AA Pension Scheme
Your Future Now

AA CARE
Pension Scheme

Explanatory Booklet

June 2018

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INTRODUCING CARE

Your benefits from the CARE section of the AA Pension Scheme ('the Scheme') are a valuable part of your employment rewards package and represent a real commitment by the AA to help you shape your financial future.

It offers important benefits for you and your family, including an income in retirement based on your earnings whilst you are an Active member of the Scheme.

This Explanatory Booklet is a summary of what CARE has to offer. It outlines the main benefits and explains how it works. Every effort has been made to ensure the accuracy of this booklet, however, it is not a legal document. Full details are set out in the Trust Deed and Rules, the legal document that will always overrule this document should any inconsistency or question of interpretation arise. A copy can be obtained from the AA Pensions team (see contact details on page 17).

Some information referred to in this booklet may be subject to change (i.e. contribution rates or taxation limits etc). To see the most up to date information you should also refer to the '**Current rates**' page of the Scheme website at **www.AApensions.com**

If there are any terms used in this booklet that you do not understand, please refer to the Glossary section of the Scheme website **www.AApensions.com** where a brief definition of the key terms regularly used can be found.

UNDERSTANDING CARE

As a member of CARE you build up a basic amount of retirement income each year based on your pensionable pay in that year. This is then revalued each year until you retire. The total amount of accumulated annual income built up over the years in CARE is then paid to you on a regular monthly basis for the remainder of your lifetime. You will find a more detailed explanation of how your retirement income grows on page 6.

BENEFITS IN BRIEF

During your career

- Provisions for early retirement due to ill health;
- Valuable life assurance cover if you die whilst working at the AA;
- Benefits for your dependant(s) if you die whilst a member of CARE; and
- Options to retire earlier or later than normal retirement age.

When you retire

- Retirement income for life; or a cash lump sum and reduced retirement income for life;
- An income for your dependant(s) when you die; plus
- Annual increases to your retirement income and any dependant(s) income payable from the Scheme.

If you leave

- You can retain a deferred pension in the Scheme; or
- Transfer the value of your benefits to another registered pension arrangement.

Membership also means

- Contributions to the Scheme through AA Plus means you can increase your take home pay;
- If you chose not to pay your contributions through AA Plus you will receive tax relief on your contributions at the highest rate you pay[1];
- The AA pays contributions towards your retirement income;
- Continued membership during temporary periods of absence from work.

[1] This may not be the case for individuals who exceed the Annual Allowance. Please see page 15 for further details.

MEMBERSHIP OF THE CARE SECTION

The CARE section closed to new employees with effect from 30 September 2016. The information in this Explanatory Booklet is therefore only relevant to those who were already members of the section when the CARE section closed to new employees joining this section of the Scheme.

If you were a contributing member to any other section of the AA Pension Scheme prior to 1 July 2017, you were automatically transferred into this section of the Scheme with effect from 1 July 2017 unless you opted to leave the Scheme.

Opting-out

As a member, you can choose to opt-out at any time providing you complete and return an 'Opt-out of the Scheme form' which can be obtained by contacting the AA Pensions Department.

If you are thinking about opting-out, please give this matter very careful consideration and, if necessary, seek appropriate financial advice.

If you opt-out, the benefits you have built up within the Scheme will be treated the same way as if you have left service (see page 12). **You will no longer be covered for the lump sum 'Death in service' benefit as described on page 9. You will also not be able to rejoin the CARE section of the AA Pension Scheme at a later date.**

PAYING FOR THE BENEFITS

Your contributions

You will need to pay a percentage of your pensionable pay each month as a member of CARE. The contributions you pay are determined by the 'build' rate you chose on joining. You do have the option with effect from 1 April each year to amend your 'build' rate and contribute at any one of the five contribution rates shown in table below. To do so please download the CARE Rate Change Form from the Document library of the Scheme website and return it no later than 15 March or the last working day before if the 15th falls at a weekend to:

AA Payroll Processing
Fanum House
Basing View
Basingstoke
RG21 4EA

It is not possible to change your elected contribution rate and build rate at any other time.

Example

Selected basic contribution rate (% of pensionable pay)	Build rate	Accrual rate
5.5%	1.00%	1/100th
7.0%	1.25%	1/80th
8.5%	1.43%	1/70th
10.0%	1.67%	1/60th
Age related*	1.82%	1/55th

*** This contribution rate is age related and will be reviewed annually in March and may be subject to change.**

You can view the latest contribution rates on the '**Current rates**' page of the website.

AA Plus – increase your take home pay

When you first joined CARE you automatically became a member of the AA's salary exchange arrangement, known as AA Plus. By being a member of CARE and making contributions through AA Plus, both you and the Company will benefit from National Insurance savings, leaving more money in your pocket. You will find an example of the increase to your take home pay if you are a basic rate or a higher rate tax payer on page 4.

How AA Plus works

The Company makes payments into CARE on your behalf. In exchange, your salary will be reduced by the same amount.

Your pension benefits will not change. They will be calculated based on your salary before any adjustment for AA Plus. This will be referred to as your Notional salary.

You and the Company benefit from paying reduced National Insurance contributions. This is because they will be payable on your reduced salary, not full salary.

