

**SCOTTISH WIDOWS**

*official pensions and investment provider*



# Stakeholder Pension Plan

Policy Provisions  
SPP (2012)

**By law we are required to provide you with a copy of the current policy provisions for this product, before a contract is concluded. If a contract is concluded, we will send you another copy along with your policy schedule.**

# Introduction

This booklet provides details for a Stakeholder Pension plan.

Each schedule issued by Scottish Widows plc ("Scottish Widows") and referring to this booklet, the provisions contained in this booklet, and any valid endorsements to these issued by Scottish Widows, make up the policy documents for a contract between Scottish Widows and the member named in the schedule.

## **Notes to help you understand the policy.**

*Because this is a complicated legal document, we have provided explanations in the right-hand margin (just like the information you are reading now). However, please note that these explanations do not form part of the contract between us. They are included only to help you understand the policy.*

*The meaning of 'endorsement' is given in provision 1.1.*

*The language of all communications relating to this contract is English.*

**Please keep this document in a safe place.**

**Also please remember to inform us if you change your name, address, bank account, or employer.**

**You can reach us at our main administrative office: 15 Dalkeith Road, Edinburgh, EH16 5BU  
or telephone number 0131 655 6000.**

**We may monitor and record calls to help us improve our service.**

**It will help if you can quote your policy number when you contact us.**

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# 1. PRELIMINARY

*Provision 1 deals with some formalities.*

## 1.1 Meanings of terms

“**Accidental Death**” is death resulting from injury caused solely and directly by accidental, external, violent and visible means.

“**Endorsement**” is a document that becomes part of the policy documents. We will send it to you only if we agree to or make certain types of changes to the policy.

“**Spouse**” means, if applicable, your husband, wife or registered civil partner.

*The meaning of ‘civil partner’ is defined in the Civil Partnership Act 2004.*

“**We**” or “**us**” means Scottish Widows.

“**You**” means the member shown in the schedule.

Other terms are used throughout the provisions and their meanings or descriptions are established in the schedule or in particular provisions.

## 1.2 Policy and Rules

This policy represents one or more arrangements made under the rules of the scheme (“the Rules”) to secure benefits for or in respect of you, and is subject to the rules of the scheme at the date the policy was issued. Any alteration in the Rules will alter the terms of the policy only to the extent, if any, that we reasonably decide.

*At the start of your policy there will be one arrangement. The arrangement can be split under certain conditions. This is mainly so you can take retirement benefits from part of your policy, but delay taking benefits from the rest – see provision 7 for more details.*

## 1.3 Allocation, cancellation and rounding of units

Unless otherwise indicated, in these provisions references to the allocation of units or to the cancellation of units are to the allocation of units to the policy or to the cancellation of an allocation of units to the policy.

The allocation or cancellation of units will be calculated to the nearest one-hundredth part of a unit (or such other fraction as we may reasonably decide).

*Your policy is held under a personal pension scheme that we have set up. This helps to secure the best possible tax treatment for your policy. The name of the scheme is shown in the schedule. Copies of the rules of the scheme are available on request.*

All amounts arising from the rounding up or rounding down of unit prices and unit allocations will accrue to or be borne by us.

#### **1.4 Type of unit allocated**

All units allocated to this policy in any of the funds will be series 3 (Stakeholder) ordinary units.

*Funds and the units in them are explained in provision 2.*

#### **1.5 Unit prices**

All prices of units in this policy are bid prices unless otherwise indicated.

*Some policies use bid prices for some transactions and offer prices for others. In this policy, we will use only bid prices.*

#### **1.6 Ownership of units**

Funds and units are referred to solely for the purpose of calculating benefits under the policy. The allocation of units in a fund to the policy will not confer any right on you to hold the units directly. The assets of the fund are and will remain our property. Your rights will be determined solely in accordance with the policy.

*There are different bid prices for units in the various funds and for different types of unit.*

*You will not actually own any of the units or investments in a fund.*

#### **1.7 Consolidation or subdivision of units**

We may consolidate or subdivide the units in any fund at any time but this will not adversely affect the total value of the units allocated to the policy at the date of consolidation or subdivision.

*You could, however, think of yourself as 'buying' units when you pay a contribution and we allocate units to the policy, and 'selling' them when they are cancelled in exchange for benefits or for units in another fund.*

## 2. The Funds

This provision applies only to the funds that we make available to the policy. All references to funds in this policy are to those funds, unless otherwise indicated.

### 2.1 The funds

We will maintain a number of different unit-linked funds relating to pension business.

We may change or restrict the range of funds available to the policy. We may close any fund to the policy for future allocations of units following payment of contributions, for future allocations of units arising from exchanges of units, or for all purposes.

We will decide how each fund is invested. We may invest a fund wholly or partly in another fund or funds. We may reassure a fund wholly or partly. We may borrow for the account of a fund and charge any of a fund's assets as security for such borrowings.

We will add all investment income received in respect of a fund to that fund.

We will withdraw from each fund such amounts as we may reasonably consider appropriate in respect of

- (a) expenses in connection with the investment and maintenance of the fund,
- (b) management charges in accordance with provision 2.7,
- (c) interest on, and repayment of, any borrowing for the account of the fund, and
- (d) taxes, duties and levies.

### 2.2 Valuation of funds

We will value each fund at least once in each working week and normally once each working day.

At each valuation of funds we will establish an upper and lower value of each fund.

