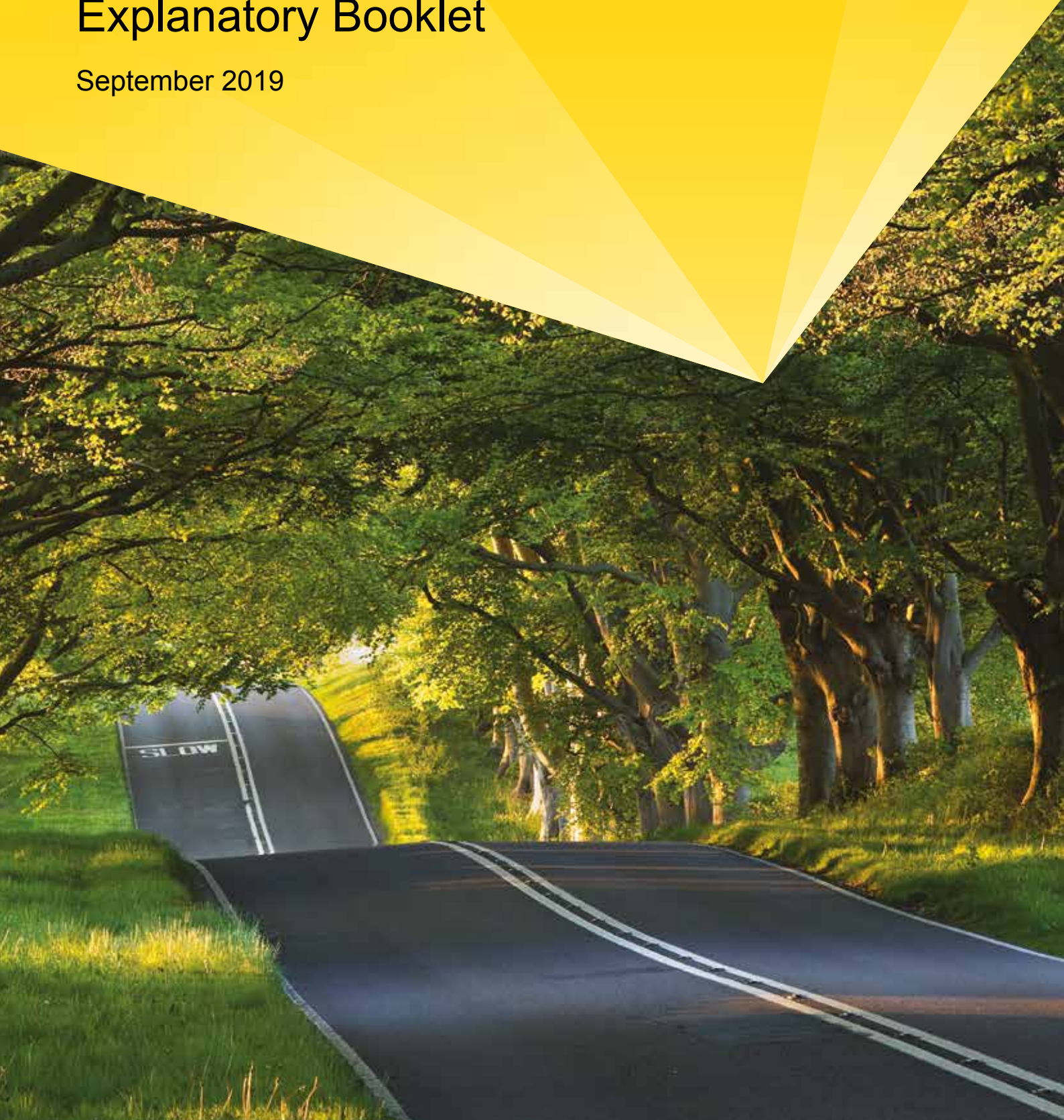




AA Management 1 Pension Scheme

Explanatory Booklet

September 2019



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WELCOME TO THE MANAGEMENT 1 SECTION OF THE AA PENSION SCHEME

Retirement may seem a long way off. Although, you are no longer a contributing member of the Management 1 section of the AA Pension Scheme ('the Scheme'), planning how to provide for the future, for you and your family still involves important decisions for you to make.

This Explanatory Booklet explains the benefits provided by the Management 1 section of the Scheme.

This Booklet describes the benefits offered to members who previously contributed to the Management 1 section of the Scheme employed in the UK. It has been designed to give members a broad outline of the benefits provided by the Scheme, as such, this Booklet is only a guide and not a legal document. The Scheme is governed by the Trust Deed and Rules, a copy of which is available from the AA Pensions team. If there is any conflict between this Booklet and the Trust Deed and Rules, then the Trust Deed and Rules will take precedence.

