yourretirement

RBS
The Royal Bank of Scotland Group

made to measure

A flexible plan to fit your needs

The Royal Bank of Scotland Group Retirement Savings Plan

A guide for members

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Introduction

The Royal Bank of Scotland Group Retirement Savings Plan is designed to adapt to your changing life. As well as paying an income in retirement, it pays attention to your financial needs before retirement.

Whatever your age, circumstances and priorities, you can fashion the Plan to fit your needs. It will allow you to vary your contributions and choose where to invest your savings and, whether you stop work or not, you can start taking your pension at any time from age 55, provided the Group agrees.

A core level of Life Cover is built into the Plan and you will also be provided with a core level of Disability Cover. You may be able to increase these levels of cover through RBS*elect*.

The amount of pension you receive after you retire depends, to a large extent, on how much your retirement savings account grows over the years. When you retire, your retirement savings account is used to buy benefits, normally a pension, and up to 25% as a lump sum, currently tax-free. So you need to make sure it's invested in a way you are happy with and that offers you the best chance of getting a good pension.

This guide to your Plan sets out the investment options that are available to you. It also covers some of the important issues you should think about when making your investment decision.

More information on the Retirement Savings Plan is also available via Access2Learning, the Group's online learning management system.

Membership of the Plan

Eligibility

Membership of the Plan is open to you if you are a permanent or fixed-term contract employee of The Royal Bank of Scotland Group and your contract of employment says you are eligible for membership, including those who decide to opt out of an existing Group final salary or money purchase plan.

As well as contributing to the Retirement Savings Plan, you can also contribute to a personal pension plan if you wish.

Joining the Plan

When you join the Group, you will also become eligible to join the Plan through RBS*elect,* the Group's benefits choice programme.

Contributions are automatically deducted from your ValueAccount and you will have 3 months from the date of joining to decide whether you would like to continue to pay contributions, the rate you would like to pay (which can be more or less than the default) and the funds to invest your contributions in. The default contribution is currently 10% and may be increased further at a later date. If you decide that you do not wish to contribute then any contributions paid during your initial 3 months with the Group will be refunded to you, less tax. The Group is obliged to automatically enrol all eligible UK employees into a pension plan as part of a Government initiative to encourage retirement savings. Therefore the Group will automatically enrol employees into the default contribution at regular intervals.

If you do not make any pension election then the default contribution rate will apply until the following RBS*elect* Pensions Election Window when you will have the opportunity to change the rate of your pension contribution.

Once you have joined and made contributions to the Plan, you can also choose to take a break from contributions in future years.

There is a core level of Life Cover built into the Plan, which currently provides a lump sum of three times your ValueAccount should you die in service. Additional benefits are available through RBS*elect*. The options may vary from year to year, and election of some options may be subject to underwriting. Through RBS*elect* you may also be provided with a core level of Disability Cover. You may be able to increase these levels of cover but please note that you cannot opt out of the core levels of Life Cover and Disability Cover.

Transfers in

You may be able, if the Group agrees, to transfer benefits from another pension arrangement. Please contact askHRdirect if you would like more information.

Opting out

You may opt out of the Plan by giving one month's notice. However, the RBS*elect* charge for this benefit will continue until the next RBS*elect* Pensions Election Window or Qualifying Lifestyle Event.

1 How it works

Benefits on retirement

When you join the Plan, an individual account is set up in your name. Contributions are paid into the Plan and credited to your account, which is invested with the aim of it growing in value over the years. What you get depends on the contributions paid, how the money invested grows, and the cost of buying a pension at retirement.

Contributions

You may choose to contribute as much or as little from your ValueAccount as you like into the Plan, subject to limits which will be advised if relevant to you. If you do not make an election then the default contribution level will apply. This is currently 10% of ValueAccount however is subject to change over time.

Once you have joined the Plan and started to make regular contributions, you also have the option to take a break from contributions altogether. Decisions on contribution levels are made through RBS*select*.

Contributions will normally be credited to your account within ten working days of each pay day, although this is not guaranteed.

How much should I pay?

Providing for your retirement is an important responsibility. The more you save now the better the income you should have in retirement. You can vary the pattern of your retirement saving over your working life to suit your circumstances as they change over time.

- You can save as much as you want for your retirement.
- There is a limit on the amount of pension contributions that receive tax relief. Since 6 April 2011 this limit is £50,000 per year and the HMRC have announced that this value will be fixed until April 2016.

  If your pension contributions are more than the new limit in any one year, you will have to pay tax at your marginal rate on the excess. In calculating the limit for any year, you may add any unused allowance from the previous three years, provided you were a member of a pension scheme in those years. The Trustee Board have determined that the year to 5 April will be used for this purpose and will apply retrospectively.