*Provision 2 deals with the funds in which your policy can be invested, and sets out rules that we must follow.*

*These funds are divided into units. The prices of each unit in a fund are directly related to the value of the assets (stocks, shares, etc.) of the fund. Prices can go down as well as up.*

*Provisions 4.4 and 6.4 indicate what would happen on the full or partial closure of a fund.*

*We will decide on the mix of assets (stocks, shares, etc.) that make up each fund.*

*"Reassure" means to pass on insurance of a fund to another company.*

*Borrowing allows us, for instance, to buy new assets for a fund without having to wait until we have completed the sale of existing assets.*

*We must add income earned on the assets of a fund to that particular fund.*

*There are limits on what we can take out of a fund.*

*We may value funds more than once in a day.*

*The values of the funds are used to calculate the unit prices (see provisions 2.5 and 2.6).*

The upper value of a fund will be derived from the maximum value (calculated by us in accordance with provision 2.3) of the investments of that fund. The lower value of a fund will be derived from the minimum value (calculated by us in accordance with provision 2.3) of the investments of that fund. In deriving the upper and lower values of a fund, we will make such allowance as we may reasonably consider appropriate for:

- (a) taxes, duties and other charges related to the acquisition or disposal of assets of the fund,
- (b) uninvested cash,
- (c) accrued income,
- (d) sums recoverable by us for the account of the fund in respect of taxation, and
- (e) all liabilities of the fund including money borrowed for the account of the fund, actual or prospective liability for taxes, duties or levies not previously taken into account, and charges accrued but not deducted.

### **2.3 Maximum and minimum values of investments**

The maximum value of an investment of a fund will not exceed the market price at which it might be bought.

The minimum value of an investment of a fund will not be less than the market price at which it might be sold.

The values of securities will be based on prices quoted on any stock exchange selected by us. For any security not so quoted, the value will be based on prices as quoted by such competent person, firm or corporation as we may reasonably select and for such amount of the security in question as we may reasonably consider to be fair.

The values of investments in real or heritable property will be based on valuations prepared and certified at intervals not exceeding fifteen months by independent valuers appointed by us. We will allow for variations in real or heritable property prices since the last such valuation.

*Our aim in making these allowances under provision 2.2 is to set realistic values on each fund. We want to be able to allow for everything we know about the fund.*

*'Securities' are mainly stocks and shares.*

*We are able to include a fair value for investments which don't have prices quoted on any stock exchange by arranging for competent people or firms to quote their values.*

## 2.4 Units

Each fund will be divided into units. Different types of unit (including series 3 (Stakeholder) ordinary units) may be created in a fund. Within each fund every unit of a particular type will represent the same share of the fund as every other unit of the same type.

Units will be created in a fund only if assets equivalent to the new units are added to that fund at the same time.

No assets will be withdrawn from any fund except in accordance with provision 2.1 unless at the same time units equivalent to the assets withdrawn are cancelled from the fund.

## 2.5 Unit prices

At each valuation of funds we will calculate prices of the units in each fund.

The price of a unit will be not less than the amount calculated by

- (a) dividing the lower value of the part of the appropriate fund represented by that type of unit by the number of units of that type in the fund, and
- (b) rounding the result downwards by not more than 0.5%.

It will be not more than the amount calculated by

- (a) dividing the upper value of the part of the appropriate fund represented by that type of unit by the number of units of that type in the fund, and
- (b) rounding the result upwards by not more than 0.5%.

## 2.6 Selection of unit prices

Where prices of units in a fund are stated in any of these provisions to be those on or for a particular day or date, they will be the appropriate prices calculated at the valuation of funds we reasonably choose from

- (a) the next valuation after that day or date,
- (b) any valuation on that day or date, and
- (c) the valuation immediately before that day or date.

*The existence of other types of unit in the funds would not affect the value of the series 3 (Stakeholder) ordinary units which apply to your policy.*

*The last two paragraphs in provision 2.4 make sure that the value of each of your units is not affected when we create or cancel units in the funds.*

*See the notes at provision 1.5 for more about the prices used in this policy.*

## 2.7 Management charge

At such valuations of funds as we decide, we will deduct a management charge from the part of each fund represented by each type of unit.

The management charge deducted from the part of the fund represented by the type of units allocated to this policy will be equal to the result of

- (a) a percentage of the upper value or of the lower value of that part (as we reasonably decide),
- (b) multiplied by the number of days since the last valuation at which a management charge was deducted from that part, and
- (c) divided by 365.

The percentage will be in accordance with our then current standard scales of management charges, subject to the following paragraphs.

- (a) We may, on giving three months' notice in writing, increase the standard scales referred to in the previous paragraph, but only to a level which is in accordance with the Rules and which we consider in good faith will result in our margin of charges over costs in respect of the relevant policies being not excessive. The relevant policies are the policies to which units in the fund are allocated.
- (b) Valid reasons for us deciding to increase the standard scales are:
  - (i) any relevant change in law or taxation that affects us or the policy, and
  - (ii) exceptional circumstances resulting in either
    - (A) our staff or overhead costs being significantly more than we anticipated, or
    - (B) our income from the management charge being significantly less than we anticipated, relative to our costs.