With effect from 30 June 2017, all contributing members of the Management 1 section of the Scheme ceased to accrue any further benefits from this section of the

Scheme. Consequently, members as at this date become deferred members of the Management 1 section.

All contributing members of the Management 1 section as at 30 June 2017 joined the CARE section of the Scheme for future accrual with a Build up rate of 1/60th (1.67%) for future pension benefits. See the CARE section Booklet for more information regarding your service with effect from 1 July 2017.

Some information referred to in this Booklet may be subject to change (e.g. taxation limits). 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 Pension Scheme website at www.AApension.com where a brief definition of the key terms regularly used can be found.

AA Pensions Department

ABOUT THE MANAGEMENT 1 SECTION OF THE SCHEME

The Management 1 section provides benefits for you and your dependants both before and after your retirement. The benefits you built up prior to 1 July 2017 whilst you were a contributing member of the Management 1 section of the Scheme are covered in more detail in this Booklet.

Membership of the Scheme will not affect your entitlement to the Basic State Pension, which is payable from your State Pension Age.

The Trustee is responsible for running the Management 1 section of the Scheme in accordance with the Trust Deed and Rules. The names of the Trustee Directors are available in the latest Report and Accounts.

On a day to day basis the Management 1 section is administered by the AA Pensions team and their contact information can be found at the back of this Booklet or on the Pension Scheme website at www.AApensions.com

Membership

The Management 1 section of the Scheme is closed to accrual and to new joiners so it is not possible for you to rejoin this section as a contributing member if you were to rejoin the Company, or elect to rejoin the Scheme (if you previously decided to opt out).

If, however, you were a contributing member of the Management 1 section as at 30 June 2017, you automatically became a contributing member of the

CARE section of the Scheme with effect from 1 July 2017. For more information about the CARE section, please refer to CARE section Booklet or the CARE section of the Pension Scheme website at www.AApensions.com

Information contained in this Booklet is in relation to the Management 1 section of this Scheme and is only relevant to those who have already built up a benefit in this section before 30 June 2017.

Contributions

Since 1 July 2017 members have not been required to make any contributions to the Management 1 section of the Scheme. The Company is required to meet the cost of any benefits provided from this section of the Scheme (in excess of the contributions members and the Company previously paid to the Scheme). Company contributions are determined by the Trustee and the Company after considering advice from the Scheme Actuary and are reviewed regularly.

Transfers in

Some members may have previously transferred benefits into the Scheme and in return were granted an additional period of pensionable employment. However, no further transfer payments can be accepted into the Scheme.

YOUR SCHEME BENEFITS

As a deferred member you will have a deferred pension in the Scheme that will become payable from your Normal Retirement Date — age 65 (or 62 for specific members).

You may have the option to retire early or take a transfer payment out of the Scheme.

Your deferred pension

Your deferred pension is payable from your Normal Retirement Date.

You will receive increases to your deferred pension to help protect it against inflation.

The Guaranteed Minimum Pension (GMP) included in your deferred pension will be increased at a rate set by the Government.

Your pension (above your GMP) will increase over the period until your Normal Retirement Date broadly in line with inflation (as measured by the Consumer Price Index) up to a maximum of 6% per year for your pension built up prior to 6 April 2009 and up to a maximum of 2.5% per year for your pension built up after this date.

Precise details of your deferred pension entitlement will have been provided to you when you left the Management 1 section of the Scheme. See page 4 for details of the benefits payable in the event of your death in deferment.

Payment of pensions

Your pension is payable for your lifetime by monthly instalments in advance and will be paid directly into your bank or building society account.

Cash option at retirement

You may, if the Trustee agrees, choose to exchange up to 25% of the 'value' of your pension benefits for tax free cash when you take your pension. This is often referred to as "commutation".

If you have paid Additional Voluntary Contributions (AVCs), then you may also take up to 25% of the value of your accumulated AVC fund as a cash lump sum.

The Trustee, after considering advice from the Actuary, will decide the amount of pension you will have to give up in exchange for a cash sum when you commence your pension; this will depend on your age. The terms for

exchanging pension income for cash may be reviewed and altered by the Trustee from time to time.

Although any cash sum taken will reduce your pension, it will not affect any spouse's, civil partner's or dependant's pension payable on your death.

Early retirement from deferred status

As a member with an entitlement to a deferred pension, it is possible to commence payment of your pension before your Normal Retirement Date.

