



# Personal Pension Plan

## Policy Provisions PP (2007)

By law we are required to provide you with a copy of the current policy provisions for this product, before any 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 Personal Pension policy.

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, and are in their entirety conclusive as to its terms.

## **NOTES TO HELP YOU UNDERSTAND YOUR 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 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 to improve our service.

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

# Contents

1. Preliminary	2
2. Unit-Linked Funds	4
3. Unitised With-Profits Fund	8
4. Contributions	11
5. Allocation of Units	13
6. Unit Adjustments	16
7. Switching between Funds	18
8. Retirement Benefits	22
9. Benefit on Death	25
10. Surrender of Policy – Transfer Payment	28
11. General	29
12. Protected Rights Benefits	33

# 1 Preliminary

## 1.1 Meanings of terms

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

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

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

**“Actuary”** means any person who holds an appointment to Scottish Widows in accordance with SUP 4.3.1R of the Financial Services Authority Handbook (as may be amended from time to time). If there is more than one such person then we will choose one of them as our Actuary.

**“Spouse”** means, if applicable, your husband, wife or registered civil partner as defined in the Civil Partnership Act 2004.

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

In these provisions, the masculine includes the feminine and the singular includes the plural and vice versa, unless the context requires otherwise. Headings to the provisions are included for reference only and do not form part of the provisions or affect their interpretation.

## 1.2 Policy and Rules

This policy represents one or more Arrangements (as defined in the application) 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.

*Provision 1 deals with some formalities.*

*Your policy is made up of a number of sub-policies, or “Arrangements”. This is mainly so that later on you can take retirement benefits from part of your policy (some of the Arrangements) but delay taking them from the rest of the policy (the remaining Arrangements).*

*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.*

### 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 (or such other fraction as we may reasonably decide) part of a unit.

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

### 1.4 Type of unit allocated

All units allocated to this policy in any of the unit-linked funds will be series 2 ordinary units.

All units allocated to this policy in the unitised with-profits fund will be ordinary units.

*Funds and the units in them are explained in provisions 2 and 3.*

### 1.5 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.

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

*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.*

### 1.6 Consolidation or subdivision of units

We reserve the right to 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.

## 2. Unit-Linked Funds

This provision applies only to the unit-linked funds that we make available to the policy. References in this provision to a fund are to such a fund, and references in it to units are to units in such a fund.

### 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.

*Provision 2 deals with the unit-linked 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 5.4 and 7.7 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.*

*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.*

*Charges made by external fund managers are included in category (a) here. Category (b) deals with charges that we make.*

## 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.

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 be not 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.

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

*The values of the funds are used to calculate the unit prices (provision 2.5).*

*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 2 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 bid prices of the units in each fund.

The bid 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 2 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.*

*Some policies use bid prices for some transactions and offer prices for others. In this policy, we will use only bid prices. There are different bid prices for units in the various funds and for different types of unit in the same fund.*

## 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 each part will be a percentage of the upper value of that part multiplied by the number of days since the last valuation at which a management charge was deducted from that part and divided by 365. The percentage will be in accordance with our then current standard scales of management charges, subject to the following paragraph.

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 our Actuary considers 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. In forming his opinion, our Actuary will take into account the general level of such margins 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.

## 2.8 Deferring exchange of units or payment of a cash sum

Where units allocated to the policy are to be cancelled in terms of provision 7 or 10, we reserve the right to reasonably delay the date of exchange or the date the cash sum 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.

*At regular intervals we deduct a charge from the part of each of the funds represented by each type of unit. Provision 2.7 deals with the calculation of those charges.*

*Provision 2.7 also sets out the circumstances in which, and by how much, we would be able (if we so wished) 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 meaning of Actuary is given in provision 1.1.*

*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.*

## 3. Unitised With-Profits Fund

This provision applies only to the unitised with-profits fund that we make available to the policy. References in this provision to “**the fund**” are to that fund, and references in it to units are to units in that fund.