*Normally at each valuation, we deduct a management charge from each of the funds.*

*Provision 2.7 deals with the calculation of these charges.*

*We use the upper value of a fund, explained in provision 2.2 to calculate the management charge. For other purposes, we may use a different fund value.*

*Provision 2.7 also sets out how we would be able to increase the rates of those charges. If we ever plan such an increase, we will tell you beforehand by means of a letter or statement.*

*The Rules are defined in provision 1.2.*

**(C)** In forming our opinion, we will take into account the general level of such margins as in (a) above in the market for policies of similar types, actuarial principles for life and pensions business, and any previous increase in the scales.

Where assets in one fund include units of another fund, we will ensure that there is no duplication of the management charge.

## 3. Contributions

### 3.1 Types of contribution

Subject to provision 10.4, the contributions payable under the policy will be such recurring contributions and such single contributions as are payable in accordance with provisions 3.2 and 3.3.

All references in the policy, except where otherwise indicated and in the schedule, to single contributions refer also to transfer contributions.

**“Transfer contribution”** means a single contribution that results from a transfer payment for benefits from another policy or pension scheme.

Contributions must be paid by a method acceptable to us.

### 3.2 Recurring contributions

Recurring contributions will be payable from the first contribution date shown in the schedule, or such later date as may be agreed in writing between you and us, and thereafter at the intervals shown in the schedule or as may be agreed in writing between you and us.

Recurring contributions in respect of an arrangement will be payable

- (a) up to and including the date of your death, or
- (b) up to but not including the last day on which units are allocated to the policy in respect of that arrangement,

whichever is the earlier.

If any recurring contribution is not paid by its due date, then further recurring contributions will be accepted by us only on such terms as we may reasonably allow.

The amount of each recurring contribution will be equal to the initial level of the recurring contribution.

However, subject to such conditions as we may reasonably impose, you may choose, with effect from a date agreed by us, to increase or reduce the amount of the recurring contributions payable on and after that date, or to start paying recurring contributions.

*In the following notes we refer, for convenience, to contributions being paid by you. In fact they can be paid wholly or partly by your employer (if you are employed), or they can be transfer payments.*

*If you stop paying recurring contributions you will be able to restart, but the terms that applied to your earlier recurring contributions might not apply to the later ones.*

*The schedule shows only the initial level of any recurring contributions. If you wish to change the amount of your recurring contributions, or to stop or start paying recurring contributions, please contact your financial adviser or phone us and we will then tell you what action, if any, you need to take.*

We will confirm the amount of any new recurring contribution, or increase in the amount of any recurring contribution, in a letter or statement.

### **3.3 Single contributions**

Subject to such conditions as we may reasonably impose, single contributions may be paid in respect of an arrangement at any time up to but not including the date of your death or the last day that units are allocated to the policy in respect of the arrangement, whichever is the earlier.

The amount of any single contribution(s) paid at the start date is shown in the schedule.

We will confirm payment of any single contribution paid after the start date in a letter or statement.

*The schedule shows any single contribution and (separately) any transfer contribution paid at the start of your policy. If you wish to pay a single contribution at a later date, please contact your financial adviser or phone us.*

## 4. Allocation of Units

### 4.1 Procedure

For each recurring contribution and single contribution paid we will determine an amount called the “**allocation amount**”. We will distribute it among the various funds in accordance with provision 4.4.

When we distribute any part of an allocation amount for an arrangement to a fund, we will allocate units in that fund to the policy in respect of that arrangement. The number of those units will be equal to that part of the allocation amount divided by the appropriate unit price.

### 4.2 Allocation amount

For an arrangement’s share of any recurring or single contribution shown in the schedule, the allocation amount will be the appropriate percentage shown of that contribution.

For any recurring contribution that starts after the start date, or for any increase in recurring contributions, or for an arrangement’s share of any type of single contribution paid after the start date, the appropriate allocation percentage will be shown in a letter or statement. It will be based on our scale of percentages in force at the date of the start, increase or payment, as the case may be.

However, for any recurring contribution paid on or after the selected pension date shown in the schedule before any endorsement to it, the allocation amount will be such percentage of that contribution as is obtained from our scale of percentages for this purpose at that date.

### 4.3 Date procedure applies

The date on which we will apply the procedure described in provision 4.1 is as follows:

- (a) in the case of a single contribution, the date we receive the contribution at our main administrative office or the following day as we reasonably decide;
- (b) in the case of a recurring contribution, the date we receive the contribution at our main administrative office or the date the contribution is payable, as we reasonably decide.

*Provision 4 deals with the units we allocate to your policy when contributions are paid. It deals with when this occurs, how many units we allocate and in which funds.*

*The allocation percentage applying to any type of single contribution paid after the start of the policy, or to a recurring contribution that started or restarted after that date, or to an increase in recurring contributions, may be higher (if the rules of the scheme allow it) or lower than the percentages shown in the schedule.*

*The meaning of ‘endorsement’ is given in provision 1.1.*

*If you are thinking about starting or increasing recurring contributions, or paying another single contribution, you can find out the percentage that would apply by asking your financial adviser or by phoning us. Our telephone number is shown at the start of this booklet.*

*The address of our main administrative office is shown at the start of this booklet.*

The unit prices used will be the appropriate prices for the date the procedure applies.

If, after we have accepted a contribution in respect of an arrangement but before we have applied the allocation amount in respect of that contribution, a benefit becomes payable in respect of the whole of that arrangement under provision 7 or 8, or a transfer payment is made in respect of the whole of the arrangement under provision 9, then we will treat that allocation amount as if we had applied it to secure an allocation of units at the appropriate prices for the day the benefit becomes payable or the transfer payment is made.