The earliest date at which your pension can commence is age 55.

Your deferred pension will however be reduced due to the fact that it will be paid for a longer period. The rate of reduction is decided by the Trustee after considering advice from the Actuary.

With the agreement of the Trustee after considering medical evidence, your pension (as described above) may be paid to you before age 55 if you retire on the grounds of ill-health. Once an ill-health pension has been granted it is subject to periodic review and may be reduced or suspended at any time. If you have less than 12 months to live, you may be able to commute all of your pension to a lump sum, subject to evidence of your life expectancy from a registered medical practitioner.

A transfer payment

You may request to transfer the value of your deferred pension and any AVCs to another registered pension scheme.

The value of your deferred pension (the cash equivalent transfer value (CETV)) is calculated as the amount which needs to be invested in order to provide your future pension. It takes account of the number of years before retirement and financial conditions at the date of payment of the CETV.

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.

WHAT ABOUT INCREASES?

Pension increases in payment

Once in payment your pension will be increased each year on 1 April (or such other date as the Trustee and the Company agree) as follows:

For pension benefits built up before 1 July 2010:

Your pension (above your GMP) is guaranteed to increase each year in line with inflation (as measured by the Retail Price Index, over the 12 months ending on the previous 30 September) up to a maximum of 6%.

For pension benefits built up on or after 1 July 2010:

Your pension (above your GMP) is guaranteed to increase each year in line with inflation (as measured by the Retail Price Index, over the 12 months ending on the previous 30 September) up to a maximum of 2.5%.

Guaranteed Minimum Pension (GMP)

The GMP element of your pension will be subject to increases, the exact basis differs depending upon when you became a deferred member of the Management 1 section, when your pension commenced and your age.

Keeping pace with inflation

Pensions in payment are reviewed each year by the Company, which may award additional discretionary increases to help keep pace with inflation.



IS MY FAMILY PROTECTED?

Family benefits

If you die in deferment

If you die before your pension has come into payment, the following benefits will be paid:

- **Cash sum**
If there is no pension payable to your spouse, civil partner or children (as described below), a cash sum is payable, as follows:
 - If you die before your Normal Retirement Date, the amount of the cash sum will be equal to the contributions you paid to the Scheme (excluding any AVCs) with interest determined by the Trustee after consulting the Actuary.
 - If you die on or after your Normal Retirement Date, the amount of the cash sum will be five times the annual pension that would have been paid to you had it started on the date of your death.

The Trustee has discretion as to whom payment is made (see next column);

- **Spouse, civil partner or dependant's pension**
Your spouse, civil partner or (if they meet the conditions in the Rules and the Trustee agrees) dependant will receive a lifetime pension, calculated as half the pension you would have received if you had retired on the day you died.

If your spouse, civil partner or dependant is more than ten years younger than you, the pension may be reduced to take account of their longer life expectancy; and

- **Child's pensions**
A pension is paid to each of your children (up to a maximum of four). Each pension is equal to one quarter of the spouse's, civil partner's or dependant's pension.

Pensions will be paid to children up to the age of 18, and may be paid at the Trustee's discretion to children up to the age of 23 if they are still in full time education.

If you die after retirement

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

- **Pension guarantee**
Your pension is guaranteed for five years, so if you die within five years of commencement of your pension, the remainder of the five years' pension payments is paid (disregarding any future pension increases). The Trustee has discretion as to whom the payment is made;
- **Spouse, civil partner or dependant's pension**
Your spouse, civil partner or (if they meet the conditions in the Rules and the Trustee agrees) dependant will receive a pension equal to half the pension payable to you at the date of your death but as if you did not exchange any of your pension for a cash sum or level pension option; and
- **Children's pensions**
A pension is paid to each of your children (up to a maximum of four). Each pension is equal to one quarter of the spouse's, civil partner's or dependant's pension.

Pensions will be paid to children up to the age of 18, and may be paid at the Trustee's discretion to children up to the age of 23 if they are still in full time education.

Payment of cash sum death benefits

Where a cash sum is paid in the case of death, the recipients will be at the discretion of the Trustee but they will take into account any nominations on your Expression of Wish Form.

An online Expression of Wish Form can be found in the Document library section of the Pension Scheme website at www.AApensions.com

You can also download the Form, complete it by hand and send to Aon at:

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

Please note: it is no longer possible to accept an Expression of Wish Form in a sealed envelope to be opened on death.