Saving with AA Plus

With AA Plus, your gross salary is reduced (or exchanged) by the amount of the contributions that you are paying into CARE. The Company will then increase its contribution by an amount equivalent to your salary exchange. Your National Insurance contributions will be reduced, so your take home pay increases.

AA Plus may not be suitable for everyone. In certain circumstances legislation requires the Company to opt members out of AA Plus. You can find more information about AA Plus on the Scheme website at **www.AApensions.com**

The Company contributions

The Company pays the balance of the cost of providing you and your dependant's benefits under CARE. At least once every three years, the Scheme Actuary examines the Scheme's finances to determine the cost of providing benefits. The Trustee will then agree with the Company how much it needs to contribute. As a result, the level of contribution paid by the Company may change from time to time.

General tax relief on contributions

Under current legislation for those not saving via AA Plus, normal scheme contributions receive tax relief at the highest rate of tax paid.

The amount of 'pension contribution' in each year is subject to an 'Annual Allowance' set by Her Majesty's Revenue and Customs (HMRC). This is unlikely to apply to most members but if it does you may be liable to tax on the excess above your Annual Allowance. For more information please see 'HMRC – allowances and tax relief' on page 15.

Example for basic rate tax payer

The following example highlights the pre and post Salary Exchange position of an employee with a basic salary of £30,000.00 per year, contributing 7% (£2,100.00 per annum) into the AA scheme. The employee is not in receipt of any pensionable allowances. Under Salary Exchange, the employee's reference pay remains at £30,000.00 and their adjusted pay is £27,900.00.

Pre Salary Exchange	
Basic salary	£30,000.00
Less pension contributions	(£2,100.00)
Less Income tax	(£3,700.00)
Less NICs	(£2,620.00)
Net take home pay	£21,580.00

Post Salary Exchange	
Reference pay	£30,000.00
Less Salary Exchange	(£2,100.00)
Adjusted pay	£27,900.00
Less Income tax	(£3,700.00)
Less NICs	(£2,368.00)
Net take home pay	£21,832.00

All figures are rounded to the nearest pound.

The employee's net take home pay has increased by £252.00 per annum from £21,580.00 to £21,832.00 per annum. Total pension contributions to the AA Scheme have remained the same and the member's pension benefits will continue to be based on their reference pay of £30,000.00.

Note: NI calculated as follows:

Salary of £30,000. National insurance for 2018/19 can be calculated as follows:			
0% on the first	£8,164.00	=	£0.00
12% on the next	£21,836.00	=	£2,620.32
Total			**£2,620.32**

Salary of £27,900. National insurance for 2018/19 can be calculated as follows:			
0% on the first	£8,164.00	=	£0.00
12% on the next	£19,736.00	=	£2,368.32
Total			**£2,368.32**

Note: Tax calculated as follows: Salary of £30,000. Income tax for 2018/19 can be calculated as follows:			
0% on the first	£11,500.00	=	£0.00
20% on the next	£18,500.00	=	£3,280.00
Total Income tax bill			**£3,280.00**

Example for higher rate tax payer

The following example highlights the pre and post Salary Exchange position of an employee with a basic salary of £60,000.00 per year, contributing 7% (£4,200.00 per annum) into the AA scheme. The employee is not in receipt of any pensionable allowances. Under Salary Exchange, the employee's reference pay remains at £60,000.00 and their adjusted pay is £55,800.00.

Pre Salary Exchange	
Basic salary	£60,000.00
Less pension contributions	(£4,200.00)
Less Income tax	(£12,700.00)
Less NICs	(£4,720.00)
Net take home pay	£38,380.00

Post Salary Exchange	
Reference pay	£60,000.00
Less Salary Exchange	(£4,200.00)
Adjusted pay	£55,800.00
Less Income tax	(£12,700.00)
Less NICs	(£4,636.00)
Net take home pay	£38,464.00

All figures are rounded to the nearest pound.

The employee's net take home pay has increased by £84.00 per annum from £38,380.00 to £38,464.00 per annum. Total pension contributions to the AA Scheme have remained the same and the member's pension benefits will continue to be based on their reference pay of £60,000.00.

Note: NI calculated as follows:

Salary of £60,000. National insurance for 2018/19 can be calculated as follows:			
0% on the first	£8,164.00	=	£0.00
12% on the next	£36,836.00	=	£4,420.00
2% on the final	£15,000.00	=	£300.00
Total			**£4,720.00**

Salary of £55,800. National insurance for 2018/19 can be calculated as follows:			
0% on the first	£8,164.00	=	£0.00
12% on the next	£36,836.00	=	£4,420.00
2% on the final	£10,800.00	=	£216.00
Total			**£4,636.00**

Note: Tax calculated as follows: Salary of £60,000. Income tax for 2018/19 can be calculated as follows:			
0% on the first	£11,500.00	=	£0.00
20% on the next	£33,500.00	=	£6,700.00
40% on the final	£15,000.00	=	£6,000.00
Total Income tax bill			**£12,700.00**

HOW COULD I GET MORE AT RETIREMENT?

CARE provides the opportunity for you to increase your retirement income by paying higher basic contributions.

