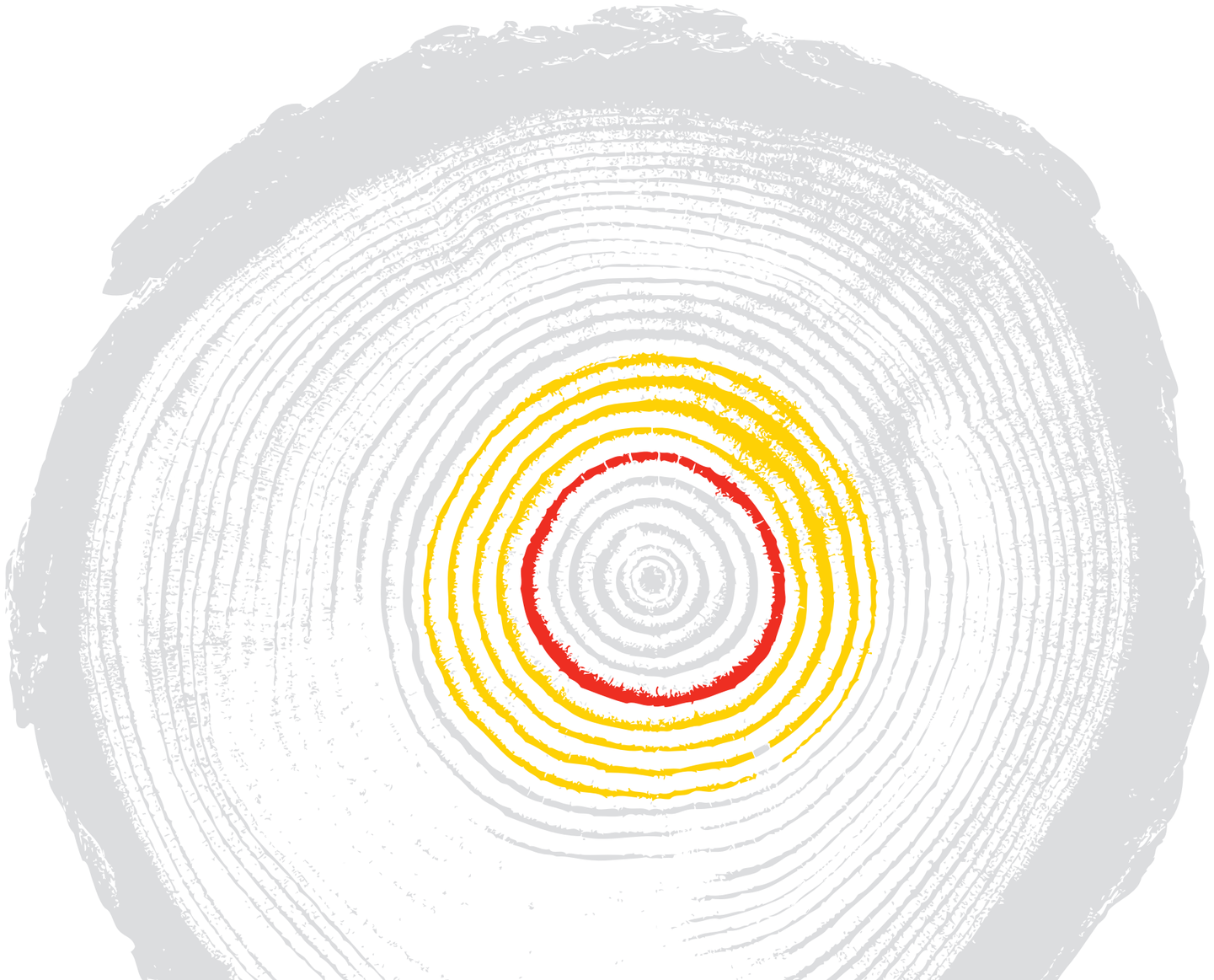
SHELL CONTRIBUTORY PENSION FUND

Additional Voluntary Contributions Arrangement

Explanatory Book



updated March 2023

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1 INTRODUCTION

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One of the most important employee benefits offered by Shell companies in the UK (which are Member Companies of the Shell Contributory Pension Fund) is a pension. Your pension is provided through the Shell Contributory Pension Fund (SCPF), which is a Defined Benefit scheme. As a member of the SCPF, the pension you receive will be based on your pensionable service and your final pensionable salary*. The SCPF also provides many benefits in addition to a pension, such as a tax-free cash lump sum and pensions for your dependants.

As a member of the SCPF you have the option to provide for an additional cash lump sum and/or extra pension on retirement by making Additional Voluntary Contributions (AVCs). The SCPF AVC Arrangement has been set up by the Trustee of the SCPF (Shell Pensions Trust Limited) with Legal & General Assurance Society Limited (L&G).

This booklet gives information on the SCPF AVC Arrangement to help you understand AVCs in the context of your overall financial planning for retirement. It explains what AVCs are and how you can use them to boost your retirement income and tax-free cash lump sum and this is illustrated with examples.