  As well as the limit on the amount of tax-advantaged pension saving you may make in a year, there is also a limit on the total amount of pension value you may build up. This reduced from £1.8 million to £1.5 million in April 2012.
- You can also contribute to a personal pension as well as being a member of the Retirement Savings Plan.

Important Information: If you have joined the Group in the UK on or after 6 April 2012 and have registered with HMRC for either fixed or enhanced protection you should contact the Pension Services team as your life cover needs to be established under a separate Trust in order to ensure that your protection is not invalidated. Please contact Group Pension Services (Internal - ~ HR Pensions, Queries. External - pensionqueries@rbs.co.uk).

You can start drawing on your benefits at any time from the age of 55 although retirement before age 65 is subject to the Group's consent. Even if you are working for the Group, you may take part of your benefits once you are over 55, subject to the Group's consent. You may only do this once.

If you have to retire due to incapacity (as defined by the Trustee in accordance with the Plan Rules) you may be able to take your benefits before age 55.

When you retire, your account will be used to buy benefits for you and your dependants. The benefits will depend on how much is in your account, the type of pension you choose to buy, and how much it costs to buy a pension when you retire.

You may choose one or more of the following:

Income For You
A pension for you, payable for the rest of your life.

Tax-free Cash Sum option
You don't have to use all of your account to provide pension benefits. You may take part of the value of your account as a tax-free cash sum of up to 25% of your account value. Of course, the pension benefit paid to you will be lower if you do so.

Dependant's pension
A pension for your dependants in the event of your death after retirement.

Death benefits

Pension increases

You may choose a pension which stays at the same level, or one which increases each year.

Note

- Choosing one or more of the tax-free cash options, dependant's pension or pension increases, will reduce the initial pension benefit paid to you.
- Benefits from the State Pension Plan are paid in addition to those described above.
- You will be sent detailed information before the date you have indicated that you wish to retire, which will be used to help you make your choices.

Retirement may seem a long way off, but the Plan can provide security for your dependants if you die before retirement.

Death in service

In the event of your death in employment, the Plan can provide the following benefits:

- A lump sum death benefit.
- A dependant's pension.

Life Cover and Dependant's Pension are products which are available through RBS*elect* and details of options will be supplied each year. The options may vary from year to year and election of some options may be subject to underwriting. Benefits payable from the Plan may be subject to satisfactory medical underwriting and in any event will be restricted to those that are paid by the Insurance Company which insures these benefits.

Currently there is a core level of lump sum Life Cover of three times your ValueAccount.

In addition the value of your retirement savings account would normally be paid out as a lump sum, but could be used to buy a dependant's pension if preferred.

Lump sum death benefits of up to the level of the Lifetime Allowance are payable tax-free.

A lump sum death benefit may be paid to (amongst others):

- Your legal spouse/civil partner or partner
- Any adult who is financially dependent or interdependent on you
- Your children up to age 18 (or age 23 if in full-time education)
- Any other person you nominate in writing.

Lump Sum Nomination Form

You are strongly advised to complete the Lump Sum Nomination Form, which tells the Trustee to whom you would like the lump sum paid in the event of your death. The form is available online or from askHRdirect. The Trustee must have discretion over who should receive the lump sum, although they will always consider your wishes when making a decision. Payment is made in this way so that your beneficiaries can receive the lump sum benefit free of tax.

Death before retirement

If you leave the Group but keep your retirement savings account in the Plan, your account will be used to provide, at the Trustee's discretion, benefits for your dependants, or other nominated beneficiaries, in the event of your death before retirement.

Normally your account will be paid out as a lump sum and the Trustee will take account of your wishes expressed in your Lump Sum Nomination Form.

Death after retirement

There may be benefits payable on your death after retirement, depending on whether you chose to use your account to purchase these benefits when you retire.

Disability Cover and ill-health retirement

Disability benefits are available through RBS*elect* and details of options will be supplied each year.

The options may vary from year to year and election of some options may be subject to underwriting.

Currently there is a core level of 50% of your ValueAccount, at the day you leave active service due to illness, payable for a maximum of five years after you have been off work through illness or injury for six months.

If you have to retire due to incapacity you may draw your benefits from the Plan, even if you are under age 55.

This benefit is subject to an overall maximum (currently £350,000 pa) which is subject to review from time to time and is restricted to the maximum paid by the Insurance Company which insures this benefit.

Benefits on leaving the Group or stopping contributions

If you leave the Group with two years' qualifying service the full value of your account may be:

- left in the Plan where it will continue to be invested until you retire, or
- transferred to a new employer's registered pension scheme, or
- transferred to a registered personal pension plan of your choice.

If you leave the Group with less than two years' qualifying service you will be offered a transfer value of the full value of your account, to take to another registered pension arrangement of your choice. You will not be able to take a refund of your RBS*elect* contributions.

If you do not complete the transfer within a specified time after leaving service, you will lose the right to any benefit under the Plan.