Higher basic contributions

You can consider increasing your build rate if you wish to build your pension up more quickly. The maximum build rate for CARE is 1.82% or 1/55th. You can only change your build rate with effect from 1 April each year. See the “Your contributions’ section on page 3 for more details.

Additional Voluntary Contributions (AVCs)

With effect from 30 June 2017 it is no longer possible to pay AVCs through the Scheme.

CARE – HOW IT WORKS

For each year that you contribute to CARE you will earn a basic amount of retirement income. This annual sum is added to the accumulated income you have built up in previous years.

The retirement income amount earned each year is based on your pensionable pay in that year and your build rate. To take account of inflation, your accumulated retirement income is also subject to revaluation.

If you contribute for only part of a year then your basic amount earned in that year and the revaluation will be adjusted accordingly.

Your pensionable pay

Your pensionable pay is your basic annual salary plus overtime that you are entitled to under your contract of employment (if any) as determined by the Principal Employer. This is subject to your pensionable pay not exceeding the Scheme's specific Earnings Cap that is determined using the Consumer Prices Index. You can view the latest Earnings Cap on the '**Current rates**' page of the website.

Your basic amount

Your basic amount of retirement income earned in a year is based on that year's pensionable pay. It is calculated as your build rate multiplied by your pensionable pay.

Example 1.25% x £20,000.00 = £250.00.

Your build rate

Your build rate is the percentage used to calculate your basic amount each year. You can elect a different build rate with effect from 1 April each year. Each build rate requires a different contribution rate – see page 3.

Your annual revaluation

Each year on 1 April your accumulated retirement income will be revalued in line with inflation* up to a maximum of 2.5% for pensionable service accrued after 1 July 2010.

*** With effect from 1 April 2018 the measure for price inflation will become the Consumer Prices Index ('CPI') rather than the Retail Prices Index ('RPI') which was the measure applicable until 31 March 2018.**

At your retirement

At retirement, your accumulated annual retirement income will be paid as a monthly pension, which is taxed. You will have the option to exchange part of it for a cash sum which is currently paid free of tax.

If you retire early or late (see page 7) your accumulated retirement income will be adjusted to reflect this.

The diagram below shows the build-up of the accumulated retirement income in the first four years after joining the Scheme.

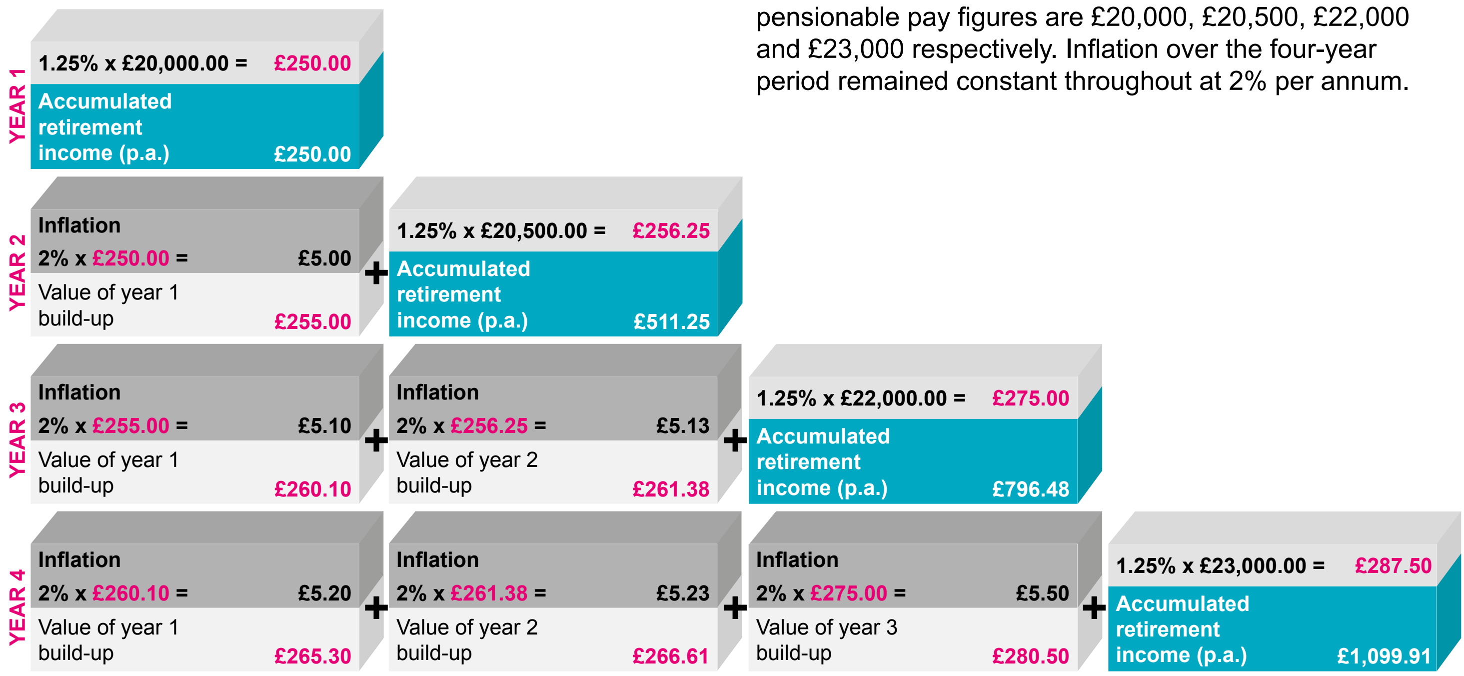
Build up of accumulated retirement income in CARE

In the example below the member has accumulated a retirement income of £1,099.91 per annum (p.a.) Their retirement income will continue to build up until they leave the Scheme or retire. At retirement, their accumulated retirement income can be used to provide a full pension of £1,099.91 p.a. or a cash lump sum and a reduced monthly pension for the rest of their life.