There is a section with information to help you understand investment risks and returns and the different types of assets you can invest in.

*Your final pensionable salary is defined differently depending on whether you are a member of the Pre-2009 Section or Post-2009 Section of the SCPF; details can be found in the SCPF Explanatory booklet.

The booklet guides you through:

- The decisions you need to make.
- The information you will need to make those decisions and where you can find this information.
- How to action your decisions.
- The options available to you when you take your SCPF pension.

There is also a section at the back of this booklet providing you with other useful information and contact details.

The Trustee, the Member Companies of the SCPF and their advisers cannot give you financial advice. You are therefore recommended to take independent financial advice.

2 WHAT ARE AVCS?

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In this section we give an overview of the SCPF AVC Arrangement so that you can see at a glance if it is of interest to you.

AVCs are additional pension contributions that you can make voluntarily. They are a tax-efficient way to boost your pension arrangements. Contributions to the AVC Arrangement are made by employed members only. Member Companies do not make contributions. Any contributions you make to the AVC Arrangement are held in your personal AVC fund. Your AVC fund is invested on your behalf, in line with your investment choices.

On retirement, you can use your AVC fund to provide a tax-free cash lump sum and/or extra pension (in other words an annuity or annual income).

The Trustee is responsible for the AVC Arrangement with L&G. The AVC Arrangement is one of the benefits offered by the SCPF. This means that it is subject to the terms and conditions in the SCPF Trust Deed and Regulations. This is the definitive document governing the SCPF and the benefits it provides.

Why pay AVCs?

AVCs are used to boost your retirement income, although they are just one type of savings vehicle. They have a number of advantages, including:

Tax efficiency	AVCs are tax-efficient in a number of ways (subject always to Her Majesty's Revenue and Customs (HMRC) limits: ■ Your contributions are deducted from your pay before it is taxed, giving you tax relief at your highest marginal rate. ■ Return on investments in the AVC Arrangement is tax-free, and ■ If you take all or part of your AVC fund as a cash lump sum on retirement, this can be taken tax-free.
Convenience	Your contributions are deducted directly from your pay.
Investment choice	The AVC Arrangement provides a number of investment funds which are designed to satisfy a range of risk appetites. Your choice of investment fund will depend on a range of factors, including your investment objectives and your attitude to risk. As these factors might change over time, you are able to switch your investments between funds.
Flexibility	You can choose how much and when to contribute. You can choose which funds you wish to invest in. You can also change where your fund is invested to suit your changing circumstances. Your AVC fund gives you a number of options at retirement.

" At retirement, you can take up to 25%, broadly speaking, of the combined value of your SCPF benefits and AVC fund as a tax-free cash lump sum."

How do AVCs work?

1. You make contributions into the AVC Arrangement	■ You can start contributing at any time while you are an employed member of the SCPF. ■ Contributions can be made on a regular or one-off basis (e.g. when a bonus is paid). ■ Contributions are deducted from your pay (just like your SCPF contributions). ■ Your contributions can be increased, decreased, stopped or restarted at any time.
2. Your contributions are invested	■ Your contributions are invested by L&G on your behalf, according to your instructions. ■ You have a choice of investment funds and you are free to move your investments between them. ■ You have a personal AVC fund and so it is easy to monitor its value.
3. If you leave the Company before you take your SCPF pension	■ You cannot make further contributions to the AVC arrangement but your AVC fund can remain invested with L&G. ■ You can transfer both your SCPF and AVC fund to another registered Pension Scheme at the same time, or ■ Transfer your AVC fund only and leave your SCPF benefit, or ■ Transfer your SCPF benefit only and leave your AVC fund in the scheme. Please contact the Pension Administration Team for more information.
4. When your pension is paid	You can use your AVC fund to provide: ■ A tax-free cash lump sum (subject to HMRC limits) and/or ■ An annuity, providing you with extra income in retirement.

What options does my AVC fund give me at retirement?

Lump sum

At retirement, you can take up to 25%, broadly speaking, of the combined value of your SCPF benefits and AVC fund as a tax-free cash lump sum. Your AVC fund could all be taken as a tax-free cash lump sum subject to HMRC limits.

A combination of lump sum and annuity

If you take only part of your AVC fund as a cash lump sum, any remaining AVC fund must be used to purchase an annuity. An annuity is a product which, in return for a lump sum, guarantees a predetermined annual income for life (in other words a pension) (See Page 41).

Annuity

You may choose to buy an annuity with all of your AVC fund (See Page 41).

Open Market Transfer Option

You can transfer your AVC fund outside the scheme and use it for benefits from one or more other pension providers. Different pension providers will offer different options for what you can do with your pension pot, including the option to buy any income for life (an annuity) or for drawdown, meaning you can keep your AVC fund invested with the pension provider and dip into it as and when you like. These different options have different features, different rates of payment and different tax implications.