### 3.1 The fund

The fund forms part of a wider fund (“**the With Profits Fund**”) that we maintain.

We may close the fund to the policy for future allocations of units following payment of contributions and for future allocations of units arising from exchanges of units.

### 3.2 Units

The fund will be expressed in terms of units. Different types of unit (including those referred to as ordinary units in these provisions) may be created in the fund.

The units will be entitled to share in the profits of our With Profits Fund.

From time to time the board of Scottish Widows (“**the board**”), taking into account the advice of our Actuary, will reasonably decide how much of the total profits that may have arisen in our With Profits Fund is to be distributed, what part of those distributable profits is to be attributed to units in the fund, and how and in what proportions the distribution among units in that fund is to be made.

Profits distributed among the units will be applied as regular bonuses in the form of increases in unit prices, as final bonuses, or in such other manner as the board may reasonably decide.

Rates of regular bonus and final bonus may be varied at any time.

### 3.3 Unit prices

For each day we will determine bid prices of units. The bid price of a unit for any day will be not less than that unit’s bid price for any previous day.

*Provision 3 sets out rules for the unitised with-profits fund in which your policy can be invested.*

*For more information about using the policy to invest in this fund, see “Your guide to With-Profits” for this type of policy. You should have received one before you applied for this policy. If it is a few years since you started your policy, we may have sent you an updated guide since then.*

*The wider With Profits Fund is a large fund that includes many types of with-profits policies and units, together with a relatively small number of other policies. Units in the unitised with-profits fund make up just part of it.*

*Provision 3.1 makes it possible for us to limit or close this fund to future investment.*

*The meaning of Actuary is given in 1.1.*

*The values of units in the unitised with-profits fund are not directly related to the underlying investments of the fund. Instead, they depend on bonuses and Market Value Reductions (“MVRs” – see provisions 3.4 and 3.6) that we decide from time to time. Future rates of bonus and MVR are not guaranteed.*

*Different rates of bonus (and MVR) will apply to different units. For instance, they will depend on the type of policy it is allocated to, and when the unit was “bought” or we added it to that policy.*

### 3.4 Market Value Reductions

We may at any time bring into force one or more Market Value Reductions (“MVRs”). We will withdraw each MVR not later than

- (a) three months after its introduction, or
- (b) on any earlier change in our scale of final bonuses for the purposes of provision 3.6.

We may at any time replace an existing MVR by a new MVR, which may be equal to the replaced one. Each MVR will apply to all units in the fund which were allocated in a particular period to policies which have such common characteristics as we reasonably decide are appropriate for this purpose (“the reference units”).

On the day when we bring into force a new (or replacement) MVR, we will ensure that on that day the value of all its reference units, if calculated in accordance with provision 3.6 using the new (or replacement) MVR, is not less than the value we reasonably place on the corresponding investments of the fund. For this purpose:

- (a) the corresponding investments of the fund are such investments of the fund as we reasonably consider correspond to the relevant group of reference units; and
- (b) the value we place on those investments will take into account the amount we reasonably determine could have been obtained if we had sold the investments at prevailing market prices on one or more of the previous 14 days.

### 3.5 Valuing units where MVR cannot apply

When units are to be valued in accordance with this provision, each unit will be valued on the day it is cancelled by:

- (a) taking the bid price of the unit on that day, the preceding working day or the following working day as we reasonably choose, and
- (b) adding any final bonus which is appropriate, in accordance with provision 3.2, to the unit on the day chosen for (a).