#### **4.4 Proportions**

Subject to our agreement and to the following paragraphs, the proportions in which allocation amounts are to be distributed among the funds will be as shown in the application form.

You may instruct us to vary the proportions for future allocations of units to the policy among the funds then available for this purpose. This instruction will be subject to our agreement (any refusal by us to agree must be reasonable) and must be received by us at our main administrative office at least ten days before the date of variation unless we allow otherwise. If we do not agree to this instruction we will inform you and we will not give effect to any part of it.

Should

- (a)** we no longer agree to distribute allocation amounts among the funds in accordance with your instructions (we will not withdraw our agreement unreasonably), or
- (b)** a fund be closed for future allocations of units following the payment of contributions,

then we will reasonably decide the proportions in which allocation amounts are to be distributed among the funds. We will inform you of our decision in writing. We may withdraw our agreement under (a) or close a fund under (b) at any time without notice.

*Provisions 7, 8 and 9 are those for retirement benefits, death benefits and surrender of all or part of the policy.*

*Your initial choice of funds will be as shown on the original application form. If you wish to change the proportions to be allocated to the various funds available, please phone us and we will let you know what else, if anything, you need to do.*

*We may limit the proportions that can apply to particular funds and we might change these limits from time to time.*

*Unless you ask for a change or we no longer agree to your instructions (for example if we were to reduce the limit on the proportion that can apply to a fund you have chosen), the original proportions will continue to apply to all contributions, including increases to recurring contributions and new single contributions.*

*If recurring contributions are being paid, we would usually expect to give you a few months' notice of any fund closure or other changes that would affect them. Before these changes took effect you would be able to choose alternative funds for the recurring contributions (though we may limit the proportions that can apply to particular funds).*

*If a fund is to be closed for all purposes, any future contributions you make will be covered by provision 4.4 and your existing units in that fund will be covered by provision 6.4.*

## 5. Unit Adjustments

### 5.1 Contribution types

Provisions 5.2 and 5.3 may apply to any or all of the following types of contribution:

- (a) a recurring contribution
- (b) a transfer contribution
- (c) a single contribution that is not a transfer contribution.

Provisions 5.2 and 5.3 apply to each of these types of contribution (“**the relevant type**”) separately.

### 5.2 Bonus units

This provision applies separately to the units (if any) allocated to the policy that are derived directly or indirectly from contributions of the relevant type. These units are referred to in this provision as “**relevant units**”.

It applies if a yearly bonus-unit percentage is shown in the schedule, or in a letter or statement issued by us, for one or more contributions of that type. This percentage is referred to in this provision as “**the relevant bonus-unit percentage**”.

If this provision applies, then, subject to provision 5.4, on the unit adjustment day of each month we will allocate additional units (“**bonus units**”) to the policy in respect of any arrangement in respect of which relevant units are allocated to the policy.

The number of bonus units in each fund which are to be allocated on each occasion in respect of an arrangement will be calculated by applying a percentage to the number of relevant units in that fund which are allocated to the policy in respect of the arrangement. The percentage will be not less than one twelfth of the relevant bonus-unit percentage.

### 5.3 Cancellation of units

This provision applies separately to the units (if any) allocated to the policy that are derived directly or indirectly from contributions of the relevant type. These units are referred to in this provision as “**relevant units**”.

*Provision 5 deals with monthly adjustments we may make to the number of units allocated to your policy. We may add or take away units, in order to arrive at the right charges for each of your contribution types.*

*Please phone us if you want to know the rate of adding or taking away units that would apply for a new type of contribution.*

*If a ‘yearly bonus-unit percentage’ applies, it means that we are likely to add further units each month.*

*The unit adjustment day is shown in the schedule.*

It applies if a yearly unit-cancellation percentage is shown in the schedule, or in a letter or statement issued by us, for one or more contributions of that type. This percentage is referred to in this provision as “**the relevant unit-cancellation percentage**”.

If this provision applies, then, subject to provision 5.4, on the unit adjustment day of each month we will cancel units from each arrangement in respect of which relevant units are allocated to the policy.

The number of units in each fund which are to be cancelled on each occasion will be calculated by applying a percentage to the number of relevant units in that fund which are allocated in respect of the arrangement. The percentage will be not greater than one twelfth of the relevant unit-cancellation percentage.

#### **5.4 Order of unit transactions**

We will not make an allocation of units under provision 5.2 or cancel units under provision 5.3 on any day on which the allocation of units in respect of the arrangement is cancelled under provision 7, 8 or 9.

Unless we tell you otherwise in writing, any calculation under provision 5.2 or 5.3 will be carried out after any exchange of units under provision 6 on the same day, but before any other cancellation or allocation of units, which is to be made on the same day.

*If a 'yearly unit-cancellation percentage' applies, it means that we are likely to take away units each month.*

*The unit adjustment day is shown in the schedule.*

*Provisions 7, 8 and 9 are those for retirement benefits, death benefits and surrender of all or part of the policy.*

## 6. Switching between Funds

### 6.1 Procedure

You may at any time ask us to cancel some or all of the units (in a specified fund or funds) allocated to the policy in exchange for an allocation of units in another fund or funds then available to the policy for this purpose.

Your request for an exchange is subject to our agreement (any refusal by us to agree must be reasonable). If we do not agree to your request, we will inform you and we will not give effect to any part of it.