Deferral

At retirement, you may decide not to draw your AVC fund immediately, even though you have started to draw your SCPF pension. If your AVC benefits become payable after your SCPF pension then up to 25% of your AVC fund can be taken as a cash lump sum at the time the AVCs are drawn; the balance must be used to buy an annuity. Your AVC fund will remain fully invested until such time as you decide to take your benefits.

3 CAN YOU GIVE ME SOME EXAMPLES?

3 CAN YOU GIVE ME SOME EXAMPLES?

In this section we provide you with some practical examples of how AVCs work with your SCPF benefits, the decisions you will need to make and the benefits you might expect at retirement. These benefits might include pension benefits from the Shell Overseas Contributory Pension Fund or pensions or savings from other sources. The actual benefits from your AVC fund will depend on a wide range of factors, including contributions made and returns on investments.

Please note that the examples of Andrew and Beth overleaf are for illustration only. At the time of your retirement you will be provided with actual figures.

You should also note that:

- Investments can go down as well as up.
- Annuity rates vary.
- The amount you can contribute and the benefits you receive are subject to HMRC rules. More information on HMRC rules is available in the SCPF Annual Allowance factsheet.

Andrew's choices at retirement

Andrew has been a member of the SCPF for some years and, after learning about AVCs, decides to contribute £200 a month into the AVC Arrangement. As Andrew is a basic rate tax payer, this costs him just £160 because of the tax relief he receives on his contributions.

During the period in which he pays AVCs, his AVC fund grows in value and the investment growth is tax-free.

When Andrew reaches his SCPF Pension Age of 60, with 30 years' service, he decides to take his SCPF pension and AVC benefits. His AVC fund value is £28,000 at retirement and his SCPF pension is £17,000 a year.

Andrew has a number of options:

OPTION 1

He can choose to take the maximum cash lump sum permitted from both his SCPF pension and his AVC fund. This is 25% of the combined value of his SCPF pension and his AVC fund. If he chooses to take all of his AVC fund as a cash lump sum, he will be paid the following:

SCPF pension	£13,360 a year
SCPF cash lump sum	£61,050 (tax-free)
AVC cash lump sum	£28,000 (tax-free)

Andrew has to give up (commute) part of his pension if he takes the SCPF cash lump sum. If he chooses this option, Andrew's total pension would be £13,360 a year and his total tax-free cash lump sum would be £89,050.

OPTION 2

He can choose to convert his AVC fund to an annuity, and has been told that this will provide an annuity of £1,300 a year. He may still choose to commute part of his SCPF pension to give him the maximum cash lump sum, within the permitted amounts. He will be paid the following:

SCPF pension	£11,950 a year
AVC annuity	£1,300 a year
SCPF cash lump sum	£79,710 (tax-free)

If he chooses this option, Andrew's total pension would be £13,250 a year and his total tax-free cash lump sum would be £79,710.

Andrew also has other options open to him. For example, he could:

- Take his entire AVC fund as a cash lump sum and take no cash from his SCPF pension.
- Take part of his AVC fund as cash and use the remainder to buy an annuity.
- Defer taking his AVC benefits until a later date.
- Transfer his AVC fund to another registered pension scheme.

Beth's choices at retirement

Beth learns about AVCs and decides to contribute £600 a month into the AVC Arrangement. Beth is a higher rate tax payer, so this costs her just £360 because of the tax relief she receives on her contributions.

Her AVC fund has grown during the time she has been contributing and the investment growth is tax-free.

When Beth reaches her SCPF Pension Age of 65, with 20 years' service, she retires and takes her SCPF pension and AVC benefits. Her AVC fund value is £145,000 at retirement and her SCPF pension is £20,000 a year.

Beth has a number of options:

OPTION 1

She can choose to take the maximum cash lump sum option, but has been told that in her case, the maximum cash lump sum permitted by HMRC is £137,000. This means that if she took the lump sum from her AVC fund, there would be £8,000 remaining, which would have to be used to buy an annuity. She has been advised that £8,000 will provide an annuity of £500 a year. She would therefore be paid the following amounts:

SCPF pension	£20,000 a year
AVC annuity	£500 a year
AVC cash lump sum	£137,000 (tax-free)

If she chooses this option, Beth's total pension would be £20,500 a year and her total tax-free cash lump sum would be £137,000. She cannot take a lump sum from her SCPF pension, as she has taken the maximum permitted cash lump sum from her AVC fund.

OPTION 2

Alternatively, Beth could decide to maximise her pension and convert all of her AVC fund into an annuity. She has been told that her AVC fund of £145,000 will buy her an annuity of £9,062 a year.

If she did this, she would be paid the following amounts:

SCPF pension	£20,000 a year
AVC annuity	£9,062 a year

If she chooses this option, Beth's total pension would be £29,062 a year.

These are not Beth's only options. For example, she could:

- Choose to take a smaller cash lump sum from her AVC fund and use the rest of her AVC fund to purchase an annuity.
- Choose to take all of her AVC fund as an annuity and take a cash lump sum from her SCPF pension entitlement.
- Defer taking her AVC benefits until a later date.
- Transfer her AVC fund to another registered pension scheme.