Administration charge

If you leave the value of your retirement savings account in the Plan after leaving the Group, an administration charge may be deducted from your account each quarter.

Note

If you have a deferred benefit under a previous Group pension scheme as a consequence of opting out to join the Plan, you will be given the same options as someone who leaves the Group with two years' qualifying service.

If you decide to stop contributing to the Plan whilst in employment, you are also able to transfer the value of your account to another registered pension arrangement of your choice.

2 Managing your Plan

Approach to investing and risk

For most people investing in a pension will be a long-term commitment. This is usually a good thing, because it means you have a long time to build up a retirement savings account to meet your pension goals.

Before you make your investment choices it is important to understand your pension goals and to be aware of the objectives and risks associated with each investment option. Your own circumstances and preferences should be the most important consideration when you are making your investment choices.

We have outlined some of the key risks you may want to think about.

Inflation risk

Inflation is a risk to all savers. As prices increase, the buying power of your savings goes down. Inflation is a measure of price increases and higher prices mean your money does not go as far so your purchasing power is reduced.

Inflation is particularly relevant over long periods where it has a cumulative affect that can materially harm the "real value" of your pension (your future purchasing power).

Some investments provide better protection against inflation than others. The Index-Linked Gilt Fund should provide good protection to unexpected increases in inflation and the Diversified Growth Fund aims to beat inflation over the long term. Whilst generally providing very stable returns, returns on the Cash Fund may not keep pace with inflation over long periods.

Volatility (movements in investment values)

Any investment can fall in value but some are more volatile than others. "Volatility" is the risk of sharp price movements (up or down). The degree of volatility of an investment depends on its sensitivity to economic and other factors.

As an example, equities tend to react strongly to a change in the economic outlook, property is sensitive to market supply/demand, bonds are sensitive to changes in interest rate expectations while cash investments are more stable.

Volatility can work for or against you – the value of an investment can go up or down. However, it is very difficult to forecast these movements into the future. This is the risk you take when choosing investments with different degrees of volatility.

For people investing over the long-term volatility can be less of a problem – even with short-term movements in price these people have time to make up any shortfall through future investment returns or through additional savings.

However, for others volatility will matter more. For example, someone who is near to retirement may place higher priority on minimising volatility (not losing money) than on taking risk for higher potential returns. These people have less time for an investment to increase in price following a decline and they have less time to build up their investment through additional contributions.

Pension conversion risk

When you retire you may want to use your pension in different ways; some people will take part of the pension pot as a cash lump sum while others will convert their full pot into a pension (a "pension annuity").

The cost of pensions varies all the time depending on interest rates, inflation and other factors such as life expectancy. In other words the annual pension you can secure with a £10,000 pension pot (for example) will go up or down depending on market conditions.

Consideration should also be given as to the type of pension annuity you expect in retirement. You may want a pension annuity that pays a fixed amount of pension or you may prefer a pension annuity that makes payments that adjust for inflation each year. Other types of annuity are also available.

Some investments like the Pre-Retirement Fund, the Over 15 Year Gilt Fund or the Corporate Bond Fund provide returns that will help match the cost of a pension annuity that pays fixed amount in pension.

The Index-Linked Gilt Fund provides returns that will help match the cost of a pension annuity that makes pension payments that increase with inflation each year.

Meanwhile the Cash Fund will provide returns that are a better match to a cash lump sum on retirement but may not match the cost of a pension. Other investments like the Diversified Growth Fund, the Property Fund or any of the equity funds may behave differently to changes in the cost of pensions.

In the years leading up to your retirement you need to be especially aware of pension conversion risk and if you want to reduce this risk you may want to switch away from the funds that behave differently to the cost of pensions.

The Lifestyle Option, which is one of the choices you can make, has an investment strategy that progressively does this for you over the seven years leading up to your Selected Retirement Date. Of course, some people will feel less need to protect against pension conversion risk – perhaps they have already secured pension savings elsewhere or they have a more favourable view on other investments.

Shortfall risk

For most people, a key objective is to achieve minimum level of pension saving or pension income for their retirement. There are two key ways you can try to meet this goal

1. You can pay more into your pension (or other savings)
2. You can take more risk with the objective of achieving higher investment returns

Investments are generally considered to have varying degrees of risk. Over the long-term an investment with higher assumed risk should deliver a greater return than an investment with a lower assumed risk.

Most people are limited in how much they can afford to pay into their pension so they will want to carefully allocate some of their pension savings to investments with higher assumed risk to hopefully achieve a higher return reducing shortfall risk.

Please remember that the safest way to reduce shortfall risk is to contribute more to your pension whilst you are working. The actual returns on any investment may not be consistent with the assumed risk premium.

This means that higher returns can never be guaranteed from investments with a higher assumed risk.

The table on this page illustrates how these risks feature across the different investment options.