A fund can be closed to the policy for the allocation of units following an exchange at any time without notice.

The “**date of exchange**” will be either the day after your request is received by us at our main administrative office or the following day as we reasonably choose, or such later date as your request may state, unless the exchange is delayed in accordance with the following paragraph.

We may reasonably delay the date of exchange. The period of the delay will be not more than six months if the units to be cancelled include units which relate to a fund which holds directly or indirectly assets in the form of real or heritable property. It will be not more than one month in all other cases.

If a single request covers a series of exchanges, we will treat it as a series of separate requests (one for each of the requested exchanges) for the purposes of this provision and provisions 6.2 and 6.3.

### 6.2 Units cancelled

Within each fund the units to be cancelled will be chosen by us. We will value the units being cancelled at the appropriate prices for the date of exchange.

### 6.3 Units allocated

For each fund we will calculate the number of units to be allocated by dividing the value of the units being cancelled (or the same proportion of that value as the proportion specified for that fund in your request) by the price of units in that fund for the date of exchange.

*Provision 6 allows the policy’s holding of units to be switched from one or more funds to one or more other funds available at the time. This is achieved by ‘selling’ units in the one fund and ‘buying’ units in the new one.*

*If you wish to make a switch, please phone us and we will tell you what you need to do. The number is shown at the start of this booklet.*

*Your request to switch must be in a form acceptable to us. We may not agree to some requests to switch. For example we will not allow you to switch into a fund which is closed to further investment and we may limit the amount which can be switched into any fund. Please phone us if you would like further details.*

*We sometimes call a request that covers a number of exchanges ‘automatic phased switching’.*

*It is possible, though unlikely, that we may delay the switch. The main reason for this power to delay the selling of units is to protect other policyholders who want to keep their units. We expect to use it only very rarely, such as when for some reason it is difficult to put a fair price on units. Putting too high a price on units being sold could reduce the value of the remaining units.*

The prices for the date of exchange in this provision and provision 6.2 will be prices calculated at a single valuation of funds.

#### **6.4 Closing fund – unit exchange**

If a unit-linked fund is to be closed to the policy for all purposes and any units in that fund are allocated to the policy, we will give you at least three months' notice in writing of the closure. The fund to be closed to the policy for all purposes is referred to as "**the closing fund**".

During the period of notice you may instruct us to cancel all the units in the closing fund which are allocated to the policy in exchange for an allocation of units in another unit-linked fund or funds then available to the policy.

If units in the closing fund are still allocated to the policy by the end of the period of notice, we will cancel those units in exchange for an allocation of units in any other unit-linked fund or funds which we may reasonably decide.

Any exchange under this provision will otherwise be in accordance with provisions 6.1 to 6.3.

*Provision 6.3 is the final stage of the switch. The funds referred to here are the ones you chose to switch into.*

*The last paragraph of provision 4.4 would apply to any future contributions in these circumstances.*

*This means you can choose which of the remaining available unit-linked funds to switch to from the fund being closed, though we may limit the amount which can be switched into any fund.*

*If you do not choose a replacement fund or funds, we will make a choice for you.*

## 7. Retirement Benefits

### 7.1 Deciding to take retirement benefits

You must request to start on pension in respect of the whole or a specified proportion of any arrangement, with instructions as to the options required, in a form acceptable to us. The pension start date will, subject to the following paragraph and to provision 7.6, be such date as you request or the day that we receive all the documentation we reasonably require at our main administrative office, whichever is the later, provided you are still alive.

If your request to start on pension is in respect of only part of the arrangement, we will not give effect to it if

- (a) the value of the units to be cancelled in accordance with provision 7.2 is less than our minimum for that value when we receive your instruction, or
- (b) the value of the units remaining allocated to the arrangement after the pension start date would be less than our minimum for that value then.

### 7.2 Value to be applied for retirement benefits

At the pension start date we will calculate the value of all the units allocated to the policy in respect of the arrangement. This value of units is referred to as “**the total value**”.

We will then cancel the allocation of all or some of those units. We will select the units to be cancelled.

The units being cancelled will be equal in value to the result of applying the proportion specified in your request to the total value. This result is referred to as “**the application value**”. We will value the units being cancelled at the appropriate prices for the date of cancellation.

### 7.3 Types of retirement benefit

We will apply the application value at the pension start date, in such proportions as you specify, to secure benefits of one or more of the following types in accordance with the Rules:

- (a) a pension for you,
- (b) one or more dependant’s pensions payable after your death while on pension, and
- (c) a lump sum.

*Provision 7 deals with what happens when you want to cash in your units and take retirement benefits.*

*The pension start date is the date you buy your pension. Depending on the type of pension you choose, the first instalment of your pension might be paid after the pension start date.*

*You can take retirement benefits from part of your arrangements and leave the rest invested until later on.*

*The amount applicable to secure benefits will depend on the number of units involved and their values when ‘sold’.*

*When you wish to consider taking retirement benefits, please contact your financial adviser or phone us.*

*If you want to know our current minimum requirements, please phone us. Our number is shown at the start of this booklet.*

*You do not have to use the whole value of the cashed-in units to buy a pension for yourself. You can use some of it (normally about a quarter) to provide a cash sum, with the rest being used to buy a pension.*

*We can give you further details if you phone us.*

However, if the pension start date for the arrangement is the day before your 75th birthday and we have not by then received your instructions in accordance with provision 7.1 then subject to the Rules the whole of the application value will be applied to secure a pension for you unless we agree otherwise.

