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Ref: PSP/FEB06/FA G

Dear Mr Sample

Important changes affecting your Equitable pension policy - update February 2006

Policy Numbers: XXX9999999, XXX9999999

We wrote to you in November 2005 to inform you of the new simplified pensions laws that will be introduced on 6 April 2006 and the effect these would have on your policy with us. These new laws will affect every type of pension arrangement in the UK.

As explained in November 2005, the way in which we operate your policy will change. We have documented these changes formally in the enclosed statement and you should keep this together with the documentation for your pension plan.

The booklet we sent to you in November 2005 contained a section entitled 'Special arrangements for large funds'. We suggested that if you had a large fund, you may need to take some actions. A description of the areas you would need to consider was set out in our fact sheet available from either our website or on request. The government has clarified some aspects of these arrangements. If, therefore, you have already obtained a copy of this fact sheet or you have a large pension fund and have yet to see the fact sheet, then you may wish to request the update which is now available.

To obtain further copies of the information we sent to you in November and the documents mentioned above, you can either visit our website www.equitable.co.uk or alternatively, please telephone us on 0870 901 0052 and request copies to be sent to you.

If you are unsure as to whether you need to take action as a result of the changes being introduced from 6 April 2006, then before making any decisions about your pensions and savings, we suggest you seek advice from an independent financial adviser (IFA). If you do not have an adviser, you can call IFA Promotion on 0800 085 3250 or visit their website www.unbiased.co.uk for a list of three independent financial advisers in your area. You may be charged for any advice given.

Continued overleaf...

If you have any queries regarding the content of this letter, please telephone us on 0870 901 0052 between 8.00 am and 6.00 pm Monday to Friday or write to us at the address shown above.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Dave Pearce', written in a cursive style.

Dave Pearce
Head of Customer Service

Enclosure:
Statement

**OPERATION OF THE EQUITABLE LIFE ASSURANCE SOCIETY'S
TRANSFER PLAN, ASSIGNED INDIVIDUAL PENSION PLAN, DEFERRED ANNUITY PLAN AND
WIND-UP PLAN UNDER THE FINANCE ACT 2004**

BACKGROUND

The Grantee's transfer plan, assigned individual pension plan, deferred annuity plan or wind-up plan (the 'Plan') will automatically become a registered pension scheme in accordance with the Finance Act 2004, as amended (the 'Act') on 6 April 2006. As a registered pension scheme, it will be governed by the same tax rules applying to other pension arrangements. This new pensions regime is known as 'Pension Simplification'.

Beginning on 6 April 2006, the law allows increased flexibility concerning the payment of benefits, but imposes tax penalties where payments other than those permitted are paid. Tax charges will also result when allowances for contributions or benefit payment are exceeded. The Society will operate the Plan to avoid tax penalties and to pay tax charges in accordance with the new law. The value of benefits held in the Plan is unaffected by these changes and in most ways, the operation of the Plan will remain the same.

The purpose of this document is to set out the manner in which the Society will be administering the Plan after Pension Simplification legislation becomes effective. This document should be kept with the Plan documentation. For ease of reference, some of the terms used in Pension Simplification and in the Plan are explained in the attached Schedule.

OPERATING PRINCIPLES

With effect from 6 April 2006 the Society will administer the Plan in accordance with the following principles:

1. TAKING BENEFITS

The Grantee may draw benefits in a form permitted by the Act at any time at or after the age of 50 (55 from 6 April 2010), or such earlier age to which the Grantee had a right to retire under the Plan on 5 April 2006 in accordance with schedule 36 of the Act.

The Grantee must draw his or her Total Retirement Benefit prior to reaching age 75 and at one time.

Where all or part of the Total Retirement Benefit is Protected Rights Fund, special rules will apply. See clause 8.

2. TAX-FREE CASH

The Grantee may normally take up to 25% of the value of the Total Retirement Benefit as a tax-free lump sum (called a pension commencement lump sum) at the time that the Total Retirement Benefit is put into payment (subject to any restrictions in respect of Guaranteed Minimum Pensions). A pension commencement lump sum can be taken from additional voluntary contributions held in the Plan. It may not be drawn disproportionately from the Protected Rights Fund.

Under the Act, the Society cannot pay a pension commencement lump sum after the Grantee has reached age 75.

