Equitable Life

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February 2006

Ref: PSP/FEB06/IAD F

Dear Mr Sample

IMPORTANT: RULE AMENDMENT REQUIRED BY 6 APRIL 2006

Scheme Name: Sample Scheme Name
Policy Number: 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.

Update on the new pension laws

Since we wrote to you in November 2005, there have been some aspects of the new pension laws that have been clarified by the government. The enclosed update entitled 'Important changes affecting your Equitable pension' provides a summary of the key points that have changed.

Amending your scheme rules

Your arrangement with Equitable Life is governed by a set of rules. The trustees of the scheme need to ensure these rules are amended to meet the requirements of the new pension laws being introduced from 6 April 2006.

We enclose an interim deed of amendment which will change your scheme rules to meet these new requirements. The trustees and principal employer should sign the deed where indicated and then keep this together with the documentation for your scheme.

If it is not possible for the trustees and principal employer to accept and sign this interim deed of amendment, then please let us know. If we do not hear from you, we will assume the deed has been signed.

Continued overleaf...

We will produce a new set of rules for your scheme to replace your existing rules and this will incorporate all the changes taking place on 6 April 2006 into the one document. We currently plan to issue these new rules for acceptance by the trustees after the legislative and regulatory framework has been finalised.

Find out more

For trustees of pension schemes the changes the government has announced are extensive. Trustees must now have a good knowledge and understanding of their pension scheme. You can keep informed of the changes affecting trustees by signing up to the new email service being offered by the Pensions Regulator. They will send you any learning material that they develop. You can sign up to this email alert service via the following website address:

www.thepensionsregulator.gov.uk/trustees/signUp/index.aspx

In addition, you can find access to all the information that the Pensions Regulator has made available via the Pensions Regulator trustees homepage:

www.thepensionsregulator.gov.uk/trustees/index.aspx

If you wish to contact the Pensions Regulator, their contact details are as follows:

Phone:	0870 606 3636 (available 9.00am to 5.30pm, Monday to Friday)
Fax:	0870 241 1144
Email:	customersupport@thepensionsregulator.gov.uk
Address:	The Pensions Regulator Napier House Trafalgar Place Brighton BN1 4DW

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 607 6791 and request copies to be sent to you.

Yours sincerely

Dave Pearce
Head of Customer Service

Enclosures:
Interim deed of amendment
'Important changes affecting your Equitable pension' update

NOTES ON COMPLETION OF THIS INTERIM DEED OF AMENDMENT

We recommend that you have the last Deed you completed for the Scheme in front of you whilst you are completing this Deed.

The Principal Employer and the Trustees of the Scheme should complete the Deed in black ink. Any mistakes should be corrected in ink (please do not use correction fluid) and initialled by all of the signatories to the Deed.

Pages 7 and 9

If the Principal Employer is a partnership please complete page 9 instead of page 7. Otherwise, page 9 should be ignored.

Trustees' Signature Page – page 11

All of the Trustees are also required to sign the Deed.

If the Scheme has a company acting as Trustee then two authorised representatives of the company (usually either two directors or a director and the company secretary) should sign underneath the words 'Executed as a Deed by the Trustees'.

If the Scheme has individuals appointed as Trustees, each should sign next to the words 'Trustee' and his/her signature should be witnessed. The witness should sign under the Trustee's signature, next to the words "in the presence of" and then the witness's name and address should be printed beneath his/her signature where indicated.

Schedule 1 – page 15

1. Please enter the full name of the Scheme (this information can be copied from the last Deed).

2. Please enter all policy numbers associated with the Scheme.

3. Please print the name of the sponsoring employer of the Scheme and its registered address, and the names of all of the Trustees (this information can be copied from the last Deed).

4. Please enter the date on which the last signature is added to the Deed as the 'Date of this Deed'.

INTERIM DEED OF AMENDMENT

Group Money Purchase Scheme

Background

The Finance Act 2004, as amended (the 'Act') has changed the way in which pension benefits are paid and taxed. Contributions to and income from the Group Money Purchase Scheme identified in Schedule 1 (the 'Scheme') are no longer subject to limits set by Her Majesty's Revenue and Customs ('HMRC'). However, tax relief on contributions is available only up to set allowances, and payments other than those permitted by the Act are subject to tax penalties. This new pensions regime is known as 'Pension Simplification' and takes effect on 6 April 2006.

The Principal Employer and the Trustees identified in Schedule 1 have reviewed the rules of the Scheme and agree that the Scheme rules should be clarified and amended in order to prevent payments that would attract tax penalties under the new legislation and allow payment of tax charges in accordance with the new law. The value of the benefits held in the Scheme is unaffected by these changes and, in most ways, the operation of the Scheme will remain the same.