Example

This example illustrates how the build up of each year's accumulated retirement income increases annually in line with inflation.

The member's chosen contribution rate is 7.0% with a build rate of 1.25%. In the first four years the member's pensionable pay figures are £20,000, £20,500, £22,000 and £23,000 respectively. Inflation over the four-year period remained constant throughout at 2% per annum.



RETIREMENT FROM CARE

Normal retirement age is 65.

Early retirement from the AA

The earliest age you can retire is 55. If you retire before age 65 your benefits will be reduced to take account of the fact they are being paid earlier and over a longer period of time.

You may be able to receive an immediate income from the Scheme before reaching age 55 if you cannot continue working due to ill-health (incapacity). The incapacity benefits are described on page 11.

Early retirement may require the agreement from your manager.

Flexible retirement

If you have reached your Minimum Pension Age (age 55) and are still in Service, you may with the agreement of the Company, request that the Trustee pay part of your CARE pension entitlement to you whilst you remain in Service.

To apply for flexible retirement, you must notify the Company no later than two months before your chosen flexible retirement date. If approved, the terms of your flexible retirement must then be agreed in writing between the Company, Trustee and yourself.

If you choose to take flexible retirement, you will be treated as if you have opted out of the Scheme and you will need to complete an opt-out form. This means you will no longer be covered for any death in service benefits unless you wish to join the AA Worksave Defined Contribution Plan which offers a lump sum death in service benefit of four times salary. Further details on this Plan can be found by visiting **www.AApensions.com** and click on the AA Worksave Pension Plan icon.

Partial retirement

If you were a contributing member to any other section of the AA Pension Scheme prior to 1 July 2017 and were automatically transferred into the CARE section with effect from 1 July 2017 you may apply to receive your benefits you built up prior to 1 July 2017 and continue to build up further CARE benefits whilst employed by the Company.

To apply for partial retirement, you must notify the Company no later than two months before your chosen partial retirement date. If approved, the terms of your partial retirement must then be agreed in writing between the Company, Trustee and yourself.

Late retirement

Late retirement after age 65 is possible. If you remain in employment after age 65 you have two options:

- Continue contributions and build retirement income in the normal way (the default option); or
- Stop contributing and leave your benefits in the Scheme. They will be increased annually, at the same rate as CARE members who are receiving their pension, until you actually retire. When you retire, a retirement uplift will also be applied. This uplift reflects the late payment date and the shorter period over which your retirement income is expected to be paid.

If you die after age 65 and you are in service but have stopped contributing because you have reached 65, death benefits (see page 11) will be paid as if you had retired on the day before your death.

Cash lump sum

When you retire you may choose to exchange some of your accumulated retirement income for a cash lump sum, including if you retired due to ill-health. Some or all of this cash lump sum may be paid tax free.

The amount of accumulated retirement income you will have to give up in exchange for a cash lump sum will be decided by the Trustee and the Company based on figures provided by the Scheme Actuary and may be altered from time to time.

Retirement income payments

Your retirement income will be paid monthly. Income tax will be deducted using the Pay As You Earn (PAYE) system, where appropriate and payments will be paid by direct credit into your bank or building society account. Payslips will be available to view online in the secure pensioners area of the Scheme website.

Pension increases

Once in payment your CARE pension will be reviewed annually and you may be entitled to receive an increase as follows:

- **Retirement income earned up to 30 June 2010**
  Will receive annual increases in line with price inflation* up to a maximum of 5%.
- **Retirement income earned from 1 July 2010**
  Will increase in line with price inflation up to a maximum of 2.5% each year.

*** With effect from 1 April 2018 the measure for price inflation is the Consumer Prices Index ('CPI') rather than the Retail Prices Index ('RPI') which was the measure applicable until 31 March 2018.**

For pension increases relating to benefits accrued in this Scheme prior to becoming a CARE Scheme member, please refer to the relevant Explanatory Booklet for the Scheme to which you were previously a member.

Death in retirement

If you die after taking your pension, the following benefits will be paid:

Pension Guarantee

Your pension is guaranteed to be paid for the remainder of your lifetime, or five years if longer.

If you die within the first 5 years of retirement, the remainder of the 60 monthly instalments of retirement income at the date of death will be payable as a lump sum to your dependants.

The recipients will be at the discretion of the Trustee but they will take into account any nominations on your Expression of Wish form. This can be downloaded from the Scheme website at **www.AApensions.com** which you can then complete and send to the Scheme Administrator, Aon at:

The AA Pensions team
Aon
PO Box 196
Huddersfield
HD8 1EG

Spouse's or dependant's pension

A pension will be payable to your spouse, civil partner or dependant of 50% of your full, accumulated retirement income (including increases to the date of your death). Lump sum and/or spouse's or civil partner's benefits may also be part of benefits you purchase with any AVC account balance(s) paid before 1 July 2017 depending on the choices you made.