*There are regular bonuses in the form of increases in unit prices. They increase the minimum value to be placed on any units that you “sell” in circumstances where provision 3.5 applies.*

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

*When you “sell” units, a further bonus called a “final bonus” may increase the value of the units, as indicated in provisions 3.5 and 3.6. Final bonus may also be known as “terminal bonus”.*

*We may in certain circumstances decide to reduce the value of units by applying one or more MVRs to protect the interests of other policyholders. Provision 3.4 limits the extent to which a MVR can reduce their value.*

*Market Value Reductions may also be known as “Market Level Adjustment Factors”.*

*At any one time there could be MVRs in force for some or all of the units in the unitised with-profits fund. Different MVRs are likely to apply to units “bought” on different days.*

*Units will be valued in accordance with provision 3.5 or 3.6 when you “sell” them to us. The other provisions say which of 3.5 and 3.6 will apply.*

### 3.6 Valuing units where MVR can apply

When units are to be valued in accordance with this provision, each unit will be valued on the day it is cancelled by:

- (a) taking the bid price of the unit on that day, the preceding working day or the following working day as we reasonably choose, and
- (b) adding any final bonus which is appropriate, in accordance with provision 3.2, to the unit on the day chosen for (a), and
- (c) reducing the result of (a) and (b) by applying any MVR then in force in respect of the unit.

*If units are to be valued using provision 3.6, the value might be reduced by MVRs.*

### 3.7 Management charge

From time to time we will deduct a management charge from the investments of the With Profits Fund which we reasonably consider correspond to units in the fund. We will allow for these charges when we decide rates of bonus and MVR for units in the fund.

The charges for the fund will be expressed as annual percentages of the value of the units. Different percentages may apply for different units in the fund. For these purposes we will value units in such manner as we may reasonably decide.

We may at any time increase any of the percentages referred to in the previous paragraph or change the manner in which we value units for the purpose of this provision. However, in either case

- (a) we may only do so to an extent which our Actuary considers in good faith will result in our margin of charges over costs in respect of the relevant policies being not excessive. In forming his opinion, our Actuary will take into account the general level of such margins in the market for policies of similar types, actuarial principles for life and pensions business, and any previous increase in the percentages or change in the way we value units for the purpose of this provision; and
- (b) we will give you three months' notice in writing if the increase or change will affect the policy.

*Provision 3.7 deals with charges that we deduct from the unitised with-profits fund.*

*It also sets out the circumstances in which, and by how much, we would be able (if we so wished) to increase the rate of these charges. If we ever plan to increase them for your policy, we'll tell you beforehand by means of a letter or statement.*

*The meaning of Actuary is given in provision 1.1.*

## 4. Contributions

### 4.1 Types of contribution

The contributions payable under the policy will be such recurring contributions and such single contributions as are payable in accordance with provisions 4.2 and 4.3.

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

**“Transfer contribution”** means a single contribution that results from a transfer payment for benefits from another policy or pension scheme, including Protected Rights or accrued rights to Guaranteed Minimum Pensions if applicable.

**“Protected Rights contribution”** means a single contribution that results from any Protected Payments (as defined in the Rules) other than those included in a transfer contribution.

Contributions must be paid by a method acceptable to us.

### 4.2 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,
  - (b) up to but not including the date of entry on pension in respect of that Arrangement, or
  - (c) up to but not including the selected pension date,
- whichever is the earliest.

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.

*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. Any Protected Rights contributions (which apply only if you are using this policy for contracting out of part of the State pension scheme (see the notes on provision 12)) will be paid by the Government.*

*Any Protected Rights contributions and any part of a transfer contribution representing Protected Rights will go into the Protected Rights Arrangement which will have been set up to receive them. Every other contribution will be divided equally among the other “Arrangements” (see provision 1.2) that make up your policy (apart from any Arrangements which you have surrendered or from which you have taken retirement benefits).*

*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.*

The amount of each recurring contribution in respect of an Arrangement will be equal to the initial level of the recurring contribution in respect of that Arrangement (included in the overall initial level of recurring contribution shown in the schedule).

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.

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

### 4.3 Other contributions

Subject to such conditions as we may reasonably impose

- (a) Protected Rights contributions may be paid at any time, and
- (b) other 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 date of entry on pension in respect of that Arrangement, whichever is the earlier.