4 WHAT DO I NEED TO KNOW ABOUT INVESTMENTS?

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Investing successfully is not simply about finding the fund that is likely to grow the most. The value of your investments can rise and fall, and price inflation can affect the buying power of your fund. So it also makes sense to think about protecting the value of your AVC fund, especially as you approach retirement.

Think about your aims

As a starting point, think about the answers to the following questions:

- What level of income in retirement are you aiming for?
- What other sources of retirement income will you have?
- What mix of pension and cash do you plan to take when you retire?
- When do you plan to use your AVC fund?

These pointers will help you to decide how much to contribute to your AVC fund. If you already contribute to the AVC Arrangement, you have probably already thought about some of these questions. The answers will also help you choose suitable investments, because they will help you think about:

The length of your investment timeframe

How long are you likely to invest your AVC fund before using it to provide benefits? This is important because some types of investments are only likely to provide higher growth over the longer term. A longer timeframe can give your investments time to recover from any falls in value. On the other hand, if you need to convert your AVC fund to pension soon, then security and keeping up with pension prices is likely to matter more to you.

The level of growth you want to achieve

If you are relying on AVCs to provide a certain level of income, you may want to aim for maximising the level of growth. Or you may aim for the growth in your AVC investments to keep up with price inflation. However, you may feel that other factors are more important to you than growth.

The kinds of risks you want to reduce or control

These are likely to change over time. In the early years of your career, you may feel you can risk choosing an investment that goes up and down in value because you want to aim for higher growth over the longer timeframe. In the years immediately before you retire, you are likely to make protecting your AVC benefits a higher priority.

How many investment aims you want to achieve

As you can see, there are many aspects to consider and you may want to balance different aims by considering a mix of funds. Your investment aims will change with time and with changes to your circumstances. This means it is very important to review your investments regularly and make any new choices that might be appropriate.

Understanding risk and return

Investment returns are the profit or loss you make from investing in a fund. The potential levels of profit from different types of investment vary in several ways. This means that, just like any other aspect of daily life, when you plan your investments you look at the pros and cons. For investments, this means weighing the returns you might achieve against the risks you may face. You can manage investment risk as long as you understand what each type of risk involves. Remember, some investment risks are not obvious at first glance.

Inflation risk

This is the risk that the returns on your investments may not keep pace with price inflation. Although the face value of your AVC fund rises, the money building up loses buying power and its 'real' value falls. Once again, managing this risk means choosing a balance that you are comfortable with, between the potential for returns above inflation and the potential for losses.

Capital risk

This is the risk to the money you have invested if the value of your AVC investments falls. Some types of investment are likely to change in value more quickly and by larger amounts than others. Managing capital risk means deciding whether, for you, the potential long-term gains are worth the potential short-term losses.

Low pension risk

Safety first? In fact, safety may not be your first priority. In very general terms, the 'safer' the investment, the lower the returns you are likely to achieve. This means that your AVC fund may not provide enough extra income for you. Managing this risk may involve thinking again about the amount you set aside in AVCs. It also means weighing up what each investment can provide and balancing the levels of risk and return in a way that is right for you.

Conversion risk

Your AVC fund can be used to provide extra pension. This is done by buying an annuity. Annuity prices vary over time, so the rate for converting the value of your AVC fund to pension is always changing. This risk may be less important to you if you plan to take your AVC fund as a cash lump sum. You can manage this risk by reviewing your investments as you approach retirement and choosing investments that can help protect you against changing annuity prices.

Concentration risk

You probably know this risk by another name – it is the risk of 'putting all your eggs in one basket'. If you invest in only one small area of the market and that area fails, you have nothing to fall back on. Managing concentration risk involves investing in a range of markets.

Different types of assets

Past performance is not a guide to the future and the value of your investments can go down as well as up. You have probably seen this important warning before. It simply means that none of us can predict the future and there are no guarantees. However, we can describe what each type of investment is likely to offer and what risks it is likely to carry.

EQUITIES (COMPANY SHARES)

These are shares in the value of a company. Investors can buy and sell shares through the stock markets, and their prices can rise and fall. Share funds grow if the shares they invest in increase in value. Shares also provide investors with part of the profit that the company makes (the dividend).

What shares offer investors

Historically, shares have provided higher long-term returns than investments like bonds and cash (described later). This means that investing in share funds can help to manage low pension risk and inflation risk. However, in the short term, equities can underperform bonds and cash (see risks below). Some share funds invest in shares of UK as well as overseas companies; these funds can help manage concentration risk.

The risk shares carry

Compared with other types of investment, there is a greater risk that shares will suddenly fall in value. In other words, the value of your AVC investments may be worth less than you invested. Accepting this short-term risk can pay off in the longer term, which is why shares are a common investment for members who are in their early to mid-career. People approaching retirement may prefer to limit their exposure to this risk.

