Equitable Life

Mr A B Sample
Sample Company
1 Sample Road
Sample Town
Sample County
AB1 1AB

99999

Walton Street
Aylesbury
Bucks
HP21 7QW

Telephone: 0870 901 0052
Fax No: 01296 386 383
Website: equitable.co.uk

February 2006

Ref: PSP/FEB06/SRC C

Dear Mr Sample

Important changes affecting your Equitable pension policy – update February 2006
Your managed pension policy
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. Also, because your arrangement with Equitable Life is governed by a set of rules, we confirm that these rules will be amended to meet the requirements of the new pension laws being introduced from 6 April 2006.

The letter we sent to you in November 2005 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

Dave Pearce
Head of Customer Service

Enclosure:
Statement of rule changes

STATEMENT OF RULE CHANGES

Managed Pension Plans

Background

The Equitable Personal Pension Scheme (the 'Scheme') 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 generally 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 Scheme to avoid tax penalties and pay tax charges in accordance with the new law.

Your Managed Pension Plan (the 'Plan') is written under the rules of The Equitable Personal Pension Scheme, and therefore will be subject to these new laws. The value of the 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 operating your Plan after Pension Simplification legislation becomes effective. This document should be kept with your pension policy 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 your Plan in accordance with the following principles.

1. Income Withdrawal Limits

(a) The maximum

The maximum amount of income that you can take each year from the Plan is 120% of the pension that could be purchased on the review date by reference to your Pension Fund and current tables prepared for this purpose by the Government Actuary's Department. For managed pension plans that began before 6 April 2006, the new calculation basis for the maximum income withdrawal limit must be applied when the next valuation is due, or by 6 April 2008 if earlier.

(b) The minimum

From 6 April 2006 onwards, there is no set minimum amount that needs to be taken each year as an income from the Plan.

2. Plan Reviews

The maximum limit (referred to in Clause 1 above) is required to be reviewed every five years. The new maximum limit is then applied for the next five years, or until the earlier of the following events:

(a) you use the whole of your Plan's Pension Fund to purchase a pension annuity either with the Society or another provider,

(b) your 75th birthday,

(c) your death.

A more frequent review of the limit is only allowed by Her Majesty's Revenue and Customs (HMRC) in restricted circumstances.

You must transfer your Pension Fund to another provider or purchase a pension annuity either with the Society or another provider prior to age 75.

3. Lifetime Allowance Charge

When you purchase a pension annuity with your Pension Fund, or when you reach age 75 (if earlier), the Society will assess whether your Lifetime Allowance has been exceeded. If it has been, the Society will then deduct a Lifetime Allowance Charge from any excess, in accordance with the Act.

4. Death Benefits

If you die prior to transferring your Pension Fund to another provider or purchasing a pension annuity, the Plan provides a death benefit equal to the value of your Pension Fund. If the Pension Fund, or part of it, is paid as a lump sum, the Society will deduct from any lump sum paid a charge for income tax (at a fixed rate of 35% under present legislation) before payment is made. Alternatively, the Pension Fund can be used to secure a dependant's pension or the Plan can continue to provide income withdrawals for a dependant until he or she purchases a pension annuity or reaches age 75 (if earlier).

5. Taking Cash When Pension Benefits Are Small

At any time from age 60 and until you reach the age of 75, you may request that benefits be paid as a lump sum in accordance with paragraph 7 schedule 29 of the Act. The value of the Pension Fund, together with your benefits from all other registered pension schemes, must be no more than 1% of the Standard Lifetime Allowance on a date nominated by you in accordance with the Act.

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

6. Failure To Take Benefits By Age 75

When you choose to use your Pension Fund to purchase a pension annuity, or immediately prior to your 75th birthday, if later, the Society will:

(a) assess the remaining Pension Fund 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 benefits to provide pension benefits for you.

7. Information

You are responsible for maintaining records relevant to the proportion of your Lifetime Allowance that is available. At age 75 or when you use your Pension Fund to purchase a pension annuity, if earlier, the Society may request documentation from you in order to determine eligibility for benefits and the appropriate tax charge. It is your responsibility to supply such information when it is requested.

8. Unauthorised Payments

For the avoidance of doubt, the Scheme 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.

9. Tax Charges

The Society will deduct any tax charge for which the Scheme Administrator or you are liable under the Act from any payment before making that payment.

10. Civil Partnership

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

SCHEDULE 1

GLOSSARY OF TERMS

Civil Partner — Your Civil Partner (where applicable) 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: your 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.

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 you have applied for transitional protection, your Lifetime Allowance may be lower or higher than the Standard Lifetime Allowance. In those circumstances, the Lifetime Allowance Charge will be due when your personal Lifetime Allowance is reached.

Lifetime Allowance Charge — The Lifetime Allowance Charge 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 your 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).

Pension Fund — The Pension Fund consists of the total benefits secured under the With-Profits Segment and the Unit-Linked Segment under the Plan.

The Society — The Equitable Life Assurance Society.