Clawback information sheet

Please be aware that we are a campaign group and are not pension experts and not able to advise on pensions.

Much of the following has taken from the bank’s FAQ booklet issued in January 2018.

Clawback, or State Deduction, affects post 1974 Midland Section members of the HSBC UK Pension schemes. There are currently approximately 51,000 post 1974 Midland Section members.

The HSBC UK Scheme’s Trustee Report & Accounts as at 31 December 2016 show that there were a total of 190,751 members, of which 76,980 are DC-only (defined contribution) members. Excluding DC-only members, there were 113,771 DB (defined benefit) members in the Scheme.

51,000 represents c27% of all pension scheme members and c45% of DB members.

Up until 1974 the Midland Bank pension did not have clawback. Details of the scheme had varied from time to time, with different elements for men and women. In the main, accrual rates for pension were 1/60ths of final salary times years’ service.

From 1/1/1975 new members of the scheme had clawback introduced. Referred to by the bank as State Deduction. This worked by removing part of your pension when you start to receive State Pension. The deduction essentially calculated at 1/80ths times years’ service, times the average State Pension over the 52 weeks prior to leaving the scheme (leaving the bank or retirement). The years’ service stopped increasing from 30 June 2009. So 20 years from 1995 to 2015 would only have 14 years used in the clawback calculation.

The scheme was closed to new members from June 1996.

The scheme was always advertised and advised as a non-contributory final salary pension scheme.

There is evidence that DC scheme members were paid more than DB scheme members for the same roles.

From 1 July 2009, members were given the option to keep the rate at which their pension builds up at 1/60th of their final pensionable salary for each year of their pensionable service by making regular contributions to the Scheme. The contributions were as follows:

Date (from) Contribution rate

1 July 2009 1%

1 March 2010 2%

1 March 2011 3%

1 March 2012 4%

1 March 2013 5%

If members chose not to contribute, the rate at which their pension built up from that date reduced to 1/80th of their final pensionable salary. In addition, the normal retirement age

increased from 60 to 65 from 1 April 2010. After this date, members could retain the

age of 60 to receive an unreduced pension provided they made an additional 3%

contribution. This option was only made available to those members who decided

to contribute and retain 1/60th for future pension build up. Thus some members had to contribute 8% of salary to remain a member of this “non-contributory” pension scheme.

The DB scheme fully closed on 30 June 2015 and salary, years’ service and State Pension used in the calculations for pension and clawback cannot increase from that date.

Each members’ clawback figure is calculated at the date they leave pensionable service, or on 30 June 2015 when the build-up of final salary pensions stopped, if that was sooner. The clawback calculated on that date is fixed for life and is only applied when the member attains State Pension Age.

For Part-time staff, the clawback is calculated based on your total period of pensionable service, up to 30 June 2009, but is pro-rated for any part-time service, i.e. any period of pensionable service when your contracted hours were less than full-time would be

converted to its full-time equivalent.

For example - if you were a member of the post 1974 Midland Section of the Scheme for 10 years working 17.5 hours a week, since full-time hours is deemed to be 35 hours a week, over that period you would have accrued 5 years’ pensionable service (10 years’ x (17.5 / 35) = 5 years) and therefore 5 years’ will be used in the clawback calculation.

Clawback is calculated on pension before any tax free lump sum is taken. Your State Deduction will not change as a result of electing to take a tax free cash lump sum at retirement.

Please be aware that clawback is quite separate to being contracted-out. Contracting-out related to Serps, the top up to the state pension. The entire Midland DBS scheme was contracted-out. That meant scheme members would only ever qualify for the basic state pension as a maximum. Clawback is a reduction made to your HSBC/Midland pension made by the bank and for the sole purpose of reducing their cost of funding the pension scheme.