For ease of reference, some of the terms used in this document are set out in Schedule 2. A full set of Scheme rules will be adopted and issued after the legislative and regulatory framework has been finalised. The Principal Employer and the Trustees reserve the right to clarify the manner in which the new Scheme rules resulting from Pension Simplification are applied.

Operating Provisions

With effect from 6 April 2006 the rules of the Scheme shall include the following overriding provisions:

1. **Concurrency Of Membership**

   A member of the Scheme may simultaneously accrue benefits in any other registered pension scheme.

2. **Limits**

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

3. **Contributions**

   The Trustees will accept contributions without reference to limits related to salary. Normally, members' contributions deducted from pay will not exceed members' gross earnings. However, the availability of tax relief is limited under the Act and contributions may be governed by the terms of existing agreement between any of the employer, the member or the Trustees.

   A member is responsible for monitoring whether the aggregate of contributions paid into the Scheme and any other registered pension scheme to which he or she belongs exceeds the Annual Allowance, as defined in the Act. The Trustees 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.

4. **Taking Benefits**

(a) (i) A member who has left the employment to which the Scheme relates may put the Total Retirement Benefit into payment in a form permitted by the Act at any time at or after the age of 50 (55 from 6 April 2010).

(ii) A member may draw benefits without leaving the employment to which the Scheme relates at any time after his or her Normal Retirement Date.

(iii) A member who remains in the employment to which the Scheme relates and who wishes to draw benefits prior to Normal Retirement Date may do so, subject to any financial adjustment imposed by the Provider, by exercising the Open Market Option.

(b) A member must put the entire Total Retirement Benefit into payment prior to reaching age 75 and at one time.

(c) The Total Retirement Benefit will be used for one or more of the following: a pension, a lump sum, a pension death benefit or a lump sum death benefit in accordance with sections 165 - 168 of the Act. A member may exercise a right to transfer benefits or to take an Open Market Option.

(d) Where all or part of the Total Retirement Benefit is Protected Rights Assets, special rules will apply. See clause 13.

5. **Tax-Free Cash**

A member may normally take up to 25% of the Total Retirement Benefit under the Scheme as a tax-free lump sum (called a pension commencement lump sum). A pension commencement lump sum can be taken from additional voluntary contributions held in the Scheme. It may not be drawn disproportionately from Protected Rights Assets.

Under the Act, the Trustees cannot pay a pension commencement lump sum after a member reaches age 75.

6. **Lifetime Allowance Charge**

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

7. **Death Benefits Prior To Retirement**

If a member dies before taking benefits from the Scheme, the Trustees may apply the Total Retirement Benefit to provide a lump sum (that is tax-free up to the amount of the member's unused Lifetime Allowance), or Dependants' pensions. The payment of any Lifetime Allowance Charge is the responsibility of the beneficiary.

If the Trustees do not instruct the Society regarding payment of death benefits within two years of the member's death, the Society will pay the benefits to the member's legal personal representative.

Any life assurance purchased by the Trustees for the members' benefit will be paid separately in accordance with the terms of the contract.

8. Taking Cash When Pension Benefits Are Small

If the member is over age 60 but not yet 75, he or she may request that his or her Total Retirement Benefit be paid as a lump sum in accordance with paragraph 7 schedule 29 of the Act. The Trustees will arrange to pay the Total Retirement Benefit as a lump sum where the value of the Total Retirement Benefit, together with benefits from all other registered pension schemes to which the member belongs, in aggregate, are no more than 1% of the Standard Lifetime Allowance on a date nominated by the member in accordance with the Act. A financial adjustment may be imposed by the Society if the member remains in the employment to which the Scheme relates and has not reached Normal Retirement Date.

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. Payment of this lump sum will extinguish a member's entitlement to benefits under the Scheme.

9. Short Service

If a member who has been an active member of the Scheme for more than three months but less than two years, and is not entitled under the Scheme rules to retain the Total Retirement Benefit in the Scheme, the member may exercise his or her right to take a refund of contributions or a transfer in accordance with section 101AB of the Pension Schemes Act 1993. The return of contributions or transfer to another registered pension scheme will extinguish the member's entitlement to benefits under the Scheme.

10. Ill Health Early Retirement

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

(a) the Trustees are satisfied that the member is and will be incapable of carrying out his or her occupation or any occupation of a similar nature for which he or she is trained or fitted because of physical or mental impairment, and

(b) the member has provided to the Trustees 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.

11. Lump Sum On Grounds Of Serious Ill Health

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

(a) the member has provided written evidence from a registered medical practitioner confirming that the member is expected to live for less than one year, and

(b) they are satisfied that the requirements of the law 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 Scheme except that the Trustees will retain sufficient Protected Rights Assets, if any, to purchase a survivor's pension for any surviving widow, widower or Civil Partner in accordance with the Scheme rules.