BONDS AND GILTS

Companies and governments issue bonds as a way of raising money. Bonds issued by the UK Government are known as gilts. Investors can buy and sell bonds and, at the 'term' of the bond, the company or government repays its face value. The return on the investment is made up of changes in the market value of the bond together with the regular interest it pays.

What bonds offer investors

Investors often see bonds as a relatively stable investment. They are less likely than shares to suddenly change in value. Gilts are seen as more secure than corporate bonds because the Government is less likely to fail to repay the loan. Investing in bonds and gilts can help manage concentration risk.

Also, as you get close to retirement, investing in bonds can provide some safeguards against changes in the cost of buying an annuity (conversion risk). This is because annuity prices are linked to the yield on bonds and tend to move in line with bond prices. Changes in annuity prices will be less important to you if you plan to take your AVC fund as a cash lump sum.

The risk bonds carry

In the past, bonds and gilts have provided lower long-term returns than shares. This means that they may not achieve the level of growth you need to outstrip inflation and avoid a low pension. For corporate bonds, there is also the risk of the company failing and being unable to pay back the value of the bond when it falls due.

PROPERTY

Property funds invest in a range of commercial properties – shops, factories, offices. The investment returns come from changes in the value of the property and the rental income.

What property offers investors

Property investments have the potential to grow over the longer term. As with shares, they tend to experience cycles of growth and decline. However, their cycle is often out of step with share prices. This means that increasing property values may offset falling share values, although this is not always the case. Used with other types of investment, commercial property can help to manage concentration risk.

The risk property carries

Like shares, property investments carry capital risk. Property values can change quickly and a sudden slowdown or fall in the market can reduce the value of your investment. Investing all your AVC fund in property carries concentration risk.

One other potential disadvantage of property is that fund managers may need to delay cashing in units during periods when real property cannot be sold easily. This may apply if you retire early, transfer to a Registered Pension Scheme or move your AVC investments between investment funds.

CASH

Cash investments work in a similar way to bank and building society accounts. The money you invest (your capital) grows by earning interest. Cash funds have a unit price. Technically, these funds can fall in value as well as rise. Cash investments are generally regarded as being very low risk but see risks below.

What cash offers investors

Investing in cash can help you manage capital risk. People sometimes invest in cash as a way of building up a lump sum which they can then take tax-free at retirement. Investing in cash can also protect the value of your AVC fund in the run-up to retirement.

The risk cash carries

Investors may expect cash investments to achieve lower returns than other types of investments over long periods of time. Indeed, the returns could be so low that they do not keep pace with inflation. This means that investing in cash carries a high inflation risk and increases the risk of a low pension. As a result, cash tends to be used for short-term investments.

Additionally, the unit price of cash funds can fall in periods when interest rates are low, when investment management charges could be greater than the interest accruing to the cash fund. The potential that cash fund values will fall is higher in periods of low interest rates.

Some funds (e.g. money market funds) bear more risk than normal cash funds because they invest in instruments other than deposits. This increases the risk to the capital value of money invested.

The effect of currency

If you are looking at funds which invest in assets overseas, remember that changes in exchange rates may also cause the value of overseas investments to go up and down.

Investment fund choice

The Trustee is responsible for choosing a suitable range of investment funds for members' AVCs. The range of funds on offer means that you can choose a fund, or a mix of funds, that is suitable for your investment aims. The Trustee reviews the AVC investment funds regularly with the help of its investment adviser. The investment funds available can change from time to time.

For more information to help you with your investment decisions, see page 25.

5 WHAT DECISIONS DO I NEED TO MAKE AND HOW DO I ACTION THEM?

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Before you contribute to the AVC Arrangement, there are two key decisions for you to make:

- How much to contribute.
- Where you want your AVC contributions to be invested.

This section guides you through the information you will need to make these decisions and where you can find this information. It also tells you how to action your decisions.

1. How much should I contribute?

Contributions must be deducted from your monthly salary. For this reason you can make regular monthly contributions of up to 75% of your gross monthly pay in order to ensure there is sufficient pay left in your monthly salary to cover all other necessary deductions. It is also possible to make single or one-off contributions when there is sufficient pay in your monthly salary to cover the amount you wish to pay, for example, when you receive a bonus. You do not have to be making regular monthly contributions to the AVC Arrangement in order to make a one-off contribution.

You can vary or stop your AVC contributions at any time.

To help you decide how much to contribute, you can refer to the HR Pension Modeller. The HR Pension Modeller can be found on HR Online > Policies and Benefits > Pensions > SCPF and the SOCPF > Pension Modeller. An example of an AVC quotation is shown below. Please also read the SCPF Annual Allowance factsheet for information on how much you can contribute without incurring an extra tax charge.

SHELL CONTRIBUTORY PENSION FUND (SCPF)/ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

Further to our telephone conversation, as requested I have taken a look at your AVC position.

You indicated that you would like to see an illustration based on you paying AVCs of £150 per month through to your Normal Pension Date (NPD) of 31 October 2036.

Assuming an AVC rate of £150 per month

The projection is shown at your chosen contribution rate.

