to Section 1 of the Scheme unless the Trustees determine otherwise.

11.3 Review of Serious Ill-Health CARE Pensions

- (a) A CARE Pension which is paid under either Rule 5.3 or 6.5 of this Appendix One to Schedule Four of Part E of the Rules due to the Serious Ill-Health of the CARE Member will be reviewed by the Trustees every three (3) years after the date his CARE Pension starts to be paid or such other period as the Trustees determine. No reviews will be made once the CARE Member attains his CARE Pension Date.
- (b) At each review of the payment of CARE Pension due to Serious Ill-Health, the Trustees may ask the CARE Pensioner to:
 - (i) attend a medical with the registered medical practitioner of the Trustees selection; and / or
 - (ii) provide any information and other co-operation to allow the Trustees to complete their review.

- (c) If the Trustees are satisfied that the CARE Pensioner:
 - (i) is no longer suffering from Serious Ill-Health; or
 - (ii) failed to co-operate with the review to such a degree that they are not able to determine if the CARE Pensioner continues to suffer from Serious Ill-Healththey may reduce or terminate the payment of the CARE Pension as they determine.
- (d) Having reduced or terminated a CARE Pension under (c) above, the Trustees may, if it appears appropriate to them to do so, restore the payment of the CARE Pension.
- (e) If a CARE Pensioner's CARE Pension payable due to Serious Ill-Health is terminated under this Rule he will:
 - (i) be treated as a Deferred CARE Member; and
 - (ii) have his CARE Pension calculated in accordance with Rule 6.2 of this Appendix One to Schedule Four of Part E of the Rules as at the date he left Pensionable CARE Service.

Conditions:

- (A) The calculation of the CARE Member's Deferred CARE Pension will ignore the fact that he initially started to receive his CARE Pension under either Rule 5.3 or 6.5 of this Appendix One to Schedule Four of Part E of the Rules as applicable.
 - (B) All payments of CARE Pension made to him between the date his CARE Pension started under Rule 5.3 or 6.5 of this Appendix One to Schedule Four of Part E of the Rules and the date it was terminated under this Rule will be ignored (unless the Trustees determine otherwise in their absolute discretion).
 - (C) The Deferred CARE Pension will not be less than the amount required to be paid under the Preservation Requirements.
- (f) This Rule 11.3 is subject to the terms of disability discrimination legislation in so far as it applies to the Scheme.

11.4 Payment of Adult Dependant's Pensions and Dependant Children's Pensions

- (a) An Adult Dependant's pension and a Dependant Children's pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.
- (b) In the case of an Adult Dependant's pension or Dependant Children's pension payable due to the death of an Active CARE Member, a Deferred CARE Member or a CARE Postponed Pensioner, the first Adult Dependant's or first Dependant Children's pension payment will be the aggregate of:
 - (i) the proportion of one month's pension instalment calculated from the date of the CARE Member's death to the first day of the next month (if any); and
 - (ii) the next full month's pension instalment.
- (c) In the case of an Adult Dependant's pension or Dependant Children's pension payable due to the death of a CARE Pensioner, the first Adult Dependant's or first Dependant Children's pension payment will be a full month's pension instalment and will be made on the first day of the month following the date of the CARE Pensioner's death.

11.5 Stopping the Adult Dependant's Pension

- (a) An Adult Dependant's pension is payable for life and will stop on the date of his death.
- (b) The last month's pension instalment paid to an Adult Dependant immediately before his death will not be apportioned.
- (c) Any one or more instalments of pension paid after the date of the Adult Dependant's death will be treated as a debt to Section 1 of the Scheme which is repayable to Section 1 of the Scheme unless the Trustees determine otherwise.

11.6 Stopping the Dependant Children's Pensions

- (a) A Dependant Child's pension is only payable to a child for so long as the Trustees are satisfied that the child remains a Dependant Child.
- (b) A Dependant Child's pension will stop on the date he ceases to be a Dependant Child.
- (c) The last month's pension instalment paid in respect of a Dependant Child

immediately before he stopped being a Dependant Child will not be apportioned.

- (d) When a child ceases to be a Dependant Child, if there are remaining Dependant Children whose pensions are less than the maximum pension payable to an individual Dependant Child under Rules 8.3, 9.3 or 10.3 of this Appendix One to Schedule Four of Part E of the Rules, the Trustees will recalculate the proportion of the Dependant Children's pension payable to the remaining Dependant Children in such manner as the Trustees determine.
- (e) Any one or more instalments of pension paid after the date the Dependant Child's pension was payable under the Rules contained in this Appendix One to Schedule Four of Part E of the Rules will be treated as a debt to Section 1 of the Scheme which is repayable to Section 1 of the Scheme unless the Trustees determine otherwise.

12 Family Leave and Absence from Work

12.1 Family Leave

- (a) In this Rule:
 - (i) "Family Leave" refers jointly to Adoption Leave, Maternity Leave, Paternity Leave and Parental Leave (whether Paid Family Leave or Unpaid Family Leave).
 - (ii) "Adoption Leave", "Maternity Leave", "Ordinary Adoption Leave", "Ordinary Maternity Leave", "Paternity Leave" and "Parental Leave" are as defined in the Employment Rights Act 1996.
 - (iii) The definition of "CARE Salary" is modified for any period of Family Leave during which an Active CARE Member is not in receipt of pay as if he were working normally:
 - (A) for the purposes of calculating all pension and death benefits in respect of the CARE Benefits, CARE Salary will be the CARE Salary in force on 1 April immediately before the Active CARE Member's Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the CARE Salary attributable to the Active CARE Member had he continued to work normally);

- (B) for the purposes of Rule 3.1 of this Appendix One to Schedule Four of Part E of the Rules CARE Salary is deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Family Leave (including any statutory maternity pay, adoption pay or paternity pay).

- (iv) The definition of "DC Salary" is modified for any period of Family Leave during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he was working normally. For the purposes of calculating all pension and death benefits in respect of the CARE Benefits, the DC Salary will be the amount which was in payment to the DC Scheme Life Assurance Member before the Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the DC Salary which the DC Scheme Life Assurance Scheme Member would have received if he had continued to work normally).

12.2 Paid Family Leave

- (a) A CARE Member will remain an Active CARE Member in respect of the CARE Benefits during any period of Family Leave during which he is entitled to and receives pay (including any statutory maternity pay, adoption pay or paternity pay) from his Employer ("Paid Family Leave").

- (b) All periods of Paid Family Leave are Pensionable CARE Service and the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule Four of Part E of the Rules for so long as he is in receipt of pay from his Employer.

- (c) Any period of Ordinary Maternity Leave or Ordinary Adoption Leave during which a CARE Member is not entitled to statutory maternity pay will be treated as Paid Family Leave under this Rule.

- (d) A DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Four of Part E of the Rules during any period of Paid Family Leave and any period of Ordinary Maternity Leave or Ordinary Adoption Leave during which the DC Scheme Life Assurance Member is not entitled to statutory maternity pay.

12.3 Unpaid Family Leave

- (a) Subject to Rule 12.2(c) above, an Active CARE Member will remain in Service during any period of Family Leave when he is not entitled to and does not receive pay (including any statutory maternity pay, adoption pay or paternity pay) from his Employer ("Unpaid Family Leave").
- (b) Subject to Rule 12.4(a) below, all periods of Unpaid Family Leave are Service but not Pensionable CARE Service.
- (c) During Unpaid Family Leave an Active CARE Member and his Employer are not required to comply with Rule 3.2 of this Appendix One to Schedule Four of Part E of the Rules.
- (d) During all periods of Unpaid Family Leave, the Active CARE Member or DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Four of Part E of the Rules and will be treated as either an Active CARE Member or a DC Scheme Life Assurance Member (as applicable) for these purposes.

12.4 Returning to Work

- (a) If an Active CARE Member returns to work after a period of Unpaid Family Leave, he may pay contributions in order to earn Pensionable CARE Service for any periods of Unpaid Family Leave. The terms will be agreed between the Active CARE Member and the Trustees.
- (b) If Rule 12.4(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any period of Family Leave will be treated as continuous.

12.5 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of Family Leave, he will cease to be an Active CARE Member or DC Scheme Life Assurance Member (as applicable) on the earliest of the date:
 - (i) he informs his Employer that he will not be returning to work;
 - (ii) her right to Ordinary Maternity Leave or Ordinary Adoption Leave ended;
 - (iii) when his right to Paid Family Leave ended; or

(iv) he started Parental Leave under the Employment Rights Act 1996 or any extension of those terms allowed by the Employer if none of the period of Parental Leave is paid.

(b) The Principal Employer's confirmation of the date is final.

12.6 Absence

(a) General

(i) This Rule applies where either an Active CARE Member or DC Scheme Life Assurance Member is not at work whilst still in Service (except on normal holiday leave or Family Leave) due to:

(A) injury or illness; or

(B) secondment or attending full-time education with the agreement of his Employer in circumstances where there is an expectation on the part of the Active CARE Member or DC Scheme Life Assurance Member and the Employer that he will return to work for an Employer.

(ii) Where the absence is due to illness or injury, the definition of:

(A) "CARE Salary" is modified for any period of the absence during which an Active CARE Member is not in receipt of his pay as if he was working normally:

1) for the purposes of calculating all pension and death benefits which are CARE Benefits, the amount of the CARE Salary which was in payment to the Active CARE Member before his absence due to ill-health or injury started as increased as at each 1 April by such amount as the Principal Employer decides;

2) for the purposes of Rule 3.1 of this Appendix One to Schedule Four of Part E of the Rules CARE Salary is deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Paid Absence either from an Employer or payments from an employer's permanent health insurance scheme; or

- (B) "DC Salary" is modified by any period of absence during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he were working normally. For the purposes of calculating all pension and death benefits which are CARE Benefits the amount of the DC Salary before his absence due to ill-health or injury started, as increased as at each 1 April by such amount as the Principal Employer decides.
- (iii) Where absence is due to secondment or attending full-time education, the Principal Employer will determine the extent to which (if at all) the definitions of "CARE Salary" and "DC Salary" are modified during the period of absence. The Principal Employer will notify the Trustees of any modifications made to either CARE Salary or DC Salary under this Rule.

12.7 Paid Absence

- (a) During a period of absence to which this Rule applies when the CARE Member is in receipt of pay from either an Employer or payments from an employer's permanent health insurance scheme ("Paid Absence"), the CARE Member will be treated as an Active CARE Member and will remain in Pensionable CARE Service.
- (b) During all periods of Paid Absence, the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule Four of Part E of the Rules for so long as he is in receipt of pay from either an Employer or if he is absent due to ill-health or injury, payments from an employer's permanent health insurance scheme.
- (c) During all periods of Paid Absence, the Principal Employer will determine the level of the Active CARE Member's CARE Salary for the purposes of calculating his pension and death benefits.
- (d) During all periods of Paid Absence a DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Four of Part E of the Rules and will be treated as a DC Scheme Life Assurance Member for these purposes unless the Principal Employer decides otherwise.

12.8 Unpaid Absence

- (a) During a period of absence to which this Rule applies, when the Active CARE

Member is not in receipt of pay from an Employer or in the case of absence due to ill-health or injury, payments from an employer's permanent health insurance scheme ("Unpaid Absence"), the Active CARE Member will be treated as being in Service but not Pensionable CARE Service (unless the Principal Employer determines otherwise).

- (b) During all periods of Unpaid Absence, the Active CARE Member and his Employer are not required to comply with the terms of Rule 3.2 of this Appendix One to Schedule Four of Part E of the Rules.
- (c) During all periods of Unpaid Absence whilst either the Active CARE Member or DC Scheme Life Assurance Member (as applicable) remains in service, he will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Four of Part E of the Rules and will be treated as either an Active CARE Member or DC Scheme Life Assurance Member (as applicable) for these purposes unless the Principal Employer decides otherwise.

12.9 Returning to Work

- (a) If an Active CARE Member returns to work for an Employer or starts to be in receipt of payments from an employer's permanent health insurance scheme after a period of Unpaid Absence, he may pay contributions in order to earn Pensionable CARE Service for any period of Unpaid Absence. The terms will be agreed between the Active CARE Member and the Trustees.
- (b) If Rule 12.9(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any periods of Unpaid Absence will be treated as continuous.

12.10 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of absence, he will cease to be either an Active CARE Member or a DC Scheme Life Assurance Member on the earliest of the date:
 - (i) he informs his Employer that he will not be returning to work;
 - (ii) his Employer terminates his employment; or
 - (iii) such other date as the Principal Employer decides and notifies to the Trustees.
- (b) The Principal Employer's confirmation of the date is final.

13 Part-Time Workers

13.1 Application of this Rule

- (a) This Rule applies to any Active CARE Member who is in Part-Time Employment for any period of Pensionable CARE Service.
- (b) This Rule overrides the rest of the Rules contained in this Appendix One to Schedule Four of Part E of the Rules in respect of periods of Part-Time Employment relating to the calculation of all CARE Benefits held in the Scheme.

13.2 Adjustment of Part-Time Active CARE Member's CARE Benefits

- (a) If an Active CARE Member is in Part-Time Employment for any period of Pensionable CARE Service:
 - (i) his CARE Salary for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\text{CARE Salary} \quad \times \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$

- (ii) his Pensionable CARE Service for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}} \times \text{Period of Part-Time Pensionable CARE Service}$$

- (iii) the upper earnings limit used to determine the level of an Active CARE Member's contributions or rate at which salary should be sacrificed from his pay under a pension salary sacrifice arrangement under Rule 3.2 of this Appendix One to Schedule Four of Part E of the Rules in respect of each period of Part-Time Employment, will be adjusted by the following formula:

$$\text{upper earnings limit} \quad \times \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

For the purposes of this adjustment, upper earnings limit has the same meaning as in Rule 3.2 of this Appendix One to Schedule Four of Part E of the Rules;

- (iv) the Salary Cap for the purposes of calculating his CARE Pension and level of Active CARE Member's contributions or rate at which salary

should be sacrificed from his pay under pension salary sacrifice arrangements under Rule 3.2 of this Appendix One to Schedule Four of Part E of the Rules in respect of each period of Part-Time Employment, will be adjusted using the following formula:

$$\text{Salary Cap} \quad \times \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

- (v) with effect on and from 1 April 2009 for Pensionable CARE Service earned after that date his Gross Band Earnings for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\text{Gross Band Earnings} \quad \times \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$

Provided that Gross Band Earnings in all cases will not be greater than the upper earnings limit.

- (b) If an Active CARE Member has more than one period of Service which is Part-Time Employment and / or Full-Time Employment, each one will be treated separately.
- (c) The Trustees will determine all questions of doubt in respect of the calculation of an Active CARE Member's CARE Benefits for periods of Part-Time Employment if there is an inadequacy in the data provided to them.

13.3 The Meaning of Words used in this Rule 13

- (a) "Average Weekly Contractual Hours" is the average number of hours in each standard working week for which an Active CARE Member is contracted to work for an Employer.
- (b) "Standard Weekly Hours" is the number of hours during a standard working week which an Active CARE Member would be contracted to work for an Employer if he was contracted to work on a full-time basis.
- (c) "Part-Time Employment" is any period of Pensionable CARE Service during which an Active CARE Member is contracted to work for a lower number of weekly hours of work than those applicable to an Active CARE Member who is contracted to work on a full-time basis.

14 CARE Pension Increases

14.1 The Rate of Pension Increases

(a) A pension which is in payment will increase on each 1 April:

(i) for:

(A) a CARE Pensioner; or

(B) an Adult Dependant and/or Dependant Children of either an Active CARE Member, Deferred CARE Member or CARE Postponed Pensioner

by the smaller of the Rate and $1/365$ th of the Rate multiplied by the number of days since the date pension started;

(ii) for an Adult Dependant or Dependant Children of a CARE Pensioner, by the Rate.

(b) "Rate" as at each 1 April is the lower of:

(i) the annual rise in the published Government retail prices index for all items for the immediately preceding month of September; and

(ii) 2.5%.

Conditions:

(A) If:

1) for any period on and after 1 January 2008, the Rate is lower than the rise in the Government retail prices index for all items under (b)(i) above; and

2) the Actuary advises the Trustees that either:

1a) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 1); or

1b) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous

actuarial valuation); and

3) the Principal Employer consents in writing

the Trustees may apply a Rate of greater than 2.5% at the next 1 April.

(B) Any increase in pension required to be paid by Section 1 of the Scheme by statute will be included within any increase in pension payable under this Rule.

(C) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

15 Definitions used in this Appendix One to Schedule Four of Part E of the Rules

15.1 Meaning of Words Used in this Appendix One

In this Appendix One to Schedule Four of Part E of the Rules only, the words listed below have the following meanings:

“Active CARE Member” means a CARE Member who has:

- (a) joined Section 1 of the Scheme to be provided with CARE Benefits under Rule 2.1 of this Appendix One to Schedule Four of Part E of the Rules; and
- (b) makes contributions to Section 1 of the Scheme or has a pension salary sacrifice arrangement in place with his Employer under Rule 3.2 of this Appendix One to Schedule Four of Part E of the Rules; and
- (c) not yet left Pensionable CARE Service. (For these purposes absence whilst the Active CARE Member remains in Service under Rule 12 of this Appendix One to Schedule Four of Part E of the Rules is ignored).

“Active CARE Membership” has a corresponding meaning.

“Adoption Leave” is defined in Rule 12.1 of this Appendix One to Schedule Four of Part E of the Rules.

“Adult Dependiant” means the CARE Member’s widow, widower or Civil Partner as at the date of his death.

If the CARE Member was unmarried and had not entered into a Civil Partnership as at the date of his death, the Trustees may, in their absolute discretion, determine that any person who was:

- (a) living with the CARE Member in a relationship akin to marriage or a Civil Partnership; and
- (b) financially dependent or inter-dependent on the CARE Member at the date of his death

is his Adult Dependant.

"Average Weekly Contractual Hours" is defined in Rule 13.3 of this Appendix One to Schedule Four of Part E of the Rules.

"Averaged Revalued CARE Salary" is defined in Rule 4.2 of this Appendix One to Schedule Four of Part E of the Rules.

"CARE Member" means a person who is entitled or prospectively entitled to CARE Benefits from Section 1 of the Scheme. Unless the context requires otherwise, CARE Member includes:

- (c) an Active CARE Member, Deferred CARE Member, CARE Postponed Pensioner and CARE Pensioner; and
- (d) excludes a DC Scheme Life Assurance Member for all purposes other than the payment of benefits upon the death of a DC Scheme Life Assurance Member.

"CARE Membership" has a corresponding meaning.

"CARE Pension" is defined in Rule 4.1 of this Appendix One to Schedule Four of Part E of the Rules.

"CARE Pension Date" means the CARE Member's or DC Scheme Life Assurance Member's 65th birthday.

"CARE Pensioner" means a CARE Member who is being paid a CARE Pension from Section 1 of the Scheme by virtue of his own CARE Membership.

"CARE Postponed Pensioner" means a CARE Member who:

- (a) remains in the employment of an Employer after his CARE Pension Date; and
- (b) has deferred or is deemed to have deferred payment of his CARE Pension under Rule 5.4(b) of this Appendix One to Schedule Four of Part E of the Rules; and

- (c) whose CARE pension has not started to be paid.

“CARE Salary” means the Active CARE Member's:

- (a) basic salary had the Active CARE Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) CARE Salary is determined as at each 1 April and confirmed to the Active CARE Member annually by his Employer in writing after that date.
- (ii) An Active CARE Member's CARE Salary cannot be greater than the Salary Cap.
- (iii) An Active CARE Member's first CARE Salary for the purposes of calculating CARE Benefits in the Scheme was the CARE Salary in respect of the Racial Group Staff Scheme determined as at 31 December 2007 and notified to him in writing. It was applied from 1 January 2008 to 31 March 2008 inclusive in that scheme.
- (iv) In the case of an Active CARE Member who has entered into a pension salary sacrifice arrangement with his Employer, for the purposes of calculating all of his CARE Benefits, his CARE Salary will be calculated ignoring the effect of any salary sacrifice arrangements in force between him and his Employer from time to time.

“Cash Transfer Sum” means a cash equivalent transfer as described in Section 101AB (3) of the 1993 Act.

“Contribution Refund” has the meaning given to it in Section 101AB of the 1993 Act.

“DC Scheme Life Assurance Member” means an employee:

- (a) who was in the employment of an Employer on 31 December 2007; and
- (b) who elected to join the DC Scheme after 31 December 2007; and
- (c) in respect of whom contributions are made by an employer in the group of companies owned by Thales Holdings UK plc (or its successors) to the DC Scheme.

“DC Lump Sum” is defined in Rule 8.1(d) of this Appendix One to Schedule Four of Part E of the Rules.

“DC Salary” means the DC Scheme Life Assurance Member’s:

- (a) basic salary had the DC Scheme Life Assurance Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) DC Salary is determined as at each 1 April and confirmed to the DC Life Assurance Scheme Member annually by his Employer in writing after that date.
- (ii) A DC Scheme Life Assurance Member’s DC Salary cannot be greater than the Salary Cap.
- (iii) DC Salary will be calculated ignoring the effect of any salary sacrifice arrangements in force between him and his Employer from time to time.

“Deferred CARE Member” means a CARE Member who has:

- (a) not attained his CARE Pension Date or has deferred commencement of his CARE Pension after his CARE Pension Date;
- (b) left Pensionable CARE Service (regardless of whether he remains in the employment of an Employer or not); and
- (c) not either:
 - (i) started to be paid his CARE Pension; or
 - (ii) received any benefits payable under Rule 6.1 of this Appendix One to Schedule Four of Part E of the Rules.

Deferred CARE Member includes a person treated as such under Rule 11.3 of this Appendix One to Schedule Four of Part E of the Rules.

“Dependant Child(ren)” means a child who was:

- (a) the CARE Member’s:
 - (i) natural child;
 - (ii) adopted child;
 - (iii) step child who the Trustees consider, in their absolute discretion, was dependent upon the CARE Member; and

- (iv) any child who the Trustees consider, in their absolute discretion, the CARE Member would have been regarded as a child for whom he was responsible as a parent and where in the opinion of the Trustees the child was dependent on the CARE Member; and
- (b) at the date of the CARE Member's death was:
 - (i) under the age of 18; or
 - (ii) under the age of 23 and in full-time education.

Condition:

Dependant Child includes a child who was conceived and in his mother's womb but not yet born at the date of the CARE Member's death.

"Early Retirement Reduction" is the amount by which a CARE Member's CARE Pension is reduced to take account of the period of time by which the CARE Pension is being paid early.

- (a) With effect on and from 1 January 2008, the amount of the Early Retirement Reduction in respect of the CARE Pension will be 5% for each complete year (and a pro rata amount for each complete month of any part year) that the CARE Pension is paid before the CARE Member's CARE Pension Date.
- (b) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the Early Retirement Reduction to an alternative Early Retirement Reduction which may be higher or lower than the Early Retirement Reduction set out in (a) above. But,
 - (i) such an Early Retirement Reduction agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:
 - (A) whilst the Scheme is a Sectionalised Scheme, the assumptions used at the last actuarial valuation for Section 1 of the Scheme; or
 - (B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme;
 - (ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).

(c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Four of Part E of the Rules, the Principal Employer and Trustees must review the Early Retirement Reduction and agree the Early Retirement Reduction to be applied. If the Principal Employer and the Trustees cannot agree the Early Retirement Reduction under this (c), the Actuary will either:

(i) revise the Early Retirement Reduction by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or

(ii) leave the Early Retirement Reduction unchanged.

“Family Leave” is defined in Rule 12.1 of this Appendix One to Schedule Four of Part E of the Rules.

“LAF” is defined in Rule 4.2 of this Appendix One to Schedule Four of Part E of the Rules.

“LAF Base Table” is defined in Rule 4.2 of this Appendix One to Schedule Four of Part E of the Rules.

“LAF Recalculation Table” is defined in Rule 4.2 of this Appendix One to Schedule Four of Part E of the Rules.

“Late Retirement Increase” is the amount by which a CARE Member’s CARE Pension is increased to take account of the period of time by which the CARE Pension is being paid late.

(a) With effect on and from 1 January 2008, the amount of the Late Retirement Increase in respect of the CARE Pension will be 8.5% for each complete year (and a pro rata amount for each complete month of any part year) that the CARE Pension is paid after the CARE Member’s CARE Pension Date.

(b) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the Late Retirement Increase to an alternative Late Retirement Increase which may be higher or lower than the Late Retirement Increase set out in (a) above. But,

(i) such a Late Retirement Increase agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:

(A) whilst the Scheme is a Sectionalised Scheme, the assumptions

used at the last actuarial valuation for Section 1 of the Scheme;
or

(B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme; and

(ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).

(c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Four of Part E of the Rules, the Principal Employer and Trustees must review the Late Retirement Increase and agree the Late Retirement Increase to be applied. If the Principal Employer and the Trustees cannot agree the Late Retirement Increase under this (c), the Actuary will either:

(i) revise the Late Retirement Increase by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or

(ii) leave the Late Retirement Increase unchanged.

"Lump Sum Benefit" is defined in Rule 8.1(c) of this Appendix One to Schedule Four of Part E of the Rules.

"Paid Absence" is defined in Rule 12.2(b) of this Appendix One to Schedule Four of Part E of the Rules.

"Paid Family Leave" is defined in Rule 12.1(b) of this Appendix One to Schedule Four of Part E of the Rules.

"Parental Leave" is defined in Rule 12.1(a) of this Appendix One to Schedule Four of Part E of the Rules.

"Part-Time Employment" is defined in Rule 13.3(c) of this Appendix One to Schedule Four of Part E of the Rules.

"Paternity Leave" is defined in Rule 12.1(a) of this Appendix One to Schedule Four of Part E of the Rules.

"Pensionable CARE Service" means a CARE Member's:

(a) last or only continuous period of Service as an Active CARE Member;

(b) any additional period of Service as an Active CARE Member aggregated with the

CARE Member's last period of Service as an Active CARE Member; and

- (c) any additional period of Pensionable CARE Service awarded to the CARE Member in respect of a transfer payment received by Section 1 of the Scheme or augmentation made in respect of his CARE Benefits for him where the Trustees, with the agreement of the Principal Employer have determined to award Pensionable CARE Service in respect of such a transfer or augmentation.

"Rate" is defined in Rule 14.1(b) of this Appendix One to Schedule Four of Part E of the Rules.

"Revalued CARE Salary" is defined in Rule 4.2(d) of this Appendix One to Schedule Four of Part E of the Rules.

"Revaluation Factor" is defined in Rule 4.2(e) of this Appendix One to Schedule Four of Part E of the Rules.

"Salary Cap" is determined each year as at each 1 April and is calculated as:

- (a) the Salary Cap in force on each 31 March;
- (b) increased on 1 April by the rise in the published Government's retail prices index for all items for the immediately preceding month of September. If the figure arrived at is not a multiple of £600, the figure will be rounded up to the nearest figure that is divisible by £600.

Conditions:

- (i) If in any year the published Government retail prices index for all items has not increased, the Salary Cap for that year will remain unchanged.
- (ii) The first Salary Cap is £112,800 which will apply from 1 January 2008 to 31 March 2008 inclusive in respect of CARE Benefits earned in the Racal Group Staff Scheme. The second Salary Cap to apply from 1 April 2008 to 30 June 2008 in the Racal Group Staff Scheme and from 1 July 2008 to 31 March 2009 to CARE Benefits earned in the Scheme is £117,600.
- (iii) If an Active CARE Member has a period of Part-Time Employment the Salary CAP will be adjusted in accordance with Rule 13 of this Appendix One to Schedule Four of Part E of the Rules.
- (iv) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

“Serious Ill-Health” is the total incapacity of an Active CARE Member by reason of illness or injury such that the Principal Employer, with the agreement of the Trustees, are satisfied (after taking the advice of a registered medical practitioner selected by the Principal Employer with the agreement of the Trustees) that the Active CARE Member is not able to carry out the material and substantial duties of his occupation.

“Service” means service as an employee of an Employer.

“Standard Weekly Hours” is defined in Rule 13.3(b) of this Appendix One to Schedule Four of Part E of the Rules.

“Three Month Condition” has the meaning given to it in Section 101AA of the 1993 Act.

“Unpaid Absence” is defined in Rule 12.2(c) of this Appendix One to Schedule Four of Part E of the Rules.

“Unpaid Family Leave” is defined in Rule 12.1(c) of this Appendix One to Schedule Four of Part E of the Rules.

15.2 Other Definitions used in Appendix One to Schedule Four

(a) In this Appendix One to Schedule Four of Part E of the Rules, the words **“Pensionable Service”**, **“Dependant”**, **“Eligible Spouse”**, **“Normal Pension Date”** and **“Pensioner”** have the meanings given to them in Appendix Two to Schedule Four of Part E of the Rules.

(b) In this Appendix One to Schedule Four of Part E of the Rules, all other definitions are defined in Part A of the Rules unless the Rules expressly state otherwise.

16 Restrictions on Lump Sum Death Benefits

16.1 In the event that the Lump Sum Benefit payable upon the death of an Active CARE Member or a DC Scheme Life Assurance Member is insured by the Scheme using a policy of insurance from an insurance company, the maximum amount of the Lump Sum Benefit will be determined in accordance with this Rule 16.

16.2 The Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule Four of Part E of the Rules in respect of an Active CARE Member or a DC Scheme Life Assurance Member will not be greater than the monies paid by the insurance company under the policy of insurance effected by the Scheme to the Trustees in respect of the deceased Active CARE Member or DC Scheme Life Assurance Member (as applicable).

16.3 If Rule 16.2 above applies, the Trustees may pay a sum greater than the monies received from the insurance company but not greater than the Lump Sum Benefit. This

Rule applies only if the Actuary advises the Trustees that the Scheme is fully funded on its ongoing funding basis using either:

- (a) if the Scheme is a Sectionalised Scheme, the assumptions used at the Scheme's previous actuarial valuation for Section 1 of the Scheme; or
- (b) if the Scheme has desectionalised, the assumptions used at the Scheme's previous actuarial valuation for the Scheme.

16.4 This Rule is subject to the terms of legislation relating to age discrimination and disability discrimination insofar as they apply to the Scheme.

16.5 This Rule 16 will not apply to have the effect of reducing the Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule Four of Part E of the Rules where either:

- (a) the Trustees are aware that the application of this Rule will have the effect of reducing the Lump Sum Benefit payable upon the death of an Active CARE Member or DC Scheme Life Assurance Member due to the level of such a Active CARE Member's or DC Scheme Life Assurance Member's pay from an Employer or the state of his health and the Trustees have failed to inform the Active CARE Member or DC Scheme Life Assurance Member of the effect of this Rule upon the Active CARE Member's or DC Scheme Life Assurance Member's Lump Sum Benefit within one (1) month of becoming aware of it; or
- (b) the full extent of the Lump Sum Benefit is not insured due to an act or omission or failure on the part of the Trustees or the Active CARE Member's or DC Scheme Life Assurance Member's Employer.

Provided that this Rule 16.5 will not apply if the reduction in the Lump Sum Benefit is caused as a direct result of an act, omission or failure by the Active CARE Member or DC Scheme Life Assurance Member to ensure that the Lump Sum Benefit is insured in full.

**SCHEDULE FOUR OF PART E OF THE RULES
FINAL SALARY BENEFITS RULES FOR
FORMER RACAL GROUP STAFF BENEFICIARIES**

APPENDIX TWO

1 General Benefits Description

1.1 Type of Benefits

The Rules for Final Salary Benefits provide final salary style benefits for all Pensionable Service in the Racal Group Staff Scheme before 1 January 2008 in accordance with the trust provisions and the rules of the Racal Group Staff Scheme from time to time in force since the inception of the Racal Group Staff Scheme on 23 February 1962 up until 31 December 2007 which are transferred to Section 1 of the Scheme.

1.2 Contracting-out Status

The Final Salary Benefits are contracted-out on a salary related basis in so far as was required by the trust provisions and / or rules of the Racal Group Staff Scheme in force from time to time since the inception of the Racal Group Staff Scheme and shall be provided in a manner consistent with such contracting-out requirements.

1.3 Tax Status and Scheme Benefit Limits

(a) Subject to (c) below, the Final Salary Benefits are subject to and restricted by Scheme Benefit Limits set out in Part G of the Rules which limit and restrict the amount and payment of benefits in respect of all Former Racal Group Staff Beneficiaries who were entitled to Final Salary Benefits from the Racal Group Staff Scheme earned before 1 January 2008 and transferred to Section 1 of the Scheme.

(b) Subject to (c) below, all Final Salary Benefits earned before 1 October 1980 are subject to and restricted by all and any limits and restrictions contained in the trust deeds and rules which applied to those benefits in the Racal Group Staff Scheme on 30 June 2008 in so far as they are different from the Scheme Benefit Limits set out in Part G of the Rules.

(c) Part G is varied for Former Racal Group Staff Beneficiaries as follows:

(i) in calculating the maximum benefits payable to and in respect of any Former Racal Group Staff Beneficiary, no account shall be taken of benefits payable in respect of any voluntary contributions paid by the

Former Racial Group Staff Beneficiary to the Racial Group Staff Scheme.

- (ii) Drawing benefits whilst in Service
 - (A) Subject to the consent of the Trustees and the Principal Employer and to sub-paragraphs (B) and (C), a Former Racial Group Staff Beneficiary may receive a pension in respect of Final Salary Benefits whether or not his Service has ended.
 - (B) No benefits payable under the Scheme will be deferred beyond the day before the Member's 75th birthday.
 - (C) A Former Racial Group Staff Beneficiary to whom this paragraph (ii) applies will cease to be an Active CARE Member and Scheme Enhanced Member on the commencement of payment of his Final Salary Benefits.

1.4 Subsisting Rights

If (were it not for this Rule 1.4) any provision set out in this Appendix Two to Schedule One would or might affect any Former Racial Group Staff Beneficiary in respect of his subsisting rights (as defined in section 67A(6) of the Pensions Act 1995) acquired before 1 January 2008 in the Racial Group Staff Scheme, such a provision shall not apply to such a Former Racial Group Staff Beneficiary but only to the extent that it would or might have such an adverse effect.

2 Applicable Racial Group Staff Scheme Rules - Members who left Pensionable Service before 1 January 2008

2.1 For the purposes of this Appendix Two to Schedule Four of Part E of the Rules the following terms have the following meanings:

- (a) "Racial Group Staff Rules" means the second definitive deed and rules of the Racial Decca Scheme dated 29 May 1987 (as amended by all deeds of amendment, announcements and other member communications other than the 2007 Deed unless the Rules expressly state otherwise).
- (b) "Old Rules" means any provisions of any trust deed and rules of the Racial Group Staff Scheme (including any announcements and other member communications) in force before the Racial Group Staff Rules came into force on 29 May 1987 which continued to apply to any Former Racial Group Staff Beneficiaries in the Racial Group Staff Scheme before 1 July 2008.
- (c) "2007 Deed" means the Enhanced Benefits Appendix of the deed of

amendment dated 21 December 2007.

2.2 Subject to Rule 1.3 of this Appendix Two to Schedule Four of Part E of the Rules above, for the purposes of this Appendix Two to Schedule Four Part E of the Rules the following provisions apply in respect of all Former Racal Group Staff Beneficiaries who ceased to be in Pensionable Service in the Racal Group Staff Scheme before 1 January 2008 and are neither Scheme Enhanced Members or Former Scheme Enhanced Members:

- (a) the Old Rules in force from time to time before 29 May 1987 which applied to any Former Racal Group Staff Beneficiaries of Section 1 of the Scheme in respect of their Final Salary Benefits before that date for the purposes of determining the nature, amount, value and the calculation of the Former Racal Group Staff Beneficiary's Final Salary Benefits transferred from the Racal Group Staff Scheme to Section 1 of the Scheme;
- (b) in respect of any Former Racal Group Staff Beneficiaries to whom Rule 2.2(a) does not apply, the provisions of the Racal Group Staff Rules listed below will (with any necessary alterations to points of detail) be treated as applying to any Former Racal Group Staff Beneficiaries of Section 1 of the Scheme for the purposes of determining the nature, amount, value and the calculation of the Former Racal Group Staff Beneficiary's Final Salary Benefits transferred from the Racal Group Staff Scheme to Section 1 of the Scheme (unless the context clearly requires otherwise):
 - (i) clause 15(b) of the Racal Group Staff Rules;
 - (ii) all of the rules other than rules 1(a), 2, 3, 7(a) I and II, 13 to 15 and 19 of the Racal Group Staff Rules;
 - (iii) all of the rules of schedule part III other than rules 2, 3, 7(a) I and II of schedule part III of the Racal Group Staff Rules;
 - (iv) all of the rules of Schedule part IV of the Racal Group Staff Rules;
 - (v) (where applicable) the Special Terms except insofar as they relate to a person's eligibility to join or re-join the Racal Group Staff Scheme, the payment of member contributions and additional voluntary contributions, the payment of lump sum benefits upon death in Pensionable Service and temporary absence; and
 - (vi) all of the definitions contained in the Racal Group Staff Rules and (where applicable) the Special Terms as amended from time to time and in particular by the 2007 Deed which are used in the above listed

clause, rules and Special Terms but only in so far as it is necessary to interpret the listed clause, rules and Special Terms.

Provided that such definitions will only have the meanings given to them in the Racial Group Staff Rules and (where applicable) the Special Terms and will not be construed in accordance with any other definitions in the Rules.

2.3 Rule 3 of this Appendix Two to Schedule Four of Part E of the Rules does not apply to any Former Racial Group Staff Beneficiary who is neither a Scheme Enhanced Member nor a Former Enhanced Member (both as defined in Rule 3.1 below).

2.4 For the purposes of this Appendix Two to Schedule Four of Part E of the Rules a Former Racial Group Staff Beneficiary who on:

(a) 31 December 2007 had:

(i) attained his Normal Pension Date; and

(ii) deferred payment of his pension for Final Salary Benefits under the terms of rule 11 and rule 11 of schedule part III applicable to Specified Members and/or (where applicable) the relevant part of the Special Terms of the Racial Group Staff Rules; and

(iii) was not in receipt of his pension for Final Salary Benefits; and

(b) 30 June 2008 was still not in receipt of his pension for Final Salary Benefits

will continue to be treated as such a Member under the terms of rule 11 and rule 11 of schedule part III applicable to Specified Members and/or (where applicable) the relevant part of the Special Terms of the Racial Group Staff Rules with the right to the application of an actuarial increase in his pension under the terms of rule 11 and / or (where applicable) the relevant part of the Special Terms of the Racial Group Staff Rules.

3 **Applicable Racial Group Staff Scheme Rules - Members who were in Pensionable Service at any time after 31 December 2007 and entitled to Enhanced Benefits**

3.1 **Members affected by Enhanced Benefits and the Meaning of Past Service Pension**

(a) For the purposes of this Appendix Two to Schedule Four of Part E of the Rules, "Scheme Enhanced Member" means any Former Racial Group Staff Beneficiary who:

- (i) was an Enhanced Member in respect of Final Salary Benefits under the terms of the Racal Group Staff Rules and/or the Special Terms (where applicable) as amended by the 2007 Deed; and
- (ii) who transferred his Final Salary Benefits to Section 1 of the Scheme with effect on and from 1 July 2008; and
- (iii) was either an:
 - (A) Active CARE Member of Section 1 of the Scheme; or
 - (B) employee in respect of whom an employer in the group of companies owned by Thales Holdings (UK) plc or its successors make contributions to the DC Scheme

after 30 June 2008.

- (b) For the purposes of this Appendix Two to Schedule Four of Part E of the Rules, "Former Enhanced Member" means any Former Racal Group Staff Beneficiary who:
 - (i) was an Enhanced Member in respect of Final Salary Benefits under the Racal Group Staff Rules and/or the Special Terms (where applicable) as amended by the 2007 Deed; and
 - (ii) ceased to be an Enhanced Member in Racal Group Staff Scheme after 1 January 2008 but before 1 July 2008; and
 - (iii) who transferred his Final Salary Benefits to Section 1 of the Scheme.
- (c) For the purposes of this Appendix Two to Schedule Four of Part E of the Rules, the "Past Service Pension" is calculated using a Scheme Enhanced Member's or Former Enhanced Member's (as applicable) Pensionable Service and Final Pensionable Salary calculated as at 31 December 2007 in accordance with the Racal Group Staff Rules (as amended by the 2007 Deed). Past Service Pension does not include any Previous Membership Benefits;

3.2 Scheme Enhanced Members' and Former Enhanced Members' Benefits and Benefit Options

- (a) Subject to Rule 1.3 of this Appendix Two to Schedule Four of Part E of the Rules above, a Former Racal Group Staff Beneficiary who is either a Scheme Enhanced Member or a Former Enhanced Member will have his Final Salary Benefits calculated in accordance with the provisions listed in Rule 2.2 (with the

necessary alterations to points of detail) as amended by the provisions in Rule 3 to this Appendix Two to Schedule Four of Part E of the Rules.

- (b) All Former Racial Group Staff Beneficiaries who are Scheme Enhanced Members in Section 1 of the Scheme, will whilst they remain Scheme Enhanced Members of Section 1 of the Scheme have the same benefit options in respect of their Final Salary Benefits held in Section 1 of the Scheme as Members of the Racial Group Staff Scheme in Pensionable Service on 31 December 2007 had under the terms of the Racial Group Staff Rules and/or the Special Terms (where applicable), but such benefit options are as amended by Rules 3.4 to 3.13 of this Appendix Two to Schedule Four of Part E of the Rules.
- (c) All Former Racial Group Staff Beneficiaries who are Former Enhanced Members in Section 1 of the Scheme will, have the same benefit options in respect of their Final Salary Benefits held in Section 1 of the Scheme, as they had under the terms of the Racial Group Staff Rules and/or the Special Terms (where applicable) (as amended by the 2007 Deed) as Enhanced Members who had stopped being Enhanced Members under those rules.

3.3 Revaluation of Final Salary Benefits earned before 31 December 2007 for Former Enhanced Members

Each of the Former Racial Group Staff Beneficiaries who is a Former Enhanced Member and was entitled to Final Salary Benefits payable under the Racial Group Staff Rules and/or the Special Terms (where applicable) will be entitled to Final Salary Benefits in Section 1 of the Scheme which are:

- (a) of the same nature, amount, value and calculated in the same way as the Former Enhanced Member's Past Service Pension in the Racial Group Staff Scheme ; and
- (b) adjusted in accordance with the terms of the 2007 Deed from 1 January 2008 to the date he stopped being an Enhanced Member in the Racial Group Staff Scheme ; and
- (c) revalued in Section 1 of the Scheme using the final salary method of statutory revaluation (as set out in section 84(1) and paragraphs 1 and 2 to Schedule 3 of the 1993 Act) to the earlier of the date:
 - (i) of his death;
 - (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Four of Part E of the Rules; or

(iii) his Normal Pension Date.

3.4 Revaluation of Final Salary Benefits earned before 31 December 2007 for Scheme Enhanced Members

- (a) Each of the Former Racal Group Staff Beneficiaries who is a Scheme Enhanced Member of Section 1 of the Scheme is entitled to Final Salary Benefits payable under the Racal Group Staff Rules and/or the Special Terms (where applicable) which is:
- (i) of the same nature, amount, value and calculated in the same way as the Scheme Enhanced Member's Past Service Pension in the Racal Group Staff Scheme ; and
 - (ii) then adjusted in accordance with the terms of this Rule 3.4 of this Appendix Two to Schedule Four of Part E of the Rules.
- (b) A Scheme Enhanced Member's Past Service Pension will be revalued as at 1 April 2008 in the Racal Group Staff Scheme. Thereafter, subject to (c) below, a Scheme Enhanced Member's Past Service Pension will be revalued as at each 1 April in Section 1 of the Scheme by the Special Revaluation Factor for the Revaluation Period.
- (c) As at the date a Scheme Enhanced Member stops being a Scheme Enhanced Member in Section 1 of the Scheme his Past Service Pension will not be less than the aggregate of:
- (i) in the case of that part of the Scheme Enhanced Member's Past Service Pension which is in excess of his Guaranteed Minimum Pension, that part of his Past Service Pension revalued by the Special Revaluation Factor for the Revaluation Period; and
 - (ii) in the case of that part of the Scheme Enhanced Member's Past Service Pension which is his Guaranteed Minimum Pension, his Guaranteed Minimum Pension revalued from 1 January 2008 to the date he ceased to be a Scheme Enhanced Member by the greater of statutory revaluation applied to a Guaranteed Minimum Pension under the terms of the 1993 Act or revaluation applied by the Racal Group Staff Rules and/or the Special Terms (where applicable) in force before 1 January 2008, if higher.

Conditions:

- (A) The “**Special Revaluation Factor**” is the Revaluation Rate compounded over the Revaluation Period.
- (B) The “**Revaluation Rate**” is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the Maximum Revaluation Rate set out in paragraph (C) below and will not be a negative amount.
- (C) The “**Maximum Revaluation Rate**” is what the Revaluation Rate would be if the rise in the Government retail prices index for all items was eight (8) per cent compound each year for the Revaluation Period.
- (D) The “**Revaluation Period**” is the period from 1 January 2008 to the 1 April immediately preceding the date the Scheme Enhanced Member stops being a Scheme Enhanced Member.
- (E) The rise in the Government retail prices index for all items used for the Revaluation Rate is:
 - 1) in the case of revaluation applied in the Racal Group Staff Scheme as at 1 April 2008, a full year’s increase using the annual rise in the Government retail prices index for all items published for September 2007; and
 - 2) for each subsequent 1 April in Section 1 of the Scheme the annual rise in the Government retail prices index for all items published for the immediately preceding month of September.
- (F) If:
 - 1) for any period during the Revaluation Period, the rise in the Government retail prices index for all items is higher than eight (8) per cent compound each year;
 - 2) the Actuary advises the Trustees that either:
 - 1a) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme’s previous actuarial valuation for Section 1); or
 - 1b) after the Scheme has become desectionalised, the

Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and

3) the Principal Employer consents in writing

the Trustees may apply a higher Special Revaluation Factor than is provided for under these Rules for such period as the Principal Employer agrees.

(G) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer with the agreement of the Trustees will decide the nearest alternative index to be applied.

(d) A Former Racial Group Staff Beneficiary who is a Scheme Enhanced Member of Section 1 of the Scheme will stop being a Scheme Enhanced Member when either:

(i) he stops being an Active CARE Member under the terms of this Appendix One to Schedule Four of Part E of the Rules; or

(ii) an employer in the group of companies owned by Thales Holdings UK plc (or its successors) stops paying contributions to the DC Scheme in respect of him

at a date after 30 June 2008.

(e) When a Scheme Enhanced Member stops being a Scheme Enhanced Member before his Normal Pension Date for the purposes of this Appendix Two to Schedule Four of Part E of the Rules, if his Past Service Pension does not immediately start to be paid from Section 1 of the Scheme, he will become a deferred pensioner and his deferred pension will be calculated in accordance with the terms of Rule 3.4(c) above up to the date he ceased to be a Scheme Enhanced Member.

Thereafter, the Trustees will revalue the Past Service Pension using the final salary method of statutory revaluation (as set out in section 84(1) and paragraphs 1 and 2 of Schedule 3 of the 1993 Act) from the date he ceased to be a Scheme Enhanced Member to the earlier of the date:

(i) of his death;

(ii) his Past Service Pension starts to be paid under the Rules of this

Appendix Two to Schedule Four of Part E of the Rules; or

- (iii) his Normal Pension Date.
- (f) Under the terms of this Rule 3.4, a Scheme Enhanced Member's Past Service Pension at the earlier of the date:
- (i) of his death;
 - (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Four of Part E of the Rules; or
 - (iii) of his Normal Pension Date

will not be less than the pension he would have been entitled to as a Member of the Racal Group Staff Scheme becoming a deferred pensioner entitled to Final Salary Benefits on 31 December 2007 under the terms of the Racal Group Staff Rules or (where applicable) the relevant part of the Special Terms upon the basis that the part of his pension which is in excess of his Guaranteed Minimum Pension and his Guaranteed Minimum Pension will be revalued separately in accordance with either the requirements of statutory revaluation or the provisions of the Racal Group Staff Rules, if higher, in force on 31 December 2007.

- (g) If, when a Scheme Enhanced Member stops being a Scheme Enhanced Member and his Past Service Pension immediately starts to be paid from the Scheme, he will be a Pensioner in receipt of his pension from that date in respect of his Past Service Pension.

Provided that where the Past Service Pension starts to be paid under this Rule before the Scheme Enhanced Member's Normal Pension Date, the early retirement reduction applied (if any) will be the reduction applicable on retirement from Pensionable Service.

- (h) If a Scheme Enhanced Member remains in Service upon attaining his Normal Pension Date and his Past Service Pension does not start to be paid from the Scheme:
- (i) rule 11; and/ or
 - (ii) rule 11 of schedule part III applicable to Specified Members

of the Racal Group Staff Rules and / or (where applicable) the relevant part of the Special Terms will apply in respect of his Past Service Pension from his

Normal Pension Date.

3.5 Ill-Health Early Retirement - Special Rules for Scheme Enhanced Members

(a) If a Scheme Enhanced Member is suffering from Incapacity and an entitlement to a pension has arisen under the terms of:

- (i) rule 10; and / or
- (ii) rule 10 schedule part III applicable to Specified Members

of the Racial Group Staff Rules and / or (where applicable) the relevant part of the Special Terms, the Final Salary Benefits pension payable will be equal to the Scheme Enhanced Member's Past Service Pension adjusted in accordance with Rule 3.4 above to the date he stops being a Scheme Enhanced Member. No prospective service to Normal Pension Date will be added to the pension, but the pension will not be reduced to take account of early payment.

(b) A Scheme Enhanced Member who is not able to work due to ill-health or injury and who is in receipt of payments from an employer's permanent health insurance of at least 50 per cent of either his:

- (i) CARE Salary in the case of an Active CARE Member; or
- (ii) DC Salary in the case of a DC Scheme Life Assurance Member; less
- (iii) in either case statutory sick pay

is not entitled to apply for the payment of his Past Service Pension under this Rule 3.5 unless the Principal Employer with the agreement of the Trustees decide otherwise.

(c) This Rule 3.4 will cease to apply when a Former Racial Group Staff Beneficiary stops being a Scheme Enhanced Member.

3.6 Death whilst a Scheme Enhanced Member - Lump Sums

(a) If a person dies whilst a Scheme Enhanced Member, Section 1 of the Scheme will pay on the discretionary trusts pursuant to Rule 74 of Part D of the Rules:

- (i) a refund of the Scheme Enhanced Member's own contributions which he was required to pay to the Racial Group Staff Scheme before 1 January 2008 and which have been transferred to Section 1 of the Scheme; and

- (ii) any benefits due under the terms of this Appendix Two to Schedule Four of Part E of the Rules or (where applicable) the relevant part of the Special Terms as a result of the payment of Members Voluntary Contributions paid before 1 January 2008 to the Racal Group Staff Scheme which have been transferred to Section 1 of the Scheme.
- (b) Any Final Salary Benefits lump sum death benefit (other than that referred to in Rule 3.6(a) above) which would have been paid upon the death of either a member or a deferred pensioner under the terms of the Racal Group Staff Rules and / or (where applicable) any relevant part of the Special Terms will not be paid.
- (c) The balance of the Scheme Enhanced Member's death in service lump sum benefits will be paid under the terms of Appendix One to Schedule Four of Part E of the Rules in accordance with the terms of Rule 74 of Part D to the Rules (regardless of whether the Scheme Enhanced Member is an Active CARE Member or a DC Scheme Life Assurance Member on the date of his death).

3.7 Death whilst a Scheme Enhanced Member - Pension Benefits

- (a) Subject to Rule 3.7 (d) below, if a person dies whilst a Scheme Enhanced Member, Section 1 of the Scheme will, subject to (b) below, pay pension benefits in accordance with the terms of:
 - (i) rule 7(a) III; and / or
 - (ii) rule 7(a) III schedule part III applicable to Specified Members
 of the Racal Group Staff Rules or (where applicable) any relevant part of the Special Terms, in respect of his Past Service Pension.
- (b) The amount of any pension payable under Rule 3.7(a) above will be determined using the Scheme Enhanced Member's Past Service Pension adjusted to the date of his death in accordance with Rule 3.4 above. No prospective service will be included in the calculation of any pensions payable under the Racal Group Staff Rules or where applicable any relevant part of the Special Terms as specified under Rule 3.7(a).
- (c) The balance of the pension payable upon the death of a Scheme Enhanced Member will be paid under the terms of Appendix One to Schedule Four of Part E of the Rules.
- (d) Any pension payable under this Appendix Two to Schedule Four of Part E of the

Rules in a manner consistent with the Racial Group Staff Rules or (where applicable) the Special Terms upon the death of a Member in Pensionable Service which is calculated as a percentage or proportion of a member's Final Pensionable Salary, Current Pensionable Salary, Basic Salary or other definition of pay (as amended by the 2007 Deed) will not be payable from Section 1 of the Scheme.

3.8 Prospective Service Benefits

No benefit payable to or in respect of a Scheme Enhanced Member from Section 1 of the Scheme in accordance with this Appendix Two to Schedule Four of Part E of the Rules will include in its calculation any prospective Pensionable Service.

3.9 Continued Life Assurance Benefits

(a) This Rule 3.9 applies to a Scheme Enhanced Member and a Former Enhanced Member:

(i) who either:

(A) stops being a Scheme Enhanced Member; or

(B) stopped being a Former Enhanced Member due to Incapacity or Serious Ill-Health (or both); and

(ii) whose:

(A) Past Service Pension payable under the terms of rule 10 of the Racial Group Staff Rules and / or (where applicable) the relevant part of the Special Terms (as amended by Rule 3.5 above) due to Incapacity; or

(B) CARE Pension payable under Rule 5.3 of Appendix One to Schedule Four of Part E of the Rules; or

(C) both (A) and (B)

immediately starts to be paid upon him stopping being either a Scheme Enhanced Member of Section 1 of the Scheme or an Enhanced Member of the Racial Group Staff Scheme .

(b) A Scheme Enhanced Member or Former Enhanced Member to whom this Rule 3.9 of Appendix Two to Schedule Four of Part E applies will continue to be provided with the Lump Sum Benefit under this Rule 3.9 of Appendix Two to Schedule

Four of Part E from the date he either stops being a Scheme Enhanced Member of Section 1 of the Scheme or stopped being an Enhanced Member of the Racal Group Staff Scheme to the earlier of:

- (i) his CARE Pension Date; and
 - (ii) any date before his CARE Pension Date when all of his pension benefits which are in payment from Section 1 of the Scheme (whether under the terms of this Appendix Two to Schedule Four or Appendix One to Schedule Four of Part E of the Rules or both) stop being paid (other than where benefits stop as a result of his death).
- (c) The amount of the Scheme Enhanced Member's or Former Enhanced Member's CARE Salary or DC Salary (as applicable) for the purposes of calculating his Lump Sum Benefit will be his CARE Salary or DC Salary as at the date he ceased to be either a Scheme Enhanced Member of Section 1 of the Scheme or an Enhanced Member of the Racal Group Staff Scheme , increased by such amount as the Principal Employer decides from time to time.

3.10 Pension Commencement Lump Sum

- (a) Where a Scheme Enhanced Member or Former Enhanced Member has an entitlement to:
- (i) Final Salary Benefits and CARE Benefits as a result of his own membership of the Racal Group Staff Scheme which were transferred to Section 1 of the Scheme; and
 - (ii) In the case of a Scheme Enhanced Member only, CARE Benefits earned in Section 1 of the Scheme
- he can only exchange Past Service Pension for a pension commencement lump sum in proportion to the amount his Past Service Pension represents as a part of his aggregated pension from Section 1 of the Scheme when his Past Service Pension and his CARE Pension are aggregated together.
- (b) Where a Scheme Enhanced Member or Former Enhanced Member has an entitlement to Previous Membership Benefits, he can only exchange Previous Membership Benefits for pension commencement lump sum:
- (i) in accordance with the Racal Group Staff Rules or (where applicable) any relevant part of the Special Terms which apply to it; and

- (ii) in proportion to the amount his Previous Membership Benefits represents as a part of his aggregated pension from Section 1 of the Scheme when his Previous Membership Benefits, Past Service Pension and his CARE Pension are aggregated together.
- (c) Nothing in this Rule 3.10 will reduce the maximum amount of Past Service Pension which a Scheme Enhanced Member or Former Enhanced Member can elect to exchange for a pension commencement lump sum under the Racal Group Staff Rules (including (where applicable) the Special Terms) insofar as such a maximum amount was a subsisting right within the meaning of Section 67 A(6) of the 1995 Act as at 31 December 2007.

3.11 Other Benefits

- (a) Where a Scheme Enhanced Member or Former Enhanced Member has benefits which were transferred into Section 1 of the Scheme which relate to previous period of membership of the Racal Group Staff Scheme which are separate from his Past Service Pension, those benefits will be paid under the terms of the Racal Group Staff Rules in force at the relevant time when such previous period of membership in the Racal Group Staff Scheme ended.
- (b) For the purposes of these Rules the benefits referred to in 3.11(a) are referred to as the "Previous Membership Benefits".

3.12 Early Leaver Rights

- (a) Where the Racal Group Staff Rules applicable to the Former Racal Group Staff Beneficiaries' Final Salary Benefits specify the manner in which the Preservation Requirements will be complied with under them, those rules will apply in respect of the Preservation Requirements.
- (b) If the provisions of the Racal Group Staff Rules or (where applicable) any relevant part of the Special Terms which apply to the Former Racal Group Staff Beneficiaries' Final Salary Benefits referred to in (a) above do not specify the manner in which the Preservation Requirements will be complied with under them, the rules or (where applicable) any relevant part of the Special Terms will be construed in a manner which is consistent with the Preservation Requirements.

3.13 Additional Voluntary Contributions

No Scheme Enhanced Member or Former Enhanced Member can pay Members Voluntary Contributions to Section 1 of the Scheme under the terms of this Appendix Two to Schedule Four of Part E of the Rules

3.14 Targeted Benefits

In so far as any Scheme Enhanced Member's or Former Enhanced Member's benefits are calculated under the terms of the Rules and (where applicable) the Special Terms, as a proportion of the Scheme Enhanced Member's or Former Enhanced Member's Final Pensionable Salary (or similar formula), such a Scheme Enhanced Member's or Former Enhanced Member's Past Service Pension will be calculated as a proportion of his Final Pensionable Salary (or under any similar formula) applicable to a person as if he had become a deferred pensioner on 31 December 2007.

3.15 2007 Pension Increases Exchange

(a) In this Rule the following expressions have the following meanings:

(i) **"2007 Non-Statutory Increase Pensions"** means, in relation to a Pension Increase Swap Member, the part of a pension (except any pension attributable to additional voluntary contributions) which:

(A) is not required to be increased in order to comply with legislation; and

(B) has been correctly identified as being subject to non-statutory increases in the personal information statement forming part of the Pensioner Option Pack.

(ii) **"Pension Increase Swap Member"** means a Member or the Dependant or Eligible Spouse of a Member in each case who was in receipt of a pension from the Racal Group Staff Scheme on 19 September 2007 (or such other date as Thales Holdings UK Limited and the Trustees may agree) and who:

(A) elected to accept the offer contained in the Pensioner Option Pack by completing the decision form enclosed with the Pensioner Option Pack and returning it as directed no later than 31 January 2008 or, in some cases, by no later than 15 February 2008 (or such later date as Thales Holdings UK Limited and the Trustees may agree); and

- (B) received from Thales Holdings UK Plc on or before 31 March 2008 (or such later date as Thales Holdings UK Limited and the Trustees may agree) the cash sum shown in the personal information statement enclosed with the Pensioner Option Pack, in accordance with the terms of the Pensioner Option Pack.
- (iii) "Pensioner Option Pack" means together a letter from Thales Holdings UK Plc dated November 2007 (or such other date as Thales Holdings UK Limited and the Trustees may agree) and the subsequent communication from Heath Lambert dated December 2007 (or such other date as Thales Holdings UK Limited and the Trustees may agree) both of which were sent to Members and the Dependants of Members in receipt of a pension from Racal Group Staff Scheme on 19 September 2007 (or such other date as Thales Holdings UK Limited and the Trustees may agree).
- (b) Notwithstanding rule 9 of the Racal Group Staff Rules and any other provisions of Racal Group Staff Scheme which are Racal Group Staff Rules including without limitation the Racal Group Staff Rules including the relevant schedules and (where applicable) the Special Terms relating to pension increases, in the case of:
 - (i) a Pension Increase Swap Member no increase shall be payable on any Non-Statutory Increase Pensions after 31 March 2008 (or such other date as Thales Holdings UK Limited and the Trustees may agree which is before 30 June 2008); and
 - (ii) any pension payable to any person on the death of a Pension Increase Swap Member, no increase shall be payable on such person's pension after 31 March 2008 (or such other date as Thales Holdings UK Limited and the Trustees may agree which is before 30 June 2008) except to the extent required by legislation.

Provided in either case that the entitlement to increases to Non-Statutory Increase Pensions shall be reinstated retrospectively if the Pension Increase Swap Member (or his estate if he dies before receipt) has not received from Thales Holdings UK Plc on or before 30 September 2008 the cash sum shown in the personal information statement enclosed with the Pensioner Option Pack.

3.16 2008 Pension Increases Exchange

- (a) In this Rule the following expressions have the following meanings:

- (i) **“2008 Non-Statutory Increase Pensions”** means, in relation to a Pension Increase Swap Member, the part of a pension (except any pension attributable to additional voluntary contributions) which:
 - (A) is not required to be increased in order to comply with legislation; and
 - (B) has been correctly identified as being subject to non-statutory increases in the personal information statement forming part of the Pensioner Option Letter.
 - (ii) **“Phase 3 Pension Increase Swap Member”** means a Member or the Dependant or Eligible Spouse of a Member in each case who was in receipt of a pension from the Racal Group Staff Scheme on 1 April 2008 (or such other date as Thales Holdings UK Limited and the Trustees may agree) and who elected to accept the offer contained in the Pensioner Option Letter by completing the decision form enclosed with the Pensioner Option Letter and returning it as directed no later than 20 June 2008 (or such later date as Thales Holdings UK Limited and the Trustees may agree).
 - (iii) **“Pensioner Option Letter”** means together a letter from Thales Holdings UK Plc dated April 2008 (or such other date as Thales Holdings UK Limited and the Trustees may agree) and the subsequent communication from Heath Lambert dated 2 May 2008 (or such other date as Thales Holdings UK Limited and the Trustees may agree) both of which were sent to Members and the Dependants of Members in receipt of a pension from Racal Group Staff Scheme on 1 April 2008 (or such other date as Thales Holdings UK Limited and the Trustees may agree).
- (b) Notwithstanding rule 9 of the Racal Group Staff Rules and any other provisions of Racal Group Staff Scheme which are Racal Group Staff Rules including without limitation the Racal Group Staff Rules including the relevant schedules and (where applicable) the Special Terms relating to pension increases, in the case of:
- (i) a Phase 3 Pension Increase Swap Member no increase shall be payable on any 2008 Non-Statutory Increase Pensions after 31 March 2008 (or such other date as Thales Holdings UK Limited and the Trustees may agree which is before 30 June 2008); and
 - (ii) any pension payable to any person on the death of a Phase 3 Pension

Increase Swap Member, no increase shall be payable on such person's pension after 31 March 2008 (or such other date as Thales Holdings UK Limited and the Trustees may agree which is before 30 June 2008) except to the extent required by legislation.

Provided in either case that the entitlement to increases to 2008 Non-Statutory Increase Pensions shall be reinstated retrospectively if the Phase 3 Pension Increase Swap Member (or his estate if he dies before receipt) has not received from Thales Holdings UK Plc on or before 30 September 2008 the cash sum shown in the personal information statement enclosed with the Pensioner Option Letter.

4 Meanings of Words Used

4.1 Use of Definitions in this Appendix Two to Schedule Three

In this Appendix Two to Schedule Four of Part E of the Rules, the following words have the following special meanings:

"2007 Deed" has the meaning given to it in Rule 2.1(c) of Appendix Two to Schedule Four Part E of the Rules.

"2007 Non-Statutory Increase Pensions" has the meaning given to it in Rule 3.15(a)(i) of Appendix Two to Schedule Four of Part E of the Rules.

"2008 Non-Statutory Increase Pensions" has the meaning given to it in Rule 3.16(a)(i) of Appendix Two to Schedule Four of Part E of the Rules.

"Former Enhanced Member" has the meaning given to Rule 3.1(b) of Appendix Two to Schedule Four of Part E of the Rules.

"Maximum Revaluation Rate" has the meaning given in the conditions to Rule 3.3(b) of Appendix Two to Schedule Four of Part E of the Rules.

"Old Rules" has the meaning given to it in Rule 2.1(b) of Appendix Two to Schedule Four of Part E of the Rules.

"Past Service Pension" has the meaning given in Rule 3.1(c) of Appendix Two to Schedule Four of Part E of the Rules.

"Pension Increase Swap Member" has the meaning given to it in Rule 3.15(a)(ii) of Appendix Two to Schedule Four of Part E of the Rules.

"Pensioner Option Letter" has the meaning given to it in Rule 3.16(a)(iii) of Appendix Two to Schedule Four of Part E of the Rules.

"Pensioner Option Pack" has the meaning given to it in Rule 3.15(a)(iii) of Appendix Two to Schedule Four of Part E of the Rules.

"Phase 3 Pension Increase Swap Member" has the meaning given to it in Rule 3.16(a)(ii) of Appendix Two to Schedule Four of Part E of the Rules

"Previous Membership Benefits" has the meaning given in Rule 3.11 of Appendix Two to Schedule Four of Part E of the Rules.

"Racal Group Scheme Rules" has the meaning given to it in Rule 2.1(a) of Appendix Two to Schedule Four of Part E of the Rules.

"Revaluation Period" has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Four of Part E of the Rules.

"Revaluation Rate" has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Four of Part E of the Rules.

"Scheme Enhanced Member" has the meaning given in Rule 3.1(a) of Appendix Two to Schedule Four of Part E of the Rules.

"Special Revaluation Factor" has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Four of Part E of the Rules.

"Special Terms" means any benefits in respect of a Former Racal Group Staff Beneficiary or any person claiming through him which as at 31 December 2007:

- (a) the Racal Group Staff Scheme had lawfully granted under the provisions of the Racal Group Staff Scheme ; and
- (b) had been communicated to Members in writing; and
- (c) had not been formally recorded in the Racal Group Staff Rules.

4.2 Other Definitions used in Appendix Two to Schedule Four

- (a) In this Appendix Two to Schedule Four of Part E of the Rules, the words **"Active CARE Member"**, **"CARE Pension"**, **"CARE Pension Date"**, **"CARE Salary"**, **"DC Salary"**, **"DC Scheme Life Assurance Member"** and **"Serious Ill-Health"** have the meanings given to them in Appendix One to Schedule Four of Part E of the Rules.

- (b) In this Appendix Two to Schedule Four of Part E of the Rules, the words “Basic Salary”, “Current Pensionable Salary”, “Dependant”, “Enhanced Member”, “Final Pensionable Salary”, “Guaranteed Minimum Pension”, “Incapacity”, “Member”, “Members Voluntary Contributions”, “Normal Pension Date”, “Pensionable Service” and “Specified Member” have the meanings given to them in the Racial Group Staff Rules (as amended, where applicable, by the 2007 Deed).
- (c) In this Appendix Two to Schedule Four of Part E of the Rules, all other definitions are defined in Part A of the Rules.

**SCHEDULE FIVE OF PART E OF THE RULES
FORMER TOPS BENEFICIARIES**

1 Application of Schedule Five of Part E of the Rules

1.1 Schedule Five of Part E of the Rules applies to:

- (a) Former TOPS Beneficiaries; and
- (b) any person who the Principal Employer and Trustees have agreed should be treated as a Former TOPS Beneficiary under Rule 77.3 of Part E of the Rules.

1.2 CARE Benefits earned in TOPS by Former TOPS Beneficiaries which are transferred to Section 1 of the Scheme are calculated as if those CARE Benefits had been earned in Section 1 of the Scheme from (and including) 1 January 2008 rather than in TOPS.

1.3 For those of the Former TOPS Beneficiaries who are in Pensionable CARE Service in Section 1 of the Scheme on 1 July 2008 and whose CARE Benefits from TOPS are transferred to Section 1 of the Scheme, Pensionable CARE Service in Section 1 of the Scheme will be treated as continuous.

2 Structure of Schedule Five of Part E of the Rules

2.1 Appendix One sets out the Rules to Schedule Five of Part E which apply to the provision of CARE Benefits for Former TOPS Beneficiaries.

2.2 Appendix Two sets out the Rules to Schedule Five Part E which apply to the provision of Final Salary Benefits for Former TOPS Beneficiaries.

2.3 Final Salary Benefits earned in TOPS by Former TOPS Beneficiaries before 1 January 2008 will be of the same nature, amount and value and be calculated in the same way as under the terms which applied in TOPS to that Former TOPS Beneficiary on 31 December 2007. Such benefits will be administered in accordance with Parts A, B, D, E, G and H of the Rules of the Scheme.

**SCHEDULE FIVE OF PART E OF THE RULES
CARE BENEFITS RULES FOR FORMER TOPS BENEFICIARIES**

APPENDIX ONE

1 General Benefits Description

1.1 Type of Benefits

The Rules for CARE Benefits for Former TOPS Beneficiaries provide career average revalued earnings style benefits for:

- (a) all Pensionable CARE Service in TOPS after 31 December 2007 and before 1 July 2008 which is transferred to Section 1 of the Scheme; and
- (b) all Pensionable CARE Service (if any) in Section 1 of the Scheme after 30 June 2008

which shall be treated as continuous Pensionable CARE Service.

1.2 Contracting-out Status

The CARE Benefits are contracted-in.

1.3 Tax Status and Plan Limits

- (a) The Rules for the provision of CARE Benefits are designed to provide pension and death benefits for a registered occupational pension scheme under Part 4 of the Finance Act 2004 (as amended).
- (b) For the purposes of determining the maximum benefits payable to a Former TOPS Beneficiary and any restrictions on their payment:
 - (i) the Scheme Benefit Limits contained in Part G of the Rules do not apply to the CARE Benefits;
 - (ii) the total pension payable to a Former TOPS Beneficiary from Section 1 of the Scheme when the CARE Benefits and the Final Salary Benefits are aggregated together will not exceed two thirds of the Former TOPS Beneficiary's Final Remuneration (as defined in Part G of the Rules) (ignoring the effect of any salary sacrifice arrangement made between the CARE Member and his Employer);
- (c) save as provided in Rule 77 of Part E of the Rules, this Rule 1.3 of this Appendix One to Schedule Five of Part E does not disapply:

- (i) the Scheme Benefit Limits which apply to the Final Salary Benefits of Former TOPS Beneficiaries in Part G of the Rules; or
 - (ii) any other benefit limits rules and / or restrictions applied to the Final Salary Benefits under Rule 1.3(c) of Appendix Two to Schedule Five of Part E of the Rules; and
- (d) if a CARE Member is subject to a pension sharing on divorce order, agreement or equivalent provision, Rule 1.3(b)(ii) will be applied to the total pension payable to a CARE Member from the Scheme when the CARE Benefits payable under this Appendix One to Schedule Five of Part E and the Final Salary Benefits payable under Appendix Two to Schedule Five of Part E are aggregated together before the pension sharing on divorce order, agreement or equivalent provision, is applied.

1.4 Early Leaver Rights

- (a) Where the CARE Benefits Rules of this Appendix One to Schedule Five specify the manner in which the Preservation Requirements will be complied with under it, those Rules will apply in respect of the Preservation Requirements.
- (b) If the CARE Benefits Rules of this Appendix One to Schedule Five do not specify the manner in which the Preservation Requirements will be complied with under it, the Rules will be construed in a manner which is consistent with the Preservation Requirements.

2 Membership for CARE Benefits

2.1 Becoming an Active CARE Member

- (a) An Employee is able to become and remain an Active CARE Member of Section 1 of the Scheme for so long as he satisfies all of the following conditions. The employee:
 - (i) was, on 31 December 2007, either:
 - (A) an Active Member of TOPS in Pensionable Service under the rules of that scheme in force on that date; or
 - (B) an employee who was not an Active Member of TOPS in Pensionable Service under the rules of that scheme in force on that date but whom the Principal Employer has determined was eligible to join TOPS and did not join the DC Scheme on 1

January 2008;

- (ii) before 1 January 2008, elected in writing using the election form provided by Thales Optronics Limited to become an Active CARE Member of TOPS from either 1 January 2008 or such later date as his employer in TOPS agreed in writing;
 - (iii) has either:
 - (A) a written pension salary sacrifice arrangement in force with his Employer; or
 - (B) if the Principal Employer permits, a written consent in force with his Employer to deduct his contributions from his CARE Salary; and
 - (iv) was continuously an Active CARE Member from either 1 January 2008 or such later date as he was first admitted TOPS; and
 - (v) joined the Scheme as an Active CARE Member of Section 1 of the Scheme with effect from 1 July 2008 and transferred all of his benefits in TOPS to Section 1 of the Scheme with effect on and from 1 July 2008.
- (b) Section 1 of the Scheme is closed to new members and only Employees who meet the conditions set out in Rule 2.1(a) can be Active CARE Members of Section 1 of the Scheme entitled to CARE Benefits under the terms of this Appendix One to Schedule Five of Part E of the Rules.