PENSION BENEFITS FROM THE STATE

Basic State Pension

For members of the Scheme who reached their State Pension Age prior to April 2016, the State Pension scheme was made up of two main parts:

- The Basic State Pension; and
- The State Second Pension (S2P), an earnings related benefit (previously the State Earnings Related Pension Scheme, known as SERPS).

Provided you have paid the required National Insurance Contributions (NICs) during your working life, you will receive a Basic State Pension. The pension is a fixed amount set by the Government and is increased each year in line with price increases. It is paid from State Pension age.

For the 2018/19 tax year the most you can get is £125.95 per week.

You cannot opt-out of the Basic State Pension.

State Second Pension change to 'Additional State Pension'

The Additional State Pension (previously known as the State Second Pension (S2P)) is an extra amount of money you could get on top of your Basic State Pension if you reached State Pension age before 6 April 2016.

How much you get depends on:

- Your earnings;
- Your National Insurance contributions; and
- Whether you've claimed certain benefits.

New State Pension

From April 2016, the Government introduced a new flat rate 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: 0800 731 0175

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

LIMITS TO TAX EFFICIENT PENSION SAVINGS

HMRC — allowances and tax relief

With effect from 30 June 2017 contributing members at that time were no longer able to continue paying contributions into the Management 1 section of the Scheme and joined the CARE section for future accrual. Below is an overview of the current legislation and contribution limits that apply to all pension schemes registered with HMRC (including the Scheme).

Full details can be found on the HMRC website. It should be remembered that the tax treatment of pension schemes is outside of the Company's or Trustee'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 Management 1 section of the Scheme, although there has been no accrual in the Management 1 section since 30 June 2017). 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 Registered Pension Scheme.

The Annual Allowance for the 2019/2020 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 Scheme and have taken advantage of any of the new pension flexibilities, for example income drawdown from a Defined Contribution (DC) pension scheme, you will have a reduced MPAA of £4,000 towards any DC pension savings.

The MPAA only applies to contributions to DC arrangements and not defined benefit pension schemes. If you then make further contributions to a DC pension scheme exceeding £4,000, you will have a reduced Annual Allowance relating to your defined benefit pension schemes of £36,000 (subject to the taper for high earners).

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 2019, the LTA increases annually in line with the Consumer Price Index (CPI). The LTA for the 2019/2020 tax year is £1.055 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 in all Registered Pension Schemes, not just those in the 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 LTA has been reached.

In practice it is expected that few members of the Management 1 section will reach the LTA, but you should take independent financial advice if you believe that you may be affected by it. If the LTA is exceeded then excess benefits are subject to the LTA Charge. This would currently mean a tax charge of 25% if the excess benefits are taken as pension or a tax charge of 55% if the benefits are taken as a lump sum.

Reduction or loss of benefits

Your entitlement to Scheme 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.

USEFUL INFORMATION

Assigning your benefits

Your benefits are strictly personal and cannot be assigned to any other person or used as security for a loan including a mortgage. If you attempt to do so, the Trustee may decide that you are no longer entitled to benefits from the Scheme.

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 10).

Dealing with complaints

If you have a complaint 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 in relation to an occupational pension scheme, you should contact the Pensions Ombudsman, who can investigate this matter on your behalf free of charge. The Pensions Ombudsman will expect you to have tried to resolve your complaint or dispute through the Scheme's IDRPs first.

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 over 200,000 occupational and personal pension schemes. 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**