Each benefit will be restricted to the maximum amount allowed under the Rules.

#### **7.4 Buying your pension**

Except where provision 7.5 is applied, the amount of any pension that is being secured will be calculated in accordance with our annuity rates current at the pension start date.

Unless we agree otherwise, the total annual amount of dependant's pension that is being secured will not exceed the annual amount of your pension that is being secured.

Any pension secured may be level or may increase in whole or in part at such compound rate of increase and on such dates as are agreed with us at the pension start date.

Unless we agree otherwise, your pension will be payable in monthly instalments in advance for a minimum period of five years and thereafter during your subsequent lifetime.

Unless we agree otherwise, any pension payable to your spouse or another dependant ("**the survivor**") will be payable in monthly instalments commencing one month after the last instalment of your own pension as long as the survivor is then alive. It will continue thereafter during the subsequent lifetime of the survivor. However, if the survivor is a dependant other than your spouse and is under age 23 when payments commence, then unless we agree otherwise payments will cease when the dependant reaches age 23.

Payment of pensions will be made in a manner decided by us.

If your request to start on pension is in respect of only part of the arrangement, the pension or pensions secured at the pension start date will form a new, separate, arrangement under the policy.

*This and the next paragraph describe some common features of pensions, but you will not have to follow all of them.*

*You can choose a pension that starts at a lower level but will increase later. You can buy pension for your spouse, or a dependent child and take a reduced pension for yourself.*

## **7.5 Open market option**

You may, instead of securing a pension under an arrangement, instruct us that the total amount which would otherwise be applied under that arrangement to provide your pension and any survivor's pension or pensions is to be transferred to another insurer of your choice as the contribution under a contract with that insurer, as provided for in the Rules.

Your instruction will not be valid unless it is in a form acceptable to us and we receive notice of it at our main administrative office within the three month period immediately before the pension start date.

If your request to start on pension is in respect of the whole of an arrangement, we will cancel that arrangement when we pay the amount to the other insurer, and any lump sum benefit secured under the arrangement, and we will have no further obligation under it.

## **7.6 Other matters**

The pension start date is subject to the provisions of the Rules.

If you reach the day before your 75th birthday, and there are any arrangements in respect of which we have not received a request by then to start on pension in respect of the whole of those arrangements, the day before your 75th birthday will be deemed to be the pension start date for the whole of those arrangements.

*Although you will be able to buy your pension from us, provision 7.5 allows you to buy it from another life company instead. You will be able to choose whichever life company is providing the best terms at the time for the type of pension or pensions that you require.*

*Your financial adviser will explain to you how best to obtain details of the pension rates available from other companies.*

*You must take benefits before your 75th birthday. The rules of the scheme give the earliest ages when benefits can be taken.*

## 8. Benefit on Death

### 8.1 Payment event

If you die before the pension start date has occurred in respect of the whole of any arrangement, a lump sum will become payable on the day after we receive at our main administrative office written notification of your death. It will be applied by the Scheme Administrator to provide benefits (including an annuity payable to your surviving spouse and/or dependant if you have so chosen) in accordance with the Rules.

### 8.2 Amount of benefit

The lump sum will be calculated in accordance with provision 8.2.1 unless provision 8.2.2 applies.

#### 8.2.1 Death Benefit Amount

The lump sum which will become payable under the policy will be the total of the value of the units allocated to the policy in respect of each arrangement for which the pension start date has not occurred in respect of the whole of that arrangement by the date of death. We will call such an arrangement a “**Pre-Retirement arrangement**”. We will call the amount of the lump sum arising from a Pre-Retirement arrangement the “**Pre-Retirement Death Benefit Amount**”.

Units will be valued at the appropriate prices for the date the lump sum becomes payable.

#### 8.2.2 Accidental Death Benefit Amount

If you die within five years of the start date of the policy and all the conditions of provision 8.2.3 are met, we will calculate an “**Accidental Death Benefit Amount**” for each Pre-Retirement arrangement under the policy. If the Accidental Death Benefit Amount for such an arrangement is greater than the Pre-Retirement Death Benefit Amount for that arrangement then we will increase the Pre-Retirement Death Benefit Amount by the difference.

Subject to the following paragraph the Accidental Death Benefit Amount for a Pre-Retirement arrangement will be 120% of the total contributions paid before the date of death to that arrangement.

*Provision 8 deals with the benefit payable if you die and have not taken retirement benefits from the whole of all the arrangements that make up your policy.*

*The lump sum is payable in the first instance to the Scheme Administrator of the scheme under which the policy is held, and is paid out of the scheme in a form (normally a lump sum) allowed by the rules of the scheme.*

*The Scheme Administrator will have total discretion as to who is to benefit. If you have nominated one or more persons to take a share of the benefit, the Scheme Administrator will bear your nominations in mind, but will not be bound to follow them.*

*The meaning of ‘Accidental Death’ is given in provision 1.1.*

However, if in respect of any Pre-Retirement arrangement we have previously accepted one or more requests to either

- (a) take retirement benefits from a proportion of the arrangement under provision 7, or
- (b) make a transfer payment from a proportion of the arrangement under provision 9,

we will reduce the amount of contributions assumed to be paid to the arrangement for the Accidental Death Benefit calculation in the second paragraph of this provision in accordance with the following paragraph.