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

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

*Protected Rights contributions are possible only if you are employed (as opposed to self-employed). See the notes on provision 12 for more information.*

*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.*

## 5. Allocation of Units

### 5.1 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 5.4.

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.

### 5.2 Allocation amount

For each Arrangement’s share of each recurring, single, transfer or Protected Rights contribution shown in the schedule, the allocation amount will be the appropriate percentage shown of that contribution.

For each Arrangement’s share of any recurring contribution that starts after the commencement date, or of any type of single contribution paid after the commencement date, or for any increase in each Arrangement’s share of recurring contributions, 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 that start, payment or increase, 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.

### 5.3 Date procedure applies

The date on which we will apply the procedure described in provision 5.1 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 5 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 for each Arrangement, may be higher or lower than the percentages shown in the schedule.*

*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 bid 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 Arrangement under provision 8 or 9 or a transfer payment is made under provision 10, then we will treat that allocation amount as if we had applied it to secure an allocation of units at the appropriate bid prices for the day the benefit becomes payable or the transfer payment is made.

*Provisions 8, 9 and 10 are those for retirement benefits, death benefits and surrender of policy or Arrangements.*

## 5.4 Proportions

Subject to our agreement, to provision 5.5 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.

*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.*

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 (which we will not withhold unreasonably) and to the following conditions:

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

- (a)** your instruction must be received by us at our main administrative office at least ten days before the date of variation unless we allow otherwise,
- (b)** all Arrangements which are identical to each other immediately before the variation must be dealt with in an identical way unless we allow otherwise, and
- (c)** your instruction will not be valid if it
  - (i)** would have been effective from a date within the three years immediately before the selected pension date, and
  - (ii)** would have resulted in a larger part of any allocation amount being distributed to the unitised with-profits fund than would otherwise have been distributed to that fund.

*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 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 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) of this paragraph or close a fund under (b) of this paragraph at any time without notice.

## 5.5 Distribution to the unitised with-profits fund

Unless we allow otherwise:

- (a)** no part of any allocation amount will be distributed to the unitised with-profits fund in respect of
  - (i)** any single contribution which we receive at our main administrative office within the three years immediately before the selected pension date,
  - (ii)** any increase in each Arrangement's share of recurring contributions that occurs within the three years immediately before the selected pension date, and
  - (iii)** recurring contributions started within the three years immediately before the selected pension date,

and

- (b)** if the selected pension date is reached and a new selected pension date subsequently applies which is less than three years after the attained selected pension date, no part of any allocation amount will be distributed to the unitised with-profits fund in respect of any contribution which we receive at our main administrative office on or after the earlier selected pension date.

If, because of the previous paragraph, any part of an allocation amount is not to be distributed to the unitised with-profits fund, then your instructions for distribution among the funds will be modified by us in such a way as we reasonably decide, but only to the extent necessary to make them compatible with that paragraph.

*If a unit-linked fund is to be closed for all purposes, any future contributions you make will be covered by provision 5.4 and your existing units in that fund will be covered by provision 7.7.*

*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).*

*This setting of a new selected pension date is dealt with by provision 8.2.*

## 6 Unit Adjustments

### 6.1 Contribution types

Provisions 6.2 and 6.3 may apply to any or all of the following types of contribution:

- (a) a recurring contribution
- (b) a transfer contribution
- (c) a Protected Rights contribution
- (d) a single contribution that is not of type (b) or (c).

Provisions 6.2 and 6.3 apply to each of these types of contribution (“**the relevant type**”) separately.

*Provision 6 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.*

### 6.2 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 an annual 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 an “annual bonus-unit percentage” applies it means that we are likely to add further units each month.*

If this provision applies, then, subject to provision 6.4, 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 unit adjustment day is shown in the schedule.*

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.