3. LIFETIME ALLOWANCE CHARGE

When benefits are put into payment, the Act requires that any excess over the Grantee's Lifetime Allowance is subject to a Lifetime Allowance Charge. This charge is payable to Her Majesty's Revenue and Customs ('HMRC'). The Society will deduct this Lifetime Allowance Charge from any amount that exceeds the Grantee's Lifetime Allowance at the time benefits are put into payment. The Grantee may request that any excess over his or her Lifetime Allowance be paid as a lump sum and/or a pension.

4. DEATH BENEFITS PRIOR TO RETIREMENT

Where the Plan provides a death benefit and the Grantee dies prior to taking benefits from the Plan, the Society may apply the Total Retirement Benefit to provide a lump sum death benefit (which is tax free up to the Grantee's unused Lifetime Allowance), or Dependants' pensions. The payment of any Lifetime Allowance Charge is the responsibility of the beneficiary.

Where the Plan is held in trust, the Trustees shall determine the manner in which the benefits will be paid. If the Trustees do not instruct the Society regarding payment of benefits within two years of the Grantee's death (or where the Plan is not held in trust), the Society will pay the benefits to the Grantee's legal personal representative.

5. TAKING CASH WHEN PENSION BENEFITS ARE SMALL

At any time from age 60, and until he or she reaches the age of 75, the Grantee may request that his Total Retirement Benefit be paid as a lump sum in accordance with paragraph 7 schedule 29 of the Act. The Society will pay the Total Retirement Benefit as a lump sum, subject to any financial adjustment under clause 8, where the value of the Total Retirement Benefit together with benefits from all other registered pension schemes to which the Grantee belongs, in aggregate, are no more than 1% of the Standard Lifetime Allowance on a date nominated by the Grantee in accordance with the Act.

The lump sum must be paid within twelve months of the first payment from a registered pension scheme to the Grantee in accordance with paragraph 7 schedule 29 of the Act. The payment of this lump sum will extinguish the Grantee's entitlement to benefits under the Plan.

6. ILL HEALTH EARLY RETIREMENT

The Grantee may take benefits prior to age 50 (age 55 from 6 April 2010) where:

- (a) the Society is satisfied that the Grantee is and will continue to be incapable of carrying out his or her current occupation or any occupation of a similar nature for which he or she is trained or fitted because of a physical or mental impairment, and
- (b) the Grantee has provided to the Society written evidence from a registered medical practitioner that he or she is and will be incapable of carrying out his or her occupation because of a physical or mental impairment.

7. TAKING CASH WHEN GRANTEE IS SERIOUSLY ILL

The Society may pay the Total Retirement Benefit as a lump sum where:

- (a) the Grantee has provided to the Society written evidence from a registered medical practitioner confirming that the Grantee is expected to live for less than one year, and
- (b) it is satisfied that the requirements of the Act have been met.

The payment of a lump sum on grounds of serious ill health will extinguish the Grantee's entitlement to benefits under the Plan, except that the Society will retain sufficient Protected Rights Funds, if any, to purchase a survivor's pension for any widow, widower or surviving Civil Partner under section 17 of the Pension Schemes Act 1993.

8. PROTECTED RIGHTS FUND

The Grantee may take his or her Protected Rights Fund (if any) at any time after age 60, provided that the rest of his or her Total Retirement Benefit is also in payment or is put into payment at the same time. The Grantee may put his or her Protected Rights Fund into payment at any time after age 50, provided that the rest of his or her Total Retirement Benefit is put into payment at the same time, and subject to any financial adjustment imposed by the Society. The Grantee must put the Protected Rights Fund into payment prior to reaching age 75 and at one time.

The Grantee may take Protected Rights Fund as:

- (a) a pension which includes a provision for a pension to continue to be paid to the Grantee's widow, widower or surviving Civil Partner in accordance with section 17 of the Pension Schemes Act 1993 and, at the Grantee's request, a pension commencement lump sum in connection with that pension as described in clause 2;
- (b) a lump sum where pension benefits are small in accordance with clause 5; or
- (c) a lump sum on grounds of serious ill health, in accordance with clause 7.

9. GUARANTEED MINIMUM PENSION (GMP)

Where the Plan contains an entitlement to a Guaranteed Minimum Pension, the benefits may not be drawn before State Pension Age if the Total Retirement Benefit is insufficient to provide the GMP.