2.2 Stopping being an Active CARE Member

- (a) An Active CARE Member will cease to be an Active CARE Member on the earlier of the date:
 - (i) he leaves employment or dies; or
 - (ii) of the expiry of not less than one month's written notice which he has given to the Trustees to end his Pensionable CARE Service; or
 - (iii) he ceases to satisfy all of the eligibility criteria to be an Active CARE Member under Rule 2.1(a) above (and for these purposes absence whilst the CARE Member remains in Service under Rule 12 of this Appendix One to Schedule Five of Part E is ignored); or

- (iv) he otherwise ceases to be in Pensionable CARE Service under any other provision of the Rules of this Appendix One to Schedule Five of Part E of the Rules.
- (b) No Employee who has ceased to be an Active CARE Member under Rule 2.2(a) above can rejoin the Scheme in order to earn either CARE Benefits or Final Salary Benefits.
- (c) An Active CARE Member who opts-out of Active CARE Membership under Rule 2.2(a)(ii) above before his CARE Pension Date will be treated as a Deferred CARE Member from the date his notice to opt-out expires. Rules 6 and 9 apply to this Appendix One to Schedule Five of Part E of the Rules.

3 Payment of Contributions

3.1 Rate of Contributions

- (a) The rate of contributions due to Section 1 of the Scheme from each Active CARE Member is:
 - (i) 6 (six) per cent of CARE Salary for that part of the CARE Salary up to and including the upper earnings limit; and
 - (ii) 9 (nine) per cent of CARE Salary for that part (if any) of the CARE Salary in excess of the upper earnings limit.
- (b) Upper earnings limit is the annual equivalent of upper earnings limit published immediately before each 1 April for the following tax year.
- (c) Upper earnings limit has the meaning given in section 181 of the 1993 Act.
- (d) If an Active CARE Member has a period of Part-Time Employment the upper earnings limit will be adjusted in accordance with Rule 13 of this Appendix One to Schedule Five of Part E of the Rules.

3.2 Payment of Contributions

- (a) Active CARE Members who enter into a pension salary sacrifice arrangement with their Employer pursuant to Rule 3.2(c) below do not contribute to Section 1 of the Scheme.
- (b) Active CARE Members who, with the agreement of the Principal Employer, do not enter into a pension salary sacrifice arrangement with their Employer must contribute to Section 1 of the Scheme at the rate set out in Rule 3.1 above).

- (c) In order for Rule 3.2(a) above to apply the:
- (i) Active CARE Member must sacrifice from his pay from his Employer an amount equivalent to the contributions he would have paid to the Section 1 of the Scheme at the rate set out in Rule 3.1 above had the pension salary sacrifice arrangement not been in force; and
 - (ii) Active CARE Member's Employer must pay monthly to the Trustees contributions to Section 1 of the Scheme of an amount equal to the sums sacrificed by the Active CARE Member from his remuneration from that Employer under his pension salary sacrifice arrangement.
- (d) All Active CARE Members are required to enter into a pension salary sacrifice arrangement with an Employer unless the Principal Employer determines otherwise in writing.
- (e) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule Five of Part E of the Rules applies.
- (f) In the event that the Principal Employer decides not to permit Active CARE Members to sacrifice pay from their Employer in accordance with Rule 3.2(c) above, such Active CARE Members will:
- (i) continue to earn CARE Benefits provided that they contribute to Section 1 of the Scheme under the terms of Rule 3.2(b) above; and
 - (ii) provide such written consents as their Employer requests in writing to be able to deduct such contributions from their pay.

Such Active CARE Members will become Deferred CARE Members if they do not provide to their Employer such written consents as are required for them to contribute to Section 1 of the Scheme under Rule 3.2(b) above within one (1) month of the date the Active CARE Members are asked to pay contributions to Section 1 of the Scheme or such longer period as the Principal Employer may decide.

3.3 Additional Voluntary Contributions

No Active CARE Member can pay additional voluntary contributions to Section 1 of the Scheme.

3.4 Employer Contributions

The balance of the cost of providing the CARE Benefits will be paid by the Employers in accordance with Rule 35 of Part A of the Rules.

4 Calculation of CARE Pension

4.1 CARE Pension Calculation

The "CARE Pension" is: $(X - Y) \times Z$ where:

- (a) "X" is 1/720th of Averaged Revalued CARE Salary for each complete calendar month of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service;
- (b) "Y" is the Pension Deduction; and
- (c) "Z" is the LAF.

Conditions:

- (i) The LAF applied to the CARE Pension will be either the LAF in force at the date:
 - (A) the Active CARE Member leaves Pensionable CARE Service; or
 - (B) the CARE Pension starts to be paidwhichever results in the payment of the higher CARE Pension to the CARE Member (or any person claiming through him).
- (ii) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule Five of Part E of the Rules applies to the calculation of his CARE Pension for that period of part-time Pensionable CARE Service.

4.2 Meaning of Words used in the Calculation of CARE Pension

- (a) "Averaged Revalued CARE Salary" is:
 - (i) the aggregate of the Revalued CARE Salary at each 1 April during Pensionable CARE Service; DIVIDED BY
 - (ii) the number of years in which the Active CARE Member was in Pensionable CARE Service on a 1 April.

Condition:

If an Active CARE Member leaves Pensionable CARE Service before 1 April 2008, his Average Revalued CARE Salary will be his CARE Salary on 1 January 2008.

- (b) "Pension Deduction" is:
- (i) 0.4% of the Active CARE Member's Gross Band Earnings for the last complete tax year immediately preceding the date the Active CARE Member left Pensionable CARE Service; MULTIPLIED BY
 - (ii) the number of complete calendar months of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service; DIVIDED BY
 - (iii) twelve (12).

Provided that with on and effect from 1 April 2009, Pension Deduction will be adjusted in accordance with the terms of Rule 13 in respect of Active CARE Members in Part-time Employment after that date.

- (c) "Gross Band Earnings" is the Active CARE Member's gross earnings between the lower and upper earnings limit.
- (d) "Revalued CARE Salary" is the Active CARE Member's CARE Salary as at each 1 April revalued by the Revaluation Factor up to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.
- (e) "Revaluation Factor" is the Revaluation Rate compounded over the Revaluation Period.

Conditions:

- (i) The "Revaluation Rate" is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the Maximum Revaluation Rate set out in (ii) and will not be a negative amount.
- (ii) The "Maximum Revaluation Rate" is what the Revaluation Rate would be if the rise in the Government retail prices index for all items was eight (8) per cent compound each year for the Revaluation Period.
- (iii) The "Revaluation Period" is the period from 1 April to which the relevant CARE Salary relates to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.
- (iv) The rise in the Government retail prices index for all items used for the

Revaluation Rate is the one published before each 1 April for the immediately preceding month of September.

- (v) If:
- (A) for any period during the Revaluation Period, the rise in the Government retail prices index for all items is higher than eight (8) per cent compound each year; and
 - (B) the Actuary advises the Trustees that either:
 - 1) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 1); or
 - 2) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and
 - (C) the Principal Employer consents in writing.

the Trustees may apply a higher Revaluation Factor than is provided for under the CARE Benefits Rules for such period as the Principal Employer agrees.

- (vi) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

- (f) "LAF" is the longevity adjustment factor and is calculated as follows:

$$1 - \frac{(A \times B)}{100}$$

Where:

- (i) "A" equals the number of years (rounded to the nearest 0.1 years) by which the anticipated life expectancy of a man aged 65 on the LAF Recalculation Table is higher or lower (as applicable) than on the LAF Base Table. Where the anticipated life expectancy is higher than on the LAF Base table, "A" will be positive and where lower "A" will be negative.

(ii) "B" equals 1.5.

Conditions:

- (A) The LAF will be one (1) between 1 January 2008 and 31 March 2012 (inclusive).
- (B) The LAF cannot be greater than one (1).
- (C) The LAF cannot decrease by more than 0.05 as at any LAF recalculation date.
- (D) "A" will assume a value of zero if, as at any LAF recalculation date, "A" is less than the years noted on the table below:

LAF recalculation date year For Rule 4.3(a)	Years for the purposes of "A"
2011	0.5
2014	0.75
2017	1.00
2020	1.25
2023	1.50
2026	1.75
2029	2.00
2032	2.25
2035	2.50
2038	2.75
2041	3.00
2044	3.25
2047	3.50
2050	3.75
2053	4.00

- (E) The LAF will be rounded to the nearest 0.0025.
- (F) The LAF will be recalculated in accordance with Rule 4.3.
- (g) "LAF Base Table" is the life expectancy table for a man aged 65 years old using the Government Actuaries Department's national 2006 based principal population projections with "cohort expectation" adjustments, which provides as follows:
- (h)

Year to which Rule 4.3(a) Applies	Life Expectancy of a Male Retiring at Age 65
2007	20.7
2008	20.8
2009	21.0
2010	21.1
2011	21.2
2012	21.3
2013	21.5
2014	21.6
2015	21.7
2016	21.8
2017	21.9
2018	22.0
2019	22.1
2020	22.2
2021	22.3
2022	22.4
2023	22.5
2024	22.5
2025	22.6
2026	22.7
2027	22.8
2028	22.9
2029	23.0
2030	23.1
2031	23.2
2032	23.3
2033	23.4
2034	23.5
2035	23.6
2036	23.7
2037	23.7
2038	23.8
2039	23.9
2040	24.0
2041	24.1
2042	24.2
2043	24.3
2044	24.4

2045	24.5
2046	24.6
2047	24.7
2048	24.8
2049	24.9
2050	25.0
2051	25.1
2052	25.2
2053	25.3
2054	25.3

- (i) “LAF Recalculation Table” is, as at the current LAF recalculation date, the most recently published Government Actuaries Department table published since the previous LAF recalculation date, showing the life expectancy for a man aged 65 years old using the Government Actuaries Department’s table for national principal population projections with “cohort expectation” adjustments.

Conditions:

- (i) If the LAF Recalculation Table is not available at any LAF recalculation date, an alternative life expectancy table published by the Government Actuaries Department, the Office of National Statistics or similar body which uses the latest available national population statistics to show the current life expectancy of a male member retiring at age 65 and adjusted to reflect “cohort expectation” will be used.
- (ii) If a table meeting the requirements of (i) is not available at any LAF recalculation date, the Principal Employer with the agreement of the Trustees, will agree a life expectancy table which is nearest to the LAF Recalculation Table.

4.3 Recalculation of the LAF

- (a) The LAF will automatically be recalculated in accordance with Rule 4.2(f) above:
- (i) as at 1 January 2011 (being the first LAF recalculation date); and
- (ii) at three (3) yearly intervals thereafter as at 1 January.
- (b) The recalculated LAF will be applied to CARE Members’ benefits on expiry of

the notice given under Rule 4.3(c) below unless the Principal Employer, with the agreement of the Trustees, decides to apply a recalculation to the LAF which would result in a LAF being applied to CARE Members' benefits which would result in a higher benefit for a CARE Member than would otherwise have been applied under Rule 4.3(a) above.

- (c) Upon a LAF recalculation being effected under Rule 4.3(a) above at a LAF recalculation date, the Principal Employer will give all Active CARE Members at least twelve (12) months written notice of the amount of the recalculated LAF and the details of how it will be applied to benefits before the LAF is applied to benefits under this Appendix One to Schedule Five of Part E of the Rules.

5 Active CARE Member's CARE Pension

5.1 Drawing CARE Pension at CARE Pension Date

Upon an Active CARE Member attaining his CARE Pension Date his annual CARE Pension will start on the next day.

5.2 Drawing CARE Pension before CARE Pension Date

- (a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if:
 - (i) before 6 April 2010, he is aged 50 or over; or
 - (ii) after 5 April 2010, he is aged 55 or over; and
 - (iii) he applies to draw his CARE Pension early whilst he is in Pensionable CARE Service; and
 - (iv) he has the written consent of the Principal Employer to draw his CARE Pension early; and
 - (v) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) If at any age from the age of 60 up to his Normal Retiring Date an Active CARE Member is entitled to receive his Final Salary Benefits under Appendix Two to Schedule Five of Part E of the Rules without any consents being required from any party to the Scheme or compliance with any other conditions, the payment of the CARE Pension is not subject to Rule 5.2(a)(iv) above after he attains that age.
- (c) An Active CARE Member may, with the consent of the Principal Employer,

remain in the employment of an Employer after his CARE Pension starts to be paid under the terms of this Rule 5.2.

- (d) The annual CARE Pension will start on the day agreed by the CARE Member and the Trustees.

5.3 Drawing CARE Pension due to Serious Ill-Health

- (a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health if, subject to the terms of Rule 5.3(d) below:
 - (i) he has not attained his CARE Pension Date;
 - (ii) he applies to draw his CARE Pension early due to Serious Ill-Health whilst he is in Pensionable CARE Service and will have left Pensionable CARE Service when his CARE Pension starts to be paid;
 - (iii) the Principal Employer, with the agreement of the Trustees, decide after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Active CARE Member is suffering from Serious Ill-Health;
 - (iv) the Trustees are satisfied that the Active CARE Member meets the ill-health condition for the purposes of the Part 4 of the Finance Act 2004; and
 - (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health.
- (b) The CARE Pension payable under this Rule 5.3 will:
 - (i) have no LAF applied to it; and
 - (ii) not be reduced by an Early Retirement Reduction; and
 - (iii) be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule Five of Part E of the Rules.
- (c) The annual CARE Pension will start on the day after the CARE Member left Pensionable CARE Service.
- (d) An Active CARE Member who is not able to work due to ill-health or injury and who is in receipt of payments from an employer's permanent health insurance

scheme of at least 50 per cent of his CARE Salary less statutory sick pay is not entitled to apply for the payment of his CARE Pension under this Rule unless the Principal Employer, with the agreement of the Trustees, decide otherwise.

5.4 Drawing CARE Pension after CARE Pension Date

(a) If an Active CARE Member, with the consent of the Principal Employer, remains in the employment of an Employer after his CARE Pension Date, he may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date (or such later date as the Principal Employer and the Trustees may agree) to either:

(i) leave Pensionable CARE Service on his CARE Pension Date and be treated as either a CARE Pensioner or a CARE Postponed Pensioner; or

(ii) remain in Pensionable CARE Service and continue to be treated as an Active CARE Member.

Condition:

If an Active CARE Member makes no election under this Rule 5.4(a), the Trustees will treat the Active CARE Member as if he had left Active CARE Membership on his CARE Pension Date and he will become a CARE Postponed Pensioner under Rule 5.4(b)(ii) below.

(b) This Rule 5.4(b) applies to an Active CARE Member who elects or is deemed to leave Pensionable CARE Service under Rule 5.4(a)(i). Such a CARE Member who may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date to either:

(i) draw his CARE Pension under Rule 5.1 above and become a CARE Pensioner; or

(ii) defer payment of his CARE Pension and become a CARE Postponed Pensioner until the earlier of the date he elects for his CARE Pension to start to be paid and the date he attains age 75.

Conditions:

(A) If the Active CARE Member makes no election under this Rule 5.4(b) the Trustees will defer payment of his CARE Pension under Rule 5.4(b)(ii) above.

(B) An Active CARE Member to which this Rule 5.4(b) applies will on his

CARE Pension Date cease to either:

- 1) pay contributions under Rule 3.2(b) of this Appendix One to Schedule Five of Part E of the Rules; or
 - 2) be subject to a pension salary sacrifice arrangement under Rule 3.2(d) of this Appendix One to Schedule Five of Part E of the Rules.
- (C) A CARE Postponed Pensioner's CARE Pension will start to be paid on the earlier of:
- 1) the day after he elects for his CARE Pension to start; or
 - 2) his 75th birthday.
- (D) A CARE Postponed Pensioner's CARE Pension will be calculated as at his CARE Pension Date. Upon drawing his CARE Pension the Trustees will apply to it a Late Retirement Increase.
- (E) Upon the death of a CARE Postponed Pensioner before his CARE Pension starts to be paid, he will be treated as if he had:
- 1) started to draw his CARE Pension immediately before his death; and
 - 2) not elected to exchange any of his CARE Pension for pension commencement lump sum under Rule 7 of this Appendix One to Schedule Five of Part E of the Rules.
- (F) For the purposes of the CARE death benefit Rules, Rule 10 of this Appendix One to Schedule Five of Part E of the Rules applies.
- (G) Upon the death of a CARE Pensioner who remains in the employment of an Employer at the date of his death, the CARE death benefits for a CARE Pensioner will be payable under Rule 10 of this Appendix One to Schedule Five of Part E of the Rules.
- (c) This Rule 5.4(c) applies to an Active CARE Member who elects to continue in Pensionable CARE Service under Rule 5.4(a)(ii). Such a CARE Member will be treated as an Active CARE Member until the earlier of:
- (i) the date he leaves Pensionable CARE Service; and

- (ii) his 75th birthday.

Conditions:

- (A) The CARE Member will continue to be treated as an Active CARE Member and will continue to either:

- 1) make contributions under Rule 3.2(b) of this Appendix One to Schedule Five of Part E of the Rules; or
- 2) be subject to a salary sacrifice pension arrangement under Rule 3.2(d) of this Appendix One to Schedule Five of Part E of the Rules

for so long as he remains in Pensionable CARE Service after his CARE Pension Date.

- (B) An Active CARE Member's Pensionable CARE Service must cease on his 75th birthday even if he remains in the employment of an Employer.

- (C) The annual CARE Pension will start on the earlier of:

- 1) the day after he elects for his CARE Pension to start; or
- 2) his 75th birthday.

- (D) When an Active CARE Member to which this Rule 5.4(c) relates leaves Pensionable CARE Service his CARE Pension will be calculated under Rule 4.1 of this Appendix One to Schedule Five of Part E of the Rules.

- (E) If an Active CARE Member to which this Rule 5.4 (c) relates dies after his CARE Pension Date but before his CARE Pension starts to be paid the lump sum death benefit payable under this Rule in respect of his death will be:

- 1) the Lump Sum Benefit; PLUS
- 2) the lump sum Final Salary Benefit payable under Rule 3.6 of Appendix Two to Schedule Five of Part E of the Rules; LESS
- 3) any lump sum Final Salary Benefit payable under Appendix Two to Schedule Five of Part E of the Rules upon the death of a Pensioner or a person who is treated as a Pensioner because he has deferred the payment of his Final Salary Benefit pension until after his Normal Retiring Date and it is not in payment at

the date of his death under TOPS Rules as provided for in Appendix Two to Schedule Five of Part E of the Rules.

6 Deferred CARE Member Benefits

6.1 Deferred CARE Member with less than Two (2) years Qualifying Service

An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service with less than two (2) years Qualifying Service will become a Deferred CARE Member entitled to elect to receive:

- (a) a Contribution Refund less any tax payable, of any contributions paid in respect of CARE Benefits after 31 December 2007 to TOPS and transferred to the Scheme with effect from 1 July 2008; and/or
- (b) a sum equal to the earnings sacrificed from his pay under a pension salary sacrifice arrangement in force after 31 December 2007 less any tax and national insurance. Such a sum is payable by the Deferred CARE Member's last Employer before he left Pensionable CARE Service in respect of all earnings sacrificed under Rule 3.2(d) of this Appendix One to Schedule Five of Part E of the Rules; or
- (c) if he satisfies the Three Month Condition, a Cash Transfer Sum.

Conditions:

- (i) Rule 6.2 below will apply to a Deferred CARE Member who has received a transfer into Section 1 of the Scheme in respect of him from a registered pension scheme.
- (ii) Any election by a Deferred CARE Member for a Cash Transfer Sum must comply with the requirements of the 1993 Act.
- (iii) No interest will be applied to any sum paid to a Deferred CARE Member either by the Trustees under Rule 6.1(a)(i) above or his last Employer under Rule 6.1(a)(ii) above.
- (iv) Where a CARE Member was both:
 - (A) a Former TOPS Beneficiary entitled to Final Salary Benefits earned in TOPS before 1 January 2008 which were transferred to Section 1 of the Scheme with effect from 1 July 2008; and
 - (B) an Active CARE Member entitled to CARE Benefits from:

- 1) TOPS after 31 December 2007 which were transferred to Section 1 of the Scheme with effect from 1 July 2008; and
- 2) Section 1 of the Scheme after 30 June 2008 (if any)

the Trustees will aggregate any CARE Benefits and Final Salary Benefits payable by them due to the length of the CARE Member's Qualifying Service.

- (v) Once all payments due to or in respect of a CARE Member both under this Rule in respect of his CARE Benefits and Final Salary Benefits have been made, all entitlements to benefits from the Scheme (whether they are Final Salary Benefits or CARE Benefits) will be extinguished for the CARE Member and any person claiming through him.

6.2 Deferred CARE Member with more than Two (2) years Qualifying Service

- (a) An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service:

- (i) with at least two (2) years Qualifying Service; or
- (ii) with less than two (2) years Qualifying Service and Section 1 of the Scheme has received a transfer from another registered pension scheme in respect of him; and
- (iii) without receiving an immediate CARE Pension from Section 1 of the Scheme under Rule 5 of this Appendix One to Schedule Five of Part E of the Rules

will become a Deferred CARE Member entitled to receive a CARE Pension from Section 1 of the Scheme under the terms of this Rule 6.2.

- (b) The Deferred CARE Member's CARE Pension will be calculated in accordance with Rule 4.1 of this Appendix One to Schedule Five of Part E of the Rules up to the date he leaves Pensionable CARE Service.
- (c) The Trustees will revalue the CARE Pension using the final salary method of statutory revaluation (as set out in Section 84(1) and Paragraphs 1 and 2 to Schedule 3 of the 1993 Act) from the date the Deferred CARE Member leaves Pensionable CARE Service up to the earlier of the date:
 - (i) of his death;
 - (ii) his CARE Pension starts to be paid; or

- (iii) his CARE Pension Date.

6.3 Drawing CARE Pension at CARE Pension Date

Upon a Deferred CARE Member attaining his CARE Pension Date his annual CARE Pension will start on the next day.

6.4 Drawing CARE Pension before CARE Pension Date

- (a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension Date if:

- (i) before 6 April 2010, he is aged 50 or over; or
- (ii) after 5 April 2010, he is aged 55 or over; and
- (iii) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early; and
- (iv) his CARE Pension is reduced by the Early Retirement Reduction.

- (b) If at any age from the age of 60 up to his Normal Retiring Date a Deferred CARE Member is entitled to receive his Final Salary Benefits without any consents being required from any party to the Scheme or compliance with any other conditions, the payment of the CARE Pension is not subject to Rule 6.4(a)(iii) above after he attains that age.

- (c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their consent to its early payment.

6.5 Drawing CARE Pension due to Serious Ill-Health

- (a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health if:

- (i) he has not attained his CARE Pension Date;
- (ii) he applies to draw his CARE Pension early due to Serious Ill-Health;
- (iii) the Principal Employer, with the agreement of the Trustees, decides after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Deferred CARE Member is suffering from Serious Ill-Health;
- (iv) the Trustees are satisfied that the Deferred CARE Member meets the ill-

health condition for the purposes of the Part 4 of the Finance Act 2004;

- (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health; and
 - (vi) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) The CARE Pension payable under this Rule 6.5 will be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule Five of Part E of the Rules.
 - (c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their written consent to its early payment due to Serious Ill-Health.

6.6 Drawing CARE Pension after CARE Pension Date

- (a) A Deferred CARE Member may, with the consent of the Principal Employer and the Trustees, defer payment of his CARE Pension until a date after his CARE Pension Date.
- (b) The CARE Pension of a Deferred CARE Member who defers payment of it under this Rule will come into payment on the earlier of:
 - (i) the expiry of one (1) month's written notice by him to the Trustees to start payment of the CARE Pension; and
 - (ii) the Deferred CARE Member's 75th birthday.
- (c) If a Deferred CARE Member defers payment of his CARE Pension under this Rule, his CARE Pension will be calculated as at his CARE Pension Date. When his CARE Pension starts to be paid, the Trustees will apply to it a Late Retirement Increase.
- (d) The annual CARE Pension will start on the earlier of:
 - (i) the day after he elects for his CARE Pension to start; or
 - (ii) his 75th birthday.
- (e) If a Deferred CARE Member dies before his CARE Pension starts to be paid, he will be treated as if he had:
 - (i) started to draw his CARE Pension immediately before his death; and
 - (ii) not elected to commute any of his CARE Pension for a pension

commencement lump sum under Rule 7 of this Appendix One to Schedule Five of Part E of the Rules.

For these purposes, Rule 10 of this Appendix One to Schedule Five of Part E of the Rules applies.

7 Pension Commencement Lump Sum

7.1 A CARE Member may, with the consent of the Trustees, elect to exchange part of his CARE Pension for a pension commencement lump sum (as defined in Part 1 to Schedule 29 of the Finance Act 2004).

7.2 The election must be made in writing by the CARE Member and provided to the Trustees before the date the CARE Member is due to draw his CARE Pension.

7.3

(a) The rate at which CARE Pension can be exchanged for a pension commencement lump sum, subject to Rules 7.8 and 7.9 below, will be as follows:

Age at the date of exchange of CARE Pension for a pension commencement lump sum	Commutation Factor
50	18.0
51	17.6
52	17.2
53	16.8
54	16.4
55	16.0
56	15.6
57	15.2
58	14.8
59	14.4
60	14.0
61	13.6
62	13.2
63	12.8
64	12.4
65	12.0
66	11.6
67	11.2

68	10.8
69	10.4
70	10.0
71	9.6
72	9.2
73	8.8
74	8.4
75	8.0

- (b) The table set out in this Rule 7.3 sets out the rate at which CARE Pension can be exchanged for pension commencement lump sum as at a specified age. Where a CARE Member is older than the specified age by a proportion of a year, the relevant exchange rate set out in the table in Rule 7.3 above will be a pro rata amount calculated in complete months.

7.4

- (a) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the rate at which CARE Pension can be exchanged for pension commencement lump sum to an alternative rate which may be higher or lower than the rate set out in Rule 7.3 above.
- (b) Such a rate agreed under Rule 7.4(a) above cannot be implemented unless it is first certified as reasonable by the Actuary having regard to the assumptions used at the last actuarial valuation for either:
- (i) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme; or
 - (ii) after the Scheme has become desectionalised, the Scheme
- (c) A rate agreed and certified under this Rule 7.4 will remain in force until such time as a new rate is agreed and certified under this Rule 7.4

7.5

- (a) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Five of Part E of the Rules in circumstances which result in a different LAF being automatically applied to benefits under Rule 4.3 of this Appendix One to Schedule Five of Part E of the Rules, the Principal Employer and the Trustees must review the rate at which CARE Pension can be exchanged for a pension commencement lump sum and agree the rate at which CARE Pension can be so

exchanged.

(b) If under the terms of Rule 7.5(a) above, the Principal Employer and the Trustees cannot agree a rate at which CARE Pension can be exchanged for a pension commencement lump sum, the Actuary will either:

(i) revise the rate at which CARE Pension can be exchanged for a pension commencement lump sum by increasing or reducing the rate by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under Rule 7.5(a) above; or

(ii) leave the rate at which CARE Pension can be exchanged for a pension commencement lump sum unchanged.

7.6 A CARE Member can only elect to commute CARE Pension for a pension commencement lump sum at the same time as drawing his CARE Pension.

7.7 Once a CARE Member's CARE Pension starts to be paid, an election to exchange CARE Pension for a pension commencement lump sum cannot be revoked.

7.8 In the case of a CARE Member who also has an entitlement to Final Salary Benefits as a result of his own membership of Section 1 of the Scheme, he can only exchange his CARE Pension for a pension commencement lump sum in proportion to the amount his CARE Pension represents to his aggregated pension from Section 1 of the Scheme when his CARE Pension and his Final Salary Benefits are aggregated together.

7.9 The pension commencement lump sum will not exceed the maximum permitted by HMRC under Part 4 of the Finance Act 2004 unless the CARE Member has an entitlement to a higher amount in respect of his benefits held in Section 1 of the Scheme under the terms of Paragraph 31 to Schedule 36 of the 2004 Act.

8 Death Benefits for an Active CARE Member or a DC Scheme Life Assurance Member

8.1 Lump Sum Death Benefit

(a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member the Trustees will hold on the discretionary trusts for:

(i) an Active CARE Member, the Lump Sum Benefit; or

(ii) a DC Scheme Life Assurance Member, the Lump Sum Benefit LESS the DC Lump Sum.

- (b) The Lump Sum Benefit will be applied in accordance with Rule 74 of Part D of the Rules.
- (c) "Lump Sum Benefit" means subject to the terms of Rule 16 of this Appendix One to Schedule Five of Part E of the Rules, four (4) times the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC Salary (as applicable) as at the 1 April immediately preceding the date of his death.
- (d) "DC Lump Sum" means the amount notified to the Trustees by the manager of the DC Scheme as being the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is used to provide lump sum benefits payable *in respect of the DC Scheme Life Assurance Member*. The DC Lump Sum excludes the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death).

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(i) of this Appendix One to Schedule Five of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Five of Part E of the Rules will apply.
- (ii) A CARE Member who remains in the employment of an Employer after his CARE Pension Date under Rule 5.4(a) of this Appendix One to Schedule Five of Part E of the Rules and who is in receipt of his CARE Pension at the date of his death is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Five of Part E of the Rules will apply.
- (iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Five of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule applies but such a CARE Member's Lump Sum Benefit will be calculated in accordance with condition (E) of Rule 5.4(c) of this Appendix One to Schedule Five of Part E of the Rules.

(iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but who remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Five of Part E of the Rules will apply.

(v) An Active CARE Member who on the date of his death is:

(A) not in receipt of his CARE Pension;

(B) is in receipt of a pension which are Final Salary Benefits as a result of his own membership of Section 1 of the Scheme; or

(C) has not attained his CARE Pension Date

will have deducted from his Lump Sum Benefit payable in respect of his CARE Benefits any lump sum payable in respect of his Final Salary Benefits in so far as it is greater than the benefit payable under Rule 3.6 of Appendix Two to Schedule Five of Part E of the Rules.

(vi) On the date of the death of either:

(A) an Active CARE Member; or

(B) a DC Scheme Life Assurance Member

who is also a Scheme Enhanced Member of Section 1 of the Scheme, the Scheme will pay the Final Salary Benefits lump sum contained in Rule 3.6 of Appendix Two to Schedule Five of Part E of the Rules in addition to the Lump Sum Benefit payable under the CARE Benefits Rules.

(vii) A DC Scheme Life Assurance Member who remains in the employment of an Employer after his CARE Pension Date will continue to be treated as a DC Scheme Life Assurance Member until the earlier of the date he leaves the employment of an Employer and age 75.

8.2 Adult Dependant's Pension

(a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Adult Dependant.

(b) The pension payable under (a) will be equal to thirty three (33) per cent of the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC

Salary (as applicable) as at 1 April immediately preceding his death LESS:

- (i) any pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Widow or Widower accrued as Final Salary Benefits in respect of Pensionable Service earned in TOP5 before 1 January 2008; and
 - (ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Adult Dependant by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is not used to provide lump sum benefits under Rule 8.1 (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death)).
- (c) The Adult Dependant's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Five of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Five of Part E of the Rules will apply.
- (ii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Five of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.2 will apply.
- (iii) A CARE Member who remains in the employment of an Employer at the date of his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Five of Part E of the Rules will apply.
- (iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Five of Part E of the Rules will apply.

- (v) In the event that the pension payable to an Adult Dependant which are CARE Benefits under Rule 8.2(b) above is smaller than the Final Salary Benefits pension which would have been payable to the Widow or Widower under Appendix Two calculated upon the basis that the CARE Member became a deferred pensioner in respect of his Final Salary Benefits on 31 December 2007 in TOPS, the higher benefit is payable.

8.3 Dependant Children's Pensions

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Dependant Children.
- (b) The pension payable under (a) is a maximum of thirty (30) percent of the Active CARE Member's or DC Scheme Life Assurance Member's CARE Salary as at 1 April immediately preceding his death LESS:
 - (i) any pension which are Final Salary Benefits payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Children in respect of Pensionable Service in TOPS before 1 January 2008; and
 - (ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Dependant Children by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is not used to provide lump sum benefits under Rule 8.1 of this Appendix One to Schedule Five of Part E of the Rules (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death)).
- (c) The Trustees will determine the amount of each Dependent Child's pension from time to time.
- (d) Subject to (e) below, the maximum pension payable to an individual Dependant Child is ten (10) percent of the Active CARE Member's CARE Salary or the DC Scheme Life Assurance Member's DC Salary as at 1 April immediately preceding his death LESS the maximum Final Salary Benefits pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Child in respect of Pensionable Service in TOPS before 1 January 2008.

- (e) The Dependant Children's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) If no Adult Dependant's pension is payable at the date of the Active CARE Member's or DC Scheme Life Assurance Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (ii) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Five of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Five of Part E of the Rules will apply.
- (iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Five of Part E of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.3 will apply.
- (iv) A CARE Member who remains in the employment of an Employer at the date of his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Five of Part E of the Rules will apply.
- (v) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Five of Part E of the Rules will apply.
- (vi) In the event that the CARE Benefits pension payable to Dependant Children under Rule 8.3(b) above is smaller than the Final Salary Benefits pension payable in respect of an Active CARE Member's or DC Scheme Life Assurance Member's Children calculated upon the basis that the CARE Member became a deferred pensioner in respect of his Final Salary Benefits on 31 December 2007 in TOPS, the higher benefit will be payable.

9 Deferred CARE Member Death Benefits

9.1 Lump Sum Death Benefit

- (a) No lump sum death benefit is payable upon the death of a Deferred CARE Member before his CARE Pension Date from Section 1 of the Scheme in respect of his CARE Benefits.
- (b) Rules 6.6(e) and 10 of this Appendix One to Schedule Five of Part E of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.2 Adult Dependant's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Adult Dependant.
- (b) The pension payable under (a) will be equal to half of the Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule Five of Part E of the Rules and revalued under that Rule to the date of the Deferred CARE Member's death.
- (c) The Adult Dependant's pension will start on the day after the date of the Deferred CARE Member's death.
- (d) Rules 6.6(e) and 10 of this Appendix One to Schedule Five of Part E of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.3 Dependant Children's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Dependant Children.
- (b) The pension payable under (a) is a maximum of forty five (45) percent of the Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule Five of Part E of the Rules and revalued to the date of the Deferred CARE Member's death.
- (c) The Trustees will determine the amount of each Dependant Child's pension from time to time.

- (d) Subject to (e), the maximum pension payable to an individual Dependant Child is fifteen (15) percent of the Deferred CARE Member's CARE Pension.
- (e) If no Adult Dependant's pension is payable at the date of the Deferred CARE Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension will start on the day after the date of the Deferred CARE Member's death.
- (g) Rules 6.6(e) and 10 apply of this Appendix One to Schedule Five of Part E of the Rules upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

10 CARE Pensioner Death Benefits

10.1 Lump Sum Death Benefit

- (a) If a CARE Pensioner dies less than five (5) years after the date his CARE Pension started to be paid and before age 75, the Trustees will hold on the discretionary trusts a lump sum equal to the total pension payments which would have been paid to the CARE Pensioner during the remaining balance of the period of five (5) years from the date his CARE Pension started to be paid.
- (b) The lump sum under (a) will be calculated using the rate of CARE Pension payable immediately before the date of the CARE Pensioner's death. Future CARE Pension increases are ignored.
- (c) The lump sum death benefit payable under this Rule will be applied in accordance with Rule 74 of Part D of the Rules.
- (d) If a CARE Pensioner dies more than five (5) years after the date his CARE Pension started to be paid or after attaining age 75, no lump sum death benefit is payable.

10.2 Adult Dependant's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Adult Dependant.
- (b) The pension payable under (a) will be equal to half of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Five of Part E of the Rules).

- (c) The Adult Dependant's pension will start on the first day of the next month following the date of the CARE Pensioner's death.

10.3 Dependant Children's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Dependant Children.
- (b) The pension payable under (a) is a maximum of forty five (45) percent of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Five of Part E of the Rules).
- (c) The Trustees will determine the amount of each Dependant Child's pension from time to time.
- (d) Subject to (e), the maximum pension payable to an individual Dependant Child is fifteen (15) percent of the CARE Pensioner's CARE Pension.
- (e) If no Adult Dependant's pension is payable at the date of the CARE Pensioner's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension starts to be paid on the first day of the next month following the date of the CARE Pensioner's death.

11 Payment of Pensions and Lump Sum Benefits

11.1 Payment of a CARE Member's Pensions

- (a) A CARE Member's CARE Pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.
- (b) The first CARE Pension payment will be the aggregate of:
 - (i) the proportion of one month's instalment of CARE Pension payment calculated from the date the CARE Pension started to the first day of the next month (if any); and
 - (ii) the next full month's instalment of CARE Pension.

11.2 Stopping a CARE Member's CARE Pension

- (a) Subject to Rule 11.3 below, a CARE Member's CARE Pension is payable for life and will stop on the date of his death.

- (b) The last month's CARE Pension instalment made to a CARE Member immediately before his death will not be apportioned.
- (c) Any one or more instalments of pension paid after the date of the CARE Member's death will be treated as a debt to Section 1 of the Scheme which is repayable to Section 1 of the Scheme unless the Trustees determine otherwise.

11.3 Review of Serious Ill-Health CARE Pensions

- (a) A CARE Pension which is paid under either Rule 5.3 or 6.5 of this Appendix One to Schedule Five of Part E of the Rules due to the Serious Ill-Health of the CARE Member will be reviewed by the Trustees every three (3) years after the date his CARE Pension starts to be paid or such other period as the Trustees determine. No reviews will be made once the CARE Member attains his CARE Pension Date.
- (b) At each review of the payment of CARE Pension due to Serious Ill-Health, the Trustees may ask the CARE Pensioner to:
 - (i) attend a medical with the registered medical practitioner of the Trustees selection; and / or
 - (ii) provide any information and other co-operation to allow the Trustees to complete their review.
- (c) If the Trustees are satisfied that the CARE Pensioner:
 - (i) is no longer suffering from Serious Ill-Health; or
 - (ii) failed to co-operate with the review to such a degree that they are not able to determine if the CARE Pensioner continues to suffer from Serious Ill-Healththey may reduce or terminate the payment of the CARE Pension as they determine.
- (d) Having reduced or terminated a CARE Pension under (c) above, the Trustees may, if it appears appropriate to them to do so, restore the payment of the CARE Pension.
- (e) If a CARE Pensioner's CARE Pension payable due to Serious Ill-Health is terminated under this Rule he will:
 - (i) be treated as a Deferred CARE Member; and

- (ii) have his CARE Pension calculated in accordance with Rule 6.2 of this Appendix One to Schedule Five of Part E of the Rules as at the date he left Pensionable CARE Service.

Conditions:

- (A) The calculation of the CARE Member's Deferred CARE Pension will ignore the fact that he initially started to receive his CARE Pension under either Rule 5.3 or 6.5 of this Appendix One to Schedule Five of Part E of the Rules as applicable.
 - (B) All payments of CARE Pension made to him between the date his CARE Pension started under Rule 5.3 or 6.5 of this Appendix One to Schedule Five of Part E of the Rules and the date it was terminated under this Rule will be ignored (unless the Trustees determine otherwise in their absolute discretion).
 - (C) The Deferred CARE Pension will not be less than the amount required to be paid under the Preservation Requirements.
- (f) This Rule 11.3 is subject to the terms of disability discrimination legislation in so far as it applies to the Scheme.

11.4 Payment of Adult Dependant's Pensions and Dependant Children's Pensions

- (a) An Adult Dependant's pension and a Dependant Children's pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.
- (b) In the case of an Adult Dependant's pension or Dependant Children's pension payable due to the death of an Active CARE Member, a Deferred CARE Member or a CARE Postponed Pensioner, the first Adult Dependant's or first Dependant Children's pension payment will be the aggregate of:
 - (i) the proportion of one month's pension instalment calculated from the date of the CARE Member's death to the first day of the next month (if any); and
 - (ii) the next full month's pension instalment.
- (c) In the case of an Adult Dependant's pension or Dependant Children's pension payable due to the death of a CARE Pensioner, the first Adult Dependant's or first Dependant Children's pension payment will be a full month's pension instalment and will be made on the first day of the month following the date of

the CARE Pensioner's death.

11.5 Stopping the Adult Dependant's Pension

- (a) An Adult Dependant's pension is payable for life and will stop on the date of his death.
- (b) The last month's pension instalment paid to an Adult Dependant immediately before his death will not be apportioned.
- (c) Any one or more instalments of pension paid after the date of the Adult Dependant's death will be treated as a debt to Section 1 of the Scheme which is repayable to Section 1 of the Scheme unless the Trustees determine otherwise.

11.6 Stopping the Dependant Children's Pensions

- (a) A Dependant Child's pension is only payable to a child for so long as the Trustees are satisfied that the child remains a Dependant Child.
- (b) A Dependant Child's pension will stop on the date he ceases to be a Dependant Child.
- (c) The last month's pension instalment paid in respect of a Dependant Child immediately before he stopped being a Dependant Child will not be apportioned.
- (d) When a child ceases to be a Dependant Child, if there are remaining Dependant Children whose pensions are less than the maximum pension payable to an individual Dependant Child under Rules 8.3, 9.3 or 10.3 of this Appendix One to Schedule Five of Part E of the Rules, the Trustees will recalculate the proportion of the Dependant Children's pension payable to the remaining Dependant Children in such manner as the Trustees determine.
- (e) Any one or more instalments of pension paid after the date the Dependant Child's pension was payable under the Rules contained in this Appendix One to Schedule Five of Part E of the Rules will be treated as a debt to Section 1 of the Scheme which is repayable to Section 1 of the Scheme unless the Trustees determine otherwise.

12 Family Leave and Absence from Work

12.1 Family Leave

- (a) In this Rule:

- (i) "Family Leave" refers jointly to Adoption Leave, Maternity Leave, Paternity Leave and Parental Leave (whether Paid Family Leave or Unpaid Family Leave).
- (ii) "Adoption Leave", "Maternity Leave", "Ordinary Adoption Leave", "Ordinary Maternity Leave", "Paternity Leave" and "Parental Leave" are as defined in the Employment Rights Act 1996.
- (iii) The definition of "CARE Salary" is modified for any period of Family Leave during which an Active CARE Member is not in receipt of pay as if he were working normally:
 - (A) for the purposes of calculating all pension and death benefits in respect of the CARE Benefits, CARE Salary will be the CARE Salary in force on 1 April immediately before the Active CARE Member's Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the CARE Salary attributable to the Active CARE Member had he continued to work normally);
 - (B) for the purposes of Rule 3.1 of this Appendix One to Schedule Five of Part E of the Rules CARE Salary is deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Family Leave (including any statutory maternity pay, adoption pay or paternity pay).
- (iv) The definition of "DC Salary" is modified for any period of Family Leave during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he was working normally. For the purposes of calculating all pension and death benefits in respect of the CARE Benefits, the DC Salary will be the amount which was in payment to the DC Scheme Life Assurance Member before the Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the DC Salary which the DC Scheme Life Assurance Scheme Member would have received if he had continued to work normally).

12.2 Paid Family Leave

- (a) A CARE Member will remain an Active CARE Member in respect of the CARE

Benefits during any period of Family Leave during which he is entitled to and receives pay (including any statutory maternity pay, adoption pay or paternity pay) from his Employer ("Paid Family Leave").

- (b) All periods of Paid Family Leave are Pensionable CARE Service and the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule Five of Part E of the Rules for so long as he is in receipt of pay from his Employer.
- (c) Any period of Ordinary Maternity Leave or Ordinary Adoption Leave during which a CARE Member is not entitled to statutory maternity pay will be treated as Paid Family Leave under this Rule.
- (d) A DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Five of Part E of the Rules during any period of Paid Family Leave and any period of Ordinary Maternity Leave or Ordinary Adoption Leave during which the DC Scheme Life Assurance Member is not entitled to statutory maternity pay.

12.3 Unpaid Family Leave

- (a) Subject to Rule 12.2(c) above, an Active CARE Member will remain in Service during any period of Family Leave when he is not entitled to and does not receive pay (including any statutory maternity pay, adoption pay or paternity pay) from his Employer ("Unpaid Family Leave").
- (b) Subject to Rule 12.4(a) below, all periods of Unpaid Family Leave are Service but not Pensionable CARE Service.
- (c) During Unpaid Family Leave an Active CARE Member and his Employer are not required to comply with Rule 3.2 of this Appendix One to Schedule Five of Part E of the Rules.
- (d) During all periods of Unpaid Family Leave, the Active CARE Member or DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Five of Part E of the Rules and will be treated as either an Active CARE Member or a DC Scheme Life Assurance Member (as applicable) for these purposes.

12.4 Returning to Work

- (a) If an Active CARE Member returns to work after a period of Unpaid Family Leave, he may pay contributions in order to earn Pensionable CARE Service for

any periods of Unpaid Family Leave. The terms will be agreed between the Active CARE Member and the Trustees.

- (b) If Rule 12.4(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any period of Family Leave will be treated as continuous.

12.5 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of Family Leave, he will cease to be an Active CARE Member or DC Scheme Life Assurance Member (as applicable) on the earliest of the date:
 - (i) he informs his Employer that he will not be returning to work;
 - (ii) her right to Ordinary Maternity Leave or Ordinary Adoption Leave ended;
 - (iii) when his right to Paid Family Leave ended; or
 - (iv) he started Parental Leave under the Employment Rights Act 1996 or any extension of those terms allowed by the Employer if none of the period of Parental Leave is paid.
- (b) The Principal Employer's confirmation of the date is final.

12.6 Absence

- (a) General
 - (i) This Rule applies where either an Active CARE Member or DC Scheme Life Assurance Member is not at work whilst still in Service (except on normal holiday leave or Family Leave) due to:
 - (A) injury or illness; or
 - (B) secondment or attending full-time education with the agreement of his Employer in circumstances where there is an expectation on the part of the Active CARE Member or DC Scheme Life Assurance Member and the Employer that he will return to work for an Employer.
 - (ii) Where the absence is due to illness or injury, the definition of:

(A) "CARE Salary" is modified for any period of the absence during which an Active CARE Member is not in receipt of his pay as if he was working normally:

1) for the purposes of calculating all pension and death benefits which are CARE Benefits, the amount of the CARE Salary which was in payment to the Active CARE Member before his absence due to ill-health or injury started as increased as at each 1 April by such amount as the Principal Employer decides;

2) for the purposes of Rule 3.1 of this Appendix One to Schedule Five of Part E of the Rules CARE Salary is deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Paid Absence either from an Employer or payments from an employer's permanent health insurance scheme; or

(B) "DC Salary" is modified by any period of absence during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he were working normally. For the purposes of calculating all pension and death benefits which are CARE Benefits the amount of the DC Salary before his absence due to ill-health or injury started, as increased as at each 1 April by such amount as the Principal Employer decides.

(iii) Where absence is due to secondment or attending full-time education, the Principal Employer will determine the extent to which (if at all) the definitions of "CARE Salary" and "DC Salary" are modified during the period of absence. The Principal Employer will notify the Trustees of any modifications made to either CARE Salary or DC Salary under this Rule.

12.7 Paid Absence

(a) During a period of absence to which this Rule applies when the CARE Member is in receipt of pay from either an Employer or payments from an employer's permanent health insurance scheme ("Paid Absence"), the CARE Member will be treated as an Active CARE Member and will remain in Pensionable CARE Service.

- (b) During all periods of Paid Absence, the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule Five of Part E of the Rules for so long as he is in receipt of pay from either an Employer or if he is absent due to ill-health or injury, payments from an employer's permanent health insurance scheme.
- (c) During all periods of Paid Absence, the Principal Employer will determine the level of the Active CARE Member's CARE Salary for the purposes of calculating his pension and death benefits.
- (d) During all periods of Paid Absence a DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Five of Part E of the Rules and will be treated as a DC Scheme Life Assurance Member for these purposes unless the Principal Employer decides otherwise.

12.8 Unpaid Absence

- (a) During a period of absence to which this Rule applies, when the Active CARE Member is not in receipt of pay from an Employer or in the case of absence due to ill-health or injury, payments from an employer's permanent health insurance scheme ("Unpaid Absence"), the Active CARE Member will be treated as being in Service but not Pensionable CARE Service (unless the Principal Employer determines otherwise).
- (b) During all periods of Unpaid Absence, the Active CARE Member and his Employer are not required to comply with the terms of Rule 3.2 of this Appendix One to Schedule Five of Part E of the Rules.
- (c) During all periods of Unpaid Absence whilst either the Active CARE Member or DC Scheme Life Assurance Member (as applicable) remains in service, he will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Five of Part E of the Rules and will be treated as either an Active CARE Member or DC Scheme Life Assurance Member (as applicable) for these purposes unless the Principal Employer decides otherwise.

12.9 Returning to Work

- (a) If an Active CARE Member returns to work for an Employer or starts to be in receipt of payments from an employer's permanent health insurance scheme after a period of Unpaid Absence, he may pay contributions in order to earn Pensionable CARE Service for any period of Unpaid Absence. The terms will be

agreed between the Active CARE Member and the Trustees.

- (b) If Rule 12.9(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any periods of Unpaid Absence will be treated as continuous.

12.10 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of absence, he will cease to be either an Active CARE Member or a DC Scheme Life Assurance Member on the earliest of the date:
 - (i) he informs his Employer that he will not be returning to work;
 - (ii) his Employer terminates his employment; or
 - (iii) such other date as the Principal Employer decides and notifies to the Trustees.
- (b) The Principal Employer's confirmation of the date is final.

13 Part-Time Workers

13.1 Application of this Rule

- (a) This Rule applies to any Active CARE Member who is in Part-Time Employment for any period of Pensionable CARE Service.
- (b) This Rule overrides the rest of the Rules contained in this Appendix One to Schedule Five of Part E of the Rules in respect of periods of Part-Time Employment relating to the calculation of all CARE Benefits held in the Scheme.

13.2 Adjustment of Part-Time Active CARE Member's CARE Benefits

- (a) If an Active CARE Member is in Part-Time Employment for any period of Pensionable CARE Service:
 - (i) his CARE Salary for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:
$$\text{CARE Salary} \quad \times \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$
 - (ii) his Pensionable CARE Service for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be

adjusted using the following formula:

$$\frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}} \times \text{Period of Part-Time Pensionable CARE Service}$$

- (iii) the upper earnings limit used to determine the level of an Active CARE Member's contributions or rate at which salary should be sacrificed from his pay under a pension salary sacrifice arrangement under Rule 3.2 of this Appendix One to Schedule Five of Part E of the Rules in respect of each period of Part-Time Employment, will be adjusted by the following formula:

$$\text{upper earnings limit} \quad \times \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

For the purposes of this adjustment, upper earnings limit has the same meaning as in Rule 3.2 of this Appendix One to Schedule Five of Part E of the Rules;

- (iv) the Salary Cap for the purposes of calculating his CARE Pension and level of Active CARE Member's contributions or rate at which salary should be sacrificed from his pay under pension salary sacrifice arrangements under Rule 3.2 of this Appendix One to Schedule Five of Part E of the Rules in respect of each period of Part-Time Employment, will be adjusted using the following formula:

$$\text{Salary Cap} \quad \times \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

- (v) with effect on and from 1 April 2009 for Pensionable CARE Service earned after that date his Gross Band Earnings for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\text{Gross Band Earnings} \quad \times \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$

Provided that Gross Band Earnings in all cases will not be greater than the upper earnings limit.

- (b) If an Active CARE Member has more than one period of Service which is Part-Time Employment and / or Full-Time Employment, each one will be treated separately.
- (c) The Trustees will determine all questions of doubt in respect of the calculation of an Active CARE Member's CARE Benefits for periods of Part-Time Employment

if there is an inadequacy in the data provided to them.

13.3 The Meaning of Words used in this Rule 13

- (a) "Average Weekly Contractual Hours" is the average number of hours in each standard working week for which an Active CARE Member is contracted to work for an Employer.
- (b) "Standard Weekly Hours" is the number of hours during a standard working week which an Active CARE Member would be contracted to work for an Employer if he was contracted to work on a full-time basis.
- (c) "Part-Time Employment" is any period of Pensionable CARE Service during which an Active CARE Member is contracted to work for a lower number of weekly hours of work than those applicable to an Active CARE Member who is contracted to work on a full-time basis.

14 CARE Pension Increases

14.1 The Rate of Pension Increases

- (a) A pension which is in payment will increase on each 1 April:
 - (i) for:
 - (A) a CARE Pensioner; or
 - (B) an Adult Dependant and/or Dependant Children of either an Active CARE Member, Deferred CARE Member or CARE Postponed Pensioner

by the smaller of the Rate and $1/365$ th of the Rate multiplied by the number of days since the date pension started;
 - (ii) for an Adult Dependant or Dependant Children of a CARE Pensioner, by the Rate.
- (b) "Rate" as at each 1 April is the lower of:
 - (i) the annual rise in the published Government retail prices index for all items for the immediately preceding month of September; and
 - (ii) 2.5%.
 - (iii)

Conditions:

- (A) If:
- 1) for any period on and after 1 January 2008, the Rate is lower than the rise in the Government retail prices index for all items under (b)(i) above; and
 - 2) the Actuary advises the Trustees that either:
 - 1a) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 1); or
 - 1b) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and
 - 3) the Principal Employer consents in writing
the Trustees may apply a Rate of greater than 2.5% at the next 1 April.
- (B) Any increase in pension required to be paid by Section 1 of the Scheme by statute will be included within any increase in pension payable under this Rule.
- (C) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

15 Definitions used in this Appendix One to Schedule Five of Part E of the Rules

15.1 Meaning of Words Used in this Appendix One

In this Appendix One to Schedule Five of Part E of the Rules only, the words listed below have the following meanings:

"Active CARE Member" means a CARE Member who has:

- (a) joined Section 1 of the Scheme to be provided with CARE Benefits under Rule 2.1 of this Appendix One to Schedule Five of Part E of the Rules; and

- (b) makes contributions to Section 1 of the Scheme or has a pension salary sacrifice arrangement in place with his Employer under Rule 3.2 of this Appendix One to Schedule Five of Part E of the Rules; and
- (c) not yet left Pensionable CARE Service. (For these purposes absence whilst the Active CARE Member remains in Service under Rule 12 of this Appendix One to Schedule Five of Part E of the Rules is ignored).

“Active CARE Membership” has a corresponding meaning.

“Adoption Leave” is defined in Rule 12.1 of this Appendix One to Schedule Five of Part E of the Rules.

“Adult Dependant” means the CARE Member’s widow, widower or Civil Partner as at the date of his death.

If the CARE Member was unmarried and had not entered into a Civil Partnership as at the date of his death, the Trustees may, in their absolute discretion, determine that any person who was:

- (a) living with the CARE Member in a relationship akin to marriage or a Civil Partnership; and
- (b) financially dependent or inter-dependent on the CARE Member at the date of his death

is his Adult Dependant.

“Average Weekly Contractual Hours” is defined in Rule 13.3 of this Appendix One to Schedule Five of Part E of the Rules.

“Averaged Revalued CARE Salary” is defined in Rule 4.2 of this Appendix One to Schedule Five of Part E of the Rules.

“CARE Member” means a person who is entitled or prospectively entitled to CARE Benefits from Section 1 of the Scheme. Unless the context requires otherwise, CARE Member includes:

- (a) an Active CARE Member, Deferred CARE Member, CARE Postponed Pensioner and CARE Pensioner; and
- (b) excludes a DC Scheme Life Assurance Member for all purposes other than the payment of benefits upon the death of a DC Scheme Life Assurance Member.

“CARE Membership” has a corresponding meaning.

“CARE Pension” is defined in Rule 4.1 of this Appendix One to Schedule Five of Part E of the Rules.

“CARE Pension Date” means the CARE Member’s or DC Scheme Life Assurance Member’s 65th birthday.

“CARE Pensioner” means a CARE Member who is being paid a CARE Pension from Section 1 of the Scheme by virtue of his own CARE Membership.

“CARE Postponed Pensioner” means a CARE Member who:

- (a) remains in the employment of an Employer after his CARE Pension Date; and
- (b) has deferred or is deemed to have deferred payment of his CARE Pension under Rule 5.4(b) of this Appendix One to Schedule Five of Part E of the Rules; and
- (c) whose CARE pension has not started to be paid.

“CARE Salary” means the Active CARE Member’s:

- (a) basic salary had the Active CARE Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) CARE Salary is determined as at each 1 April and confirmed to the Active CARE Member annually by his Employer in writing after that date.
- (ii) An Active CARE Member’s CARE Salary cannot be greater than the Salary Cap.
- (iii) An Active CARE Member’s first CARE Salary for the purposes of calculating CARE Benefits in the Scheme was the CARE Salary in respect of TOPS determined as at 31 December 2007 and notified to him in writing. It was applied from 1 January 2008 to 31 March 2008 inclusive in that scheme.
- (iv) In the case of an Active CARE Member who has entered into a pension salary sacrifice arrangement with his Employer, for the purposes of calculating all of his CARE Benefits, his CARE Salary will be calculated ignoring the effect of any salary sacrifice arrangements in force between him and his Employer from time to time.

“Cash Transfer Sum” means a cash equivalent transfer as described in Section 101AB (3) of the 1993 Act.

“Contribution Refund” has the meaning given to it in Section 101AB of the 1993 Act.

“DC Scheme Life Assurance Member” means an employee:

- (a) who was in the employment of an Employer on 31 December 2007; and
- (b) who elected to join the DC Scheme after 31 December 2007; and
- (c) in respect of whom contributions are made by an employer in the group of companies owned by Thales Holdings UK plc (or its successors) to the DC Scheme.

“DC Lump Sum” is defined in Rule 8.1(d) of this Appendix One to Schedule Five of Part E of the Rules.

“DC Salary” means the DC Scheme Life Assurance Member’s:

- (a) basic salary had the DC Scheme Life Assurance Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) DC Salary is determined as at each 1 April and confirmed to the DC Life Assurance Scheme Member annually by his Employer in writing after that date.
- (ii) A DC Scheme Life Assurance Member’s DC Salary cannot be greater than the Salary Cap.
- (iii) DC Salary will be calculated ignoring the effect of any salary sacrifice arrangements in force between him and his Employer from time to time.

“Deferred CARE Member” means a CARE Member who has:

- (a) not attained his CARE Pension Date or has deferred commencement of his CARE Pension after his CARE Pension Date;
- (b) left Pensionable CARE Service (regardless of whether he remains in the employment of an Employer or not); and
- (c) not either:
 - (i) started to be paid his CARE Pension; or
 - (ii) received any benefits payable under Rule 6.1 of this Appendix One to

Schedule Five of Part E of the Rules.

Deferred CARE Member includes a person treated as such under Rule 11.3 of this Appendix One to Schedule Five of Part E of the Rules.

"Dependant Child(ren)" means a child who was:

- (a) the CARE Member's:
 - (i) natural child;
 - (ii) adopted child;
 - (iii) step child who the Trustees consider, in their absolute discretion, was dependent upon the CARE Member; and
 - (iv) any child who the Trustees consider, in their absolute discretion, the CARE Member would have been regarded as a child for whom he was responsible as a parent and where in the opinion of the Trustees the child was dependent on the CARE Member; and
- (b) at the date of the CARE Member's death was:
 - (i) under the age of 18; or
 - (ii) under the age of 23 and in full-time education.

Condition:

Dependant Child includes a child who was conceived and in his mother's womb but not yet born at the date of the CARE Member's death.

"Early Retirement Reduction" is the amount by which a CARE Member's CARE Pension is reduced to take account of the period of time by which the CARE Pension is being paid early.

- (a) With effect on and from 1 January 2008, the amount of the Early Retirement Reduction in respect of the CARE Pension will be 5% for each complete year (and a pro rata amount for each complete month of any part year) that the CARE Pension is paid before the CARE Member's CARE Pension Date.
- (b) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the Early Retirement Reduction to an alternative Early Retirement Reduction which may be higher or lower than the Early Retirement Reduction set out in (a) above. But,

- (i) such an Early Retirement Reduction agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:
 - (A) whilst the Scheme is a Sectionalised Scheme, the assumptions used at the last actuarial valuation for Section 1 of the Scheme; or
 - (B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme;
 - (ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).
- (c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Five of Part E of the Rules, the Principal Employer and Trustees must review the Early Retirement Reduction and agree the Early Retirement Reduction to be applied. If the Principal Employer and the Trustees cannot agree the Early Retirement Reduction under this (c), the Actuary will either:
- (i) revise the Early Retirement Reduction by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or
 - (ii) leave the Early Retirement Reduction unchanged.

“Family Leave” is defined in Rule 12.1 of this Appendix One to Schedule Five of Part E of the Rules.

“LAF” is defined in Rule 4.2 of this Appendix One to Schedule Five of Part E of the Rules.

“LAF Base Table” is defined in Rule 4.2 of this Appendix One to Schedule Five of Part E of the Rules.

“LAF Recalculation Table” is defined in Rule 4.2 of this Appendix One to Schedule Five of Part E of the Rules.

“Late Retirement Increase” is the amount by which a CARE Member’s CARE Pension is increased to take account of the period of time by which the CARE Pension is being paid late.

- (a) With effect on and from 1 January 2008, the amount of the Late Retirement Increase in respect of the CARE Pension will be 8.5% for each complete year

(and a pro rata amount for each complete month of any part year) that the CARE Pension is paid after the CARE Member's CARE Pension Date.

(b) The Principal Employer with the agreement of the Trustees may from time to time and at any time after the Late Retirement Increase to an alternative Late Retirement Increase which may be higher or lower than the Late Retirement Increase set out in (a) above. But,

(i) such a Late Retirement Increase agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:

(A) whilst the Scheme is a Sectionalised Scheme, the assumptions used at the last actuarial valuation for Section 1 of the Scheme; or

(B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme; and

(ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).

(c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Five of Part E of the Rules, the Principal Employer and Trustees must review the Late Retirement Increase and agree the Late Retirement Increase to be applied. If the Principal Employer and the Trustees cannot agree the Late Retirement Increase under this (c), the Actuary will either:

(i) revise the Late Retirement Increase by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or

(ii) leave the Late Retirement Increase unchanged.

"Lump Sum Benefit" is defined in Rule 8.1(c) of this Appendix One to Schedule Five of Part E of the Rules.

"Paid Absence" is defined in Rule 12.2(b) of this Appendix One to Schedule Five of Part E of the Rules.

"Paid Family Leave" is defined in Rule 12.1(b) of this Appendix One to Schedule Five of Part E of the Rules.

“Parental Leave” is defined in Rule 12.1(a) of this Appendix One to Schedule Five of Part E of the Rules.

“Part-Time Employment” is defined in Rule 13.3(c) of this Appendix One to Schedule Five of Part E of the Rules.

“Paternity Leave” is defined in Rule 12.1(a) of this Appendix One to Schedule Five of Part E of the Rules.

“Pensionable CARE Service” means a CARE Member’s:

- (a) last or only continuous period of Service as an Active CARE Member;
- (b) any additional period of Service as an Active CARE Member aggregated with the CARE Member’s last period of Service as an Active CARE Member; and
- (c) any additional period of Pensionable CARE Service awarded to the CARE Member in respect of a transfer payment received by Section 1 of the Scheme or augmentation made in respect of his CARE Benefits for him where the Trustees, with the agreement of the Principal Employer have determined to award Pensionable CARE Service in respect of such a transfer or augmentation.

“Rate” is defined in Rule 14.1(b) of this Appendix One to Schedule Five of Part E of the Rules.

“Revalued CARE Salary” is defined in Rule 4.2(d) of this Appendix One to Schedule Five of Part E of the Rules.

“Revaluation Factor” is defined in Rule 4.2(e) of this Appendix One to Schedule Five of Part E of the Rules.

“Salary Cap” is determined each year as at each 1 April and is calculated as:

- (a) the Salary Cap in force on each 31 March;
- (b) increased on 1 April by the rise in the published Government’s retail prices index for all items for the immediately preceding month of September. If the figure arrived at is not a multiple of £600, the figure will be rounded up to the nearest figure that is divisible by £600.

Conditions:

- (i) If in any year the published Government retail prices index for all items has not increased, the Salary Cap for that year will remain unchanged.
- (ii) The first Salary Cap is £112,800 which will apply from 1 January 2008 to 31

March 2008 inclusive in respect of CARE Benefits earned in TOPS. The second Salary Cap to apply from 1 April 2008 to 30 June 2008 in TOPS and from 1 July 2008 to 31 March 2009 to CARE Benefits earned in the Scheme is £117,600.

- (iii) If an Active CARE Member has a period of Part-Time Employment the Salary CAP will be adjusted in accordance with Rule 13 of this Appendix One to Schedule Five of Part E of the Rules.
- (iv) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

“**Serious Ill-Health**” is the total incapacity of an Active CARE Member by reason of illness or injury such that the Principal Employer, with the agreement of the Trustees, are satisfied (after taking the advice of a registered medical practitioner selected by the Principal Employer with the agreement of the Trustees) that the Active CARE Member is not able to carry out the material and substantial duties of his occupation.

“**Service**” means service as an employee of an Employer.

“**Standard Weekly Hours**” is defined in Rule 13.3(b) of this Appendix One to Schedule Five of Part E of the Rules.

“**Three Month Condition**” has the meaning given to it in Section 101AA of the 1993 Act.

“**Unpaid Absence**” is defined in Rule 12.2(c) of this Appendix One to Schedule Five of Part E of the Rules.

“**Unpaid Family Leave**” is defined in Rule 12.1(c) of this Appendix One to Schedule Five of Part E of the Rules.

15.2 Other Definitions used in Appendix One to Schedule Five

- (a) In this Appendix One to Schedule Five of Part E of the Rules, the words “**Active Member**”, “**Child**”, “**Children**”, “**Normal Retiring Date**”, “**Pensionable Service**”, “**Pensioner**” and “**Widow**”, “**Widower**” have the meanings given to them in Appendix Two to Schedule Five of Part E of the Rules.
- (b) In this Appendix One to Schedule Five of Part E of the Rules, all other definitions are defined in Part A of the Rules unless the Rules expressly state otherwise.

16 Restrictions on Lump Sum Death Benefits

- 16.1 In the event that the Lump Sum Benefit payable upon the death of an Active CARE Member or a DC Scheme Life Assurance Member is insured by the Scheme using a policy of insurance from an insurance company, the maximum amount of the Lump Sum Benefit will be determined in accordance with this Rule 16.
- 16.2 The Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule Five of Part E of the Rules in respect of an Active CARE Member or a DC Scheme Life Assurance Member will not be greater than the monies paid by the insurance company under the policy of insurance effected by the Scheme to the Trustees in respect of the deceased Active CARE Member or DC Scheme Life Assurance Member (as applicable).
- 16.3 If Rule 16.2 above applies, the Trustees may pay a sum greater than the monies received from the insurance company but not greater than the Lump Sum Benefit. This Rule applies only if the Actuary advises the Trustees that the Scheme is fully funded on its ongoing funding basis using either:
- (a) if the Scheme is a Sectionalised Scheme, the assumptions used at the Scheme's previous actuarial valuation for Section 1 of the Scheme; or
 - (b) if the Scheme has desectionalised, the assumptions used at the Scheme's previous actuarial valuation for the Scheme.
- 16.4 This Rule is subject to the terms of legislation relating to age discrimination and disability discrimination insofar as they apply to the Scheme.
- 16.5 This Rule 16 will not apply to have the effect of reducing the Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule Five of Part E of the Rules where either:
- (a) the Trustees are aware that the application of this Rule will have the effect of reducing the Lump Sum Benefit payable upon the death of an Active CARE Member or DC Scheme Life Assurance Member due to the level of such a Active CARE Member's or DC Scheme Life Assurance Member's pay from an Employer or the state of his health and the Trustees have failed to inform the Active CARE Member or DC Scheme Life Assurance Member of the effect of this Rule upon the Active CARE Member's or DC Scheme Life Assurance Member's Lump Sum Benefit within one (1) month of becoming aware of it; or
 - (b) the full extent of the Lump Sum Benefit is not insured due to an act or omission or failure on the part of the Trustees or the Active CARE Member's or DC Scheme Life Assurance Member's Employer.

Provided that this Rule 16.5 will not apply if the reduction in the Lump Sum Benefit is caused as a direct result of an act, omission or failure by the Active CARE Member or DC Scheme Life Assurance Member to ensure that the Lump Sum Benefit is insured in full.

**SCHEDULE FIVE OF PART E OF THE RULES
FINAL SALARY BENEFITS RULES FOR FORMER TOPS BENEFICIARIES**

APPENDIX TWO

1 General Benefits Description

1.1 Type of Benefits

The Rules for Final Salary Benefits provide final salary style benefits for all Pensionable Service in TOPS before 1 January 2008 in accordance with the trust provisions and the rules of TOPS from time to time in force since the inception of TOPS on 27 January 1961 up until 31 December 2007 which are transferred to Section 1 of the Scheme.

1.2 Contracting-out Status

The Final Salary Benefits are contracted-out on a salary related basis in so far as was required by the trust provisions and /or rules of TOPS in force from time to time since the inception of TOPS and shall be provided in a manner consistent with such contracting-out requirements.

1.3 Tax Status and Scheme Benefit Limits

- (a) Subject to (c) below, the Final Salary Benefits are subject to and restricted by Scheme Benefit Limits set out in Part G of the Rules which limit and restrict the amount and payment of benefits in respect of all Former TOPS Beneficiaries who were entitled to Final Salary Benefits from TOPS earned before 1 January 2008 and transferred to Section 1 of the Scheme.
- (b) Subject to (c) below, all Final Salary Benefits earned before 1 October 1980 are subject to and restricted by all and any limits and restrictions contained in the trust deeds and rules which applied to those benefits in TOPS on 30 June 2008 in so far as they are different from the Scheme Benefit Limits set out in Part G of the Rules.
- (c) Part G is varied for Former TOPS Beneficiaries as follows:
 - (i) in calculating the maximum benefits payable to and in respect of any Former TOPS Beneficiary, no account shall be taken of benefits payable in respect of any voluntary contributions paid by the Former TOPS Beneficiary to TOPS.
 - (ii) Drawing benefits whilst in Service
 - (A) Subject to the consent of the Trustees and the Principal

Employer and to sub-paragraphs (B) and (C), a Former TOPS Beneficiary may receive a pension in respect of Final Salary Benefits whether or not his Service has ended.

(B) No benefits payable under the Scheme will be deferred beyond the day before the Member's 75th birthday.

(C) A Former TOPS Beneficiary to whom this paragraph (ii) applies will cease to be an Active CARE Member and Scheme Enhanced Member on the commencement of payment of his Final Salary Benefits.

(iii) Subject to the provisions of Rules 26.1 to 26.5 and 26.10 of Part A of the Rules, at the request of a Member, the Trustees may at their discretion allow a partial transfer of the member's voluntary contributions to an Other Scheme.

2 Applicable TOPS Rules - Members who left Pensionable Service before 1 January 2008

2.1 For the purposes of this Appendix Two to Schedule Five of Part E of the Rules the following terms have the following meanings:

(a) "TOPS Rules" means the definitive deed and rules of TOPS dated 31 May 2000 (as amended by all deeds of amendment other than the 2007 Deed unless the Rules expressly state otherwise).

(b) "Old Rules" means any provisions of any trust deed and rules of TOPS in force before the TOPS Rules effective from 1 April 1997 (as amended) which continued to apply to any Former TOPS Beneficiaries in TOPS before 1 July 2008.

(c) "2007 Deed" means the Enhanced Benefits Appendix of the deed of amendment dated 21 December 2007.