Investment fund	Inflation risk	Volatility risk	Pension conversion risk	Assumed risk premium
Lifestyle Option	Varies (depends on how far you are from your Selected Retirement Date)	Medium	Low*	Varies (depends on how far you are from your Selected Retirement Date)
Diversified Growth Fund	Medium	Medium	High	Medium
Pre-Retirement Fund	High	Medium	Low	Low
UK Equity Fund	Medium	High	High	High
UK Equity Tracker Fund	Medium	High	High	High
International Equity Fund	Medium	High	High	High
International Equity Tracker Fund	Medium	High	High	High
Emerging Markets Equity Tracker Fund	Medium	High	High	High
Property Fund	Medium	High	High	High
Corporate Bond Fund	High	Medium	Low*	Medium
Over 15 Year Gilt Fund	High	Medium	Low*	Low
Index-Linked Gilt Fund	Low	Medium	Low*	Low
Cash Fund	Medium	Low	High	Low

* Pension conversion risk depends on which type of pension annuity you opt for. The Pre-Retirement Fund, Corporate Bond Fund and the Over 15 Year Gilt Fund will help match the cost of an annuity that pays a fixed amount of pension, but not for an inflation linked pension annuity. The Index-Linked Gilt Fund will help match the cost of an inflation linked pension annuity where the pension increases with inflation.

Diversification

Another useful tool for managing investment risk is diversification. Investing across a range of funds helps limit your exposure to the performance of any single investment.

For example investing across a mix of the UK, international and emerging markets funds will help diversify your equity holdings. Investing across a mix of the equity, corporate bonds and property funds would help diversify an overall portfolio of investments. However, you still need to ensure your portfolio is consistent with your circumstances and preferences.

The Diversified Growth Fund has investments spread across a range of asset classes (including equities, bonds and property) to diversify its overall risk, and this is one option to consider either as a single investment choice or alongside other investment choices.

A closer look at the investment options

The Plan offers a range of 12 funds. You can invest in one or more of these funds and/or you can select the Lifestyle Option.

You can switch between funds at any time, either for future contributions or existing investments. The funds and options are set out opposite.

Active and passive funds

The fund objectives outline where active and passive management is used.

Active management is where the investment manager chooses which investments to buy and sell with the aim of outperforming a specified stock-market or index. The manager usually has certain restrictions to ensure the investment is consistent with the fund objective and to manage risk. For example, the fund may be limited to a 5% maximum investment in an individual stock but within these restrictions the manager can exercise his or her judgement. Actively managed funds tend to incur higher annual charges than passive funds.

Passive management is where the investment manager aims to track the performance of a specified stock-market or index. For this reason passive funds are often known as "tracker" or "index" funds. A passive fund that aims to track, for example, the UK stock market will hold a basket of shares reflecting the composition of the UK stock-market. There is no need for company analysis since the investment manager just selects the investments that make up the index. Passively managed funds tend to limit underperformance risk versus the specified stock-market or index as well as having lower annual charges than equivalent active funds.

Fund	Objective	Underlying Investment Managers
Lifestyle Option	The Lifestyle Option uses a combination of 3 of the funds; the Diversified Growth Fund, the Pre-Retirement Fund and the Cash Fund.	*See managers in component funds*
Diversified Growth Fund	This fund uses both active and passive management strategies across a blend of asset classes. The fund currently invests in UK equities, overseas equities (including 'emerging markets'), corporate bonds and commercial property. This approach aims to deliver a return over CPI inflation of approximately 3-5% over the long term. *Please note that prior to October 2011 this fund was named the Growth Fund and invested only in UK and overseas equities.*	BlackRock, Fidelity, Standard Life, Legal & General ('LGIM')
Pre-Retirement Fund	This fund uses a combination of the Corporate Bond Fund and the Over 15 Year Gilt Fund. This approach aims to protect against changes in fixed pension annuity rates (i.e. the cost of converting your saving into a pension that pays a fixed amount) while providing some additional growth through income.	LGIM, Fidelity
UK Equity Fund	This actively managed fund aims to perform ahead of the UK stock market by investing in a selected set of shares in UK companies.	Lindsell Train, M&G, Majedie, River & Mercantile
UK Equity Tracker Fund	This passively managed fund aims to perform in line with the UK stock market by investing in shares in UK companies in similar weights to the overall stock market.	BlackRock
International Equity Fund	This actively managed fund aims to perform ahead of the international stock market (overseas markets excluding the UK and emerging markets) by investing in a selected set of shares in overseas companies.	Lazard, M&G, MFS, Trilogy
International Equity Tracker Fund	This passively managed fund aims to perform in line with the international stock market (overseas market excluding the UK and emerging markets) by investing in shares in overseas companies in similar weights to the overall stock market.	BlackRock
Emerging Markets Equity Tracker Fund	This passively managed fund aims to perform in line with the index of emerging markets stocks by holding shares in those companies in similar weights to the overall index.	LGIM
Property Fund	This actively managed fund aims to achieve long-term capital growth through exposure to direct and indirect property investments in the UK and overseas.	Standard Life, LGIM
Corporate Bond Fund *	This actively managed fund aims to perform ahead of an index of over 10 year corporate bonds by investing mainly in long dated bonds issued by UK and overseas companies.	Fidelity
Over 15 Year Gilt Fund *	This passively managed fund aims to perform in line with the index of Over 15 Year Gilts (UK government bonds).	LGIM
Index-Linked Gilt Fund	This passively managed fund invests in UK government index-linked Gilts that have a maturity period of five years or longer.	LGIM
Cash Fund	This actively managed fund aims to provide capital protection with returns in line with wholesale money market short-term interest rates.	LGIM