10. FAILURE TO TAKE BENEFITS BY AGE 75

If the Grantee has not put benefits into payment by his or her 75th birthday, the Society will:

- (a) assess the benefits for payment of the Lifetime Allowance Charge,
- (b) pay any Lifetime Allowance Charge that is or may be due to HMRC, and
- (c) use the remaining Total Retirement Benefit to provide a pension for the Grantee.

Under the Act, a pension commencement lump sum may not be paid on or after the Grantee's 75th birthday.

11. INFORMATION

The Grantee is responsible for maintaining records relevant to the proportion of his or her Lifetime Allowance that is available. Before paying any benefit, the Society may request documentation from the Grantee in order to determine eligibility for benefits and the appropriate tax charge. It is the Grantee's responsibility to supply such information when it is requested.

12. TRANSITIONAL PROTECTION

Where the Grantee is entitled to transitional protection under schedule 36 of the Act, the Society will pay benefits in accordance with the relevant provisions of that schedule.

13. UNAUTHORISED PAYMENTS

For the avoidance of doubt, the Plan as interpreted by reference to this document does not confer a right to an unauthorised payment as defined in section 160 of the Act on any party.

14. TAX CHARGES

The Society will deduct any tax charge for which the scheme administrator or Grantee is liable from any payment before making that payment.

15. CIVIL PARTNERSHIP

A Civil Partner, a surviving Civil Partner or an ex-Civil Partner shall have the same rights under the Plan as a spouse, a widow or widower, or an ex-spouse respectively.

SCHEDULE 1 GLOSSARY OF TERMS

CIVIL PARTNER – A Civil Partner of the Grantee as defined in Section 1 of the Civil Partnership Act 2004.

DEPENDANT – A dependant as defined in the Act, schedule 28, paragraph 15. A dependant will include: the Grantee's spouse or Civil Partner; a child under the age of 23; or persons whom the scheme administrator considers financially dependent or mutually financially dependent or dependent due to physical or mental impairment.

GRANTEE – The person for whose benefit the Plan was taken out (for assigned individual pension plans, this means the assignee).

GUARANTEED MINIMUM PENSION (GMP) – Rights to benefits resulting from contracting out of certain state pension benefits to accrue benefits on a salary related basis.

LIFETIME ALLOWANCE – The Lifetime Allowance described in section 218 of the Act. The Standard Lifetime Allowance is announced annually by the Treasury. The Standard Lifetime Allowance for 2006 - 2007 is £1.5 million.

In some circumstances, for example where the Grantee has applied for transitional protection, his or her Lifetime Allowance may be lower or higher than the Standard Lifetime Allowance. In those circumstances, the Lifetime Allowance Charge will be due when his or her personal Lifetime Allowance is reached.

LIFETIME ALLOWANCE CHARGE – The Lifetime Allowance Charge as defined in section 214 of the Act. Under the Act, pension benefits put into payment that, together with all other pension benefits already in payment, exceed the Grantee's Lifetime Allowance are subject to a Lifetime Allowance Charge of 55% where those benefits are paid as a lump sum and 25% when paid as pension income (which is also subject to income tax as received).

OPEN MARKET OPTION – The right to apply the proceeds of the Plan to buy an immediately payable pension product from an insurer other than the Society.

PROTECTED RIGHTS – The Grantee's rights to benefits attributable to: contributions comprising of age related payments by HMRC and tax relief paid by HMRC in respect of the employee's share of the age related rebate; incentive payments and minimum payments made under the Social Security Act 1986; transfer payments relating to protected rights, guaranteed minimum pension and rights under section 9(2B) of the Pension Schemes Act 1993; and any income or capital gains arising from investment of these contributions and payments.

PROTECTED RIGHTS FUND – That part of the Grantee's Total Retirement Benefit attributable to the Grantee's Protected Rights.

THE SOCIETY – The Equitable Life Assurance Society.

TOTAL RETIREMENT BENEFIT – The Total Retirement Benefit referred to in the policy. Where it is not defined in the policy, the Total Retirement Benefit consists of the total benefits secured for the Grantee under the policy or, in all cases, the total fund available for purchase of immediate benefits for the Grantee when the Grantee is eligible for immediate benefits.