2.2 Subject to Rule 1.3 of this Appendix Two to Schedule Five of Part E of the Rules above, for the purposes of this Appendix Two to Schedule Five of Part E of the Rules the following provisions apply in respect of all Former TOPS Beneficiaries who ceased to be in Pensionable Service in TOPS before 1 January 2008 and are neither Scheme Enhanced Members or Former Scheme Enhanced Members:

(a) the Old Rules in force from time to time before 1 April 1997 which applied to any Former TOPS Beneficiaries of Section 1 of the Scheme in respect of their

Final Salary Benefits before that date for the purposes of determining the nature, amount, value and the calculation of the Former TOPS Beneficiary's Final Salary Benefits transferred from TOPS to Section 1 of the Scheme;

(b) in respect of Former TOPS Beneficiaries to whom Rule 2.2(a) does not apply, the provisions of the TOPS Rules listed below will (with the necessary alterations to points of detail) be treated as applying to any Former TOPS Beneficiaries of Section 1 of the Scheme for the purposes of determining the nature, amount, value and the calculation of the Former TOPS Beneficiary's Final Salary Benefits transferred from TOPS to Section 1 of the Scheme. (unless the context clearly requires otherwise):

- (i) all of the rules of part 1 of the TOPS Rules other than rules 1.1, 1.2, 1.3, 1.9, 1.12(e), 1.14, 1.15 and 1.16 of part 1 of the TOPS Rules;
- (ii) all of the rules of part 3 of the TOPS Rules other than the rules 3.1, 3.2, 3.4, 3.7 and 3.13 of part 3 of the TOPS Rules;
- (iii) rules 4.15(c), 4.15(d), 4.15(e)(iv), 4.15(e)(v), 4.21, 4.22, and 4.26 of part 4 of the TOPS Rules;
- (iv) all of the rules in the appendix - AVC Benefits Paid at or after the date Benefits Funded by the Employer Become due and Payable of the TOPS Rules;
- (v) all of the rules in the appendix - GMP Model Rules of the TOPS Rules; and
- (i) all of the definitions contained either in part 1 of the TOPS Rules or any other rules or appendices as amended from time to time and in particular by the 2007 Deed which are used in the listed Rules but only insofar as it is necessary to interpret the listed Rules.

Provided that such definitions will only have the meanings given to them in the TOPS Rules and will not be construed in accordance with any other definitions in the Rules.

2.3 Rule 3 of this Appendix Two to Schedule Five of Part E of the Rules does not apply to any Former TOPS Beneficiary who is neither a Scheme Enhanced Member nor a Former Enhanced Member (both as defined in Rule 3.1 below).

2.4 For the purposes of this Appendix Two to Schedule Five of Part E of the Rules a Former TOPS Beneficiary who on:

- (a) 31 December 2007 had:
 - (i) attained his Normal Retiring Date; and
 - (ii) deferred payment of his pension under the terms of rule 1.6 of part 1 of the TOPS Rules; and
 - (iii) was not in receipt of his Pension for Final Salary Benefits; and

- (b) 30 June 2008 was still not in receipt of his Pension for Final Salary Benefits

will continue to be treated as such a Member under the terms of rule 1.6 of part 1 of the TOPS with the right to the application of an actuarial increase in his Pension under the terms of rule 1.6(b) of part 1 of the TOPS Rules.

3 Applicable TOPS Rules - Members who were in Pensionable Service at any time after 31 December 2007 and entitled to Enhanced Benefits

3.1 Members affected by Enhanced Benefits and the Meaning of Past Service Pension

- (a) For the purposes of this Appendix Two to Schedule Five of Part E of the Rules, "Scheme Enhanced Member" means any Former TOPS Beneficiary who:
 - (i) was an Enhanced Members in respect of Final Salary Benefits under the terms of the TOPS Rules as amended by the 2007 Deed; and
 - (ii) who transferred his Final Salary Benefits to Section 1 of the Scheme with effect on and from 1 July 2008; and
 - (iii) was either an:
 - (A) Active CARE Member of Section 1 of the Scheme; or
 - (B) employee in respect of whom an employer in the group of companies owned by Thales Holdings (UK) plc or its successors make contributions to the DC Scheme

after 30 June 2008.

- (b) For the purposes of this Appendix Two to Schedule Five of Part E of the Rules, "Former Enhanced Member" means any Former TOPS Beneficiary who:
 - (i) was an Enhanced Member in respect of Final Salary Benefits under the of the TOPS Rules as amended by the 2007 Deed; and
 - (ii) ceased to be an Enhanced Member in TOPS Scheme after 1 January 2008

but before 1 July 2008; and

(iii) who transferred his Final Salary Benefits to Section 1 of the Scheme.

(c) For the purposes of this Appendix Two to Schedule Five of Part E of the Rules, the "Past Service Pension" is calculated using a Scheme Enhanced Member's or Former Enhanced Member's (as applicable) Pensionable Service and Final Pensionable Salary calculated as at 31 December 2007 in accordance with the TOPS Rules (as amended by the 2007 Deed). Past Service Pension does not include any Previous Membership Benefits.

3.2 Scheme Enhanced Members' and Former Enhanced Members' Benefits and Benefit Options

(a) Subject to Rule 1.3 of this Appendix Two to Schedule Five of Part E of the Rules, a Former TOPS Beneficiary who is either a Scheme Enhanced Member or a Former Enhanced Member will have his Final Salary Benefits calculated in accordance with the provisions listed in Rule 2.2 (with the necessary alterations to points of detail) as amended by the provisions in Rule 3 to this Appendix Two to Schedule Five of Part E of the Rules

(b) All Former TOPS Beneficiaries who are Scheme Enhanced Members in Section 1 of the Scheme will, whilst they remain Scheme Enhanced Members of Section 1 of the Scheme, have the same benefit options in respect of their Final Salary Benefits held in Section 1 of the Scheme as Members of TOPS in Pensionable Service on 31 December 2007 had under the terms of the TOPS Rules, but such benefit options are as amended by Rules 3.4 to 3.13 of this Appendix Two to Schedule Five of Part E of the Rules.

(c) All Former TOPS Beneficiaries who are Former Enhanced Members in Section 1 of the Scheme will have the same benefit options in respect of their Final Salary Benefits held in Section 1 of the Scheme as they had under the terms of the TOPS Rules (as amended by the 2007 Deed) as Enhanced Members who had stopped being Enhanced Members under those rules.

3.3 Revaluation of Final Salary Benefits earned before 31 December 2007 for Former Enhanced Members

Each of the Former TOPS Beneficiaries who is a Former Enhanced Member and was entitled to Final Salary Benefits payable under the TOPS Rules will be entitled to Final Salary Benefits in Section 1 of the Scheme which are:

(a) of the same nature, amount, value and calculated in the same way as the

Former Enhanced Member's Past Service Pension in TOPS ; and

- (b) adjusted in accordance with the terms of the 2007 Deed from 1 January 2008 to the date he stopped being an Enhanced Member in TOPS Scheme; and
- (c) revalued in Section 1 of the Scheme using the final salary method of statutory revaluation (as set out in section 84(1) and paragraphs 1 and 2 to Schedule 3 of the 1993 Act) to the earlier of the date:
 - (i) of his death;
 - (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Five of Part E of the Rules; or
 - (iii) his Normal Retiring Date.

3.4 Revaluation of Final Salary Benefits earned before 31 December 2007 for Scheme Enhanced Members

- (a) Each of the Former TOPS Beneficiaries who is a Scheme Enhanced Member of Section 1 of the Scheme is entitled to Final Salary Benefits payable under the TOPS Rules which is:
 - (i) of the same nature, amount, value and calculated in the same way as the Scheme Enhanced Member's Past Service Pension in TOPS ; and
 - (ii) then adjusted in accordance with the terms of this Rule 3.4 of this Appendix Two to Schedule Five of Part E of the Rules.
- (b) A Scheme Enhanced Member's Past Service Pension will be revalued as at 1 April 2008 in TOPS. Thereafter, subject to (c) below, a Scheme Enhanced Member's Past Service Pension will be revalued as at each 1 April in Section 1 of the Scheme by the Special Revaluation Factor for the Revaluation Period.
- (c) As at the date a Scheme Enhanced Member stops being a Scheme Enhanced Member in Section 1 of the Scheme his Past Service Pension will not be less than the aggregate of:
 - (i) in the case of that part of the Scheme Enhanced Member's Past Service Pension which is in excess of his guaranteed minimum pension, that part of his Past Service Pension revalued by the Special Revaluation Factor for the Revaluation Period; and
 - (ii) in the case of that part of the Scheme Enhanced Member's Past Service

Pension which is his guaranteed minimum pension, his guaranteed minimum pension revalued from 1 January 2008 to the date he ceased to be a Scheme Enhanced Member by the greater of statutory revaluation applied to a guaranteed minimum pension under the terms of the 1993 Act or revaluation applied by the TOPS Rules in force before 1 January 2008, if higher.

Conditions:

- (A) The “**Special Revaluation Factor**” is the Revaluation Rate compounded over the Revaluation Period.
- (B) The “**Revaluation Rate**” is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the Maximum Revaluation Rate set out in paragraph (C) below and will not be a negative amount.
- (C) The “**Maximum Revaluation Rate**” is what the Revaluation Rate would be if the rise in the Government retail prices index for all items was eight (8) per cent compound each year for the Revaluation Period.
- (D) The “**Revaluation Period**” is the period from 1 January 2008 to the 1 April immediately preceding the date the Scheme Enhanced Member stops being a Scheme Enhanced Member.
- (E) The rise in the Government retail prices index for all items used for the Revaluation Rate is:
 - 1) in the case of revaluation applied in TOPS as at 1 April 2008, a full year’s increase using the annual rise in the Government retail prices index for all items published for September 2007; and
 - 2) for each subsequent 1 April in Section 1 of the Scheme the annual rise in the Government retail prices index for all items published for the immediately preceding month of September.
- (F) If:
 - 1) for any period during the Revaluation Period, the rise in the Government retail prices index for all items is higher than eight (8) per cent compound each year;
 - 2) the Actuary advises the Trustees that either:

1a) whilst the Scheme is a Sectionalised Scheme, Section 1 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 1); or

1b) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and

3) the Principal Employer consents in writing

the Trustees may apply a higher Special Revaluation Factor than is provided for under these Rules for such period as the Principal Employer agrees.

(G) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer with the agreement of the Trustees will decide the nearest alternative index to be applied.

(d) A Former TOPS Beneficiary who is a Scheme Enhanced Member of Section 1 of the Scheme will stop being a Scheme Enhanced Member when either:

(i) he stops being an Active CARE Member under the terms of this Appendix One to Schedule Five of Part E of the Rules; or

(ii) an employer in the group of companies owned by Thales Holdings UK plc (or its successors) stops paying contributions to the DC Scheme in respect of him

at a date after 30 June 2008.

(e) When a Scheme Enhanced Member stops being a Scheme Enhanced Member before his Normal Retiring Date for the purposes of this Appendix Two to Schedule Five of Part E of the Rules, if his Past Service Pension does not immediately start to be paid from Section 1 of the Scheme, he will become a deferred pensioner and his deferred pension will be calculated in accordance with the terms of Rule 3.4(c) above up to the date he ceased to be a Scheme Enhanced Member.

Thereafter, the Trustees will revalue the Past Service Pension using the final salary method of statutory revaluation (as set out in section 84(1) and

paragraphs 1 and 2 of Schedule 3 of the 1993 Act) from the date he ceased to be a Scheme Enhanced Member to the earlier of the date:

- (i) of his death;
 - (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Five of Part E of the Rules; or
 - (iii) his Normal Retiring Date; or
 - (iv) for Pre 2003 Members, age 60 in respect of Pensionable Service derived from before 1 July 2003.
- (f) Under the terms of this Rule 3.4, a Scheme Enhanced Member's Past Service Pension at the earlier of the date:
- (i) of his death;
 - (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Five of Part E of the Rules;
 - (iii) of his Normal Retiring Date; or
 - (iv) for Pre 2003 Members, age 60 in respect of Pensionable Service derived from before 1 July 2003

will not be less than the pension he would have been entitled to as a Member of TOPS becoming a deferred pensioner entitled to Final Salary Benefits on 31 December 2007 under the terms of the TOPS Rules upon the basis that the part of his pension which is in excess of his guaranteed minimum pension and his guaranteed minimum pension will be revalued separately in accordance with either the requirements of statutory revaluation or the provisions of the TOPS Rules, if higher, in force on 31 December 2007.

- (g) If, when a Scheme Enhanced Member stops being a Scheme Enhanced Member and his Past Service Pension immediately starts to be paid from the Scheme, he will be a Pensioner in receipt of his pension from that date in respect of his Past Service Pension.
- (h) If a Scheme Enhanced Member remains in Service upon attaining his Normal Retiring Date and his Past Service Pension does not start to be paid from the Scheme rule 1.6 of the TOPS Rules will apply in respect of his Past Service Pension from his Normal Retiring Date.

3.5 Ill-Health Early Retirement - Special Rules for Scheme Enhanced Members

- (a) If a Scheme Enhanced Member is suffering from Ill-Health or Total Incapacity and an entitlement to a pension has arisen under the terms of rule 1.5(a)(iii) or 1.5(b) of the TOPS Rules, the Final Salary Benefits pension payable will be equal to the Scheme Enhanced Member's Past Service Pension adjusted in accordance with Rule 3.4 above to the date he stops being a Scheme Enhanced Member. No prospective service to Normal Retiring Date will be added to the pension, but the pension will not be reduced to take account of early payment.
- (b) A Scheme Enhanced Member who is not able to work due to ill-health or injury and who is in receipt of payments from an employer's permanent health insurance of at least 50 per cent of either his:
- (i) CARE Salary in the case of an Active CARE Member; or
 - (ii) DC Salary in the case of a DC Scheme Life Assurance Member; less
 - (iii) in either case statutory sick pay
- is not entitled to apply for the payment of his Past Service Pension under this Rule 3.5 unless the Principal Employer with the agreement of the Trustees decide otherwise.
- (c) This Rule 3.4 will cease to apply when a Former TOPS Beneficiary stops being a Scheme Enhanced Member.

3.6 Death whilst a Scheme Enhanced Member - Lump Sums

- (a) If a person dies whilst a Scheme Enhanced Member, Section 1 of the Scheme will pay on the discretionary trusts pursuant to Rule 74 of Part D of the Rules:
- (i) a refund of the Scheme Enhanced Member's own contributions which he was required to pay to TOPS before 1 January 2008 and which have been transferred to Section 1 of the Scheme; and
 - (ii) any benefits due under the terms of this Appendix Two to Schedule Five of Part E of the Rules as a result of the payment of additional voluntary contributions paid before 1 January 2008 to TOPS which have been transferred to Section 1 of the Scheme.
- (b) Any Final Salary Benefits lump sum death benefit (other than that referred to in Rule 3.6(a) above) which would have been paid upon the death of either an

Active Member or a deferred pensioner under the terms of the TOPS Rules will not be paid.

- (c) The balance of the Scheme Enhanced Member's death in service lump sum benefits will be paid under the terms of Appendix One to Schedule Five of Part E of the Rules in accordance with the terms of Rule 74 of Part D to the Rules (regardless of whether the Scheme Enhanced Member is an Active CARE Member or a DC Scheme Life Assurance Member on the date of his death).

3.7 Death whilst a Scheme Enhanced Member - Pension Benefits

- (a) If a person dies whilst a Scheme Enhanced Member, Section 1 of the Scheme will, subject to (b) below, pay pension benefits in accordance with the terms of rules 3.5, 3.6, 3.8 and 3.9 of Part 3 of the TOPS Rules, in respect of his Past Service Pension.
- (b) The amount of any pension payable under Rule 3.7(a) above will be determined using the Scheme Enhanced Member's Past Service Pension adjusted to the date of his death in accordance with Rule 3.4 above. No prospective service will be included in the calculation of any pensions payable under the TOPS Rules as specified under Rule 3.7(a).
- (c) The balance of the pension payable upon the death of a Scheme Enhanced Member will be paid under the terms of Appendix One to Schedule Five of Part E of the Rules.

3.8 Prospective Service Benefits

No benefit payable to or in respect of a Scheme Enhanced Member from Section 1 of the Scheme in accordance with this Appendix Two to Schedule Five of Part E of the Rules will include in its calculation any prospective Pensionable Service.

3.9 Continued Life Assurance Benefits

- (a) This Rule 3.9 applies to a Scheme Enhanced Member and a Former Enhanced Member:
 - (i) who either:
 - (A) stops being a Scheme Enhanced Member; or
 - (B) stopped being a Former Enhanced Member
- due to Ill-Health or Total Incapacity in respect of the Final Salary Benefits or Serious Ill-Health in respect of the CARE Benefits (or both);

and

(ii) whose:

(A) Past Service Pension payable under the terms of rule 1.9 of the TOPS Rules (as amended by Rule 3.5 above) due to Ill-Health or Total Incapacity; or

(B) CARE Pension payable under Rule 5.3 of Appendix One to Schedule Five of Part E of the Rules; or

(C) both (A) and (B)

immediately starts to be paid upon him stopping being either a Scheme Enhanced Member of Section 1 of the Scheme or an Enhanced Member of TOPS .

(b) A Scheme Enhanced Member or Former Enhanced Member to whom this Rule 3.9 of Appendix Two to Schedule Five of Part E of the Rules applies will continue to be provided with the Lump Sum Benefit under this Rule 3.9 of Appendix Two to Schedule Five of Part E of the Rules from the date he either stops being a Scheme Enhanced Member of Section 1 of the Scheme or stopped being an Enhanced Member of TOPS to the earlier of:

(i) his CARE Pension Date; and

(ii) any date before his CARE Pension Date when all of his pension benefits which are in payment from Section 1 of the Scheme (whether under the terms of this Appendix Two to Schedule Five or Appendix One to Schedule Five of Part E of the Rules or both) stop being paid (other than where benefits stop as a result of his death).

(c) The amount of the Scheme Enhanced Member's or Former Enhanced Member's CARE Salary or DC Salary (as applicable) for the purposes of calculating his Lump Sum Benefit will be his CARE Salary or DC Salary as at the date he ceased to be either a Scheme Enhanced Member of Section 1 of the Scheme or an Enhanced Member of TOPS , increased by such amount as the Principal Employer decides from time to time.

3.10 Pension Commencement Lump Sum

(a) Where a Scheme Enhanced Member or Former Enhanced Member has an entitlement to:

- (i) Final Salary Benefits and CARE Benefits as a result of his own membership of TOPS which were transferred to Section 1 of the Scheme; and
- (ii) In the case of a Scheme Enhanced Member only, CARE Benefits earned in Section 1 of the Scheme

he can only exchange Past Service Pension for a pension commencement lump sum in proportion to the amount his Past Service Pension represents as a part of his aggregated pension from Section 1 of the Scheme when his Past Service Pension and his CARE Pension are aggregated together.

- (b) Where a Scheme Enhanced Member or Former Enhanced Member has an entitlement to Previous Membership Benefits, he can only exchange Previous Membership Benefits for pension commencement lump sum:
 - (i) in accordance with the TOPS Rules which apply to it; and
 - (ii) in proportion to the amount his Previous Membership Benefits represents as a part of his aggregated pension from Section 1 of the Scheme when his Previous Membership Benefits, Past Service Pension and his CARE Pension are aggregated together.

3.11 Other Benefits

- (a) Where a Scheme Enhanced Member or Former Enhanced Member has benefits which were transferred into Section 1 of the Scheme which relate to previous period of membership of TOPS which are separate from his Past Service Pension, those benefits will be paid under the terms of the TOPS Rules in force at the relevant time when such previous period of membership in TOPS ended.
- (b) For the purposes of these Rules the benefits referred to in 3.11(a) are referred to as the "Previous Membership Benefits".

3.12 Early Leaver Rights

- (a) Where the TOPS Rules applicable to the Former TOPS Beneficiaries' Final Salary Benefits specify the manner in which the Preservation Requirements will be complied with under it, those rules will apply in respect of the Preservation Requirements.
- (b) If the provisions of the TOPS Rules which apply to the Former TOPS Beneficiaries' Final Salary Benefits referred to in (a) above do not specify the

manner in which the Preservation Requirements will be complied with under it, the rules will be construed in a manner which is consistent with the Preservation Requirements.

3.13 Additional Voluntary Contributions

No Scheme Enhanced Member or Former Enhanced Member can pay additional voluntary contributions to Section 1 of the Scheme under the terms of this Appendix Two to Schedule Five of Part E of the Rules.

3.14 Pension Increase Exchange

(a) In this Rule the following expressions have the following meanings

“Non-Statutory Increase Pension” means in relation to a Pension Increase Swap Member the part of a pension (except any pension attributable to additional voluntary contributions) which:

- (i) is not required to be increased in order to comply with legislation; and
- (ii) has been correctly identified as being subject to non-statutory increases in the personal information statement forming part of the Pensioner Option Pack.

“Pension Increase Swap Member” means a Member or a Member’s Beneficiary in each case who was in receipt of a pension from TOPS on 17 October 2007 (or such other date as Thales Holdings UK plc and the Trustees may agree) and who:

- (iii) elected to accept the offer contained in the Pensioner Option Pack by completing the decision form enclosed with the Pensioner Option Pack and returning it as directed no later than 31 January 2008 or, in some cases, by no later than 15 February 2008 (or such later date as Thales Holdings UK plc and the Trustees may agree); and
- (iv) received from Thales Holdings UK Plc on or before 31 March 2008 (or such later date as Thales Holdings UK plc and the Trustees may agree) the cash sum shown in the personal information statement enclosed with the Pensioner Option Pack, in accordance with the terms of the Pensioner Option Pack.

“Pensioner Option Pack” means together a letter from Thales Holdings UK Plc dated November 2008 (or such other date as Thales Holdings UK plc and the Trustees may agree) and the subsequent communication from Heath Lambert

dated December 2008 (or such other date as Thales Holdings UK plc and the Trustees may agree) both of which were sent to Members and the Dependents of Members in receipt of a pension on 17 October 2007 (or such other date as Thales Holdings UK plc and the Trustees may agree).

- (b) Notwithstanding rule 1.11 of the TOPS Rules and any other provisions in the TOPS Rules:
- (i) in the case of a Pension Increase Swap Member no increase shall be payable on any Non-Statutory Increase Pensions after 31 March 2008 (or such other date as Thales Holdings UK Limited and the Trustees may agree which is before 30 June 2008); and
 - (ii) in the case of any pension payable to any person on the death of a Pension Increase Swap Member, no increase shall be payable on such person's pension after 31 March 2008 (or such other date as Thales Holdings UK Limited and the Trustees may agree which is before 30 June 2008) except to the extent required by legislation.

Provided in either case that the entitlement to increases to Non-Statutory Increase Pensions shall be reinstated retrospectively if the Pension Increase Swap Member (or his estate if he dies before receipt) has not received from Thales Holdings UK Plc on or before 30 September 2008 the cash sum shown in the personal information statement enclosed with the Pensioner Option Pack.

4 Meanings of Words Used

4.1 Use of Definitions in this Appendix Two to Schedule Five

In this Appendix Two to Schedule Five of Part E of the Rules, the following words have the following special meanings:

"2007 Deed" has the meaning given to it in Rule 2.1(c) of Appendix Two to Schedule Five Part E of the Rules.

"Former Enhanced Member" has the meaning given to Rule 3.1(b) of Appendix Two to Schedule Five of Part E of the Rules.

"Maximum Revaluation Rate" has the meaning given in the conditions to Rule 3.3(b) of Appendix Two to Schedule Five of Part E of the Rules.

"Non-Statutory Increase Pensions" has the meaning given to it in Rule 3.14(a) of Appendix Two to Schedule Five of Part E of the Rules.

"Old Rules" has the meaning given to it in Rule 2.1(b) of Appendix Two to Schedule Five of Part E of the Rules.

"Past Service Pension" has the meaning given in Rule 3.1(c) of Appendix Two to Schedule Five of Part E of the Rules.

"Pension Increase Swap Member" has the meaning given to it in Rule 3.14(a) of Appendix Two to Schedule Five of Part E of the Rules.

"Previous Membership Benefits" has the meaning given in Rule 3.11 of Appendix Two to Schedule Five of Part E of the Rules.

"Revaluation Period" has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Five of Part E of the Rules.

"Revaluation Rate" has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Five of Part E of the Rules.

"Scheme Enhanced Member" has the meaning given in Rule 3.1(a) of Appendix Two to Schedule Five of Part E of the Rules.

"Special Revaluation Factor" has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Five of Part E of the Rules.

"TOPS Rules" has the meaning given to it in Rule 2.1(a) of Appendix Two to Schedule Five of Part E of the Rules.

4.2 Other Definitions used in Appendix Two to Schedule Five

- (a) In this Appendix Two to Schedule Five of Part E of the Rules, the words **"Active CARE Member"**, **"CARE Pension"**, **"CARE Pension Date"**, **"CARE Salary"**, **"DC Salary"**, **"DC Scheme Life Assurance Member"** and **"Serious Ill-Health"** have the meanings given to them in Appendix One to Schedule Five of Part E of the Rules.
- (b) In this Appendix Two to Schedule Five of Part E of the Rules, the words **"Active Member"**, **"Enhanced Member"**, **"Ill-Health"**, **"Normal Retiring Date"**, **"Pension"**, **"Pre 2003 Members"** and **"Total Incapacity"** have the meanings given to them in the TOPS Rules (as amended, where applicable, by the 2007 Deed).
- (c) In this Appendix Two to Schedule Five of Part E of the Rules, all other definitions are defined in Part A of the Rules.

**SCHEDULE ONE OF PART F OF THE RULES
FORMER TPP BENEFICIARIES**

1 Application of Schedule One of Part F of the Rules

- 1.1 Schedule One of Part F of the Rules applies to:
- (a) Former TPP Beneficiaries (including Former TPP Category 1 Members); and
 - (b) any person who the Principal Employer and Trustees have agreed should be treated as a Former TPP Beneficiary under Rule 78.3 of Part F of the Rules.
- 1.2 CARE Benefits earned in TPP by Former TPP Beneficiaries (excluding Former TPP Category 1 Members) which are transferred to Section 2 of the Scheme are calculated as if those CARE Benefits had been earned in Section 2 of the Scheme from (and including) 1 January 2008 rather than in TPP.
- 1.3 For those of the Former TPP Beneficiaries (excluding Former TPP Category 1 Members) who are in Pensionable CARE Service in Section 2 of the Scheme on 1 July 2008 and whose CARE Benefits from TPP are transferred to Section 2 of the Scheme, Pensionable CARE Service in Section 2 of the Scheme will be treated as continuous.
- 1.4 For those of the Former TPP Category 1 Members who are in Pensionable GAD Service in Section 2 of the Scheme on 1 July 2008 and whose benefits under Category 1 of TPP are transferred to Section 2 of the Scheme on the basis that they will continue to accrue Pensionable GAD Service on and after that date, Pensionable GAD Service in Section 2 of the Scheme will be treated as continuous.

2 Structure of Schedule One of Part F of the Rules

- 2.1 Appendix One sets out the Rules to Schedule One of Part F which apply to the provision of CARE Benefits for Former TPP Beneficiaries.
- 2.2 Appendix Two sets out the Rules to Schedule One of Part F which apply to the provision of Final Salary Benefits for Former TPP Beneficiaries (excluding Former TPP Category 1 Beneficiaries).
- 2.3 Appendix Three sets out the Rules of Schedule One Part F which apply to the provision of GAD Benefits for Former TPP Category 1 Beneficiaries.
- 2.4 Final Salary Benefits earned in TPP by Former TPP Beneficiaries before 1 January 2008 will be of the same nature, amount and value and be calculated in the same way as under the terms which applied in TPP to that Former TPP Beneficiary on 31 December

2007. Such benefits will be administered in accordance with Parts A, C, D, F, G and H of the Rules of the Scheme.

- 2.5 GAD Benefits earned in TPP by Former TPP Category 1 Beneficiaries before 1 July 2008 and GAD Benefits earned in Section 2 of the Scheme after 30 June 2008, will be of the same nature, amount and value and be calculated in the same way as under the terms which applied in TPP to that Former TPP Category 1 Beneficiary. Such benefits will be administered in accordance with Parts A, C, D, F and H of the Rules of the Scheme.

**SCHEDULE ONE OF PART F OF THE RULES
CARE BENEFITS RULES FOR FORMER TPP BENEFICIARIES**

APPENDIX ONE

1 General Benefits Description

1.1 Type of Benefits

The Rules for CARE Benefits for Former TPP Beneficiaries provide career average revalued earnings style benefits for:

- (a) all Pensionable CARE Service in TPP after 31 December 2007 and before 1 July 2008 which is transferred to Section 2 of the Scheme; and
- (b) all Pensionable CARE Service (if any) in Section 2 of the Scheme after 30 June 2008

which shall be treated as continuous Pensionable CARE Service.

1.2 Contracting-out Status

The CARE Benefits are contracted-in.

1.3 Tax Status and Plan Limits

- (a) The Rules for the provision of CARE Benefits are designed to provide pension and death benefits for a registered occupational pension scheme under Part 4 of the Finance Act 2004 (as amended).
- (b) For the purposes of determining the maximum benefits payable to a Former TPP Beneficiary and any restrictions on their payment:
 - (i) the Scheme Benefit Limits contained in Part G of the Rules do not apply to the CARE Benefits;
 - (ii) the total pension payable to a Former TPP Beneficiary from Section 2 of the Scheme when the CARE Benefits and the Final Salary Benefits are aggregated together will not exceed two thirds of the Former TPP Beneficiary's Final Remuneration (as defined in Part G of the Rules) (ignoring the effect of any salary sacrifice arrangement made between the CARE Member and his Employer);
- (c) save as provided in Rule 82 of Part F of the Rules, this Rule 1.3 of this Appendix One to Schedule One of Part F does not disapply:

- (i) the Scheme Benefit Limits which apply to the Final Salary Benefits of Former TPP Beneficiaries in Part G of the Rules; or
 - (ii) any other benefit limits rules and / or restrictions applied to the Final Salary Benefits under Rule 1.3(c) of Appendix Two to Schedule One of Part F of the Rules; and
- (d) if a CARE Member is subject to a pension sharing on divorce order, agreement or equivalent provision, Rule 1.3(b)(ii) will be applied to the total pension payable to a CARE Member from the Scheme when the CARE Benefits payable under this Appendix One to Schedule One of Part F and the Final Salary Benefits payable under Appendix Two to Schedule One of Part F are aggregated together before the pension sharing on divorce order, agreement or equivalent provision, is applied.

1.4 Early Leaver Rights

- (a) Where the CARE Benefits Rules of this Appendix One to Schedule One specify the manner in which the Preservation Requirements will be complied with under it, those Rules will apply in respect of the Preservation Requirements.
- (b) If the CARE Benefits Rules of this Appendix One to Schedule One do not specify the manner in which the Preservation Requirements will be complied with under it, the Rules will be construed in a manner which is consistent with the Preservation Requirements.

2 Membership for CARE Benefits

2.1 Becoming an Active CARE Member

- (a) An Employee is able to become and remain an Active CARE Member of Section 2 of the Scheme for so long as he satisfies all of the following conditions. The employee:
 - (i) was, on 31 December 2007, either:
 - (A) a member of TPP in Pensionable Service under the rules of that scheme in force on that date; or
 - (B) an employee who was not a Member of TPP in Pensionable Service under the rules of that scheme in force on that date but whom the Principal Employer has determined was eligible to join TPP and did not join the DC Scheme on 1 January 2008;

- (ii) before 1 January 2008, elected in writing using the election form provided by Thales (Weybridge) Plc to become an Active CARE Member of TPP from either 1 January 2008 or such later date as his employer TPP agreed in writing;
 - (iii) has either:
 - (A) a written pension salary sacrifice arrangement in force with his Employer; or
 - (B) if the Principal Employer permits, a written consent in force with his Employer to deduct his contributions from his CARE Salary; and
 - (iv) was continuously an Active CARE Member from either 1 January 2008 or such later date as he was first admitted to TPP; and
 - (v) joined the Scheme as an Active CARE Member of Section 2 of the Scheme with effect from 1 July 2008 and transferred all of his benefits in TPP to Section 2 of the Scheme with effect on and from 1 July 2008.
- (b) Section 2 of the Scheme is closed to new members and only Employees who meet the conditions set out in Rule 2.1(a) can be Active CARE Members of Section 2 of the Scheme entitled to CARE Benefits under the terms of this Appendix One to Schedule One of Part F of the Rules.

2.2 Stopping being an Active CARE Member

- (a) An Active CARE Member will cease to be an Active CARE Member on the earlier of the date:
 - (i) he leaves employment or dies; or
 - (ii) of the expiry of not less than one month's written notice which he has given to the Trustees to end his Pensionable CARE Service; or
 - (iii) he ceases to satisfy all of the eligibility criteria to be an Active CARE Member under Rule 2.1(a) above (and for these purposes absence whilst the CARE Member remains in Service under Rule 12 of this Appendix One to Schedule One of Part F is ignored); or
 - (iv) he otherwise ceases to be in Pensionable CARE Service under any other provision of the Rules of this Appendix One to Schedule One of Part F of the Rules.

- (b) No Employee who has ceased to be an Active CARE Member under Rule 2.2(a) above can rejoin the Scheme in order to earn either CARE Benefits or Final Salary Benefits.
- (c) An Active CARE Member who opts-out of Active CARE Membership under Rule 2.2(a)(ii) above before his CARE Pension Date will be treated as a Deferred CARE Member from the date his notice to opt-out expires. Rules 6 and 9 apply to this Appendix One to Schedule One of Part F of the Rules.

3 Payment of Contributions

3.1 Rate of Contributions

- (a) The rate of contributions due to Section 2 of the Scheme from each Active CARE Member is:
 - (i) 6 (six) per cent of CARE Salary for that part of the CARE Salary up to and including the upper earnings limit; and
 - (ii) 9 (nine) per cent of CARE Salary for that part (if any) of the CARE Salary in excess of the upper earnings limit.
- (b) Upper earnings limit is the annual equivalent of upper earnings limit published immediately before each 1 April for the following tax year.
- (c) Upper earnings limit has the meaning given in section 181 of the 1993 Act.
- (d) If an Active CARE Member has a period of Part-Time Employment the upper earnings limit will be adjusted in accordance with Rule 13 of this Appendix One to Schedule One of Part F of the Rules.

3.2 Payment of Contributions

- (a) Active CARE Members who enter into a pension salary sacrifice arrangement with their Employer pursuant to Rule 3.2(c) below do not contribute to Section 2 of the Scheme.
- (b) Active CARE Members who, with the agreement of the Principal Employer, do not enter into a pension salary sacrifice arrangement with their Employer must contribute to Section 2 of the Scheme at the rate set out in Rule 3.1 above).
- (c) In order for Rule 3.2(a) above to apply the:
 - (i) Active CARE Member must sacrifice from his pay from his Employer an

amount equivalent to the contributions he would have paid to the Section 2 of the Scheme at the rate set out in Rule 3.1 above had the pension salary sacrifice arrangement not been in force; and

- (ii) Active CARE Member's Employer must pay monthly to the Trustees contributions to Section 2 of the Scheme of an amount equal to the sums sacrificed by the Active CARE Member from his remuneration from that Employer under his pension salary sacrifice arrangement.
- (d) All Active CARE Members are required to enter into a pension salary sacrifice arrangement with an Employer unless the Principal Employer determines otherwise in writing.
 - (e) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule One of Part F of the Rules applies.
 - (f) In the event that the Principal Employer decides not to permit Active CARE Members to sacrifice pay from their Employer in accordance with Rule 3.2(c) above, such Active CARE Members will:
 - (i) continue to earn CARE Benefits provided that they contribute to Section 2 of the Scheme under the terms of Rule 3.2(b) above; and
 - (ii) provide such written consents as their Employer requests in writing to be able to deduct such contributions from their pay.

Such Active CARE Members will become Deferred CARE Members if they do not provide to their Employer such written consents as are required for them to contribute to Section 2 of the Scheme under Rule 3.2(b) above within one (1) month of the date the Active CARE Members are asked to pay contributions to Section 2 of the Scheme or such longer period as the Principal Employer may decide.

3.3 Additional Voluntary Contributions

No Active CARE Member can pay additional voluntary contributions to Section 2 of the Scheme.

3.4 Employer Contributions

The balance of the cost of providing the CARE Benefits will be paid by the Employers in accordance with Rule 35 of Part A of the Rules.

4 Calculation of CARE Pension

4.1 CARE Pension Calculation

The "CARE Pension" is: $(X - Y) \times Z$ where:

- (a) "X" is 1/720th of Averaged Revalued CARE Salary for each complete calendar month of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service;
- (b) "Y" is the Pension Deduction; and
- (c) "Z" is the LAF.

Conditions:

- (i) The LAF applied to the CARE Pension will be either the LAF in force at the date:
 - (A) the Active CARE Member leaves Pensionable CARE Service; or
 - (B) the CARE Pension starts to be paidwhichever results in the payment of the higher CARE Pension to the CARE Member (or any person claiming through him).
- (ii) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule One of Part F of the Rules applies to the calculation of his CARE Pension for that period of part-time Pensionable CARE Service.

4.2 Meaning of Words used in the Calculation of CARE Pension

- (a) "Averaged Revalued CARE Salary" is:
 - (i) the aggregate of the Revalued CARE Salary at each 1 April during Pensionable CARE Service; DIVIDED BY
 - (ii) the number of years in which the Active CARE Member was in Pensionable CARE Service on a 1 April.

Condition:

If an Active CARE Member leaves Pensionable CARE Service before 1 April 2008, his Average Revalued CARE Salary will be his CARE Salary on 1 January 2008.

- (b) "Pension Deduction" is:
- (i) 0.4% of the Active CARE Member's Gross Band Earnings for the last complete tax year immediately preceding the date the Active CARE Member left Pensionable CARE Service; MULTIPLIED BY
 - (ii) the number of complete calendar months of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service; DIVIDED BY
 - (iii) twelve (12).

Provided that with on and effect from 1 April 2009, Pension Deduction will be adjusted in accordance with the terms of Rule 13 in respect of Active CARE Members in Part-time Employment after that date.

- (c) "Gross Band Earnings" is the Active CARE Member's gross earnings between the lower and upper earnings limit.
- (d) "Revalued CARE Salary" is the Active CARE Member's CARE Salary as at each 1 April revalued by the Revaluation Factor up to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.
- (e) "Revaluation Factor" is the Revaluation Rate compounded over the Revaluation Period.

Conditions:

- (i) The "Revaluation Rate" is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the Maximum Revaluation Rate set out in (ii) and will not be a negative amount.
- (ii) The "Maximum Revaluation Rate" is what the Revaluation Rate would be if the rise in the Government retail prices index for all items was eight (8) per cent compound each year for the Revaluation Period.
- (iii) The "Revaluation Period" is the period from 1 April to which the relevant CARE Salary relates to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.
- (iv) The rise in the Government retail prices index for all items used for the Revaluation Rate is the one published before each 1 April for the immediately preceding month of September.

- (v) If:
- (A) for any period during the Revaluation Period, the rise in the Government retail prices index for all items is higher than eight (8) per cent compound each year; and
 - (B) the Actuary advises the Trustees that either:
 - 1) whilst the Scheme is a Sectionalised Scheme, Section 2 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 2); or
 - 2) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and
 - (C) the Principal Employer consents in writing.

the Trustees may apply a higher Revaluation Factor than is provided for under the CARE Benefits Rules for such period as the Principal Employer agrees.

- (vi) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

- (f) "LAF" is the longevity adjustment factor and is calculated as follows:

$$1 - \frac{(A \times B)}{100}$$

Where:

- (i) "A" equals the number of years (rounded to the nearest 0.1 years) by which the anticipated life expectancy of a man aged 65 on the LAF Recalculation Table is higher or lower (as applicable) than on the LAF Base Table. Where the anticipated life expectancy is higher than on the LAF Base table, "A" will be positive and where lower "A" will be negative.
- (ii) "B" equals 1.5.

Conditions:

- (A) The LAF will be one (1) between 1 January 2008 and 31 March 2012 (inclusive).
- (B) The LAF cannot be greater than one (1).
- (C) The LAF cannot decrease by more than 0.05 as at any LAF recalculation date.
- (D) "A" will assume a value of zero if, as at any LAF recalculation date, "A" is less than the years noted on the table below:

LAF recalculation date year For Rule 4.3(a)	Years for the purposes of "A"
2011	0.5
2014	0.75
2017	1.00
2020	1.25
2023	1.50
2026	1.75
2029	2.00
2032	2.25
2035	2.50
2038	2.75
2041	3.00
2044	3.25
2047	3.50
2050	3.75
2053	4.00

- (E) The LAF will be rounded to the nearest 0.0025.
- (F) The LAF will be recalculated in accordance with Rule 4.3.
- (g) "LAF Base Table" is the life expectancy table for a man aged 65 years old using the Government Actuaries Department's national 2006 based principal population projections with "cohort expectation" adjustments, which provides as follows:

Year to which Rule 4.3(a) Applies	Life Expectancy of a Male Retiring at Age 65
2007	20.7
2008	20.8
2009	21.0
2010	21.1
2011	21.2
2012	21.3
2013	21.5
2014	21.6
2015	21.7
2016	21.8
2017	21.9
2018	22.0
2019	22.1
2020	22.2
2021	22.3
2022	22.4
2023	22.5
2024	22.5
2025	22.6
2026	22.7
2027	22.8
2028	22.9
2029	23.0
2030	23.1
2031	23.2
2032	23.3
2033	23.4
2034	23.5
2035	23.6
2036	23.7
2037	23.7
2038	23.8
2039	23.9
2040	24.0
2041	24.1
2042	24.2
2043	24.3
2044	24.4

2045	24.5
2046	24.6
2047	24.7
2048	24.8
2049	24.9
2050	25.0
2051	25.1
2052	25.2
2053	25.3
2054	25.3

- (h) "LAF Recalculation Table" is, as at the current LAF recalculation date, the most recently published Government Actuaries Department table published since the previous LAF recalculation date, showing the life expectancy for a man aged 65 years old using the Government Actuaries Department's table for national principal population projections with "cohort expectation" adjustments.

Conditions:

- (i) If the LAF Recalculation Table is not available at any LAF recalculation date, an alternative life expectancy table published by the Government Actuaries Department, the Office of National Statistics or similar body which uses the latest available national population statistics to show the current life expectancy of a male member retiring at age 65 and adjusted to reflect "cohort expectation" will be used.
- (ii) If a table meeting the requirements of (i) is not available at any LAF recalculation date, the Principal Employer with the agreement of the Trustees, will agree a life expectancy table which is nearest to the LAF Recalculation Table.

4.3 Recalculation of the LAF

- (a) The LAF will automatically be recalculated in accordance with Rule 4.2(f) above:
- (i) as at 1 January 2011 (being the first LAF recalculation date); and
- (ii) at three (3) yearly intervals thereafter as at 1 January.
- (b) The recalculated LAF will be applied to CARE Members' benefits on expiry of

the notice given under Rule 4.3(c) below unless the Principal Employer, with the agreement of the Trustees, decides to apply a recalculation to the LAF which would result in a LAF being applied to CARE Members' benefits which would result in a higher benefit for a CARE Member than would otherwise have been applied under Rule 4.3(a) above.

- (c) Upon a LAF recalculation being effected under Rule 4.3(a) above at a LAF recalculation date, the Principal Employer will give all Active CARE Members at least twelve (12) months written notice of the amount of the recalculated LAF and the details of how it will be applied to benefits before the LAF is applied to benefits under this Appendix One to Schedule One of Part F of the Rules.

5 Active CARE Member's CARE Pension

5.1 Drawing CARE Pension at CARE Pension Date

Upon an Active CARE Member attaining his CARE Pension Date but subject to the terms of Rule 5.4(a) and (b) below his annual CARE Pension will start on the next day.

5.2 Drawing CARE Pension before CARE Pension Date

- (a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if:
 - (i) before 6 April 2010, he is aged 50 or over; or
 - (ii) after 5 April 2010, he is aged 55 or over; and
 - (iii) he applies to draw his CARE Pension early whilst he is in Pensionable CARE Service; and
 - (iv) he has the written consent of the Principal Employer to draw his CARE Pension early; and
 - (v) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) If at any age from the age of 60 up to his Normal Retirement Date an Active CARE Member is entitled to receive his Final Salary Benefits under Appendix Two to Schedule One of Part F of the Rules without any consents being required from any party to the Scheme or compliance with any other conditions, the payment of the CARE Pension is not subject to Rule 5.2(a)(iv) above after he attains that age.
- (c) An Active CARE Member may, with the consent of the Principal Employer,

remain in the employment of an Employer after his CARE Pension starts to be paid under the terms of this Rule 5.2.

- (d) The annual CARE Pension will start on the day agreed by the CARE Member and the Trustees.

5.3 Drawing CARE Pension due to Serious Ill-Health

- (a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health if, subject to the terms of Rule 5.3(d) below:
 - (i) he has not attained his CARE Pension Date;
 - (ii) he applies to draw his CARE Pension early due to Serious Ill-Health whilst he is in Pensionable CARE Service and will have left Pensionable CARE Service when his CARE Pension starts to be paid;
 - (iii) the Principal Employer, with the agreement of the Trustees, decide after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Active CARE Member is suffering from Serious Ill-Health;
 - (iv) the Trustees are satisfied that the Active CARE Member meets the ill-health condition for the purposes of the Part 4 of the Finance Act 2004; and
 - (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health.
- (b) The CARE Pension payable under this Rule 5.3 will:
 - (i) have no LAF applied to it; and
 - (ii) not be reduced by an Early Retirement Reduction; and
 - (iii) be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule One of Part F of the Rules.
- (c) The annual CARE Pension will start on the day after the CARE Member left Pensionable CARE Service.
- (d) An Active CARE Member who is not able to work due to ill-health or injury and who is in receipt of payments from an employer's permanent health insurance

scheme of at least 50 per cent of his CARE Salary less statutory sick pay is not entitled to apply for the payment of his CARE Pension under this Rule unless the Principal Employer, with the agreement of the Trustees, decide otherwise.

5.4 Drawing CARE Pension after CARE Pension Date

(a) If an Active CARE Member, with the consent of the Principal Employer, remains in the employment of an Employer after his CARE Pension Date, he may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date (or such later date as the Principal Employer and the Trustees may agree) to either:

- (i) leave Pensionable CARE Service on his CARE Pension Date and be treated as either a CARE Pensioner or a CARE Postponed Pensioner; or
- (ii) remain in Pensionable CARE Service and continue to be treated as an Active CARE Member.

Conditions:

- (A) If an Active CARE Member makes no election under this Rule 5.4(a), the Trustees will treat the Active CARE Member as if he had left Active CARE Membership on his CARE Pension Date and he will become a CARE Postponed Pensioner under Rule 5.4(b)(ii) below.
- (B) The option to be treated as a CARE Pensioner under Rule 5.4(a)(i) can only be exercised by the CARE Member with the consent of the Principal Employer.

(b) This Rule 5.4(b) applies to an Active CARE Member who elects or is deemed to leave Pensionable CARE Service under Rule 5.4(a)(i). Such a CARE Member who may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date to either:

- (i) draw his CARE Pension under Rule 5.1 above and become a CARE Pensioner; or
- (ii) defer payment of his CARE Pension and become a CARE Postponed Pensioner until the earlier of the date he elects for his CARE Pension to start to be paid and the date he attains age 75.

Conditions:

- (A) If the Active CARE Member makes no election under this Rule 5.4(b) the

Trustees will defer payment of his CARE Pension under Rule 5.4(b)(ii) above.

- (B) An Active CARE Member to which this Rule 5.4(b) applies will on his CARE Pension Date cease to either:
 - 1) pay contributions under Rule 3.2(b) of this Appendix One to Schedule One of Part F of the Rules; or
 - 2) be subject to a pension salary sacrifice arrangement under Rule 3.2(d) of this Appendix One to Schedule One of Part F of the Rules.
 - (C) A CARE Postponed Pensioner's CARE Pension will start to be paid on the earlier of:
 - 1) the day after he elects for his CARE Pension to start; or
 - 2) his 75th birthday.
 - (D) A CARE Postponed Pensioner's CARE Pension will be calculated as at his CARE Pension Date. Upon drawing his CARE Pension the Trustees will apply to it a Late Retirement Increase.
 - (E) Upon the death of a CARE Postponed Pensioner before his CARE Pension starts to be paid, he will be treated as if he had:
 - 1) started to draw his CARE Pension immediately before his death; and
 - 2) not elected to exchange any of his CARE Pension for pension commencement lump sum under Rule 7 of this Appendix One to Schedule One of Part F of the Rules.
 - (F) For the purposes of the CARE death benefit Rules, Rule 10 of this Appendix One to Schedule One of Part F of the Rules applies.
 - (G) Upon the death of a CARE Pensioner who remains in the employment of an Employer at the date of his death, the CARE death benefits for a CARE Pensioner will be payable under Rule 10 of this Appendix One to Schedule One of Part F of the Rules.
- (c) This Rule 5.4(c) applies to an Active CARE Member who elects to continue in Pensionable CARE Service under Rule 5.4(a)(ii). Such a CARE Member will be

treated as an Active CARE Member until the earlier of:

- (i) the date he leaves Pensionable CARE Service; and
- (ii) his 75th birthday.

Conditions:

(A) The CARE Member will continue to be treated as an Active CARE Member and will continue to either:

- 1) make contributions under Rule 3.2(b) of this Appendix One to Schedule One of Part F of the Rules; or
- 2) be subject to a salary sacrifice pension arrangement under Rule 3.2(d) of this Appendix One to Schedule One of Part F of the Rules

for so long as he remains in Pensionable CARE Service after his CARE Pension Date.

(B) An Active CARE Member's Pensionable CARE Service must cease on his 75th birthday even if he remains in the employment of an Employer.

(C) The annual CARE Pension will start on the earlier of:

- 1) the day after he elects for his CARE Pension to start; or
- 2) his 75th birthday.

(D) When an Active CARE Member to which this Rule 5.4(c) relates leaves Pensionable CARE Service his CARE Pension will be calculated under Rule 4.1 of this Appendix One to Schedule One of Part F of the Rules.

(E) If an Active CARE Member to which this Rule 5.4 (c) relates dies after his CARE Pension Date but before his CARE Pension starts to be paid the lump sum death benefit payable under this Rule in respect of his death will be:

- 1) the Lump Sum Benefit; PLUS
- 2) the lump sum Final Salary Benefit payable under Rule 3.6 of Appendix Two to Schedule One of Part F of the Rules; LESS
- 3) any lump sum Final Salary Benefit payable under Appendix Two to Schedule One of Part F of the Rules upon the death of a

Pensioner or a Postponed Pensioner (as applicable) under the TPP Rules as provided for in Appendix Two to Schedule One of Part F of the Rules.

6 Deferred CARE Member Benefits

6.1 Deferred CARE Member with less than Two (2) years Qualifying Service

An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service with less than two (2) years Qualifying Service will become a Deferred CARE Member entitled to elect to receive:

- (a) a Contribution Refund less any tax payable, of any contributions paid in respect of CARE Benefits after 31 December 2007 to TPP and transferred to the Scheme with effect from 1 July 2008; and/or
- (b) a sum equal to the earnings sacrificed from his pay under a pension salary sacrifice arrangement in force after 31 December 2007 less any tax and national insurance. Such a sum is payable by the Deferred CARE Member's last Employer before he left Pensionable CARE Service in respect of all earnings sacrificed under Rule 3.2(d) of this Appendix One to Schedule One of Part F of the Rules; or
- (c) if he satisfies the Three Month Condition, a Cash Transfer Sum.

Conditions:

- (i) Rule 6.2 below will apply to a Deferred CARE Member who has received a transfer into Section 2 of the Scheme in respect of him from a registered pension scheme.
- (ii) Any election by a Deferred CARE Member for a Cash Transfer Sum must comply with the requirements of the 1993 Act.
- (iii) No interest will be applied to any sum paid to a Deferred CARE Member either by the Trustees under Rule 6.1(a)(i) above or his last Employer under Rule 6.1(a)(ii) above.
- (iv) Where a CARE Member was both:
 - (A) a Former TPP Beneficiary entitled to Final Salary Benefits earned in TPP before 1 January 2008 which were transferred to Section 2 of the Scheme with effect from 1 July 2008; and

(B) an Active CARE Member entitled to CARE Benefits from:

- 1) TPP after 31 December 2007 which were transferred to Section 2 of the Scheme with effect from 1 July 2008; and
- 2) Section 2 of the Scheme after 30 June 2008 (if any)

the Trustees will aggregate any CARE Benefits and Final Salary Benefits payable by them due to the length of the CARE Member's Qualifying Service.

- (v) Once all payments due to or in respect of a CARE Member both under this Rule in respect of his CARE Benefits and Final Salary Benefits have been made, all entitlements to benefits from the Scheme (whether they are Final Salary Benefits or CARE Benefits) will be extinguished for the CARE Member and any person claiming through him.

6.2 Deferred CARE Member with more than Two (2) years Qualifying Service

(a) An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service:

- (i) with at least two (2) years Qualifying Service; or
- (ii) with less than two (2) years Qualifying Service and Section 2 of the Scheme has received a transfer from another registered pension scheme in respect of him; and
- (iii) without receiving an immediate CARE Pension from Section 2 of the Scheme under Rule 5 of this Appendix One to Schedule One of Part F of the Rules

will become a Deferred CARE Member entitled to receive a CARE Pension from Section 2 of the Scheme under the terms of this Rule 6.2.

(b) The Deferred CARE Member's CARE Pension will be calculated in accordance with Rule 4.1 of this Appendix One to Schedule One of Part F of the Rules up to the date he leaves Pensionable CARE Service.

(c) The Trustees will revalue the CARE Pension using the final salary method of statutory revaluation (as set out in Section 84(1) and Paragraphs 1 and 2 to Schedule 3 of the 1993 Act) from the date the Deferred CARE Member leaves Pensionable CARE Service up to the earlier of the date:

- (i) of his death;

- (ii) his CARE Pension starts to be paid; or
- (iii) his CARE Pension Date.

6.3 Drawing CARE Pension at CARE Pension Date

Upon a Deferred CARE Member attaining his CARE Pension Date his annual CARE Pension will start on the next day.

6.4 Drawing CARE Pension before CARE Pension Date

- (a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension Date if:
 - (i) before 6 April 2010, he is aged 50 or over; or
 - (ii) after 5 April 2010, he is aged 55 or over; and
 - (iii) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early; and
 - (iv) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) If at any age from the age of 60 up to his Normal Retirement Date a Deferred CARE Member is entitled to receive his Final Salary Benefits without any consents being required from any party to the Scheme or compliance with any other conditions, the payment of the CARE Pension is not subject to Rule 6.4(a)(iii) above after he attains that age.
- (c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their consent to its early payment.

6.5 Drawing CARE Pension due to Serious Ill-Health

- (a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health if:
 - (i) he has not attained his CARE Pension Date;
 - (ii) he applies to draw his CARE Pension early due to Serious Ill-Health;
 - (iii) the Principal Employer, with the agreement of the Trustees, decides after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Deferred CARE Member is suffering from Serious Ill-Health;

- (iv) the Trustees are satisfied that the Deferred CARE Member meets the ill-health condition for the purposes of the Part 4 of the Finance Act 2004;
 - (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health; and
 - (vi) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) The CARE Pension payable under this Rule 6.5 will be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule One of Part F of the Rules.
 - (c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their written consent to its early payment due to Serious Ill-Health.

6.6 Drawing CARE Pension after CARE Pension Date

- (a) A Deferred CARE Member may, with the consent of the Principal Employer and the Trustees, defer payment of his CARE Pension until a date after his CARE Pension Date.
- (b) The CARE Pension of a Deferred CARE Member who defers payment of it under this Rule will come into payment on the earlier of:
 - (i) the expiry of one (1) month's written notice by him to the Trustees to start payment of the CARE Pension; and
 - (ii) the Deferred CARE Member's 75th birthday.
- (c) If a Deferred CARE Member defers payment of his CARE Pension under this Rule, his CARE Pension will be calculated as at his CARE Pension Date. When his CARE Pension starts to be paid, the Trustees will apply to it a Late Retirement Increase.
- (d) The annual CARE Pension will start on the earlier of:
 - (i) the day after he elects for his CARE Pension to start; or
 - (ii) his 75th birthday.
- (e) If a Deferred CARE Member dies before his CARE Pension starts to be paid, he will be treated as if he had:
 - (i) started to draw his CARE Pension immediately before his death; and

- (ii) not elected to commute any of his CARE Pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule One of Part F of the Rules.

For these purposes, Rule 10 of this Appendix One to Schedule One of Part F of the Rules applies.

7 Pension Commencement Lump Sum

7.1 A CARE Member may, with the consent of the Trustees, elect to exchange part of his CARE Pension for a pension commencement lump sum (as defined in Part 1 to Schedule 29 of the Finance Act 2004).

7.2 The election must be made in writing by the CARE Member and provided to the Trustees before the date the CARE Member is due to draw his CARE Pension.

7.3

- (a) The rate at which CARE Pension can be exchanged for a pension commencement lump sum, subject to Rules 7.8 and 7.9 below, will be as follows:

Age at the date of exchange of CARE Pension for a pension commencement lump sum	Commutation Factor
50	18.0
51	17.6
52	17.2
53	16.8
54	16.4
55	16.0
56	15.6
57	15.2
58	14.8
59	14.4
60	14.0
61	13.6
62	13.2
63	12.8
64	12.4
65	12.0
66	11.6

67	11.2
68	10.8
69	10.4
70	10.0
71	9.6
72	9.2
73	8.8
74	8.4
75	8.0

- (b) The table set out in this Rule 7.3 sets out the rate at which CARE Pension can be exchanged for pension commencement lump sum as at a specified age. Where a CARE Member is older than the specified age by a proportion of a year, the relevant exchange rate set out in the table in Rule 7.3 above will be a pro rata amount calculated in complete months.

7.4

- (a) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the rate at which CARE Pension can be exchanged for pension commencement lump sum to an alternative rate which may be higher or lower than the rate set out in Rule 7.3 above.
- (b) Such a rate agreed under Rule 7.4(a) above cannot be implemented unless it is first certified as reasonable by the Actuary having regard to the assumptions used at the last actuarial valuation for either:
- (i) whilst the Scheme is a Sectionalised Scheme, Section 2 of the Scheme; or
 - (ii) after the Scheme has become desectionalised, the Scheme
- (c) A rate agreed and certified under this Rule 7.4 will remain in force until such time as a new rate is agreed and certified under this Rule 7.4

7.5

- (a) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule One of Part F of the Rules in circumstances which result in a different LAF being automatically applied to benefits under Rule 4.3 of this Appendix One to Schedule One of Part F of the Rules, the Principal Employer and the Trustees must review the rate at which CARE Pension can be exchanged for a pension

commencement lump sum and agree the rate at which CARE Pension can be so exchanged.

(b) If under the terms of Rule 7.5(a) above, the Principal Employer and the Trustees cannot agree a rate at which CARE Pension can be exchanged for a pension commencement lump sum, the Actuary will either:

(i) revise the rate at which CARE Pension can be exchanged for a pension commencement lump sum by increasing or reducing the rate by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under Rule 7.5(a) above; or

(ii) leave the rate at which CARE Pension can be exchanged for a pension commencement lump sum unchanged.

7.6 A CARE Member can only elect to commute CARE Pension for a pension commencement lump sum at the same time as drawing his CARE Pension.

7.7 Once a CARE Member's CARE Pension starts to be paid, an election to exchange CARE Pension for a pension commencement lump sum cannot be revoked.

7.8 In the case of a CARE Member who also has an entitlement to Final Salary Benefits as a result of his own membership of Section 2 of the Scheme, he can only exchange his CARE Pension for a pension commencement lump sum in proportion to the amount his CARE Pension represents to his aggregated pension from Section 2 of the Scheme when his CARE Pension and his Final Salary Benefits are aggregated together.

7.9 The pension commencement lump sum will not exceed the maximum permitted by HMRC under Part 4 of the Finance Act 2004 unless the CARE Member has an entitlement to a higher amount in respect of his benefits held in Section 2 of the Scheme under the terms of Paragraph 31 to Schedule 36 of the 2004 Act.

8 Death Benefits for an Active CARE Member or a DC Scheme Life Assurance Member

8.1 Lump Sum Death Benefit

(a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member the Trustees will hold on the discretionary trusts for:

(i) an Active CARE Member, the Lump Sum Benefit; or

(ii) a DC Scheme Life Assurance Member, the Lump Sum Benefit LESS the DC

Lump Sum.

- (b) The Lump Sum Benefit will be applied in accordance with Rule 74 of Part D of the Rules.
- (c) "Lump Sum Benefit" means subject to the terms of Rule 16 of this Appendix One to Schedule One of Part F of the Rules, four (4) times the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC Salary (as applicable) as at the 1 April immediately preceding the date of his death.
- (d) "DC Lump Sum" means the amount notified to the Trustees by the manager of the DC Scheme as being the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is used to provide lump sum benefits payable in respect of the DC Scheme Life Assurance Member. The DC Lump Sum excludes the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death).

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule One of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule One of Part F of the Rules will apply.
- (ii) A CARE Member who remains in the employment of an Employer after his CARE Pension Date under Rule 5.4(a) of this Appendix One to Schedule One of Part F of the Rules and who is in receipt of his CARE Pension at the date of his death is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule One of Part F of the Rules will apply.
- (iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule One of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule applies but such a CARE Member's Lump Sum Benefit will be calculated in accordance with condition (E) of Rule 5.4(c) of this Appendix One to Schedule One of Part F of the Rules.

- (iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but who remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule One of Part F of the Rules will apply.
- (v) An Active CARE Member who on the date of his death is:
 - (A) not in receipt of his CARE Pension;
 - (B) is in receipt of a pension which are Final Salary Benefits as a result of his own membership of Section 2 of the Scheme; or
 - (C) has not attained his CARE Pension Date

will have deducted from his Lump Sum Benefit payable in respect of his CARE Benefits any lump sum payable in respect of his Final Salary Benefits in so far as it is greater than the benefit payable under Rule 3.6 of Appendix Two to Schedule One of Part F of the Rules.
- (vi) On the date of the death of either:
 - (A) an Active CARE Member; or
 - (B) a DC Scheme Life Assurance Member

who is also a Scheme Enhanced Member of Section 2 of the Scheme, the Scheme will pay the Final Salary Benefits lump sum contained in Rule 3.6 of Appendix Two to Schedule One of Part F of the Rules in addition to the Lump Sum Benefit payable under the CARE Benefits Rules.
- (vii) A DC Scheme Life Assurance Member who remains in the employment of an Employer after his CARE Pension Date will continue to be treated as a DC Scheme Life Assurance Member until the earlier of the date he leaves the employment of an Employer and age 75.

8.2 Adult Dependand's Pension

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Adult Dependand.
- (b) The pension payable under (a) will be equal to thirty three (33) per cent of the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC

Salary (as applicable) as at 1 April immediately preceding his death LESS:

- (i) any pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Spouse accrued as Final Salary Benefits in respect of Pensionable Service earned in TPP before 1 January 2008; and
 - (ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Adult Dependant by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is not used to provide lump sum benefits under Rule 8.1 (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death)).
- (c) The Adult Dependant's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule One of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule One of Part F of the Rules will apply.
- (ii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule One of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.2 will apply.
- (iii) A CARE Member who remains in the employment of an Employer at the date of his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule One of Part F of the Rules will apply.
- (iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule One of Part F of the Rules will apply.

- (v) In the event that the pension payable to an Adult Dependant which are CARE Benefits under Rule 8.2(b) above is smaller than the Final Salary Benefits pension which would have been payable to the Spouse under Appendix Two calculated upon the basis that the CARE Member became a Deferred Pensioner in respect of his Final Salary Benefits on 31 December 2007 in TPP, the higher benefit is payable.

8.3 Dependant Children's Pensions

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Dependant Children.
- (b) The pension payable under (a) is a maximum of thirty (30) percent of the Active CARE Member's or DC Scheme Life Assurance Member's CARE Salary as at 1 April immediately preceding his death LESS:
 - (i) any pension which are Final Salary Benefits payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Children in respect of Pensionable Service in TPP before 1 January 2008; and
 - (ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Dependant Children by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is not used to provide lump sum benefits under Rule 8.1 of this Appendix One to Schedule One of Part F of the Rules (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death)).
- (c) The Trustees will determine the amount of each Dependent Child's pension from time to time.
- (d) Subject to (e) below, the maximum pension payable to an individual Dependant Child is ten (10) percent of the Active CARE Member's CARE Salary or the DC Scheme Life Assurance Member's DC Salary as at 1 April immediately preceding his death LESS the maximum Final Salary Benefits pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Eligible Child in respect of Pensionable Service in TPP before 1 January 2008.

- (e) The Dependant Children's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) If no Adult Dependant's pension is payable at the date of the Active CARE Member's or DC Scheme Life Assurance Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (ii) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule One of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule One of Part F of the Rules will apply.
- (iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule One of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.3 will apply.
- (iv) A CARE Member who remains in the employment of an Employer at the date of his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule One of Part F of the Rules will apply.
- (v) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule One of Part F of the Rules will apply.
- (vi) In the event that the CARE Benefits pension payable to Dependant Children under Rule 8.3(b) above is smaller than the Final Salary Benefits pension payable to the Eligible Child in respect of an Active CARE Member or DC Scheme Life Assurance Member calculated upon the basis that the CARE Member became a Deferred Pensioner in respect of his Final Salary Benefits on 31 December 2007 in TPP, the higher benefit will be payable.

9 Deferred CARE Member Death Benefits

9.1 Lump Sum Death Benefit

- (a) No lump sum death benefit is payable upon the death of a Deferred CARE Member before his CARE Pension Date from Section 2 of the Scheme in respect of his CARE Benefits.
- (b) Rules 6.6(e) and 10 of this Appendix One to Schedule One of Part F of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.2 Adult Dependant's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Adult Dependant.
- (b) The pension payable under (a) will be equal to half of the Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule One of Part F of the Rules and revalued under that Rule to the date of the Deferred CARE Member's death.
- (c) The Adult Dependant's pension will start on the day after the date of the Deferred CARE Member's death.
- (d) Rules 6.6(e) and 10 of this Appendix One to Schedule One of Part F of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.3 Dependant Children's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Dependant Children.
- (b) The pension payable under (a) is a maximum of forty five (45) percent of the Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule One of Part F of the Rules and revalued to the date of the Deferred CARE Member's death.
- (c) The Trustees will determine the amount of each Dependant Child's pension from time to time.

- (d) Subject to (e), the maximum pension payable to an individual Dependant Child is fifteen (15) percent of the Deferred CARE Member's CARE Pension.
- (e) If no Adult Dependant's pension is payable at the date of the Deferred CARE Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension will start on the day after the date of the Deferred CARE Member's death.
- (g) Rules 6.6(e) and 10 apply of this Appendix One to Schedule One of Part F of the Rules upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

10 CARE Pensioner Death Benefits

10.1 Lump Sum Death Benefit

- (a) If a CARE Pensioner dies less than five (5) years after the date his CARE Pension started to be paid and before age 75, the Trustees will hold on the discretionary trusts a lump sum equal to the total pension payments which would have been paid to the CARE Pensioner during the remaining balance of the period of five (5) years from the date his CARE Pension started to be paid.
- (b) The lump sum under (a) will be calculated using the rate of CARE Pension payable immediately before the date of the CARE Pensioner's death. Future CARE Pension increases are ignored.
- (c) The lump sum death benefit payable under this Rule will be applied in accordance with Rule 74 of Part D of the Rules.
- (d) If a CARE Pensioner dies more than five (5) years after the date his CARE Pension started to be paid or after attaining age 75, no lump sum death benefit is payable.

10.2 Adult Dependant's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Adult Dependant.
- (b) The pension payable under (a) will be equal to half of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule One of Part F of the Rules).

- (c) The Adult Dependant's pension will start on the first day of the next month following the date of the CARE Pensioner's death.

10.3 Dependant Children's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Dependant Children.
- (b) The pension payable under (a) is a maximum of forty five (45) percent of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule One of Part F of the Rules).
- (c) The Trustees will determine the amount of each Dependant Child's pension from time to time.
- (d) Subject to (e), the maximum pension payable to an individual Dependant Child is fifteen (15) percent of the CARE Pensioner's CARE Pension.
- (e) If no Adult Dependant's pension is payable at the date of the CARE Pensioner's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension starts to be paid on the first day of the next month following the date of the CARE Pensioner's death.

11 Payment of Pensions and Lump Sum Benefits

11.1 Payment of a CARE Member's Pensions

- (a) A CARE Member's CARE Pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.
- (b) The first CARE Pension payment will be the aggregate of:
 - (i) the proportion of one month's instalment of CARE Pension payment calculated from the date the CARE Pension started to the first day of the next month (if any); and
 - (ii) the next full month's instalment of CARE Pension.

11.2 Stopping a CARE Member's CARE Pension

- (a) Subject to Rule 11.3 below, a CARE Member's CARE Pension is payable for life and will stop on the date of his death.

- (b) The last month's CARE Pension instalment made to a CARE Member immediately before his death will not be apportioned.
- (c) Any one or more instalments of pension paid after the date of the CARE Member's death will be treated as a debt to Section 2 of the Scheme which is repayable to Section 2 of the Scheme unless the Trustees determine otherwise.

11.3 Review of Serious Ill-Health CARE Pensions

- (a) A CARE Pension which is paid under either Rule 5.3 or 6.5 of this Appendix One to Schedule One of Part F of the Rules due to the Serious Ill-Health of the CARE Member will be reviewed by the Trustees every three (3) years after the date his CARE Pension starts to be paid or such other period as the Trustees determine. No reviews will be made once the CARE Member attains his CARE Pension Date.
- (b) At each review of the payment of CARE Pension due to Serious Ill-Health, the Trustees may ask the CARE Pensioner to:
 - (i) attend a medical with the registered medical practitioner of the Trustees selection; and / or
 - (ii) provide any information and other co-operation to allow the Trustees to complete their review.
- (c) If the Trustees are satisfied that the CARE Pensioner:
 - (i) is no longer suffering from Serious Ill-Health; or
 - (ii) failed to co-operate with the review to such a degree that they are not able to determine if the CARE Pensioner continues to suffer from Serious Ill-Healththey may reduce or terminate the payment of the CARE Pension as they determine.
- (d) Having reduced or terminated a CARE Pension under (c) above, the Trustees may, if it appears appropriate to them to do so, restore the payment of the CARE Pension.
- (e) If a CARE Pensioner's CARE Pension payable due to Serious Ill-Health is terminated under this Rule he will:
 - (i) be treated as a Deferred CARE Member; and

- (ii) have his CARE Pension calculated in accordance with Rule 6.2 of this Appendix One to Schedule One of Part F of the Rules as at the date he left Pensionable CARE Service.

Conditions:

- (A) The calculation of the CARE Member's Deferred CARE Pension will ignore the fact that he initially started to receive his CARE Pension under either Rule 5.3 or 6.5 of this Appendix One to Schedule One of Part F of the Rules as applicable.
- (B) All payments of CARE Pension made to him between the date his CARE Pension started under Rule 5.3 or 6.5 of this Appendix One to Schedule One of Part F of the Rules and the date it was terminated under this Rule will be ignored (unless the Trustees determine otherwise in their absolute discretion).
- (C) The Deferred CARE Pension will not be less than the amount required to be paid under the Preservation Requirements.
- (f) This Rule 11.3 is subject to the terms of disability discrimination legislation in so far as it applies to the Scheme.

11.4 Payment of Adult Dependant's Pensions and Dependant Children's Pensions

- (a) An Adult Dependant's pension and a Dependant Children's pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.
- (b) In the case of an Adult Dependant's pension or Dependant Children's pension payable due to the death of an Active CARE Member, a Deferred CARE Member or a CARE Postponed Pensioner, the first Adult Dependant's or first Dependant Children's pension payment will be the aggregate of:
 - (i) the proportion of one month's pension instalment calculated from the date of the CARE Member's death to the first day of the next month (if any); and
 - (ii) the next full month's pension instalment.
- (c) In the case of an Adult Dependant's pension or Dependant Children's pension payable due to the death of a CARE Pensioner, the first Adult Dependant's or first Dependant Children's pension payment will be a full month's pension instalment and will be made on the first day of the month following the date of

the CARE Pensioner's death.

11.5 Stopping the Adult Dependand's Pension

- (a) An Adult Dependand's pension is payable for life and will stop on the date of his death.
- (b) The last month's pension instalment paid to an Adult Dependand immediately before his death will not be apportioned.
- (c) Any one or more instalments of pension paid after the date of the Adult Dependand's death will be treated as a debt to Section 2 of the Scheme which is repayable to Section 2 of the Scheme unless the Trustees determine otherwise.

11.6 Stopping the Dependand Children's Pensions

- (a) A Dependand Child's pension is only payable to a child for so long as the Trustees are satisfied that the child remains a Dependand Child.
- (b) A Dependand Child's pension will stop on the date he ceases to be a Dependand Child.
- (c) The last month's pension instalment paid in respect of a Dependand Child immediately before he stopped being a Dependand Child will not be apportioned.
- (d) When a child ceases to be a Dependand Child, if there are remaining Dependand Children whose pensions are less than the maximum pension payable to an individual Dependand Child under Rules 8.3, 9.3 or 10.3 of this Appendix One to Schedule One of Part F of the Rules, the Trustees will recalculate the proportion of the Dependand Children's pension payable to the remaining Dependand Children in such manner as the Trustees determine.
- (e) Any one or more instalments of pension paid after the date the Dependand Child's pension was payable under the Rules contained in this Appendix One to Schedule One of Part F of the Rules will be treated as a debt to Section 2 of the Scheme which is repayable to Section 2 of the Scheme unless the Trustees determine otherwise.

