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February 2006

Ref: PSP/FEB06/SRC A

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

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

Dave Pearce
Head of Customer Service

Enclosure:
Statement of rule changes

STATEMENT OF RULE CHANGES

Personal 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 Personal Pension Plan (the 'Plan') is written under The Equitable Personal Pension Scheme. It will therefore be subject to these new laws and a new set of rules will be adopted to reflect the new tax regime. The value of the benefits held in your Plan is unaffected by these changes and in most ways the operation of your 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. 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. CONTRIBUTIONS

Contributions to your Plan are no longer limited by reference to salary and date of birth. However, the availability of tax relief is limited under the Act. Your contributions only receive tax relief up to your annual taxable earnings, or £3,600, if less.

You are responsible for monitoring whether the aggregate of contributions paid into your Plan and any other registered pension scheme to which you belong 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 is not exceeded.

Contributions must cease before your 75th birthday.

2. TAKING BENEFITS

You may take benefits from the Plan 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. You may take benefits before the age of 50 (or 55 from 6 April 2010) in accordance with schedule 36 of the Act where your benefits arise under an occupation listed by Her Majesty's Revenue and Customs (HMRC) as allowing you to retire earlier, without a financial adjustment.

You can take benefits in stages but all benefits must be drawn prior to age 75.

Where all or part of your Pension Fund is Protected Rights Fund, special rules will apply. See clause 9.

3. TAX-FREE CASH

You may normally take up to 25% of the value of the benefits from your Plan as a tax-free lump sum (called a pension commencement lump sum) at the time that benefits are put into payment. This sum may be more than the tax-free cash amount previously illustrated for your Plan.

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

4. LIFETIME ALLOWANCE CHARGE

When benefits are put into payment, the Act requires that any excess over your Lifetime Allowance is subject to a Lifetime Allowance Charge. This charge is payable to HMRC. The Society will deduct this Lifetime Allowance Charge from any amount that exceeds your Lifetime Allowance at the time benefits are put into payment. You may request that any excess over your Lifetime Allowance be paid as a lump sum and/or a pension.

5. DEATH BENEFITS

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

Any lump sum may be paid at the discretion of the Society (in the capacity of Scheme Administrator). The Society must pay out the full proceeds no later than two years after your death.

6. 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 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 to you within twelve months of the first payment from a registered pension scheme 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.

7. ILL HEALTH EARLY RETIREMENT

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

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

8. TAKING CASH WHEN SERIOUSLY ILL

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

- (a) you have supplied to the Society written evidence from a registered medical practitioner confirming that you are 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 your entitlement to benefits from the Plan.

9. PROTECTED RIGHTS FUND

You may take your Protected Rights Fund at any time after age 60, provided that the rest of your Pension Fund is also in payment or is put into payment at the same time. You may put your Protected Rights Fund into payment at any time after age 50, provided that the rest of your Pension Fund is put into payment at the same time, and subject to any financial adjustment imposed by the Society. You must put the Protected Rights Fund into payment prior to reaching age 75 and at one time.

You may take your Protected Rights Fund as:

- (a) a pension which includes a provision for a pension to continue to be paid to your widow, widower or surviving Civil Partner in accordance with section 17 of the Pension Schemes Act 1993, and, at your request, a pension commencement lump sum in connection with that pension as described in clause 3, or
- (b) a lump sum where pension benefits are small in accordance with clause 6, or
- (c) a lump sum on grounds of serious ill health, in accordance with clause 8.

10. FAILURE TO TAKE BENEFITS BY AGE 75

If you have not taken benefits from the Plan by your 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 benefits to provide pension benefits for you.

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

11. INFORMATION

You are responsible for maintaining records relevant to the proportion of your Lifetime Allowance that is available. Before paying any benefit, 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.

12. TRANSITIONAL PROTECTION

Where you are 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 you are 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 – 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).

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.

PROTECTED RIGHTS – Your 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; 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 your Pension Fund attributable to your Protected Rights.

THE SOCIETY – The Equitable Life Assurance Society.