Payment of pension benefits to a spouse, civil partner or dependant are dealt with separately to the lump Sum. Please refer to the 'Dependant's Nomination Form' for more information. This can be found in the document library of the Scheme website at **www.AApensions.com**

A child's pension

Pensions are paid for up to four children under age 18. Each pension is equal to one quarter of the spouse's, civil partner's or dependant's pension.

Pensions may be paid at the discretion of the Trustee for children up to the age of 23, if they are still in full-time education (see 'Your additional benefits – whilst you are working' on page 9 for the definition of qualifying children).

YOUR ADDITIONAL BENEFITS – WHILST YOU ARE WORKING

Protection for your family

CARE not only helps you save for retirement, but it also makes important financial provisions for your family. In the event of your death and, provided you joined CARE within 12 months of starting work with the AA, the following benefits may be paid:

- A cash lump sum (life assurance);
- A spouse's or dependant's pension*; and
- A child's pension for up to four children*.

*** subject to certain criteria being met.**

A lump sum

A lump sum payment of the greater of four times your pensionable pay received in the preceding year (12 months to previous 31 March) or, four times your annual basic rate of pay (excluding overtime etc) at the date of your death.

If you have paid Additional Voluntary Contributions (AVCs), any AVC account balances will also be paid as a cash lump sum on your death.

A spouse's, civil partner's or dependant's pension

Your spouse's or civil partner's pension will be based on your prospective pension calculated as follows:

50% x accumulated retirement income x total CARE service to age 65

÷ CARE service to date of death

A child's pension for up to four children

Pensions are paid for up to four children under age 18. Each pension is one quarter of the spouse's pension. Total children's pensions of up to the amount of the spouse's pension can be paid.

No child can receive more than 25% of the spouse's pension. If no spouse's, civil partner's or adult dependant's pension is payable, the child's pension will be doubled.

If the child is under the age of 18

A child will qualify for a pension on your death if he/she is:

- Under the age of 18; and
- Your legitimate, legitimated, step, adopted, or at the Trustee's discretion, an illegitimate child who was dependent on you immediately before your death or any other child treated as your legitimate child or for whom you act 'in loco parentis'.

If the child is over the age of 18

A child over age 18 may qualify for a pension if he or she is incapable of self-support by reason of bodily or mental injury or disability, or in the opinion of the Trustee, continuing in full time education or vocational training (including any period which the Trustee considers to be a short break in the child's education).

The Trustee has discretion to exclude any person over age 21 whom it considers does not meet the criteria from receiving a child's pension.

If no spouse's, civil partner's or adult dependant's pension is payable, the child's pension will be doubled.

Pensions may be paid at the discretion of the Trustee to children up to the age of 23, if they are still in full time education.

Late joiners

If you are a Late joiner, the lump sum in respect of life cover, spouse's and dependant's benefits will be phased in over a 5-year period as shown in the table below:

Example – phased benefits for late joining only			
	Lump sum	**Spouse's pension**	**Children's pension**
1st year after joining	No cover	No benefits	No benefits
2nd	1 x pensionable pay	20% of your prospective pension	10% of your prospective pension
3rd	2 x pensionable pay	30% of your prospective pension	15% of your prospective pension
4th	3 x pensionable pay	40% of your prospective pension	20% of your prospective pension
5th	4 x pensionable pay	50% of your prospective pension	25% of your prospective pension

MAKING YOUR WISHES KNOWN

Under current tax rules the lump sum payment under CARE is not liable to inheritance tax. The Trustee has discretion to decide who should receive any lump sum paid when you die. To help make that decision and ensure the payment is made quickly, you should let the Trustee know who you would like to receive the lump sum. An online Expression of Wish form can be downloaded from the Scheme website at **www.AApensions.com**. You can then complete it by hand and send it to the Scheme Administrator, Aon.

Payment of pension benefits to a spouse, civil partner or dependant are dealt with separately to the Lump Sum. A spouse or civil partner will normally receive a pension from the Scheme as of right. To nominate a dependant, please complete a 'Dependant's Nomination Form'. This can be found in the document library at **www.AApensions.com**

Please make sure you fill in a new 'Expression of Wish form' or 'Dependant's Nomination Form' if your circumstances change at any time, for example, due to a change in marital status or the birth of a child.

Any reference to "spouse's" benefits in this section could also apply to a civil partner.

IF YOU ARE ABSENT

Going on maternity/paternity or adoption leave

You will continue to be a member of CARE whilst you are on paid maternity/paternity and adoption leave and your entitlement to pension and life assurance benefits continues as if you were working normally. Contributions will be based on actual pensionable earnings received during that period.

Any period of unpaid maternity/paternity or adoption leave will not usually be pensionable.

During any period of either paid or unpaid maternity/paternity or adoption leave, you will continue to be covered for any lump sum death in service benefits.

If you do not return to work after your maternity absence, you will be treated as having left the AA and your membership of the AA Pension Scheme will cease.