12 Family Leave and Absence from Work

12.1 Family Leave

- (a) In this Rule:

- (i) "Family Leave" refers jointly to Adoption Leave, Maternity Leave, Paternity Leave and Parental Leave (whether Paid Family Leave or Unpaid Family Leave).
- (ii) "Adoption Leave", "Maternity Leave", "Ordinary Adoption Leave", "Ordinary Maternity Leave", "Paternity Leave" and "Parental Leave" are as defined in the Employment Rights Act 1996.
- (iii) The definition of "CARE Salary" is modified for any period of Family Leave during which an Active CARE Member is not in receipt of pay as if he were working normally:
 - (A) for the purposes of calculating all pension and death benefits in respect of the CARE Benefits, CARE Salary will be the CARE Salary in force on 1 April immediately before the Active CARE Member's Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the CARE Salary attributable to the Active CARE Member had he continued to work normally);
 - (B) for the purposes of Rule 3.1 of this Appendix One to Schedule One of Part F of the Rules CARE Salary is deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Family Leave (including any statutory maternity pay, adoption pay or paternity pay).
- (iv) The definition of "DC Salary" is modified for any period of Family Leave during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he was working normally. For the purposes of calculating all pension and death benefits in respect of the CARE Benefits, the DC Salary will be the amount which was in payment to the DC Scheme Life Assurance Member before the Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the DC Salary which the DC Scheme Life Assurance Scheme Member would have received if he had continued to work normally).

12.2 Paid Family Leave

- (a) A CARE Member will remain an Active CARE Member in respect of the CARE

Benefits during any period of Family Leave during which he is entitled to and receives pay (including any statutory maternity pay, adoption pay or paternity pay) from his Employer ("Paid Family Leave").

- (b) All periods of Paid Family Leave are Pensionable CARE Service and the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule One of Part F of the Rules for so long as he is in receipt of pay from his Employer.
- (c) Any period of Ordinary Maternity Leave or Ordinary Adoption Leave during which a CARE Member is not entitled to statutory maternity pay will be treated as Paid Family Leave under this Rule.
- (d) A DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule One of Part F of the Rules during any period of Paid Family Leave and any period of Ordinary Maternity Leave or Ordinary Adoption Leave during which the DC Scheme Life Assurance Member is not entitled to statutory maternity pay.

12.3 Unpaid Family Leave

- (a) Subject to Rule 12.2(c) above, an Active CARE Member will remain in Service during any period of Family Leave when he is not entitled to and does not receive pay (including any statutory maternity pay, adoption pay or paternity pay) from his Employer ("Unpaid Family Leave").
- (b) Subject to Rule 12.4(a) below, all periods of Unpaid Family Leave are Service but not Pensionable CARE Service.
- (c) During Unpaid Family Leave an Active CARE Member and his Employer are not required to comply with Rule 3.2 of this Appendix One to Schedule One of Part F of the Rules.
- (d) During all periods of Unpaid Family Leave, the Active CARE Member or DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule One of Part F of the Rules and will be treated as either an Active CARE Member or a DC Scheme Life Assurance Member (as applicable) for these purposes.

12.4 Returning to Work

- (a) If an Active CARE Member returns to work after a period of Unpaid Family Leave, he may pay contributions in order to earn Pensionable CARE Service for

any periods of Unpaid Family Leave. The terms will be agreed between the Active CARE Member and the Trustees.

- (b) If Rule 12.4(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any period of Family Leave will be treated as continuous.

12.5 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of Family Leave, he will cease to be an Active CARE Member or DC Scheme Life Assurance Member (as applicable) on the earliest of the date:

- (i) he informs his Employer that he will not be returning to work;
- (ii) her right to Ordinary Maternity Leave or Ordinary Adoption Leave ended;
- (iii) when his right to Paid Family Leave ended; or
- (iv) he started Parental Leave under the Employment Rights Act 1996 or any extension of those terms allowed by the Employer if none of the period of Parental Leave is paid.

- (b) The Principal Employer's confirmation of the date is final.

12.6 Absence

- (a) General

- (i) This Rule applies where either an Active CARE Member or DC Scheme Life Assurance Member is not at work whilst still in Service (except on normal holiday leave or Family Leave) due to:

- (A) injury or illness; or
- (B) secondment or attending full-time education with the agreement of his Employer in circumstances where there is an expectation on the part of the Active CARE Member or DC Scheme Life Assurance Member and the Employer that he will return to work for an Employer.

- (ii) Where the absence is due to illness or injury, the definition of:

(A) "CARE Salary" is modified for any period of the absence during which an Active CARE Member is not in receipt of his pay as if he was working normally:

1) for the purposes of calculating all pension and death benefits which are CARE Benefits, the amount of the CARE Salary which was in payment to the Active CARE Member before his absence due to ill-health or injury started as increased as at each 1 April by such amount as the Principal Employer decides;

2) for the purposes of Rule 3.1 of this Appendix One to Schedule One of Part F of the Rules CARE Salary is deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Paid Absence either from an Employer or payments from an employer's permanent health insurance scheme; or

(B) "DC Salary" is modified by any period of absence during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he were working normally. For the purposes of calculating all pension and death benefits which are CARE Benefits the amount of the DC Salary before his absence due to ill-health or injury started, as increased as at each 1 April by such amount as the Principal Employer decides.

(iii) Where absence is due to secondment or attending full-time education, the Principal Employer will determine the extent to which (if at all) the definitions of "CARE Salary" and "DC Salary" are modified during the period of absence. The Principal Employer will notify the Trustees of any modifications made to either CARE Salary or DC Salary under this Rule.

12.7 Paid Absence

(a) During a period of absence to which this Rule applies when the CARE Member is in receipt of pay from either an Employer or payments from an employer's permanent health insurance scheme ("Paid Absence"), the CARE Member will be treated as an Active CARE Member and will remain in Pensionable CARE Service.

- (b) During all periods of Paid Absence, the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule One of Part F of the Rules for so long as he is in receipt of pay from either an Employer or if he is absent due to ill-health or injury, payments from an employer's permanent health insurance scheme.
- (c) During all periods of Paid Absence, the Principal Employer will determine the level of the Active CARE Member's CARE Salary for the purposes of calculating his pension and death benefits.
- (d) During all periods of Paid Absence a DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule One of Part F of the Rules and will be treated as a DC Scheme Life Assurance Member for these purposes unless the Principal Employer decides otherwise.

12.8 Unpaid Absence

- (a) During a period of absence to which this Rule applies, when the Active CARE Member is not in receipt of pay from an Employer or in the case of absence due to ill-health or injury, payments from an employer's permanent health insurance scheme ("Unpaid Absence"), the Active CARE Member will be treated as being in Service but not Pensionable CARE Service (unless the Principal Employer determines otherwise).
- (b) During all periods of Unpaid Absence, the Active CARE Member and his Employer are not required to comply with the terms of Rule 3.2 of this Appendix One to Schedule One of Part F of the Rules.
- (c) During all periods of Unpaid Absence whilst either the Active CARE Member or DC Scheme Life Assurance Member (as applicable) remains in service, he will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule One of Part F of the Rules and will be treated as either an Active CARE Member or DC Scheme Life Assurance Member (as applicable) for these purposes unless the Principal Employer decides otherwise.

12.9 Returning to Work

- (a) If an Active CARE Member returns to work for an Employer or starts to be in receipt of payments from an employer's permanent health insurance scheme after a period of Unpaid Absence, he may pay contributions in order to earn Pensionable CARE Service for any period of Unpaid Absence. The terms will be

agreed between the Active CARE Member and the Trustees.

- (b) If Rule 12.9(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any periods of Unpaid Absence will be treated as continuous.

12.10 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of absence, he will cease to be either an Active CARE Member or a DC Scheme Life Assurance Member on the earliest of the date:
 - (i) he informs his Employer that he will not be returning to work;
 - (ii) his Employer terminates his employment; or
 - (iii) such other date as the Principal Employer decides and notifies to the Trustees.
- (b) The Principal Employer's confirmation of the date is final.

13 Part-Time Workers

13.1 Application of this Rule

- (a) This Rule applies to any Active CARE Member who is in Part-Time Employment for any period of Pensionable CARE Service.
- (b) This Rule overrides the rest of the Rules contained in this Appendix One to Schedule One of Part F of the Rules in respect of periods of Part-Time Employment relating to the calculation of all CARE Benefits held in the Scheme.

13.2 Adjustment of Part-Time Active CARE Member's CARE Benefits

- (a) If an Active CARE Member is in Part-Time Employment for any period of Pensionable CARE Service:
 - (i) his CARE Salary for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:
$$\text{CARE Salary} \quad \times \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$
 - (ii) his Pensionable CARE Service for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be

adjusted using the following formula:

$$\frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}} \times \text{Period of Part-Time Pensionable CARE Service}$$

- (iii) the upper earnings limit used to determine the level of an Active CARE Member's contributions or rate at which salary should be sacrificed from his pay under a pension salary sacrifice arrangement under Rule 3.2 of this Appendix One to Schedule One of Part F of the Rules in respect of each period of Part-Time Employment, will be adjusted by the following formula:

$$\text{upper earnings limit} \quad \times \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

For the purposes of this adjustment, upper earnings limit has the same meaning as in Rule 3.2 of this Appendix One to Schedule One of Part F of the Rules;

- (iv) the Salary Cap for the purposes of calculating his CARE Pension and level of Active CARE Member's contributions or rate at which salary should be sacrificed from his pay under pension salary sacrifice arrangements under Rule 3.2 of this Appendix One to Schedule One of Part F of the Rules in respect of each period of Part-Time Employment, will be adjusted using the following formula:

$$\text{Salary Cap} \quad \times \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

- (v) with effect on and from 1 April 2009 for Pensionable CARE Service earned after that date his Gross Band Earnings for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\text{Gross Band Earnings} \quad \times \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$

Provided that Gross Band Earnings in all cases will not be greater than the upper earnings limit.

- (b) If an Active CARE Member has more than one period of Service which is Part-Time Employment and / or Full-Time Employment, each one will be treated separately.
- (c) The Trustees will determine all questions of doubt in respect of the calculation of an Active CARE Member's CARE Benefits for periods of Part-Time Employment

if there is an inadequacy in the data provided to them.

13.3 The Meaning of Words used in this Rule 13

- (a) "Average Weekly Contractual Hours" is the average number of hours in each standard working week for which an Active CARE Member is contracted to work for an Employer.
- (b) "Standard Weekly Hours" is the number of hours during a standard working week which an Active CARE Member would be contracted to work for an Employer if he was contracted to work on a full-time basis.
- (c) "Part-Time Employment" is any period of Pensionable CARE Service during which an Active CARE Member is contracted to work for a lower number of weekly hours of work than those applicable to an Active CARE Member who is contracted to work on a full-time basis.

14 CARE Pension Increases

14.1 The Rate of Pension Increases

- (a) A pension which is in payment will increase on each 1 April:
 - (i) for:
 - (A) a CARE Pensioner; or
 - (B) an Adult Dependant and/or Dependant Children of either an Active CARE Member, Deferred CARE Member or CARE Postponed Pensionerby the smaller of the Rate and $1/365$ th of the Rate multiplied by the number of days since the date pension started;
 - (ii) for an Adult Dependant or Dependant Children of a CARE Pensioner, by the Rate.
- (b) "Rate" as at each 1 April is the lower of:
 - (i) the annual rise in the published Government retail prices index for all items for the immediately preceding month of September; and
 - (ii) 2.5%.

Conditions:

- (A) If:
- 1) for any period on and after 1 January 2008, the Rate is lower than the rise in the Government retail prices index for all items under (b)(i) above; and
 - 2) the Actuary advises the Trustees that either:
 - 1a) whilst the Scheme is a Sectionalised Scheme, Section 2 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 2); or
 - 1b) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and
 - 3) the Principal Employer consents in writing the Trustees may apply a Rate of greater than 2.5% at the next 1 April.
- (B) Any increase in pension required to be paid by Section 2 of the Scheme by statute will be included within any increase in pension payable under this Rule.
- (C) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

15 Definitions used in this Appendix One to Schedule One of Part F of the Rules

15.1 Meaning of Words Used in this Appendix One

In this Appendix One to Schedule One of Part F of the Rules only, the words listed below have the following meanings:

"Active CARE Member" means a CARE Member who has:

- (a) joined Section 2 of the Scheme to be provided with CARE Benefits under Rule 2.1 of this Appendix One to Schedule One of Part F of the Rules; and
- (b) makes contributions to Section 2 of the Scheme or has a pension salary sacrifice

arrangement in place with his Employer under Rule 3.2 of this Appendix One to Schedule One of Part F of the Rules; and

- (c) not yet left Pensionable CARE Service. (For these purposes absence whilst the Active CARE Member remains in Service under Rule 12 of this Appendix One to Schedule One of Part F of the Rules is ignored).

“Active CARE Membership” has a corresponding meaning.

“Adoption Leave” is defined in Rule 12.1 of this Appendix One to Schedule One of Part F of the Rules.

“Adult Dependant” means the CARE Member's widow, widower or Civil Partner as at the date of his death.

If the CARE Member was unmarried and had not entered into a Civil Partnership as at the date of his death, the Trustees may, in their absolute discretion, determine that any person who was:

- (a) living with the CARE Member in a relationship akin to marriage or a Civil Partnership; and
- (b) financially dependent or inter-dependent on the CARE Member at the date of his death

is his Adult Dependant.

“Average Weekly Contractual Hours” is defined in Rule 13.3 of this Appendix One to Schedule One of Part F of the Rules.

“Averaged Revalued CARE Salary” is defined in Rule 4.2 of this Appendix One to Schedule One of Part F of the Rules.

“CARE Member” means a person who is entitled or prospectively entitled to CARE Benefits from Section 2 of the Scheme. Unless the context requires otherwise, CARE Member includes:

- (a) an Active CARE Member, Deferred CARE Member, CARE Postponed Pensioner and CARE Pensioner; and
- (b) excludes a DC Scheme Life Assurance Member for all purposes other than the payment of benefits upon the death of a DC Scheme Life Assurance Member.

“CARE Membership” has a corresponding meaning.

"CARE Pension" is defined in Rule 4.1 of this Appendix One to Schedule One of Part F of the Rules.

"CARE Pension Date" means the CARE Member's or DC Scheme Life Assurance Member's 65th birthday.

"CARE Pensioner" means a CARE Member who is being paid a CARE Pension from Section 2 of the Scheme by virtue of his own CARE Membership.

"CARE Postponed Pensioner" means a CARE Member who:

- (a) remains in the employment of an Employer after his CARE Pension Date; and
- (b) has deferred or is deemed to have deferred payment of his CARE Pension under Rule 5.4(b) of this Appendix One to Schedule One of Part F of the Rules; and
- (c) whose CARE pension has not started to be paid.

"CARE Salary" means the Active CARE Member's:

- (a) basic salary had the Active CARE Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) CARE Salary is determined as at each 1 April and confirmed to the Active CARE Member annually by his Employer in writing after that date.
- (ii) An Active CARE Member's CARE Salary cannot be greater than the Salary Cap.
- (iii) An Active CARE Member's first CARE Salary for the purposes of calculating CARE Benefits in the Scheme was the CARE Salary in respect of TPP determined as at 31 December 2007 and notified to him in writing. It was applied from 1 January 2008 to 31 March 2008 inclusive in that scheme.
- (iv) In the case of an Active CARE Member who has entered into a pension salary sacrifice arrangement with his Employer, for the purposes of calculating all of his CARE Benefits, his CARE Salary will be calculated ignoring the effect of any salary sacrifice arrangements in force between him and his Employer from time to time.

"Cash Transfer Sum" means a cash equivalent transfer as described in Section 101AB (3) of the 1993 Act.

“Contribution Refund” has the meaning given to it in Section 101AB of the 1993 Act.

“DC Scheme Life Assurance Member” means an employee:

- (a) who was in the employment of an Employer on 31 December 2007; and
- (b) who elected to join the DC Scheme after 31 December 2007; and
- (c) in respect of whom contributions are made by an employer in the group of companies owned by Thales Holdings UK plc (or its successors) to the DC Scheme.

“DC Lump Sum” is defined in Rule 8.1(d) of this Appendix One to Schedule One of Part F of the Rules.

“DC Salary” means the DC Scheme Life Assurance Member’s:

- (a) basic salary had the DC Scheme Life Assurance Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) DC Salary is determined as at each 1 April and confirmed to the DC Life Assurance Scheme Member annually by his Employer in writing after that date.
- (ii) A DC Scheme Life Assurance Member’s DC Salary cannot be greater than the Salary Cap.
- (iii) DC Salary will be calculated ignoring the effect of any salary sacrifice arrangements in force between him and his Employer from time to time.

“Deferred CARE Member” means a CARE Member who has:

- (a) not attained his CARE Pension Date or has deferred commencement of his CARE Pension after his CARE Pension Date;
- (b) left Pensionable CARE Service (regardless of whether he remains in the employment of an Employer or not); and
- (c) not either:
 - (i) started to be paid his CARE Pension; or
 - (ii) received any benefits payable under Rule 6.1 of this Appendix One to

Schedule One of Part F of the Rules.

Deferred CARE Member includes a person treated as such under Rule 11.3 of this Appendix One to Schedule One of Part F of the Rules.

“Dependant Child(ren)” means a child who was:

- (a) the CARE Member’s:
 - (i) natural child;
 - (ii) adopted child;
 - (iii) step child who the Trustees consider, in their absolute discretion, was dependent upon the CARE Member; and
 - (iv) any child who the Trustees consider, in their absolute discretion, the CARE Member would have been regarded as a child for whom he was responsible as a parent and where in the opinion of the Trustees the child was dependent on the CARE Member; and
- (b) at the date of the CARE Member’s death was:
 - (i) under the age of 18; or
 - (ii) under the age of 23 and in full-time education.

Condition:

Dependant Child includes a child who was conceived and in his mother’s womb but not yet born at the date of the CARE Member’s death.

“Early Retirement Reduction” is the amount by which a CARE Member’s CARE Pension is reduced to take account of the period of time by which the CARE Pension is being paid early.

- (c) With effect on and from 1 January 2008, the amount of the Early Retirement Reduction in respect of the CARE Pension will be 5% for each complete year (and a pro rata amount for each complete month of any part year) that the CARE Pension is paid before the CARE Member’s CARE Pension Date.
- (b) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the Early Retirement Reduction to an alternative Early Retirement Reduction which may be higher or lower than the Early Retirement Reduction set out in (a) above. But,

- (i) such an Early Retirement Reduction agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:
 - (A) whilst the Scheme is a Sectionalised Scheme, the assumptions used at the last actuarial valuation for Section 2 of the Scheme;
or
 - (B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme;
 - (ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).
- (c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule One of Part F of the Rules, the Principal Employer and Trustees must review the Early Retirement Reduction and agree the Early Retirement Reduction to be applied. If the Principal Employer and the Trustees cannot agree the Early Retirement Reduction under this (c), the Actuary will either:
- (i) revise the Early Retirement Reduction by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or
 - (ii) leave the Early Retirement Reduction unchanged.

"Family Leave" is defined in Rule 12.1 of this Appendix One to Schedule One of Part F of the Rules.

"LAF" is defined in Rule 4.2 of this Appendix One to Schedule One of Part F of the Rules.

"LAF Base Table" is defined in Rule 4.2 of this Appendix One to Schedule One of Part F of the Rules.

"LAF Recalculation Table" is defined in Rule 4.2 of this Appendix One to Schedule One of Part F of the Rules.

"Late Retirement Increase" is the amount by which a CARE Member's CARE Pension is increased to take account of the period of time by which the CARE Pension is being paid late.

- (a) With effect on and from 1 January 2008, the amount of the Late Retirement Increase in respect of the CARE Pension will be 8.5% for each complete year

(and a pro rata amount for each complete month of any part year) that the CARE Pension is paid after the CARE Member's CARE Pension Date.

- (b) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the Late Retirement Increase to an alternative Late Retirement Increase which may be higher or lower than the Late Retirement Increase set out in (a) above. But,
 - (i) such a Late Retirement Increase agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:
 - (A) whilst the Scheme is a Sectionalised Scheme, the assumptions used at the last actuarial valuation for Section 2 of the Scheme; or
 - (B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme; and
 - (ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).
- (c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule One of Part F of the Rules, the Principal Employer and Trustees must review the Late Retirement Increase and agree the Late Retirement Increase to be applied. If the Principal Employer and the Trustees cannot agree the Late Retirement Increase under this (c), the Actuary will either:
 - (i) revise the Late Retirement Increase by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or
 - (ii) leave the Late Retirement Increase unchanged.

"Lump Sum Benefit" is defined in Rule 8.1(c) of this Appendix One to Schedule One of Part F of the Rules.

"Paid Absence" is defined in Rule 12.2(b) of this Appendix One to Schedule One of Part F of the Rules.

"Paid Family Leave" is defined in Rule 12.1(b) of this Appendix One to Schedule One of Part F of the Rules.

“Parental Leave” is defined in Rule 12.1(a) of this Appendix One to Schedule One of Part F of the Rules.

“Part-Time Employment” is defined in Rule 13.3(c) of this Appendix One to Schedule One of Part F of the Rules.

“Paternity Leave” is defined in Rule 12.1(a) of this Appendix One to Schedule One of Part F of the Rules.

“Pensionable CARE Service” means a CARE Member’s:

- (a) last or only continuous period of Service as an Active CARE Member;
- (b) any additional period of Service as an Active CARE Member aggregated with the CARE Member’s last period of Service as an Active CARE Member; and
- (c) any additional period of Pensionable CARE Service awarded to the CARE Member in respect of a transfer payment received by Section 2 of the Scheme or augmentation made in respect of his CARE Benefits for him where the Trustees, with the agreement of the Principal Employer have determined to award Pensionable CARE Service in respect of such a transfer or augmentation.

“Rate” is defined in Rule 14.1(b) of this Appendix One to Schedule One of Part F of the Rules.

“Revalued CARE Salary” is defined in Rule 4.2(d) of this Appendix One to Schedule One of Part F of the Rules.

“Revaluation Factor” is defined in Rule 4.2(e) of this Appendix One to Schedule One of Part F of the Rules.

“Salary Cap” is determined each year as at each 1 April and is calculated as:

- (a) the Salary Cap in force on each 31 March;
- (b) increased on 1 April by the rise in the published Government’s retail prices index for all items for the immediately preceding month of September. If the figure arrived at is not a multiple of £600, the figure will be rounded up to the nearest figure that is divisible by £600.

Conditions:

- (i) If in any year the published Government retail prices index for all items has not increased, the Salary Cap for that year will remain unchanged.
- (ii) The first Salary Cap is £112,800 which will apply from 1 January 2008 to 31

March 2008 inclusive in respect of CARE Benefits earned in TPP. The second Salary Cap to apply from 1 April 2008 to 30 June 2008 in TPP and from 1 July 2008 to 31 March 2009 to CARE Benefits earned in the Scheme is £117,600.

- (iii) If an Active CARE Member has a period of Part-Time Employment the Salary CAP will be adjusted in accordance with Rule 13 of this Appendix One to Schedule One of Part F of the Rules.
- (iv) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

“**Serious Ill-Health**” is the total incapacity of an Active CARE Member by reason of illness or injury such that the Principal Employer, with the agreement of the Trustees, are satisfied (after taking the advice of a registered medical practitioner selected by the Principal Employer with the agreement of the Trustees) that the Active CARE Member is not able to carry out the material and substantial duties of his occupation.

“**Service**” means service as an employee of an Employer.

“**Standard Weekly Hours**” is defined in Rule 13.3(b) of this Appendix One to Schedule One of Part F of the Rules.

“**Three Month Condition**” has the meaning given to it in Section 101AA of the 1993 Act.

“**Unpaid Absence**” is defined in Rule 12.2(c) of this Appendix One to Schedule One of Part F of the Rules.

“**Unpaid Family Leave**” is defined in Rule 12.1(c) of this Appendix One to Schedule One of Part F of the Rules.

15.2 Other Definitions used in this Appendix One to Schedule One

- (a) In this Appendix One to Schedule One of Part F of the Rules, the words “**Children**”, “**Deferred Pensioner**”, “**Eligible Child**”, “**Member**”, “**Normal Retirement Date**”, “**Pensionable Service**”, “**Pensioner**”, “**Postponed Pensioner**” and “**Spouse**” have the meanings given to them in Appendix Two to Schedule One of Part F of the Rules.
- (b) In this Appendix One to Schedule One of Part F of the Rules, all other definitions are defined in Part A of the Rules unless the Rules expressly state otherwise.

16 Restrictions on Lump Sum Death Benefits

- 16.1 In the event that the Lump Sum Benefit payable upon the death of an Active CARE Member or a DC Scheme Life Assurance Member is insured by the Scheme using a policy of insurance from an insurance company, the maximum amount of the Lump Sum Benefit will be determined in accordance with this Rule 16.
- 16.2 The Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule One of Part F of the Rules in respect of an Active CARE Member or a DC Scheme Life Assurance Member will not be greater than the monies paid by the insurance company under the policy of insurance effected by the Scheme to the Trustees in respect of the deceased Active CARE Member or DC Scheme Life Assurance Member (as applicable).
- 16.3 If Rule 16.2 above applies, the Trustees may pay a sum greater than the monies received from the insurance company but not greater than the Lump Sum Benefit. This Rule applies only if the Actuary advises the Trustees that the Scheme is fully funded on its ongoing funding basis using either:
- (a) if the Scheme is a Sectionalised Scheme, the assumptions used at the Scheme's previous actuarial valuation for Section 2 of the Scheme; or
 - (b) if the Scheme has desectionalised, the assumptions used at the Scheme's previous actuarial valuation for the Scheme.
- 16.4 This Rule is subject to the terms of legislation relating to age discrimination and disability discrimination insofar as they apply to the Scheme.
- 16.5 This Rule 16 will not apply to have the effect of reducing the Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule One of Part F of the Rules where either:
- (a) the Trustees are aware that the application of this Rule will have the effect of reducing the Lump Sum Benefit payable upon the death of an Active CARE Member or DC Scheme Life Assurance Member due to the level of such a Active CARE Member's or DC Scheme Life Assurance Member's pay from an Employer or the state of his health and the Trustees have failed to inform the Active CARE Member or DC Scheme Life Assurance Member of the effect of this Rule upon the Active CARE Member's or DC Scheme Life Assurance Member's Lump Sum Benefit within one (1) month of becoming aware of it; or
 - (b) the full extent of the Lump Sum Benefit is not insured due to an act or omission or failure on the part of the Trustees or the Active CARE Member's or DC Scheme Life Assurance Member's Employer.

Provided that this Rule 16.5 will not apply if the reduction in the Lump Sum Benefit is caused as a direct result of an act, omission or failure by the Active CARE Member or DC Scheme Life Assurance Member to ensure that the Lump Sum Benefit is insured in full.

**SCHEDULE ONE OF PART F OF THE RULES
FINAL SALARY BENEFITS RULES FOR FORMER TPP BENEFICIARIES**

APPENDIX TWO

1 General Benefits Description

1.1 Type of Benefits

The Rules for Final Salary Benefits provide final salary style benefits for all Pensionable Service in TPP before 1 January 2008 in accordance with the trust provisions and the Category 2 Rules and Category 3 Rules of TPP from time to time in force since the inception of TPP on 1 April 1999 up until 31 December 2007 which are transferred to Section 2 of the Scheme.

1.2 Contracting-out Status

The Final Salary Benefits are contracted-out on a salary related basis in so far as was required by the trust provisions and / or the Category 2 Rules and the Category 3 Rules of TPP in force from time to time since the inception of TPP and shall be provided in a manner consistent with such contracting-out requirements.

1.3 Tax Status and Scheme Benefit Limits

(a) Subject to (b) below, the Final Salary Benefits are subject to and restricted by Scheme Benefit Limits set out in Part G of the Rules which limit and restrict the amount and payment of benefits in respect of all Former TPP Beneficiaries who were entitled to Final Salary Benefits from TPP earned before 1 January 2008 and transferred to Section 2 of the Scheme.

(b) Part G of the Rules is varied for Former TPP Beneficiaries as follows:

(i) where the pension of a Former TPP Beneficiary has not yet come into payment and a pension commencement lump sum is payable under the Rules, the Trustees may permit a pension commencement lump sum to be paid up to the maximum pension commencement lump sum payment which counts as an authorised member payment for the purposes of FA 2004. Such a payment is subject to the terms of Rule 7.8 of Appendix One of Schedule One and Rule 3.10 of Appendix Two of Schedule One of Part F of the Rules.

(ii) any Former TPP Beneficiary who has not applied his additional voluntary contribution fund transferred into Section 2 of the Scheme from TPP in order to provide benefits may apply all or part of his additional

voluntary contribution fund to provide a pension commencement lump sum as long as the total pension commencement lump sum payable on a particular benefit crystallisation event (as defined in section 216 of FA 2004) under Section 2 of the Scheme does not exceed the maximum pension commencement lump sum payment which counts as an authorised member payment for the purposes of FA 2004;

- (iii) subject to the consent of the Principal Employer and the terms of Rules 82.7 to 82.9 (inclusive) of Part F of the Rules, a Former TPP Beneficiary who is in Pensionable CARE Service pursuant to Appendix One of Schedule One to Part F of the Rules or who is otherwise accruing benefits may take his Final Salary Benefits while remaining in his Employer's service. The payment of such benefits is subject to the terms of this Appendix Two to Schedule One of Part F of the Rules. For the avoidance of doubt, such a Former TPP Beneficiary will cease to accrue any further benefits under Section 2 of the Scheme and will cease to be covered for death in service benefits.

- 1.4 To such extent as is necessary, the provisions contained in Rules 2 to 4 of this Appendix Two to Schedule One of Part F of the Rules are modified to enable benefits to be provided to or in respect of Former TPP Beneficiaries (excluding Former TPP Category 1 Beneficiaries) in accordance with Rule 1.3(b) above.

2 Applicable TPP Scheme Rules - Members who left Pensionable Service before 1 January 2008

- 2.1 For the purposes of this Appendix Two to Schedule One of Part F of the Rules the following terms have the following meanings:

- (a) "TPP Rules" means together the provisions of the:
 - (i) definitive deed and rules of TPP dated 25 July 2002 ("the Trust Deed"); and
 - (ii) rules dated 25 July 2002 in respect of Category 2 ("the Category 2 Rules"); and
 - (iii) rules dated 3 February 2003 in respect of Category 3 ("the Category 3 Rules")

(each as amended by all deeds of amendment other than the 2007 Deed unless the Rules expressly state otherwise).

(b) "2007 Deed" means the Enhanced Benefits Appendix of the deed of amendment dated 21 December 2007.

2.2 Subject to Rule 1.3(b) of this Appendix Two to Schedule One of Part F of the Rules above, for the purposes of this Appendix Two to Schedule One of Part F of the Rules the following provisions of the TPP Rules listed below apply to all Former TPP Beneficiaries who ceased to be in Pensionable Service in TPP before 1 January 2008 and are neither Scheme Enhanced Members nor Former Enhanced Members, for the purposes of determining the nature, amount, value and the calculation of the Former TPP Beneficiary's Final Salary Benefits transferred from TPP to Section 2 of the Scheme (unless the context clearly requires otherwise):

- (a) all of the Category 2 Rules and the Category 3 Rules other than rules 1, 2, 3, 4, 6 and 7 of part II and rule 1(1)(a) of part IV of each of the Category 2 and Category 3 Rules;
- (b) rule 6 contained in schedule B to the Trust Deed;
- (c) all of the rules contained in schedule E to the Trust Deed other than rules 1, 2, 4, 5, 6, 7, 8 and 9;
- (d) rule 3 of schedule F to the Trust Deed other than rule 3(1);
- (e) rules 1 and 2 of schedule H to the Trust Deed;
- (f) all of the appendix part II: contracted-out employment of the Trust Deed; and
- (g) all of the definitions contained either in schedule A to the Trust Deed or any other schedules, parts, rules or appendices which are used in the above listed rules (as amended from time to time and in particular by the 2007 Deed) but only in so far as it is necessary to interpret the above listed rules.

Provided that such definitions will only have the meanings given to them in the above listed rules and will not be construed in accordance with any other definitions in the Rules.

2.3 Rule 3 of this Appendix Two to Schedule One of Part F of the Rules does not apply to any Former TPP Beneficiary who is neither a Scheme Enhanced Member nor a Former Enhanced Member (both as defined in Rule 3.1 below).

2.4 For the purposes of this Appendix Two to Schedule One of Part F of the Rules a Former TPP Beneficiary who on:

- (a) 31 December 2007 was a Postponed Pensioner for Final Salary Benefits; and

(b) 30 June 2008 was still treated as a Postponed Pensioner of TPP

will continue to be treated as a Postponed Pensioner in Section 2 of the Scheme under the terms of rule 4 of part III of either the Category 2 Rules or the Category 3 Rules (as applicable) of the TPP Rules with the right to the application of an actuarial increase in his pension under the terms of rule 4 (2) of part III of either the Category 2 Rules or the Category 3 Rules (as applicable) of the TPP Rules.

3 Applicable TPP Rules - Members who were in Pensionable Service at any time after 31 December 2007 and entitled to Enhanced Benefits

3.1 Members affected by Enhanced Benefits and the Meaning of Past Service Pension

(a) For the purposes of this Appendix Two to Schedule One of Part F of the Rules, "Scheme Enhanced Member" means any Former TPP Beneficiary who:

(i) was an Enhanced Member in respect of Final Salary Benefits under the terms of the TPP Rules as amended by the 2007 Deed; and

(ii) who transferred his Final Salary Benefits to Section 2 of the Scheme with effect on and from 1 July 2008; and

(iii) was either an:

(A) Active CARE Member of Section 2 of the Scheme; or

(B) employee in respect of whom an employer in the group of companies owned by Thales Holdings (UK) plc or its successors make contributions to the DC Scheme

after 30 June 2008.

(b) For the purposes of this Appendix Two to Schedule One of Part F of the Rules, "Former Enhanced Member" means any Former TPP Beneficiary who:

(i) was an Enhanced Member in respect of Final Salary Benefits under the TPP Rules as amended by the 2007 Deed; and

(ii) ceased to be an Enhanced Member in TPP after 1 January 2008 but before 1 July 2008; and

(iii) who transferred his Final Salary Benefits to Section 2 of the Scheme.

(c) For the purposes of this Appendix Two to Schedule One of Part F of the Rules, the "Past Service Pension" is calculated using a Scheme Enhanced Member's or

Former Enhanced Member's (as applicable) Pensionable Service and Final Pensionable Salary calculated as at 31 December 2007 in accordance with the TPP Rules (as amended by the 2007 Deed). Past Service Pension does not include any Previous Membership Benefits.

3.2 Scheme Enhanced Members' and Former Enhanced Members' Benefits and Benefit Options

- (a) Subject to Rule 1.3(c) of this Appendix Two to Schedule One of Part F of the Rules, a Former TPP Beneficiary who is either a Scheme Enhanced Member or a Former Enhanced Member will have his Final Salary Benefits calculated in accordance with the provisions listed in Rule 2.2 (with the necessary alterations to points of detail) as amended by the provisions in Rule 3 to this Appendix Two to Schedule One of Part F of the Rules.
- (b) All Former TPP Beneficiaries who are Scheme Enhanced Members in Section 2 of the Scheme will, whilst they remain Scheme Enhanced Members of Section 2 of the Scheme have the same benefit options in respect of their Final Salary Benefits held in Section 2 of the Scheme as Members of the TPP in Pensionable Service on 31 December 2007 had under the terms of the of the TPP Rules, but such benefit options are as amended by Rules 3.4 to 3.13 of this Appendix Two to Schedule One of Part F of the Rules.
- (c) All Former TPP Beneficiaries who are Former Enhanced Members in Section 2 of the Scheme will have the same benefit options in respect of their Final Salary Benefits held in Section 2 of the Scheme as they had under the terms of the TPP Rules (as amended by the 2007 Deed) as Enhanced Members who had stopped being Enhanced Members under those rules.

3.3 Revaluation of Final Salary Benefits earned before 31 December 2007 for Former Enhanced Members

Each of the Former TPP Beneficiaries who is a Former Enhanced Member and was entitled to Final Salary Benefits payable under the TPP Rules will be entitled to Final Salary Benefits in Section 2 of the Scheme which are:

- (a) of the same nature, amount, value and calculated in the same way as the Former Enhanced Member's Past Service Pension in TPP; and
- (b) adjusted in accordance with the terms of the 2007 Deed from 1 January 2008 to the date he stopped being an Enhanced Member in TPP; and
- (c) revalued in Section 2 of the Scheme using the final salary method of statutory

revaluation (as set out in section 84(1) and paragraphs 1 and 2 of Schedule 3 of the 1993 Act) to the earlier of the date:

- (i) of his death;
- (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule One of Part F of the Rules; or
- (iii) his Normal Retirement Date.

3.4 Revaluation of Final Salary Benefits earned before 31 December 2007 for Scheme Enhanced Members

- (a) Each of the Former TPP Beneficiaries who is a Scheme Enhanced Member of Section 2 of the Scheme is entitled to Final Salary Benefits payable under the TPP Rules which is:
 - (i) of the same nature, amount, value and calculated in the same way as the Scheme Enhanced Member's Past Service Pension in the TPP; and
 - (ii) then adjusted in accordance with the terms of this Rule 3.4 of this Appendix Two to Schedule One of Part F of the Rules.
- (b) A Scheme Enhanced Member's Past Service Pension will be revalued as at 1 April 2008 in TPP. Thereafter, subject to (c) below, a Scheme Enhanced Member's Past Service Pension will be revalued as at each 1 April in Section 2 of the Scheme by the Special Revaluation Factor for the Revaluation Period.
- (c) As at the date a Scheme Enhanced Member stops being a Scheme Enhanced Member in Section 2 of the Scheme his Past Service Pension will not be less than the aggregate of:
 - (i) in the case of that part of the Scheme Enhanced Member's Past Service Pension which is in excess of his Guaranteed Minimum Pension, that part of his Past Service Pension revalued by the Special Revaluation Factor for the Revaluation Period; and
 - (ii) in the case of that part of the Scheme Enhanced Member's Past Service Pension which is his Guaranteed Minimum Pension, his Guaranteed Minimum Pension revalued from 1 January 2008 to the date he ceased to be a Scheme Enhanced Member by the greater of statutory revaluation applied to a Guaranteed Minimum Pension under the terms of the 1993 Act or revaluation applied by the TPP Rules in force before 1 January

2008, if higher.

Conditions:

- (A) The "Special Revaluation Factor" is the Revaluation Rate compounded over the Revaluation Period.
- (B) The "Revaluation Rate" is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the Maximum Revaluation Rate set out in paragraph (C) below and will not be a negative amount.
- (C) The "Maximum Revaluation Rate" is what the Revaluation Rate would be if the rise in the Government retail prices index for all items was eight (8) per cent compound each year for the Revaluation Period.
- (D) The "Revaluation Period" is the period from 1 January 2008 to the 1 April immediately preceding the date the Scheme Enhanced Member stops being a Scheme Enhanced Member.
- (E) The rise in the Government retail prices index for all items used for the Revaluation Rate is:
 - 1) in the case of revaluation applied in the TPP as at 1 April 2008, a full year's increase using the annual rise in the Government retail prices index for all items published for September 2007; and
 - 2) for each subsequent 1 April in Section 2 of the Scheme the annual rise in the Government retail prices index for all items published for the immediately preceding month of September.
- (F) If:
 - 1) for any period during the Revaluation Period, the rise in the Government retail prices index for all items is higher than eight (8) per cent compound each year;
 - 2) the Actuary advises the Trustees that either:
 - 1a) whilst the Scheme is a Sectionalised Scheme, Section 2 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 2); or

1b) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and

3) the Principal Employer consents in writing

the Trustees may apply a higher Special Revaluation Factor than is provided for under these Rules for such period as the Principal Employer agrees.

(G) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer with the agreement of the Trustees will decide the nearest alternative index to be applied.

(d) A Former TPP Beneficiary who is a Scheme Enhanced Member of Section 2 of the Scheme will stop being a Scheme Enhanced Member when either:

(i) he stops being an Active CARE Member under the terms of this Appendix One to Schedule One of Part F of the Rules; or

(ii) an employer in the group of companies owned by Thales Holdings UK plc (or its successors) stops paying contributions to the DC Scheme in respect of him

at a date after 30 June 2008.

(e) When a Scheme Enhanced Member stops being a Scheme Enhanced Member before his Normal Retirement Date for the purposes of this Appendix Two to Schedule One of Part F of the Rules, if his Past Service Pension does not immediately start to be paid from Section 2 of the Scheme, he will become a Deferred Pensioner and his Deferred Benefits will be calculated in accordance with the terms of Rule 3.4(c) above up to the date he ceased to be a Scheme Enhanced Member.

Thereafter, the Trustees will revalue the Past Service Pension using the final salary method of statutory revaluation (as set out in section 84(1) and paragraphs 1 and 2 of Schedule 3 of the 1993 Act) from the date he ceased to be a Scheme Enhanced Member to the earlier of the date:

(1) of his death;

- (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule One of Part F of the Rules;
 - (iii) his Normal Retirement Date.
- (f) Under the terms of this Rule 3.4, a Scheme Enhanced Member's Past Service Pension at the earlier of the date:
- (i) of his death;
 - (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule One of Part F of the Rules; or
 - (iii) of his Normal Retirement Date

will not be less than the pension he would have been entitled to as a Member of the TPP becoming a Deferred Pensioner entitled to Final Salary Benefits on 31 December 2007 under the terms of the TPP Rules upon the basis that the part of his Deferred Benefits which are in excess of his Guaranteed Minimum Pension and his Guaranteed Minimum Pension will be revalued separately in accordance with either the requirements of statutory revaluation or the provisions of the TPP Rules, if higher, in force on 31 December 2007.

- (g) If, when a Scheme Enhanced Member stops being a Scheme Enhanced Member and his Past Service Pension immediately starts to be paid from the Scheme, he will be a Pensioner in receipt of his pension from that date in respect of his Past Service Pension.
- (h) If a Scheme Enhanced Member remains in Service upon attaining his Normal Retirement Date and his Past Service Pension does not start to be paid from Section 2 of the Scheme he will be a Postponed Pensioner in respect of his Past Service Pension from his Normal Retirement Date.

3.5 Ill-Health Early Retirement - Special Rules for Scheme Enhanced Members

- (a) If a Scheme Enhanced Member is suffering from Incapacity and an entitlement to a pension has arisen under the terms of rule 2 of part III of the Category 2 Rules or Category 3 Rules of the TPP Rules, the Final Salary Benefits pension payable will be equal to the Scheme Enhanced Member's Past Service Pension adjusted in accordance with Rule 3.4 above to the date he stops being a Scheme Enhanced Member. No prospective service to Normal Retirement Date will be added to the pension, but the pension will not be reduced to take account of early payment.

(b) A Scheme Enhanced Member who is not able to work due to ill-health or injury and who is in receipt of payments from an employer's permanent health insurance of at least 50 per cent of either his:

- (i) CARE Salary in the case of an Active CARE Member; or
- (ii) DC Salary in the case of a DC Scheme Life Assurance Member; less
- (iii) in either case statutory sick pay

is not entitled to apply for the payment of his Past Service Pension under this Rule 3.5 unless the Principal Employer with the agreement of the Trustees decide otherwise.

(c) This Rule 3.4 will cease to apply when a Former TPP Beneficiary stops being a Scheme Enhanced Member.

3.6 Death whilst a Scheme Enhanced Member - Lump Sums

(a) If a person dies whilst a Scheme Enhanced Member, Section 2 of the Scheme will pay on the discretionary trusts pursuant to Rule 74 of Part D of the Rules:

- (i) a refund of the Scheme Enhanced Member's own contributions which he was required to pay to the TPP before 1 January 2008 and which have been transferred to Section 2 of the Scheme; and
- (ii) any benefits due under the terms of this Appendix Two to Schedule One of Part F of the Rules as a result of the payment of additional voluntary contributions paid before 1 January 2008 to the TPP which have been transferred to Section 2 of the Scheme.

(b) Any Final Salary Benefits lump sum death benefit (other than that referred to in Rule 3.6(a) above) which would have been paid upon the death of either a Member or a Deferred Pensioner under the terms of the TPP Rules will not be paid.

(c) The balance of the Scheme Enhanced Member's death in service lump sum benefits will be paid under the terms of Appendix One to Schedule One of Part F of the Rules in accordance with the terms of Rule 74 of Part D to the Rules (regardless of whether the Scheme Enhanced Member is an Active CARE Member or a DC Scheme Life Assurance Member on the date of his death).

3.7 Death whilst a Scheme Enhanced Member - Pension Benefits

- (a) If a person dies whilst a Scheme Enhanced Member Section 2 of the Scheme will, subject to (b) below, pay pension benefits in accordance with the terms of rules 1(1)(b) to (e), 1(2), 4, 5 and 6 of part IV of the Category 2 Rules or the Category 3 Rules (as applicable) of the TPP Rules, in respect of his Past Service Pension.
- (b) The amount of any pension payable under Rule 3.7(a) above will be determined using the Scheme Enhanced Member's Past Service Pension adjusted to the date of his death in accordance with Rule 3.4 above. No prospective service will be included in the calculation of any pensions payable under rules 1(1)(b) to (e), 1(2), 4, 5 and 6 of part IV of the Category 2 Rules or the Category 3 Rules (as applicable) the TPP Rules as specified under Rule 3.7(a).
- (c) The balance of the pension payable upon the death of a Scheme Enhanced Member will be paid under the terms of Appendix One to Schedule One of Part F of the Rules.

3.8 Prospective Service Benefits

No benefit payable to or in respect of a Scheme Enhanced Member from Section 2 of the Scheme in accordance with this Appendix Two to Schedule One of Part F of the Rules will include in its calculation any prospective Pensionable Service.

3.9 Continued Life Assurance Benefits

- (a) This Rule 3.9 applies to a Scheme Enhanced Member and a Former Enhanced Member:
 - (i) who either:
 - (A) stops being a Scheme Enhanced Member; or
 - (B) stopped being a Former Enhanced Member due to Incapacity or Serious Ill-Health (or both); and
 - (ii) whose:
 - (A) Past Service Pension payable under the terms of rule 2 of part III of the Category 2 Rules or the Category 3 Rules (as applicable) of the TPP Rules (as amended by Rule 3.5 above) due to Incapacity; or

(B) CARE Pension payable under Rule 5.3 of Appendix One to Schedule One of Part F of the Rules; or

(C) both (A) and (B)

immediately starts to be paid upon him stopping being either a Scheme Enhanced Member of Section 2 of the Scheme or an Enhanced Member of the TPP.

(b) A Scheme Enhanced Member or Former Enhanced Member to whom this Rule 3.9 of Appendix Two to Schedule One of Part F of the Rules applies will continue to be provided with the Lump Sum Benefit under this Rule 3.9 of Appendix Two to Schedule One of Part F of the Rules from the date he either stops being a Scheme Enhanced Member of Section 2 of the Scheme or stopped being an Enhanced Member of the TPP to the earlier of:

(i) his CARE Pension Date; and

(ii) any date before his CARE Pension Date when all of his pension benefits which are in payment from Section 2 of the Scheme (whether under the terms of this Appendix Two to Schedule One or Appendix One to Schedule One of Part F of the Rules or both) stop being paid (other than where benefits stop as a result of his death).

(c) The amount of the Scheme Enhanced Member's or Former Enhanced Member's CARE Salary or DC Salary (as applicable) for the purposes of calculating his Lump Sum Benefit will be his CARE Salary or DC Salary as at the date he ceased to be either a Scheme Enhanced Member of Section 2 of the Scheme or an Enhanced Member of the TPP, increased by such amount as the Principal Employer decides from time to time.

3.10 Pension Commencement Lump Sum

(a) Where a Scheme Enhanced Member or Former Enhanced Member has an entitlement to:

(i) Final Salary Benefits and CARE Benefits as a result of his own membership of the TPP which were transferred to Section 2 of the Scheme; and

(ii) In the case of a Scheme Enhanced Member only, CARE Benefits earned in Section 2 of the Scheme

he can only exchange Past Service Pension for a pension commencement lump sum in proportion to the amount his Past Service Pension represents as a part of his aggregated pension from Section 2 of the Scheme when his Past Service Pension and his CARE Pension are aggregated together.

(b) Where a Scheme Enhanced Member or Former Enhanced Member has an entitlement to Previous Membership Benefits, he can only exchange Previous Membership Benefits for pension commencement lump sum:

(i) in accordance with the TPP Rules which apply to it; and

(ii) in proportion to the amount his Previous Membership Benefits represents as a part of his aggregated pension from Section 2 of the Scheme when his Previous Membership Benefits, Past Service Pension and his CARE Pension are aggregated together.

3.11 Other Benefits

(a) Where a Scheme Enhanced Member or Former Enhanced Member has benefits which were transferred into Section 2 of the Scheme which relate to previous period of membership of the TPP which are separate from his Past Service Pension, those benefits will be paid under the terms of the TPP Rules in force at the relevant time when such previous period of membership in the TPP ended.

(b) For the purposes of these Rules the benefits referred to in 3.11(a) are referred to as the "Previous Membership Benefits".

3.12 Early Leaver Rights

(a) Where the TPP Rules applicable to the Former TPP Beneficiaries' Final Salary Benefits specify the manner in which the Preservation Requirements will be complied with under them, those rules will apply in respect of the Preservation Requirements.

(b) If the provisions of the TPP Rules which apply to the Former TPP Beneficiaries' Final Salary Benefits referred to in (a) above do not specify the manner in which the Preservation Requirements will be complied with under them, the rules will be construed in a manner which is consistent with the Preservation Requirements.

3.13 Additional Voluntary Contributions

No Scheme Enhanced Member or Former Enhanced Member can pay additional voluntary contributions to Section 2 of the Scheme under the terms of this Appendix Two to Schedule One of Part F of the Rules.

4 Meanings of Words Used

4.1 Use of Definitions in this Appendix Two to Schedule One

In this Appendix Two to Schedule One of Part F of the Rules, the following words have the following special meanings:

“**2007 Deed**” has the meaning given to it in Rule 2.1(c) of Appendix Two to Schedule One of Part F of the Rules.

“**Category 1 Rules**” has the meaning given to it in Rule 2.1(a)(ii) of Appendix Two to Schedule One of Part F of the Rules.

“**Category 2 Rules**” has the meaning given to it in Rule 2.1(a)(iii) of Appendix Two to Schedule One of Part F of the Rules.

“**Former Enhanced Member**” has the meaning given to Rule 3.1(b) of Appendix Two to Schedule One of Part F of the Rules.

“**Maximum Revaluation Rate**” has the meaning given in the conditions to Rule 3.3(b) of Appendix Two to Schedule One of Part F of the Rules.

“**Old Rules**” has the meaning given to it in Rule 2.1(b) of Appendix Two to Schedule One of Part F of the Rules.

“**Past Service Pension**” has the meaning given in Rule 3.1(c) of Appendix Two to Schedule One of Part F of the Rules.

“**Previous Membership Benefits**” has the meaning given in Rule 3.11 of Appendix Two to Schedule One of Part F of the Rules.

“**Revaluation Period**” has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule One of Part F of the Rules.

“**Revaluation Rate**” has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule One of Part F of the Rules.

“Scheme Enhanced Member” has the meaning given in Rule 3.1(a) of Appendix Two to Schedule One of Part F of the Rules.

“Special Revaluation Factor” has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule One of Part F of the Rules.

“TPP Rules” has the meaning given to it in Rule 2.1(a) of Appendix Two to Schedule One of Part F of the Rules.

“Trust Deed” has the meaning given to it in Rule 2.1(a)(i) of Appendix Two to Schedule One of Part F of the Rules.

4.2 Other Definitions used in Appendix Two to Schedule One

- (a) In this Appendix Two to Schedule One of Part F of the Rules, the words **“Active CARE Member”**, **“CARE Pension”**, **“CARE Pension Date”**, **“CARE Salary”**, **“DC Salary”**, **“DC Scheme Life Assurance Member”** and **“Serious Ill-Health”** have the meanings given to them in Appendix One to Schedule One of Part F of the Rules.
- (b) In this Appendix Two to Schedule One of Part F of the Rules, the words **“Category 2 Rules”**, **“Category 3 Rules”**, **“Deferred Benefits”**, **“Deferred Pensioner”**, **“Enhanced Member”**, **“Guaranteed Minimum Pension”**, **“Incapacity”**, **“Member”**, **“Normal Retirement Date”**, **“Pensionable Service”** and **“Postponed Pensioner”** have the meanings given to them in the TPP Rules (as amended, where applicable, by the 2007 Deed).
- (c) In this Appendix Two to Schedule One of Part F of the Rules, all other definitions are defined in Part A of the Rules.

**SCHEDULE ONE OF PART F OF THE RULES
GAD BENEFITS RULES FOR FORMER TPP CATEGORY 1 BENEFICIARIES**

APPENDIX THREE

1 General Benefits Description

1.1 Type of Benefits

- (a) The Rules for GAD Benefits provide final salary style benefits for all Pensionable Service in TPP for Former TPP Category 1 Beneficiaries before 1 July 2008 in accordance with the trust provisions and the Category 1 Rules of TPP from time to time in force since the inception of TPP on 1 April 1999 up until 30 June 2008 which are transferred to Section 2 of the Scheme.
- (b) The Rules for GAD Benefits provide final salary style benefits for all Pensionable Service in Section 2 of the Scheme for Former TPP Category 1 Beneficiaries after 30 June 2008 in accordance with the terms of this Appendix Three for so long as the Former TPP Category 1 Member remains in Pensionable Service in Section 2 of the Scheme.

1.2 Contracting-out Status

The Final Salary Benefits under the Category 1 Rules of TPP are contracted-out on a salary related basis in so far as was required by the trust provisions and / or the Category 1 Rules of TPP in force from time to time since the inception of TPP.

1.3 Tax Status and Scheme Benefit Limits

- (a) The GAD Benefits are subject to and restricted by the TPP Rules referred to in Rule 2.2(g) which limit and restrict the amount and payment of benefits in respect of all Former TPP Category 1 Beneficiaries who were entitled to GAD Benefits from TPP earned before 1 July 2008 and transferred to Section 2 of the Scheme, except to the extent that such rules have been relaxed or disapplied pursuant to a deed of amendment to TPP dated 19 April 2007.
- (b) Part G of the Rules does not apply to TPP Category 1 Members.

2 Applicable TPP Category 1 Rules

- 2.1 For the purposes of this Appendix Three to Schedule One of Part F of the Rules, the following terms have the following meanings:

“TPP Category 1 Rules” means together the provisions of the:

- (a) definitive deed and rules of TPP dated 25 July 2002 (“the Trust Deed”); and
- (b) rules dated 25 July 2002 in respect of Category 1 (“the Category 1 Rules”) (both as amended from time to time).

2.2 For the purposes of this Appendix Three to Schedule Two of Part F of the Rules the provisions of the TPP Category 1 Rules listed below will (with the necessary alterations to points of detail) be treated as applying to Former TPP Category 1 Beneficiaries of Section 2 of the Scheme to whom the TPP Category 1 Rules applied before 1 July 2008 for the purposes of determining the nature, amount, value and the calculation of the Former TPP Category 1 Beneficiary’s GAD Benefits transferred from TPP to Section 2 of the Scheme and for determining the Former TPP Category 1 Beneficiary’s GAD Benefits in respect of Pensionable GAD Service under Section 2 of the Scheme after 30 June 2008 (unless the context clearly requires otherwise):

- (a) all of the Category 1 Rules;
- (b) rule 6 contained in schedule B of the Trust Deed;
- (c) all of the rules contained in schedule E to the Trust Deed;
- (d) rules 2 and 3 of schedule F to the Trust Deed;
- (e) rules 1 and 2 of schedule H to the Trust Deed;
- (f) rule 7 of schedule K to the Trust Deed
- (g) all of the rules contained in appendix part I: Inland Revenue limits to the Trust Deed except to the extent that such rules have been relaxed or disapplied pursuant to the deed of amendment dated 19 April 2007;
- (h) all of the rules contained in appendix part II: contracted-out employment to the Trust Deed; and
- (i) all of the definitions contained either in schedule A to the Trust Deed or any other schedules, parts, rules or appendices which are used in the above listed rules (as amended from time to time) but only in so far as it is necessary to interpret the listed rules.

Provided that such definitions will only have the meanings given to them in the above listed rules (as amended from time to time) and will not be construed in accordance with any other definitions in the Rules.

3 Meanings of Words Used

3.1 Use of Definitions in this Appendix Three to Schedule One

In this Appendix Three to Schedule One of Part F of the Rules, the following words have the following special meaning:

“Pensionable GAD Service” has the same meaning as **“Pensionable Service”** in the TPP Category 1 Rules with appropriate amendments of detail to reflect the fact that after 30 June 2008, any Former TPP Category 1 Beneficiary’s GAD Benefits are provided from Section 2 of the Scheme.

**SCHEDULE TWO OF PART F OF THE RULES
FORMER TRBS BENEFICIARIES**

1 Application of Schedule Two of Part F of the Rules

1.1 Schedule Two of Part F of the Rules applies to:

- (a) Former TRBS Beneficiaries; and
- (b) any person who the Principal Employer and Trustees have agreed should be treated as a Former TRBS Beneficiary under Rule 78.3 of Part F of the Rules.

1.2 CARE Benefits earned in TRBS by Former TRBS Beneficiaries which are transferred to Section 2 of the Scheme are calculated as if those CARE Benefits had been earned in Section 2 of the Scheme from (and including) 1 January 2008 rather than in TRBS.

1.3 For those of the Former TRBS Beneficiaries who are in Pensionable CARE Service in Section 2 of the Scheme on 1 July 2008 and whose CARE Benefits from TRBS are transferred to Section 2 of the Scheme, Pensionable CARE Service in Section 2 of the Scheme will be treated as continuous.

2 Structure of Schedule Two of Part F of the Rules

2.1 Appendix One sets out the Rules to Schedule Two of Part F which apply to the provision of CARE Benefits for Former TRBS Beneficiaries.

2.2 Appendix Two sets out the Rules to Schedule Two of Part F which apply to the provision of Final Salary Benefits for Former TRBS Beneficiaries.

2.3 Final Salary Benefits earned in TRBS by Former TRBS Beneficiaries before 1 January 2008 will be of the same nature, amount and value and be calculated in the same way as under the terms which applied in TRBS to that Former TRBS Beneficiary on 31 December 2007. Such benefits will be administered in accordance with Parts A, C, D, F, G and H of the Rules of the Scheme.

**SCHEDULE TWO OF PART F OF THE RULES
CARE BENEFITS RULES FOR FORMER TRBS BENEFICIARIES**

APPENDIX ONE

1 General Benefits Description

1.1 Type of Benefits

The Rules for CARE Benefits for Former TRBS Beneficiaries provide career average revalued earnings style benefits for:

- (a) all Pensionable CARE Service in TRBS after 31 December 2007 and before 1 July 2008 which is transferred to Section 2 of the Scheme; and
- (b) all Pensionable CARE Service (if any) in Section 2 of the Scheme after 30 June 2008

which shall be treated as continuous Pensionable CARE Service.

1.2 Contracting-out Status

The CARE Benefits are contracted-in.

1.3 Tax Status and Plan Limits

- (a) The Rules for the provision of CARE Benefits are designed to provide pension and death benefits for a registered occupational pension scheme under Part 4 of the Finance Act 2004 (as amended).
- (b) For the purposes of determining the maximum benefits payable to a Former TRBS Beneficiary and any restrictions on their payment:
 - (i) the Scheme Benefit Limits contained in Part G of the Rules do not apply to the CARE Benefits;
 - (ii) the total pension payable to a Former TRBS Beneficiary from Section 2 of the Scheme when the CARE Benefits and the Final Salary Benefits are aggregated together will not exceed two thirds of the Former TRBS Beneficiary's Final Remuneration (as defined in Part G of the Rules) (ignoring the effect of any salary sacrifice arrangement made between the CARE Member and his Employer);
- (c) save as provided in Rule 82 of Part F of the Rules, this Rule 1.3 of this Appendix One to Schedule Two of Part F does not disapply:

- (i) the Scheme Benefit Limits which apply to the Final Salary Benefits of Former TRBS Beneficiaries in Part G of the Rules; or
 - (ii) any other benefit limits rules and / or restrictions applied to the Final Salary Benefits under Rule 1.3(c) of Appendix Two to Schedule Two of Part F of the Rules; and
- (d) if a CARE Member is subject to a pension sharing on divorce order, agreement or equivalent provision, Rule 1.3(b)(ii) will be applied to the total pension payable to a CARE Member from the Scheme when the CARE Benefits payable under this Appendix One to Schedule Two of Part F and the Final Salary Benefits payable under Appendix Two to Schedule Two of Part F are aggregated together before the pension sharing on divorce order, agreement or equivalent provision, is applied.

1.4 Early Leaver Rights

- (a) Where the CARE Benefits Rules of this Appendix One to Schedule Two specify the manner in which the Preservation Requirements will be complied with under it, those Rules will apply in respect of the Preservation Requirements.
- (b) If the CARE Benefits Rules of this Appendix One to Schedule Two do not specify the manner in which the Preservation Requirements will be complied with under it, the Rules will be construed in a manner which is consistent with the Preservation Requirements.

2 Membership for CARE Benefits

2.1 Becoming an Active CARE Member

- (a) An Employee is able to become and remain an Active CARE Member of Section 2 of the Scheme for so long as he satisfies all of the following conditions. The employee:
 - (i) was, on 31 December 2007, either:
 - (A) a member of TRBS in Pensionable Service under the rules of that scheme in force on that date; or
 - (B) an employee who was not a Member of TRBS in Pensionable Service under the rules of that scheme in force on that date but whom the Principal Employer has determined was eligible to join TRBS and did not join the DC Scheme on 1 January 2008;

- (ii) before 1 January 2008, elected in writing using the election form provided by Thales (Weybridge) Plc to become an Active CARE Member of TRBS from either 1 January 2008 or such later date as his employer in TRBS agreed in writing;
 - (iii) has either:
 - (A) a written pension salary sacrifice arrangement in force with his Employer; or
 - (B) If the Principal Employer permits, a written consent in force with his Employer to deduct his contributions from his CARE Salary; and
 - (iv) was continuously an Active CARE Member from either 1 January 2008 or such later date as he was first admitted to TRBS; and
 - (v) joined the Scheme as an Active CARE Member of Section 2 of the Scheme with effect from 1 July 2008 and transferred all of his benefits in TRBS to Section 2 of the Scheme with effect on and from 1 July 2008.
- (b) Section 2 of the Scheme is closed to new members and only Employees who meet the conditions set out in Rule 2.1(a) can be Active CARE Members of Section 2 of the Scheme entitled to CARE Benefits under the terms of this Appendix One to Schedule Two of Part F of the Rules.

2.2 Stopping being an Active CARE Member

- (a) An Active CARE Member will cease to be an Active CARE Member on the earlier of the date:
 - (i) he leaves employment or dies; or
 - (ii) of the expiry of not less than one month's written notice which he has given to the Trustees to end his Pensionable CARE Service; or
 - (iii) he ceases to satisfy all of the eligibility criteria to be an Active CARE Member under Rule 2.1(a) above (and for these purposes absence whilst the CARE Member remains in Service under Rule 12 of this Appendix One to Schedule Two of Part F is ignored); or
 - (iv) he otherwise ceases to be in Pensionable CARE Service under any other provision of the Rules of this Appendix One to Schedule Two of Part F of the Rules.

- (b) No Employee who has ceased to be an Active CARE Member under Rule 2.2(a) above can rejoin the Scheme in order to earn either CARE Benefits or Final Salary Benefits.
- (c) An Active CARE Member who opts-out of Active CARE Membership under Rule 2.2(a)(ii) above before his CARE Pension Date will be treated as a Deferred CARE Member from the date his notice to opt-out expires. Rules 6 and 9 apply to this Appendix One to Schedule Two of Part F of the Rules.

3 Payment of Contributions

3.1 Rate of Contributions

- (a) The rate of contributions due to Section 2 of the Scheme from each Active CARE Member is:
 - (i) 6 (six) per cent of CARE Salary for that part of the CARE Salary up to and including the upper earnings limit; and
 - (ii) 9 (nine) per cent of CARE Salary for that part (if any) of the CARE Salary in excess of the upper earnings limit.
- (b) Upper earnings limit is the annual equivalent of upper earnings limit published immediately before each 1 April for the following tax year.
- (c) Upper earnings limit has the meaning given in section 181 of the 1993 Act.
- (d) If an Active CARE Member has a period of Part-Time Employment the upper earnings limit will be adjusted in accordance with Rule 13 of this Appendix One to Schedule Two of Part F of the Rules.

3.2 Payment of Contributions

- (a) Active CARE Members who enter into a pension salary sacrifice arrangement with their Employer pursuant to Rule 3.2(c) below do not contribute to Section 2 of the Scheme.
- (b) Active CARE Members who, with the agreement of the Principal Employer, do not enter into a pension salary sacrifice arrangement with their Employer must contribute to Section 2 of the Scheme at the rate set out in Rule 3.1 above).
- (c) In order for Rule 3.2(a) above to apply the:
 - (i) Active CARE Member must sacrifice from his pay from his Employer an

amount equivalent to the contributions he would have paid to the Section 2 of the Scheme at the rate set out in Rule 3.1 above had the pension salary sacrifice arrangement not been in force; and

- (ii) Active CARE Member's Employer must pay monthly to the Trustees contributions to Section 2 of the Scheme of an amount equal to the sums sacrificed by the Active CARE Member from his remuneration from that Employer under his pension salary sacrifice arrangement.
- (d) All Active CARE Members are required to enter into a pension salary sacrifice arrangement with an Employer unless the Principal Employer determines otherwise in writing.
 - (e) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule Two of Part F of the Rules applies.
 - (f) In the event that the Principal Employer decides not to permit Active CARE Members to sacrifice pay from their Employer in accordance with Rule 3.2(c) above, such Active CARE Members will:
 - (i) continue to earn CARE Benefits provided that they contribute to Section 2 of the Scheme under the terms of Rule 3.2(b) above; and
 - (ii) provide such written consents as their Employer requests in writing to be able to deduct such contributions from their pay.
 - (g) Such Active CARE Members will become Deferred CARE Members if they do not provide to their Employer such written consents as are required for them to contribute to Section 2 of the Scheme under Rule 3.2(b) above within one (1) month of the date the Active CARE Members are asked to pay contributions to Section 2 of the Scheme or such longer period as the Principal Employer may decide.

3.3 Additional Voluntary Contributions

No Active CARE Member can pay additional voluntary contributions to Section 2 of the Scheme.

3.4 Employer Contributions

The balance of the cost of providing the CARE Benefits will be paid by the Employers in accordance with Rule 35 of Part A of the Rules.

4 Calculation of CARE Pension

4.1 CARE Pension Calculation

The "CARE Pension" is: $(X - Y) \times Z$ where:

- (a) "X" is 1/720th of Averaged Revalued CARE Salary for each complete calendar month of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service;
- (b) "Y" is the Pension Deduction; and
- (c) "Z" is the LAF.

Conditions:

- (i) The LAF applied to the CARE Pension will be either the LAF in force at the date:
 - (A) the Active CARE Member leaves Pensionable CARE Service; or
 - (B) the CARE Pension starts to be paidwhichever results in the payment of the higher CARE Pension to the CARE Member (or any person claiming through him).
- (ii) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule Two of Part F of the Rules applies to the calculation of his CARE Pension for that period of part-time Pensionable CARE Service.

4.2 Meaning of Words used in the Calculation of CARE Pension

- (a) "Averaged Revalued CARE Salary" is:
 - (i) the aggregate of the Revalued CARE Salary at each 1 April during Pensionable CARE Service; DIVIDED BY
 - (ii) the number of years in which the Active CARE Member was in Pensionable CARE Service on a 1 April.

Condition:

If an Active CARE Member leaves Pensionable CARE Service before 1 April 2008, his Average Revalued CARE Salary will be his CARE Salary on 1 January 2008.

- (b) **"Pension Deduction"** is:
- (i) 0.4% of the Active CARE Member's Gross Band Earnings for the last complete tax year immediately preceding the date the Active CARE Member left Pensionable CARE Service; MULTIPLIED BY
 - (ii) the number of complete calendar months of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service; DIVIDED BY
 - (iii) twelve (12).

Provided that with on and effect from 1 April 2009, Pension Deduction will be adjusted in accordance with the terms of Rule 13 in respect of Active CARE Members in Part-time Employment after that date.

- (c) **"Gross Band Earnings"** is the Active CARE Member's gross earnings between the lower and upper earnings limit.
- (d) **"Revalued CARE Salary"** is the Active CARE Member's CARE Salary as at each 1 April revalued by the Revaluation Factor up to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.
- (e) **"Revaluation Factor"** is the Revaluation Rate compounded over the Revaluation Period.

Conditions:

- (i) The **"Revaluation Rate"** is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the Maximum Revaluation Rate set out in (ii) and will not be a negative amount.
- (ii) The **"Maximum Revaluation Rate"** is what the Revaluation Rate would be if the rise in the Government retail prices Index for all items was eight (8) per cent compound each year for the Revaluation Period.
- (iii) The **"Revaluation Period"** is the period from 1 April to which the relevant CARE Salary relates to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.
- (iv) The rise in the Government retail prices index for all items used for the

Revaluation Rate is the one published before each 1 April for the immediately preceding month of September.

- (v) If:
- (A) for any period during the Revaluation Period, the rise in the Government retail prices index for all items is higher than eight (8) per cent compound each year; and
 - (B) the Actuary advises the Trustees that either:
 - 1) whilst the Scheme is a Sectionalised Scheme, Section 2 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 2); or
 - 2) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and
 - (C) the Principal Employer consents in writing.

the Trustees may apply a higher Revaluation Factor than is provided for under the CARE Benefits Rules for such period as the Principal Employer agrees.

- (vi) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.
- (f) "LAF" is the longevity adjustment factor and is calculated as follows:

$$\frac{1 - (A \times B)}{100}$$

Where:

- (i) "A" equals the number of years (rounded to the nearest 0.1 years) by which the anticipated life expectancy of a man aged 65 on the LAF Recalculation Table is higher or lower (as applicable) than on the LAF Base Table. Where the anticipated life expectancy is higher than on the LAF Base table, "A" will be positive and where lower "A" will be negative.

(ii) "B" equals 1.5.

Conditions:

- (A) The LAF will be one (1) between 1 January 2008 and 31 March 2012 (inclusive).
- (B) The LAF cannot be greater than one (1).
- (C) The LAF cannot decrease by more than 0.05 as at any LAF recalculation date.
- (D) "A" will assume a value of zero if, as at any LAF recalculation date, "A" is less than the years noted on the table below:

LAF recalculation date year For Rule 4.3(a)	Years for the purposes of "A"
2011	0.5
2014	0.75
2017	1.00
2020	1.25
2023	1.50
2026	1.75
2029	2.00
2032	2.25
2035	2.50
2038	2.75
2041	3.00
2044	3.25
2047	3.50
2050	3.75
2053	4.00

- (E) The LAF will be rounded to the nearest 0.0025.
- (F) The LAF will be recalculated in accordance with Rule 4.3.
- (g) "LAF Base Table" is the life expectancy table for a man aged 65 years old using the Government Actuaries Department's national 2006 based principal population projections with "cohort expectation" adjustments, which provides as follows:

Year to which Rule 4.3(a) Applies	Life Expectancy of a Male Retiring at Age 65
2007	20.7
2008	20.8
2009	21.0
2010	21.1
2011	21.2
2012	21.3
2013	21.5
2014	21.6
2015	21.7
2016	21.8
2017	21.9
2018	22.0
2019	22.1
2020	22.2
2021	22.3
2022	22.4
2023	22.5
2024	22.5
2025	22.6
2026	22.7
2027	22.8
2028	22.9
2029	23.0
2030	23.1
2031	23.2
2032	23.3
2033	23.4
2034	23.5
2035	23.6
2036	23.7
2037	23.7
2038	23.8
2039	23.9
2040	24.0
2041	24.1
2042	24.2
2043	24.3
2044	24.4

2045	24.5
2046	24.6
2047	24.7
2048	24.8
2049	24.9
2050	25.0
2051	25.1
2052	25.2
2053	25.3
2054	25.3

- (h) “LAF Recalculation Table” is, as at the current LAF recalculation date, the most recently published Government Actuaries Department table published since the previous LAF recalculation date, showing the life expectancy for a man aged 65 years old using the Government Actuaries Department’s table for national principal population projections with “cohort expectation” adjustments.

Conditions:

- (i) If the LAF Recalculation Table is not available at any LAF recalculation date, an alternative life expectancy table published by the Government Actuaries Department, the Office of National Statistics or similar body which uses the latest available national population statistics to show the current life expectancy of a male member retiring at age 65 and adjusted to reflect “cohort expectation” will be used.
- (ii) If a table meeting the requirements of (i) is not available at any LAF recalculation date, the Principal Employer with the agreement of the Trustees, will agree a life expectancy table which is nearest to the LAF Recalculation Table.