* These funds were introduced in 2012.

This information on the range of investment funds available is up to date as at 1 January 2012. The Trustee has selected these funds and the underlying investment managers, and may change them in the future.

Lifestyle Option

The Lifestyle Option uses a combination of 3 of the funds; the Diversified Growth Fund, the Pre-Retirement Fund and the Cash Fund.

The basic principle is that when you are far off retirement you want to target a return above inflation. This is achieved through automatically allocating to the Diversified Growth Fund. At this stage, volatility risk is a lower priority because you have time to make good any shortfalls and pension conversion risk is not a near-term concern.

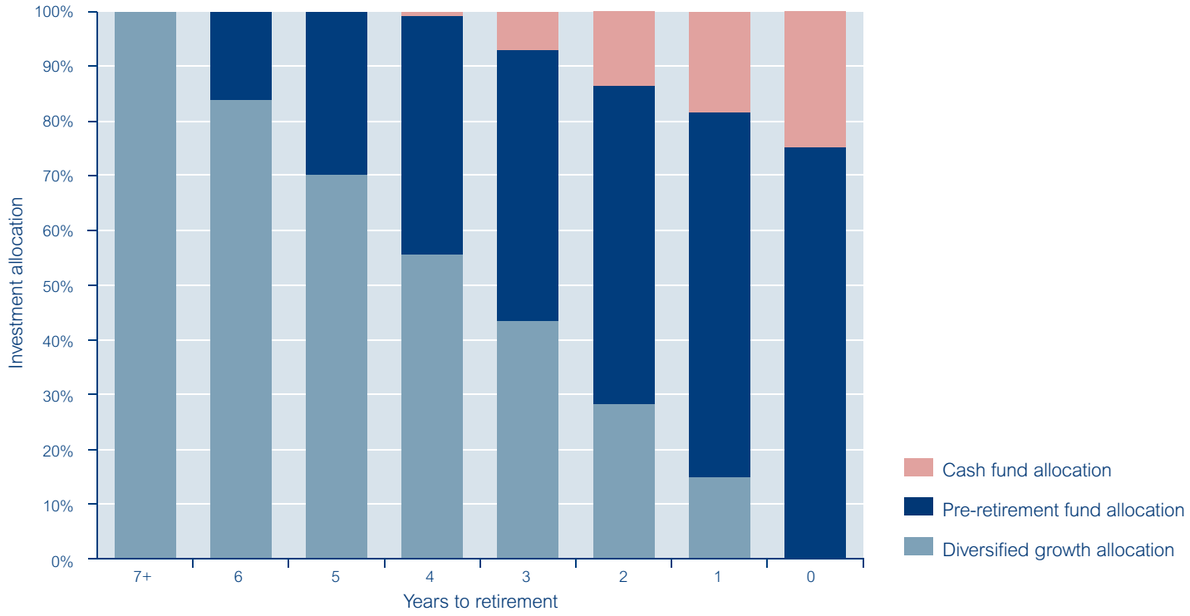
As you approach retirement volatility risk and pension conversion risk become increasingly important for you, so the strategy automatically starts to switch your investments out of the Diversified Growth Fund into the Pre-Retirement Fund and the Cash Fund.

By the time you reach your retirement date

- You have no exposure to the Diversified Growth Fund which has a relatively high assumed risk
- 75% of your investment is in the Pre-Retirement Fund which helps reduce pension conversion risk against a fixed amount pension annuity
- 25% is in the Cash Fund, which has low volatility risk and helps match the value of a cash lump sum

This all happens automatically if you have chosen the Lifestyle Option. All you have to do is specify your Selected Retirement Date.

This strategy is illustrated in the chart below.



Default investment option (for members who have not made their own investment choices)

Members who do not make their own investment choices will be invested in the Lifestyle option by default.

If you are in the Plan but have not made a fund choice then it is strongly recommended that you review the full range of options available to ensure that you are invested in the fund(s) that best meet your requirements.