Other family related leave

Family leave is the right to take time off work to look after a child for example or make arrangements for the child's welfare and it can be paid or unpaid. Benefits during any period of paid family leave will be provided as if the member had been working normally except that contributions will only be based on actual pensionable pay received.

Too ill to work

If you are a member of CARE you may be covered for benefits if you become too ill to work. There are two levels of cover:

- Incapacity; and
- Serious incapacity.

The benefit you receive will depend on the severity of your illness at the time and your ability to continue working.

You must be a contributing member under age 65 and have been a member of the Scheme for at least six months.

The Company decides whether you are entitled to incapacity or serious incapacity pension. It will need satisfactory medical evidence of your ill-health before any pension is paid. Once in payment, your pension will be increased in the same way as normal retirement income. You will have an option to exchange part of your pension for cash lump sum.

Incapacity

Irrespective of age, you may receive an immediate retirement income unreduced for early payment, if the Company considers your ill-health permanently prevents you from working in any of the following:

- Your current job;
- Any other job which you could be expected to carry out under your contract of employment; or
- A job which a person of your skills and experience could reasonably be expected to undertake.

Your incapacity retirement income will be based on the accumulated retirement income that you have built up to date. If you have any AVC account balances, these will be paid in addition.

If you are receiving the incapacity pension and are under age 65, the Rules allow the Trustee to conduct periodic reviews to see whether you still qualify for that pension if your health has improved it can reduce or stop payments. If the payment of your partial ill-health pension is stopped, it will recommence once you reach age 65.

Serious incapacity

In the event you become so ill that you are required to leave service and the Company considers you will not be able to do any kind of work again, an enhanced serious incapacity pension may be paid immediately.

This is equal to your accumulated retirement income, uplifted by the ratio of the amount of service you would have achieved if you had worked until age 65 (compared to your actual service to the date of your retirement).

If you have any AVC balances, these will be paid in addition.

The Rules allow the Trustee to conduct periodic reviews and take appropriate action as with 'Incapacity'.

You will have an option to exchange part of your pension for cash lump sum.

This does not affect any spouse's, civil partner's or dependant's pension that would be payable after your death.

Full commutation

If your life expectancy is less than 12 months, under special circumstances the Trustee may let you exchange all of your pension for a cash sum. This does not affect any spouse's, civil partner's or dependant's pension that would be payable after your death.

YOUR BENEFITS – IF YOU LEAVE

The benefits available when you leave the Scheme depends on the length of time you were in the Scheme.

If you leave and are aged 55 or below

You will become a deferred member of CARE and your benefits will continue to be revalued annually at the same rate as members who are still contributing. If you have paid AVCs, these will continue to be invested in your personal AVC account.

If you leave and are older than age 55

You will have the option to choose either to:

- Take early retirement (see page 7) and your pension will be reduced; or
- Become a deferred member and be treated in the same way as a leaver who is under age 55.

Transfer values for deferred members

You can choose to transfer the value of your benefits to another registered pension scheme any time prior to retirement. The Cash Equivalent Transfer Value (CETV) is comprised of:

- The capital value of the accumulated retirement income accrued to date that you would have received at age 65; plus
- The amount of any personal AVC account balance(s).

You are entitled to request a transfer quotation once a year free of charge which outlines the transfer value, at a specified date. If you do wish to consider transferring please seek independent financial advice to make sure it is in your best interest to do so. Additional requests for a CETV quotation within the same 12-month period will be chargeable.

Early retirement for deferred members

You are able take early payment of your deferred benefit from age 55 onwards.

If you qualify for an ill-health pension on the grounds of Serious Incapacity and in the Principal Employer's opinion can no longer work, you may take early retirement before age 55.

Benefits paid (other than on a serious incapacity basis) will be reduced as there is an expectancy they will be payable for a longer period.

Go to **www.AApensions.com** to find more useful information.

Death in deferment

If you die after ceasing to be a contributing member (i.e. you are a deferred member) of the Scheme, but your pension has not yet come into payment, the following benefits will be paid:

Lump sum

If you die in deferment, the Trustee has the discretion to pay a lump sum equal to the value of your contributions (whether made directly or via AA Plus), plus interest to date of death.

This will be paid to a beneficiary chosen at the discretion of the Trustee, taking into account any beneficiary nominated by you on your Expression of Wish form.

Any AVC account balance(s) would also become payable in the event of your death.

Spouse's or dependant's pension

Your spouse's, civil partner or dependant's pension is calculated as 50% of your deferred accumulated retirement income.

A child's pension

Pensions are paid for up to four children under age 18. Each pension is equal to one quarter of the spouse's pension.

Pensions may be paid at the discretion of the Trustee for children up to the age of 23, if they are still in full-time education (see 'Your additional benefits – whilst you are working' on page 9 for the definition of qualifying children).

STATE PENSION BENEFITS

New State Pension

The new State Pension is a regular flat rate payment from the government that you can get if you reach State Pension age on or after 6 April 2016. For the 2018/19 tax year the full new State Pension is £164.35 per week. The actual amount you get depends on your National Insurance Record.

Further information on the new State Pension can be found at **www.gov.uk/new-state-pension**

Who can I ask about my State benefits?

For queries relating to your State benefits, you can contact The Department for Work and Pensions (DWP).