### 6.3 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**”.

It applies if an annual 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 6.4, 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.

## 6.4 Order of unit transactions

We will not make an allocation of units under provision 6.2 or cancel units under provision 6.3 on any day on which the allocation of units in respect of the Arrangement is cancelled under provision 8, 9 or 10.

Unless we tell you otherwise in writing, any calculation under provision 6.2 or 6.3 will be carried out after any exchange of units under provision 7 on the same day, but before any other cancellation or allocation of units which is to be made on the same day.

*If an “annual 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 8, 9 and 10 are those for retirement benefits, death benefits and surrender of policy or Arrangements.*

## 7. Switching between Funds

### 7.1 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 (which we will not withhold unreasonably) and, unless we allow otherwise, it will be valid only if it affects all Arrangements which are identical to each other immediately before the requested date of exchange in an identical way. 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 provision 2.8.

Unless we allow otherwise, if your request for an exchange would involve the allocation to the policy of units in the unitised with-profits fund and the selected pension date falls within the following three years or such other period as we may reasonably decide and advise to you, we will not give effect to any part of the exchange.

Unless we allow otherwise, an exchange involving the cancellation of units in the unitised with-profits fund will not be allowed within twelve months of an exchange involving the allocation of units in the same fund. An exchange involving the allocation of units in the unitised with-profits fund will not be allowed within twelve months of an exchange involving the cancellation of units in the same fund unless we allow otherwise.

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 7.2 to 7.5, except where otherwise indicated.

*Provision 7 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, or out of, any fund. Please phone us if you would like further details.*

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

*A switch will apply to all your Arrangements from which you have not yet taken retirement benefits.*

*It is possible, though unlikely, that we may delay the switch.*

*We sometimes call a request that covers a number of exchanges “automatic phased switching”.*

## 7.2 Units cancelled

Within each fund the units to be cancelled will be chosen by us. We will value units in the unit-linked funds at the appropriate bid prices for the date of exchange. We will value units in the unitised with-profits fund in accordance with provision 3.6.

*When choosing which units in a fund are to be cancelled, we will normally tend to choose the units that were most recently allocated to the policy.*

## 7.3 Administration charge

We reserve the right to make a charge for an exchange of units. If we exercise this right we will reduce the value of units calculated as above by this charge.

*Usually there will be no charge for switching, but if we intend to make a charge we will let you know before going ahead with the switch.*

The amount of the charge will be not more than the greater of

- (a) 0.5%, or such other percentage as we may specify not exceeding 1%, of the value calculated in accordance with provision 7.2, and
- (b) our then current minimum charge.

*This limits what we could charge for switches, if we were to charge.*

However, if the exchange is the first in a series of exchanges covered by a single request, we reserve the right to make a higher charge for that first exchange. This higher charge will be calculated as in the previous paragraph of this provision except that the value to which the percentage is applied will be the value calculated in accordance with provision 7.2 of all the units to be cancelled in the series of exchanges by the time it has been completed. If we exercise this right for the first exchange, subsequent exchanges in the series will be free of charge.

The minimum charge will be not greater than £50 increased in line with any increase in national average earnings since 1 January 1995.

## 7.4 Net exchange value

This provision defines a special term that is used in provision 7.5. The “**net exchange value**” is the value of the units being cancelled (calculated in accordance with provision 7.2) reduced by any charge made in accordance with provision 7.3.

## 7.5 Units allocated

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

For unit-linked funds all the bid prices for the date of exchange in this provision and provision 7.2 will be bid prices calculated at a single valuation of funds.

We will calculate the number of units in the unitised with-profits fund which are to be allocated in accordance with our practice at the date of exchange.