4.3 Recalculation of the LAF

- (a) The LAF will automatically be recalculated in accordance with Rule 4.2(f) above:
- (i) as at 1 January 2011 (being the first LAF recalculation date); and
- (ii) at three (3) yearly intervals thereafter as at 1 January.
- (b) The recalculated LAF will be applied to CARE Members’ benefits on expiry of

the notice given under Rule 4.3(c) below unless the Principal Employer, with the agreement of the Trustees, decides to apply a recalculation to the LAF which would result in a LAF being applied to CARE Members' benefits which would result in a higher benefit for a CARE Member than would otherwise have been applied under Rule 4.3(a) above.

- (c) Upon a LAF recalculation being effected under Rule 4.3(a) above at a LAF recalculation date, the Principal Employer will give all Active CARE Members at least twelve (12) months written notice of the amount of the recalculated LAF and the details of how it will be applied to benefits before the LAF is applied to benefits under this Appendix One to Schedule Two of Part F of the Rules.

5 Active CARE Member's CARE Pension

5.1 Drawing CARE Pension at CARE Pension Date

Upon an Active CARE Member attaining his CARE Pension Date but subject to the terms of Rule 5.4(a) and (b) below his annual CARE Pension will start on the next day.

5.2 Drawing CARE Pension before CARE Pension Date

- (a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if:
 - (i) before 6 April 2010, he is aged 50 or over; or
 - (ii) after 5 April 2010, he is aged 55 or over; and
 - (iii) he applies to draw his CARE Pension early whilst he is in Pensionable CARE Service; and
 - (iv) he has the written consent of the Principal Employer to draw his CARE Pension early; and
 - (v) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) If at any age from the age of 60 up to his Normal Retirement Date an Active CARE Member is entitled to receive his Final Salary Benefits under Appendix Two to Schedule Two of Part F of the Rules without any consents being required from any party to the Scheme or compliance with any other conditions, the payment of the CARE Pension is not subject to Rule 5.2(a)(iv) above after he attains that age.
- (c) An Active CARE Member may, with the consent of the Principal Employer,

remain in the employment of an Employer after his CARE Pension starts to be paid under the terms of this Rule 5.2.

- (d) The annual CARE Pension will start on the day agreed by the CARE Member and the Trustees.

5.3 Drawing CARE Pension due to Serious Ill-Health

- (a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health if, subject to the terms of Rule 5.3(d) below:

- (i) he has not attained his CARE Pension Date;
- (ii) he applies to draw his CARE Pension early due to Serious Ill-Health whilst he is in Pensionable CARE Service and will have left Pensionable CARE Service when his CARE Pension starts to be paid;
- (iii) the Principal Employer, with the agreement of the Trustees, decide after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Active CARE Member is suffering from Serious Ill-Health;
- (iv) the Trustees are satisfied that the Active CARE Member meets the ill-health condition for the purposes of the Part 4 of the Finance Act 2004; and
- (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health.

- (b) The CARE Pension payable under this Rule 5.3 will:

- (i) have no LAF applied to it; and
- (ii) not be reduced by an Early Retirement Reduction; and
- (iii) be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule Two of Part F of the Rules.

- (c) The annual CARE Pension will start on the day after the CARE Member left Pensionable CARE Service.

- (d) An Active CARE Member who is not able to work due to ill-health or injury and who is in receipt of payments from an employer's permanent health insurance

scheme of at least 50 per cent of his CARE Salary less statutory sick pay is not entitled to apply for the payment of his CARE Pension under this Rule unless the Principal Employer, with the agreement of the Trustees, decide otherwise.

5.4 Drawing CARE Pension after CARE Pension Date

(a) If an Active CARE Member, with the consent of the Principal Employer, remains in the employment of an Employer after his CARE Pension Date, he may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date (or such later date as the Principal Employer and the Trustees may agree) to either:

- (i) leave Pensionable CARE Service on his CARE Pension Date and be treated as either a CARE Pensioner or a CARE Postponed Pensioner; or
- (ii) remain in Pensionable CARE Service and continue to be treated as an Active CARE Member.

Conditions:

(A) If an Active CARE Member makes no election under this Rule 5.4(a), the Trustees will treat the Active CARE Member as if he had left Active CARE Membership on his CARE Pension Date and he will become a CARE Postponed Pensioner under Rule 5.4(b)(ii) below.

(B) The option to be treated as a CARE Pensioner under Rule 5.4(a)(i) can only be exercised by the CARE Member with the consent of the Principal Employer.

(b) This Rule 5.4(b) applies to an Active CARE Member who elects or is deemed to leave Pensionable CARE Service under Rule 5.4(a)(i). Such a CARE Member who may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date to either:

- (i) draw his CARE Pension under Rule 5.1 above and become a CARE Pensioner; or
- (ii) defer payment of his CARE Pension and become a CARE Postponed Pensioner until the earlier of the date he elects for his CARE Pension to start to be paid and the date he attains age 75.

Conditions:

(A) If the Active CARE Member makes no election under this Rule 5.4(b) the

Trustees will defer payment of his CARE Pension under Rule 5.4(b)(ii) above.

- (B) An Active CARE Member to which this Rule 5.4(b) applies will on his CARE Pension Date cease to either:
 - 1) pay contributions under Rule 3.2(b) of this Appendix One to Schedule Two of Part F of the Rules; or
 - 2) be subject to a pension salary sacrifice arrangement under Rule 3.2(d) of this Appendix One to Schedule Two of Part F of the Rules.
 - (C) A CARE Postponed Pensioner's CARE Pension will start to be paid on the earlier of:
 - 1) the day after he elects for his CARE Pension to start; or
 - 2) his 75th birthday.
 - (D) A CARE Postponed Pensioner's CARE Pension will be calculated as at his CARE Pension Date. Upon drawing his CARE Pension the Trustees will apply to it a Late Retirement Increase.
 - (E) Upon the death of a CARE Postponed Pensioner before his CARE Pension starts to be paid, he will be treated as if he had:
 - 1) started to draw his CARE Pension immediately before his death; and
 - 2) not elected to exchange any of his CARE Pension for pension commencement lump sum under Rule 7 of this Appendix One to Schedule Two of Part F of the Rules.
 - (F) For the purposes of the CARE death benefit Rules, Rule 10 of this Appendix One to Schedule Two of Part F of the Rules applies.
 - (G) Upon the death of a CARE Pensioner who remains in the employment of an Employer at the date of his death, the CARE death benefits for a CARE Pensioner will be payable under Rule 10 of this Appendix One to Schedule Two of Part F of the Rules.
- (c) This Rule 5.4(c) applies to an Active CARE Member who elects to continue in Pensionable CARE Service under Rule 5.4(a)(ii). Such a CARE Member will be

treated as an Active CARE Member until the earlier of:

- (i) the date he leaves Pensionable CARE Service; and
- (ii) his 75th birthday.

Conditions:

(A) The CARE Member will continue to be treated as an Active CARE Member and will continue to either:

- 1) make contributions under Rule 3.2(b) of this Appendix One to Schedule Two of Part F of the Rules; or
- 2) be subject to a salary sacrifice pension arrangement under Rule 3.2(d) of this Appendix One to Schedule Two of Part F of the Rules

for so long as he remains in Pensionable CARE Service after his CARE Pension Date.

(B) An Active CARE Member's Pensionable CARE Service must cease on his 75th birthday even if he remains in the employment of an Employer.

(C) The annual CARE Pension will start on the earlier of:

- 1) the day after he elects for his CARE Pension to start; or
- 2) his 75th birthday.

(D) When an Active CARE Member to which this Rule 5.4(c) relates leaves Pensionable CARE Service his CARE Pension will be calculated under Rule 4.1 of this Appendix One to Schedule Two of Part F of the Rules.

(E) If an Active CARE Member to which this Rule 5.4 (c) relates dies after his CARE Pension Date but before his CARE Pension starts to be paid the lump sum death benefit payable under this Rule in respect of his death will be:

- 1) the Lump Sum Benefit; PLUS
- 2) the lump sum Final Salary Benefit payable under Rule 3.6 of Appendix Two to Schedule Two of Part F of the Rules; LESS
- 3) any lump sum Final Salary Benefit payable under Appendix Two

to Schedule Two of Part F of the Rules upon the death of a Pensioner or a Postponed Pensioner (as applicable) under the TRBS Rules as provided for in Appendix Two to Schedule Two of Part F of the Rules.

6 Deferred CARE Member Benefits

6.1 Deferred CARE Member with less than Two (2) years Qualifying Service

An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service with less than two (2) years Qualifying Service will become a Deferred CARE Member entitled to elect to receive:

- (a) a Contribution Refund less any tax payable, of any contributions paid in respect of CARE Benefits after 31 December 2007 to TRBS and transferred to the Scheme with effect from 1 July 2008; and/or
- (b) a sum equal to the earnings sacrificed from his pay under a pension salary sacrifice arrangement in force after 31 December 2007 less any tax and national insurance. Such a sum is payable by the Deferred CARE Member's last Employer before he left Pensionable CARE Service in respect of all earnings sacrificed under Rule 3.2(d) of this Appendix One to Schedule Two of Part F of the Rules; or
- (c) if he satisfies the Three Month Condition, a Cash Transfer Sum.

Conditions:

- (i) Rule 6.2 below will apply to a Deferred CARE Member who has received a transfer into Section 2 of the Scheme in respect of him from a registered pension scheme.
- (ii) Any election by a Deferred CARE Member for a Cash Transfer Sum must comply with the requirements of the 1993 Act.
- (iii) No interest will be applied to any sum paid to a Deferred CARE Member either by the Trustees under Rule 6.1(a)(i) above or his last Employer under Rule 6.1(a)(ii) above.
- (iv) Where a CARE Member was both:
 - (A) a Former TRBS Beneficiary entitled to Final Salary Benefits earned TRBS before 1 January 2008 which were transferred to Section 2 of the Scheme with effect from 1 July 2008; and

- (B) an Active CARE Member entitled to CARE Benefits from:
- 1) TRBS after 31 December 2007 which were transferred to Section 2 of the Scheme with effect from 1 July 2008; and
 - 2) Section 2 of the Scheme after 30 June 2008 (if any)

the Trustees will aggregate any CARE Benefits and Final Salary Benefits payable by them due to the length of the CARE Member's Qualifying Service.

- (v) Once all payments due to or in respect of a CARE Member both under this Rule in respect of his CARE Benefits and Final Salary Benefits have been made, all entitlements to benefits from the Scheme (whether they are Final Salary Benefits or CARE Benefits) will be extinguished for the CARE Member and any person claiming through him.

6.2 Deferred CARE Member with more than Two (2) years Qualifying Service

- (a) An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service:
- (i) with at least two (2) years Qualifying Service; or
 - (ii) with less than two (2) years Qualifying Service and Section 2 of the Scheme has received a transfer from another registered pension scheme in respect of him; or
 - (iii) with combined Qualifying Service in TRBS and the Thomson Retirement Savings Plan of at least two (2) years; and
 - (iv) without receiving an immediate CARE Pension from Section 2 of the Scheme under Rule 5 of this Appendix One to Schedule Two of Part F of the Rules

will become a Deferred CARE Member entitled to receive a CARE Pension from Section 2 of the Scheme under the terms of this Rule 6.2.

- (b) The Deferred CARE Member's CARE Pension will be calculated in accordance with Rule 4.1 of this Appendix One to Schedule Two of Part F of the Rules up to the date he leaves Pensionable CARE Service.
- (c) The Trustees will revalue the CARE Pension using the final salary method of statutory revaluation (as set out in Section 84(1) and Paragraphs 1 and 2 to

Schedule 3 of the 1993 Act) from the date the Deferred CARE Member leaves Pensionable CARE Service up to the earlier of the date:

- (i) of his death;
- (ii) his CARE Pension starts to be paid; or
- (iii) his CARE Pension Date.

6.3 Drawing CARE Pension at CARE Pension Date

Upon a Deferred CARE Member attaining his CARE Pension Date his annual CARE Pension will start on the next day.

6.4 Drawing CARE Pension before CARE Pension Date

- (a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension Date if:
 - (i) before 6 April 2010, he is aged 50 or over; or
 - (ii) after 5 April 2010, he is aged 55 or over; and
 - (iii) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early; and
 - (iv) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) If at any age from the age of 60 up to his Normal Retirement Date a Deferred CARE Member is entitled to receive his Final Salary Benefits without any consents being required from any party to the Scheme or compliance with any other conditions, the payment of the CARE Pension is not subject to Rule 6.4(a)(iii) above after he attains that age.
- (c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their consent to its early payment.

6.5 Drawing CARE Pension due to Serious Ill-Health

- (a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health if:
 - (i) he has not attained his CARE Pension Date;
 - (ii) he applies to draw his CARE Pension early due to Serious Ill-Health;

- (iii) the Principal Employer, with the agreement of the Trustees, decides after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Deferred CARE Member is suffering from Serious Ill-Health;
 - (iv) the Trustees are satisfied that the Deferred CARE Member meets the ill-health condition for the purposes of the Part 4 of the Finance Act 2004;
 - (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health; and
 - (vi) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) The CARE Pension payable under this Rule 6.5 will be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule Two of Part F of the Rules.
 - (c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their written consent to its early payment due to Serious Ill-Health.

6.6 Drawing CARE Pension after CARE Pension Date

- (a) A Deferred CARE Member may, with the consent of the Principal Employer and the Trustees, defer payment of his CARE Pension until a date after his CARE Pension Date.
- (b) The CARE Pension of a Deferred CARE Member who defers payment of it under this Rule will come into payment on the earlier of:
 - (i) the expiry of one (1) month's written notice by him to the Trustees to start payment of the CARE Pension; and
 - (ii) the Deferred CARE Member's 75th birthday.
- (c) If a Deferred CARE Member defers payment of his CARE Pension under this Rule, his CARE Pension will be calculated as at his CARE Pension Date. When his CARE Pension starts to be paid, the Trustees will apply to it a Late Retirement Increase.
- (d) The annual CARE Pension will start on the earlier of:
 - (i) the day after he elects for his CARE Pension to start; or
 - (ii) his 75th birthday.

- (e) If a Deferred CARE Member dies before his CARE Pension starts to be paid, he will be treated as if he had:
 - (i) started to draw his CARE Pension immediately before his death; and
 - (ii) not elected to commute any of his CARE Pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Two of Part F of the Rules.

For these purposes, Rule 10 of this Appendix One to Schedule Two of Part F of the Rules applies.

7 Pension Commencement Lump Sum

7.1 A CARE Member may, with the consent of the Trustees, elect to exchange part of his CARE Pension for a pension commencement lump sum (as defined in Part 1 to Schedule 29 of the Finance Act 2004).

7.2 The election must be made in writing by the CARE Member and provided to the Trustees before the date the CARE Member is due to draw his CARE Pension.

7.3

- (a) The rate at which CARE Pension can be exchanged for a pension commencement lump sum, subject to Rules 7.8 and 7.9 below, will be as follows:

Age at the date of exchange of CARE Pension for a pension commencement lump sum	Commutation Factor
50	18.0
51	17.6
52	17.2
53	16.8
54	16.4
55	16.0
56	15.6
57	15.2
58	14.8
59	14.4
60	14.0

61	13.6
62	13.2
63	12.8
64	12.4
65	12.0
66	11.6
67	11.2
68	10.8
69	10.4
70	10.0
71	9.6
72	9.2
73	8.8
74	8.4
75	8.0

- (b) The table set out in this Rule 7.3 sets out the rate at which CARE Pension can be exchanged for pension commencement lump sum as at a specified age. Where a CARE Member is older than the specified age by a proportion of a year, the relevant exchange rate set out in the table in Rule 7.3 above will be a pro rata amount calculated in complete months.

7.4

- (a) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the rate at which CARE Pension can be exchanged for pension commencement lump sum to an alternative rate which may be higher or lower than the rate set out in Rule 7.3 above.
- (b) Such a rate agreed under Rule 7.4(a) above cannot be implemented unless it is first certified as reasonable by the Actuary having regard to the assumptions used at the last actuarial valuation for either:
- (i) whilst the Scheme is a Sectionalised Scheme, Section 2 of the Scheme; or
 - (ii) after the Scheme has become desectionalised, the Scheme
- (c) A rate agreed and certified under this Rule 7.4 will remain in force until such time as a new rate is agreed and certified under this Rule 7.4

7.5

- (a) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Two of Part F of the Rules in circumstances which result in a different LAF being automatically applied to benefits under Rule 4.3 of this Appendix One to Schedule Two of Part F of the Rules, the Principal Employer and the Trustees must review the rate at which CARE Pension can be exchanged for a pension commencement lump sum and agree the rate at which CARE Pension can be so exchanged.
 - (b) If under the terms of Rule 7.5(a) above, the Principal Employer and the Trustees cannot agree a rate at which CARE Pension can be exchanged for a pension commencement lump sum, the Actuary will either:
 - (i) revise the rate at which CARE Pension can be exchanged for a pension commencement lump sum by increasing or reducing the rate by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under Rule 7.5(a) above; or
 - (ii) leave the rate at which CARE Pension can be exchanged for a pension commencement lump sum unchanged.
- 7.6 A CARE Member can only elect to commute CARE Pension for a pension commencement lump sum at the same time as drawing his CARE Pension.
- 7.7 Once a CARE Member's CARE Pension starts to be paid, an election to exchange CARE Pension for a pension commencement lump sum cannot be revoked.
- 7.8 In the case of a CARE Member who also has an entitlement to Final Salary Benefits as a result of his own membership of Section 2 of the Scheme, he can only exchange his CARE Pension for a pension commencement lump sum in proportion to the amount his CARE Pension represents to his aggregated pension from Section 2 of the Scheme when his CARE Pension and his Final Salary Benefits are aggregated together.
- 7.9 The pension commencement lump sum will not exceed the maximum permitted by HMRC under Part 4 of the Finance Act 2004 unless the CARE Member has an entitlement to a higher amount in respect of his benefits held in Section 2 of the Scheme under the terms of Paragraph 31 to Schedule 36 of the 2004 Act.

8 Death Benefits for an Active CARE Member or a DC Scheme Life Assurance Member

8.1 Lump Sum Death Benefit

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member the Trustees will hold on the discretionary trusts for:
 - (i) an Active CARE Member, the Lump Sum Benefit; or
 - (ii) a DC Scheme Life Assurance Member, the Lump Sum Benefit LESS the DC Lump Sum.
- (b) The Lump Sum Benefit will be applied in accordance with Rule 74 of Part D of the Rules.
- (c) "Lump Sum Benefit" means subject to the terms of Rule 16 of this Appendix One to Schedule Two of Part F of the Rules, four (4) times the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC Salary (as applicable) as at the 1 April immediately preceding the date of his death.
- (d) "DC Lump Sum" means the amount notified to the Trustees by the manager of the DC Scheme as being the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is used to provide lump sum benefits payable in respect of the DC Scheme Life Assurance Member. The DC Lump Sum excludes the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death).

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Two of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Two of Part F of the Rules will apply.
- (ii) A CARE Member who remains in the employment of an Employer after his CARE Pension Date under Rule 5.4(a) of this Appendix One to Schedule Two of Part F of the Rules and who is in receipt of his CARE

Pension at the date of his death is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Two of Part F of the Rules will apply.

(iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Two of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule applies but such a CARE Member's Lump Sum Benefit will be calculated in accordance with condition (E) of Rule 5.4(c) of this Appendix One to Schedule Two of Part F of the Rules.

(iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but who remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Two of Part F of the Rules will apply.

(v) An Active CARE Member who on the date of his death is:

(A) not in receipt of his CARE Pension;

(B) is in receipt of a pension which are Final Salary Benefits as a result of his own membership of Section 2 of the Scheme; or

(C) has not attained his CARE Pension Date

will have deducted from his Lump Sum Benefit payable in respect of his CARE Benefits any lump sum payable in respect of his Final Salary Benefits in so far as it is greater than the benefit payable under Rule 3.6 of Appendix Two to Schedule Two of Part F of the Rules.

(vi) On the date of the death of either:

(A) an Active CARE Member; or

(B) a DC Scheme Life Assurance Member

who is also a Scheme Enhanced Member of Section 2 of the Scheme, the Scheme will pay the Final Salary Benefits lump sum contained in Rule 3.6 of Appendix Two to Schedule Two of Part F of the Rules in addition to the Lump Sum Benefit payable under the CARE Benefits Rules.

(vii) A DC Scheme Life Assurance Member who remains in the employment of

an Employer after his CARE Pension Date will continue to be treated as a DC Scheme Life Assurance Member until the earlier of the date he leaves the employment of an Employer and age 75.

8.2 Adult Dependant's Pension

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Adult Dependant.
- (b) The pension payable under (a) will be equal to thirty three (33) per cent of the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC Salary (as applicable) as at 1 April immediately preceding his death LESS:
 - (i) any pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Spouse accrued as Final Salary Benefits in respect of Pensionable Service earned in TRBS before 1 January 2008; and
 - (ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Adult Dependant by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is not used to provide lump sum benefits under Rule 8.1 (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death)).
- (c) The Adult Dependant's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Two of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Two of Part F of the Rules will apply.
- (ii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Two of Part F of the Rules and whose CARE Pension has not started to be paid at the

date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.2 will apply.

- (iii) A CARE Member who remains in the employment of an Employer at the date of his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Two of Part F of the Rules will apply.
- (iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Two of Part F of the Rules will apply.
- (v) In the event that the pension payable to an Adult Dependant which are CARE Benefits under Rule 8.2(b) above is smaller than the Final Salary Benefits pension which would have been payable to the Spouse under Appendix Two calculated upon the basis that the CARE Member became a Deferred Pensioner in respect of his Final Salary Benefits on 31 December 2007 in TRBS, the higher benefit is payable.

8.3 Dependant Children's Pensions

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Dependant Children.
- (b) The pension payable under (a) is a maximum of thirty (30) percent of the Active CARE Member's or DC Scheme Life Assurance Member's CARE Salary as at 1 April immediately preceding his death LESS:
 - (i) any pension which are Final Salary Benefits payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Children in respect of Pensionable Service in TRBS before 1 January 2008; and
 - (ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Dependant Children by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is not used to provide lump sum benefits under Rule 8.1 of this Appendix One to Schedule Two of Part F of the Rules (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with

investment returns (both positive and negative) as at the date of his death)).

- (c) The Trustees will determine the amount of each Dependent Child's pension from time to time.
- (d) Subject to (e) below, the maximum pension payable to an individual Dependant Child is ten (10) percent of the Active CARE Member's CARE Salary or the DC Scheme Life Assurance Member's DC Salary as at 1 April immediately preceding his death LESS the maximum Final Salary Benefits pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Eligible Child in respect of Pensionable Service in TRBS before 1 January 2008.
- (e) The Dependant Children's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) If no Adult Dependant's pension is payable at the date of the Active CARE Member's or DC Scheme Life Assurance Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (ii) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(lf) of this Appendix One to Schedule Two of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Two of Part F of the Rules will apply.
- (iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Two of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.3 will apply.
- (iv) A CARE Member who remains in the employment of an Employer at the date of his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Two of Part F of the Rules will apply.
- (v) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Two of Part F of the

Rules will apply.

- (vi) In the event that the CARE Benefits pension payable to Dependant Children under Rule 8.3(b) above is smaller than the Final Salary Benefits pension payable to the Eligible Child in respect of an Active CARE Member or DC Scheme Life Assurance Member calculated upon the basis that the CARE Member became a Deferred Pensioner in respect of his Final Salary Benefits on 31 December 2007 in TRBS, the higher benefit will be payable.

9 Deferred CARE Member Death Benefits

9.1 Lump Sum Death Benefit

- (a) No lump sum death benefit is payable upon the death of a Deferred CARE Member before his CARE Pension Date from Section 2 of the Scheme in respect of his CARE Benefits.
- (b) Rules 6.6(e) and 10 of this Appendix One to Schedule Two of Part F of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.2 Adult Dependant's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Adult Dependant.
- (b) The pension payable under (a) will be equal to half of the Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule Two of Part F of the Rules and revalued under that Rule to the date of the Deferred CARE Member's death.
- (c) The Adult Dependant's pension will start on the day after the date of the Deferred CARE Member's death.
- (d) Rules 6.6(e) and 10 of this Appendix One to Schedule Two of Part F of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.3 Dependant Children's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Dependant Children.

- (b) The pension payable under (a) is a maximum of forty five (45) percent of the Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule Two of Part F of the Rules and revalued to the date of the Deferred CARE Member's death.
- (c) The Trustees will determine the amount of each Dependant Child's pension from time to time.
- (d) Subject to (e), the maximum pension payable to an individual Dependant Child is fifteen (15) percent of the Deferred CARE Member's CARE Pension.
- (e) If no Adult Dependant's pension is payable at the date of the Deferred CARE Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension will start on the day after the date of the Deferred CARE Member's death.
- (g) Rules 6.6(e) and 10 apply of this Appendix One to Schedule Two of Part F of the Rules upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

10 CARE Pensioner Death Benefits

10.1 Lump Sum Death Benefit

- (a) If a CARE Pensioner dies less than five (5) years after the date his CARE Pension started to be paid and before age 75, the Trustees will hold on the discretionary trusts a lump sum equal to the total pension payments which would have been paid to the CARE Pensioner during the remaining balance of the period of five (5) years from the date his CARE Pension started to be paid.
- (b) The lump sum under (a) will be calculated using the rate of CARE Pension payable immediately before the date of the CARE Pensioner's death. Future CARE Pension increases are ignored.
- (c) The lump sum death benefit payable under this Rule will be applied in accordance with Rule 74 of Part D of the Rules.
- (d) If a CARE Pensioner dies more than five (5) years after the date his CARE Pension started to be paid or after attaining age 75, no lump sum death benefit is payable.

10.2 Adult Dependant's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Adult Dependant.
- (b) The pension payable under (a) will be equal to half of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Two of Part F of the Rules).
- (c) The Adult Dependant's pension will start on the first day of the next month following the date of the CARE Pensioner's death.

10.3 Dependant Children's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Dependant Children.
- (b) The pension payable under (a) is a maximum of forty five (45) percent of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Two of Part F of the Rules).
- (c) The Trustees will determine the amount of each Dependant Child's pension from time to time.
- (d) Subject to (e), the maximum pension payable to an individual Dependant Child is fifteen (15) percent of the CARE Pensioner's CARE Pension.
- (e) If no Adult Dependant's pension is payable at the date of the CARE Pensioner's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension starts to be paid on the first day of the next month following the date of the CARE Pensioner's death.

11 Payment of Pensions and Lump Sum Benefits

11.1 Payment of a CARE Member's Pensions

- (a) A CARE Member's CARE Pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.

- (b) The first CARE Pension payment will be the aggregate of:
 - (i) the proportion of one month's instalment of CARE Pension payment calculated from the date the CARE Pension started to the first day of the next month (if any); and
 - (ii) the next full month's instalment of CARE Pension.

11.2 Stopping a CARE Member's CARE Pension

- (a) Subject to Rule 11.3 below, a CARE Member's CARE Pension is payable for life and will stop on the date of his death.
- (b) The last month's CARE Pension instalment made to a CARE Member immediately before his death will not be apportioned.
- (c) Any one or more instalments of pension paid after the date of the CARE Member's death will be treated as a debt to Section 2 of the Scheme which is repayable to Section 2 of the Scheme unless the Trustees determine otherwise.

11.3 Review of Serious Ill-Health CARE Pensions

- (a) A CARE Pension which is paid under either Rule 5.3 or 6.5 of this Appendix One to Schedule Two of Part F of the Rules due to the Serious Ill-Health of the CARE Member will be reviewed by the Trustees every three (3) years after the date his CARE Pension starts to be paid or such other period as the Trustees determine. No reviews will be made once the CARE Member attains his CARE Pension Date.
- (b) At each review of the payment of CARE Pension due to Serious Ill-Health, the Trustees may ask the CARE Pensioner to:
 - (i) attend a medical with the registered medical practitioner of the Trustees selection; and / or
 - (ii) provide any information and other co-operation to allow the Trustees to complete their review.
- (c) If the Trustees are satisfied that the CARE Pensioner:
 - (i) is no longer suffering from Serious Ill-Health; or
 - (ii) failed to co-operate with the review to such a degree that they are not able to determine if the CARE Pensioner continues to suffer from

Serious Ill-Health

they may reduce or terminate the payment of the CARE Pension as they determine.

- (d) Having reduced or terminated a CARE Pension under (c) above, the Trustees may, if it appears appropriate to them to do so, restore the payment of the CARE Pension.
- (e) If a CARE Pensioner's CARE Pension payable due to Serious Ill-Health is terminated under this Rule he will:
 - (i) be treated as a Deferred CARE Member; and
 - (ii) have his CARE Pension calculated in accordance with Rule 6.2 of this Appendix One to Schedule Two of Part F of the Rules as at the date he left Pensionable CARE Service.

Conditions:

- (A) The calculation of the CARE Member's Deferred CARE Pension will ignore the fact that he initially started to receive his CARE Pension under either Rule 5.3 or 6.5 of this Appendix One to Schedule Two of Part F of the Rules as applicable.
- (B) All payments of CARE Pension made to him between the date his CARE Pension started under Rule 5.3 or 6.5 of this Appendix One to Schedule Two of Part F of the Rules and the date it was terminated under this Rule will be ignored (unless the Trustees determine otherwise in their absolute discretion).
- (C) The Deferred CARE Pension will not be less than the amount required to be paid under the Preservation Requirements.
- (f) This Rule 11.3 is subject to the terms of disability discrimination legislation in so far as it applies to the Scheme.

11.4 Payment of Adult Dependant's Pensions and Dependant Children's Pensions

- (a) An Adult Dependant's pension and a Dependant Children's pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.
- (b) In the case of an Adult Dependant's pension or Dependant Children's pension

payable due to the death of an Active CARE Member, a Deferred CARE Member or a CARE Postponed Pensioner, the first Adult Dependand's or first Dependand Children's pension payment will be the aggregate of:

- (i) the proportion of one month's pension instalment calculated from the date of the CARE Member's death to the first day of the next month (if any); and
 - (ii) the next full month's pension instalment.
- (c) In the case of an Adult Dependand's pension or Dependand Children's pension payable due to the death of a CARE Pensioner, the first Adult Dependand's or first Dependand Children's pension payment will be a full month's pension instalment and will be made on the first day of the month following the date of the CARE Pensioner's death.

11.5 Stopping the Adult Dependand's Pension

- (a) An Adult Dependand's pension is payable for life and will stop on the date of his death.
- (b) The last month's pension instalment paid to an Adult Dependand immediately before his death will not be apportioned.
- (c) Any one or more instalments of pension paid after the date of the Adult Dependand's death will be treated as a debt to Section 2 of the Scheme which is repayable to Section 2 of the Scheme unless the Trustees determine otherwise.

11.6 Stopping the Dependand Children's Pensions

- (a) A Dependand Child's pension is only payable to a child for so long as the Trustees are satisfied that the child remains a Dependand Child.
- (b) A Dependand Child's pension will stop on the date he ceases to be a Dependand Child.
- (c) The last month's pension instalment paid in respect of a Dependand Child immediately before he stopped being a Dependand Child will not be apportioned.
- (d) When a child ceases to be a Dependand Child, if there are remaining Dependand Children whose pensions are less than the maximum pension payable to an individual Dependand Child under Rules 8.3, 9.3 or 10.3 of this Appendix One to Schedule Two of Part F of the Rules, the Trustees will recalculate the

proportion of the Dependant Children's pension payable to the remaining Dependant Children in such manner as the Trustees determine.

- (e) Any one or more instalments of pension paid after the date the Dependant Child's pension was payable under the Rules contained in this Appendix One to Schedule Two of Part F of the Rules will be treated as a debt to Section 2 of the Scheme which is repayable to Section 2 of the Scheme unless the Trustees determine otherwise.

12 Family Leave and Absence from Work

12.1 Family Leave

- (a) In this Rule:
 - (i) "Family Leave" refers jointly to Adoption Leave, Maternity Leave, Paternity Leave and Parental Leave (whether Paid Family Leave or Unpaid Family Leave).
 - (ii) "Adoption Leave", "Maternity Leave", "Ordinary Adoption Leave", "Ordinary Maternity Leave", "Paternity Leave" and "Parental Leave" are as defined in the Employment Rights Act 1996.
 - (iii) The definition of "CARE Salary" is modified for any period of Family Leave during which an Active CARE Member is not in receipt of pay as if he were working normally:
 - (A) for the purposes of calculating all pension and death benefits in respect of the CARE Benefits, CARE Salary will be the CARE Salary in force on 1 April immediately before the Active CARE Member's Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the CARE Salary attributable to the Active CARE Member had he continued to work normally);
 - (B) for the purposes of Rule 3.1 of this Appendix One to Schedule Two of Part F of the Rules CARE Salary is deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Family Leave (including any statutory maternity pay, adoption pay or paternity pay).

- (iv) The definition of "DC Salary" is modified for any period of Family Leave during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he was working normally. For the purposes of calculating all pension and death benefits in respect of the CARE Benefits, the DC Salary will be the amount which was in payment to the DC Scheme Life Assurance Member before the Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the DC Salary which the DC Scheme Life Assurance Scheme Member would have received if he had continued to work normally).

12.2 Paid Family Leave

- (a) A CARE Member will remain an Active CARE Member in respect of the CARE Benefits during any period of Family Leave during which he is entitled to and receives pay (including any statutory maternity pay, adoption pay or paternity pay) from his Employer ("Paid Family Leave").
- (b) All periods of Paid Family Leave are Pensionable CARE Service and the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule Two of Part F of the Rules for so long as he is in receipt of pay from his Employer.
- (c) Any period of Ordinary Maternity Leave or Ordinary Adoption Leave during which a CARE Member is not entitled to statutory maternity pay will be treated as Paid Family Leave under this Rule.
- (d) A DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Two of Part F of the Rules during any period of Paid Family Leave and any period of Ordinary Maternity Leave or Ordinary Adoption Leave during which the DC Scheme Life Assurance Member is not entitled to statutory maternity pay.

12.3 Unpaid Family Leave

- (a) Subject to Rule 12.2(c) above, an Active CARE Member will remain in Service during any period of Family Leave when he is not entitled to and does not receive pay (including any statutory maternity pay, adoption pay or paternity pay) from his Employer ("Unpaid Family Leave").
- (b) Subject to Rule 12.4(a) below, all periods of Unpaid Family Leave are Service but not Pensionable CARE Service.

- (c) During Unpaid Family Leave an Active CARE Member and his Employer are not required to comply with Rule 3.2 of this Appendix One to Schedule Two of Part F of the Rules.
- (d) During all periods of Unpaid Family Leave, the Active CARE Member or DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Two of Part F of the Rules and will be treated as either an Active CARE Member or a DC Scheme Life Assurance Member (as applicable) for these purposes.

12.4 Returning to Work

- (a) If an Active CARE Member returns to work after a period of Unpaid Family Leave, he may pay contributions in order to earn Pensionable CARE Service for any periods of Unpaid Family Leave. The terms will be agreed between the Active CARE Member and the Trustees.
- (b) If Rule 12.4(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any period of Family Leave will be treated as continuous.

12.5 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of Family Leave, he will cease to be an Active CARE Member or DC Scheme Life Assurance Member (as applicable) on the earliest of the date:
 - (i) he informs his Employer that he will not be returning to work;
 - (ii) her right to Ordinary Maternity Leave or Ordinary Adoption Leave ended;
 - (iii) when his right to Paid Family Leave ended; or
 - (iv) he started Parental Leave under the Employment Rights Act 1996 or any extension of those terms allowed by the Employer if none of the period of Parental Leave is paid.
- (b) The Principal Employer's confirmation of the date is final.

12.6 Absence

(a) General

(i) This Rule applies where either an Active CARE Member or DC Scheme Life Assurance Member is not at work whilst still in Service (except on normal holiday leave or Family Leave) due to:

(A) injury or illness; or

(B) secondment or attending full-time education with the agreement of his Employer in circumstances where there is an expectation on the part of the Active CARE Member or DC Scheme Life Assurance Member and the Employer that he will return to work for an Employer.

(ii) Where the absence is due to illness or injury, the definition of:

(A) "CARE Salary" is modified for any period of the absence during which an Active CARE Member is not in receipt of his pay as if he was working normally:

1) for the purposes of calculating all pension and death benefits which are CARE Benefits, the amount of the CARE Salary which was in payment to the Active CARE Member before his absence due to ill-health or injury started as increased as at each 1 April by such amount as the Principal Employer decides;

2) for the purposes of Rule 3.1 of this Appendix One to Schedule Two of Part F of the Rules CARE Salary is deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Paid Absence either from an Employer or payments from an employer's permanent health insurance scheme; or

(B) "DC Salary" is modified by any period of absence during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he were working normally. For the purposes of calculating all pension and death benefits which are CARE Benefits the

amount of the DC Salary before his absence due to ill-health or injury started, as increased as at each 1 April by such amount as the Principal Employer decides.

- (iii) Where absence is due to secondment or attending full-time education, the Principal Employer will determine the extent to which (if at all) the definitions of "CARE Salary" and "DC Salary" are modified during the period of absence. The Principal Employer will notify the Trustees of any modifications made to either CARE Salary or DC Salary under this Rule.

12.7 Paid Absence

- (a) During a period of absence to which this Rule applies when the CARE Member is in receipt of pay from either an Employer or payments from an employer's permanent health insurance scheme ("Paid Absence"), the CARE Member will be treated as an Active CARE Member and will remain in Pensionable CARE Service.
- (b) During all periods of Paid Absence, the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule Two of Part F of the Rules for so long as he is in receipt of pay from either an Employer or if he is absent due to ill-health or injury, payments from an employer's permanent health insurance scheme.
- (c) During all periods of Paid Absence, the Principal Employer will determine the level of the Active CARE Member's CARE Salary for the purposes of calculating his pension and death benefits.
- (d) During all periods of Paid Absence a DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Two of Part F of the Rules and will be treated as a DC Scheme Life Assurance Member for these purposes unless the Principal Employer decides otherwise.

12.8 Unpaid Absence

- (a) During a period of absence to which this Rule applies, when the Active CARE Member is not in receipt of pay from an Employer or in the case of absence due to ill-health or injury, payments from an employer's permanent health insurance scheme ("Unpaid Absence"), the Active CARE Member will be treated as being in Service but not Pensionable CARE Service (unless the

Principal Employer determines otherwise).

- (b) During all periods of Unpaid Absence, the Active CARE Member and his Employer are not required to comply with the terms of Rule 3.2 of this Appendix One to Schedule Two of Part F of the Rules.
- (c) During all periods of Unpaid Absence whilst either the Active CARE Member or DC Scheme Life Assurance Member (as applicable) remains in service, he will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Two of Part F of the Rules and will be treated as either an Active CARE Member or DC Scheme Life Assurance Member (as applicable) for these purposes unless the Principal Employer decides otherwise.

12.9 Returning to Work

- (a) If an Active CARE Member returns to work for an Employer or starts to be in receipt of payments from an employer's permanent health insurance scheme after a period of Unpaid Absence, he may pay contributions in order to earn Pensionable CARE Service for any period of Unpaid Absence. The terms will be agreed between the Active CARE Member and the Trustees.
- (b) If Rule 12.9(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any periods of Unpaid Absence will be treated as continuous.

12.10 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of absence, he will cease to be either an Active CARE Member or a DC Scheme Life Assurance Member on the earliest of the date:
 - (i) he informs his Employer that he will not be returning to work;
 - (ii) his Employer terminates his employment; or
 - (iii) such other date as the Principal Employer decides and notifies to the Trustees.
- (b) The Principal Employer's confirmation of the date is final.

13 Part-Time Workers

13.1 Application of this Rule

- (a) This Rule applies to any Active CARE Member who is in Part-Time Employment for any period of Pensionable CARE Service.
- (b) This Rule overrides the rest of the Rules contained in this Appendix One to Schedule Two of Part F of the Rules in respect of periods of Part-Time Employment relating to the calculation of all CARE Benefits held in the Scheme.

13.2 Adjustment of Part-Time Active CARE Member's CARE Benefits

- (a) If an Active CARE Member is in Part-Time Employment for any period of Pensionable CARE Service:

- (i) his CARE Salary for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\text{CARE Salary} \quad \times \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$

- (ii) his Pensionable CARE Service for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}} \times \text{Period of Part-Time Pensionable CARE Service}$$

- (iii) the upper earnings limit used to determine the level of an Active CARE Member's contributions or rate at which salary should be sacrificed from his pay under a pension salary sacrifice arrangement under Rule 3.2 of this Appendix One to Schedule Two of Part F of the Rules in respect of each period of Part-Time Employment, will be adjusted by the following formula:

$$\text{upper earnings limit} \quad \times \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

For the purposes of this adjustment, upper earnings limit has the same meaning as in Rule 3.2 of this Appendix One to Schedule Two of Part F of the Rules;

- (iv) the Salary Cap for the purposes of calculating his CARE Pension and level of Active CARE Member's contributions or rate at which salary should be sacrificed from his pay under pension salary sacrifice arrangements under Rule 3.2 of this Appendix One to Schedule Two of Part F of the Rules in respect of each period of Part-Time Employment, will be adjusted using the following formula:

$$\text{Salary Cap} \quad \times \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

- (v) with effect on and from 1 April 2009 for Pensionable CARE Service earned after that date his Gross Band Earnings for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\text{Gross Band Earnings} \quad \times \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$

Provided that Gross Band Earnings in all cases will not be greater than the upper earnings limit.

- (b) If an Active CARE Member has more than one period of Service which is Part-Time Employment and / or Full-Time Employment, each one will be treated separately.
- (c) The Trustees will determine all questions of doubt in respect of the calculation of an Active CARE Member's CARE Benefits for periods of Part-Time Employment if there is an inadequacy in the data provided to them.

13.3 The Meaning of Words used in this Rule 13

- (a) "Average Weekly Contractual Hours" is the average number of hours in each standard working week for which an Active CARE Member is contracted to work for an Employer.
- (b) "Standard Weekly Hours" is the number of hours during a standard working week which an Active CARE Member would be contracted to work for an Employer if he was contracted to work on a full-time basis.
- (c) "Part-Time Employment" is any period of Pensionable CARE Service during which an Active CARE Member is contracted to work for a lower number of weekly hours of work than those applicable to an Active CARE Member who is contracted to work on a full-time basis.

14 CARE Pension Increases

14.1 The Rate of Pension Increases

(a) A pension which is in payment will increase on each 1 April:

(i) for:

(A) a CARE Pensioner; or

(B) an Adult Dependant and/or Dependant Children of either an Active CARE Member, Deferred CARE Member or CARE Postponed Pensioner

by the smaller of the Rate and $1/365$ th of the Rate multiplied by the number of days since the date pension started;

(ii) for an Adult Dependant or Dependant Children of a CARE Pensioner, by the Rate.

(b) "Rate" as at each 1 April is the lower of:

(i) the annual rise in the published Government retail prices index for all items for the immediately preceding month of September; and

(ii) 2.5%.

Conditions:

(A) If:

1) for any period on and after 1 January 2008, the Rate is lower than the rise in the Government retail prices index for all items under (b)(i) above; and

2) the Actuary advises the Trustees that either:

1a) whilst the Scheme is a Sectionalised Scheme, Section 2 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 2); or

1b) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous

actuarial valuation); and

3) the Principal Employer consents in writing

the Trustees may apply a Rate of greater than 2.5% at the next 1 April.

(B) Any increase in pension required to be paid by Section 2 of the Scheme by statute will be included within any increase in pension payable under this Rule.

(C) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

15 Definitions used in this Appendix One to Schedule Two of Part F of the Rules

15.1 Meaning of Words Used in this Appendix One

In this Appendix One to Schedule Two of Part F of the Rules only, the words listed below have the following meanings:

“Active CARE Member” means a CARE Member who has:

- (a) joined Section 2 of the Scheme to be provided with CARE Benefits under Rule 2.1 of this Appendix One to Schedule Two of Part F of the Rules; and
- (b) makes contributions to Section 2 of the Scheme or has a pension salary sacrifice arrangement in place with his Employer under Rule 3.2 of this Appendix One to Schedule Two of Part F of the Rules; and
- (c) not yet left Pensionable CARE Service. (For these purposes absence whilst the Active CARE Member remains in Service under Rule 12 of this Appendix One to Schedule Two of Part F of the Rules is ignored).

“Active CARE Membership” has a corresponding meaning.

“Adoption Leave” is defined in Rule 12.1 of this Appendix One to Schedule Two of Part F of the Rules.

“Adult Dependant” means the CARE Member’s widow, widower or Civil Partner as at the date of his death.

If the CARE Member was unmarried and had not entered into a Civil Partnership as at the date of his death, the Trustees may, in their absolute discretion, determine that any person who was:

- (a) living with the CARE Member in a relationship akin to marriage or a Civil Partnership; and
- (b) financially dependent or inter-dependent on the CARE Member at the date of his death

is his Adult Dependant.

"Average Weekly Contractual Hours" is defined in Rule 13.3 of this Appendix One to Schedule Two of Part F of the Rules.

"Averaged Revalued CARE Salary" is defined in Rule 4.2 of this Appendix One to Schedule Two of Part F of the Rules.

"CARE Member" means a person who is entitled or prospectively entitled to CARE Benefits from Section 2 of the Scheme. Unless the context requires otherwise, CARE Member includes:

- (a) an Active CARE Member, Deferred CARE Member, CARE Postponed Pensioner and CARE Pensioner; and
- (b) excludes a DC Scheme Life Assurance Member for all purposes other than the payment of benefits upon the death of a DC Scheme Life Assurance Member.

"CARE Membership" has a corresponding meaning.

"CARE Pension" is defined in Rule 4.1 of this Appendix One to Schedule Two of Part F of the Rules.

"CARE Pension Date" means the CARE Member's or DC Scheme Life Assurance Member's 65th birthday.

"CARE Pensioner" means a CARE Member who is being paid a CARE Pension from Section 2 of the Scheme by virtue of his own CARE Membership.

"CARE Postponed Pensioner" means a CARE Member who:

- (a) remains in the employment of an Employer after his CARE Pension Date; and
- (b) has deferred or is deemed to have deferred payment of his CARE Pension under Rule 5.4(b) of this Appendix One to Schedule Two of Part F of the Rules; and

(c) whose CARE pension has not started to be paid.

“CARE Salary” means the Active CARE Member’s:

- (a) basic salary had the Active CARE Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) CARE Salary is determined as at each 1 April and confirmed to the Active CARE Member annually by his Employer in writing after that date.
- (ii) An Active CARE Member’s CARE Salary cannot be greater than the Salary Cap.
- (iii) An Active CARE Member’s first CARE Salary for the purposes of calculating CARE Benefits in the Scheme was the CARE Salary in respect of TRBS determined as at 31 December 2007 and notified to him in writing. It was applied from 1 January 2008 to 31 March 2008 inclusive in that scheme.
- (iv) In the case of an Active CARE Member who has entered into a pension salary sacrifice arrangement with his Employer, for the purposes of calculating all of his CARE Benefits, his CARE Salary will be calculated ignoring the effect of any salary sacrifice arrangements in force between him and his Employer from time to time.

“Cash Transfer Sum” means a cash equivalent transfer as described in Section 101AB (3) of the 1993 Act.

“Contribution Refund” has the meaning given to it in Section 101AB of the 1993 Act.

“DC Scheme Life Assurance Member” means an employee:

- (a) who was in the employment of an Employer on 31 December 2007; and
- (b) who elected to join the DC Scheme after 31 December 2007; and
- (c) in respect of whom contributions are made by an employer in the group of companies owned by Thales Holdings UK plc (or its successors) to the DC Scheme.

“DC Lump Sum” is defined in Rule 8.1(d) of this Appendix One to Schedule Two of Part F of the Rules.

"DC Salary" means the DC Scheme Life Assurance Member's:

- (a) basic salary had the DC Scheme Life Assurance Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) DC Salary is determined as at each 1 April and confirmed to the DC Life Assurance Scheme Member annually by his Employer in writing after that date.
- (ii) A DC Scheme Life Assurance Member's DC Salary cannot be greater than the Salary Cap.
- (iii) DC Salary will be calculated ignoring the effect of any salary sacrifice arrangements in force between him and his Employer from time to time.

"Deferred CARE Member" means a CARE Member who has:

- (a) not attained his CARE Pension Date or has deferred commencement of his CARE Pension after his CARE Pension Date;
- (b) left Pensionable CARE Service (regardless of whether he remains in the employment of an Employer or not); and
- (c) not either:
 - (i) started to be paid his CARE Pension; or
 - (ii) received any benefits payable under Rule 6.1 of this Appendix One to Schedule Two of Part F of the Rules.

Deferred CARE Member includes a person treated as such under Rule 11.3 of this Appendix One to Schedule Two of Part F of the Rules.

"Dependant Child(ren)" means a child who was:

- (a) the CARE Member's:
 - (i) natural child;
 - (ii) adopted child;
 - (iii) step child who the Trustees consider, in their absolute discretion, was dependent upon the CARE Member; and

- (iv) any child who the Trustees consider, in their absolute discretion, the CARE Member would have been regarded as a child for whom he was responsible as a parent and where in the opinion of the Trustees the child was dependent on the CARE Member; and
- (b) at the date of the CARE Member's death was:
 - (i) under the age of 18; or
 - (ii) under the age of 23 and in full-time education.

Condition:

Dependant Child includes a child who was conceived and in his mother's womb but not yet born at the date of the CARE Member's death.

"Early Retirement Reduction" is the amount by which a CARE Member's CARE Pension is reduced to take account of the period of time by which the CARE Pension is being paid early.

- (a) With effect on and from 1 January 2008, the amount of the Early Retirement Reduction in respect of the CARE Pension will be 5% for each complete year (and a pro rata amount for each complete month of any part year) that the CARE Pension is paid before the CARE Member's CARE Pension Date.
- (b) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the Early Retirement Reduction to an alternative Early Retirement Reduction which may be higher or lower than the Early Retirement Reduction set out in (a) above. But,
 - (i) such an Early Retirement Reduction agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:
 - (A) whilst the Scheme is a Sectionalised Scheme, the assumptions used at the last actuarial valuation for Section 2 of the Scheme; or
 - (B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme;
 - (ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).

(c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Two of Part F of the Rules, the Principal Employer and Trustees must review the Early Retirement Reduction and agree the Early Retirement Reduction to be applied. If the Principal Employer and the Trustees cannot agree the Early Retirement Reduction under this (c), the Actuary will either:

(i) revise the Early Retirement Reduction by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or

(ii) leave the Early Retirement Reduction unchanged.

"Family Leave" is defined in Rule 12.1 of this Appendix One to Schedule Two of Part F of the Rules.

"LAF" is defined in Rule 4.2 of this Appendix One to Schedule Two of Part F of the Rules.

"LAF Base Table" is defined in Rule 4.2 of this Appendix One to Schedule Two of Part F of the Rules.

"LAF Recalculation Table" is defined in Rule 4.2 of this Appendix One to Schedule Two of Part F of the Rules.

"Late Retirement Increase" is the amount by which a CARE Member's CARE Pension is increased to take account of the period of time by which the CARE Pension is being paid late.

(a) With effect on and from 1 January 2008, the amount of the Late Retirement Increase in respect of the CARE Pension will be 8.5% for each complete year (and a pro rata amount for each complete month of any part year) that the CARE Pension is paid after the CARE Member's CARE Pension Date.

(b) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the Late Retirement Increase to an alternative Late Retirement Increase which may be higher or lower than the Late Retirement Increase set out in (a) above. But,

(i) such a Late Retirement Increase agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:

(A) whilst the Scheme is a Sectionalised Scheme, the assumptions

used at the last actuarial valuation for Section 2 of the Scheme;
or

(B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme; and

(ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).

(c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Two of Part F of the Rules, the Principal Employer and Trustees must review the Late Retirement Increase and agree the Late Retirement Increase to be applied. If the Principal Employer and the Trustees cannot agree the Late Retirement Increase under this (c), the Actuary will either:

(i) revise the Late Retirement Increase by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or

(ii) leave the Late Retirement Increase unchanged.

“Lump Sum Benefit” is defined in Rule 8.1(c) of this Appendix One to Schedule Two of Part F of the Rules.

“Paid Absence” is defined in Rule 12.2(b) of this Appendix One to Schedule Two of Part F of the Rules.

“Paid Family Leave” is defined in Rule 12.1(b) of this Appendix One to Schedule Two of Part F of the Rules.

“Parental Leave” is defined in Rule 12.1(a) of this Appendix One to Schedule Two of Part F of the Rules.

“Part-Time Employment” is defined in Rule 13.3(c) of this Appendix One to Schedule Two of Part F of the Rules.

“Paternity Leave” is defined in Rule 12.1(a) of this Appendix One to Schedule Two of Part F of the Rules.

“Pensionable CARE Service” means a CARE Member’s:

(a) last or only continuous period of Service as an Active CARE Member;

(b) any additional period of Service as an Active CARE Member aggregated with the

CARE Member's last period of Service as an Active CARE Member; and

- (c) any additional period of Pensionable CARE Service awarded to the CARE Member in respect of a transfer payment received by Section 2 of the Scheme or augmentation made in respect of his CARE Benefits for him where the Trustees, with the agreement of the Principal Employer have determined to award Pensionable CARE Service in respect of such a transfer or augmentation.

"Rate" is defined in Rule 14.1(b) of this Appendix One to Schedule Two of Part F of the Rules.

"Revalued CARE Salary" is defined in Rule 4.2(d) of this Appendix One to Schedule Two of Part F of the Rules.

"Revaluation Factor" is defined in Rule 4.2(e) of this Appendix One to Schedule Two of Part F of the Rules.

"Salary Cap" is determined each year as at each 1 April and is calculated as:

- (a) the Salary Cap in force on each 31 March;
- (b) increased on 1 April by the rise in the published Government's retail prices index for all items for the immediately preceding month of September. If the figure arrived at is not a multiple of £600, the figure will be rounded up to the nearest figure that is divisible by £600.

Conditions:

- (i) If in any year the published Government retail prices index for all items has not increased, the Salary Cap for that year will remain unchanged.
- (ii) The first Salary Cap is £112,800 which will apply from 1 January 2008 to 31 March 2008 inclusive in respect of CARE Benefits earned in TRBS. The second Salary Cap to apply from 1 April 2008 to 30 June 2008 in TRBS and from 1 July 2008 to 31 March 2009 to CARE Benefits earned in the Scheme is £117,600.
- (iii) If an Active CARE Member has a period of Part-Time Employment the Salary CAP will be adjusted in accordance with Rule 13 of this Appendix One to Schedule Two of Part F of the Rules.
- (iv) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

“Serious Ill-Health” is the total incapacity of an Active CARE Member by reason of illness or injury such that the Principal Employer, with the agreement of the Trustees, are satisfied (after taking the advice of a registered medical practitioner selected by the Principal Employer with the agreement of the Trustees) that the Active CARE Member is not able to carry out the material and substantial duties of his occupation.

“Service” means service as an employee of an Employer.

“Standard Weekly Hours” is defined in Rule 13.3(b) of this Appendix One to Schedule Two of Part F of the Rules.

“Three Month Condition” has the meaning given to it in Section 101AA of the 1993 Act.

“Unpaid Absence” is defined in Rule 12.2(c) of this Appendix One to Schedule Two of Part F of the Rules.

“Unpaid Family Leave” is defined in Rule 12.1(c) of this Appendix One to Schedule Two of Part F of the Rules.

15.2 Other Definitions used in Appendix One to Schedule Two

(a) In this Appendix One to Schedule Two of Part F of the Rules, the words **“Children”**, **“Deferred Pensioner”**, **“Eligible Child”**, **“Normal Retirement Date”**, **“Pensionable Service”**, **“Pensioner”**, **“Postponed Pensioner”** and **“Spouse”** have the meanings given to them in Appendix Two to Schedule Two of Part F of the Rules.

(b) In this Appendix One to Schedule Two of Part F of the Rules, all other definitions are defined in Part A of the Rules unless the Rules expressly state otherwise.

16 Restrictions on Lump Sum Death Benefits

16.1 In the event that the Lump Sum Benefit payable upon the death of an Active CARE Member or a DC Scheme Life Assurance Member is insured by the Scheme using a policy of insurance from an insurance company, the maximum amount of the Lump Sum Benefit will be determined in accordance with this Rule 16.

16.2 The Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule Two of Part F of the Rules in respect of an Active CARE Member or a DC Scheme Life Assurance Member will not be greater than the monies paid by the insurance company under the policy of insurance effected by the Scheme to the Trustees in respect of the deceased Active CARE Member or DC Scheme Life Assurance Member (as applicable).

16.3 If Rule 16.2 above applies, the Trustees may pay a sum greater than the monies

received from the insurance company but not greater than the Lump Sum Benefit. This Rule applies only if the Actuary advises the Trustees that the Scheme is fully funded on its ongoing funding basis using either:

- (a) if the Scheme is a Sectionalised Scheme, the assumptions used at the Scheme's previous actuarial valuation for Section 2 of the Scheme; or
- (b) if the Scheme has desectionalised, the assumptions used at the Scheme's previous actuarial valuation for the Scheme.

16.4 This Rule is subject to the terms of legislation relating to age discrimination and disability discrimination insofar as they apply to the Scheme.

16.5 This Rule 16 will not apply to have the effect of reducing the Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule Two of Part F of the Rules where either:

- (a) the Trustees are aware that the application of this Rule will have the effect of reducing the Lump Sum Benefit payable upon the death of an Active CARE Member or DC Scheme Life Assurance Member due to the level of such a Active CARE Member's or DC Scheme Life Assurance Member's pay from an Employer or the state of his health and the Trustees have failed to inform the Active CARE Member or DC Scheme Life Assurance Member of the effect of this Rule upon the Active CARE Member's or DC Scheme Life Assurance Member's Lump Sum Benefit within one (1) month of becoming aware of it; or
- (b) the full extent of the Lump Sum Benefit is not insured due to an act or omission or failure on the part of the Trustees or the Active CARE Member's or DC Scheme Life Assurance Member's Employer.

Provided that this Rule 16.5 will not apply if the reduction in the Lump Sum Benefit is caused as a direct result of an act, omission or failure by the Active CARE Member or DC Scheme Life Assurance Member to ensure that the Lump Sum Benefit is insured in full.

**SCHEDULE TWO OF PART F OF THE RULES
FINAL SALARY BENEFITS RULES FOR FORMER TRBS BENEFICIARIES**

APPENDIX TWO

1 General Benefits Description

1.1 Type of Benefits

The Rules for Final Salary Benefits provide final salary style benefits for all Pensionable Service in TRBS before 1 January 2008 in accordance with the trust provisions and rules of TRBS from time to time in force since the inception of TRBS on 1 January 1995 up until 31 December 2007 which are transferred to Section 2 of the Scheme.

1.2 Contracting-out Status

The Final Salary Benefits are contracted-out on a salary related basis in so far as was required by the trust provisions and / or rules of TRBS in force from time to time since the inception of TRBS and shall be provided in a manner consistent with such contracting-out requirements.

1.3 Tax Status and Scheme Benefit Limits

(a) Subject to (b) below, the Final Salary Benefits are subject to and restricted by Scheme Benefit Limits set out in Part G of the Rules which limit and restrict the amount and payment of benefits in respect of all Former TRBS Beneficiaries who were entitled to Final Salary Benefits from TRBS earned before 1 January 2008 and transferred to Section 2 of the Scheme.

(b) Part G of the Rules is varied for Former TRBS Beneficiaries as follows:

(i) where the pension of a Former TRBS Beneficiary has not yet come into payment and a pension commencement lump sum is payable under the Rules, the Trustees may permit a pension commencement lump sum to be paid up to the maximum pension commencement lump sum payment which counts as an authorised member payment for the purposes of FA 2004. Such a payment is subject to the terms of Rule 7.8 of Appendix One of Schedule Two and Rule 3.10 of Appendix Two of Schedule Two of Part F of the Rules;

(ii) any Former TRBS Beneficiary who has not applied his additional voluntary contribution fund transferred into Section 2 of the Scheme from TRBS in order to provide benefits may apply up to one quarter of the value of his additional voluntary contribution fund to provide a

pension commencement lump sum as long as the total pension commencement lump sum payable on a particular benefit crystallisation event (as defined in section 216 of FA 2004) under Section 2 of the Scheme does not exceed the maximum pension commencement lump sum payment which counts as an authorised member payment for the purposes of FA 2004;

- (iii) subject to the consent of the Principal Employer and the terms of Rules 82.7 to 82.9 (inclusive) of Part F of the Rules, a Former TRBS Beneficiary who is in Pensionable CARE Service pursuant to Appendix One of Schedule Two to Part F of the Rules or who is otherwise accruing benefits may take his Final Salary Benefits while remaining in his Employer's service. The payment of such benefits is subject to the terms of this Appendix Two to Schedule Two of Part F of the Rules. For the avoidance of doubt, such a Former TRBS Beneficiary will cease to accrue any further benefits under Section 2 of the Scheme and will cease to be covered for death in service benefits.
- (c) To such extent as is necessary, the provisions contained in Rules 2 to 4 of this Appendix Two to Schedule Two to Part F of the Rules are modified to enable benefits to be provided to or in respect of Former TRBS Beneficiaries in accordance with Rule 1.3(b).

2 Applicable TRBS Rules - Members who left Pensionable Service before 1 January 2008

2.1 For the purposes of this Appendix Two to Schedule Two of Part F of the Rules, the following terms have the following meanings:

- (a) "TRBS Rules" means together the provisions of the supplemental trust deed with rules dated 8 March 2002 ("the Trust Deed"), the Post-April 1994 Entrants Rules dated 8 March 2002 ("the Post-April 1994 Entrants Rules") and the Category Rules as amended by all deeds of amendment other than the 2007 Deed of amendment unless the Rules expressly state otherwise.
- (b) "Old Rules" means any provisions of any trust deed and rules of TRBS in force before the Post-April 1994 Entrants Rules came into force on 6 April 2000 which continued to apply before 1 July 2008 to any Former TRBS Beneficiaries in TRBS in respect of whom the Post-April 1994 Entrants Rules did not apply.
- (c) "2007 Deed" means the Enhanced Benefits Appendix of the deed of amendment dated 21 December 2007.

- (d) "Category Rules" means all of the following:
- (i) a deed introducing the rules applicable to former members of the Link-Miles Pension & Life Assurance Fund in respect of service pre-April 1994 dated 7 August 1995;
 - (ii) a deed introducing the Rules applicable to former members of the Hughes (UK) Limited Pension Scheme in respect of service pre-July 1994 dated 7 August 1995;
 - (iii) a deed introducing the Rules applicable to former members of the Thomson UK Retirement and Death Benefit Scheme in respect of service pre-1st January 1995 dated 3 September 1998;
 - (iv) a deed introducing the Rules applicable to former members of the Thomson (UK) Pension Plan in respect of service pre-6 April 1995 dated 3 August 1998;
 - (v) a deed introducing the Rules applicable to former members of the Redifon Pension Scheme in respect of service pre 1st July 1995 dated 3 August 1998;
 - (vi) a deed introducing the Rules applicable to employees of Thomson-Thorn Missile Electronics Limited who were former members of the Thorn EMI Pension Fund in respect of service pre 1st April 1997 (dated 3 August 1998); and
 - (vii) a deed introducing the Rules applicable to employees of Airsys ATM Limited who were former members of the Siemens Benefits Scheme in respect of service pre 1st April 1998 dated 2 August 1999 .

2.2 Subject to Rule 1.3(b) of this Appendix Two to Schedule Two of Part F of the Rules above, for the purposes of this Appendix Two to Schedule Two of Part F of the Rules the following provisions apply in respect of all Former TRBS Beneficiaries who ceased to be in Pensionable Service in TRBS before 1 January 2008 and are neither Scheme Enhanced Members nor Former Scheme Enhanced Members:

- (a) the Old Rules in force from time to time before 6 April 2000 which applied to any Former TRBS Beneficiaries of Section 2 of the Scheme in respect of their Final Salary Benefits before that date for the purposes of determining the nature, amount, value and the calculation of the Former TRBS Beneficiary's Final Salary Benefits transferred from TRBS to Section 2 of the Scheme;

(b) in respect of Former TRBS Beneficiaries to whom Rule 2.2(a) does not apply, the provisions of the TRBS Rules listed below will (with the necessary alterations to points of detail) be treated as applying to any Former TRBS Beneficiaries of Section 2 of the Scheme for the purposes of determining the nature, amount, value and the calculation of the Former TRBS Beneficiary's Final Salary Benefits transferred from TRBS to Section 2 of the Scheme (unless the context clearly requires otherwise):

- (i) all of the Post-April 1994 Entrants Rules other than rules 1, 2, 3, 5, 6 and 7 of Part II and rule 1(a)(a) of Part IV of the Post-April 1994 Entrants Rules;
- (ii) all Category Rules relating to the calculation and payment of benefits earned by any Member, Deferred Pensioner, Pensioner or Postponed Pensioner in relation to periods of Pensionable Service prior to joining TRBS insofar as those rules still apply;
- (iii) rule 6 contained in schedule B to the Trust Deed;
- (iv) all of the rules contained in schedule E to the Trust Deed other than rules 1, 2, 4, 5, 6, 7, 8, 9 and 12;
- (v) rule 3 of schedule F to the Trust Deed other than rule 3(1);
- (vi) rules 1 and 2 of schedule H to the Trust Deed;
- (vii) all of the appendix part II: contracted-out payment of the Trust Deed; and
- (viii) all of the definitions contained either in schedule A to the Trust Deed or any other schedules, parts, rules or appendices which are used in the above listed rules (as amended from time to time and in particular by the 2007 Deed) but only in so far as it is necessary to interpret the above listed rules.

Provided that such definitions will only have the meanings given to them in the above listed rules and will not be construed in accordance with any other definitions in the Rules.

(c) Rule 3 of this Appendix Two to Schedule Two of Part F of the Rules does not apply to any Former TRBS Beneficiary who is neither a Scheme Enhanced Member nor a Former Enhanced Member (both as defined in Rule 3.1 below).

2.3 For the purposes of this Appendix Two to Schedule Two of Part F of the Rules a TRBS Beneficiary who on:

- (a) 31 December 2007 was a Postponed Pensioner for Final Salary Benefits; and
- (b) 30 June 2008 was still treated as a Postponed Pensioner of TRBS

will continue to be treated as a Postponed Pensioner in Section 2 of the Scheme under the terms of rule 4 of part III of the Post-April 1994 Entrants Rules (and, where applicable, under the terms of the equivalent provisions of the Category Rules) of the TRBS Rules with the right to the application of an actuarial increase in his pension under the terms of rule 4(b) of part III of the Post-April 1994 Entrants Rules (and, where applicable, under the terms of equivalent provisions of the Category Rules) of the TRBS Rules.

3 Applicable TRBS Rules - Members who were in Pensionable Service at any time after 31 December 2007 and entitled to Enhanced Benefits

3.1 Members affected by Enhanced Benefits and the Meaning of Past Service Pension

- (a) For the purposes of this Appendix Two to Schedule Two of Part F of the Rules, "Scheme Enhanced Member" means any Former TRBS Beneficiary who:
 - (i) was an Enhanced Member in respect of Final Salary Benefits under the terms of the TRBS Rules as amended by the 2007 Deed; and
 - (ii) who transferred his Final Salary Benefits to Section 2 of the Scheme with effect on and from 1 July 2008; and
 - (iii) was either an:
 - (A) Active CARE Member of Section 2 of the Scheme; or
 - (B) employee in respect of whom an employer in the group of companies owned by Thales Holdings (UK) plc or its successors make contributions to the DC Schemeafter 30 June 2008.
- (b) For the purposes of this Appendix Two to Schedule Two of Part F of the Rules, "Former Enhanced Member" means any Former TRBS Beneficiary who:
 - (i) was an Enhanced Member in respect of Final Salary Benefits under the terms of the TRBS Rules as amended by the 2007 Deed; and
 - (ii) ceased to be an Enhanced Member in the TRBS after 1 January 2008 but before 1 July 2008; and

(iii) who transferred his Final Salary Benefits to Section 2 of the Scheme.

- (c) For the purposes of this Appendix Two to Schedule Two of Part F of the Rules, the "Past Service Pension" is calculated using a Scheme Enhanced Member's or Former Enhanced Member's (as applicable) Pensionable Service and Final Pensionable Salary calculated as at 31 December 2007 in accordance with the TRBS Rules (as amended by the 2007 Deed). Past Service Pension does not include any Previous Membership Benefits.

3.2 Scheme Enhanced Members' and Former Enhanced Members' Benefits and Benefit Options

- (a) Subject to Rule 1.3(c) of this Appendix Two to Schedule Two of Part F of the Rules, a Former TRBS Beneficiary who is either a Scheme Enhanced Member or a Former Enhanced Member will have his Final Salary Benefits calculated in accordance with the provisions listed in Rule 2.2 (with the necessary alterations to points of detail) as amended by the provisions in Rule 3 to this Appendix Two to Schedule Two of Part F of the Rules.
- (b) All Former TRBS Beneficiaries who are Scheme Enhanced Members in Section 2 of the Scheme will, whilst they remain Scheme Enhanced Members of Section 2 of the Scheme, have the same benefit options in respect of their Final Salary Benefits held in Section 2 of the Scheme as Members of the TRBS in Pensionable Service on 31 December 2007 had under the terms of the TRBS Rules, but such benefit options are as amended by Rules 3.4 to 3.13 of this Appendix Two to Schedule Two of Part F of the Rules.
- (c) All Former TRBS Beneficiaries who are Former Enhanced Members in Section 2 of the Scheme will have the same benefit options in respect of their Final Salary Benefits held in Section 2 of the Scheme as they had under the terms of the TRBS Rules (as amended by the 2007 Deed) as Enhanced Members who had stopped being Enhanced Members under those rules.

3.3 Revaluation of Final Salary Benefits earned before 31 December 2007 for Former Enhanced Members

Each of the Former TRBS Beneficiaries who is a Former Enhanced Member and was entitled to Final Salary Benefits payable under the TRBS Rules will be entitled to Final Salary Benefits in Section 2 of the Scheme which are:

- (a) of the same nature, amount, value and calculated in the same way as the Former Enhanced Member's Past Service Pension in the TRBS ; and

- (b) adjusted in accordance with the terms of the 2007 Deed from 1 January 2008 to the date he stopped being an Enhanced Member in the TRBS Scheme; and
- (c) revalued in Section 2 of the Scheme using the final salary method of statutory revaluation (as set out in section 84(1) and paragraphs 1 and 2 of Schedule 3 of the 1993 Act) to the earlier of the date:
 - (i) of his death;
 - (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Two of Part F of the Rules;
 - (iii) his Normal Retirement Date.

3.4 Revaluation of Final Salary Benefits earned before 31 December 2007 for Scheme Enhanced Members

- (a) Each of the Former TRBS Beneficiaries who is a Scheme Enhanced Member of Section 2 of the Scheme is entitled to Final Salary Benefits payable under the TRBS Rules which is:
 - (i) of the same nature, amount, value and calculated in the same way as the Scheme Enhanced Member's Past Service Pension in the TRBS; and
 - (ii) then adjusted in accordance with the terms of this Rule 3.4 of this Appendix Two to Schedule Two of Part F of the Rules.
- (b) A Scheme Enhanced Member's Past Service Pension will be revalued as at 1 April 2008 in TRBS. Thereafter, subject to (c) below, a Scheme Enhanced Member's Past Service Pension will be revalued as at each 1 April in Section 2 of the Scheme by the Special Revaluation Factor for the Revaluation Period.
- (c) As at the date a Scheme Enhanced Member stops being a Scheme Enhanced Member in Section 2 of the Scheme his Past Service Pension will not be less than the aggregate of:
 - (i) in the case of that part of the Scheme Enhanced Member's Past Service Pension which is in excess of his Guaranteed Minimum Pension, that part of his Past Service Pension revalued by the Special Revaluation Factor for the Revaluation Period; and
 - (ii) in the case of that part of the Scheme Enhanced Member's Past Service Pension which is his Guaranteed Minimum Pension, his Guaranteed Minimum Pension revalued from 1 January 2008 to the date he ceased to

be a Scheme Enhanced Member by the greater of statutory revaluation applied to a Guaranteed Minimum Pension under the terms of the 1993 Act or revaluation applied by the TRBS Rules in force before 1 January 2008, if higher.