Future Pension Centre
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: **0345 3000 168**

Website: **www.gov.uk/check-state-pension**

USEFUL INFORMATION

Assigning your CARE benefits

Your benefits are strictly personal and cannot be assigned to any other person or used as security for a loan including a mortgage.

Changing or winding-up CARE

In line with legal requirements, the Trust Deed and Rules contain provisions to amend or close CARE in specific circumstances.

Data Protection

The Trustee will hold personal data provided by you (and, where appropriate, by third parties such as the Company) for the purpose of calculating and providing your benefits and your dependants' benefits under the Scheme.

The Trustee needs to use your personal data:

1. To fulfil its legal obligations, such as giving you specified information about your benefits in the Scheme as required by pension legislation; and
2. To meet its legitimate interests to administer the Scheme efficiently and to pay benefits to you and your dependants in accordance with the Rules.

The Trustee may share your personal data with others (within the United Kingdom or in any other country) where it thinks it is necessary or desirable to do so in connection with the administration of the Scheme. In particular the Trustee may make the information available to its professional advisers, to the Company, to the Scheme Administrator and to any other persons who may become responsible for providing benefits. The Trustee has measures in place to protect the security of your personal data and keep it confidential.

You can find out more about how the Trustee will use your data by reading the Trustee's privacy notice, which can be found at **www.AApensions.com**. If you would like a copy of the privacy notice, please request one from the AA Pensions team (see contact details on page 17).

Dealing with complaints

If you have a complaint relating to CARE you should in the first instance contact the Scheme's Pension Department about any concerns – it may be that a concern can be resolved informally. If the matter cannot be resolved informally, the Scheme has a formal Internal Disputes Resolution Procedure (IDRP) and a full copy is available to view in the Document library of the Scheme website – **www.AApensions.com**

The IDRP will be used to resolve any dispute if you have a serious problem that the Pension Department cannot resolve, or you are unhappy with the decision reached.

To begin the IDRP your complaint must be sent in writing and addressed to the Chairman of the Administration Committee.

Please refer to the Document library of the Scheme website where you can download a copy of the Scheme's Formal Internal Disputes Resolution Procedure which also includes the STAGE 1 Dispute Form (Initial Complaint).

You will then receive a written decision and an explanation, where possible within four months of your written complaint being received.

If you are still dissatisfied, you have the right to appeal to the Trustee.

At any time during the disputes procedure, you may refer the complaint to The Pensions Advisory Service or the Pensions Ombudsman.

The Pensions Advisory Service (TPAS)

TPAS is available to assist you with the provision of pension information and guidance. You can contact TPAS by writing to:

The Pensions Advisory Service (TPAS)
11 Belgrave Road
London
SW1V 1RB

Telephone: **0800 011 3797**

Website: **www.pensionsadvisoryservice.org.uk**

Alternatively, you can contact them by completing their online enquiry form or using their Webchat facility available on their website.

From 1 April 2018, the dispute resolution function previously managed by TPAS moved to the Pensions Ombudsman. See the Pensions Ombudsman below for more details.

The Pensions Ombudsman

If you have a complaint or dispute of fact or law in relation to an occupational pension scheme, you should contact the Pensions Ombudsman, who can investigate this matter on your behalf.

You can contact the Pensions Ombudsman by writing to:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
E14 4PU

Telephone: **0800 917 4487**

Website: **www.pensions-ombudsman.org.uk**

Email: **enquiries@pensions-ombudsman.org.uk**

The Pensions Regulator (TPR)

TPR is responsible for regulating UK pension arrangements. It has the power to intervene in the running of a pension scheme where Trustees, employers or professional advisers have failed in their duties. TPR can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

Telephone: **0345 600 0707**

Website: **www.thepensionsregulator.gov.uk**

The Pension Tracing Service

The Pension Tracing Service holds details of all occupational pension funds. If you need help to trace pension benefits from previous employment, for example if you leave and lose touch with your employer, you can ask for free help by contacting:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: **0345 6002 537**

Website: **www.gov.uk/find-pension-contact-details**

CARE section of the AA Pension Scheme

CARE is a section of the AA Pension Scheme. The Scheme is registered and approved by HM Revenue & Customs under the Finance Act 2004. It is run in accordance with its Rules. Nothing contained in this Explanatory Booklet can override the Rules.

CARE's assets are entirely separate from those of the AA. It is managed by the Trustee in accordance with its Rules and legislative and tax requirements.

Divorce and dissolved civil partnership

Pension rights are always taken into account as part of your assets when the court is arranging a divorce settlement or a dissolution order of a civil partnership.

The Trustee must comply with any order made by the court in divorce or dissolution proceedings. The order may affect your benefit rights under CARE, including any benefits payable on your death.

If you need more details on pensions and divorce, you can request an information pack from the AA Pensions team. Also, please do not forget to complete a new Expression of Wish form.

HMRC – allowances and tax relief

As mentioned earlier in this booklet, there are a number of valuable tax reliefs available to members of HMRC Registered Pension Schemes. To take advantage of them, schemes must comply with special tax rules. The overview that follows is the Trustee's understanding of current legislation.