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

*For the unitised with-profits fund we would expect to calculate the number of units in a way that is similar to the way we are then using when a contribution is paid.*

## 7.6 Automatic switch of units at selected pension date

If at the selected pension date entry on pension has not occurred in respect of one or more Arrangements and either

- (a)** you have chosen a new selected pension date under provision 8.2 which is less than three years after the attained selected pension date, or
- (b)** at the attained selected pension date we have not received notice of your choice in accordance with provision 8.2,

then, unless we allow otherwise, we will cancel any units in the unitised with-profits fund that are allocated to those Arrangements and in their place will allocate units in one or more unit-linked funds that are available to the policy. The unit-linked fund or funds to be used will be selected by you. However, if we have not received notice of your selection in accordance with this paragraph in writing at our main administrative office before the attained selected pension date, we will reasonably select the unit-linked fund or funds to be used.

*You can choose which of the unit-linked funds available to switch to from the unitised with-profits fund, though we may limit the amount which can be switched into any fund.*

We will carry out the exchange in accordance with provisions 7.1 to 7.5 except that we will not make any charge and we will value units in the unitised with-profits fund in accordance with provision 3.5.

The date of exchange will be the attained selected pension date.

## 7.7 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 7.1 to 7.5 except that we will not make any charge.

*Provision 5.4 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.*

## 8. Retirement Benefits

### 8.1 Deciding to enter on pension

You must make your request to enter on pension in respect of any Arrangement, with instructions as to the option(s) required, in a form acceptable to us. The date of entry on pension will be such date as you request or the day on which we receive all the documentation we reasonably require at our main administrative office, whichever is the later, provided you are still alive.

The date of entry on pension is subject to the provisions of the Rules. If the date of entry on pension would be after the selected pension date, provision 8.2 will apply.

If you attain the day before your 75th birthday, but for any Arrangement we have not received a request by then to enter on pension before your 75th birthday, then that day will be deemed to be the date of entry on pension for that Arrangement.

### 8.2 Deferring the selected pension date

In the three months before the selected pension date, you may choose, in a form acceptable to us, a new selected pension date which will apply after the existing selected pension date has been attained. The new selected pension date must be before your 75th birthday. Notice of your choice must reach us at our main administrative office by the existing selected pension date.

If the new selected pension date is less than three years after the existing selected pension date, provision 7.6 will apply at the existing selected pension date.

If, when you reach the selected pension date, there is one or more Arrangement in respect of which the date of entry on pension has not been reached, and we have not received notice of your choice in accordance with this provision, then

- (a) provision 7.6 will apply, and
- (b) if the selected pension date is earlier than the day before your 75th birthday, that day will become the new selected pension date.

*Provision 8 deals with what happens when you want to cash in your units and take retirement benefits.*

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

*You do not need to take retirement benefits at the same time from all the Arrangements that make up your policy – you can start taking a pension from some of them and leave the others invested in units until a later date.*

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

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

*When you wish to consider taking retirement benefits, please contact your financial adviser or phone us. Our number is shown at the start of this booklet.*

## 8.3 Types of retirement benefit

At the date of entry on pension we will cancel all units allocated to the policy in respect of the Arrangement and will apply their value, 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.

However, if the date of entry on pension for the Arrangement is the day before your 75th birthday and we have not by then received your instructions in accordance with provision 8.1, then subject to the Rules and to provision 12 the whole of the value of the units 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.

## 8.4 Buying your pension

We will value units in the unit-linked funds at the appropriate bid prices for the date of cancellation.

If the date of entry on pension is the selected pension date we will value units in the unitised with-profits fund in accordance with provision 3.5. At any other date we will value them in accordance with provision 3.6.

Except where provision 8.5 is applied, we will calculate the amount of any pension in accordance with our annuity rates current at the date of entry on pension.

Unless we agree otherwise, the total annual amount of dependant's pensions under the Arrangement will not exceed the annual amount of your pension from the Arrangement.

Any pension payable 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 your date of entry on pension.

