

Draft announcement letter for scheme members

(This announcement letter should be produced on the employing firm's headed paper.)

Scheme name:

Introduction

From 6 April 2006 (commonly referred to as 'A-Day'), new simplified pension laws will be introduced in the UK.

The new laws, referred to as 'pensions simplification', will change pension laws overnight and the same tax rules will apply to all pensions. The new laws will apply to everyone, no matter what type of pension scheme they belong to or when it began.

This leaflet aims to:

- give you a summary of the main new laws relevant to the Equitable policy for your pension scheme; and
- help you understand if you need to take any action and, if so, what you need to do.

The new rules

The following sections provide a summary of the new laws being introduced from 6 April 2006.

Contributions

There are two new rules relating to the contributions to your pension arrangements.

1 Annual allowance

The annual allowance starts at £215,000, and is the most that you (or anyone on your behalf) can pay into pension schemes in any one year without having to pay tax. The annual allowance each tax year is as follows.

Tax year	Annual allowance
2006/2007	£215,000
2007/2008	£225,000
2008/2009	£235,000
2009/2010	£245,000
2010/2011	£255,000

The annual allowance does not apply to the year when you take the last of your retirement benefits from this plan or to the year in which you die.

2 Earnings

If you pay personal contributions in any one tax year that are more than your earnings in that year (or £3,600 if greater), you will not get tax relief on the extra amount.

Checking contributions

You will be responsible for making sure that all the contributions paid are within the two rules set out above. We will not monitor the contributions paid.

Your tax return form for 2006/2007 will have a section to fill in about pension contributions.

Benefits

Lifetime allowance

If the total of all your pension savings being paid are worth more than your lifetime allowance when you take your benefits, you will have to pay tax. The standard lifetime allowance, which will be used for most people, is as follows.

Tax year	Standard lifetime allowance
2006/2007	£1,500,000
2007/2008	£1,600,000
2008/2009	£1,650,000
2009/2010	£1,750,000
2010/2011	£1,800,000

If you go above your lifetime allowance, your pension scheme trustees will work out the tax you owe and pay it to the Inland Revenue (now known as HM Revenue and Customs) for you.

Tax-free cash

When you take your benefits, you will normally be allowed to take up to a quarter of the total fund, up to the amount of any lifetime allowance you have left, as a cash sum free of any tax.

More details

Retirement options

There are more options available to you once you decide to take your pension benefits. To help you consider the full choices available, you may want to get independent financial advice.

Retirement age

From 6 April 2010, the minimum age for starting to draw a pension will normally be increased from 50 to 55.

Death benefits

When you die, if the value of all of your benefits from your pension arrangements is more than your lifetime allowance, you may pay tax.

Protected rights

If you used your policy to contract out of the State Earnings-Related Pension Scheme (SERPS) or the State Second Pension (S2P) at any time, the Government will have paid National Insurance rebates to us, for you. The benefits bought by these rebates are known as 'protected rights'.

Equitable's policy does not allow protected rights to be taken as a pension before age 60. Instead, you can choose to continue to invest the protected rights with us, until you choose to draw them as a pension, as long as you are at least 60 or more at the time. If you retire before age 60, you may transfer the protected rights to another provider (we will apply any early-withdrawal adjustment in force at that time) for them to pay a pension.

The pension benefit secured with the protected rights must include a pension for your husband or wife if you die, or a pension for your legally recognised partner if there is a civil partnership.

Taking small pension funds as cash

If the total value of all your pension benefits when you come to take them is less than £15,000, and you are 60 or older, you will be able to take them all as cash. However, you will have to pay tax. The limit of £15,000 is 1% of the standard lifetime allowance and will increase in line with that allowance.

Benefits when leaving service

If you leave service with less than two years' qualifying service but more than three months' service, you can ask for a transfer value to another pension scheme or to leave your benefits in the scheme rather than take a refund of your own contributions (if any). The transfer value and the benefits left in the scheme will be based on your contributions (if any) and those of your employer.

Divorce

If a court makes an order sharing pension benefits, this could affect your lifetime allowance. You should tell us if a pension-sharing court order is made.

Special arrangements for large funds

There are special arrangements if the total value of all your pension savings at 5 April 2006 will be more than £1,500,000 or is likely to grow to be more than the standard lifetime allowance at any time in the future.

If you think this will apply to you, please ask the normal point of contact for pension scheme matters for more information.

More information

For an estimate of your State Pension

Pension Forecasting Team

Phone: 0845 3000 168

Website: www.thepensionservice.gov.uk

To find out about State Pensions

Department for Work and Pensions information line

Phone: 0845 3000 168

Website: www.thepensionservice.gov.uk

Inland Revenue (HM Revenue and Customs) for enquiries about tax

Website: www.hmrc.gov.uk

For general enquiries about pensions and leaflets

Pensions Advisory Service

Phone: 0845 601 2923

Website: www.pensionsadvisoryservice.org.uk

Financial Services Authority (FSA)

For information about pensions and other financial products

Phone: 0845 606 1234

Website: www.fsa.gov.uk

To find a financial adviser

IFA Promotion

Phone: 0800 085 3250

Website: www.unbiased.co.uk

For a list of three financial advisers in your local area.

Disclaimer: This announcement is a summary of the major changes to laws affecting pension products which will apply from 6 April 2006. You should not consider the information to be financial advice, and you should not rely on it. The effect of tax (and any tax relief) depends on your circumstances. You should consult an independent financial adviser before making decisions about your current pension position.