Full details can be found on the HMRC website. It should be remembered that the tax treatment of pension schemes is outside of the AA's control and is subject to change in the future by the Government.

If you think that you may be affected by HMRC limits then you should seek independent financial advice.

Contributions to registered pension schemes

Under tax law, you can pay contributions of up to 100% of your taxable earnings each year (or £3,600 per annum, if greater) into any Registered Pension Scheme. However, there is an HMRC imposed 'Annual Allowance' on the amount of pension contributions that qualify for tax relief.

Annual Allowance

The Annual Allowance limits the amount of tax privileges on a member's 'pension input' each year. If the value of a member's pension input exceeds the Annual Allowance, the excess will be subject to a tax charge. 'Pension input' includes:

The capital value of any benefit accrual in defined benefit pension schemes (such as the CARE Scheme). The capital value is calculated by multiplying the increase in the level of your pension entitlement during the tax year by a factor of 16, and;

Any other contributions to defined contribution schemes, such as Additional Voluntary Contributions (AVCs) or contributions to any other HMRC Registered Pension Scheme.

The Annual Allowance for the 2018/2019 tax year is £40,000.

Tapered Annual Allowance

Since April 2014, the Annual Allowance has been set at £40,000 and will continue at this level for most individuals. However from 6 April 2016, the Annual Allowance has been tapered for individuals with taxable income over £150,000. For every £2 over £150,000, the Annual Allowance will be reduced by £1, down to a minimum of £10,000.

Money Purchase Annual Allowance (MPAA)

If you have pension savings outside of the AA Pension Scheme and have taken advantage of any of the new pension flexibilities, for example income drawdown from a Defined Contribution (DC) pension plan, you will have a reduced Annual Allowance of £4,000 towards any DC pension savings.

The MPAA only applies to contributions to DC arrangements and not defined benefit pension schemes. Your normal contributions to the CARE section are therefore not impacted by the reduction in the Annual Allowance.

The Lifetime Allowance

From 6 April 2014, the Lifetime Allowance (LTA) reduced to £1.25 million and from 6 April 2016, it reduced again to £1 million. However, with effect from 6 April 2018 the LTA will increase annually in line with the Consumer Prices Index (CPI) to £1.03 million.

This means that more members may have pension savings that exceed the Lifetime Allowance so it is important that you understand how your pension benefits are affected. Remember, you need to take account of all pension benefits you build up, not just those in the AA Pension Scheme.

If you think you may be affected by the reduced LTA, it is a good idea to speak to an independent financial advisor. If you do not have your own adviser, you can find one local to you at **www.unbiased.co.uk**

You can obtain further information about the Annual Allowance and LTA, including available protections from the HMRC website **www.gov.uk/tax-on-your-private-pension**

For defined benefit schemes the 'value' of the member's pension is calculated by multiplying the initial annual pension by 20 and adding it to the pension commencement lump sum received. This would be added to the value of any other pension funds you have to determine whether the Lifetime Allowance has been reached.

In practice it is expected that few members of the CARE section will reach the Lifetime Allowance, but you should take independent financial advice if you believe that you may be affected by it. If the Lifetime Allowance is exceeded then excess benefits are subject to the Lifetime Allowance Charge. This would currently mean a tax charge of 25% if the benefits are taken as additional pension or a tax charge of 55% if the benefits are taken as a lump sum.

Reduction or loss of benefits

Your entitlement to CARE benefits may be withdrawn or reduced if you are party to a fraudulent, negligent or criminal act which results in financial loss to the Company.

INFORMATION, HELP AND ADVICE

The websites listed below provide information on pensions, financial planning and State benefits.

www.gov.uk/government/organisations/department-for-work-pensions – The Department of Work and Pensions provides information and advice on pensions, savings and State benefits. You can also request a State Pension Forecast here.

www.hmrc.gov.uk – This site contains information about issues including tax, National Insurance and tax credits.

www.unbiased.co.uk – The official site for personal independent financial advice. You can find general advice and contact details for an adviser in your area.

CONTACT DETAILS

This booklet has been produced by AA Pensions Trustees Limited. If you have any queries relating to CARE or to your benefits you should contact the AA Pensions team in the first place. Their contact details are:

The AA Pensions team
Aon
PO Box 196
Huddersfield
HD8 1EG

Telephone: **0345 850 6406**

Email: **AA.pensions@aon.com**

When you call the Helpline the following questions will always be asked:

- Full Name;
- Full Address;
- Date of Birth.

…plus one of the following additional questions:

- Pension reference number;
- Date joined scheme (year/month);
- Date joined company (year/month);
- Amount of last contributions (to the nearest pound);
- Amount of last payment (to the nearest pound pensioners only);
- Date pension commenced (year/month pensioners only).

If you have any queries relating to your pension payslip please contact:

The AA Pensions team
Aon
PO Box 196
Huddersfield
HD8 1EG

Telephone: **0345 850 6406**

Email: **AA.pensions@aon.com**

We are here to help you so please do what you can to be prepared before calling. If you cannot pass the data security questions then we will not be able to divulge any information.

You can also contact the AA Pensions Department:

AA Pensions Department
Fanum House
Basing View
Basingstoke
Hampshire
RG21 4EA

Telephone: **01256 491 003**

Email: **pensions@theaa.com**

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