Fees and charges

No upfront charges or deductions apply – when you contribute £100, £100 is invested.

Each fund has annual management charges, as detailed in each fund's fact sheet, available through RBS*elect*. The charges include investment manager fees and other costs and expenses of running the Plan such as auditing and registry fees. The annual management charge and other expenses are deducted from each fund's assets. As a result, they are reflected in the quoted price for the fund and the investment return you earn.

All charges are reviewed regularly therefore please check the RBS*elect* site for information on the current charges. Performance figures for the funds take account of all charges.

Making and changing investment choices

Once you have decided how you want your pension contributions to be invested, you can exercise your choice by contacting askHRdirect. If you do not make an active investment choice, your retirement savings will be invested using the Lifestyle Option.

Most people will be a member of the Plan for a number of years and at some point will want to review their investment strategy. You can move money out of one fund and into another, or you can decide to divert future contributions into a different fund. You can make a switch at any time by contacting askHRdirect.

Other points to remember

Please remember that the value of your investments can go up and down, and could be worth less than the amount you invested when you retire. Generally speaking, past performance is not a good predictor of future returns.

The best choice for you will depend on your personal circumstances and the performance of each fund will depend on unknowable economic factors.

If you are unsure about what action to take, you should consider taking independent financial advice.

3 Further information

Your Plan and the State Pension

The State currently provides two levels of retirement benefit:

Level 1
The basic State Pension, which is paid at a flat rate to anyone who has made sufficient National Insurance (NI) contributions during their working life. The State Pension Age (the date at which the state pension is paid) is currently different for men and women and is dependant on your date of birth. It currently ranges between 60 and 65, however, over upcoming years this difference is gradually to be equalised upwards to age 68 for both men and women.

Level 2
The State Second Pension (S2P). Your level of pension under the State Second Pension depends on your individual circumstances and earnings between the lower and upper earnings limits.

As a member of the Plan you are entitled to both levels of the State Pension schemes. You earn entitlement to those benefits through the National Insurance contributions that you and the Group pay.

When you are thinking about the level of pension benefits that the Plan will pay you when you retire, you need to take into account the amount of the State Pensions which are illustrated each year in your Total Reward Statement.

Temporary absence

If you are away from work on paid maternity, adoption or paternity leave, your retirement savings contributions will continue to be made. For details of how your Plan membership would be affected by other types of temporary absence, please contact askHRdirect.

Information about the taxation position of the Plan

Tax advantages

The Plan is a Registered pension arrangement under the Finance Act 2004. Membership brings with it several important tax advantages:

- Contributions are tax-free up to certain limits.
- 25% tax-free cash sum option.
- Lump sum death benefits are tax-free up to the Lifetime Allowance.
- The Plan is tax effective up to the Lifetime Allowance and the Annual Allowance.

The Government announced some important changes to tax relief on pension contributions in April 2009 which may restrict the extent to which tax relief is available on pension contributions. More details on these changes can be found on page 4.

HM Revenue & Customs allowance

The HM Revenue & Customs permits contributions of any amount to registered pension arrangements like the Plan.

Contributions paid by you and the Group in excess of the Annual Allowance may result in additional tax liabilities.

Inheritance Tax

Under present legislation, a lump sum death benefit paid under the Plan may not be subject to Inheritance Tax. To avoid possible tax liability, and the delays which can occur when payments are made through an estate, the Plan is arranged so that the Trustee has discretion to decide who receives the lump sum payment.

You should let the Trustee know who you would like to receive the benefit by completing and returning the Lump Sum Nomination Form. Fresh forms are available online or from askHRdirect should you wish to change your nomination at any time.

All statements on tax are based on the Trustee's understanding of tax legislation at the date this booklet was produced. Contributions and benefits will be taxed in accordance with the laws at the relevant time.

Getting more information and help

The administrator

The Plan is administered on behalf of the Trustee by RBS Group Pension Services. They may be contacted at:

Group Pension Services
HR Shared Services
The Royal Bank of Scotland Group Plc
PO Box 1390
Croydon
CR9 1YB

or by e-mailing
RBSstaffpensionqueries@rbs.co.uk

Finding an Independent Financial Adviser (IFA)

For a list of IFAs local to you, visit www.unbiased.co.uk. You can also get to this website via the Financial Services Authority at www.fsa.gov.uk

Keeping you in the picture

Knowing where you stand with your retirement savings is very important. As a member of the Plan, you will be sent regular information designed to keep you informed about your benefits and the Plan in general. In addition to this guide and your annual benefit statement, all members receive an annual Trustee's Report, which outlines the Plan's progress and includes extracts from the formal Report and Accounts.

Copies of the Report and Accounts are available on request from askHRdirect.

The Trustee will also provide information covering specific events and options such as leaving service, retirement and transferring benefits.