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

*You do not have to use all the value of your Arrangements to buy a pension for yourself.*

*You can use part of it (normally about a quarter) to provide a cash sum, with the rest being used to buy a pension.*

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

*However, special conditions apply to any Protected Rights Arrangement. In particular, a pension must be provided for your spouse.*

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

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

Unless we agree otherwise, any pension payable to your spouse or another dependant (“**the survivor**”) will be payable in monthly installments commencing one month after the last installment of your own pension provided 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 attains age 23.

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

## 8.5 Open market option

You may, instead of securing pensions 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 date of your entry on pension.

When we pay the amount to the other insurer, and any lump sum benefit secured under the Arrangement, we will cancel the Arrangement and we will have no further obligation under it.

## 8.6 Other matters

After we have cancelled the units under provision 8.3 or cancelled the Arrangement itself under provision 8.5, the number of Arrangements among which any subsequent contributions to the policy, other than any in respect of Protected Rights, are to be divided will be reduced accordingly.

*Although you will be able to buy your pension from us, provision 8.5 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.*

*If you continue to pay the same total recurring contribution after some of the Arrangements have been cancelled to provide retirement benefits, the contribution to each of the remaining Arrangements (other than any Arrangement for Protected Rights) will increase. This increase would be treated under provisions 4 and 5 just like any other increase in recurring contribution.*

# 9. Benefit on Death

## 9.1 Payment event

If you die before the date of entry on pension for 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.

## 9.2 Amount of benefit

The lump sum will be calculated in accordance with provision 9.2.1 unless provision 9.2.2 applies.

### 9.2.1 Death Benefit Amount

The lump sum which will become payable under the policy will be the value of the units allocated to the policy in respect of each Arrangement for which the date of entry on pension has not occurred 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 in the unit-linked funds will be valued at the appropriate bid prices for the date the lump sum becomes payable.

Units in the unitised with-profits fund will be valued in accordance with provision 3.5.

### 9.2.2 Accidental Death Benefit Amount

If you die within 5 years of the start date of the policy and all the conditions of provision 9.2.3 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 9 deals with the benefit payable if you die before you have taken retirement benefits from all of 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.*

*If you have set up a trust to receive the death benefit, the Scheme Administrator will pay the benefit to your chosen trustees.*

*If you have not set up a trust, 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.*

*However, special conditions apply to any Protected Rights Arrangement (see the notes to provision 12). If you are married, it is likely that the lump sum will have to be used to provide a pension for your surviving spouse.*

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

(a) take retirement benefits under provision 8, or

(b) make a transfer payment under provision 10,

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.

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

The conditions referred to in provision 9.2.2 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 9.2.4,
- (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 5 years of the start date of the policy.

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

### **9.2.4 Accidental Death Benefit Amount exclusions**

The causes referred to in provision 9.2.3 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.

### 9.3 Cancellation of units

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

## 10. Surrender of Policy – Transfer Payment

### 10.1 Surrender of the policy

Subject to the Rules, you may at any time surrender in return for a transfer payment any Arrangements in respect of which you have not entered on pension.

We will calculate the amount of the transfer payment (“**the transfer value**”) in accordance with provision 10.2. It will 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. However, in accordance with provision 2.8, we may delay the day on which the amount becomes payable.

### 10.2 Amount of transfer payment

The amount payable under provision 10.1 will equal the value of the units allocated to the Arrangements which are being surrendered.

We will value units in the unit-linked funds at the appropriate bid prices for the day the amount becomes payable.

We will value units in the unitised with-profits fund in accordance with provision 3.6.

### 10.3 Cancellation of Arrangements

When the transfer value becomes payable we will cancel all the units allocated to the policy in respect of the Arrangements which are being surrendered, and we will cancel the Arrangements themselves.

The number of Arrangements among which any subsequent contributions to the policy, other than any in respect of Protected Rights, are to be divided will be reduced accordingly.