Assuming you were to commence contributions at the rate of £150 per month and assuming growth on your AVC fund of 5% per annum (*please see note 1 below), I estimate that at your NPD, the value of your AVC fund would be approximately £110,294.12.

If this were the case, based on your current salary, your SCPF pension at NPD is estimated as follows (*please see note 2 below):

Summary of your SCPF benefits plus your projected AVCs at your pension date.

SCPF Pension before commutation	£25,462.80 per annum
Maximum SCPF pension commutable	£2,537.73 per annum
SCPF Pension after commutation	£22,925.07 per annum
SCPF Commutation Lump Sum (tax-fee)	£42,540.00
AVC Lump Sum (estimated) (tax-free)	£110,294.12
Total	**£152,833.88**

For the purpose of the projection, it is assumed that you take your AVC fund as a cash lump sum.

* Note 1: THE PROJECTION OF 5% PER ANNUM IS FOR ILLUSTRATION PURPOSES ONLY AND IS IN NO WAY GUARANTEED. RATES MAY BE HIGHER OR LOWER THAN THAT QUOTED.

* Note 2: THE ESTIMATE SHOWN IS YOUR SCPF PENSION ONLY. YOUR SHELL OVERSEAS CONTRIBUTORY PENSION IS PAYABLE IN ADDITION TO THE BENEFITS ABOVE.

You should remember that this is an estimate. Your AVC fund value at retirement will depend on how much you have contributed and on actual investment returns.

Information

I would like information about...	What is available?	How do I get it?
■ How much I could expect to receive from AVCs	■ An AVC quotation tells you what you can expect to receive based on: – a specified monthly contribution – an assumed investment return	■ From the Administration Team (see contacts on page 48)

2. Which funds should I invest in?

The Trustee, the Member Companies of the SCPF and their advisers cannot give you financial advice. You are therefore recommended to take independent financial advice.

Once you have read the general guidance on the types of investment provided in this booklet, take a look at the 'Understanding your AVC investment choices' booklet, which sets out the complete range of investment funds currently available. It explains what assets each investment fund invests in, the investment management style and the aim of each investment fund.

More detailed information on each fund's performance can be found on fund factsheets provided by L&G where available. These can be obtained from the Pensions Administration Team and include historical information on investment fund performance.

For more up-to-date information on the performance of individual investment funds see L&G's website www.legalandgeneral.com. Please note that L&G's website gives details of the investment performance of many more funds than are offered by the Trustee. Daily unit prices are not available for all investment funds. Always remember that past performance is not a guide to future performance.

It is important that you review your investment fund choice regularly, as your investment objectives or personal circumstances may change. In particular, you might wish to review your investments in the few years before you retire.

If you already pay AVCs, your annual AVC statement is a useful information source and gives details of:

- How much you have contributed to date.
- Where your AVC fund is invested.
- The current value of your AVC fund.

You can use your annual AVC statement to help you review your investments and contributions. You are able to switch or redirect your investments (see below).

If you **switch** your investment, your existing investment and your future contributions are put into your new choice of investment funds.

If you **redirect** your contributions, your existing investment remains where it is but your future contributions will be invested into your new choice of investment funds.

If you want to switch your investments and/or redirect your contributions, you can do this by using 'Manage Your Account' (see below) or by requesting an Investment Decision Form from the Administration Team.

Manage Your Account

More detailed information on your existing AVC funds can be found at any time via Manage Your Account, L&G's online facility. Manage Your Account allows you to view information on your AVC investments, including your current investment fund allocation and the current value of those investments.

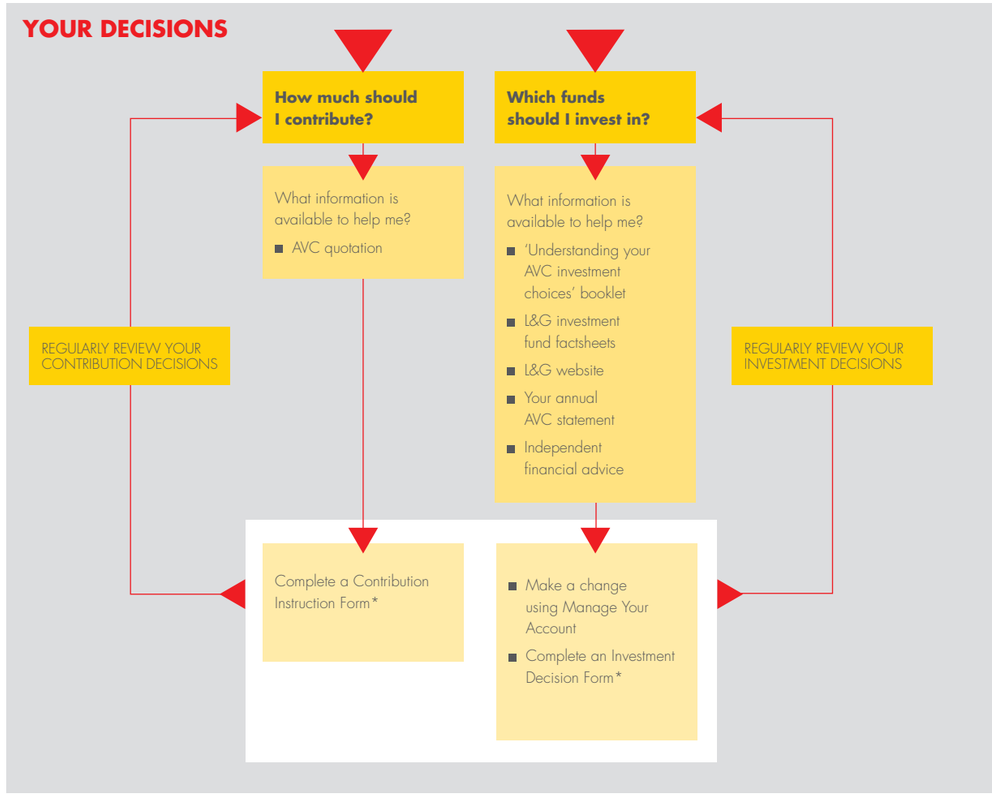
You can also change your investment choice online at any time by switching your existing investments and/or redirecting your future contributions.