Conditions:

- (A) The “**Special Revaluation Factor**” is the Revaluation Rate compounded over the Revaluation Period.
- (B) The “**Revaluation Rate**” is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the Maximum Revaluation Rate set out in paragraph (C) below and will not be a negative amount.
- (C) The “**Maximum Revaluation Rate**” is what the Revaluation Rate would be if the rise in the Government retail prices index for all items was eight (8) per cent compound each year for the Revaluation Period.
- (D) The “**Revaluation Period**” is the period from 1 January 2008 to the 1 April immediately preceding the date the Scheme Enhanced Member stops being a Scheme Enhanced Member.
- (E) The rise in the Government retail prices index for all items used for the Revaluation Rate is:
 - 1) in the case of revaluation applied in the TRBS as at 1 April 2008, a full year’s increase using the annual rise in the Government retail prices index for all items published for September 2007; and
 - 2) for each subsequent 1 April in Section 2 of the Scheme the annual rise in the Government retail prices index for all items published for the immediately preceding month of September.
- (F) If:
 - 1) for any period during the Revaluation Period, the rise in the Government retail prices index for all items is higher than eight (8) per cent compound each year;
 - 2) the Actuary advises the Trustees that either:
 - 1a) whilst the Scheme is a Sectionalised Scheme,

Section 2 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 2); or

- 1b) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and

- 3) the Principal Employer consents in writing

the Trustees may apply a higher Special Revaluation Factor than is provided for under these Rules for such period as the Principal Employer agrees.

- (G) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer with the agreement of the Trustees will decide the nearest alternative index to be applied.

- (d) A Former TRBS Beneficiary who is a Scheme Enhanced Member of Section 2 of the Scheme will stop being a Scheme Enhanced Member when either:

- (i) he stops being an Active CARE Member under the terms of this Appendix One to Schedule Two of Part F of the Rules; or
- (ii) an employer in the group of companies owned by Thales Holdings UK plc (or its successors) stops paying contributions to the DC Scheme in respect of him

at a date after 30 June 2008.

- (e) When a Scheme Enhanced Member stops being a Scheme Enhanced Member before his Normal Retirement Date for the purposes of this Appendix Two to Schedule Two of Part F of the Rules, if his Past Service Pension does not immediately start to be paid from Section 2 of the Scheme, he will become a Deferred Pensioner and his Deferred Benefits will be calculated in accordance with the terms of Rule 3.4(c) above up to the date he ceased to be a Scheme Enhanced Member.

Thereafter, the Trustees will revalue the Past Service Pension using the final salary method of statutory revaluation (as set out in section 84(1) and paragraphs 1 and 2 of Schedule 3 of the 1993 Act) from the date he ceased to be

a Scheme Enhanced Member to the earlier of the date:

- (i) of his death;
- (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Two of Part F of the Rules; or
- (iii) his Normal Retirement Date.

(f) Under the terms of this Rule 3.4, a Scheme Enhanced Member's Past Service Pension at the earlier of the date:

- (i) of his death;
- (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Two of Part F of the Rules; or
- (iii) of his Normal Retirement Date

will not be less than the pension he would have been entitled to as a Member of the TRBS becoming a Deferred Pensioner entitled to Final Salary Benefits on 31 December 2007 under the terms of the TRBS Rules upon the basis that the part of his Deferred Benefits which are in excess of his Guaranteed Minimum Pension and his Guaranteed Minimum Pension will be revalued separately in accordance with either the requirements of statutory revaluation or the provisions of the TRBS Rules, if higher, in force on 31 December 2007.

- (g) If, when a Scheme Enhanced Member stops being a Scheme Enhanced Member and his Past Service Pension immediately starts to be paid from the Scheme, he will be a Pensioner in receipt of his pension from that date in respect of his Past Service Pension.
- (h) If a Scheme Enhanced Member remains in Service upon attaining his Normal Retirement Date and his Past Service Pension does not start to be paid from Section 2 of the Scheme he will be a Postponed Pensioner in respect of his Past Service Pension from his Normal Retirement Date.

3.5 III-Health Early Retirement - Special Rules for Scheme Enhanced Members

- (a) If a Scheme Enhanced Member is suffering from a break down in health under the terms of the TRBS Rules and an entitlement to a pension has arisen under the terms of rule 2 of part III of the Post-April 1994 Entrants Rules (or where applicable, under the terms of equivalent provisions of the Category Rules) of the TRBS Rules, the Final Salary Benefits pension payable will be equal to the

Scheme Enhanced Member's Past Service Pension adjusted in accordance with Rule 3.4 above to the date he stops being a Scheme Enhanced Member. No prospective service to Normal Retirement Date will be added to the pension, but the pension will not be reduced to take account of early payment.

(b) A Scheme Enhanced Member who is not able to work due to ill-health or injury and who is in receipt of payments from an employer's permanent health insurance of at least 50 per cent of either his:

- (i) CARE Salary in the case of an Active CARE Member; or
- (ii) DC Salary in the case of a DC Scheme Life Assurance Member; less
- (iii) In either case statutory sick pay

is not entitled to apply for the payment of his Past Service Pension under this Rule 3.5 unless the Principal Employer with the agreement of the Trustees decide otherwise.

(c) This Rule 3.4 will cease to apply when a Former TRBS Beneficiary stops being a Scheme Enhanced Member.

3.6 Death whilst a Scheme Enhanced Member - Lump Sums

(a) If a person dies whilst a Scheme Enhanced Member, Section 2 of the Scheme will pay on the discretionary trusts pursuant to Rule 74 of Part D of the Rules:

- (i) a refund of the Scheme Enhanced Member's own contributions which he was required to pay to the TRBS before 1 January 2008 and which have been transferred to Section 2 of the Scheme (and any sums which are treated as the Member's own contributions due to the receipt of a transfer in respect of him by TRBS before 1 July 2008 in respect of Final Salary Benefits transferred from TRBS to Section 2 of the Scheme); and
- (ii) any benefits due under the terms of this Appendix Two to Schedule Two of Part F of the Rules as a result of the payment of additional voluntary contributions paid before 1 January 2008 to the TRBS which have been transferred to Section 2 of the Scheme.

Provided that, in the case of a Member entitled to the Special Reserve Account under the rules relating to the Link-Miles Pension & Life Assurance Fund in respect of service pre-April 1994 (as identified in Rule (i) of the definition of

Category Rules in Rule 2.1(d)), the Special Reserve Account will be payable in addition to the sums under Rules (a)(i) and (a)(ii) above.

- (b) Any Final Salary Benefits lump sum death benefit (other than that referred to in Rule 3.6(a) above) which would have been paid upon the death of either a Member or a Deferred Pensioner under the terms of the TRBS Rules will not be paid.
- (c) The balance of the Scheme Enhanced Member's death in service lump sum benefits will be paid under the terms of Appendix One to Schedule Two of Part F of the Rules in accordance with the terms of Rule 74 of Part D to the Rules (regardless of whether the Scheme Enhanced Member is an Active CARE Member or a DC Scheme Life Assurance Member on the date of his death).

3.7 Death whilst a Scheme Enhanced Member - Pension Benefits

- (a) Subject to the contracting-out requirements referred to in Rule 1.2 of this Appendix Two to Schedule Two of Part F, if a person dies whilst a Scheme Enhanced Member, no pension is payable from Section 2 of the Scheme in respect of his Past Service Pension.
- (b) The pension payable upon the death of a Scheme Enhanced Member will be paid under the terms of Appendix One to Schedule Two of Part F of the Rules.

3.8 Prospective Service Benefits

No benefit payable to or in respect of a Scheme Enhanced Member from Section 2 of the Scheme in accordance with this Appendix Two to Schedule Two of Part F of the Rules will include in its calculation any prospective Pensionable Service.

3.9 Continued Life Assurance Benefits

- (a) This Rule 3.9 applies to a Scheme Enhanced Member and a Former Enhanced Member:
 - (i) who either:
 - (A) stops being a Scheme Enhanced Member; or
 - (B) stopped being a Former Enhanced Member due to a breakdown in health or Serious Ill-Health (or both); and
 - (ii) whose:

- (A) Past Service Pension payable under the terms of rule 2 of part III of the Post-April 1994 Rules (or, where applicable, under the terms of the equivalent provision of the Category Rules) of the TRBS Rules (as amended by Rule 3.5 above); or
- (B) CARE Pension payable under Rule 5.3 of Appendix One to Schedule Two of Part F of the Rules; or
- (C) both (A) and (B)

immediately starts to be paid upon him stopping being either a Scheme Enhanced Member of Section 2 of the Scheme or an Enhanced Member of the TRBS.

- (b) A Scheme Enhanced Member or Former Enhanced Member to whom this Rule 3.9 of Appendix Two to Schedule Two of Part F of the Rules applies will continue to be provided with the Lump Sum Benefit under this Rule 3.9 of Appendix Two to Schedule Two of Part F of the Rules from the date he either stops being a Scheme Enhanced Member of Section 2 of the Scheme or stopped being an Enhanced Member of the TRBS to the earlier of:
 - (i) his CARE Pension Date; and
 - (ii) any date before his CARE Pension Date when all of his pension benefits which are in payment from Section 2 of the Scheme (whether under the terms of this Appendix Two to Schedule Two or Appendix One to Schedule Two of Part F of the Rules or both) stop being paid (other than where benefits stop as a result of his death).
- (c) The amount of the Scheme Enhanced Member's or Former Enhanced Member's CARE Salary or DC Salary (as applicable) for the purposes of calculating his Lump Sum Benefit will be his CARE Salary or DC Salary as at the date he ceased to be either a Scheme Enhanced Member of Section 2 of the Scheme or an Enhanced Member of the TRBS, increased by such amount as the Principal Employer decides from time to time.

3.10 Pension Commencement Lump Sum

- (a) Where a Scheme Enhanced Member or Former Enhanced Member has an entitlement to:
 - (i) Final Salary Benefits and CARE Benefits as a result of his own membership of the TRBS which were transferred to Section 2 of the

Scheme; and

- (ii) In the case of a Scheme Enhanced Member only, CARE Benefits earned in Section 2 of the Scheme

he can only exchange Past Service Pension for a pension commencement lump sum in proportion to the amount his Past Service Pension represents as a part of his aggregated pension from Section 2 of the Scheme when his Past Service Pension and his CARE Pension are aggregated together.

- (b) Where a Scheme Enhanced Member or Former Enhanced Member has an entitlement to Previous Membership Benefits, he can only exchange Previous Membership Benefits for pension commencement lump sum:

- (i) in accordance with the TRBS Rules which apply to it; and
- (ii) in proportion to the amount his Previous Membership Benefits represents as a part of his aggregated pension from Section 2 of the Scheme when his Previous Membership Benefits, Past Service Pension and his CARE Pension are aggregated together.

3.11 Other Benefits

- (a) Where a Scheme Enhanced Member or Former Enhanced Member has benefits which were transferred into Section 2 of the Scheme which relate to previous period of membership of the TRBS which are separate from his Past Service Pension, those benefits will be paid under the terms of the TRBS Rules in force at the relevant time when such previous period of membership in the TRBS ended.
- (b) For the purposes of these Rules the benefits referred to in 3.11(a) are referred to as the "Previous Membership Benefits".

3.12 Early Leaver Rights

- (a) Where the TRBS Rules applicable to the Former TRBS Beneficiaries' Final Salary Benefits specify the manner in which the Preservation Requirements will be complied with under them, those rules will apply in respect of the Preservation Requirements.
- (b) If the provisions of the TRBS Rules which apply to the Former TRBS Beneficiaries' Final Salary Benefits referred to in (a) above do not specify the manner in which the Preservation Requirements will be complied with under

them, the rules will be construed in a manner which is consistent with the Preservation Requirements.

3.13 Additional Voluntary Contributions

No Scheme Enhanced Member or Former Enhanced Member can pay additional voluntary contributions to Section 2 of the Scheme under the terms of this Appendix Two to Schedule Two of Part F of the Rules.

3.14 Pension Increases Exchange

(a) In this Rule the following expressions have the following meanings:

“Non-Statutory Increase Pensions” means in relation to a Pension Increase Swap Member the part of a pension (except any pension attributable to additional voluntary contributions) which:

- (i) is not required to be increased in order to comply with legislation; and
- (ii) has been correctly identified as being subject to non-statutory increases in the personal information statement forming part of the Pensioner Option Pack.

“Pension Increase Swap Member” means a Pensioner or the Spouse or the Dependant of a former Member in each case who was in receipt of a pension from TRBS on 13 February 2008 (or such other date as Thales Holdings UK Plc and the Trustees may agree) and who elected to accept the offer contained in the Pensioner Option Pack by completing the decision form enclosed with the Pensioner Option Pack and returning it as directed no later than 20 June 2008 (or such other date as Thales Holdings UK Plc and the Trustees may agree).

“Pensioner Option Pack” means together a letter from Thales Holdings UK Plc dated April 2008 and the subsequent communication from Heath Lambert dated 2 May 2008 both of which were sent to Pensioners and the Spouses or Dependents of former Members who were in receipt of a pension on 13 February 2008.

(b) Notwithstanding Rule 4 of this Part II and any other provisions of the Scheme relating to pension increases:

- (i) in the case of a Pension Increase Swap Member, no increase shall be payable on any Non-Statutory Increase Pensions after 29 June 2008; and

- (ii) in the case of any pension payable to any person on the death of a Pension Increase Swap Member, no increase shall be payable on such person's pension after 29 June 2008 except to the extent required by legislation

Provided in either case that the entitlement to increases to Non-Statutory Increase Pensions shall be reinstated retrospectively if the Pension Increase Swap Member (or his estate if he dies before receipt) has not received from Thales Holdings UK Plc on or before 30 September 2008 the cash sum shown in the personal information statement enclosed with the Pensioner Option Pack.

4 Meanings of Words Used

4.1 Use of Definitions in this Appendix Two to Schedule Three

In this Appendix Two to Schedule Two of Part F of the Rules, the following words have the following special meanings:

"2007 Deed" has the meaning given to it in Rule 2.1(c) of Appendix Two to Schedule Two of Part F of the Rules.

"Category Rules" has the meaning given to it in Rule 2.1(d) of Appendix Two to Schedule Two of Part F of the Rules.

"Former Enhanced Member" has the meaning given to Rule 3.1(b) of Appendix Two to Schedule Two of Part F of the Rules.

"Maximum Revaluation Rate" has the meaning given in the conditions to Rule 3.3(b) of Appendix Two to Schedule Two of Part F of the Rules.

"Non-Statutory Increase Pensions" has the meaning given to it in Rule 3.14(a) of Appendix Two to Schedule Two of Part F of the Rules.

"Old Rules" has the meaning given to it in Rule 2.1(b) of Appendix Two to Schedule Two of Part F of the Rules.

"Past Service Pension" has the meaning given in Rule 3.1(c) of Appendix Two to Schedule Two of Part F of the Rules.

"Pension Increase Swap Member" has the meaning given to it in Rule 3.14(a) of Appendix Two to Schedule Two of Part F of the Rules.

"Pensioner Option Pack" has the meaning given to it in Rule 3.14(a) of Appendix Two to Schedule Two of Part F of the Rules.

“Previous Membership Benefits” has the meaning given in Rule 3.11 of Appendix Two to Schedule Two of Part F of the Rules.

“Revaluation Period” has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Two of Part F of the Rules.

“Revaluation Rate” has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Two of Part F of the Rules.

“Scheme Enhanced Member” has the meaning given in Rule 3.1(a) of Appendix Two to Schedule Two of Part F of the Rules.

“Special Revaluation Factor” has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Two of Part F of the Rules.

“TRBS Rules” has the meaning given to it in Rule 2.1(a) of Appendix Two to Schedule Two of Part F of the Rules.

4.2 Other Definitions used in Appendix Two to Schedule Two

- (a) In this Appendix Two to Schedule Two of Part F of the Rules, the words **“Active CARE Member”**, **“CARE Pension”**, **“CARE Pension Date”**, **“CARE Salary”**, **“DC Salary”**, **“DC Scheme Life Assurance Member”** and **“Serious Ill-Health”** have the meanings given to them in Appendix One to Schedule Two of Part F of the Rules.
- (b) In this Appendix Two to Schedule Two of Part F of the Rules, the words **“Deferred Benefits”**, **“Deferred Pensioner”**, **“Enhanced Member”**, **“Guaranteed Minimum Pension”**, **“Member”**, **“Normal Retirement Date”**, **“Pensionable Service”** and **“Postponed Pensioner”** have the meanings given to them in the TRBS Rules (as amended, where applicable, by the 2007 Deed).
- (c) In this Appendix Two to Schedule Two of Part F of the Rules, all other definitions are defined in Part A of the Rules.

**SCHEDULE THREE OF PART F OF THE RULES
FORMER AVIMO BENEFICIARIES**

1 Application of Schedule Three of Part F of the Rules

1.1 Schedule Three of Part F of the Rules applies to:

- (a) Former Avimo Beneficiaries; and
- (b) any person who the Principal Employer and Trustees have agreed should be treated as a Former Avimo Beneficiary under Rule 78.3 of Part F of the Rules.

1.2 CARE Benefits earned in the Avimo Scheme by Former Avimo Beneficiaries which are transferred to Section 2 of the Scheme are calculated as if those CARE Benefits had been earned in Section 2 of the Scheme from (and including) 1 January 2008 rather than in the Avimo Scheme.

1.3 For those of the Former Avimo Beneficiaries who are in Pensionable CARE Service in Section 2 of the Scheme on 1 July 2008 and whose CARE Benefits from the Avimo Scheme are transferred to Section 2 of the Scheme, Pensionable CARE Service in Section 2 of the Scheme will be treated as continuous.

2 Structure of Schedule Three of Part F of the Rules

2.1 Appendix One sets out the Rules to Schedule Three of Part F which apply to the provision of CARE Benefits for Former Avimo Beneficiaries.

2.2 Appendix Two sets out the Rules to Schedule Three of Part F which apply to the provision of Final Salary Benefits for Former Avimo Beneficiaries.

2.3 Final Salary Benefits earned in the Avimo Scheme by Former Avimo Beneficiaries before 1 January 2008 will be of the same nature, amount and value and be calculated in the same way as under the terms which applied in the Avimo Scheme to that Former Avimo Beneficiary on 31 December 2007. Such benefits will be administered in accordance with Parts A, C, D, F, G and H of the Rules of the Scheme.

**SCHEDULE THREE OF PART F OF THE RULES
CARE BENEFITS RULES FOR FORMER AVIMO BENEFICIARIES**

APPENDIX ONE

1 General Benefits Description

1.1 Type of Benefits

The Rules for CARE Benefits for Former Avimo Beneficiaries provide career average revalued earnings style benefits for:

- (a) all Pensionable CARE Service in the Avimo Scheme after 31 December 2007 and before 1 July 2008 which is transferred to Section 2 of the Scheme; and
- (b) all Pensionable CARE Service (if any) in Section 2 of the Scheme after 30 June 2008

which shall be treated as continuous Pensionable CARE Service.

1.2 Contracting-out Status

The CARE Benefits are contracted-in.

1.3 Tax Status and Plan Limits

- (a) The Rules for the provision of CARE Benefits are designed to provide pension and death benefits for a registered occupational pension scheme under Part 4 of the Finance Act 2004 (as amended).
- (b) For the purposes of determining the maximum benefits payable to a Former Avimo Beneficiary and any restrictions on their payment:
 - (i) the Scheme Benefit Limits contained in Part G of the Rules do not apply to the CARE Benefits;
 - (ii) the total pension payable to a Former Avimo Beneficiary from Section 2 of the Scheme when the CARE Benefits and the Final Salary Benefits are aggregated together will not exceed two thirds of the Former Avimo Beneficiary's Final Remuneration (as defined in Part G of the Rules) (ignoring the effect of any salary sacrifice arrangement made between the CARE Member and his Employer);
- (c) save as provided in Rule 82 of Part F of the Rules, this Rule 1.3 of this Appendix One to Schedule Three of Part F does not disapply:

- (i) the Scheme Benefit Limits which apply to the Final Salary Benefits of Former Avimo Beneficiaries in Part G of the Rules; or
 - (ii) any other benefit limits rules and / or restrictions applied to the Final Salary Benefits under Rule 1.3(c) of Appendix Two to Schedule Three of Part F of the Rules; and
- (d) if a CARE Member is subject to a pension sharing on divorce order, agreement or equivalent provision, Rule 1.3(b)(ii) will be applied to the total pension payable to a CARE Member from the Scheme when the CARE Benefits payable under this Appendix One to Schedule Three of Part F and the Final Salary Benefits payable under Appendix Two to Schedule Three of Part F are aggregated together before the pension sharing on divorce order, agreement or equivalent provision, is applied.

1.4 Early Leaver Rights

- (a) Where the CARE Benefits Rules of this Appendix One to Schedule Three specify the manner in which the Preservation Requirements will be complied with under it, those Rules will apply in respect of the Preservation Requirements.
- (b) If the CARE Benefits Rules of this Appendix One to Schedule Three do not specify the manner in which the Preservation Requirements will be complied with under it, the Rules will be construed in a manner which is consistent with the Preservation Requirements.

2 Membership for CARE Benefits

2.1 Becoming an Active CARE Member

- (a) An Employee is able to become and remain an Active CARE Member of Section 2 of the Scheme for so long as he satisfies all of the following conditions. The employee:
 - (i) was, on 31 December 2007, either...
 - (A) a member of the Avimo Scheme in Pensionable Service under the rules of that scheme in force on that date; or
 - (B) an employee who was not a Member of the Avimo Scheme in Pensionable Service under the rules of that scheme in force on that date but whom the Principal Employer has determined was eligible to join the Avimo Scheme and did not join the DC Scheme on 1 January 2008;

- (ii) before 1 January 2008, elected in writing using the election form provided by Thales UK Limited to become an Active CARE Member of the Avimo Scheme from either 1 January 2008 or such later date as his employer in the Avimo Scheme agreed in writing;
 - (iii) has either:
 - (A) a written pension salary sacrifice arrangement in force with his Employer; or
 - (B) if the Principal Employer permits, a written consent in force with his Employer to deduct his contributions from his CARE Salary; and
 - (iv) was continuously an Active CARE Member from either 1 January 2008 or such later date as he was first admitted to the Avimo Scheme; and
 - (v) joined the Scheme as an Active CARE Member of Section 2 of the Scheme with effect from 1 July 2008 and transferred all of his benefits in the Avimo Scheme to Section 2 of the Scheme with effect on and from 1 July 2008.
- (b) Section 2 of the Scheme is closed to new members and only Employees who meet the conditions set out in Rule 2.1(a) can be Active CARE Members of Section 2 of the Scheme entitled to CARE Benefits under the terms of this Appendix One to Schedule Three of Part F of the Rules.

2.2 Stopping being an Active CARE Member

- (a) An Active CARE Member will cease to be an Active CARE Member on the earlier of the date:
 - (i) he leaves employment or dies; or
 - (ii) of the expiry of not less than one month's written notice which he has given to the Trustees to end his Pensionable CARE Service; or
 - (iii) he ceases to satisfy all of the eligibility criteria to be an Active CARE Member under Rule 2.1(a) above (and for these purposes absence whilst the CARE Member remains in Service under Rule 12 of this Appendix One to Schedule Three of Part F is ignored); or
 - (iv) he otherwise ceases to be in Pensionable CARE Service under any other provisions of the Rules of this Appendix One to Schedule Three of Part F

of the Rules.

- (b) No Employee who has ceased to be an Active CARE Member under Rule 2.2(a) above can rejoin the Scheme in order to earn either CARE Benefits or Final Salary Benefits.
- (c) An Active CARE Member who opts-out of Active CARE Membership under Rule 2.2(a)(ii) above before his CARE Pension Date will be treated as a Deferred CARE Member from the date his notice to opt-out expires. Rules 6 and 9 apply to this Appendix One to Schedule Three of Part F of the Rules.

3 Payment of Contributions

3.1 Rate of Contributions

- (a) The rate of contributions due to Section 2 of the Scheme from each Active CARE Member is:
 - (i) 6 (six) per cent of CARE Salary for that part of the CARE Salary up to and including the upper earnings limit; and
 - (ii) 9 (nine) per cent of CARE Salary for that part (if any) of the CARE Salary in excess of the upper earnings limit.
- (b) Upper earnings limit is the annual equivalent of upper earnings limit published immediately before each 1 April for the following tax year.
- (c) Upper earnings limit has the meaning given in section 181 of the 1993 Act.
- (d) If an Active CARE Member has a period of Part-Time Employment the upper earnings limit will be adjusted in accordance with Rule 13 of this Appendix One to Schedule Three of Part F of the Rules.

3.2 Payment of Contributions

- (a) Active CARE Members who enter into a pension salary sacrifice arrangement with their Employer pursuant to Rule 3.2(c) below do not contribute to Section 2 of the Scheme.
- (b) Active CARE Members who, with the agreement of the Principal Employer, do not enter into a pension salary sacrifice arrangement with their Employer must contribute to Section 2 of the Scheme at the rate set out in Rule 3.1 above).
- (c) In order for Rule 3.2(a) above to apply the:

- (i) Active CARE Member must sacrifice from his pay from his Employer an amount equivalent to the contributions he would have paid to the Section 2 of the Scheme at the rate set out in Rule 3.1 above had the pension salary sacrifice arrangement not been in force; and
 - (ii) Active CARE Member's Employer must pay monthly to the Trustees contributions to Section 2 of the Scheme of an amount equal to the sums sacrificed by the Active CARE Member from his remuneration from that Employer under his pension salary sacrifice arrangement.
- (d) All Active CARE Members are required to enter into a pension salary sacrifice arrangement with an Employer unless the Principal Employer determines otherwise in writing.
- (e) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule Three of Part F of the Rules applies.
- (f) In the event that the Principal Employer decides not to permit Active CARE Members to sacrifice pay from their Employer in accordance with Rule 3.2(c) above, such Active CARE Members will:
- (i) continue to earn CARE Benefits provided that they contribute to Section 2 of the Scheme under the terms of Rule 3.2(b) above; and
 - (ii) provide such written consents as their Employer requests in writing to be able to deduct such contributions from their pay.
- (g) Such Active CARE Members will become Deferred CARE Members if they do not provide to their Employer such written consents as are required for them to contribute to Section 2 of the Scheme under Rule 3.2(b) above within one (1) month of the date the Active CARE Members are asked to pay contributions to Section 2 of the Scheme or such longer period as the Principal Employer may decide.

3.3 Additional Voluntary Contributions

No Active CARE Member can pay additional voluntary contributions to Section 2 of the Scheme.

3.4 Employer Contributions

The balance of the cost of providing the CARE Benefits will be paid by the Employers in accordance with Rule 35 of Part A of the Rules.

4 Calculation of CARE Pension

4.1 CARE Pension Calculation

The "CARE Pension" is: $(X - Y) \times Z$ where:

- (a) "X" is 1/720th of Averaged Revalued CARE Salary for each complete calendar month of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service;
- (b) "Y" is the Pension Deduction; and
- (c) "Z" is the LAF.

Conditions:

- (i) The LAF applied to the CARE Pension will be either the LAF in force at the date:
 - (A) the Active CARE Member leaves Pensionable CARE Service; or
 - (B) the CARE Pension starts to be paidwhichever results in the payment of the higher CARE Pension to the CARE Member (or any person claiming through him).
- (ii) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule Three of Part F of the Rules applies to the calculation of his CARE Pension for that period of part-time Pensionable CARE Service.

4.2 Meaning of Words used in the Calculation of CARE Pension

- (a) "Averaged Revalued CARE Salary" is:
 - (i) the aggregate of the Revalued CARE Salary at each 1 April during Pensionable CARE Service; DIVIDED BY
 - (ii) the number of years in which the Active CARE Member was in Pensionable CARE Service on a 1 April.

Condition:

If an Active CARE Member leaves Pensionable CARE Service before 1 April 2008, his Average Revalued CARE Salary will be his CARE Salary on 1 January 2008.

(b) **“Pension Deduction”** is:

- (i) 0.4% of the Active CARE Member’s Gross Band Earnings for the last complete tax year immediately preceding the date the Active CARE Member left Pensionable CARE Service; MULTIPLIED BY
- (ii) the number of complete calendar months of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service; DIVIDED BY
- (iii) twelve (12).

Provided that with on and effect from 1 April 2009, Pension Deduction will be adjusted in accordance with the terms of Rule 13 in respect of Active CARE Members in Part-time Employment after that date.

(c) **“Gross Band Earnings”** is the Active CARE Member’s gross earnings between the lower and upper earnings limit.

(d) **“Revalued CARE Salary”** is the Active CARE Member’s CARE Salary as at each 1 April revalued by the Revaluation Factor up to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.

(e) **“Revaluation Factor”** is the Revaluation Rate compounded over the Revaluation Period.

Conditions:

(i) The **“Revaluation Rate”** is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the Maximum Revaluation Rate set out in (ii) and will not be a negative amount.

(ii) The **“Maximum Revaluation Rate”** is what the Revaluation Rate would be if the rise in the Government retail prices index for all items was eight (8) per cent compound each year for the Revaluation Period.

(iii) The **“Revaluation Period”** is the period from 1 April to which the relevant CARE Salary relates to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.

(iv) The rise in the Government retail prices index for all items used for the

Revaluation Rate is the one published before each 1 April for the immediately preceding month of September.

- (v) If:
- (A) for any period during the Revaluation Period, the rise in the Government retail prices index for all items is higher than eight (8) per cent compound each year; and
 - (B) the Actuary advises the Trustees that either:
 - 1) whilst the Scheme is a Sectionalised Scheme, Section 2 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 2); or
 - 2) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and
 - (C) the Principal Employer consents in writing.

the Trustees may apply a higher Revaluation Factor than is provided for under the CARE Benefits Rules for such period as the Principal Employer agrees.

- (vi) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

- (f) "LAF" is the longevity adjustment factor and is calculated as follows:

$$\frac{1 - (A \times B)}{100}$$

Where:

- (i) "A" equals the number of years (rounded to the nearest 0.1 years) by which the anticipated life expectancy of a man aged 65 on the LAF Recalculation Table is higher or lower (as applicable) than on the LAF Base Table. Where the anticipated life expectancy is higher than on the LAF Base table, "A" will be positive and where lower "A" will be negative.

- (ii) "B" equals 1.5.

Conditions:

- (A) The LAF will be one (1) between 1 January 2008 and 31 March 2012 (inclusive).
- (B) The LAF cannot be greater than one (1).
- (C) The LAF cannot decrease by more than 0.05 as at any LAF recalculation date.
- (D) "A" will assume a value of zero if, as at any LAF recalculation date, "A" is less than the years noted on the table below:

LAF recalculation date year For Rule 4.3(a)	Years for the purposes of "A"
2011	0.5
2014	0.75
2017	1.00
2020	1.25
2023	1.50
2026	1.75
2029	2.00
2032	2.25
2035	2.50
2038	2.75
2041	3.00
2044	3.25
2047	3.50
2050	3.75
2053	4.00

- (E) The LAF will be rounded to the nearest 0.0025.
- (F) The LAF will be recalculated in accordance with Rule 4.3.
- (g) "LAF Base Table" is the life expectancy table for a man aged 65 years old using the Government Actuaries Department's national 2006 based principal population projections with "cohort expectation" adjustments, which provides as follows:

Year to which Rule 4.3(a) Applies	Life Expectancy of a Male Retiring at Age 65
2007	20.7
2008	20.8
2009	21.0
2010	21.1
2011	21.2
2012	21.3
2013	21.5
2014	21.6
2015	21.7
2016	21.8
2017	21.9
2018	22.0
2019	22.1
2020	22.2
2021	22.3
2022	22.4
2023	22.5
2024	22.5
2025	22.6
2026	22.7
2027	22.8
2028	22.9
2029	23.0
2030	23.1
2031	23.2
2032	23.3
2033	23.4
2034	23.5
2035	23.6
2036	23.7
2037	23.7
2038	23.8
2039	23.9
2040	24.0
2041	24.1
2042	24.2
2043	24.3
2044	24.4

2045	24.5
2046	24.6
2047	24.7
2048	24.8
2049	24.9
2050	25.0
2051	25.1
2052	25.2
2053	25.3
2054	25.3

- (h) “LAF Recalculation Table” is, as at the current LAF recalculation date, the most recently published Government Actuaries Department table published since the previous LAF recalculation date, showing the life expectancy for a man aged 65 years old using the Government Actuaries Department’s table for national principal population projections with “cohort expectation” adjustments.

Conditions:

- (i) If the LAF Recalculation Table is not available at any LAF recalculation date, an alternative life expectancy table published by the Government Actuaries Department, the Office of National Statistics or similar body which uses the latest available national population statistics to show the current life expectancy of a male member retiring at age 65 and adjusted to reflect “cohort expectation” will be used.
- (ii) If a table meeting the requirements of (i) is not available at any LAF recalculation date, the Principal Employer with the agreement of the Trustees, will agree a life expectancy table which is nearest to the LAF Recalculation Table.

4.3 Recalculation of the LAF

- (a) The LAF will automatically be recalculated in accordance with Rule 4.2(f) above:
- (i) as at 1 January 2011 (being the first LAF recalculation date); and
- (ii) at three (3) yearly intervals thereafter as at 1 January.
- (b) The recalculated LAF will be applied to CARE Members’ benefits on expiry of

the notice given under Rule 4.3(c) below unless the Principal Employer, with the agreement of the Trustees, decides to apply a recalculation to the LAF which would result in a LAF being applied to CARE Members' benefits which would result in a higher benefit for a CARE Member than would otherwise have been applied under Rule 4.3(a) above.

- (c) Upon a LAF recalculation being effected under Rule 4.3(a) above at a LAF recalculation date, the Principal Employer will give all Active CARE Members at least twelve (12) months written notice of the amount of the recalculated LAF and the details of how it will be applied to benefits before the LAF is applied to benefits under this Appendix One to Schedule Three of Part F of the Rules.

5 Active CARE Member's CARE Pension

5.1 Drawing CARE Pension at CARE Pension Date

Upon an Active CARE Member attaining his CARE Pension Date his annual CARE Pension will start on the next day.

5.2 Drawing CARE Pension before CARE Pension Date

- (a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if:
 - (i) before 6 April 2010, he is aged 50 or over; or
 - (ii) after 5 April 2010, he is aged 55 or over; and
 - (iii) he applies to draw his CARE Pension early whilst he is in Pensionable CARE Service; and
 - (iv) he has the written consent of the Principal Employer to draw his CARE Pension early; and
 - (v) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) If at any age from the age of 60 up to his Normal Retirement Date an Active CARE Member is entitled to receive his Final Salary Benefits under Appendix Two to Schedule Three of Part F of the Rules without any consents being required from any party to the Scheme or compliance with any other conditions, the payment of the CARE Pension is not subject to Rule 5.2(a)(iv) above after he attains that age.
- (c) An Active CARE Member may, with the consent of the Principal Employer, remain in the employment of an Employer after his CARE Pension starts to be

paid under the terms of this Rule 5.2.

- (d) The annual CARE Pension will start on the day agreed by the CARE Member and the Trustees.

5.3 Drawing CARE Pension due to Serious Ill-Health

- (a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health if, subject to the terms of Rule 5.3(d) below:
 - (i) he has not attained his CARE Pension Date;
 - (ii) he applies to draw his CARE Pension early due to Serious Ill-Health whilst he is in Pensionable CARE Service and will have left Pensionable CARE Service when his CARE Pension starts to be paid;
 - (iii) the Principal Employer, with the agreement of the Trustees, decide after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Active CARE Member is suffering from Serious Ill-Health;
 - (iv) the Trustees are satisfied that the Active CARE Member meets the ill-health condition for the purposes of the Part 4 of the Finance Act 2004; and
 - (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health.
- (b) The CARE Pension payable under this Rule 5.3 will:
 - (i) have no LAF applied to it; and
 - (ii) not be reduced by an Early Retirement Reduction; and
 - (iii) be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule Three of Part F of the Rules.
- (c) The annual CARE Pension will start on the day after the CARE Member left Pensionable CARE Service.
- (d) An Active CARE Member who is not able to work due to ill-health or injury and who is in receipt of payments from an employer's permanent health insurance scheme of at least 50 per cent of his CARE Salary less statutory sick pay is not entitled to apply for the payment of his CARE Pension under this Rule unless the

Principal Employer, with the agreement of the Trustees, decide otherwise.

5.4 Drawing CARE Pension after CARE Pension Date

- (a) If an Active CARE Member, with the consent of the Principal Employer, remains in the employment of an Employer after his CARE Pension Date, he may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date (or such later date as the Principal Employer and the Trustees may agree) to either:
- (i) leave Pensionable CARE Service on his CARE Pension Date and be treated as either a CARE Pensioner or a CARE Postponed Pensioner; or
 - (ii) remain in Pensionable CARE Service and continue to be treated as an Active CARE Member.

Conditions:

- (A) If an Active CARE Member makes no election under this Rule 5.4(a), the Trustees will treat the Active CARE Member as if he had left Active CARE Membership on his CARE Pension Date and he will become a CARE Postponed Pensioner under Rule 5.4(b)(ii) below.
 - (B) The option to be treated as a CARE Pensioner under Rule 5.4(a)(i), can only be exercised by the CARE Member with the consent of the Principal Employer.
- (b) This Rule 5.4(b) applies to an Active CARE Member who elects or is deemed to leave Pensionable CARE Service under Rule 5.4(a)(i). Such a CARE Member who may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date to either:
- (i) draw his CARE Pension under Rule 5.1 above and become a CARE Pensioner; or
 - (ii) defer payment of his CARE Pension and become a CARE Postponed Pensioner until the earlier of the date he elects for his CARE Pension to start to be paid and the date he attains age 75.

Conditions:

- (A) If the Active CARE Member makes no election under this Rule 5.4(b) the Trustees will defer payment of his CARE Pension under Rule 5.4(b)(ii) above.

- (B) An Active CARE Member to which this Rule 5.4(b) applies will on his CARE Pension Date cease to either:
 - 1) pay contributions under Rule 3.2(b) of this Appendix One to Schedule Three of Part F of the Rules; or
 - 2) be subject to a pension salary sacrifice arrangement under Rule 3.2(d) of this Appendix One to Schedule Three of Part F of the Rules.

- (C) A CARE Postponed Pensioner's CARE Pension will start to be paid on the earlier of:
 - 1) the day after he elects for his CARE Pension to start; or
 - 2) his 75th birthday.

- (D) A CARE Postponed Pensioner's CARE Pension will be calculated as at his CARE Pension Date. Upon drawing his CARE Pension the Trustees will apply to it a Late Retirement Increase.

- (E) Upon the death of a CARE Postponed Pensioner before his CARE Pension starts to be paid, he will be treated as if he had:
 - 1) started to draw his CARE Pension immediately before his death; and
 - 2) not elected to exchange any of his CARE Pension for pension commencement lump sum under Rule 7 of this Appendix One to Schedule Three of Part F of the Rules.

- (F) For the purposes of the CARE death benefit Rules, Rule 10 of this Appendix One to Schedule Three of Part F of the Rules applies.

- (G) Upon the death of a CARE Pensioner who remains in the employment of an Employer at the date of his death, the CARE death benefits for a CARE Pensioner will be payable under Rule 10 of this Appendix One to Schedule Three of Part F of the Rules.

- (c) This Rule 5.4(c) applies to an Active CARE Member who elects to continue in Pensionable CARE Service under Rule 5.4(a)(ii). Such a CARE Member will be treated as an Active CARE Member until the earlier of:
 - (i) the date he leaves Pensionable CARE Service; and

- (ii) his 75th birthday.

Conditions:

- (A) The CARE Member will continue to be treated as an Active CARE Member and will continue to either:

- 1) make contributions under Rule 3.2(b) of this Appendix One to Schedule Three of Part F of the Rules; or
- 2) be subject to a salary sacrifice pension arrangement under Rule 3.2(d) of this Appendix One to Schedule Three of Part F of the Rules

for so long as he remains in Pensionable CARE Service after his CARE Pension Date.

- (B) An Active CARE Member's Pensionable CARE Service must cease on his 75th birthday even if he remains in the employment of an Employer.

- (C) The annual CARE Pension will start on the earlier of:

- 1) the day after he elects for his CARE Pension to start; or
- 2) his 75th birthday.

- (D) When an Active CARE Member to which this Rule 5.4(c) relates leaves Pensionable CARE Service his CARE Pension will be calculated under Rule 4.1 of this Appendix One to Schedule Three of Part F of the Rules.

- (E) If an Active CARE Member to which this Rule 5.4 (c) relates dies after his CARE Pension Date but before his CARE Pension starts to be paid the lump sum death benefit payable under this Rule in respect of his death will be:

- 1) the Lump Sum Benefit; PLUS
- 2) the lump sum Final Salary Benefit payable under Rule 3.6 of this Appendix Two to Schedule Three of Part F of the Rules; LESS
- 3) any lump sum Final Salary Benefit payable under Appendix Two to Schedule Three of Part F of the Rules upon the death of a Pensioner (or a person who is treated as a Pensioner because he has deferred payment of his pension after his Normal Pension Date under the Avimo Rules and it is not in payment at the date

of his death).

6 Deferred CARE Member Benefits

6.1 Deferred CARE Member with less than Two (2) years Qualifying Service

An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service with less than two (2) years Qualifying Service will become a Deferred CARE Member entitled to elect to receive:

- (a) a Contribution Refund less any tax payable, of any contributions paid in respect of CARE Benefits after 31 December 2007 to the Avimo Scheme and transferred to the Scheme with effect from 1 July 2008; and/or
- (b) a sum equal to the earnings sacrificed from his pay under a pension salary sacrifice arrangement in force after 31 December 2007 less any tax and national insurance. Such a sum is payable by the Deferred CARE Member's last Employer before he left Pensionable CARE Service in respect of all earnings sacrificed under Rule 3.2(d) of this Appendix One to Schedule Three of Part F of the Rules; or
- (c) if he satisfies the Three Month Condition, a Cash Transfer Sum.

Conditions:

- (i) Rule 6.2 below will apply to a Deferred CARE Member who has received a transfer into Section 2 of the Scheme in respect of him from a registered pension scheme.
- (ii) Any election by a Deferred CARE Member for a Cash Transfer Sum must comply with the requirements of the 1993 Act.
- (iii) No interest will be applied to any sum paid to a Deferred CARE Member either by the Trustees under Rule 6.1(a)(i) above or his last Employer under Rule 6.1(a)(ii) above.
- (iv) Where a CARE Member was both:
 - (A) a Former Avimo Beneficiary entitled to Final Salary Benefits earned in the Avimo Scheme before 1 January 2008 which were transferred to Section 2 of the Scheme with effect from 1 July 2008; and
 - (B) an Active CARE Member entitled to CARE Benefits from:
 - 1) the Avimo Scheme after 31 December 2007 which were

transferred to Section 2 of the Scheme with effect from 1 July 2008; and

- 2) Section 2 of the Scheme after 30 June 2008 (if any)

the Trustees will aggregate any CARE Benefits and Final Salary Benefits payable by them due to the length of the CARE Member's Qualifying Service.

- (v) Once all payments due to or in respect of a CARE Member both under this Rule in respect of his CARE Benefits and Final Salary Benefits have been made, all entitlements to benefits from the Scheme (whether they are Final Salary Benefits or CARE Benefits) will be extinguished for the CARE Member and any person claiming through him.

6.2 Deferred CARE Member with more than Two (2) years Qualifying Service

- (a) An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service:

- (i) with at least two (2) years Qualifying Service; or
- (ii) with less than two (2) years Qualifying Service and Section 2 of the Scheme has received a transfer from another registered pension scheme in respect of him; and
- (iii) without receiving an immediate CARE Pension from Section 2 of the Scheme under Rule 5 of this Appendix One to Schedule Three of Part F of the Rules

will become a Deferred CARE Member entitled to receive a CARE Pension from Section 2 of the Scheme under the terms of this Rule 6.2.

- (b) The Deferred CARE Member's CARE Pension will be calculated in accordance with Rule 4.1 of this Appendix One to Schedule Three of Part F of the Rules up to the date he leaves Pensionable CARE Service.
- (c) The Trustees will revalue the CARE Pension using the final salary method of statutory revaluation (as set out in Section 84(1) and Paragraphs 1 and 2 of Schedule 3 of the 1993 Act) from the date the Deferred CARE Member leaves Pensionable CARE Service up to the earlier of the date:
- (i) of his death;

- (ii) his CARE Pension starts to be paid; or
- (iii) his CARE Pension Date.

6.3 Drawing CARE Pension at CARE Pension Date

Upon a Deferred CARE Member attaining his CARE Pension Date his annual CARE Pension will start on the next day.

6.4 Drawing CARE Pension before CARE Pension Date

- (a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension Date if:
 - (i) before 6 April 2010, he is aged 50 or over; or
 - (ii) after 5 April 2010, he is aged 55 or over; and
 - (iii) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early; and
 - (iv) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) If at any age from the age of 60 up to his Normal Pension Date a Deferred CARE Member is entitled to receive his Final Salary Benefits without any consents being required from any party to the Scheme or compliance with any other conditions, the payment of the CARE Pension is not subject to Rule 6.4(a)(iii) above after he attains that age.
- (c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their consent to its early payment.

6.5 Drawing CARE Pension due to Serious Ill-Health

- (a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health if:
 - (i) he has not attained his CARE Pension Date;
 - (ii) he applies to draw his CARE Pension early due to Serious Ill-Health;
 - (iii) the Principal Employer, with the agreement of the Trustees, decides after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Deferred CARE Member is suffering from Serious Ill-Health;

- (iv) the Trustees are satisfied that the Deferred CARE Member meets the ill-health condition for the purposes of the Part 4 of the Finance Act 2004;
 - (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health; and
 - (vi) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) The CARE Pension payable under this Rule 6.5 will be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule Three of Part F of the Rules.
 - (c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their written consent to its early payment due to Serious Ill-Health.

6.6 Drawing CARE Pension after CARE Pension Date

- (a) A Deferred CARE Member may, with the consent of the Principal Employer and the Trustees, defer payment of his CARE Pension until a date after his CARE Pension Date.
- (b) The CARE Pension of a Deferred CARE Member who defers payment of it under this Rule will come into payment on the earlier of:
 - (i) the expiry of one (1) month's written notice by him to the Trustees to start payment of the CARE Pension; and
 - (ii) the Deferred CARE Member's 75th birthday.
- (c) If a Deferred CARE Member defers payment of his CARE Pension under this Rule, his CARE Pension will be calculated as at his CARE Pension Date. When his CARE Pension starts to be paid, the Trustees will apply to it a Late Retirement Increase.
- (d) The annual CARE Pension will start on the earlier of:
 - (i) the day after he elects for his CARE Pension to start; or
 - (ii) his 75th birthday.
- (e) If a Deferred CARE Member dies before his CARE Pension starts to be paid, he will be treated as if he had:
 - (i) started to draw his CARE Pension immediately before his death; and

- (ii) not elected to commute any of his CARE Pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Three of Part F of the Rules.

For these purposes, Rule 10 of this Appendix One to Schedule Three of Part F of the Rules applies.

7 Pension Commencement Lump Sum

7.1 A CARE Member may, with the consent of the Trustees, elect to exchange part of his CARE Pension for a pension commencement lump sum (as defined in Part 1 to Schedule 29 of the Finance Act 2004).

7.2 The election must be made in writing by the CARE Member and provided to the Trustees before the date the CARE Member is due to draw his CARE Pension.

7.3

- (a) The rate at which CARE Pension can be exchanged for a pension commencement lump sum, subject to Rules 7.8 and 7.9 below, will be as follows:

Age at the date of exchange of CARE Pension for a pension commencement lump sum	Commutation Factor
50	18.0
51	17.6
52	17.2
53	16.8
54	16.4
55	16.0
56	15.6
57	15.2
58	14.8
59	14.4
60	14.0
61	13.6
62	13.2
63	12.8
64	12.4
65	12.0
66	11.6

67	11.2
68	10.8
69	10.4
70	10.0
71	9.6
72	9.2
73	8.8
74	8.4
75	8.0

- (b) The table set out in this Rule 7.3 sets out the rate at which CARE Pension can be exchanged for pension commencement lump sum as at a specified age. Where a CARE Member is older than the specified age by a proportion of a year, the relevant exchange rate set out in the table in Rule 7.3 above will be a pro rata amount calculated in complete months.

7.4

- (a) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the rate at which CARE Pension can be exchanged for pension commencement lump sum to an alternative rate which may be higher or lower than the rate set out in Rule 7.3 above.
- (b) Such a rate agreed under Rule 7.4(a) above cannot be implemented unless it is first certified as reasonable by the Actuary having regard to the assumptions used at the last actuarial valuation for either:
- (i) whilst the Scheme is a Sectionalised Scheme, Section 2 of the Scheme;
or
 - (ii) after the Scheme has become desectionalised, the Scheme
- (c) A rate agreed and certified under this Rule 7.4 will remain in force until such time as a new rate is agreed and certified under this Rule 7.4

7.5

- (a) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Three of Part F of the Rules in circumstances which result in a different LAF being automatically applied to benefits under Rule 4.3 of this Appendix One to Schedule Three of Part F of the Rules, the Principal Employer and the Trustees must review the rate at which CARE Pension can be exchanged

for a pension commencement lump sum and agree the rate at which CARE Pension can be so exchanged.

(b) If under the terms of Rule 7.5(a) above, the Principal Employer and the Trustees cannot agree a rate at which CARE Pension can be exchanged for a pension commencement lump sum, the Actuary will either:

- (i) revise the rate at which CARE Pension can be exchanged for a pension commencement lump sum by increasing or reducing the rate by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under Rule 7.5(a) above; or
- (ii) leave the rate at which CARE Pension can be exchanged for a pension commencement lump sum unchanged.

7.6 A CARE Member can only elect to commute CARE Pension for a pension commencement lump sum at the same time as drawing his CARE Pension.

7.7 Once a CARE Member's CARE Pension starts to be paid, an election to exchange CARE Pension for a pension commencement lump sum cannot be revoked.

7.8 In the case of a CARE Member who also has an entitlement to Final Salary Benefits as a result of his own membership of Section 2 of the Scheme, he can only exchange his CARE Pension for a pension commencement lump sum in proportion to the amount his CARE Pension represents to his aggregated pension from Section 2 of the Scheme when his CARE Pension and his Final Salary Benefits are aggregated together.

7.9 The pension commencement lump sum will not exceed the maximum permitted by HMRC under Part 4 of the Finance Act 2004 unless the CARE Member has an entitlement to a higher amount in respect of his benefits held in Section 2 of the Scheme under the terms of Paragraph 31 to Schedule 36 of the 2004 Act.

8 Death Benefits for an Active CARE Member or a DC Scheme Life Assurance Member

8.1 Lump Sum Death Benefit

(a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member the Trustees will hold on the discretionary trusts for:

- (i) an Active CARE Member, the Lump Sum Benefit; or
- (ii) a DC Scheme Life Assurance Member, the Lump Sum Benefit LESS the DC

Lump Sum.

- (b) The Lump Sum Benefit will be applied in accordance with Rule 74 of Part D of the Rules.
- (c) "Lump Sum Benefit" means subject to the terms of Rule 16 of this Appendix One to Schedule Three of Part F of the Rules, four (4) times the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC Salary (as applicable) as at the 1 April immediately preceding the date of his death.
- (d) "DC Lump Sum" means the amount notified to the Trustees by the manager of the DC Scheme as being the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is used to provide lump sum benefits payable in respect of the DC Scheme Life Assurance Member. The DC Lump Sum excludes the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death).

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Three of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Three of Part F of the Rules will apply.
- (ii) A CARE Member who remains in the employment of an Employer after his CARE Pension Date under Rule 5.4(a) of this Appendix One to Schedule Three of Part F of the Rules and who is in receipt of his CARE Pension at the date of his death is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Three of Part F of the Rules will apply.
- (iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Three of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule applies but such a CARE Member's Lump Sum Benefit will be calculated in accordance with condition (E) of Rule 5.4(c) of this Appendix One to Schedule Three of Part F of the Rules.

(iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but who remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Three of Part F of the Rules will apply.

(v) An Active CARE Member who on the date of his death is:

(A) not in receipt of his CARE Pension;

(B) is in receipt of a pension which are Final Salary Benefits as a result of his own membership of Section 2 of the Scheme; or

(C) has not attained his CARE Pension Date

will have deducted from his Lump Sum Benefit payable in respect of his CARE Benefits any lump sum payable in respect of his Final Salary Benefits in so far as it is greater than the benefit payable under Rule 3.6 of Appendix Two to Schedule Three of Part F of the Rules.

(vi) On the date of the death of either:

(A) an Active CARE Member; or

(B) a DC Scheme Life Assurance Member

who is also a Scheme Enhanced Member of Section 2 of the Scheme, the Scheme will pay the Final Salary Benefits lump sum contained in Rule 3.6 of Appendix Two to Schedule Three of Part F of the Rules in addition to the Lump Sum Benefit payable under the CARE Benefits Rules.

(vii) A DC Scheme Life Assurance Member who remains in the employment of an Employer after his CARE Pension Date will continue to be treated as a DC Scheme Life Assurance Member until the earlier of the date he leaves the employment of an Employer and age 75.

8.2 Adult Dependant's Pension

(a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Adult Dependant.

(b) The pension payable under (a) will be equal to thirty three (33) per cent of the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC

Salary (as applicable) as at 1 April immediately preceding his death LESS:

- (i) any pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Spouse accrued as Final Salary Benefits in respect of Pensionable Service earned in the Avimo Scheme before 1 January 2008; and
 - (ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Adult Dependant by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is not used to provide lump sum benefits under Rule 8.1 (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death)).
- (c) The Adult Dependant's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Three of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Three of Part F of the Rules will apply.
- (ii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Three of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.2 will apply.
- (iii) A CARE Member who remains in the employment of an Employer at the date of his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Three of Part F of the Rules will apply.
- (iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Three of Part F of the

Rules will apply.

- (v) In the event that the pension payable to an Adult Dependant which are CARE Benefits under Rule 8.2(b) above is smaller than the Final Salary Benefits pension which would have been payable to the Spouse under Appendix Two calculated upon the basis that the CARE Member became a Deferred Pensioner in respect of his Final Salary Benefits on 31 December 2007 in the Avimo Scheme, the higher benefit is payable.

8.3 Dependant Children's Pensions

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Dependant Children.
- (b) The pension payable under (a) is a maximum of thirty (30) percent of the Active CARE Member's or DC Scheme Life Assurance Member's CARE Salary as at 1 April immediately preceding his death LESS:
 - (i) any pension which are Final Salary Benefits payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Children in respect of Pensionable Service in the Avimo Scheme before 1 January 2008; and
 - (ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Dependant Children by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is not used to provide lump sum benefits under Rule 8.1 of this Appendix One to Schedule Three of Part F of the Rules (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death)).
- (c) The Trustees will determine the amount of each Dependent Child's pension from time to time.
- (d) Subject to (e) below, the maximum pension payable to an individual Dependant Child is ten (10) percent of the Active CARE Member's CARE Salary or the DC Scheme Life Assurance Member's DC Salary as at 1 April immediately preceding his death LESS the maximum Final Salary Benefits pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Child in

respect of Pensionable Service in the Avimo Scheme before 1 January 2008.

- (e) The Dependant Children's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) If no Adult Dependant's pension is payable at the date of the Active CARE Member's or DC Scheme Life Assurance Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (ii) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Three of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Three of Part F of the Rules will apply.
- (iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Three of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.3 will apply.
- (iv) A CARE Member who remains in the employment of an Employer at the date of his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Three of Part F of the Rules will apply.
- (v) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Three of Part F of the Rules will apply.
- (vi) In the event that the CARE Benefits pension payable to Dependant Children under Rule 8.3(b) above is smaller than the Final Salary Benefits pension payable to the Child in respect of an Active CARE Member or DC Scheme Life Assurance Member calculated upon the basis that the CARE Member became a Deferred Pensioner in respect of his Final Salary Benefits on 31 December 2007 in the Avimo Scheme, the higher benefit will be payable.

9 Deferred CARE Member Death Benefits

9.1 Lump Sum Death Benefit

- (a) No lump sum death benefit is payable upon the death of a Deferred CARE Member before his CARE Pension Date from Section 2 of the Scheme in respect of his CARE Benefits.
- (b) Rules 6.6(e) and 10 of this Appendix One to Schedule Three of Part F of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.2 Adult Dependant's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Adult Dependant.
- (b) The pension payable under (a) will be equal to half of the Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule Three of Part F of the Rules and revalued under that Rule to the date of the Deferred CARE Member's death.
- (c) The Adult Dependant's pension will start on the day after the date of the Deferred CARE Member's death.
- (d) Rules 6.6(e) and 10 of this Appendix One to Schedule Three of Part F of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.3 Dependant Children's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Dependant Children.
- (b) The pension payable under (a) is a maximum of forty five (45) percent of the Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule Three of Part F of the Rules and revalued to the date of the Deferred CARE Member's death.
- (c) The Trustees will determine the amount of each Dependant Child's pension from time to time.
- (d) Subject to (e), the maximum pension payable to an individual Dependant Child

is fifteen (15) percent of the Deferred CARE Member's CARE Pension.

- (e) If no Adult Dependant's pension is payable at the date of the Deferred CARE Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension will start on the day after the date of the Deferred CARE Member's death.
- (g) Rules 6.6(e) and 10 apply of this Appendix One to Schedule Three of Part F of the Rules upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

10 CARE Pensioner Death Benefits

10.1 Lump Sum Death Benefit

- (a) If a CARE Pensioner dies less than five (5) years after the date his CARE Pension started to be paid and before age 75, the Trustees will hold on the discretionary trusts a lump sum equal to the total pension payments which would have been paid to the CARE Pensioner during the remaining balance of the period of five (5) years from the date his CARE Pension started to be paid.
- (b) The lump sum under (a) will be calculated using the rate of CARE Pension payable immediately before the date of the CARE Pensioner's death. Future CARE Pension increases are ignored.
- (c) The lump sum death benefit payable under this Rule will be applied in accordance with Rule 74 of Part D of the Rules.
- (d) If a CARE Pensioner dies more than five (5) years after the date his CARE Pension started to be paid or after attaining age 75, no lump sum death benefit is payable.

10.2 Adult Dependant's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Adult Dependant.
- (b) The pension payable under (a) will be equal to half of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Three of Part F of the Rules).
- (c) The Adult Dependant's pension will start on the first day of the next month

following the date of the CARE Pensioner's death.

10.3 Dependant Children's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Dependant Children.
- (b) The pension payable under (a) is a maximum of forty five (45) percent of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Three of Part F of the Rules).
- (c) The Trustees will determine the amount of each Dependant Child's pension from time to time.
- (d) Subject to (e), the maximum pension payable to an individual Dependant Child is fifteen (15) percent of the CARE Pensioner's CARE Pension.
- (e) If no Adult Dependant's pension is payable at the date of the CARE Pensioner's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension starts to be paid on the first day of the next month following the date of the CARE Pensioner's death.

11 Payment of Pensions and Lump Sum Benefits

11.1 Payment of a CARE Member's Pensions

- (a) A CARE Member's CARE Pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.
- (b) The first CARE Pension payment will be the aggregate of:
 - (i) the proportion of one month's instalment of CARE Pension payment calculated from the date the CARE Pension started to the first day of the next month (if any); and
 - (ii) the next full month's instalment of CARE Pension.

11.2 Stopping a CARE Member's CARE Pension

- (a) Subject to Rule 11.3 below, a CARE Member's CARE Pension is payable for life and will stop on the date of his death.
- (b) The last month's CARE Pension instalment made to a CARE Member immediately

before his death will not be apportioned.

- (c) Any one or more instalments of pension paid after the date of the CARE Member's death will be treated as a debt to Section 2 of the Scheme which is repayable to Section 2 of the Scheme unless the Trustees determine otherwise.

11.3 Review of Serious Ill-Health CARE Pensions

- (a) A CARE Pension which is paid under either Rule 5.3 or 6.5 of this Appendix One to Schedule Three of Part F of the Rules due to the Serious Ill-Health of the CARE Member will be reviewed by the Trustees every three (3) years after the date his CARE Pension starts to be paid or such other period as the Trustees determine. No reviews will be made once the CARE Member attains his CARE Pension Date.
- (b) At each review of the payment of CARE Pension due to Serious Ill-Health, the Trustees may ask the CARE Pensioner to:
 - (i) attend a medical with the registered medical practitioner of the Trustees selection; and / or
 - (ii) provide any information and other co-operation to allow the Trustees to complete their review.
- (c) If the Trustees are satisfied that the CARE Pensioner:
 - (i) is no longer suffering from Serious Ill-Health; or
 - (ii) failed to co-operate with the review to such a degree that they are not able to determine if the CARE Pensioner continues to suffer from Serious Ill-Healththey may reduce or terminate the payment of the CARE Pension as they determine.
- (d) Having reduced or terminated a CARE Pension under (c) above, the Trustees may, if it appears appropriate to them to do so, restore the payment of the CARE Pension.
- (e) If a CARE Pensioner's CARE Pension payable due to Serious Ill-Health is terminated under this Rule he will:
 - (i) be treated as a Deferred CARE Member; and
 - (ii) have his CARE Pension calculated in accordance with Rule 6.2 of this

Appendix One to Schedule Three of Part F of the Rules as at the date he left Pensionable CARE Service.

Conditions:

- (A) The calculation of the CARE Member's Deferred CARE Pension will ignore the fact that he initially started to receive his CARE Pension under either Rule 5.3 or 6.5 of this Appendix One to Schedule Three of Part F of the Rules as applicable.
 - (B) All payments of CARE Pension made to him between the date his CARE Pension started under Rule 5.3 or 6.5 of this Appendix One to Schedule Three of Part F of the Rules and the date it was terminated under this Rule will be ignored (unless the Trustees determine otherwise in their absolute discretion).
 - (C) The Deferred CARE Pension will not be less than the amount required to be paid under the Preservation Requirements.
- (f) This Rule 11.3 is subject to the terms of disability discrimination legislation in so far as it applies to the Scheme.

11.4 Payment of Adult Dependant's Pensions and Dependant Children's Pensions

- (a) An Adult Dependant's pension and a Dependant Children's pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.
- (b) In the case of an Adult Dependant's pension or Dependant Children's pension payable due to the death of an Active CARE Member, a Deferred CARE Member or a CARE Postponed Pensioner, the first Adult Dependant's or first Dependant Children's pension payment will be the aggregate of:
 - (i) the proportion of one month's pension instalment calculated from the date of the CARE Member's death to the first day of the next month (if any); and
 - (ii) the next full month's pension instalment.
- (c) In the case of an Adult Dependant's pension or Dependant Children's pension payable due to the death of a CARE Pensioner, the first Adult Dependant's or first Dependant Children's pension payment will be a full month's pension instalment and will be made on the first day of the month following the date of the CARE Pensioner's death.

11.5 Stopping the Adult Dependant's Pension

- (a) An Adult Dependant's pension is payable for life and will stop on the date of his death.
- (b) The last month's pension instalment paid to an Adult Dependant immediately before his death will not be apportioned.
- (c) Any one or more instalments of pension paid after the date of the Adult Dependant's death will be treated as a debt to Section 2 of the Scheme which is repayable to Section 2 of the Scheme unless the Trustees determine otherwise.

11.6 Stopping the Dependant Children's Pensions

- (a) A Dependant Child's pension is only payable to a child for so long as the Trustees are satisfied that the child remains a Dependant Child.
- (b) A Dependant Child's pension will stop on the date he ceases to be a Dependant Child.
- (c) The last month's pension instalment paid in respect of a Dependant Child immediately before he stopped being a Dependant Child will not be apportioned.
- (d) When a child ceases to be a Dependant Child, if there are remaining Dependant Children whose pensions are less than the maximum pension payable to an individual Dependant Child under Rules 8.3, 9.3 or 10.3 of this Appendix One to Schedule Three of Part F of the Rules, the Trustees will recalculate the proportion of the Dependant Children's pension payable to the remaining Dependant Children in such manner as the Trustees determine.
- (e) Any one or more instalments of pension paid after the date the Dependant Child's pension was payable under the Rules contained in this Appendix One to Schedule Three of Part F of the Rules will be treated as a debt to Section 2 of the Scheme which is repayable to Section 2 of the Scheme unless the Trustees determine otherwise.

12 Family Leave and Absence from Work

12.1 Family Leave

- (a) In this Rule:
 - (i) "Family Leave" refers jointly to Adoption Leave, Maternity Leave, Paternity Leave and Parental Leave (whether Paid Family Leave or

Unpaid Family Leave).

- (ii) "Adoption Leave", "Maternity Leave", "Ordinary Adoption Leave", "Ordinary Maternity Leave", "Paternity Leave" and "Parental Leave" are as defined in the Employment Rights Act 1996.
- (iii) The definition of "CARE Salary" is modified for any period of Family Leave during which an Active CARE Member is not in receipt of pay as if he were working normally:
 - (A) for the purposes of calculating all pension and death benefits in respect of the CARE Benefits, CARE Salary will be the CARE Salary in force on 1 April immediately before the Active CARE Member's Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the CARE Salary attributable to the Active CARE Member had he continued to work normally);
 - (B) for the purposes of Rule 3.1 of this Appendix One to Schedule Three of Part F of the Rules CARE Salary is deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Family Leave (including any statutory maternity pay, adoption pay or paternity pay).
- (iv) The definition of "DC Salary" is modified for any period of Family Leave during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he was working normally. For the purposes of calculating all pension and death benefits in respect of the CARE Benefits, the DC Salary will be the amount which was in payment to the DC Scheme Life Assurance Member before the Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the DC Salary which the DC Scheme Life Assurance Scheme Member would have received if he had continued to work normally).

12.2 Paid Family Leave

- (a) A CARE Member will remain an Active CARE Member in respect of the CARE Benefits during any period of Family Leave during which he is entitled to and receives pay (including any statutory maternity pay, adoption pay or paternity

pay) from his Employer (“Paid Family Leave”).

- (b) All periods of Paid Family Leave are Pensionable CARE Service and the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule Three of Part F of the Rules for so long as he is in receipt of pay from his Employer.
- (c) Any period of Ordinary Maternity Leave or Ordinary Adoption Leave during which a CARE Member is not entitled to statutory maternity pay will be treated as Paid Family Leave under this Rule.
- (d) A DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Three of Part F of the Rules during any period of Paid Family Leave and any period of Ordinary Maternity Leave or Ordinary Adoption Leave during which the DC Scheme Life Assurance Member is not entitled to statutory maternity pay.

12.3 Unpaid Family Leave

- (a) Subject to Rule 12.2(c) above, an Active CARE Member will remain in Service during any period of Family Leave when he is not entitled to and does not receive pay (including any statutory maternity pay, adoption pay or paternity pay) from his Employer (“Unpaid Family Leave”).
- (b) Subject to Rule 12.4(a) below, all periods of Unpaid Family Leave are Service but not Pensionable CARE Service.
- (c) During Unpaid Family Leave an Active CARE Member and his Employer are not required to comply with Rule 3.2 of this Appendix One to Schedule Three of Part F of the Rules.
- (d) During all periods of Unpaid Family Leave, the Active CARE Member or DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Three of Part F of the Rules and will be treated as either an Active CARE Member or a DC Scheme Life Assurance Member (as applicable) for these purposes.

12.4 Returning to Work

- (a) If an Active CARE Member returns to work after a period of Unpaid Family Leave, he may pay contributions in order to earn Pensionable CARE Service for any periods of Unpaid Family Leave. The terms will be agreed between the Active CARE Member and the Trustees.

- (b) If Rule 12.4(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any period of Family Leave will be treated as continuous.

12.5 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of Family Leave, he will cease to be an Active CARE Member or DC Scheme Life Assurance Member (as applicable) on the earliest of the date:

- (i) he informs his Employer that he will not be returning to work;
- (ii) her right to Ordinary Maternity Leave or Ordinary Adoption Leave ended;
- (iii) when his right to Paid Family Leave ended; or
- (iv) he started Parental Leave under the Employment Rights Act 1996 or any extension of those terms allowed by the Employer if none of the period of Parental Leave is paid.

- (b) The Principal Employer's confirmation of the date is final.

12.6 Absence

- (a) General

- (i) This Rule applies where either an Active CARE Member or DC Scheme Life Assurance Member is not at work whilst still in Service (except on normal holiday leave or Family Leave) due to:

- (A) injury or illness; or
- (B) secondment or attending full-time education with the agreement of his Employer in circumstances where there is an expectation on the part of the Active CARE Member or DC Scheme Life Assurance Member and the Employer that he will return to work for an Employer.

- (ii) Where the absence is due to illness or injury, the definition of:

- (A) "CARE Salary" is modified for any period of the absence during which an Active CARE Member is not in receipt of his pay as if he was working normally:

1) for the purposes of calculating all pension and death benefits which are CARE Benefits, the amount of the CARE Salary which was in payment to the Active CARE Member before his absence due to ill-health or injury started as increased as at each 1 April by such amount as the Principal Employer decides;

2) for the purposes of Rule 3.1 of this Appendix One to Schedule Three of Part F of the Rules CARE Salary is deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Paid Absence either from an Employer or payments from an employer's permanent health insurance scheme; or

(B) "DC Salary" is modified by any period of absence during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he were working normally. For the purposes of calculating all pension and death benefits which are CARE Benefits the amount of the DC Salary before his absence due to ill-health or injury started, as increased as at each 1 April by such amount as the Principal Employer decides.

(iii) Where absence is due to secondment or attending full-time education, the Principal Employer will determine the extent to which (if at all) the definitions of "CARE Salary" and "DC Salary" are modified during the period of absence. The Principal Employer will notify the Trustees of any modifications made to either CARE Salary or DC Salary under this Rule.

12.7 Paid Absence

(a) During a period of absence to which this Rule applies when the CARE Member is in receipt of pay from either an Employer or payments from an employer's permanent health insurance scheme ("Paid Absence"), the CARE Member will be treated as an Active CARE Member and will remain in Pensionable CARE Service.

(b) During all periods of Paid Absence, the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule Three of Part F of the Rules for so long as he is in receipt of pay from either an Employer or if he is absent due to ill-health or injury, payments from an employer's

permanent health insurance scheme.

- (c) During all periods of Paid Absence, the Principal Employer will determine the level of the Active CARE Member's CARE Salary for the purposes of calculating his pension and death benefits.
- (d) During all periods of Paid Absence a DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Three of Part F of the Rules and will be treated as a DC Scheme Life Assurance Member for these purposes unless the Principal Employer decides otherwise.

12.8 Unpaid Absence

- (a) During a period of absence to which this Rule applies, when the Active CARE Member is not in receipt of pay from an Employer or in the case of absence due to ill-health or injury, payments from an employer's permanent health insurance scheme ("Unpaid Absence"), the Active CARE Member will be treated as being in Service but not Pensionable CARE Service (unless the Principal Employer determines otherwise).
- (b) During all periods of Unpaid Absence, the Active CARE Member and his Employer are not required to comply with the terms of Rule 3.2 of this Appendix One to Schedule Three of Part F of the Rules.
- (c) During all periods of Unpaid Absence whilst either the Active CARE Member or DC Scheme Life Assurance Member (as applicable) remains in service, he will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Three of Part F of the Rules and will be treated as either an Active CARE Member or DC Scheme Life Assurance Member (as applicable) for these purposes unless the Principal Employer decides otherwise.

12.9 Returning to Work

- (a) If an Active CARE Member returns to work for an Employer or starts to be in receipt of payments from an employer's permanent health insurance scheme after a period of Unpaid Absence, he may pay contributions in order to earn Pensionable CARE Service for any period of Unpaid Absence. The terms will be agreed between the Active CARE Member and the Trustees.
- (b) If Rule 12.9(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any periods of Unpaid Absence will be treated as continuous.

12.10 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of absence, he will cease to be either an Active CARE Member or a DC Scheme Life Assurance Member on the earliest of the date:
- (i) he informs his Employer that he will not be returning to work;
 - (ii) his Employer terminates his employment; or
 - (iii) such other date as the Principal Employer decides and notifies to the Trustees.
- (b) The Principal Employer's confirmation of the date is final.

13 Part-Time Workers

13.1 Application of this Rule

- (a) This Rule applies to any Active CARE Member who is in Part-Time Employment for any period of Pensionable CARE Service.
- (b) This Rule overrides the rest of the Rules contained in this Appendix One to Schedule Three of Part F of the Rules in respect of periods of Part-Time Employment relating to the calculation of all CARE Benefits held in the Scheme.

13.2 Adjustment of Part-Time Active CARE Member's CARE Benefits

- (a) If an Active CARE Member is in Part-Time Employment for any period of Pensionable CARE Service:

- (i) his CARE Salary for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\text{CARE Salary} \quad \times \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$

- (ii) his Pensionable CARE Service for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}} \times \text{Period of Part-Time Pensionable CARE Service}$$

- (iii) the upper earnings limit used to determine the level of an Active CARE Member's contributions or rate at which salary should be sacrificed from

his pay under a pension salary sacrifice arrangement under Rule 3.2 of this Appendix One to Schedule Three of Part F of the Rules in respect of each period of Part-Time Employment, will be adjusted by the following formula:

$$\text{upper earnings limit} \quad X \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

For the purposes of this adjustment, upper earnings limit has the same meaning as in Rule 3.2 of this Appendix One to Schedule Three of Part F of the Rules;

- (iv) the Salary Cap for the purposes of calculating his CARE Pension and level of Active CARE Member's contributions or rate at which salary should be sacrificed from his pay under pension salary sacrifice arrangements under Rule 3.2 of this Appendix One to Schedule Three of Part F of the Rules in respect of each period of Part-Time Employment, will be adjusted using the following formula:

$$\text{Salary Cap} \quad X \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

- (v) with effect on and from 1 April 2009 for Pensionable CARE Service earned after that date his Gross Band Earnings for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\text{Gross Band Earnings} \quad X \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$

Provided that Gross Band Earnings in all cases will not be greater than the upper earnings limit.