Staying in touch

Keeping in touch while you are with the Group is one thing, but it's easy to lose touch if you move on. If you leave the Group and your retirement savings account continues to be invested with the Plan, the Trustee will keep a record of your last known address so that you can be contacted about your benefits, or any issues affecting the Plan. To help the Trustee do this, it is important that you keep them informed of any change of address once you have left. If for any reason you lose track of the Trustee's or the Group's address, you will be able to contact them through the Registrar of Occupational and Personal Pension Plans. In common with other pension schemes in the UK, the Trustee provides information about the Plan, including a contact address, to the Registrar for inclusion in a special pensions registry.

The address to write to is:

Pension Plans Registry
PO Box 133
Newcastle upon Tyne, NE99 1NN

Help at hand

The aim of this guide and other retirement savings literature is to give you clear, straightforward information which is easy to understand. However, we recognise that there may be occasions when there are questions you want to ask. If that is the case, contact askHRdirect.

It is important for us to distinguish between assisting you with general enquiries and providing financial advice. Neither the Group nor the Trustee can provide you with any financial advice. If you want to seek financial advice you should consult an Independent Financial Adviser.

Like most occupational pension schemes in the UK, the Plan is established under a trust. Amongst other things, this means that the Plan's assets are legally separate from those of the Group, and that it is run by the Trustee who is responsible for ensuring that members' interests are protected.

Divorce

A Court may make an order on your pension benefits under the Plan as part of your divorce proceedings. The Trustee must comply with any order made by the Court. This order may 'earmark' a percentage of your benefits on retirement or death to be paid to your ex-spouse. Alternatively, for divorce proceedings started on or after 1 December 2000, the Court may make a pension sharing order, whereby your pension benefits will be split between you and your ex-spouse. Your own pension benefits will be reduced by an amount declared in the Court order, and your ex-spouse will receive a credit for this amount. Your ex-spouse will be required to transfer their pension credit to another pension arrangement. The Plan will not allow pension credits resulting from pension sharing orders to remain invested in the Plan.

Further details can be obtained in a special 'Pensions & Divorce' leaflet, which has been prepared to help members understand the processes involved. You can obtain a copy of the leaflet from askHRdirect.

Dissolution of civil partnerships

The dissolution of a civil partnership will generally be treated in the same way as a divorce.

Resolving disputes

The Trustee aims to run the Plan in the interests of all members. If you do have a problem, you can always raise it informally by contacting askHRdirect. If this does not resolve the problem, there is a formal dispute resolution procedure you should follow. More information is available from askHRdirect. You can also take your case to The Pensions Advisory Service (TPAS) at any time during the dispute procedure. TPAS offers advice to help the people concerned to resolve disputes between a member and the Trustee or administrators of an occupational or personal pension plan.

If TPAS or the internal procedure cannot settle your dispute, you can then apply to the Pensions Ombudsman. The Ombudsman has been appointed to oversee disputes which cannot be resolved on a voluntary basis, and can deal with legal points, with any decision made being legally binding on everyone concerned, subject to appeal to the High Court. Both the Pensions Ombudsman and TPAS can be contacted directly at:

11 Belgrave Road
London SW1V 1RB

Tel: 0207 630 2200
(Pension Ombudsman)

Tel: 0845 601 2923
(TPAS)

The Pensions Regulator

The Pensions Regulator is responsible for overseeing the running of occupational pension schemes in the UK. The Pensions Regulator has wide ranging powers and is able to intervene in the running of pension schemes where Trustees, employers or professional advisers fail in their duties. The Pensions Regulator can be contacted at:

Napier House
Trafalgar Place
Trafalgar Street
Brighton
East Sussex BN1 4DW

or on 0845 600 0707 or at
customersupport@tpr.gov.uk

Combined pension forecasts

An online Total Reward Statement is available to employees of the Group. Included in this statement are details of the pension benefits you could expect to receive from the Plan at retirement together with those that would be provided if you die in service.

In addition to the pension from this Plan, most members will also receive a pension from the State.

Following the launch of an initiative by the Government called 'Combined Pension Forecasts', we are able to provide you with combined details of both your Plan pension and State Pension in the Total Reward Statements which are distributed by the Group each year.

To enable us to provide this additional information for you, the Group needs to send some information about you to the Department for Work & Pensions (DWP).

The information that will be sent is as follows:

- Your surname or family name.
- Your forenames.
- Your gender.
- Your date of birth.
- Your National Insurance number.
- Your employee reference number.

In return, the DWP will then be able to tell us about:

- The State Pension you have earned so far.
- What your State Pension is likely to be when you retire.
- The age at which you can receive your State Pension.

However, if you do not want us to send this information to the DWP, then you must register your objection with askHRdirect. If you do this, your future Total Reward Statements will not include this State Pension information.

Even if you do not currently object to our giving information about you to the DWP, you may do so at any time in the future by contacting askHRdirect.