At the time of each such request that we accept we will reduce all the contributions previously assumed to have been paid to the arrangement before that request by multiplying them by a factor. That factor will be equal to the value of the arrangement immediately after that request divided by the value of the arrangement immediately before that request. We will then add any actual contributions paid since the final request to obtain the total contributions assumed to be paid.

### **8.2.3 Conditions for Accidental Death Benefit Amount**

The conditions referred to in provision 8.2.2 are:

- (a) the cause of death is an Accidental Death that did not arise directly or indirectly from any of the causes listed in provision 8.2.4,
- (b) we receive such information about, and such evidence of, the event or circumstances giving rise to the Accidental Death as we may reasonably require (we will reimburse the claimant's reasonably incurred expenses if we accept a claim for Accidental Death Benefit Amount), and
- (c) unless we decide otherwise, we receive written notification of your death within five years of the start date of the policy.

#### **8.2.4 Accidental Death Benefit Amount exclusions**

The causes referred to in provision 8.2.3 are:

**(a) Criminal acts**

Taking part in a criminal act.

**(b) Drug abuse**

Alcohol or solvent abuse, or the taking of drugs except under the direction of a registered medical practitioner.

**(c) Hazardous sports and pastimes**

Any hazardous sports or pastimes which typically involve such activities as flying, climbing, going underground or underwater and engaging in racing of any kind other than athletics or swimming.

**(d) Self inflicted injury**

Self inflicted injury or deliberate exposure to exceptional danger.

**(e) Unreasonable failure to follow medical advice**

Unreasonable failure to seek or follow medical advice.

**(f) War and civil commotion**

War, invasion, hostilities (whether war is declared or not), civil war, rebellion, revolution or taking part in a riot or civil commotion or insurrection.

#### **8.3 Cancellation of units**

We will cancel all the units allocated to the policy when the lump sum becomes payable.

## 9. Transfer Payment

### 9.1 Procedure

Subject to the Rules, you may at any time surrender in return for a transfer payment the whole or a specified proportion of any arrangement, in respect of which you have not started on pension. Your request must be in a form acceptable to us.

We will calculate the amount of the transfer payment (“**the transfer value**”) in accordance with provision 9.2.

The transfer value will, subject to the following paragraphs, become payable in accordance with the Rules on the day after we receive your written request and provided we have received all the documentation we reasonably require at our main administrative office or on the day following as we reasonably choose, or on such later day as you request, provided you are then alive.

We may reasonably delay the date on which the transfer value becomes payable. The period of the delay will be not more than six months if the units to be cancelled include units which relate to a fund which holds directly or indirectly assets in the form of real or heritable property. It will be not more than one month in all other cases.

If your request to surrender is in respect of only part of the arrangement, it is subject to our agreement (any refusal by us to agree must be reasonable). If we do not agree to your request we will inform you and we will not give effect to any part of it.

### 9.2 Amount

At the date the transfer value becomes payable we will calculate the value of all the units allocated to the policy in respect of the arrangement. This value of units is referred to as “**the total value**”.

The transfer value will be equal in value to the result of applying the proportion specified in your request to the total value.

*Provision 9 allows you to give up – before you have finished buying your pension – some or all of any arrangement in return for the value of what you have given up being transferred to another pension scheme.*

*You cannot receive the value as a cash sum in your own hands – it must go to another pension scheme.*

*The main reason for this power to delay the selling of units is to protect other policyholders who want to keep their units. We expect to use it only very rarely, such as when for some reason it is difficult to put a fair price on units. Putting too high a price on units being sold could reduce the value of the remaining units.*

*We might refuse a request to give up part of an arrangement if, for example, the transfer value is less than our minimum for that value at that time or the value of the units remaining allocated afterwards would be less than our minimum for that value at that time.*

### **9.3 Cancellation of units**

When the transfer value becomes payable we will cancel the allocation of all or some of the units allocated to the policy in respect of the arrangement. We will select the units to be cancelled.

The units being cancelled will be equal in value to the amount of the transfer value. We will value them at the appropriate prices for the date of cancellation.

### **9.4 Cancellation of arrangement**

If your surrender request is in respect of the whole of an arrangement, we will cancel that arrangement when the transfer value becomes payable and we will have no further obligation under it.

*If you wish to make a transfer, please contact your financial adviser or phone us. Our number is shown at the start of this booklet.*

## 10. General

### 10.1 Approval of the scheme

The policy is evidence of arrangement(s) under the Rules and we will not make any alteration to it which would prejudice the status of the scheme as a registered pension scheme.

*Part 4 of the Finance Act 2004 defines a 'registered pension scheme'.*

### 10.2 Assignment or commutation of benefits

Except as stated in the relevant provisions and allowed by the Rules, no benefit payable under the terms of the policy will be capable in whole or in part of surrender or commutation. No benefit will be capable of assignment except in accordance with the Rules. We will not be bound to recognise, nor bound to notice or be affected by notice of, any dealing with any benefit payable under the terms of the policy except dealings which are permissible under the terms of the Rules. Neither will we be bound to pay any benefit to any person other than the person entitled to that benefit under these provisions or by an assignment permitted under the terms of the Rules.