- (b) If an Active CARE Member has more than one period of Service which is Part-Time Employment and / or Full-Time Employment, each one will be treated separately.
- (c) The Trustees will determine all questions of doubt in respect of the calculation of an Active CARE Member's CARE Benefits for periods of Part-Time Employment if there is an inadequacy in the data provided to them.

13.3 The Meaning of Words used in this Rule 13

- (a) "Average Weekly Contractual Hours" is the average number of hours in each standard working week for which an Active CARE Member is contracted to work for an Employer.

- (b) "Standard Weekly Hours" is the number of hours during a standard working week which an Active CARE Member would be contracted to work for an Employer if he was contracted to work on a full-time basis.
- (c) "Part-Time Employment" is any period of Pensionable CARE Service during which an Active CARE Member is contracted to work for a lower number of weekly hours of work than those applicable to an Active CARE Member who is contracted to work on a full-time basis.

14 CARE Pension Increases

14.1 The Rate of Pension Increases

- (a) A pension which is in payment will increase on each 1 April:
 - (i) for:
 - (A) a CARE Pensioner; or
 - (B) an Adult Dependant and/or Dependant Children of either an Active CARE Member, Deferred CARE Member or CARE Postponed Pensioner

by the smaller of the Rate and $1/365$ th of the Rate multiplied by the number of days since the date pension started;

 - (ii) for an Adult Dependant or Dependant Children of a CARE Pensioner, by the Rate.
- (b) "Rate" as at each 1 April is the lower of:
 - (i) the annual rise in the published Government retail prices index for all items for the immediately preceding month of September; and
 - (ii) 2.5%.

Conditions:

- (A) If:
 - 1) for any period on and after 1 January 2008, the Rate is lower than the rise in the Government retail prices index for all items under (b)(i) above; and
 - 2) the Actuary advises the Trustees that either:

1a) whilst the Scheme is a Sectionalised Scheme, Section 2 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 2); or

1b) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and

3) the Principal Employer consents in writing

the Trustees may apply a Rate of greater than 2.5% at the next 1 April.

(B) Any increase in pension required to be paid by Section 2 of the Scheme by statute will be included within any increase in pension payable under this Rule.

(C) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

15 Definitions used in this Appendix One to Schedule Three of Part F of the Rules

15.1 Meaning of Words Used in this Appendix One

In this Appendix One to Schedule Three of Part F of the Rules only, the words listed below have the following meanings:

"Active CARE Member" means a CARE Member who has:

- (a) joined Section 2 of the Scheme to be provided with CARE Benefits under Rule 2.1 of this Appendix One to Schedule Three of Part F of the Rules; and
- (b) makes contributions to Section 2 of the Scheme or has a pension salary sacrifice arrangement in place with his Employer under Rule 3.2 of this Appendix One to Schedule Three of Part F of the Rules; and
- (c) not yet left Pensionable CARE Service. (For these purposes absence whilst the Active CARE Member remains in Service under Rule 12 of this Appendix One to Schedule Three of Part F of the Rules is ignored).

"Active CARE Membership" has a corresponding meaning.

"Adoption Leave" is defined in Rule 12.1 of this Appendix One to Schedule Three of Part F of the Rules.

"Adult Dependant" means the CARE Member's widow, widower or Civil Partner as at the date of his death.

If the CARE Member was unmarried and had not entered into a Civil Partnership as at the date of his death, the Trustees may, in their absolute discretion, determine that any person who was:

- (a) living with the CARE Member in a relationship akin to marriage or a Civil Partnership; and
- (b) financially dependent or inter-dependent on the CARE Member at the date of his death

is his Adult Dependant.

"Average Weekly Contractual Hours" is defined in Rule 13.3 of this Appendix One to Schedule Three of Part F of the Rules.

"Averaged Revalued CARE Salary" is defined in Rule 4.2 of this Appendix One to Schedule Three of Part F of the Rules.

"CARE Member" means a person who is entitled or prospectively entitled to CARE Benefits from Section 2 of the Scheme. Unless the context requires otherwise, CARE Member includes:

- (a) an Active CARE Member, Deferred CARE Member, CARE Postponed Pensioner and CARE Pensioner; and
- (b) excludes a DC Scheme Life Assurance Member for all purposes other than the payment of benefits upon the death of a DC Scheme Life Assurance Member.

"CARE Membership" has a corresponding meaning.

"CARE Pension" is defined in Rule 4.1 of this Appendix One to Schedule Three of Part F of the Rules.

"CARE Pension Date" means the CARE Member's or DC Scheme Life Assurance Member's 65th birthday.

"CARE Pensioner" means a CARE Member who is being paid a CARE Pension from Section 2 of the Scheme by virtue of his own CARE Membership.

“CARE Postponed Pensioner” means a CARE Member who:

- (a) remains in the employment of an Employer after his CARE Pension Date; and
- (b) has deferred or is deemed to have deferred payment of his CARE Pension under Rule 5.4(b) of this Appendix One to Schedule Three of Part F of the Rules; and
- (c) whose CARE pension has not started to be paid.

“CARE Salary” means the Active CARE Member's:

- (a) basic salary had the Active CARE Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) CARE Salary is determined as at each 1 April and confirmed to the Active CARE Member annually by his Employer in writing after that date.
- (ii) An Active CARE Member's CARE Salary cannot be greater than the Salary Cap.
- (iii) An Active CARE Member's first CARE Salary for the purposes of calculating CARE Benefits in the Scheme was the CARE Salary in respect of the Avimo Scheme determined as at 31 December 2007 and notified to him in writing. It was applied from 1 January 2008 to 31 March 2008 inclusive in that scheme.
- (iv) In the case of an Active CARE Member who has entered into a pension salary sacrifice arrangement with his Employer, for the purposes of calculating all of his CARE Benefits, his CARE Salary will be calculated ignoring the effect of any salary sacrifice arrangements in force between him and his Employer from time to time.

“Cash Transfer Sum” means a cash equivalent transfer as described in Section 101AB (3) of the 1993 Act.

“Contribution Refund” has the meaning given to it in Section 101AB of the 1993 Act.

“DC Scheme Life Assurance Member” means an employee:

- (a) who was in the employment of an Employer on 31 December 2007; and
- (b) who elected to join the DC Scheme after 31 December 2007; and

- (c) in respect of whom contributions are made by an employer in the group of companies owned by Thales Holdings UK plc (or its successors) to the DC Scheme.

“DC Lump Sum” is defined in Rule 8.1(d) of this Appendix One to Schedule Three of Part F of the Rules.

“DC Salary” means the DC Scheme Life Assurance Member’s:

- (a) basic salary had the DC Scheme Life Assurance Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) DC Salary is determined as at each 1 April and confirmed to the DC Life Assurance Scheme Member annually by his Employer in writing after that date.
- (ii) A DC Scheme Life Assurance Member’s DC Salary cannot be greater than the Salary Cap.
- (iii) DC Salary will be calculated ignoring the effect of any salary sacrifice arrangements in force between him and his Employer from time to time.

“Deferred CARE Member” means a CARE Member who has:

- (a) not attained his CARE Pension Date or has deferred commencement of his CARE Pension after his CARE Pension Date;
- (b) left Pensionable CARE Service (regardless of whether he remains in the employment of an Employer or not); and
- (c) not either:
 - (i) started to be paid his CARE Pension; or
 - (ii) received any benefits payable under Rule 6.1 of this Appendix One to Schedule Three of Part F of the Rules.

Deferred CARE Member includes a person treated as such under Rule 11.3 of this Appendix One to Schedule Three of Part F of the Rules.

“Dependant Child(ren)” means a child who was:

- (a) the CARE Member’s:

- (i) natural child;
 - (ii) adopted child;
 - (iii) step child who the Trustees consider, in their absolute discretion, was dependent upon the CARE Member; and
 - (iv) any child who the Trustees consider, in their absolute discretion, the CARE Member would have been regarded as a child for whom he was responsible as a parent and where in the opinion of the Trustees the child was dependent on the CARE Member; and
- (b) at the date of the CARE Member's death was:
- (i) under the age of 18; or
 - (ii) under the age of 23 and in full-time education.

Condition:

Dependant Child includes a child who was conceived and in his mother's womb but not yet born at the date of the CARE Member's death.

"Early Retirement Reduction" is the amount by which a CARE Member's CARE Pension is reduced to take account of the period of time by which the CARE Pension is being paid early.

- (a) With effect on and from 1 January 2008, the amount of the Early Retirement Reduction in respect of the CARE Pension will be 5% for each complete year (and a pro rata amount for each complete month of any part year) that the CARE Pension is paid before the CARE Member's CARE Pension Date.
- (b) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the Early Retirement Reduction to an alternative Early Retirement Reduction which may be higher or lower than the Early Retirement Reduction set out in (a) above. But,
 - (i) such an Early Retirement Reduction agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:
 - (A) whilst the Scheme is a Sectionalised Scheme, the assumptions used at the last actuarial valuation for Section 2 of the Scheme;
 - or

- (B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme;
- (ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).
- (c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Three of Part F of the Rules, the Principal Employer and Trustees must review the Early Retirement Reduction and agree the Early Retirement Reduction to be applied. If the Principal Employer and the Trustees cannot agree the Early Retirement Reduction under this (c), the Actuary will either:
 - (i) revise the Early Retirement Reduction by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or
 - (ii) leave the Early Retirement Reduction unchanged.

"Family Leave" is defined in Rule 12.1 of this Appendix One to Schedule Three of Part F of the Rules.

"LAF" is defined in Rule 4.2 of this Appendix One to Schedule Three of Part F of the Rules.

"LAF Base Table" is defined in Rule 4.2 of this Appendix One to Schedule Three of Part F of the Rules.

"LAF Recalculation Table" is defined in Rule 4.2 of this Appendix One to Schedule Three of Part F of the Rules.

"Late Retirement Increase" is the amount by which a CARE Member's CARE Pension is increased to take account of the period of time by which the CARE Pension is being paid late.

- (a) With effect on and from 1 January 2008, the amount of the Late Retirement Increase in respect of the CARE Pension will be 8.5% for each complete year (and a pro rata amount for each complete month of any part year) that the CARE Pension is paid after the CARE Member's CARE Pension Date.
- (b) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the Late Retirement Increase to an alternative Late Retirement Increase which may be higher or lower than the Late Retirement Increase set out in (a) above. But,

- (i) such a Late Retirement Increase agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:
 - (A) whilst the Scheme is a Sectionalised Scheme, the assumptions used at the last actuarial valuation for Section 2 of the Scheme; or
 - (B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme; and
 - (ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).
- (c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Three of Part F of the Rules, the Principal Employer and Trustees must review the Late Retirement Increase and agree the Late Retirement Increase to be applied. If the Principal Employer and the Trustees cannot agree the Late Retirement Increase under this (c), the Actuary will either:
- (i) revise the Late Retirement Increase by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or
 - (ii) leave the Late Retirement Increase unchanged.

“Lump Sum Benefit” is defined in Rule 8.1(c) of this Appendix One to Schedule Three of Part F of the Rules.

“Paid Absence” is defined in Rule 12.2(b) of this Appendix One to Schedule Three of Part F of the Rules.

“Paid Family Leave” is defined in Rule 12.1(b) of this Appendix One to Schedule Three of Part F of the Rules.

“Parental Leave” is defined in Rule 12.1(a) of this Appendix One to Schedule Three of Part F of the Rules.

“Part-Time Employment” is defined in Rule 13.3(c) of this Appendix One to Schedule Three of Part F of the Rules.

“Paternity Leave” is defined in Rule 12.1(a) of this Appendix One to Schedule Three of Part F of the Rules.

“Pensionable CARE Service” means a CARE Member’s:

- (a) last or only continuous period of Service as an Active CARE Member;
- (b) any additional period of Service as an Active CARE Member aggregated with the CARE Member’s last period of Service as an Active CARE Member; and
- (c) any additional period of Pensionable CARE Service awarded to the CARE Member in respect of a transfer payment received by Section 2 of the Scheme or augmentation made in respect of his CARE Benefits for him where the Trustees, with the agreement of the Principal Employer have determined to award Pensionable CARE Service in respect of such a transfer or augmentation.

“Rate” is defined in Rule 14.1(b) of this Appendix One to Schedule Three of Part F of the Rules.

“Revalued CARE Salary” is defined in Rule 4.2(d) of this Appendix One to Schedule Three of Part F of the Rules.

“Revaluation Factor” is defined in Rule 4.2(e) of this Appendix One to Schedule Three of Part F of the Rules.

“Salary Cap” is determined each year as at each 1 April and is calculated as:

- (a) the Salary Cap in force on each 31 March;
- (b) increased on 1 April by the rise in the published Government’s retail prices index for all items for the immediately preceding month of September. If the figure arrived at is not a multiple of £600, the figure will be rounded up to the nearest figure that is divisible by £600.

Conditions:

- (i) If in any year the published Government retail prices index for all items has not increased, the Salary Cap for that year will remain unchanged.
- (ii) The first Salary Cap is £112,800 which will apply from 1 January 2008 to 31 March 2008 inclusive in respect of CARE Benefits earned in the Avimo Scheme. The second Salary Cap to apply from 1 April 2008 to 30 June 2008 in the Avimo Scheme and from 1 July 2008 to 31 March 2009 to CARE Benefits earned in the Scheme is £117,600.
- (iii) If an Active CARE Member has a period of Part-Time Employment the Salary CAP will be adjusted in accordance with Rule 13 of this Appendix One to Schedule Three of Part F of the Rules.

- (iv) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

"Serious Ill-Health" is the total incapacity of an Active CARE Member by reason of illness or injury such that the Principal Employer, with the agreement of the Trustees, are satisfied (after taking the advice of a registered medical practitioner selected by the Principal Employer with the agreement of the Trustees) that the Active CARE Member is not able to carry out the material and substantial duties of his occupation.

"Service" means service as an employee of an Employer.

"Standard Weekly Hours" is defined in Rule 13.3(b) of this Appendix One to Schedule Three of Part F of the Rules.

"Three Month Condition" has the meaning given to it in Section 101AA of the 1993 Act.

"Unpaid Absence" is defined in Rule 12.2(c) of this Appendix One to Schedule Three of Part F of the Rules.

"Unpaid Family Leave" is defined in Rule 12.1(c) of this Appendix One to Schedule Three of Part F of the Rules.

15.2 Other Definitions used in Appendix One to Schedule Three

- (a) In this Appendix One to Schedule Three of Part F of the Rules, the words "AVCs", "Child", "Children", "Deferred Pensioner", "Normal Pension Date", "Pensioner", "Pensionable Service" and "Spouse" have the meanings given to them in Appendix Two to Schedule Three of Part F of the Rules.
- (b) In this Appendix One to Schedule Three of Part F of the Rules, all other definitions are defined in Part A of the Rules unless the Rules expressly state otherwise.

16 Restrictions on Lump Sum Death Benefits

- 16.1 In the event that the Lump Sum Benefit payable upon the death of an Active CARE Member or a DC Scheme Life Assurance Member is insured by the Scheme using a policy of insurance from an insurance company, the maximum amount of the Lump Sum Benefit will be determined in accordance with this Rule 16.
- 16.2 The Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule Three of Part F of the Rules in respect of an Active CARE Member or a DC Scheme Life Assurance Member will not be greater than the monies paid by the insurance company under the

policy of insurance effected by the Scheme to the Trustees in respect of the deceased Active CARE Member or DC Scheme Life Assurance Member (as applicable).

- 16.3 If Rule 16.2 above applies, the Trustees may pay a sum greater than the monies received from the insurance company but not greater than the Lump Sum Benefit. This Rule applies only if the Actuary advises the Trustees that the Scheme is fully funded on its ongoing funding basis using either:
- (a) if the Scheme is a Sectionalised Scheme, the assumptions used at the Scheme's previous actuarial valuation for Section 2 of the Scheme; or
 - (b) if the Scheme has desectionalised, the assumptions used at the Scheme's previous actuarial valuation for the Scheme.
- 16.4 This Rule is subject to the terms of legislation relating to age discrimination and disability discrimination insofar as they apply to the Scheme.
- 16.5 This Rule 16 will not apply to have the effect of reducing the Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule Three of Part F of the Rules where either:
- (a) the Trustees are aware that the application of this Rule will have the effect of reducing the Lump Sum Benefit payable upon the death of an Active CARE Member or DC Scheme Life Assurance Member due to the level of such a Active CARE Member's or DC Scheme Life Assurance Member's pay from an Employer or the state of his health and the Trustees have failed to inform the Active CARE Member or DC Scheme Life Assurance Member of the effect of this Rule upon the Active CARE Member's or DC Scheme Life Assurance Member's Lump Sum Benefit within one (1) month of becoming aware of it; or
 - (b) the full extent of the Lump Sum Benefit is not insured due to an act or omission or failure on the part of the Trustees or the Active CARE Member's or DC Scheme Life Assurance Member's Employer.

Provided that this Rule 16.5 will not apply if the reduction in the Lump Sum Benefit is caused as a direct result of an act, omission or failure by the Active CARE Member or DC Scheme Life Assurance Member to ensure that the Lump Sum Benefit is insured in full.

**SCHEDULE THREE OF PART F OF THE RULES
FINAL SALARY BENEFITS RULES FOR FORMER AVIMO BENEFICIARIES**

APPENDIX TWO

1 Benefits Description

1.1 Type of Benefits

The Rules for Final Salary Benefits provide final salary style benefits for all Pensionable Service in the Avimo Scheme before 1 January 2008 in accordance with the trust provisions and the rules of the Avimo Scheme from time to time in force since the inception of the Avimo Scheme on 30 November 1960 up until 31 December 2007 which are transferred to Section 2 of the Scheme.

1.2 Contracting-out Status

The Final Salary Benefits are contracted-out on a salary related basis in so far as was required by the trust provisions and / or rules of the Avimo Scheme in force from time to time since the inception of the Avimo Scheme and shall be provided in a manner consistent with such contracting-out requirements.

1.3 Tax Status and Scheme Benefit Limits

(a) Subject to (b) below, the Final Salary Benefits are subject to and restricted by Scheme Benefit Limits set out in Part G of the Rules which limit and restrict the amount and payment of benefits in respect of all Former Avimo Beneficiaries who were entitled to Final Salary Benefits from the Avimo Scheme earned before 1 January 2008 and transferred to Section 2 of the Scheme.

(b) Part G is varied as follows:

(i) The Trustees and the Principal Employer may agree to relax or disapply all or any of the provisions of Part G of the Rules whether by:

(A) wholly or partly permitting any provision of the Scheme relating to a Former Avimo Beneficiary to operate as not being subject to the provisions of Part G of the Rules;

(B) providing new rights or extending existing ones in respect of any Former Avimo Beneficiary; or

(C) providing benefits that are different, or subject to different terms, from those set out elsewhere in the provisions of the Scheme insofar as they apply to any Former Avimo Beneficiary

- (ii) But the Principal Employer and the Trustees may not exercise this power in a way that would contravene legislation relating to the Scheme.

2 Applicable Avimo Rules for Scheme Enhanced Members

2.1 Subject to Rule 1.3 of Appendix Two to Schedule Three of Part F of the Rules, for the purposes of this Appendix Two to Schedule Three of Part F of the Rules, the following terms have the following meanings:

- (a) “Avimo Rules” means the provisions of the definitive deed and rules dated 19 June 1995 (“the Definitive Deed and Rules”) in force in respect of Former Avimo Beneficiaries before 30 June 2008 as amended by all deeds of amendment other than the 2007 Deed unless the Rules expressly state otherwise.
- (b) “2007 Deed” means the Enhanced Benefits Appendix of the deed of amendment dated 21 December 2007.

2.2 In respect of Former Avimo Beneficiaries who are Scheme Enhanced Members, the provisions of the Avimo Rules listed below will (with the necessary alterations to points of detail) be treated as applying to any Former Avimo Beneficiaries of Section 2 of the Scheme to whom the Avimo Scheme Rules applied before 1 July 2008 for the purposes of determining the nature, amount, value and the calculation of the Former Avimo Beneficiary’s Final Salary Benefits transferred from the Avimo Scheme to Section 2 of the Scheme (unless the context clearly requires otherwise):

- (i) all of the rules contained in schedule 2 other than 1, 2, 3, 4, 5.1 to 5.4 (inclusive), 5.9, 6, 11, 17.1, 17.5 to 17.9, 20, 21, 22, 24, 25, 26, 27, 28, 29, 31, 32, 33, 34, 35 and 36 of the Definitive Deed and Rules;
- (ii) all of the rules contained in schedule 5 of the Definitive Deed and Rules;
- (iii) all of the rules of the benefit structure for Staff Members Category 1 contained in schedule 6 other than rule 1(a) of the Definitive Deed and Rules; and
- (iv) all of the rules of the benefit structure for Staff Members Category 2 contained in schedule 6 other than rule 1(a) of the Definitive Deed and Rules;
- (v) all of the rules of the benefit structure for Main Board Directors who became Members before 1 October 1988 contained in schedule 6 other than rule 1(a) of the Definitive Deed and Rules;

- (vi) all of the rules of the benefit structure for Main Board Directors who became Members after 30 September 1988 and for Managing Directors of Associated Companies contained in schedule 6 other than rule 1(a) of the Definitive Deed and Rules;
- (vii) all of the rules of the benefit structure for any other Directors and Senior Executives contained in schedule 6 other than rule 1(a) of the Definitive Deed and Rules; and
- (viii) all of the definitions contained the Definitive Deed and Rules (including its schedule) used in the above listed provisions (as amended from time to time and in particular by the 2007 Deed) but only in so far as it is necessary to interpret the above listed rules.

Provided that such definitions will only have the meanings given to them in the above listed provisions and will not be construed in accordance with any other definitions in the Rules.

3 Scheme Enhanced Members

3.1 Members affected by Enhanced Benefits and the Meaning of Past Service Pension

- (a) For the purposes of this Appendix Two to Schedule Three of Part F of the Rules, “Scheme Enhanced Member” means any Former Avimo Beneficiary who:
 - (i) was an Enhanced Member in respect of Final Salary Benefits under the terms of the Avimo Rules as amended by the 2007 Deed; and
 - (ii) who transferred his Final Salary Benefits to Section 2 of the Scheme with effect on and from 1 July 2008; and
 - (iii) was either an:
 - (A) Active CARE Member of Section 2 of the Scheme; or
 - (B) employee in respect of whom an employer in the group of companies owned by Thales Holdings (UK) plc or its successors make contributions to the DC Scheme
 after 30 June 2008.
- (b) For the purposes of this Appendix Two to Schedule Three of Part F of the Rules, the “Past Service Pension” is calculated using a Scheme Enhanced Member’s Pensionable Service and Final Pensionable Salary calculated as at 31 December 2007 in accordance with the Avimo Rules (as amended by the 2007 Deed). Past

Service Pension does not include any Previous Membership Benefits.

3.2 Scheme Enhanced Members' Benefits and Benefit Options

- (a) Subject to Rule 1.3 of this Appendix Two to Schedule Three of Part F of the Rules, a Former Avimo Beneficiary who is a Scheme Enhanced Member will have his Final Salary Benefits calculated in accordance with the provisions listed in Rule 2.2 (with the necessary alterations to points of detail) as amended by the provisions in Rule 3 to this Appendix Two to Schedule Three of Part F of the Rules.
- (b) All Former Avimo Beneficiaries who are Scheme Enhanced Members in Section 2 of the Scheme will, whilst they remain Scheme Enhanced Members of Section 2 of the Scheme, have the same benefit options in respect of their Final Salary Benefits held in Section 2 of the Scheme as Members of the Avimo Scheme in Pensionable Service on 31 December 2007 had under the terms of the Avimo Rules, but such benefit options are as amended by Rules 3.3 to 3.12 of this Appendix Two to Schedule Three of Part F of the Rules.

3.3 Revaluation of Final Salary Benefits earned before 31 December 2007 for Scheme Enhanced Members

- (a) Each of the Former Avimo Beneficiaries who is a Scheme Enhanced Member of Section 2 of the Scheme is entitled to Final Salary Benefits payable under the Avimo Rules which is:
 - (i) of the same nature, amount, value and calculated in the same way as the Scheme Enhanced Member's Past Service Pension in the Avimo Scheme; and
 - (ii) then adjusted in accordance with the terms of this Rule 3.3 of this Appendix Two to Schedule Three of Part F of the Rules.
- (b) A Scheme Enhanced Member's Past Service Pension will be revalued as at 1 April 2008 in the Avimo Scheme. Thereafter, subject to (c) below, a Scheme Enhanced Member's Past Service Pension will be revalued as at each 1 April in Section 2 of the Scheme by the Special Revaluation Factor for the Revaluation Period.
- (c) As at the date a Scheme Enhanced Member stops being a Scheme Enhanced Member in Section 2 of the Scheme his Past Service Pension will not be less than the aggregate of:

- (i) in the case of that part of the Scheme Enhanced Member's Past Service Pension which is in excess of his GMP, that part of his Past Service Pension revalued by the Special Revaluation Factor for the Revaluation Period; and
- (ii) in the case of that part of the Scheme Enhanced Member's which is his GMP, his GMP revalued from 1 January 2008 to the date he ceased to be a Scheme Enhanced Member by the greater of statutory revaluation applied to a GMP under the terms of the 1993 Act or revaluation applied by the Avimo Rules in force before 1 January 2008, if higher.

Conditions:

- (A) The "Special Revaluation Factor" is the Revaluation Rate compounded over the Revaluation Period.
- (B) The "Revaluation Rate" is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the Maximum Revaluation Rate set out in paragraph (C) below and will not be a negative amount.
- (C) The "Maximum Revaluation Rate" is what the Revaluation Rate would be if the rise in the Government retail prices index for all items was eight (8) per cent compound each year for the Revaluation Period.
- (D) The "Revaluation Period" is the period from 1 January 2008 to the 1 April immediately preceding the date the Scheme Enhanced Member stops being a Scheme Enhanced Member.
- (E) The rise in the Government retail prices index for all items used for the Revaluation Rate is:
 - 1) in the case of revaluation applied in the Avimo Scheme as at 1 April 2008, a full year's increase using the annual rise in the Government retail prices index for all items published for September 2007; and
 - 2) for each subsequent 1 April in Section 2 of the Scheme the annual rise in the Government retail prices index for all items published for the immediately preceding month of September.
- (F) If:
 - 1) for any period during the Revaluation Period, the rise in the

Government retail prices index for all items is higher than eight (8) per cent compound each year;

- 2) the Actuary advises the Trustees that either:
 - 1a) whilst the Scheme is a Sectionalised Scheme, Section 2 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 2); or
 - 1b) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and

- 3) the Principal Employer consents in writing

the Trustees may apply a higher Special Revaluation Factor than is provided for under these Rules for such period as the Principal Employer agrees.

- (G) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer with the agreement of the Trustees will decide the nearest alternative index to be applied.

- (d) A Former Avimo Beneficiary who is a Scheme Enhanced Member of Section 2 of the Scheme will stop being a Scheme Enhanced Member when either:

- (i) he stops being an Active CARE Member under the terms of this Appendix One to Schedule Three of Part F of the Rules; or
- (ii) an employer in the group of companies owned by Thales Holdings UK plc (or its successors) stops paying contributions to the DC Scheme in respect of him

at a date after 30 June 2008.

- (e) When a Scheme Enhanced Member stops being a Scheme Enhanced Member before his Normal Pension Date for the purposes of this Appendix Two to Schedule Three of Part F of the Rules, if his Past Service Pension does not immediately start to be paid from Section 2 of the Scheme, he will become a Deferred Pensioner and

- (i) rule 10 of schedule 2 of the Definitive Deed and Rules;
- (ii) rule 3 of the benefit structure for the Category of Membership for staff members category 1 contained in schedule 6 of the Definitive Deed and Rules;
- (iii) rule 3 of the benefit structure for the Category of Membership for staff members category 2 contained in schedule 6 of the Definitive Deed and Rules;
- (iv) rule 3 of the benefit structure for the Category of Membership for main board directors who became Members before 1 October 1988 contained in schedule 6 of the Definitive Deed and Rules;
- (v) rule 3 of the benefit structure for the Category of Membership for main board directors who became Members after 30 September 1988 and for managing directors of Associated Companies contained in schedule 6; and
- (vi) rule 3 of the benefit structure for the Category of Membership for any other directors and senior executives contained in Schedule 6

will apply in respect of his Past Service Pension.

Thereafter, the Trustees will revalue the Past Service Pension using the final salary method of statutory revaluation (as set out in section 84(1) and paragraphs 1 and 2 of Schedule 3 of the 1993 Act) from the date he ceased to be a Scheme Enhanced Member to the earlier of the date:

- (vii) of his death;
 - (viii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Three of Part F of the Rules; or
 - (ix) of his Normal Pension Date.
- (f) Under the terms of this Rule 3.3, a Scheme Enhanced Member's Past Service Pension at the earlier of the date:
- (i) of his death;
 - (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Three of Part F of the Rules; or
 - (iii) of his Normal Pension Date

will not be less than the pension he would have been entitled to as a Member of the Avimo Scheme becoming a Deferred Pensioner entitled to Final Salary Benefits on 31 December 2007 under the terms of the Avimo Rules upon the basis that the part of his pension which is in excess of his GMP and his GMP will be revalued separately in accordance with either the requirements of statutory revaluation or the provisions of the Avimo Rules, if higher, in force on 31 December 2007.

- (g) If, when a Scheme Enhanced Member stops being a Scheme Enhanced Member and his Past Service Pension immediately starts to be paid from the Scheme, he will be a Pensioner in receipt of his pension from that date in respect of his Past Service Pension.
- (h) If a Scheme Enhanced Member remains in Service upon attaining his Normal Pension Date and his Past Service Pension does not start to be paid from Section 2 of the Scheme rule 8 of the definitive deed and rules of the Avimo Rules will apply in respect of his Past Service Pension from his Normal Pension Date.

3.4 Ill-Health Early Pension - Special Rules for Scheme Enhanced Members

- (a) If a Scheme Enhanced Member is suffering from Incapacity under the terms of the Avimo Rules and an entitlement to a pension has arisen under the terms of rule 9.1 of schedule 2 and the relevant part of schedule 6 of the Definitive Deed and Rules of the Avimo Rules in respect of him (notwithstanding the cessation of Pensionable Service for Final Salary Benefits on 31 December 2007), the Final Salary Benefits pension payable will be equal to the Scheme Enhanced Member's Past Service Pension adjusted in accordance with Rule 3.3 above to the date he stops being a Scheme Enhanced Member. No prospective service to Normal Pension Date will be added to the pension, but the pension will not be reduced to take account of early payment.
- (b) A Scheme Enhanced Member who is not able to work due to ill-health or injury and who is in receipt of payments from an employer's permanent health insurance of at least 50 per cent of either his:
 - (i) CARE Salary in the case of an Active CARE Member; or
 - (ii) DC Salary in the case of a DC Scheme Life Assurance Member; less
 - (iii) in either case statutory sick pay

is not entitled to apply for the payment of his Past Service Pension under this Rule 3.4 unless the Principal Employer with the agreement of the Trustees decide otherwise.

- (c) This Rule 3.4 will cease to apply when a Former Avimo Beneficiary stops being a Scheme Enhanced Member.

3.5 Death whilst a Scheme Enhanced Member - Lump Sums

- (a) If a person dies whilst a Scheme Enhanced Member, Section 2 of the Scheme will pay on the discretionary trusts pursuant to Rule 74 of Part D of the Rules:
 - (i) a refund of the Scheme Enhanced Member's own contributions which he was required to pay to the Avimo Scheme before 1 January 2008 and which have been transferred to Section 2 of the Scheme (and any sums which are treated as the Member's own contributions due to the receipt of a transfer in respect of him by the Avimo Scheme before 1 July 2008 in respect of Final Salary Benefits transferred from the Avimo Scheme to Section 2 of the Scheme); and
 - (ii) any benefits due under the terms of this Appendix Two to Schedule Three of Part F of the Rules as a result of the payment of AVCs paid before 1 January 2008 to the Avimo Scheme which have been transferred to Section 2 of the Scheme.
- (b) Any Final Salary Benefits lump sum death benefit (other than that referred to in Rule 3.6(a) above) which would have been paid upon the death of either a Member or a Deferred Pensioner under the terms of the Avimo Rules will not be paid.
- (c) The balance of the Scheme Enhanced Member's death in service lump sum benefits will be paid under the terms of Appendix One to Schedule Three in accordance with the terms of Rule 74 of Part D to the Rules (regardless of whether the Scheme Enhanced Member is an Active CARE Member or a DC Scheme Life Assurance Member on the date of his death).

3.6 Death whilst a Scheme Enhanced Member - Pension Benefits

- (a) If a person dies whilst a Scheme Enhanced Member Section 2 of the Scheme will , subject to (b) below, pay a pension in accordance with the terms of:
 - (i) rule 18.1 of the Definitive Deed and Rules; and
 - (ii) rule 1 (b) and (where applicable) 1 (c) of the relevant Category of

Membership benefit structure contained in schedule 6 of the Definitive Deed and Rules

in respect of his Past Service Pension.

- (b) The amount of any pension payable under Rule 3.6(a) above will be determined using the Scheme Enhanced Member's Past Service Pension adjusted to the date of his death in accordance with Rule 3.3 above. No prospective service will be included in the calculation of any pensions payable under the rules specified in (a) above.
- (c) The balance of the pension payable upon the death of a Scheme Enhanced Member will be paid under the terms of Appendix One to Schedule Three of Part F of the Rules.

3.7 Prospective Service Benefits

No benefit payable to or in respect of a Scheme Enhanced Member from Section 2 of the Scheme in accordance with this Appendix Two to Schedule Three of Part F of the Rules will include in its calculation any prospective Pensionable Service.

3.8 Continued Life Assurance Benefits

- (a) This Rule 3.8 applies to a Scheme Enhanced Member:
 - (i) who stops being a Scheme Enhanced Member due to Incapacity or Serious Ill-Health (or both); and
 - (ii) whose:
 - (A) Past Service Pension payable under the terms of rule 9.1 of schedule 2 of the Definitive Deed and Rules (as applicable) of the Avimo Rules (as amended by Rule 3.5 above); or
 - (B) CARE Pension payable under Rule 5.3 of Appendix One to Schedule Three of Part F of the Rules; or
 - (C) both (A) and (B)

immediately starts to be paid upon him stopping being a Scheme Enhanced Member of Section 2 of the Scheme.
- (b) A Scheme Enhanced Member to whom this Rule 3.8 of Appendix Two to Schedule Three of Part F of the Rules applies will continue to be provided with the Lump Sum Benefit under this Rule 3.8 of Appendix Two to Schedule Three of

Part F of the Rules from the date he stops being a Scheme Enhanced Member of Section 2 of the Scheme to the earlier of:

- (i) his CARE Pension Date; and
 - (ii) any date before his CARE Pension Date when all of his pension benefits which are in payment from Section 2 of the Scheme (whether under the terms of this Appendix Two to Schedule Three or Appendix One to Schedule Three of Part F of the Rules or both) stop being paid (other than where benefits stop as a result of his death).
- (c) The amount of the Scheme Enhanced Member's CARE Salary or DC Salary (as applicable) for the purposes of calculating his Lump Sum Benefit will be his CARE Salary or DC Salary as at the date he ceased to be a Scheme Enhanced Member of Section 2 of the Scheme, increased by such amount as the Principal Employer decides from time to time.

3.9 Pension Commencement Lump Sum

- (a) Where a Scheme Enhanced Member has an entitlement to:
- (i) Final Salary Benefits and CARE Benefits as a result of his own membership of the Avimo Scheme which were transferred to Section 2 of the Scheme; and
 - (ii) CARE Benefits earned in Section 2 of the Scheme
- he can only exchange Past Service Pension for a pension commencement lump sum in proportion to the amount his Past Service Pension represents as a part of his aggregated pension from Section 2 of the Scheme when his Past Service Pension and his CARE Pension are aggregated together.
- (b) Where a Scheme Enhanced Member has an entitlement to Previous Membership Benefits, he can only exchange Previous Membership Benefits for pension commencement lump sum:
- (i) in accordance with the Avimo Rules which apply to it; and
 - (ii) in proportion to the amount his Previous Membership Benefits represents as a part of his aggregated pension from Section 2 of the Scheme when his Previous Membership Benefits, Past Service Pension and his CARE Pension are aggregated together.

3.10 Other Benefits

- (a) Where a Scheme Enhanced Member has benefits which were transferred into Section 2 of the Scheme which relate to previous period of membership of the Avimo Scheme which are separate from his Past Service Pension, those benefits will be paid under the terms of the Avimo Rules in force at the relevant time when such previous period of membership in the Avimo Scheme ended.
- (b) For the purposes of these Rules the benefits referred to in 3.11(a) are referred to as the "Previous Membership Benefits".

3.11 Early Leaver Rights

- (a) Where the Avimo Rules are applicable to the Former Avimo Beneficiaries' Final Salary Benefits specify the manner in which the Preservation Requirements will be complied with under them, those rules will apply in respect of the Preservation Requirements.
- (b) If the provisions of the Avimo Rules which apply to the Former Avimo Beneficiaries' Final Salary Benefits referred to in (a) above do not specify the manner in which the Preservation Requirements will be complied with under it, the rules will be construed in a manner which is consistent with the Preservation Requirements.

3.12 Additional Voluntary Contributions

No Scheme Enhanced Member or Former Enhanced Member can pay AVC to Section 2 of the Scheme under the terms of this Appendix Two to Schedule Three of Part F of the Rules

4 Meanings of Words Used

4.1 Use of Definitions in this Appendix Two to Schedule Three

In this Appendix Two to Schedule Three of Part F of the Rules, the following words have the following special meanings:

"2007 Deed" has the meaning given to it in Rule 2.1(c) of Appendix Two to Schedule Three of Part F of the Rules.

"Avimo Rules" has the meaning given to it in Rule 2.1(a) of Appendix Two to Schedule Three of Part F of the Rules.

“Maximum Revaluation Rate” has the meaning given in the conditions to Rule 3.3(b) of Appendix Two to Schedule Three of Part F of the Rules.

“Old Rules” has the meaning given to it in Rule 2.1(b) of Appendix Two to Schedule Three of Part F of the Rules.

“Past Service Pension” has the meaning given in Rule 3.1(b) of Appendix Two to Schedule Three of Part F of the Rules.

“Previous Membership Benefits” has the meaning given in Rule 3.10 of Appendix Two to Schedule Three of Part F of the Rules.

“Revaluation Period” has the meaning given in the conditions to Rule 3.3(b) of Appendix Two to Schedule Three of Part F of the Rules.

“Revaluation Rate” has the meaning given in the conditions to Rule 3.3(b) of Appendix Two to Schedule Three of Part F of the Rules.

“Scheme Enhanced Member” has the meaning given in Rule 3.1(a) of Appendix Two to Schedule Three of Part F of the Rules.

“Special Revaluation Factor” has the meaning given in the conditions to Rule 3.3(b) of Appendix Two to Schedule Three of Part F of the Rules.

4.2 Other Definitions used in Appendix Two to Schedule Three

(a) In this Appendix Two to Schedule Three of Part F of the Rules, the words **“Active CARE Member”**, **“CARE Pension”**, **“CARE Pension Date”**, **“CARE Salary”**, **“DC Salary”**, **“DC Scheme Life Assurance Member”** and **“Serious Ill-Health”** have the meanings given to them in Appendix One to Schedule Three of Part F of the Rules.

(b) In this Appendix Two to Schedule Three of Part F of the Rules, the words **“Associated Company”**, **“AVCs”**, **“Category of Membership”**, **“Deferred Pensioner”**, **“Enhanced Member”**, **“Final Pensionable Salary”**, **“GMP”**, **“Incapacity”**, **“Member”**, **“Normal Pension Date”**, **“Pension”**, **“Pensionable Service”** and **“Pensioner”** have the meanings given to them in the Avimo Rules (as amended, where applicable, by the 2007 Deed).

(c) In this Appendix Two to Schedule Three of Part F of the Rules, all other definitions are defined in Part A of the Rules.

**SCHEDULE FOUR OF PART F OF THE RULES
FORMER W VINTEN BENEFICIARIES**

1 Application of Schedule Four of Part F of the Rules

1.1 Schedule Four of Part F of the Rules applies to:

- (a) Former the W Vinten Scheme Beneficiaries; and
- (b) any person who the Principal Employer and Trustees have agreed should be treated as a Former the W Vinten Scheme Beneficiary under Rule 78.3 of Part F of the Rules.

1.2 CARE Benefits earned in the W Vinten Scheme by Former W Vinten Beneficiaries which are transferred to Section 2 of the Scheme are calculated as if those CARE Benefits had been earned in Section 2 of the Scheme from (and including) 1 January 2008 rather than in the W Vinten Scheme.

1.3 For those of the Former W Vinten Beneficiaries who are in Pensionable CARE Service in Section 2 of the Scheme on 1 July 2008 and whose CARE Benefits from the W Vinten Scheme are transferred to Section 2 of the Scheme, Pensionable CARE Service in Section 2 of the Scheme will be treated as continuous.

2 Structure of Schedule Four of Part F of the Rules

2.1 Appendix One sets out the Rules to Schedule Four of Part F which apply to the provision of CARE Benefits for Former W Vinten Beneficiaries.

2.2 Appendix Two sets out the Rules to Schedule Four of Part F which apply to the provision of Final Salary Benefits for Former W Vinten Beneficiaries.

2.3 Final Salary Benefits earned in the W Vinten Scheme by Former W Vinten Beneficiaries before 1 January 2008 will be of the same nature, amount and value and be calculated in the same way as under the terms which applied in the W Vinten Scheme to that Former W Vinten Beneficiary on 31 December 2007. Such benefits will be administered in accordance with Parts A, C, D, F, G and H of the Rules of the Scheme.

**SCHEDULE FOUR OF PART F OF THE RULES
CARE BENEFITS RULES FOR FORMER W VINTEN BENEFICIARIES**

APPENDIX ONE

1 General Benefits Description

1.1 Type of Benefits

The Rules for CARE Benefits for Former W Vinten Beneficiaries provide career average revalued earnings style benefits for:

- (a) all Pensionable CARE Service in the W Vinten Scheme after 31 December 2007 and before 1 July 2008 which is transferred to Section 2 of the Scheme; and
- (b) all Pensionable CARE Service (if any) in Section 2 of the Scheme after 30 June 2008

which shall be treated as continuous Pensionable CARE Service.

1.2 Contracting-out Status

The CARE Benefits are contracted-in.

1.3 Tax Status and Plan Limits

- (a) The Rules for the provision of CARE Benefits are designed to provide pension and death benefits for a registered occupational pension scheme under Part 4 of the Finance Act 2004 (as amended).
- (b) For the purposes of determining the maximum benefits payable to a Former W Vinten Beneficiary and any restrictions on their payment:
 - (i) the Scheme Benefit Limits contained in Part G of the Rules do not apply to the CARE Benefits;
 - (ii) the total pension payable to a Former W Vinten Beneficiary from Section 2 of the Scheme when the CARE Benefits and the Final Salary Benefits are aggregated together will not exceed two thirds of the Former W Vinten Beneficiary's Final Remuneration (as defined in Part G of the Rules) (ignoring the effect of any salary sacrifice arrangement made between the CARE Member and his Employer);
- (c) save as provided in Rule 82 of Part F of the Rules, this Rule 1.3 of this Appendix One to Schedule Four of Part F does not disapply:

- (i) the Scheme Benefit Limits which apply to the Final Salary Benefits of Former W Vinten Beneficiaries in Part G of the Rules; or
 - (ii) any other benefit limits rules and / or restrictions applied to the Final Salary Benefits under Rule 1.3(c) of Appendix Two to Schedule Four of Part F of the Rules; and
- (d) if a CARE Member is subject to a pension sharing on divorce order, agreement or equivalent provision, Rule 1.3(b)(ii) will be applied to the total pension payable to a CARE Member from the Scheme when the CARE Benefits payable under this Appendix One to Schedule Four of Part F and the Final Salary Benefits payable under Appendix Two to Schedule Four of Part F are aggregated together before the pension sharing on divorce order, agreement or equivalent provision, is applied.

1.4 Early Leaver Rights

- (a) Where the CARE Benefits Rules of this Appendix One to Schedule Four specify the manner in which the Preservation Requirements will be complied with under it, those Rules will apply in respect of the Preservation Requirements.
- (b) If the CARE Benefits Rules of this Appendix One to Schedule Four do not specify the manner in which the Preservation Requirements will be complied with under it, the Rules will be construed in a manner which is consistent with the Preservation Requirements.

2 Membership for CARE Benefits

2.1 Becoming an Active CARE Member

- (a) An Employee is able to become and remain an Active CARE Member of Section 2 of the Scheme for so long as he satisfies all of the following conditions. The employee:
 - (i) was, on 31 December 2007, either:
 - (A) a member of the W Vinten Scheme in Pensionable Service under the rules of that scheme in force on that date; or
 - (B) an employee who was not a member of the W Vinten Scheme in Pensionable Service under the rules of that scheme in force on that date but whom the Principal Employer has determined was eligible to join the W Vinten Scheme and did not join the DC Scheme on 1 January 2008;

- (ii) before 1 January 2008, elected in writing using the election form provided by Thales Optronics (Bury St Edmunds) Limited to become an Active CARE Member of the W Vinten Scheme from either 1 January 2008 or such later date as his employer in the W Vinten Scheme agreed in writing;
 - (iii) has either:
 - (A) a written pension salary sacrifice arrangement in force with his Employer; or
 - (B) if the Principal Employer permits, a written consent in force with his Employer to deduct his contributions from his CARE Salary; and
 - (iv) was continuously an Active CARE Member from either 1 January 2008 or such later date as he was first admitted to the W Vinten Scheme ; and
 - (v) joined the Scheme as an Active CARE Member of Section 2 of the Scheme with effect from 1 July 2008 and transferred all of his benefits in the W Vinten Scheme to Section 2 of the Scheme with effect on and from 1 July 2008.
- (b) Section 2 of the Scheme is closed to new members and only Employees who meet the conditions set out in Rule 2.1(a) can be Active CARE Members of Section 2 of the Scheme entitled to CARE Benefits under the terms of this Appendix One to Schedule Four of Part F of the Rules.

2.2 Stopping being an Active CARE Member

- (a) An Active CARE Member will cease to be an Active CARE Member on the earlier of the date:
 - (i) he leaves employment or dies; or
 - (ii) of the expiry of not less than one month's written notice which he has given to the Trustees to end his Pensionable CARE Service; or
 - (iii) he ceases to satisfy all of the eligibility criteria to be an Active CARE Member under Rule 2.1(a) above (and for these purposes absence whilst the CARE Member remains in Service under Rule 12 of this Appendix One to Schedule Four of Part F is ignored); or
 - (iv) he otherwise ceases to be in Pensionable CARE Service under any other

provision of the Rules of this Appendix One to Schedule Four of Part F of the Rules.

- (b) No Employee who has ceased to be an Active CARE Member under Rule 2.2(a) above can rejoin the Scheme in order to earn either CARE Benefits or Final Salary Benefits.
- (c) An Active CARE Member who opts-out of Active CARE Membership under Rule 2.2(a)(ii) above before his CARE Pension Date will be treated as a Deferred CARE Member from the date his notice to opt-out expires. Rules 6 and 9 apply to this Appendix One to Schedule Four of Part F of the Rules.

3 Payment of Contributions

3.1 Rate of Contributions

- (a) The rate of contributions due to Section 2 of the Scheme from each Active CARE Member is:
 - (i) 6 (six) per cent of CARE Salary for that part of the CARE Salary up to and including the upper earnings limit; and
 - (ii) 9 (nine) per cent of CARE Salary for that part (if any) of the CARE Salary in excess of the upper earnings limit.
- (b) Upper earnings limit is the annual equivalent of upper earnings limit published immediately before each 1 April for the following tax year.
- (c) Upper earnings limit has the meaning given in section 181 of the 1993 Act.
- (d) If an Active CARE Member has a period of Part-Time Employment the upper earnings limit will be adjusted in accordance with Rule 13 of this Appendix One to Schedule Four of Part F of the Rules.

3.2 Payment of Contributions

- (a) Active CARE Members who enter into a pension salary sacrifice arrangement with their Employer pursuant to Rule 3.2(c) below do not contribute to Section 2 of the Scheme.
- (b) Active CARE Members who, with the agreement of the Principal Employer, do not enter into a pension salary sacrifice arrangement with their Employer must contribute to Section 2 of the Scheme at the rate set out in Rule 3.1 above).
- (c) In order for Rule 3.2(a) above to apply the:

- (i) Active CARE Member must sacrifice from his pay from his Employer an amount equivalent to the contributions he would have paid to the Section 2 of the Scheme at the rate set out in Rule 3.1 above had the pension salary sacrifice arrangement not been in force; and
 - (ii) Active CARE Member's Employer must pay monthly to the Trustees contributions to Section 2 of the Scheme of an amount equal to the sums sacrificed by the Active CARE Member from his remuneration from that Employer under his pension salary sacrifice arrangement.
- (d) All Active CARE Members are required to enter into a pension salary sacrifice arrangement with an Employer unless the Principal Employer determines otherwise in writing.
- (e) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule Four of Part F of the Rules applies.
- (f) In the event that the Principal Employer decides not to permit Active CARE Members to sacrifice pay from their Employer in accordance with Rule 3.2(c) above, such Active CARE Members will:
- (i) continue to earn CARE Benefits provided that they contribute to Section 2 of the Scheme under the terms of Rule 3.2(b) above; and
 - (ii) provide such written consents as their Employer requests in writing to be able to deduct such contributions from their pay.

Such Active CARE Members will become Deferred CARE Members if they do not provide to their Employer such written consents as are required for them to contribute to Section 2 of the Scheme under Rule 3.2(b) above within one (1) month of the date the Active CARE Members are asked to pay contributions to Section 2 of the Scheme or such longer period as the Principal Employer may decide.

3.3 Additional Voluntary Contributions

No Active CARE Member can pay Additional Voluntary Contributions to Section 2 of the Scheme.

3.4 Employer Contributions

The balance of the cost of providing the CARE Benefits will be paid by the Employers in accordance with Rule 35 of Part A of the Rules.

4 Calculation of CARE Pension

4.1 CARE Pension Calculation

The "CARE Pension" is: $(X - Y) \times Z$ where:

- (a) "X" is 1/720th of Averaged Revalued CARE Salary for each complete calendar month of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service;
- (b) "Y" is the Pension Deduction; and
- (c) "Z" is the LAF.

Condition:

- (i) The LAF applied to the CARE Pension will be either the LAF in force at the date:
 - (A) the Active CARE Member leaves Pensionable CARE Service; or
 - (B) the CARE Pension starts to be paidwhichever results in the payment of the higher CARE Pension to the CARE Member (or any person claiming through him).
- (ii) If an Active CARE Member has any periods of Part-Time Employment whilst in Pensionable CARE Service, Rule 13 of this Appendix One to Schedule Four of Part F of the Rules applies to the calculation of his CARE Pension for that period of part-time Pensionable CARE Service.

4.2 Meaning of Words used in the Calculation of CARE Pension

- (a) "Averaged Revalued CARE Salary" is:
 - (i) the aggregate of the Revalued CARE Salary at each 1 April during Pensionable CARE Service; DIVIDED BY
 - (ii) the number of years in which the Active CARE Member was in Pensionable CARE Service on a 1 April.

Condition:

If an Active CARE Member leaves Pensionable CARE Service before 1 April 2008, his Average Revalued CARE Salary will be his CARE Salary on 1 January 2008.

- (b) "Pension Deduction" is:

- (i) 0.4% of the Active CARE Member's Gross Band Earnings for the last complete tax year immediately preceding the date the Active CARE Member left Pensionable CARE Service; MULTIPLIED BY
- (ii) the number of complete calendar months of Pensionable CARE Service earned up to the date the Active CARE Member leaves Pensionable CARE Service; DIVIDED BY
- (iii) twelve (12).

Provided that with on and effect from 1 April 2009, Pension Deduction will be adjusted in accordance with the terms of Rule 13 in respect of Active CARE Members in Part-time Employment after that date.

- (c) "Gross Band Earnings" is the Active CARE Member's gross earnings between the lower and upper earnings limit.
- (d) "Revalued CARE Salary" is the Active CARE Member's CARE Salary as at each 1 April revalued by the Revaluation Factor up to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.
- (e) "Revaluation Factor" is the Revaluation Rate compounded over the Revaluation Period.

Conditions:

- (i) The "Revaluation Rate" is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the Maximum Revaluation Rate set out in (ii) and will not be a negative amount.
- (ii) The "Maximum Revaluation Rate" is what the Revaluation Rate would be if the rise in the Government retail prices index for all items was eight (8) per cent compound each year for the Revaluation Period.
- (iii) The "Revaluation Period" is the period from 1 April to which the relevant CARE Salary relates to the 1 April immediately preceding the date the Active CARE Member leaves Pensionable CARE Service.
- (iv) The rise in the Government retail prices index for all items used for the Revaluation Rate is the one published before each 1 April for the immediately preceding month of September.
- (v) If:

(A) for any period during the Revaluation Period, the rise in the Government retail prices index for all items is higher than eight (8) per cent compound each year; and

(B) the Actuary advises the Trustees that either:

1) whilst the Scheme is a Sectionalised Scheme, Section 2 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 2); or

2) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and

(C) the Principal Employer consents in writing.

the Trustees may apply a higher Revaluation Factor than is provided for under the CARE Benefits Rules for such period as the Principal Employer agrees.

(vi) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

(f) "LAF" is the longevity adjustment factor and is calculated as follows:

$$1 - \frac{(A \times B)}{100}$$

Where:

(i) "A" equals the number of years (rounded to the nearest 0.1 years) by which the anticipated life expectancy of a man aged 65 on the LAF Recalculation Table is higher or lower (as applicable) than on the LAF Base Table. Where the anticipated life expectancy is higher than on the LAF Base table, "A" will be positive and where lower "A" will be negative.

(ii) "B" equals 1.5.

Conditions:

(A) The LAF will be one (1) between 1 January 2008 and 31 March 2012

(inclusive).

- (B) The LAF cannot be greater than one (1).
- (C) The LAF cannot decrease by more than 0.05 as at any LAF recalculation date.
- (D) "A" will assume a value of zero if, as at any LAF recalculation date, "A" is less than the years noted on the table below:

LAF recalculation date year For Rule 4.3(a)	Years for the purposes of "A"
2011	0.5
2014	0.75
2017	1.00
2020	1.25
2023	1.50
2026	1.75
2029	2.00
2032	2.25
2035	2.50
2038	2.75
2041	3.00
2044	3.25
2047	3.50
2050	3.75
2053	4.00

- (E) The LAF will be rounded to the nearest 0.0025.
- (F) The LAF will be recalculated in accordance with Rule 4.3.
- (g) "LAF Base Table" is the life expectancy table for a man aged 65 years old using the Government Actuaries Department's national 2006 based principal population projections with "cohort expectation" adjustments, which provides as follows:

Year to which Rule 4.3(a) Applies	Life Expectancy of a Male Retiring at Age 65
2007	20.7
2008	20.8

2009	21.0
2010	21.1
2011	21.2
2012	21.3
2013	21.5
2014	21.6
2015	21.7
2016	21.8
2017	21.9
2018	22.0
2019	22.1
2020	22.2
2021	22.3
2022	22.4
2023	22.5
2024	22.5
2025	22.6
2026	22.7
2027	22.8
2028	22.9
2029	23.0
2030	23.1
2031	23.2
2032	23.3
2033	23.4
2034	23.5
2035	23.6
2036	23.7
2037	23.7
2038	23.8
2039	23.9
2040	24.0
2041	24.1
2042	24.2
2043	24.3
2044	24.4
2045	24.5
2046	24.6
2047	24.7
2048	24.8

2049	24.9
2050	25.0
2051	25.1
2052	25.2
2053	25.3
2054	25.3

- (h) "LAF Recalculation Table" is, as at the current LAF recalculation date, the most recently published Government Actuaries Department table published since the previous LAF recalculation date, showing the life expectancy for a man aged 65 years old using the Government Actuaries Department's table for national principal population projections with "cohort expectation" adjustments.

Conditions:

- (i) If the LAF Recalculation Table is not available at any LAF recalculation date, an alternative life expectancy table published by the Government Actuaries Department, the Office of National Statistics or similar body which uses the latest available national population statistics to show the current life expectancy of a male member retiring at age 65 and adjusted to reflect "cohort expectation" will be used.
- (ii) If a table meeting the requirements of (i) is not available at any LAF recalculation date, the Principal Employer with the agreement of the Trustees, will agree a life expectancy table which is nearest to the LAF Recalculation Table.

4.3 Recalculation of the LAF

- (a) The LAF will automatically be recalculated in accordance with Rule 4.2(f) above:
- (i) as at 1 January 2011 (being the first LAF recalculation date); and
- (ii) at three (3) yearly intervals thereafter as at 1 January.
- (b) The recalculated LAF will be applied to CARE Members' benefits on expiry of the notice given under Rule 4.3(c) below unless the Principal Employer, with the agreement of the Trustees, decides to apply a recalculation to the LAF which would result in a LAF being applied to CARE Members' benefits which would result in a higher benefit for a CARE Member than would otherwise have

been applied under Rule 4.3(a) above.

- (c) Upon a LAF recalculation being effected under Rule 4.3(a) above at a LAF recalculation date, the Principal Employer will give all Active CARE Members at least twelve (12) months written notice of the amount of the recalculated LAF and the details of how it will be applied to benefits before the LAF is applied to benefits under this Appendix One to Schedule Four of Part F of the Rules.

5 Active CARE Member's CARE Pension

5.1 Drawing CARE Pension at CARE Pension Date

Upon an Active CARE Member attaining his CARE Pension Date his annual CARE Pension will start on the next day.

5.2 Drawing CARE Pension before CARE Pension Date

- (a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if:
 - (i) before 6 April 2010, he is aged 50 or over; or
 - (ii) after 5 April 2010, he is aged 55 or over; and
 - (iii) he applies to draw his CARE Pension early whilst he is in Pensionable CARE Service; and
 - (iv) he has the written consent of the Principal Employer to draw his CARE Pension early; and
 - (v) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) If at any age from the age of 60 up to his Normal Retirement Date an Active CARE Member is entitled to receive his Final Salary Benefits under Appendix Two to Schedule Four of Part F of the Rules without any consents being required from any party to the Scheme or compliance with any other conditions, the payment of the CARE Pension is not subject to Rule 5.2(a)(iv) above after he attains that age.
- (c) An Active CARE Member may, with the consent of the Principal Employer, remain in the employment of an Employer after his CARE Pension starts to be paid under the terms of this Rule 5.2.
- (d) The annual CARE Pension will start on the day agreed by the CARE Member and the Trustees.

5.3 Drawing CARE Pension due to Serious Ill-Health

- (a) An Active CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health if, subject to the terms of Rule 5.3(d) below:
 - (i) he has not attained his CARE Pension Date;
 - (ii) he applies to draw his CARE Pension early due to Serious Ill-Health whilst he is in Pensionable CARE Service and will have left Pensionable CARE Service when his CARE Pension starts to be paid;
 - (iii) the Principal Employer, with the agreement of the Trustees, decide after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Active CARE Member is suffering from Serious Ill-Health;
 - (iv) the Trustees are satisfied that the Active CARE Member meets the ill-health condition for the purposes of the Part 4 of the Finance Act 2004; and
 - (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health.

- (b) The CARE Pension payable under this Rule 5.3 will:
 - (i) have no LAF applied to it; and
 - (ii) not be reduced by an Early Retirement Reduction; and
 - (iii) be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule Four of Part F of the Rules.

- (c) The annual CARE Pension will start on the day after the CARE Member left Pensionable CARE Service.

- (d) An Active CARE Member who is not able to work due to ill-health or injury and who is in receipt of payments from an employer's permanent health insurance scheme of at least 50 per cent of his CARE Salary less statutory sick pay is not entitled to apply for the payment of his CARE Pension under this Rule unless the Principal Employer, with the agreement of the Trustees, decide otherwise.

5.4 Drawing CARE Pension after CARE Pension Date

- (a) If an Active CARE Member remains in the employment of an Employer after his

CARE Pension Date, he may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date (or such later date as the Principal Employer and the Trustees may agree) to either:

- (i) leave Pensionable CARE Service on his CARE Pension Date and be treated as either a CARE Pensioner or a CARE Postponed Pensioner; or
- (ii) remain in Pensionable CARE Service and continue to be treated as an Active CARE Member.

Condition:

If an Active CARE Member makes no election under this Rule 5.4(a), the Trustees will treat the Active CARE Member as if he had left Active CARE Membership on his CARE Pension Date and he will become a CARE Postponed Pensioner under Rule 5.4(b)(ii) below.

- (b) This Rule 5.4(b) applies to an Active CARE Member who elects or is deemed to leave Pensionable CARE Service under Rule 5.4(a)(i). Such a CARE Member who may elect in writing by notice to the Trustees no later than the day before his CARE Pension Date to either:

- (i) draw his CARE Pension under Rule 5.1 above and become a CARE Pensioner; or
- (ii) defer payment of his CARE Pension and become a CARE Postponed Pensioner until the earlier of the date he elects for his CARE Pension to start to be paid and the date he attains age 75.

Conditions:

(A) If the Active CARE Member makes no election under this Rule 5.4(b) the Trustees will defer payment of his CARE Pension under Rule 5.4(b)(ii) above.

(B) An Active CARE Member to which this Rule 5.4(b) applies will on his CARE Pension Date cease to either:

- 1) pay contributions under Rule 3.2(b) of this Appendix One to Schedule Four of Part F of the Rules; or
- 2) be subject to a pension salary sacrifice arrangement under Rule 3.2(d) of this Appendix One to Schedule Four of Part F of the Rules.

(C) A CARE Postponed Pensioner's CARE Pension will start to be paid on the earlier of:

- 1) the day after he elects for his CARE Pension to start; or
- 2) his 75th birthday.

(D) A CARE Postponed Pensioner's CARE Pension will be calculated as at his CARE Pension Date. Upon drawing his CARE Pension the Trustees will apply to it a Late Retirement Increase.

(E) Upon the death of a CARE Postponed Pensioner before his CARE Pension starts to be paid, he will be treated as if he had:

- 1) started to draw his CARE Pension immediately before his death; and
- 2) not elected to exchange any of his CARE Pension for pension commencement lump sum under Rule 7 of this Appendix One to Schedule Four of Part F of the Rules.

(F) For the purposes of the CARE death benefit Rules, Rule 10 of this Appendix One to Schedule Four of Part F of the Rules applies.

(G) Upon the death of a CARE Pensioner who remains in the employment of an Employer at the date of his death, the CARE death benefits for a CARE Pensioner will be payable under Rule 10 of this Appendix One to Schedule Four of Part F of the Rules.

(c) This Rule 5.4(c) applies to an Active CARE Member who elects to continue in Pensionable CARE Service under Rule 5.4(a)(ii). Such a CARE Member will be treated as an Active CARE Member until the earlier of:

- (i) the date he leaves Pensionable CARE Service; and
- (ii) his 75th birthday.

Conditions:

(A) The CARE Member will continue to be treated as an Active CARE Member and will continue to either:

- 1) make contributions under Rule 3.2(b) of this Appendix One to Schedule Four of Part F of the Rules; or

- 2) be subject to a salary sacrifice pension arrangement under Rule 3.2(d) of this Appendix One to Schedule Four of Part F of the Rules

for so long as he remains in Pensionable CARE Service after his CARE Pension Date.

- (B) An Active CARE Member's Pensionable CARE Service must cease on his 75th birthday even if he remains in the employment of an Employer.
- (C) The annual CARE Pension will start on the earlier of:
 - 1) the day after he elects for his CARE Pension to start; or
 - 2) his 75th birthday.
- (D) When an Active CARE Member to which this Rule 5.4(c) relates leaves Pensionable CARE Service his CARE Pension will be calculated under Rule 4.1 of this Appendix One to Schedule Four of Part F of the Rules.
- (E) If an Active CARE Member to which this Rule 5.4 (c) relates dies after his CARE Pension Date but before his CARE Pension starts to be paid the lump sum death benefit payable under this Rule in respect of his death will be:
 - 1) the Lump Sum Benefit; PLUS
 - 2) the lump sum Final Salary Benefit payable under Rule 3.6 of this Appendix Two to Schedule Four of Part F of the Rules; LESS
 - 3) any lump sum Final Salary Benefit payable under Appendix Two to Schedule Four of Part F of the Rules upon the death of a Pensioner or a Postponed Pensioner (as applicable) under the W Vinten Rules as provided for in Appendix Two to Schedule Four of Part F of the Rules.

6 Deferred CARE Member Benefits

6.1 Deferred CARE Member with less than Two (2) years Qualifying Service

An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service with less than two (2) years Qualifying Service will become a Deferred CARE Member entitled to elect to receive:

- (a) a Contribution Refund less any tax payable, of any contributions paid in respect

of CARE Benefits after 31 December 2007 to the W Vinten Scheme and transferred to the Scheme with effect from 1 July 2008; and/or

- (b) a sum equal to the earnings sacrificed from his pay under a pension salary sacrifice arrangement in force after 31 December 2007 less any tax and national insurance. Such a sum is payable by the Deferred CARE Member's last Employer before he left Pensionable CARE Service in respect of all earnings sacrificed under Rule 3.2(d) of this Appendix One to Schedule Four of Part F of the Rules; or
- (c) if he satisfies the Three Month Condition, a Cash Transfer Sum.

Conditions:

- (i) Rule 6.2 below will apply to a Deferred CARE Member who has received a transfer into Section 2 of the Scheme in respect of him from a registered pension scheme.
- (ii) Any election by a Deferred CARE Member for a Cash Transfer Sum must comply with the requirements of the 1993 Act.
- (iii) No interest will be applied to any sum paid to a Deferred CARE Member either by the Trustees under Rule 6.1(a)(i) above or his last Employer under Rule 6.1(a)(ii) above.
- (iv) Where a CARE Member was both:
 - (A) a Former W Vinten Beneficiary entitled to Final Salary Benefits earned in the W Vinten Scheme before 1 January 2008 which were transferred to Section 2 of the Scheme with effect from 1 July 2008; and
 - (B) an Active CARE Member entitled to CARE Benefits from:
 - 1) the W Vinten Scheme after 31 December 2007 which were transferred to Section 2 of the Scheme with effect from 1 July 2008; and
 - 2) Section 2 of the Scheme after 30 June 2008 (if any)

the Trustees will aggregate any CARE Benefits and Final Salary Benefits payable by them due to the length of the CARE Member's Qualifying Service.
- (v) Once all payments due to or in respect of a CARE Member both under this Rule

in respect of his CARE Benefits and Final Salary Benefits have been made, all entitlements to benefits from the Scheme (whether they are Final Salary Benefits or CARE Benefits) will be extinguished for the CARE Member and any person claiming through him.

6.2 Deferred CARE Member with more than Two (2) years Qualifying Service

- (a) An Active CARE Member who before his CARE Pension Date leaves Pensionable CARE Service:
- (i) with at least two (2) years Qualifying Service; or
 - (ii) with less than two (2) years Qualifying Service and Section 2 of the Scheme has received a transfer from another registered pension scheme in respect of him; and
 - (iii) without receiving an immediate CARE Pension from Section 2 of the Scheme under Rule 5 of this Appendix One to Schedule Four of Part F of the Rules

will become a Deferred CARE Member entitled to receive a CARE Pension from Section 2 of the Scheme under the terms of this Rule 6.2.

- (b) The Deferred CARE Member's CARE Pension will be calculated in accordance with Rule 4.1 of this Appendix One to Schedule Four of Part F of the Rules up to the date he leaves Pensionable CARE Service.
- (c) The Trustees will revalue the CARE Pension using the final salary method of statutory revaluation (as set out in Section 84(1) and Paragraphs 1 and 2 to Schedule 3 of the 1993 Act) from the date the Deferred CARE Member leaves Pensionable CARE Service up to the earlier of the date:
- (i) of his death;
 - (ii) his CARE Pension starts to be paid; or
 - (iii) his CARE Pension Date.

6.3 Drawing CARE Pension at CARE Pension Date

Upon a Deferred CARE Member attaining his CARE Pension Date his annual CARE Pension will start on the next day.

6.4 Drawing CARE Pension before CARE Pension Date

- (a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension

Date if:

- (i) before 6 April 2010, he is aged 50 or over; or
 - (ii) after 5 April 2010, he is aged 55 or over; and
 - (iii) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early; and
 - (iv) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) If at any age from the age of 60 up to his Normal Retirement Date a Deferred CARE Member is entitled to receive his Final Salary Benefits without any consents being required from any party to the Scheme or compliance with any other conditions, the payment of the CARE Pension is not subject to Rule 6.4(a)(iii) above after he attains that age.
- (c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their consent to its early payment.

6.5 Drawing CARE Pension due to Serious Ill-Health

- (a) A Deferred CARE Member may draw his CARE Pension before his CARE Pension Date if he is suffering from Serious Ill-Health if:
- (i) he has not attained his CARE Pension Date;
 - (ii) he applies to draw his CARE Pension early due to Serious Ill-Health;
 - (iii) the Principal Employer, with the agreement of the Trustees, decides after taking the advice of a registered medical practitioner agreed by the Principal Employer and the Trustees, that the Deferred CARE Member is suffering from Serious Ill-Health;
 - (iv) the Trustees are satisfied that the Deferred CARE Member meets the ill-health condition for the purposes of the Part 4 of the Finance Act 2004;
 - (v) he has the written consent of the Principal Employer and the Trustees to draw his CARE Pension early due to Serious Ill-Health; and
 - (vi) his CARE Pension is reduced by the Early Retirement Reduction.
- (b) The CARE Pension payable under this Rule 6.5 will be reviewed by the Trustees under Rule 11.3 of this Appendix One to Schedule Four of Part F of the Rules.

- (c) The annual CARE Pension will start on the day after both the Principal Employer and the Trustees have given their written consent to its early payment due to Serious Ill-Health.

6.6 Drawing CARE Pension after CARE Pension Date

- (a) A Deferred CARE Member may, with the consent of the Principal Employer and the Trustees, defer payment of his CARE Pension until a date after his CARE Pension Date.
- (b) The CARE Pension of a Deferred CARE Member who defers payment of it under this Rule will come into payment on the earlier of:
 - (i) the expiry of one (1) month's written notice by him to the Trustees to start payment of the CARE Pension; and
 - (ii) the Deferred CARE Member's 75th birthday.
- (c) If a Deferred CARE Member defers payment of his CARE Pension under this Rule, his CARE Pension will be calculated as at his CARE Pension Date. When his CARE Pension starts to be paid, the Trustees will apply to it a Late Retirement Increase.
- (d) The annual CARE Pension will start on the earlier of:
 - (i) the day after he elects for his CARE Pension to start; or
 - (ii) his 75th birthday.
- (e) If a Deferred CARE Member dies before his CARE Pension starts to be paid, he will be treated as if he had:
 - (i) started to draw his CARE Pension immediately before his death; and
 - (ii) not elected to commute any of his CARE Pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Four of Part F of the Rules.

For these purposes, Rule 10 of this Appendix One to Schedule Four of Part F of the Rules applies.

7 Pension Commencement Lump Sum

- 7.1 A CARE Member may, with the consent of the Trustees, elect to exchange part of his CARE Pension for a pension commencement lump sum (as defined in Part 1 to Schedule

29 of the Finance Act 2004).

7.2 The election must be made in writing by the CARE Member and provided to the Trustees before the date the CARE Member is due to draw his CARE Pension.

7.3

(a) The rate at which CARE Pension can be exchanged for a pension commencement lump sum, subject to Rules 7.8 and 7.9 below, will be as follows:

Age at the date of exchange of CARE Pension for a pension commencement lump sum	Commutation Factor
50	18.0
51	17.6
52	17.2
53	16.8
54	16.4
55	16.0
56	15.6
57	15.2
58	14.8
59	14.4
60	14.0
61	13.6
62	13.2
63	12.8
64	12.4
65	12.0
66	11.6
67	11.2
68	10.8
69	10.4
70	10.0
71	9.6
72	9.2
73	8.8
74	8.4
75	8.0

- (b) The table set out in this Rule 7.3 sets out the rate at which CARE Pension can be exchanged for pension commencement lump sum as at a specified age. Where a CARE Member is older than the specified age by a proportion of a year, the relevant exchange rate set out in the table in Rule 7.3 above will be a pro rata amount calculated in complete months.