Data Protection Act 1998

All information concerning employees and their dependants is held under the provisions of the Data Protection Act 1998. The Trustee is regarded as the Data Controller in respect of the data, and any queries in relation to data protection should be addressed to askHRdirect. Data will be treated by the Group and the Trustee and any third party as confidential. It may be used for both employment and Plan administration purposes and the persons to whom the data may be disclosed will include any insurance company, or other organisation concerned with the administration of the Plan. By joining the Plan you are signifying that you give your consent for the Trustee to hold the necessary data to calculate your benefits and to use the data for any purpose necessary for the administration of the Plan. Some data (e.g. in relation to your health or personal life) is regarded as 'sensitive personal data' and cannot be used without your specific consent at the time. Therefore any application for ill-health retirement will require your consent to use the relevant data on your state of health.

Whilst the information held by the Trustee is used primarily for the purpose of administering the Plan, the Trustee may authorise the use of certain data for sending you details of products provided by companies of the Group. A general description of the categories of people and organisations to whom the information may be disclosed is listed at the Data Protection register. You may inspect this or obtain a copy from the Information Commissioner's Office.

Amendment and discontinuance

Subject to the Plan Rules, the Group reserves the right to amend or discontinue the Plan at any time. If your benefits or rights are affected you will be given written notice. If the Plan is discontinued, the Trustee will use the assets of the Plan for the benefit of members and their dependants according to the terms set out in the Rules of the Plan.

This publication is also available in alternative formats. If you wish to receive this publication in Braille, Large Print or Audio please contact askHRdirect.

Definition of terms

Annual Allowance The Annual Allowance is the amount by which the value of your pension savings can grow each year without losing tax relief. The Annual Allowance, since 6 April 2011, is £50,000 and the HMRC have announced that this value will be fixed until April 2016.

Civil partner The person with whom you are in a civil partnership, at the time of your death, under the Civil Partnerships Act 2004.

Group The Royal Bank of Scotland Group plc or any subsidiary company with specific powers under the Plan.

Incapacity A physical or mental incapacity that prevents you from following your normal occupation with any employer. The Trustee will make the final decision as to whether or not your condition meets the requirements for incapacity.

Lifetime Allowance The Lifetime Allowance is the total value of all your private and occupational pension provision (excluding any State Pension) which you can build up without incurring an additional tax charge. From 6 April 2012 the Lifetime Allowance is £1.5 million (reduced from £1.8 million).

Lower earnings limit Set by the government each year, the minimum amount you need to earn to qualify for certain State benefits, including State Second Pension (£5,564 from April 2012).

Qualifying Lifestyle Event
Lifestyle Events are a significant change to your life that could affect your RBS*elect* benefit choices.

Examples:

- Birth or adoption of a child.
- Death of a dependant.
- Relocation.
- Change from full-time to part-time (reduction in working hours to less than 21 hours a week).
- Change in salary as a result of long term disability benefit.
- Maternity/adoption leave – commencement and return.

Qualifying service Service with the Group during which you have elected for contributions to be made to the Plan.

Spouse The person to whom you are legally married at the time of your death.

Trustee RBS Retirement Savings Trustee Limited, appointed to oversee the running of the Plan in the best interests of the members and in accordance with Plan Rules.

Underwriting A process by which an insurance provider seeks medical evidence which may include a questionnaire to your General Practitioner or a medical examination to determine your state of health. Typically applies where increases in insurance cover are required. Typically will apply to larger amounts of cover or larger increases in cover on an individual by individual basis as advised by the insurance provider.

Upper earnings limit Set by the government each year, the maximum amount of earnings used to determine your entitlement to certain State benefits, including State Second Pension (£42,475 a year as of April 2012).

ValueAccount The amount of money, including your salary and benefit funding, which is available to take as cash, for use through RBS*elect* for contributions to the Retirement Savings Plan, or to fund other benefits.

The Plan is set up under a trust and the full details of the terms and conditions are set out in the formal Rules.

The purpose of this booklet is to summarise the benefits of the Plan and we've taken care to make sure it's a correct summary of the Rules. However, please note that this booklet does not confer any entitlement to benefits. This can only be conferred by the Rules. If there is any discrepancy between this booklet and the Rules, the Rules will prevail. A copy of the Rules is available from askHRdirect.

This booklet is based on current tax and other legislation, which may change.

The Plan is registered with HM Revenue & Customs under Chapter II, Part IV of the Finance Act 2004.

If you have any questions or would like more information about any aspect of the Plan, please contact askHRdirect.

The Royal Bank of Scotland Group plc
Registered in Scotland No. 45551
Registered Office: 36 St. Andrew Square
Edinburgh EH2 2YB

Approved by The Royal Bank of Scotland plc for the
purposes of s21 Financial Services and Markets Act 2000.

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