Information

I would like information about...	What is available?	How do I get it?
■ How to make investment choices	■ 'Understanding your AVC investment choices' booklet	■ From the Pensions the Pensions website ■
■ The past performance of individual investment funds (where available)	■ L&G fund factsheets	■ From Manage Your Account.
■ Daily unit prices of individual investment funds (where available)	■ L&G website	■ www.legalandgeneral.com
■ How my AVC fund is performing	■ Your annual AVC statement from L&G ■ Manage Your Account	■ Availaible on Manage Your Account ■

3. How do I action my decisions?

Once you have decided how much you want to contribute and made your investment fund choice, you will need to complete a Contribution Instruction Form and an Investment Decision Form. If you already contribute to the AVC Arrangement, you may change your contribution and/or investment decisions at any time and can request either or both of these forms as appropriate. You can also change your investment using Manage Your Account. The process is illustrated below.



*Both the Contribution Instruction Form and Investment Decision Form must be completed and returned when you start to contribute to the AVC Arrangement.

Information

I would like information about...	What is available?	How do I get it?
■ How to action my contribution decision	■ Contribution Instruction Form	■ Sent with AVC quotation – see contacts on page 48
■ How to action my investment decisions	■ Manage Your Account ■ Investment Decision Form	■ L&G ■ From the Pensions Website

"When making your decisions you will need to consider your overall financial situation and your expected future financial needs."

4. Pre-retirement information

The Pension Administration Team will contact you before you reach your Pension Age with a summary of your SCPF and AVC benefits.

Your options at retirement in more detail

As mentioned previously, you may take your AVC fund as a cash lump sum, or convert all or part of the fund to an annuity. You can buy an annuity through L&G or another provider of your choice. You may defer taking your AVC benefits to a later date or you may transfer your AVC fund to another registered pension scheme (see Open Market Transfer Option below). If you defer taking the benefits, you will only be able to take up to 25% of the AVC fund as a cash lump sum. When making your decisions you will need to consider your overall financial situation and your expected future financial needs.

Annuity choices

Legal & General

At retirement you can request a quotation of an annuity from L&G as the SCPF's AVC provider. If you choose to buy an AVC annuity from L&G, it will be paid with your SCPF pension and there will be no set-up charges. The actual amount of AVC annuity that will be paid will depend upon the factors in place at the time your benefits become payable. This means that the AVC annuity may be higher or lower than any estimate provided.

Open Market Transfer Option

You may wish to obtain your own AVC annuity quotation under the Open Market Transfer Option. This option means that you can take the value of your AVC fund and 'shop around' to see what other options are available to you. Different pension providers offer different options for example you could use your AVC fund for flexi access drawdown, meaning you keep your fund invested and draw money from it as and when you like or you could take the option to buy an income for life (an annuity). Many different types of annuities are available on the open market; for example annuities can be paid at a flat rate, can escalate in retirement at different rates and can provide pension cover for your dependant(s).

The value of the pension or benefits that you can buy with you AVC fund will depend on several factors including:

- The amount of contributions paid in
- Any costs associated with transferring your AVC fund
- Any charges payable on the option you select
- The age at which you take your benefits
- The performance of investments
- Any cost of converting your AVC fund into an annuity

If you decide to take an Open Market Transfer Option, the SCPF will not make any charges to release your AVC fund value.

5. The Money and Pensions Service (MaPS)

The Money and Pensions Service offers free and impartial advice on workplace and personal pensions.