7.4

- (a) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the rate at which CARE Pension can be exchanged for pension commencement lump sum to an alternative rate which may be higher or lower than the rate set out in Rule 7.3 above.
- (b) Such a rate agreed under Rule 7.4(a) above cannot be implemented unless it is first certified as reasonable by the Actuary having regard to the assumptions used at the last actuarial valuation for either:
 - (i) whilst the Scheme is a Sectionalised Scheme, Section 2 of the Scheme; or
 - (ii) after the Scheme has become desectionalised, the Scheme
- (c) A rate agreed and certified under this Rule 7.4 will remain in force until such time as a new rate is agreed and certified under this Rule 7.4

7.5

- (a) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Four of Part F of the Rules in circumstances which result in a different LAF being automatically applied to benefits under Rule 4.3 of this Appendix One to Schedule Four of Part F of the Rules, the Principal Employer and the Trustees must review the rate at which CARE Pension can be exchanged for a pension commencement lump sum and agree the rate at which CARE Pension can be so exchanged.
- (b) If under the terms of Rule 7.5(a) above, the Principal Employer and the Trustees cannot agree a rate at which CARE Pension can be exchanged for a pension commencement lump sum, the Actuary will either:
 - (i) revise the rate at which CARE Pension can be exchanged for a pension commencement lump sum by increasing or reducing the rate by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF

recalculation date and the recalculated LAF which started the review under Rule 7.5(a) above; or

- (ii) leave the rate at which CARE Pension can be exchanged for a pension commencement lump sum unchanged.

7.6 A CARE Member can only elect to commute CARE Pension for a pension commencement lump sum at the same time as drawing his CARE Pension.

7.7 Once a CARE Member's CARE Pension starts to be paid, an election to exchange CARE Pension for a pension commencement lump sum cannot be revoked.

7.8 In the case of a CARE Member who also has an entitlement to Final Salary Benefits as a result of his own membership of Section 2 of the Scheme, he can only exchange his CARE Pension for a pension commencement lump sum in proportion to the amount his CARE Pension represents to his aggregated pension from Section 2 of the Scheme when his CARE Pension and his Final Salary Benefits are aggregated together.

7.9 The pension commencement lump sum will not exceed the maximum permitted by HMRC under Part 4 of the Finance Act 2004 unless the CARE Member has an entitlement to a higher amount in respect of his benefits held in Section 2 of the Scheme under the terms of Paragraph 31 to Schedule 36 of the 2004 Act.

8 Death Benefits for an Active CARE Member or a DC Scheme Life Assurance Member

8.1 Lump Sum Death Benefit

(a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member the Trustees will hold on the discretionary trusts for:

- (i) an Active CARE Member, the Lump Sum Benefit; or
- (ii) a DC Scheme Life Assurance Member, the Lump Sum Benefit LESS the DC Lump Sum.

(b) The Lump Sum Benefit will be applied in accordance with Rule 74 of Part D of the Rules.

(c) "Lump Sum Benefit" means subject to the terms of Rule 16 of this Appendix One to Schedule Four of Part F of the Rules, four (4) times the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC Salary (as applicable) as at the 1 April immediately preceding the date of his death.

(d) "DC Lump Sum" means the amount notified to the Trustees by the manager of

the DC Scheme as being the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is used to provide lump sum benefits payable in respect of the DC Scheme Life Assurance Member. The DC Lump Sum excludes the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death).

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Four of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Four of Part F of the Rules will apply.
- (ii) A CARE Member who remains in the employment of an Employer after his CARE Pension Date under Rule 5.4(a) of this Appendix One to Schedule Four of Part F of the Rules and who is in receipt of his CARE Pension at the date of his death is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Four of Part F of the Rules will apply.
- (iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Four of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule applies but such a CARE Member's Lump Sum Benefit will be calculated in accordance with condition (E) of Rule 5.4(c) of this Appendix One to Schedule Four of Part F of the Rules.
- (iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but who remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Four of Part F of the Rules will apply.
- (v) An Active CARE Member who on the date of his death is:
 - (A) not in receipt of his CARE Pension;
 - (B) is in receipt of a pension which are Final Salary Benefits as a

result of his own membership of Section 2 of the Scheme; or

(C) has not attained his CARE Pension Date

will have deducted from his Lump Sum Benefit payable in respect of his CARE Benefits any lump sum payable in respect of his Final Salary Benefits in so far as it is greater than the benefit payable under Rule 3.6 of Appendix Two to Schedule Four of Part F of the Rules.

(vi) On the date of the death of either:

(A) an Active CARE Member; or

(B) a DC Scheme Life Assurance Member

who is also a Scheme Enhanced Member of Section 2 of the Scheme, the Scheme will pay the Final Salary Benefits lump sum contained in Rule 3.6 of Appendix Two to Schedule Four of Part F of the Rules in addition to the Lump Sum Benefit payable under the CARE Benefits Rules.

(vii) A DC Scheme Life Assurance Member who remains in the employment of an Employer after his CARE Pension Date will continue to be treated as a DC Scheme Life Assurance Member until the earlier of the date he leaves the employment of an Employer and age 75.

8.2 Adult Dependant's Pension

(a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Adult Dependant.

(b) The pension payable under (a) will be equal to thirty three (33) per cent of the Active CARE Member's CARE Salary or DC Scheme Life Assurance Member's DC Salary (as applicable) as at 1 April immediately preceding his death LESS:

(i) any pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Scheme Spouse accrued as Final Salary Benefits in respect of Pensionable Service earned in the W Vinten Scheme before 1 January 2008; and

(ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Adult Dependant by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is not

used to provide lump sum benefits under Rule 8.1 (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death)).

- (c) The Adult Dependant's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Four of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Four of Part F of the Rules will apply.
- (ii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Four of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.2 will apply.
- (iii) A CARE Member who remains in the employment of an Employer at the date of his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Four of Part F of the Rules will apply.
- (iv) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Four of Part F of the Rules will apply.
- (v) In the event that the pension payable to an Adult Dependant which are CARE Benefits under Rule 8.2(b) above is smaller than the Final Salary Benefits pension which would have been payable to the Scheme Spouse under Appendix Two calculated upon the basis that the CARE Member became a Deferred Pensioner in respect of his Final Salary Benefits on 31 December 2007 in the W Vinten Scheme, the higher benefit is payable.

8.3 Dependant Children's Pensions

- (a) Upon the death of either an Active CARE Member or a DC Scheme Life Assurance

Member, the Trustees will pay a pension to the Active CARE Member's or DC Scheme Life Assurance Member's Dependant Children.

- (b) The pension payable under (a) is a maximum of thirty (30) percent of the Active CARE Member's or DC Scheme Life Assurance Member's CARE Salary as at 1 April immediately preceding his death LESS:
 - (i) any pension which are Final Salary Benefits payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Children in respect of Pensionable Service in the W Vinten Scheme before 1 January 2008; and
 - (ii) in the case of a DC Scheme Life Assurance Member, any pension provided to his Dependant Children by using the value of the DC Scheme Life Assurance Member's money purchase account in the DC Scheme on the date of the DC Scheme Life Assurance Member's death which is not used to provide lump sum benefits under Rule 8.1 of this Appendix One to Schedule Four of Part F of the Rules (excluding any pension provided by the value of any additional voluntary contributions paid by the DC Scheme Life Assurance Member to the DC Scheme (adjusted in line with investment returns (both positive and negative) as at the date of his death)).
- (c) The Trustees will determine the amount of each Dependent Child's pension from time to time.
- (d) Subject to (e) below, the maximum pension payable to an individual Dependant Child is ten (10) percent of the Active CARE Member's CARE Salary or the DC Scheme Life Assurance Member's DC Salary as at 1 April immediately preceding his death LESS the maximum Final Salary Benefits pension payable in respect of the Active CARE Member's or DC Scheme Life Assurance Member's Child in respect of Pensionable Service in the W Vinten Scheme before 1 January 2008.
- (e) The Dependant Children's pension will start on the day after the date of the Active CARE Member's or DC Scheme Life Assurance Member's death.

Conditions:

- (i) If no Adult Dependant's pension is payable at the date of the Active CARE Member's or DC Scheme Life Assurance Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.

- (ii) A CARE Member who deferred payment of his CARE Pension after his CARE Pension Date under Rule 5.4(b)(ii) of this Appendix One to Schedule Four of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as a CARE Postponed Pensioner. Rule 10 of this Appendix One to Schedule Four of Part F of the Rules will apply.
- (iii) A CARE Member who elected to remain in Pensionable CARE Service after his CARE Pension Date under Rule 5.4(c) of this Appendix One to Schedule Four of Part F of the Rules and whose CARE Pension has not started to be paid at the date of his death is treated as an Active CARE Member (as long as he is aged under 75 at the date of his death). This Rule 8.3 will apply.
- (iv) A CARE Member who remains in the employment of an Employer at the date of his death and is in receipt of his CARE Pension is treated as a CARE Pensioner. Rule 10 of this Appendix One to Schedule Four of Part F of the Rules will apply.
- (v) A CARE Member who has opted-out of Active CARE Membership and whose CARE Pension has not started to be paid at the date of his death but remains in the employment of an Employer at the date of his death is treated as a Deferred CARE Member. Rule 9 of this Appendix One to Schedule Four of Part F of the Rules will apply.
- (vi) In the event that the CARE Benefits pension payable to Dependant Children under Rule 8.3(b) above is smaller than the Final Salary Benefits pension payable to the Child in respect of an Active CARE Member or DC Scheme Life Assurance Member calculated upon the basis that the CARE Member became a Deferred Pensioner in respect of his Final Salary Benefits on 31 December 2007 in the W Vinten Scheme, the higher benefit will be payable.

9 Deferred CARE Member Death Benefits

9.1 Lump Sum Death Benefit

- (a) No lump sum death benefit is payable upon the death of a Deferred CARE Member before his CARE Pension Date from Section 2 of the Scheme in respect of his CARE Benefits.
- (b) Rules 6.6(e) and 10 of this Appendix One to Schedule Four of Part F of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.2 Adult Dependant's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date

whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Adult Dependant.

- (b) The pension payable under (a) will be equal to half of the Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule Four of Part F of the Rules and revalued under that Rule to the date of the Deferred CARE Member's death.
- (c) The Adult Dependant's pension will start on the day after the date of the Deferred CARE Member's death.
- (d) Rules 6.6(e) and 10 of this Appendix One to Schedule Four of Part F of the Rules apply upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

9.3 Dependant Children's Pension

- (a) Upon the death of a Deferred CARE Member before his CARE Pension Date whose pension has not started to be paid, the Trustees will pay a pension to the Deferred CARE Member's Dependant Children.
- (b) The pension payable under (a) is a maximum of forty five (45) percent of the Deferred CARE Member's CARE Pension calculated under Rule 6.2 of this Appendix One to Schedule Four of Part F of the Rules and revalued to the date of the Deferred CARE Member's death.
- (c) The Trustees will determine the amount of each Dependant Child's pension from time to time.
- (d) Subject to (e), the maximum pension payable to an individual Dependant Child is fifteen (15) percent of the Deferred CARE Member's CARE Pension.
- (e) If no Adult Dependant's pension is payable at the date of the Deferred CARE Member's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension will start on the day after the date of the Deferred CARE Member's death.
- (g) Rules 6.6(e) and 10 apply of this Appendix One to Schedule Four of Part F of the Rules upon the death of a Deferred CARE Member who dies after his CARE Pension Date.

10 CARE Pensioner Death Benefits

10.1 Lump Sum Death Benefit

- (a) If a CARE Pensioner dies less than five (5) years after the date his CARE Pension started to be paid and before age 75, the Trustees will hold on the discretionary trusts a lump sum equal to the total pension payments which would have been paid to the CARE Pensioner during the remaining balance of the period of five (5) years from the date his CARE Pension started to be paid.
- (b) The lump sum under (a) will be calculated using the rate of CARE Pension payable immediately before the date of the CARE Pensioner's death. Future CARE Pension increases are ignored.
- (c) The lump sum death benefit payable under this Rule will be applied in accordance with Rule 74 of Part D of the Rules.
- (d) If a CARE Pensioner dies more than five (5) years after the date his CARE Pension started to be paid or after attaining age 75, no lump sum death benefit is payable.

10.2 Adult Dependant's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Adult Dependant.
- (b) The pension payable under (a) will be equal to half of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Four of Part F of the Rules).
- (c) The Adult Dependant's pension will start on the first day of the next month following the date of the CARE Pensioner's death.

10.3 Dependant Children's Pension

- (a) Upon the death of a CARE Pensioner, the Trustees will pay a pension to the CARE Pensioner's Dependant Children.
- (b) The pension payable under (a) is a maximum of forty five (45) percent of the CARE Pensioner's CARE Pension as at the date of his death (ignoring the effect of any election to exchange pension for a pension commencement lump sum under Rule 7 of this Appendix One to Schedule Four of Part F of the Rules).
- (c) The Trustees will determine the amount of each Dependant Child's pension

from time to time.

- (d) Subject to (e), the maximum pension payable to an individual Dependant Child is fifteen (15) percent of the CARE Pensioner's CARE Pension.
- (e) If no Adult Dependant's pension is payable at the date of the CARE Pensioner's death or it subsequently stops being paid due to the death of the Adult Dependant, the Dependant Children's pensions will be doubled.
- (f) The Dependant Children's pension starts to be paid on the first day of the next month following the date of the CARE Pensioner's death.

11 Payment of Pensions and Lump Sum Benefits

11.1 Payment of a CARE Member's Pensions

- (a) A CARE Member's CARE Pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.
- (b) The first CARE Pension payment will be the aggregate of:
 - (i) the proportion of one month's instalment of CARE Pension payment calculated from the date the CARE Pension started to the first day of the next month (if any); and
 - (ii) the next full month's instalment of CARE Pension.

11.2 Stopping a CARE Member's CARE Pension

- (a) Subject to Rule 11.3 below, a CARE Member's CARE Pension is payable for life and will stop on the date of his death.
- (b) The last month's CARE Pension instalment made to a CARE Member immediately before his death will not be apportioned.
- (c) Any one or more instalments of pension paid after the date of the CARE Member's death will be treated as a debt to Section 2 of the Scheme which is repayable to Section 2 of the Scheme unless the Trustees determine otherwise.

11.3 Review of Serious Ill-Health CARE Pensions

- (a) A CARE Pension which is paid under either Rule 5.3 or 6.5 of this Appendix One to Schedule Four of Part F of the Rules due to the Serious Ill-Health of the CARE Member will be reviewed by the Trustees every three (3) years after the date his CARE Pension starts to be paid or such other period as the Trustees determine. No reviews will be made once the CARE Member attains his CARE

Pension Date.

- (b) At each review of the payment of CARE Pension due to Serious Ill-Health, the Trustees may ask the CARE Pensioner to:
 - (i) attend a medical with the registered medical practitioner of the Trustees selection; and / or
 - (ii) provide any information and other co-operation to allow the Trustees to complete their review.
- (c) If the Trustees are satisfied that the CARE Pensioner:
 - (i) is no longer suffering from Serious Ill-Health; or
 - (ii) failed to co-operate with the review to such a degree that they are not able to determine if the CARE Pensioner continues to suffer from Serious Ill-Healththey may reduce or terminate the payment of the CARE Pension as they determine.
- (d) Having reduced or terminated a CARE Pension under (c) above, the Trustees may, if it appears appropriate to them to do so, restore the payment of the CARE Pension.
- (e) If a CARE Pensioner's CARE Pension payable due to Serious Ill-Health is terminated under this Rule he will:
 - (i) be treated as a Deferred CARE Member; and
 - (ii) have his CARE Pension calculated in accordance with Rule 6.2 of this Appendix One to Schedule Four of Part F of the Rules as at the date he left Pensionable CARE Service.

Conditions:

- (A) The calculation of the CARE Member's Deferred CARE Pension will ignore the fact that he initially started to receive his CARE Pension under either Rule 5.3 or 6.5 of this Appendix One to Schedule Four of Part F of the Rules as applicable.
- (B) All payments of CARE Pension made to him between the date his CARE Pension started under Rule 5.3 or 6.5 of this Appendix One to Schedule Four of Part F of the Rules and the date it was terminated under this

Rule will be ignored (unless the Trustees determine otherwise in their absolute discretion).

- (C) The Deferred CARE Pension will not be less than the amount required to be paid under the Preservation Requirements.
- (f) This Rule 11.3 is subject to the terms of disability discrimination legislation in so far as it applies to the Scheme.

11.4 Payment of Adult Dependant's Pensions and Dependant Children's Pensions

- (a) An Adult Dependant's pension and a Dependant Children's pension will be paid monthly in advance. Each pension payment will be made on the first day of the month.
- (b) In the case of an Adult Dependant's pension or Dependant Children's pension payable due to the death of an Active CARE Member, a Deferred CARE Member or a CARE Postponed Pensioner, the first Adult Dependant's or first Dependant Children's pension payment will be the aggregate of:
 - (i) the proportion of one month's pension instalment calculated from the date of the CARE Member's death to the first day of the next month (if any); and
 - (ii) the next full month's pension instalment.
- (c) In the case of an Adult Dependant's pension or Dependant Children's pension payable due to the death of a CARE Pensioner, the first Adult Dependant's or first Dependant Children's pension payment will be a full month's pension instalment and will be made on the first day of the month following the date of the CARE Pensioner's death.

11.5 Stopping the Adult Dependant's Pension

- (a) An Adult Dependant's pension is payable for life and will stop on the date of his death.
- (b) The last month's pension instalment paid to an Adult Dependant immediately before his death will not be apportioned.
- (c) Any one or more Instalments of pension paid after the date of the Adult Dependant's death will be treated as a debt to Section 2 of the Scheme which is repayable to Section 2 of the Scheme unless the Trustees determine otherwise.

11.6 Stopping the Dependant Children's Pensions

- (a) A Dependant Child's pension is only payable to a child for so long as the Trustees are satisfied that the child remains a Dependant Child.
- (b) A Dependant Child's pension will stop on the date he ceases to be a Dependant Child.
- (c) The last month's pension instalment paid in respect of a Dependant Child immediately before he stopped being a Dependant Child will not be apportioned.
- (d) When a child ceases to be a Dependant Child, if there are remaining Dependant Children whose pensions are less than the maximum pension payable to an individual Dependant Child under Rules 8.3, 9.3 or 10.3 of this Appendix One to Schedule Four of Part F of the Rules, the Trustees will recalculate the proportion of the Dependant Children's pension payable to the remaining Dependant Children in such manner as the Trustees determine.
- (e) Any one or more instalments of pension paid after the date the Dependant Child's pension was payable under the Rules contained in this Appendix One to Schedule Four of Part F of the Rules will be treated as a debt to Section 2 of the Scheme which is repayable to Section 2 of the Scheme unless the Trustees determine otherwise.

12 Family Leave and Absence from Work

12.1 Family Leave

- (a) In this Rule:
 - (i) "Family Leave" refers jointly to Adoption Leave, Maternity Leave, Paternity Leave and Parental Leave (whether Paid Family Leave or Unpaid Family Leave).
 - (ii) "Adoption Leave", "Maternity Leave", "Ordinary Adoption Leave", "Ordinary Maternity Leave", "Paternity Leave" and "Parental Leave" are as defined in the Employment Rights Act 1996.
 - (iii) The definition of "CARE Salary" is modified for any period of Family Leave during which an Active CARE Member is not in receipt of pay as if he were working normally:

- (A) for the purposes of calculating all pension and death benefits in respect of the CARE Benefits, CARE Salary will be the CARE Salary in force on 1 April immediately before the Active CARE Member's Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the CARE Salary attributable to the Active CARE Member had he continued to work normally);
 - (B) for the purposes of Rule 3.1 of this Appendix One to Schedule Four of Part F of the Rules CARE Salary is deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Family Leave (including any statutory maternity pay, adoption pay or paternity pay).
- (iv) The definition of "DC Salary" is modified for any period of Family Leave during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he was working normally. For the purposes of calculating all pension and death benefits in respect of the CARE Benefits, the DC Salary will be the amount which was in payment to the DC Scheme Life Assurance Member before the Family Leave started as increased as at each 1 April by such amount as the Principal Employer decides (which during any period of Paid Family Leave cannot be less than the amount of the DC Salary which the DC Scheme Life Assurance Scheme Member would have received if he had continued to work normally).

12.2 Paid Family Leave

- (a) A CARE Member will remain an Active CARE Member in respect of the CARE Benefits during any period of Family Leave during which he is entitled to and receives pay (including any statutory maternity pay, adoption pay or paternity pay) from his Employer ("Paid Family Leave").
- (b) All periods of Paid Family Leave are Pensionable CARE Service and the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule Four of Part F of the Rules for so long as he is in receipt of pay from his Employer.
- (c) Any period of Ordinary Maternity Leave or Ordinary Adoption Leave during which a CARE Member is not entitled to statutory maternity pay will be treated as Paid Family Leave under this Rule.

- (d) A DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Four of Part F of the Rules during any period of Paid Family Leave and any period of Ordinary Maternity Leave or Ordinary Adoption Leave during which the DC Scheme Life Assurance Member is not entitled to statutory maternity pay.

12.3 Unpaid Family Leave

- (a) Subject to Rule 12.2(c) above, an Active CARE Member will remain in Service during any period of Family Leave when he is not entitled to and does not receive pay (including any statutory maternity pay, adoption pay or paternity pay) from his Employer ("Unpaid Family Leave").
- (b) Subject to Rule 12.4(a) below, all periods of Unpaid Family Leave are Service but not Pensionable CARE Service.
- (c) During Unpaid Family Leave an Active CARE Member and his Employer are not required to comply with Rule 3.2 of this Appendix One to Schedule Four of Part F of the Rules.
- (d) During all periods of Unpaid Family Leave, the Active CARE Member or DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Four of Part F of the Rules and will be treated as either an Active CARE Member or a DC Scheme Life Assurance Member (as applicable) for these purposes.

12.4 Returning to Work

- (a) If an Active CARE Member returns to work after a period of Unpaid Family Leave, he may pay contributions in order to earn Pensionable CARE Service for any periods of Unpaid Family Leave. The terms will be agreed between the Active CARE Member and the Trustees.
- (b) If Rule 12.4(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any period of Family Leave will be treated as continuous.

12.5 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of Family Leave, he will cease to be an Active CARE Member or DC Scheme Life Assurance Member (as applicable) on the earliest of the date:

- (i) he informs his Employer that he will not be returning to work;
- (ii) her right to Ordinary Maternity Leave or Ordinary Adoption Leave ended;
- (iii) when his right to Paid Family Leave ended; or
- (iv) he started Parental Leave under the Employment Rights Act 1996 or any extension of those terms allowed by the Employer if none of the period of Parental Leave is paid.

(b) The Principal Employer's confirmation of the date is final.

12.6 Absence

(a) General

(i) This Rule applies where either an Active CARE Member or DC Scheme Life Assurance Member is not at work whilst still in Service (except on normal holiday leave or Family Leave) due to:

(A) injury or illness; or

(B) secondment or attending full-time education with the agreement of his Employer in circumstances where there is an expectation on the part of the Active CARE Member or DC Scheme Life Assurance Member and the Employer that he will return to work for an Employer.

(ii) Where the absence is due to illness or injury, the definition of:

(A) "CARE Salary" is modified for any period of the absence during which an Active CARE Member is not in receipt of his pay as if he was working normally:

1) for the purposes of calculating all pension and death benefits which are CARE Benefits, the amount of the CARE Salary which was in payment to the Active CARE Member before his absence due to ill-health or injury started as increased as at each 1 April by such amount as the Principal Employer decides;

2) for the purposes of Rule 3.1 of this Appendix One to Schedule Four of Part F of the Rules CARE Salary is

deemed to be the amount of actual pay (ignoring the effect of all salary sacrifices applied to it) the Active CARE Member receives during the period of Paid Absence either from an Employer or payments from an employer's permanent health insurance scheme; or

- (B) "DC Salary" is modified by any period of absence during which a DC Scheme Life Assurance Member is not in receipt of his pay as if he were working normally. For the purposes of calculating all pension and death benefits which are CARE Benefits the amount of the DC Salary before his absence due to ill-health or injury started, as increased as at each 1 April by such amount as the Principal Employer decides.
- (iii) Where absence is due to secondment or attending full-time education, the Principal Employer will determine the extent to which (if at all) the definitions of "CARE Salary" and "DC Salary" are modified during the period of absence. The Principal Employer will notify the Trustees of any modifications made to either CARE Salary or DC Salary under this Rule.

12.7 Paid Absence

- (a) During a period of absence to which this Rule applies when the CARE Member is in receipt of pay from either an Employer or payments from an employer's permanent health insurance scheme ("Paid Absence"), the CARE Member will be treated as an Active CARE Member and will remain in Pensionable CARE Service.
- (b) During all periods of Paid Absence, the Active CARE Member must continue to comply with the terms of Rule 3.2 of this Appendix One to Schedule Four of Part F of the Rules for so long as he is in receipt of pay from either an Employer or if he is absent due to ill-health or injury, payments from an employer's permanent health insurance scheme.
- (c) During all periods of Paid Absence, the Principal Employer will determine the level of the Active CARE Member's CARE Salary for the purposes of calculating his pension and death benefits.
- (d) During all periods of Paid Absence a DC Scheme Life Assurance Member will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Four of Part F of the Rules and will be treated as a DC Scheme Life

Assurance Member for these purposes unless the Principal Employer decides otherwise.

12.8 Unpaid Absence

- (a) During a period of absence to which this Rule applies, when the Active CARE Member is not in receipt of pay from an Employer or in the case of absence due to ill-health or injury, payments from an employer's permanent health insurance scheme ("Unpaid Absence"), the Active CARE Member will be treated as being in Service but not Pensionable CARE Service (unless the Principal Employer determines otherwise).
- (b) During all periods of Unpaid Absence, the Active CARE Member and his Employer are not required to comply with the terms of Rule 3.2 of this Appendix One to Schedule Four of Part F of the Rules.
- (c) During all periods of Unpaid Absence whilst either the Active CARE Member or DC Scheme Life Assurance Member (as applicable) remains in service, he will continue to be provided with death benefits under Rule 8 of this Appendix One to Schedule Four of Part F of the Rules and will be treated as either an Active CARE Member or DC Scheme Life Assurance Member (as applicable) for these purposes unless the Principal Employer decides otherwise.

12.9 Returning to Work

- (a) If an Active CARE Member returns to work for an Employer or starts to be in receipt of payments from an employer's permanent health insurance scheme after a period of Unpaid Absence, he may pay contributions in order to earn Pensionable CARE Service for any period of Unpaid Absence. The terms will be agreed between the Active CARE Member and the Trustees.
- (b) If Rule 12.9(a) above does not apply, the periods of Pensionable CARE Service earned before, during and after any periods of Unpaid Absence will be treated as continuous.

12.10 Not Returning to Work

- (a) If an Active CARE Member or DC Scheme Life Assurance Member does not return to work after a period of absence, he will cease to be either an Active CARE Member or a DC Scheme Life Assurance Member on the earliest of the date:
 - (i) he informs his Employer that he will not be returning to work;
 - (ii) his Employer terminates his employment; or

(iii) such other date as the Principal Employer decides and notifies to the Trustees.

(b) The Principal Employer's confirmation of the date is final.

13 Part-Time Workers

13.1 Application of this Rule

(a) This Rule applies to any Active CARE Member who is in Part-Time Employment for any period of Pensionable CARE Service.

(b) This Rule overrides the rest of the Rules contained in this Appendix One to Schedule Four of Part F of the Rules in respect of periods of Part-Time Employment relating to the calculation of all CARE Benefits held in the Scheme.

13.2 Adjustment of Part-Time Active CARE Member's CARE Benefits

(a) If an Active CARE Member is in Part-Time Employment for any period of Pensionable CARE Service:

(i) his CARE Salary for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\text{CARE Salary} \quad \times \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$

(ii) his Pensionable CARE Service for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}} \times \text{Period of Part-Time Pensionable CARE Service}$$

(iii) the upper earnings limit used to determine the level of an Active CARE Member's contributions or rate at which salary should be sacrificed from his pay under a pension salary sacrifice arrangement under Rule 3.2 of this Appendix One to Schedule Four of Part F of the Rules in respect of each period of Part-Time Employment, will be adjusted by the following formula:

$$\text{upper earnings limit} \quad \times \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

For the purposes of this adjustment, upper earnings limit has the same meaning as in Rule 3.2 of this Appendix One to Schedule Four of Part F of the Rules;

- (iv) the Salary Cap for the purposes of calculating his CARE Pension and level of Active CARE Member's contributions or rate at which salary should be sacrificed from his pay under pension salary sacrifice arrangements under Rule 3.2 of this Appendix One to Schedule Four of Part F of the Rules in respect of each period of Part-Time Employment, will be adjusted using the following formula:

$$\text{Salary Cap} \quad \times \quad \frac{\text{Average Weekly Contractual Hours}}{\text{Standard Weekly Hours}}$$

- (v) with effect on and from 1 April 2009 for Pensionable CARE Service earned after that date his Gross Band Earnings for the purposes of calculating his CARE Pension in respect of each period of Part-Time Employment will be adjusted using the following formula:

$$\text{Gross Band Earnings} \quad \times \quad \frac{\text{Standard Weekly Hours}}{\text{Average Weekly Contractual Hours}}$$

Provided that Gross Band Earnings in all cases will not be greater than the upper earnings limit.

- (b) If an Active CARE Member has more than one period Service which is Part-Time Employment and / or Full-Time Employment, each one will be treated separately.
- (c) The Trustees will determine all questions of doubt in respect of the calculation of an Active CARE Member's CARE Benefits for periods of Part-Time Employment if there is an inadequacy in the data provided to them.

13.3 The Meaning of Words used in this Rule 13

- (a) "Average Weekly Contractual Hours" is the average number of hours in each standard working week for which an Active CARE Member is contracted to work for an Employer.
- (b) "Standard Weekly Hours" is the number of hours during a standard working week which an Active CARE Member would be contracted to work for an Employer if he was contracted to work on a full-time basis.
- (c) "Part-Time Employment" is any period of Pensionable CARE Service during which an Active CARE Member is contracted to work for a lower number of

weekly hours of work than those applicable to an Active CARE Member who is contracted to work on a full-time basis.

14 CARE Pension Increases

14.1 The Rate of Pension Increases

(a) A pension which is in payment will increase on each 1 April:

(i) for:

(A) a CARE Pensioner; or

(B) an Adult Dependant and/or Dependant Children of either an Active CARE Member, Deferred CARE Member or CARE Postponed Pensioner

by the smaller of the Rate and $1/365$ th of the Rate multiplied by the number of days since the date pension started;

(ii) for an Adult Dependant or Dependant Children of a CARE Pensioner, by the Rate.

(b) "Rate" as at each 1 April is the lower of:

(i) the annual rise in the published Government retail prices index for all items for the immediately preceding month of September; and

(ii) 2.5%.

Conditions:

(A) If:

1) for any period on and after 1 January 2008, the Rate is lower than the rise in the Government retail prices index for all items under (b)(i) above; and

2) the Actuary advises the Trustees that either:

1a) whilst the Scheme is a Sectionalised Scheme, Section 2 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 2); or

1b) after the Scheme has become desectionalised, the

Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and

3) the Principal Employer consents in writing

the Trustees may apply a Rate of greater than 2.5% at the next 1 April.

(B) Any increase in pension required to be paid by Section 2 of the Scheme by statute will be included within any increase in pension payable under this Rule.

(C) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

15 Definitions used in this Appendix One to Schedule Four of Part F of the Rules

15.1 Meaning of Words Used in Appendix One

In this Appendix One to Schedule Four of Part F of the Rules only, the words listed below have the following meanings:

"Active CARE Member" means a CARE Member who has:

- (a) joined Section 2 of the Scheme to be provided with CARE Benefits under Rule 2.1 of this Appendix One to Schedule Four of Part F of the Rules; and
- (b) makes contributions to Section 2 of the Scheme or has a pension salary sacrifice arrangement in place with his Employer under Rule 3.2 of this Appendix One to Schedule Four of Part F of the Rules; and
- (c) not yet left Pensionable CARE Service. (For these purposes absence whilst the Active CARE Member remains in Service under Rule 12 of this Appendix One to Schedule Four of Part F of the Rules is ignored).

"Active CARE Membership" has a corresponding meaning.

"Adoption Leave" is defined in Rule 12.1 of this Appendix One to Schedule Four of Part F of the Rules.

"Adult Dependant" means the CARE Member's widow, widower or Civil Partner as at the date of his death.

If the CARE Member was unmarried and had not entered into a Civil Partnership as at the date of his death, the Trustees may, in their absolute discretion, determine that any person who was:

- (a) living with the CARE Member in a relationship akin to marriage or a Civil Partnership; and
- (b) financially dependent or inter-dependent on the CARE Member at the date of his death

is his Adult Dependant.

“Average Weekly Contractual Hours” is defined in Rule 13.3 of this Appendix One to Schedule Four of Part F of the Rules.

“Averaged Revalued CARE Salary” is defined in Rule 4.2 of this Appendix One to Schedule Four of Part F of the Rules.

“CARE Member” means a person who is entitled or prospectively entitled to CARE Benefits from Section 2 of the Scheme. Unless the context requires otherwise, CARE Member includes:

- (a) an Active CARE Member, Deferred CARE Member, CARE Postponed Pensioner and CARE Pensioner; and
- (b) excludes a DC Scheme Life Assurance Member for all purposes other than the payment of benefits upon the death of a DC Scheme Life Assurance Member.

“CARE Membership” has a corresponding meaning.

“CARE Pension” is defined in Rule 4.1 of this Appendix One to Schedule Four of Part F of the Rules.

“CARE Pension Date” means the CARE Member’s or DC Scheme Life Assurance Member’s 65th birthday.

“CARE Pensioner” means a CARE Member who is being paid a CARE Pension from Section 2 of the Scheme by virtue of his own CARE Membership.

“CARE Postponed Pensioner” means a CARE Member who:

- (a) remains in the employment of an Employer after his CARE Pension Date; and
- (b) has deferred or is deemed to have deferred payment of his CARE Pension under Rule 5.4(b) of this Appendix One to Schedule Four of Part F of the Rules; and

- (c) whose CARE pension has not started to be paid.

“CARE Salary” means the Active CARE Member’s:

- (a) basic salary had the Active CARE Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) CARE Salary is determined as at each 1 April and confirmed to the Active CARE Member annually by his Employer in writing after that date.
- (ii) An Active CARE Member’s CARE Salary cannot be greater than the Salary Cap.
- (iii) An Active CARE Member’s first CARE Salary for the purposes of calculating CARE Benefits in the Scheme was the CARE Salary in respect of the W Vinten Scheme determined as at 31 December 2007 and notified to him in writing. It was applied from 1 January 2008 to 31 March 2008 inclusive in that scheme.
- (iv) In the case of an Active CARE Member who has entered into a pension salary sacrifice arrangement with his Employer, for the purposes of calculating all of his CARE Benefits, his CARE Salary will be calculated ignoring the effect of any salary sacrifice arrangements in force between him and his Employer from time to time.

“Cash Transfer Sum” means a cash equivalent transfer as described in Section 101AB (3) of the 1993 Act.

“Contribution Refund” has the meaning given to it in Section 101AB of the 1993 Act.

“DC Scheme Life Assurance Member” means an employee:

- (a) who was in the employment of an Employer on 31 December 2007; and
- (b) who elected to join the DC Scheme after 31 December 2007; and
- (c) in respect of whom contributions are made by an employer in the group of companies owned by Thales Holdings UK plc (or its successors) to the DC Scheme.

“DC Lump Sum” is defined in Rule 8.1(d) of this Appendix One to Schedule Four of Part F of the Rules.

"DC Salary" means the DC Scheme Life Assurance Member's:

- (a) basic salary had the DC Scheme Life Assurance Member not entered into any salary sacrifice arrangements; and
- (b) any shift premium received by him from his Employer in the previous 12 months.

Conditions:

- (i) DC Salary is determined as at each 1 April and confirmed to the DC Life Assurance Scheme Member annually by his Employer in writing after that date.
- (ii) A DC Scheme Life Assurance Member's DC Salary cannot be greater than the Salary Cap.
- (iii) DC Salary will be calculated ignoring the effect of any salary sacrifice arrangements in force between him and his Employer from time to time.

"Deferred CARE Member" means a CARE Member who has:

- (a) not attained his CARE Pension Date or has deferred commencement of his CARE Pension after his CARE Pension Date;
- (b) left Pensionable CARE Service (regardless of whether he remains in the employment of an Employer or not); and
- (c) not either:
 - (i) started to be paid his CARE Pension; or
 - (ii) received any benefits payable under Rule 6.1 of this Appendix One to Schedule Four of Part F of the Rules.

Deferred CARE Member includes a person treated as such under Rule 11.3 of this Appendix One to Schedule Four of Part F of the Rules.

"Dependant Child(ren)" means a child who was:

- (a) the CARE Member's:
 - (i) natural child;
 - (ii) adopted child;
 - (iii) step child who the Trustees consider, in their absolute discretion, was dependent upon the CARE Member; and

- (iv) any child who the Trustees consider, in their absolute discretion, the CARE Member would have been regarded as a child for whom he was responsible as a parent and where in the opinion of the Trustees the child was dependent on the CARE Member; and
- (b) at the date of the CARE Member's death was:
 - (i) under the age of 18; or
 - (ii) under the age of 23 and in full-time education.

Condition:

Dependant Child includes a child who was conceived and in his mother's womb but not yet born at the date of the CARE Member's death.

"Early Retirement Reduction" is the amount by which a CARE Member's CARE Pension is reduced to take account of the period of time by which the CARE Pension is being paid early.

- (a) With effect on and from 1 January 2008, the amount of the Early Retirement Reduction in respect of the CARE Pension will be 5% for each complete year (and a pro rata amount for each complete month of any part year) that the CARE Pension is paid before the CARE Member's CARE Pension Date.
- (b) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the Early Retirement Reduction to an alternative Early Retirement Reduction which may be higher or lower than the Early Retirement Reduction set out in (a) above. But,
 - (i) such an Early Retirement Reduction agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:
 - (A) whilst the Scheme is a Sectionalised Scheme, the assumptions used at the last actuarial valuation for Section 2 of the Scheme; or
 - (B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme;
 - (ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).

- (c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Four of Part F of the Rules, the Principal Employer and Trustees must review the Early Retirement Reduction and agree the Early Retirement Reduction to be applied. If the Principal Employer and the Trustees cannot agree the Early Retirement Reduction under this (c), the Actuary will either:
- (i) revise the Early Retirement Reduction by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or
 - (ii) leave the Early Retirement Reduction unchanged.

“Family Leave” is defined in Rule 12.1 of this Appendix One to Schedule Four of Part F of the Rules.

“LAF” is defined in Rule 4.2 of this Appendix One to Schedule Four of Part F of the Rules.

“LAF Base Table” is defined in Rule 4.2 of this Appendix One to Schedule Four of Part F of the Rules.

“LAF Recalculation Table” is defined in Rule 4.2 of this Appendix One to Schedule Four of Part F of the Rules.

“Late Retirement Increase” is the amount by which a CARE Member’s CARE Pension is increased to take account of the period of time by which the CARE Pension is being paid late.

- (a) With effect on and from 1 January 2008, the amount of the Late Retirement Increase in respect of the CARE Pension will be 8.5% for each complete year (and a pro rata amount for each complete month of any part year) that the CARE Pension is paid after the CARE Member’s CARE Pension Date.
- (b) The Principal Employer with the agreement of the Trustees may from time to time and at any time alter the Late Retirement Increase to an alternative Late Retirement Increase which may be higher or lower than the Late Retirement Increase set out in (a) above. But,
 - (i) such a Late Retirement Increase agreed under this (b) cannot be implemented unless it is first certified as reasonable by the Actuary having regard to either:
 - (A) whilst the Scheme is a Sectionalised Scheme, the assumptions

used at the last actuarial valuation for Section 2 of the Scheme;
or

(B) when the Scheme is desectionalised, the assumptions used at the last actuarial valuation for the Scheme; and

(ii) a rate agreed and certified under this (b) will remain in force until such time as a new rate is agreed and certified under this (b).

(c) If the LAF is recalculated under the terms of Rule 4.3 of this Appendix One to Schedule Four of Part F of the Rules, the Principal Employer and Trustees must review the Late Retirement Increase and agree the Late Retirement Increase to be applied. If the Principal Employer and the Trustees cannot agree the Late Retirement Increase under this (c), the Actuary will either:

(i) revise the Late Retirement Increase by no more than an amount to reflect the change in life expectancy underlying the change in the LAF in force immediately before the last LAF recalculation date and the recalculated LAF which started the review under this definition; or

(ii) leave the Late Retirement Increase unchanged.

“Lump Sum Benefit” is defined in Rule 8.1(c) of this Appendix One to Schedule Four of Part F of the Rules.

“Paid Absence” is defined in Rule 12.2(b) of this Appendix One to Schedule Four of Part F of the Rules.

“Paid Family Leave” is defined in Rule 12.1(b) of this Appendix One to Schedule Four of Part F of the Rules.

“Parental Leave” is defined in Rule 12.1(a) of this Appendix One to Schedule Four of Part F of the Rules.

“Part-Time Employment” is defined in Rule 13.3(c) of this Appendix One to Schedule Four of Part F of the Rules.

“Paternity Leave” is defined in Rule 12.1(a) of this Appendix One to Schedule Four of Part F of the Rules.

“Pensionable CARE Service” means a CARE Member’s:

(a) last or only continuous period of Service as an Active CARE Member;

(b) any additional period of Service as an Active CARE Member aggregated with the

CARE Member's last period of Service as an Active CARE Member; and

- (c) any additional period of Pensionable CARE Service awarded to the CARE Member in respect of a transfer payment received by Section 2 of the Scheme or augmentation made in respect of his CARE Benefits for him where the Trustees, with the agreement of the Principal Employer have determined to award Pensionable CARE Service in respect of such a transfer or augmentation.

"Rate" is defined in Rule 14.1(b) of this Appendix One to Schedule Four of Part F of the Rules.

"Revalued CARE Salary" is defined in Rule 4.2(d) of this Appendix One to Schedule Four of Part F of the Rules.

"Revaluation Factor" is defined in Rule 4.2(e) of this Appendix One to Schedule Four of Part F of the Rules.

"Salary Cap" is determined each year as at each 1 April and is calculated as:

- (a) the Salary Cap in force on each 31 March;
- (b) increased on 1 April by the rise in the published Government's retail prices index for all items for the immediately preceding month of September. If the figure arrived at is not a multiple of £600, the figure will be rounded up to the nearest figure that is divisible by £600.

Conditions:

- (i) If in any year the published Government retail prices index for all items has not increased, the Salary Cap for that year will remain unchanged.
- (ii) The first Salary Cap is £112,800 which will apply from 1 January 2008 to 31 March 2008 inclusive in respect of CARE Benefits earned in the W Vinten Scheme. The second Salary Cap to apply from 1 April 2008 to 30 June 2008 in W Vinten Scheme and from 1 July 2008 to 31 March 2009 to CARE Benefits earned in the Scheme is £117,600.
- (iii) If an Active CARE Member has a period of Part-Time Employment the Salary CAP will be adjusted in accordance with Rule 13 of this Appendix One to Schedule Four of Part F of the Rules.
- (iv) If the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer, with the agreement of the Trustees, will determine the nearest alternative index to be applied.

"Serious Ill-Health" is the total incapacity of an Active CARE Member by reason of illness or injury such that the Principal Employer, with the agreement of the Trustees, are satisfied (after taking the advice of a registered medical practitioner selected by the Principal Employer with the agreement of the Trustees) that the Active CARE Member is not able to carry out the material and substantial duties of his occupation.

"Service" means service as an employee of an Employer.

"Standard Weekly Hours" is defined in Rule 13.3(b) of this Appendix One to Schedule Four of Part F of the Rules.

"Three Month Condition" has the meaning given to it in Section 101AA of the 1993 Act.

"Unpaid Absence" is defined in Rule 12.2(c) of this Appendix One to Schedule Four of Part F of the Rules.

"Unpaid Family Leave" is defined in Rule 12.1(c) of this Appendix One to Schedule Four of Part F of the Rules.

15.2 Other Definitions used in this Appendix One to Schedule Four

(a) In this Appendix One to Schedule Four of Part F of the Rules, the words "Child", "Children", "Deferred Pensioner", "Normal Retirement Date", "Pensionable Service", "Pensioner", "Postponed Pensioner" and "Scheme Spouse" have the meanings given to them in Appendix Two to Schedule Four of Part F of the Rules.

(b) In this Appendix One to Schedule Four of Part F of the Rules, all other definitions are defined in Part A of the Rules unless the Rules expressly state otherwise.

16 Restrictions on Lump Sum Death Benefits

16.1 In the event that the Lump Sum Benefit payable upon the death of an Active CARE Member or a DC Scheme Life Assurance Member is insured by the Scheme using a policy of insurance from an insurance company, the maximum amount of the Lump Sum Benefit will be determined in accordance with this Rule 16.

16.2 The Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule Four of Part F of the Rules in respect of an Active CARE Member or a DC Scheme Life Assurance Member will not be greater than the monies paid by the insurance company under the policy of insurance effected by the Scheme to the Trustees in respect of the deceased Active CARE Member or DC Scheme Life Assurance Member (as applicable).

- 16.3 If Rule 16.2 above applies, the Trustees may pay a sum greater than the monies received from the insurance company but not greater than the Lump Sum Benefit. This Rule applies only if the Actuary advises the Trustees that the Scheme is fully funded on its ongoing funding basis using either:
- (a) if the Scheme is a Sectionalised Scheme, the assumptions used at the Scheme's previous actuarial valuation for Section 2 of the Scheme; or
 - (b) if the Scheme has desectionalised, the assumptions used at the Scheme's previous actuarial valuation for the Scheme.
- 16.4 This Rule is subject to the terms of legislation relating to age discrimination and disability discrimination insofar as they apply to the Scheme.
- 16.5 This Rule 16 will not apply to have the effect of reducing the Lump Sum Benefit payable under Rule 8 of this Appendix One to Schedule Four of Part F of the Rules where either:
- (a) the Trustees are aware that the application of this Rule will have the effect of reducing the Lump Sum Benefit payable upon the death of an Active CARE Member or DC Scheme Life Assurance Member due to the level of such a Active CARE Member's or DC Scheme Life Assurance Member's pay from an Employer or the state of his health and the Trustees have failed to inform the Active CARE Member or DC Scheme Life Assurance Member of the effect of this Rule upon the Active CARE Member's or DC Scheme Life Assurance Member's Lump Sum Benefit within one (1) month of becoming aware of it; or
 - (b) the full extent of the Lump Sum Benefit is not insured due to an act or omission or failure on the part of the Trustees or the Active CARE Member's or DC Scheme Life Assurance Member's Employer.

Provided that this Rule 16.5 will not apply if the reduction in the Lump Sum Benefit is caused as a direct result of an act, omission or failure by the Active CARE Member or DC Scheme Life Assurance Member to ensure that the Lump Sum Benefit is insured in full.

**SCHEDULE FOUR OF PART F OF THE RULES
FINAL SALARY BENEFITS RULES FOR FORMER W VINTEN BENEFICIARIES**

APPENDIX TWO

1 General Benefits Description

1.1 Type of Benefits

The Rules for Final Salary Benefits provide final salary style benefits for all Pensionable Service in the W Vinten Scheme before 1 January 2008 in accordance with the trust provisions of the W Vinten Scheme from time to time in force since the inception of the W Vinten Scheme on 4 March 1997 up until 31 December 2007 which are transferred to Section 2 of the Scheme.

1.2 Contracting-out Status

The Final Salary Benefits are contracted-out on a salary related basis in so far as was required by the trust provisions and / or rules of the W Vinten Scheme in force from time to time since the inception of the W Vinten Scheme and shall be provided in a manner consistent such contracting-out requirements.

1.3 Tax Status and Scheme Benefit Limits

- (a) Subject to (b) below, the Final Salary Benefits are subject to and restricted by Scheme Benefit Limits set out in Part G of the Rules which limit and restrict the amount and payment of benefits in respect of all Former W Vinten Beneficiaries who were entitled to Final Salary Benefits from the W Vinten Scheme earned before 1 January 2008 and transferred to Section 2 of the Scheme.
- (b) Part G is varied so that subject to any restrictions determined by the Trustees, the Member may take any Additional Voluntary Contributions paid to the Former Scheme as cash.

2 Applicable W Vinten Rules - Members who left Pensionable Service before 1 January 2008

2.1 For the purposes of this Appendix Two to Schedule Four of Part F of the Rules, the following terms have the following meanings:

- (a) "W Vinten Rules" means the provisions of the definitive trust deed and rules dated 8 March 1999 ("the Definitive Deed and Rules") in force in respect to Former W Vinten Beneficiaries before 30 June 2008 as amended by all deeds of amendment other than the 2007 Deed of amendment unless the Rules expressly state otherwise.

- (b) "Old Rules" means any provisions of any trust deed and rules of the W Vinten Scheme in force before the W Vinten Rules came into force on 8 March 1999 which continued to apply to any Former W Vinten Beneficiaries in the W Vinten Scheme before 1 July 2008.
- (c) "2007 Deed" means the Enhanced Benefits Appendix of the deed of amendment dated 21 December 2007.

2.2 Subject to Rule 1.3 of this Appendix Two to Schedule Four of Part F of the Rules, for the purposes of this Appendix Two to Schedule Four of Part F of the Rules the following provisions apply in respect of all Former W Vinten Beneficiaries who ceased to be in Pensionable Service in the W Vinten Scheme before 1 January 2008 and are neither Scheme Enhanced Members or Former Scheme Enhanced Members:

- (a) the Old Rules in force from time to time before 8 March 1999 which applied to any Former W Vinten Beneficiaries of Section 2 of the Scheme in respect of their Final Salary Benefits before that date for the purposes of determining the nature, amount, value and the calculation of the Former W Vinten Beneficiary's Final Salary Benefits transferred from the W Vinten Scheme to Section 2 of the Scheme;
- (b) in respect of Former W Vinten Beneficiaries to whom Rule 2.2(a) does not apply, the provisions of the W Vinten Rules listed below will (with the necessary alterations to points of detail) be treated as applying to any Former W Vinten Beneficiaries of Section 2 of the Scheme for the purposes of determining the nature, amount, value and the calculation of the Former W Vinten Beneficiary's Final Salary Benefits transferred from the W Vinten Scheme to Section 2 of the Scheme (unless the context clearly requires otherwise):
 - (i) clauses 2.1 and 2.2 of the Definitive Deed and Rules;
 - (ii) rule 2 of section A of the Definitive Deed and Rules;
 - (iii) rule 6 of schedule B of the Definitive Deed and Rules;
 - (iv) all of the rules contained in sections D and E of the Definitive Deed and Rules;
 - (v) all of the rules contained in section F other than rules 17.1 and 17.2 of the Definitive Deed and Rules;
 - (vi) all of the rules contained in section G other than rules 23.1 to 23.4 (inclusive) and 23.8.1 of the Definitive Deed and Rules;

- (vii) all of the rules contained in section H other than rules 24.5, 25, 26 and 27 of the Definitive Deed and Rules;
- (viii) all of the rules in the contracting out appendix Definitive Deed and Rules;
- (ix) all of the definitions contained in the definitions appendix or any other provisions of the Definitive Deed and Rules or appendices used in the above listed provisions (as amended from time to time and in particular by the 2007 Deed) but only in so far as it is necessary to interpret the above listed rules.

Provided that such definitions will only have the meanings given to them in the above listed provisions and will not be construed in accordance with any other definitions in the Rules.

2.3 Rule 3 of this Appendix Two to Schedule Four of Part F of the Rules does not apply to any Former W Vinten Scheme Beneficiary who is neither a Scheme Enhanced Member nor a Former Enhanced Member (both as defined in Rule 3.1 below).

2.4 For the purposes of this Appendix Two to Schedule Four of Part F of the Rules a W Vinten Beneficiary who:

- (a) on 31 December 2007:
 - (i) had attained his Normal Retirement Date;
 - (ii) had selected an option under rule 12 of section D and is a Postponed Pensioner;
 - (iii) was not in receipt of his pension for Final Salary Benefits; and

(b) on 30 June 2008 was still not in receipt of his pension for Final Salary Benefits

will continue to be treated as a Postponed Pensioner in Section 2 of the Scheme under the terms of rule 12 of section D of the W Vinten Rules for benefits earned before 1 January 2008.

3 Applicable W Vinten Rules - Members who were in Pensionable Service at any time after 31 December 2007 and entitled to Enhanced Benefits

3.1 Members affected by Enhanced Benefits and the Meaning of Past Service Pension

- (a) For the purposes of this Appendix Two to Schedule Four of Part F of the Rules, "Scheme Enhanced Member" means any Former W Vinten Beneficiary who:

- (i) was an Enhanced Member in respect of Final Salary Benefits under the terms of the W Vinten Rules as amended by the 2007 Deed; and
- (ii) who transferred his Final Salary Benefits to Section 2 of the Scheme with effect on and from 1 July 2008; and
- (iii) was either an:
 - (A) Active CARE Member of Section 2 of the Scheme; or
 - (B) employee in respect of whom an employer in the group of companies owned by Thales Holdings (UK) plc or its successors make contributions to the DC Scheme

after 30 June 2008.

- (b) For the purposes of this Appendix Two to Schedule Four of Part F of the Rules, "Former Enhanced Member" means any Former W Vinten Beneficiary who:
 - (i) was an Enhanced Member in respect of Final Salary Benefits under the W Vinten Rules as amended by the 2007 Deed; and
 - (ii) ceased to be an Enhanced Member in the W Vinten Scheme after 1 January 2008 but before 1 July 2008; and
 - (iii) who transferred his Final Salary Benefits to Section 2 of the Scheme.
- (c) For the purposes of this Appendix Two to Schedule Four of Part F of the Rules, the "Past Service Pension" is calculated using a Scheme Enhanced Member's or Former Enhanced Member's (as applicable) Pensionable Service and Final Pensionable Salary calculated as at 31 December 2007 in accordance with the W Vinten Rules (as amended by the 2007 Deed). Past Service Pension does not include any Previous Membership Benefits.

3.2 Scheme Enhanced Members' and Former Enhanced Members' Benefits and Benefit Options

- (a) Subject to Rule 1.3 of this Appendix Two to Schedule Four of Part F of the Rules, a Former W Vinten Scheme Beneficiary who is either a Scheme Enhanced Member or a Former Enhanced Member will have his Final Salary Benefits calculated in accordance with the provisions listed in Rule 2.2 (with the necessary alterations to points of detail) as amended by the provisions in Rule 3 to this Appendix Two to Schedule Four of Part F of the Rules.
- (b) All Former W Vinten Beneficiaries who are Scheme Enhanced Members in

Section 2 of the Scheme will, whilst they remain Scheme Enhanced Members of Section 2 of the Scheme, have the same benefit options in respect of their Final Salary Benefits held in Section 2 of the Scheme as Members of the W Vinten Scheme in Pensionable Service on 31 December 2007 had under the terms of the W Vinten Rules, but such benefit options are as amended by Rules 3.4 to 3.13 of this Appendix Two to Schedule Four of Part F of the Rules.

- (c) All Former W Vinten Beneficiaries who are Former Enhanced Members in Section 2 of the Scheme will have the same benefit options in respect of their Final Salary Benefits held in Section 2 of the Scheme as they had under the terms of the W Vinten Rules (as amended by the 2007 Deed) as Enhanced Members who had stopped being Enhanced Members under those rules.

3.3 Revaluation of Final Salary Benefits earned before 31 December 2007 for Former Enhanced Members

Each of the Former W Vinten Beneficiaries who is a Former Enhanced Member and was entitled to Final Salary Benefits payable under the W Vinten Rules will be entitled to Final Salary Benefits in Section 2 of the Scheme which are:

- (a) of the same nature, amount, value and calculated in the same way as the Former Enhanced Member's Past Service Pension in the W Vinten Scheme; and
- (b) adjusted in accordance with the terms of the 2007 Deed from 1 January 2008 to the date he stopped being an Enhanced Member in the W Vinten Scheme; and
- (c) revalued in Section 2 of the Scheme using the final salary method of statutory revaluation (as set out in section 84(1) and paragraphs 1 and 2 of Schedule 3 of the 1993 Act) to the earlier of the date:
 - (i) of his death;
 - (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Four of Part F of the Rules; or
 - (iii) his Normal Retirement Date.

3.4 Revaluation of Final Salary Benefits earned before 31 December 2007 for Scheme Enhanced Members

- (a) Each of the Former W Vinten Beneficiaries who is a Scheme Enhanced Member of Section 2 of the Scheme is entitled to Final Salary Benefits payable under the W Vinten Rules which is:

- (i) of the same nature, amount, value and calculated in the same way as the Scheme Enhanced Member's Past Service Pension in the W Vinten Scheme ; and
 - (ii) then adjusted in accordance with the terms of this Rule 3.4 of this Appendix Two to Schedule Four of Part F of the Rules.
- (b) A Scheme Enhanced Member's Past Service Pension will be revalued as at 1 April 2008 in W Vinten Scheme. Thereafter, subject to (c) below, a Scheme Enhanced Member's Past Service Pension will be revalued as at each 1 April in Section 2 of the Scheme by the Special Revaluation Factor for the Revaluation Period.
- (c) As at the date a Scheme Enhanced Member stops being a Scheme Enhanced Member in Section 2 of the Scheme, his Past Service Pension will not be less than the aggregate of:
- (i) in the case of that part of the Scheme Enhanced Member's Past Service Pension which is in excess of his Guaranteed Minimum Pension, that part of his Past Service Pension revalued by the Special Revaluation Factor for the Revaluation Period; and
 - (ii) in the case of that part of the Scheme Enhanced Member's Past Service Pension which is his Guaranteed Minimum Pension, his Guaranteed Minimum Pension revalued from 1 January 2008 to the date he ceased to be a Scheme Enhanced Member by the greater of statutory revaluation applied to a Guaranteed Minimum Pension under the terms of the 1993 Act or revaluation applied by the W Vinten Rules in force before 1 January 2008, if higher.

Conditions:

- (A) The "Special Revaluation Factor" is the Revaluation Rate compounded over the Revaluation Period.
- (B) The "Revaluation Rate" is the rise in the Government retail prices index for all items compound each year for the Revaluation Period. The Revaluation Rate will not be greater than the Maximum Revaluation Rate set out in paragraph (C) below and will not be a negative amount.
- (C) The "Maximum Revaluation Rate" is what the Revaluation Rate would be if the rise in the Government retail prices index for all items was eight (8) per cent compound each year for the Revaluation Period.

(D) The "Revaluation Period" is the period from 1 January 2008 to the 1 April immediately preceding the date the Scheme Enhanced Member stops being a Scheme Enhanced Member.

(E) The rise in the Government retail prices index for all items used for the Revaluation Rate is:

1) in the case of revaluation applied in the W Vinten Scheme as at 1 April 2008, a full year's increase using the annual rise in the Government retail prices index for all items published for September 2007; and

2) for each subsequent 1 April in Section 2 of the Scheme the annual rise in the Government retail prices index for all items published for the immediately preceding month of September.

(F) If:

1) for any period during the Revaluation Period, the rise in the Government retail prices index for all items is higher than eight (8) per cent compound each year;

2) the Actuary advises the Trustees that either:

1a) whilst the Scheme is a Sectionalised Scheme, Section 2 of the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation for Section 2); or

1b) after the Scheme has become desectionalised, the Scheme is fully funded on its ongoing funding basis (using the assumptions used at the Scheme's previous actuarial valuation); and

3) the Principal Employer consents in writing

the Trustees may apply a higher Special Revaluation Factor than is provided for under these Rules for such period as the Principal Employer agrees.

(G) if the Government retail prices index for all items is not published or its compilation is materially changed, the Principal Employer with the agreement of the Trustees will decide the nearest alternative index to

be applied.

- (d) A Former W Vinten Beneficiary who is a Scheme Enhanced Member of Section 2 of the Scheme will stop being a Scheme Enhanced Member when either:
- (i) he stops being an Active CARE Member under the terms of this Appendix One to Schedule Four of Part F of the Rules; or
 - (ii) an employer in the group of companies owned by Thales Holdings UK plc (or its successors) stops paying contributions to the DC Scheme in respect of him

at a date after 30 June 2008.

- (e) When a Scheme Enhanced Member stops being a Scheme Enhanced Member before his Normal Retirement Date for the purposes of this Appendix Two to Schedule Four of Part F of the Rules, if his Past Service Pension does not immediately start to be paid from Section 2 of the Scheme, he will become a Deferred Pensioner and his Deferred Benefits will be calculated in accordance with the terms of Rule 3.4(c) above up to the date he ceased to be a Scheme Enhanced Member.

Thereafter, the Trustees will revalue the Past Service Pension using the final salary method of statutory revaluation (as set out in section 84(1) and paragraphs 1 and 2 of Schedule 3 of the 1993 Act) from the date he ceased to be a Scheme Enhanced Member to the earlier of the date:

- (i) of his death;
 - (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Four of Part F of the Rules; or
 - (iii) his Normal Retirement Date.
- (f) Under the terms of this Rule 3.4, a Scheme Enhanced Member's Past Service Pension at the earlier of the date:
- (i) of his death;
 - (ii) his Past Service Pension starts to be paid under the Rules of this Appendix Two to Schedule Four of Part F of the Rules; or
 - (iii) of his Normal Retirement Date

will not be less than the pension he would have been entitled to as a Member of the W Vinten Scheme becoming a Deferred Pensioner entitled to Final Salary Benefits on 31 December 2007 under the terms of the W Vinten Rules upon the basis that the part of his Deferred Benefits which are in excess of his Guaranteed Minimum Pension and his Guaranteed Minimum Pension will be revalued separately in accordance with either the requirements of statutory revaluation or the provisions of the W Vinten Rules, if higher, in force on 31 December 2007.

- (g) If, when a Scheme Enhanced Member stops being a Scheme Enhanced Member and his Past Service Pension immediately starts to be paid from the Scheme, he will be a Pensioner in receipt of his pension from that date in respect of his Past Service Pension.
- (h) If a Scheme Enhanced Member remains in Service upon attaining his Normal Retirement Date and his Past Service Pension does not start to be paid from Section 2 of the Scheme he will be a Postponed Pensioner in respect of his Past Service Pension from his Normal Retirement Date.

3.5 Ill-Health Early Retirement - Special Rules for Scheme Enhanced Members

- (a) If a Scheme Enhanced Member is suffering from ill-health or incapacity under the terms of rule 11.2 of section D of the W Vinten Rules and an entitlement to a pension has arisen under the terms of rule 11.2 of section D of the W Vinten Rules, the Final Salary Benefits pension payable will be equal to the Scheme Enhanced Member's Past Service Pension adjusted in accordance with Rule 3.4 above to the date he stops being a Scheme Enhanced Member. No prospective service to Normal Retirement Date or Early Retirement Supplement under rule 11.4 of section D of the W Vinten Rules will be added to the pension, but the pension will not be reduced to take account of early payment under rule 11.5 of section D of the W Vinten Rules.
- (b) A Scheme Enhanced Member who is not able to work due to ill-health or injury and who is in receipt of payments from an employer's permanent health insurance must at least 50 per cent of either his:
 - (i) CARE Salary in the case of an Active CARE Member; or
 - (ii) DC Salary in the case of a DC Scheme Life Assurance Member; less
 - (iii) in either case statutory sick pay

is not entitled to apply for the payment of his Past Service Pension under this Rule 3.5 unless the Principal Employer with the agreement of the Trustees decide otherwise.

- (c) This Rule 3.4 will cease to apply when a Former W Vinten Beneficiary stops being a Scheme Enhanced Member.

3.6 Death whilst a Scheme Enhanced Member - Lump Sums

- (a) If a person dies whilst a Scheme Enhanced Member, Section 2 of the Scheme will pay on the discretionary trusts pursuant to Rule 74 of Part D of the Rules:
 - (i) a refund of the Scheme Enhanced Member's own contributions which he was required to pay to the W Vinten Scheme before 1 January 2008 and which have been transferred to Section 2 of the Scheme (and any sums which are treated as the Member's own contributions due to the receipt of a transfer in respect of him by the W Vinten Scheme before 1 July 2008 in respect of Final Salary Benefits transferred from the W Vinten Scheme to Section 2 of the Scheme); and
 - (ii) any benefits due under the terms of this Appendix Two to Schedule Four of Part F of the Rules as a result of the payment of Additional Voluntary Contributions paid before 1 January 2008 to the W Vinten Scheme under the terms of section G of the W Vinten Rules which have been transferred to Section 2 of the Scheme.
- (b) Any Final Salary Benefits lump sum death benefit (other than that referred to in Rule 3.6(a) above) which would have been paid upon the death of either a member or a Deferred Pensioner under the terms of the W Vinten Rules will not be paid.
- (c) The balance of the Scheme Enhanced Member's death in service lump sum benefits will be paid under the terms of Appendix One to Schedule Four of Part F of the Rules in accordance with the terms of Rule 74 of Part D to the Rules (regardless of whether the Scheme Enhanced Member is an Active CARE Member or a DC Scheme Life Assurance Member on the date of his death).

3.7 Death whilst a Scheme Enhanced Member - Pension Benefits

- (a) If a person dies whilst a Scheme Enhanced Member, Section 2 of the Scheme, subject to (b) below, will pay a pension in accordance with the terms of rules 18 and 19 of section F of the W Vinten Rules, in respect of his Past Service Pension.

- (b) The amount of any pension payable under Rule 3.7(a) above will be determined using the Scheme Enhanced Member's Past Service Pension adjusted to the date of his death in accordance with Rule 3.4 above. No prospective service will be included in the calculation of any pensions payable under the rules referred to in (a) above.
- (c) The balance of the pension payable upon the death of a Scheme Enhanced Member will be paid under the terms of Appendix One to Schedule Four of Part F of the Rules.

3.8 Prospective Service Benefits

No benefit payable to or in respect of a Scheme Enhanced Member from Section 2 of the Scheme in accordance with this Appendix Two to Schedule Four of Part F of the Rules will include in its calculation any prospective Pensionable Service.

3.9 Continued Life Assurance Benefits

(a) This Rule 3.9 applies to a Scheme Enhanced Member and a Former Enhanced Member:

(i) who either:

- (A) stops being a Scheme Enhanced Member; or
- (B) stopped being a Former Enhanced Member

due to incapacity under rule 11.2 of section D of the W Vinten Rules or Serious Ill-Health (or both); and

(ii) whose:

- (A) Past Service Pension payable under the terms of rule 11 of section D of the W Vinten Rules (as amended by Rule 3.5 above); or
- (B) CARE Pension payable under Rule 5.3 of Appendix One to Schedule Four of Part F of the Rules; or
- (C) both (A) and (B)

immediately starts to be paid upon him stopping being either a Scheme Enhanced Member of Section 2 of the Scheme or an Enhanced Member of the W Vinten Scheme .

(b) A Scheme Enhanced Member or Former Enhanced Member to whom this Rule 3.9

of Appendix Two of Schedule Four of Part F of the Rules applies will continue to be provided with the Lump Sum Benefit under this Rule 3.9 of Appendix Two of Schedule Four of Part F of the Rules from the date he either stops being a Scheme Enhanced Member of Section 2 of the Scheme or stopped being an Enhanced Member of the W Vinten Scheme to the earlier of:

- (i) his CARE Pension Date; and
 - (ii) any date before his CARE Pension Date when all of his pension benefits which are in payment from Section 2 of the Scheme (whether under the terms of this Appendix Two to Schedule Four or Appendix One to Schedule Four of Part F of the Rules or both) stop being paid (other than where benefits stop as a result of his death).
- (c) The amount of the Scheme Enhanced Member's or Former Enhanced Member's CARE Salary or DC Salary (as applicable) for the purposes of calculating his Lump Sum Benefit will be his CARE Salary or DC Salary as at the date he ceased to be either a Scheme Enhanced Member of Section 2 of the Scheme or an Enhanced Member of the W Vinten Scheme, increased by such amount as the Principal Employer decides from time to time.

3.10 Pension Commencement Lump Sum

- (a) Where a Scheme Enhanced Member or Former Enhanced Member has an entitlement to:
 - (i) Final Salary Benefits and CARE Benefits as a result of his own membership of the W Vinten Scheme which were transferred to Section 2 of the Scheme; and
 - (ii) In the case of a Scheme Enhanced Member only, CARE Benefits earned in Section 2 of the Schemehe can only exchange Past Service Pension for a pension commencement lump sum in proportion to the amount his Past Service Pension represents as a part of his aggregated pension from Section 2 of the Scheme when his Past Service Pension and his CARE Pension are aggregated together.
- (b) Where a Scheme Enhanced Member or Former Enhanced Member has an entitlement to Previous Membership Benefits, he can only exchange Previous Membership Benefits for pension commencement lump sum:
 - (i) in accordance with the W Vinten Rules which apply to it; and

- (ii) in proportion to the amount his Previous Membership Benefits represents as a part of his aggregated pension from Section 2 of the Scheme when his Previous Membership Benefits, Past Service Pension and his CARE Pension are aggregated together.

3.11 Other Benefits

- (a) Where a Scheme Enhanced Member or Former Enhanced Member has benefits which were transferred into Section 2 of the Scheme which relate to previous period of membership of the W Vinten Scheme which are separate from his Past Service Pension, those benefits will be paid under the terms of the W Vinten Rules in force at the relevant time when such previous period of membership in the W Vinten Scheme ended.
- (b) For the purposes of these Rules the benefits referred to in 3.11(a) are referred to as the "Previous Membership Benefits".

3.12 Early Leaver Rights

- (a) Where the W Vinten Rules applicable to the Former W Vinten Beneficiaries' Final Salary Benefits specify the manner in which the Preservation Requirements will be complied with under them, those rules will apply in respect of the Preservation Requirements.
- (b) If the provisions of the W Vinten Rules which apply to the Former W Vinten Beneficiaries' Final Salary Benefits referred to in (a) above do not specify the manner in which the Preservation Requirements will be complied with under them, the rules will be construed in a manner which is consistent with the Preservation Requirements.

3.13 Additional Voluntary Contributions

No Scheme Enhanced Member or Former Enhanced Member can pay Additional Voluntary Contributions to Section 2 of the Scheme under the terms of this Appendix Two to Schedule Four of Part F of the Rules

4 Meanings of Words Used

4.1 Use of Definitions in this Appendix Two to Schedule Three

In this Appendix Two to Schedule Four of Part F of the Rules, the following words have the following special meanings:

"2007 Deed" has the meaning given to it in Rule 2.1(c) of Appendix Two to Schedule Four of Part F of the Rules.

"Former Enhanced Member" has the meaning given to Rule 3.1(b) of Appendix Two to Schedule Four of Part F of the Rules.

"Maximum Revaluation Rate" has the meaning given in the conditions to Rule 3.3(b) of Appendix Two to Schedule Four of Part F of the Rules.

"Old Rules" has the meaning given to it in Rule 2.1(b) of Appendix Two to Schedule Four of Part F of the Rules.

"Past Service Pension" has the meaning given in Rule 3.1(c) of Appendix Two to Schedule Four of Part F of the Rules.

"Previous Membership Benefits" has the meaning given in Rule 3.11 of Appendix Two to Schedule Four of Part F of the Rules.

"Revaluation Period" has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Four of Part F of the Rules.

"Revaluation Rate" has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Four of Part F of the Rules.

"Scheme Enhanced Member" has the meaning given in Rule 3.1(a) of Appendix Two to Schedule Four of Part F of the Rules.

"Special Revaluation Factor" has the meaning given in the conditions to Rule 3.4(b) of Appendix Two to Schedule Four of Part F of the Rules.

"W Vinten Rules" has the meaning given to it in Rule 2.1(a) of Appendix Two to Schedule Four of Part F of the Rules.

4.2 Other Definitions used in Appendix Two to Schedule Four

- (a) In this Appendix Two to Schedule Four of Part F of the Rules, the words **"Active CARE Member"**, **"CARE Pension"**, **"CARE Pension Date"**, **"CARE Salary"**, **"DC Salary"**, **"DC Scheme Life Assurance Member"** and **"Serious Ill-Health"** have the meanings given to them in Appendix One to Schedule Four of Part F of the Rules.
- (b) In this Appendix Two to Schedule Four of Part F of the Rules, the words **"Active Member"**, **"Additional Voluntary Contributions"**, **"Deferred Pensioner"**, **"Enhanced Member"**, **"Final Pensionable Salary"**, **"Guaranteed Minimum Pension"**, **"Normal Retirement Date"**, **"Pensionable Service"** and **"Postponed Pensioner"** have the meanings given to them in the W Vinten Rules (as amended, where applicable, by the 2007 Deed).

- (c) In this Appendix Two to Schedule Four of Part F of the Rules, all other definitions are defined in Part A of the Rules.