*Provision 10 allows you to give up some or all of the Arrangements that make up the policy in return for their value 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.*

*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.*

*If you continue to pay the same total recurring contribution after some of the Arrangements have been cancelled, the recurring contribution to each of the remaining Arrangements (other than any Arrangement for Protected Rights) will increase. This increase would be treated under provisions 4 and 5 just like any other increase in recurring contribution.*

# 11. General

## 11.1 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 under Part 4 of the Finance Act 2004.

## 11.2 Assignment or commutation of benefits

Except as herein provided 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 and will not be 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.

*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.*

## 11.3 Deduction of tax

Subject to the following paragraph, on any occasion on which we make or become liable to make to Her Majesty's 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 an amount equal to 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 in our absolute discretion 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.

## 11.4 Acceptance of contributions

Notwithstanding any provision of the policy to the contrary, we will be under no obligation to accept contributions under the policy if

- (a) the scheme ceases to be a registered pension scheme under Part 4 of the Finance Act 2004, 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 reasonably may deem necessary.

If by reason of

- (i) the scheme ceasing to be a registered pension scheme under Part 4 of the Finance Act 2004,
- (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.

## 11.5 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.

## 11.6 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,

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

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

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

- (b) there is any change in circumstances which in our opinion makes it impossible or impracticable to carry out any one or more of these provisions,
- (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 as 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.

## 11.7 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.

## 11.8 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.

## 11.9 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.

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 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 10.*

*Any alteration under provision 11.8 would not affect the parts of the policy that related to contributions paid before the alteration.*

*We will require to see evidence of your age. It is therefore a good idea for us to see this at the outset of your policy.*

We may adjust the frequency of payment of any pension by bringing forward the payment of certain installments 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 installment 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.

### **11.10 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.

### **11.11 Production of policy**

We reserve the right to 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.*

### **11.12 Law**

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

### **11.13 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.

### **11.14 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.*

## 12. Protected Rights Benefits

### 12.1 Special Conditions

This provision overrides any provision elsewhere in this policy which is inconsistent with it.

The application of any amount payable under this policy in respect of units allocated in respect of Protected Payments (as described in the Rules) is subject to the restrictions in the Rules applicable to your Protected Rights Fund (as defined in the Rules).

If, after the date of entry on pension for the Protected Rights arrangement or after your death, we receive any Protected Payments, we will apply those payments under provision 8 or 9 as appropriate subject to such charge as we shall reasonably determine.

*This provision applies only if you have used your policy for contracting out of the State Second Pension ("S2P"). S2P replaced the State Earnings Related Pension ("SERPS") in April 2002.*

*Contracting out is possible only while you are employed (as opposed to self-employed).*

*If you have contracted out, your policy will contain a special Arrangement which will receive Protected Payments from the Government.*

*These payments will represent a refund of part of your and your employer's National Insurance contributions, together with (at present) tax relief on your share of those contributions. You will receive lower benefits from S2P but you will have the benefits from the special Arrangement instead.*

*The special Arrangement will also be used to deal with any Protected Payments which form part of a transfer payment into the policy.*

*The rules of the scheme (see provision 1) contain a number of special conditions that apply to this Arrangement. The purpose of provision 12.1 is to override the other provisions of this policy where this is necessary to make sure that they do not conflict with the Rules.*

*The special conditions restrict the form in which benefits can be taken from the special Arrangement. Some of them are reflected in the notes opposite the relevant provisions in this policy.*

**SCOTTISH WIDOWS**  
*preparation is everything*  
*official pensions and investment provider*



As part of the Lloyds Banking Group, Scottish Widows is proud to be an Official Provider of the London 2012 Olympic and Paralympic Games.

Scottish Widows plc. Registered in Scotland No. 199549. Registered Office in the United Kingdom at 69 Morrison Street, Edinburgh EH3 8YF.  
Telephone: 0131 655 6000.

Scottish Widows plc is authorised and regulated by the Financial Services Authority. Our FSA Register number is 191517.

42199 PRE 12/08