Information

I would like information about...	What is available?	How do I get it?
■ Retirement planning and the options available to me	■ Financial education programme ■ Independent financial advice	■ HR Online ■ IFA Promotion (see page 47)
■ My choices on retirement	■ Pre-retirement letter and summary of SCPF and AVC benefits ■ Pension guidance	■ Sent automatically before Pension Age ■ The Pensions Advisory Service website (see contacts on page 48), or ■ Pension Wise website (see contacts on page 48)

6 OTHER INFORMATION

6 OTHER INFORMATION

You may have a number of questions about AVCs which have not been covered in other parts of this booklet. You may find some of the answers here.

What if I leave the SCPF before Pension Age?

Although your AVCs are invested separately from the SCPF, it is important to remember that the AVC Arrangement is part of the SCPF. If you leave the SCPF for any reason, you can no longer make contributions to the SCPF AVC Arrangement.

If you leave the SCPF and become a member of the SOCPF, your AVC fund will remain in the AVC Arrangement and continue to be invested. If you return to the SCPF in the future, you can choose to restart your contributions to the AVC Arrangement.

If you leave the SCPF with a deferred pension (because you leave the service of your Employing Company with the Shell Group or because you decide to opt out of the SCPF) your AVC fund will remain invested until you take your pension from the SCPF (or later if you choose to defer taking your AVC benefits beyond this date). Alternatively, you can transfer your AVC fund (with or without your SCPF benefits), to another registered pension scheme. Please contact the Pension Administration Team for more information.

If you leave your AVC fund invested in the SCPF AVC Arrangement, you can change your AVC investment funds at any time. You can do this by accessing Manage Your Account and making the change or by contacting the Pensions Administration Team (see contacts on page 48) for an Investment Decision Form. If you are a deferred member, you should keep in touch with the Pensions Administration Team and keep them informed of any changes of address.

Can I transfer other AVCs into the AVC Arrangement?

No, transfers-into the SCPF ceased on 1 July 2018.

What happens to my AVC fund if I die?

If you die before taking your SCPF pension, your AVC fund will become payable as a lump sum at the discretion of the Trustee of the SCPF, after considering your wishes set out in your AVC Death Benefits Nomination Form.

If you die after taking your SCPF pension, but before taking your benefits from the AVC Arrangement (i.e. the deferral option), part of your deferred AVC fund would be payable as a tax-free lump sum. The Trustee of the SCPF decides to whom the lump sum is paid, taking into account your Nomination Form. The balance of your AVC fund will be used to provide additional spouse's and/or other dependants' benefits.

For this reason it is extremely important that you complete an AVC Death Benefits Nomination Form and keep it up to date, so that the Trustee will know to whom you wish the benefits to be paid. AVC Death Benefits Nomination Forms are available from the Pensiona website.

HMRC limits

HMRC's Lifetime Allowance sets a limit on the amount of benefits that can be built up at retirement without incurring an extra tax charge.

The maximum amount that can be taken as a tax-free cash lump sum at retirement is broadly 25% of the Lifetime Allowance. It is important to keep within these limits because any excess will be subject to tax of up to 55%.

There is also a limit to the amount HMRC allows your pension benefits to accrue in a tax year without incurring a tax charge. This is known as the 'Annual Allowance'.

More information on these limits can be found in the 'SCPF Annual Allowance' factsheet, which is available via the pensions website www.shell.co.uk/pensions.

Are my investments safe?

The arrangement in which your money is saved is provided by Legal & General Plc. The Trustee's contractual relationship is with Legal & General Assurance Society Limited, a subsidiary of Legal & General Plc, which is authorised and regulated by the Financial Conduct Authority. There are a number of different companies within the Legal & General group but our advisers have commented that the financial rating for the business as a whole remains strong at the current time.

Should Legal & General's business as a whole or one of its subsidiary companies fail for any reason, the Trustee would try to recover your money from Legal & General in the first instance. If this were not possible then you should be entitled to compensation through the Financial Services Compensation Scheme and the Trustee would make the claim on your behalf. The current level of compensation covers 100% of savings up to £2,000, plus 90% of the balance of the rest of the value of the policy. From 1 January 2010 the compensation level will be 90% of the value of the policy.

Shell Contributory Pension Fund
Additional Voluntary Contributions Arrangement Explanatory Booklet

If you need advice

The Trustee, the Member Companies of the SCPF and their advisers cannot give you financial advice. You are therefore recommended to take independent financial advice.

If you do not already use a financial adviser you can contact IFA Promotions, which will give you a list of independent financial advisers in your area. You can use the 'Find an IFA' search on IFA Promotions' website at: www.unbiased.co.uk.

The Financial Conduct Authority (the regulator for the industry) provides information for consumers about all aspects of financial planning, including how to find an adviser and what questions to ask.

Useful contacts

PENSIONS ADMINISTRATION TEAM

Contact the Pensions Administration Team for any information about your SCPF AVC fund:

Email: UK-PensionsAdmin@shell.com

Telephone: 020 7934 1190

THE MONEY AND PENSIONS SERVICE

Website: www.moneyhelper.org.uk/en/benefits

Telephone: 0800 011 3797

Shell Contributory Pension Fund
Additional Voluntary Contributions Arrangement Explanatory Booklet