*By 'commutation' we mean here to exchange future pension payments from this policy in return for an immediate cash sum.*

*By 'assignment' we mean here a transfer of rights to benefits under this policy to another person. However, your policy provides benefits for you and/or your spouse and/or certain dependants, and cannot normally be used for any other purpose. We can only pay benefits as allowed under the rules of the scheme.*

### 10.3 Deduction of tax

Subject to the following paragraph, on any occasion on which we make or become liable to make to the HM Revenue and Customs any payment of tax or duty (including a Scheme Sanction Charge) for which we are liable, or for which we believe we may be liable, in respect of the benefits secured under the policy for or in respect of any member, we will reduce the benefits secured under the policy for or in respect of that member to recover the payment and will reimburse us with the payment. The reduction in the benefits secured by the policy will be to such extent, and made in such manner, as we may reasonably and in good faith determine.

We will not reduce the benefits secured under the policy if the whole or part of the relevant amount of tax is recovered by us from any source other than reimbursement under this provision.

## 10.4 Acceptance of contributions

We will be under no obligation to accept contributions under the policy if

- (a) the scheme ceases to be a registered pension scheme or
- (b) you become ineligible to contribute under the rules of the scheme.

For the purpose of this provision we may from time to time require you to make such declarations and supply such information as we may reasonably deem necessary. If by reason of

- (i) the scheme ceases to be a registered pension scheme
- (ii) information supplied by you, or
- (iii) the lack of receipt of a satisfactory declaration or information from you within six months from the date of any notice from us to you requiring such declaration or information,

we decline to accept further contributions from any date, the policy will after that date remain in force securing benefits appropriate to the amount of the contributions accepted by us up to that date. If any contribution or part thereof is erroneously accepted by us after that date, we will be entitled to return such contribution or part thereof and it will then be regarded as unpaid.

## 10.5 Excess contributions

If, in accordance with the Rules, a payment is to be made from the policy in respect of excess contributions, we will make such adjustments to the policy as we reasonably consider appropriate in the circumstances.

## 10.6 Changes to policy terms

If while the policy is in force

- (a) there is any change in law or taxation affecting us or the policy,
- (b) there is any exceptional change in circumstances which makes it no longer possible to carry out any one or more of these provisions,

*We may from time to time ask for up-to-date evidence of earnings and employment details.*

*If, for whatever reason, we cannot accept further contributions, your policy still remains in force.*

*This important provision sets out powers that we have to alter the terms of your policy.*

- (c) we become aware of any error or omission in the policy documents, or
- (d) for any reason the policy does not form part of our pension business

*'Pension business' is defined in section 431B of the Income and Corporation Taxes Act 1988.*

then we may with immediate effect make such reasonable alterations to the policy documents as we may in good faith consider appropriate in the circumstances. We will inform you in writing of any such alterations.

### **10.7 Winding up of the scheme**

If the scheme is wound up, we will accept no further contributions under the policy and we will deal with the policy in accordance with the Rules.

*We would let you know what options were available to you. One of them would be for you to transfer the value of your policy to another pension scheme of your choice under provision 9.*

### **10.8 Future contributions**

Subject to the Rules, we may alter all or any of these provisions or add new provisions in respect of any contributions paid on or after the effective date of the alteration and in respect of any units allocated in respect of such contributions. Any alteration or addition will be reasonably decided by us and shown in the policy by endorsement.

*Any alteration under provision 10.8 would not affect the parts of your policy that related to contributions paid before the alteration.*

*The meaning of 'endorsement' is given in provision 1.1.*

### **10.9 Payment of benefits**

Benefits will be payable to the Scheme Administrator to be dealt with in accordance with the Rules. We will pay benefits only if we receive such proof as we may reasonably require of the happening of the event on which, or the continuation of the circumstances under which, the benefits are payable, the legal entitlement of the claimant, and of the date of birth of any person on whose life the benefits depend. If the date of birth of such a person is wrongly stated to us, we will adjust the benefits as we may reasonably decide to those appropriate to the correct date of birth.

*Before we pay out benefits, we will need evidence of your age. Therefore, it's a good idea to send this to us at the start of your policy.*

Payment of any money by us in accordance with the policy and the Rules will be a full and sufficient discharge to us in respect of that money, and we will not in any way be responsible to enquire into or see to the application of any such money.

We may adjust the frequency of payment of any pension by bringing forward the payment of certain instalments so that each payment of pension is not less than such minimum amount as we may decide from time to time.

If, under the policy, payment of any instalment of a pension would fall due after the 28th day of any month it will be considered as falling due on the 28th day of that month.

#### **10.10 Late payment of benefit**

If a claim arises under the policy and we pay the relevant benefit after the due date of payment, we will make an additional payment. The additional payment will be equal to interest on the amount due for the period of the delay at a rate which we will reasonably decide from time to time. However, if the amount of the resulting additional payment would be less than the minimum amount reasonably fixed by us from time to time for this purpose then we would not make such a payment.

#### **10.11 Production of policy**

We may require the policy for cancellation or endorsement when any benefit is payable, any option is exercised, or any alteration is made.

*By 'policy' we mean here the schedule and any related endorsements.*

#### **10.12 Law**

The law of the contract is that of England and Wales.

#### **10.13 References to Acts of Parliament**

Reference in this policy to any Act of Parliament or any part or section of an Act includes any statutory modification or re-enactment of it and any regulations made under it for the time being in force.

#### **10.14 Third Parties**

The terms of the Contracts (Rights of Third Parties) Act 1999 and any other legal third party rights are specifically excluded.

*This means that only you (or your legal successor(s)) can enforce the contract against us.*





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