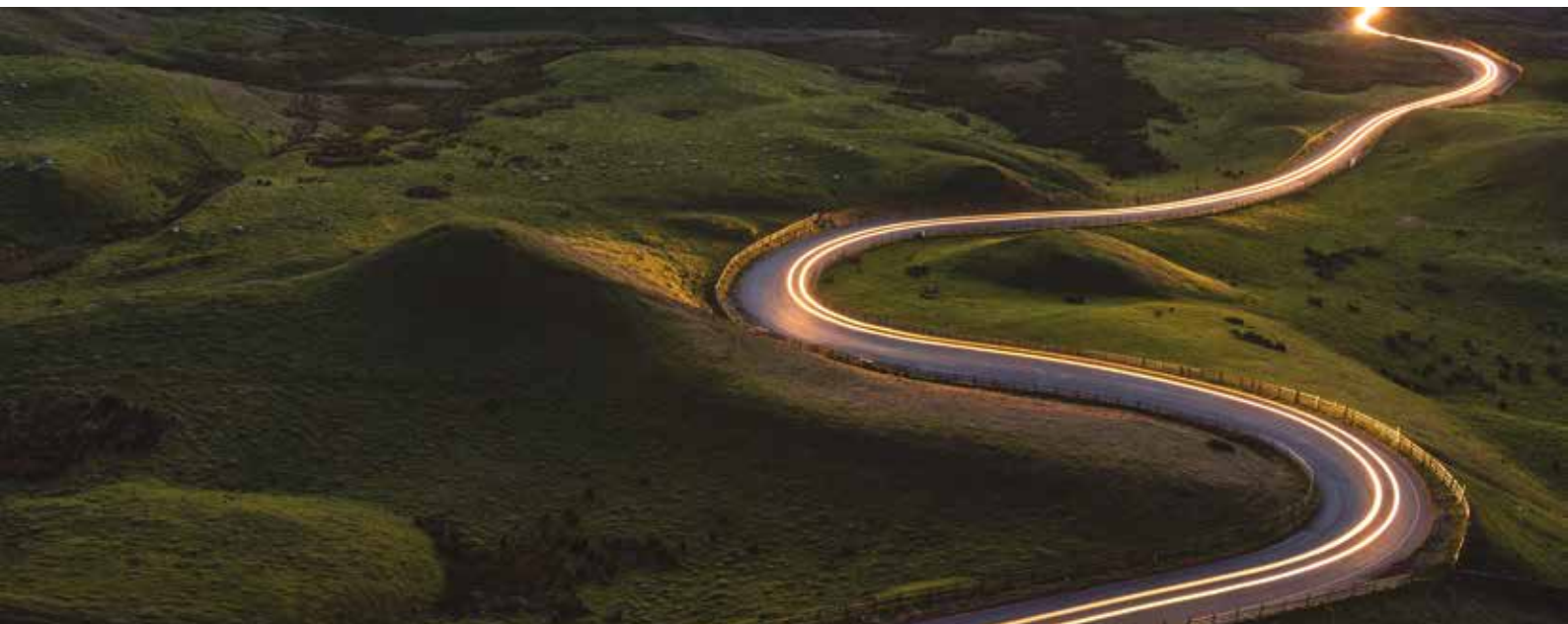
Website: www.gov.uk/find-pension-contact-details

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 benefits under the Management 1 section of the Scheme, 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.



Trust status

The Management 1 section is a section of the Scheme. The Scheme is set up as a trust. The assets of the Scheme are held entirely separately from the Company and may only be used to pay benefits to and in respect of members and the expenses of running the Scheme until the Scheme is wound up. All the benefits from the Scheme are provided out of the funds of the trust.

The trust is administered by a trustee company called AA Pensions Trustees Limited ('the Trustee'). The Trustee's role is to ensure that the Scheme is managed according to the Rules, and that its assets are invested prudently in line with the Statement of Investment Principles. Its board is made up of employer appointed and member nominated directors, whose names appear in the Scheme's annual report, which the Trustee publishes each year, and which reports on progress over the preceding twelve months. Copies are available from the AA Pensions team.

The Rules are the governing documentation of the Scheme and in the event of any ambiguity or inconsistency between the Rules and this guide or any announcement; it is the Rules that will apply. This Booklet is a guide and does not confer any entitlement to benefits.

Statement of investment principles

The Trustee must prepare a statement concerning decisions about investment of the Scheme's funds, as required by law, and review it from time to time. The Trustee must seek independent advice from a suitably qualified investment adviser and consult with the Company in arriving at this statement. Copies are available from the AA Pensions team.

Changing or winding-up the Scheme

The Company is committed to the Scheme and has every intention of continuing it, but future conditions cannot be foreseen. The Rules give the Company the right to terminate the Scheme (without replacing it) at any time, and the right to amend the Scheme (subject to certain restrictions) by agreement between the Company and the Trustee.

In the event of the Scheme being terminated, benefits for pensioners, members and other beneficiaries would be provided in accordance with the Rules. The funding of the Scheme aims to ensure that the assets are, in normal circumstances, sufficient so that benefits can be paid as and when they become due. If the assets prove insufficient, the Company (unless it had become insolvent) would be responsible for making up the shortfall.

The Pension Protection Fund

The Pension Protection Fund (PPF) compensates members of eligible pension schemes when their employer becomes insolvent (as defined by the Pensions Regulator), and their scheme does not have sufficient assets to pay benefits to members. The PPF provides between 90% and 100% compensation to members, depending on whether they are currently receiving a pension. Future pension increases are only provided on a limited basis. The benefit payable to a scheme member from the PPF is restricted to a maximum.

For more information on the PPF, visit its website at: www.pensionprotectionfund.org.uk

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 the Trustee. If you have any queries relating to the Management 1 section 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**