Equitable Life

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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. 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.

If your policy relates solely to providing benefits on your death before taking retirement benefits, then only those sections of the enclosed document relevant to those benefits apply to you.

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.

Continued overleaf...

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.

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

Free-Standing Additional Voluntary Contribution (FSAVC) Plans

Background

The Equitable Life Free-Standing Additional Voluntary Contribution 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.

The Member's FSAVC plan (the 'Plan') 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 the Plan after Pension Simplification legislation becomes effective. This document should be kept with the pension 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. **Limits**

   Contributions to and income from the Plan are no longer limited by reference to salary and service.

2. **Contributions**

   The Society (in the capacity of Scheme Administrator) will accept contributions without reference to limits related to salary. However, the availability of tax relief is limited under the Act. Contributions only receive tax relief up to the Member's annual taxable earnings, or £3,600, if less.

   The Member is responsible for monitoring whether the aggregate of contributions paid into the Plan and any other registered pension scheme to which he or she belongs exceeds the Annual Allowance, as defined in the Act. The Society will not monitor contributions to ensure that tax relief is available or that the Annual Allowance has not been exceeded.

   Contributions must cease before the Member's 75th birthday.

3. Taking Benefits

(a) The Member may take benefits from the Plan without a financial adjustment subject to point (b) below:

i. at any time after reaching age 50 (age 55 from 6 April 2010) to purchase a pension from the Society or to exercise an Open Market Option,

ii. before the age of 50 (or age 55 from 6 April 2010) or at such earlier date to which the member had a right on 5 April 2006 under the Scheme in accordance with schedule 36 of the Act.

(b) If the member remains in the employment to which the Plan relates and wishes to put benefits into payment prior to taking benefits under that employer's pension scheme, he or she may do so subject to any financial adjustment imposed by the Society, by exercising the Open Market Option.

(c) The Member must draw all the benefits from the Plan at the same time and all benefits must be drawn prior to age 75.

4. Tax-Free Cash

The Member may normally take up to 25% of the value of the benefits under the Plan as a tax-free lump sum (called a pension commencement lump sum) at the time that benefits are put into payment.

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

5. Lifetime Allowance Charge

When benefits are put into payment, the Act requires that any excess over the Member'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 Member's Lifetime Allowance at the time benefits are put into payment. The Member may request that any excess over his or her Lifetime Allowance be paid as a lump sum and/or a pension.

6. Death Benefits

Where the Member dies prior to taking benefits from the Plan, the Plan provides a death benefit equal to the value of the Pension Fund. If the Plan also includes lump sum temporary life assurance cover and the Member dies within the specified term, the sum assured is paid as a death benefit in addition to the value of the Pension Fund. The Society may apply the total value of the death benefits as a lump sum (which is tax free up to the Member's unused Lifetime Allowance), or as Dependants' pensions. The payment of any Lifetime Allowance Charge is the responsibility of the beneficiary.

7. Taking Cash When Pension Benefits Are Small

At any time from age 60 and until he or she reaches the age of 75, the Member 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 the Member's benefits from all other registered pension schemes, must be no more than 1% of the Standard Lifetime Allowance on a date nominated by the Member 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 Member in accordance with paragraph 7 schedule 29 of the Act. The payment of this lump sum will extinguish the Member's entitlement to benefits under the Plan.

8. Ill Health Early Retirement

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

(a) the Society is satisfied that the Member 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 Member has provided to the Society written evidence from a registered medical practitioner that the Member is and will be incapable of carrying out his or her occupation because of a physical or mental impairment.

9. Taking Cash When The Member Is Seriously Ill

The Society may pay benefits not yet in payment as a lump sum where:

(a) the Member has supplied to the Society written evidence from a registered medical practitioner confirming that the Member 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 Member's entitlement to benefits under the Plan.

10. Failure To Take Benefits By Age 75

If the Member 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, and

(b) pay any Lifetime Allowance Charge that is, or may be, due to HMRC, and

(c) use the remaining benefits to provide a pension for the Member.

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

11. Information

The Member 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 Member in order to determine eligibility for benefits and the appropriate tax charge. It is the Member's responsibility to supply such information when it is requested.

12. **Transitional Protection**

Where the Member 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 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.

14. **Tax Charges**

The Society will deduct any tax charge for which the Scheme Administrator or the Member is liable under the Act 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

Annual Allowance — The Annual Allowance defined in the Act, section 228, and announced from time to time by HMRC. The Annual Allowance for 2006/2007 is £215,000.

Civil Partner — A Civil Partner of the Member 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 Member'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.

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 Member 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 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 Member'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).

Member — The person who effected the Plan.

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. An Open Market Option can only be taken in accordance with the terms of the policy.

Pension Fund — The Pension Fund consists of the total benefits secured under the With-Profits Segment and the Unit-Linked Segment under the Plan or, in all cases, the total fund available for purchase of immediate benefits for you when you are eligible for immediate benefits.

The Society — The Equitable Life Assurance Society.