12. **Failure To Draw Benefits By Age 75**

If a member has not put benefits into payment by his or her 75th birthday, the Trustees 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 member.

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

13. **Protected Rights**

(a) A member who has left the employment to which the Scheme relates may put his or her Protected Rights Assets (if any) into payment at any time at or after the age of 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.

(b) A member may draw Protected Rights benefits without leaving the employment to which the Scheme relates and without employer consent at any time after the Normal Retirement Date, where that date is later than the member's 60th birthday.

(c) A member who remains in the employment to which the Scheme relates or who wishes to draw his or her Protected Rights Assets prior to age 60 (or Normal Retirement Date, if later), may do so after age 50 (55 from 6 April 2010), subject to any financial adjustment imposed by the Provider, provided that all of his or her Total Retirement Benefit is put into payment at the same time.

(d) A member must put the Protected Rights Assets into payment prior to reaching age 75 and at one time.

(e) A member must take his or her Protected Rights Assets as:

(i) a pension which includes a provision for a pension to continue to be paid to the member's surviving widow, widower or Civil Partner in accordance with the Scheme rules and, at the member's request, a pension commencement lump sum in connection with that pension as described in clause 5, or

(ii) a lump sum where pension benefits are small in accordance with clause 8, or

(iii) a lump sum on grounds of serious ill health in accordance with clause 11.

14. **Information**

A member is responsible for maintaining records relevant to the proportion of his or her Lifetime Allowance that is available. Before paying any benefit, the Trustees may request documentation 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.

15. **Tax Charges**

The Trustees will deduct any tax charge for which the Trustees or a member are liable from any payment before making that payment.

16. **Transitional Protection**

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

17. **Unauthorised Payments**

For the avoidance of doubt, the Scheme rules as amended by this Deed do not confer a right to an unauthorised payment as defined in section 160 of the Act on any party.

18. **Civil Partnership**

A Civil Partner, a surviving Civil Partner or an ex-Civil Partner in receipt of a pension credit shall have the same rights under the Scheme as a spouse, a widow or widower, or an ex-spouse in receipt of a pension credit respectively.

EXECUTED AS A DEED on the Date of this Deed specified in Schedule 1

For and on behalf of the Principal Employer

Director's Name: Director's Signature:
Director's/Secretary's Name: Director's/Secretary's Signature:

EXECUTED AS A DEED on the Date of this Deed specified in Schedule 1

For and on behalf of the Partners acting as Principal Employer

Name: Signature:
In the presence of Name: Signature: Address: Occupation:

TRUSTEES' SIGNATURE PAGE

EXECUTED AS A DEED by the Trustees

Director's Name: Director's Signature:
Director's/Secretary's Name: Director's/Secretary's Signature:

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SCHEDULE 1

Name of Scheme:	
Policy Number(s):	
Principal Employer:	Name: Registered Address:
The Trustees:	Name: Name: Name: Name: Name: Name: Name: Name: Name: Name: Name:
Date of this Deed:	

SCHEDULE 2
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 a 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 as defined in section 214 of the Act. Pension benefits put into payment that, together with all other pension benefits already in payment, exceed a 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).

Normal Retirement Date – For the purposes of this Interim Deed, references to 'Normal Retirement Date' are to the Normal Retirement Date in place for the member at 1 January 2006 or when he or she first joined the Scheme if later.

Open Market Option – The right to apply the proceeds of the policy to buy an immediately payable pension product from an insurer other than the Society.

Protected Rights and **Protected Rights Assets** – As defined in the Scheme's Protected Rights Rules.

Provider – The Provider is the organisation that holds the Total Retirement Benefit as a pension investment. Usually, the Provider will be The Equitable Life Assurance Society.

The Society – The Equitable Life Assurance Society.

Total Retirement Benefit – The Total Retirement Benefit attributable to a member, and referred to in the Scheme policy or policies. Where it is not defined, the Total Retirement Benefit consists of a member's With-Profits Benefits and Unit-Linked Benefits under the Scheme policy or policies or, in all cases, the total fund available for purchase of immediate benefits for a member when a member is eligible for immediate benefits.

Important changes affecting your Equitable pension

Update February 2006

We sent you a booklet in November 2005 detailing how the new pensions laws being introduced from 6 April 2006 will affect your Equitable pension scheme. Set out below is a summary of the key points that have been clarified by Her Majesty's Revenue and Customs (HMRC) since then.

Online reporting to HMRC

HMRC have put back the date for the requirement for all forms to be submitted to them electronically. It is expected that this will not become mandatory until later in the year.

Before any information can be submitted online, the pension scheme trustees will need to register as the scheme administrators with HMRC. To do this, you will need to complete the online HMRC registration form and details of what to do can be found at the following website address: www.hmrc.gov.uk/manuals/rpsmmanual/RPSM02306100.htm

When completing the form, HMRC will ask for details of your scheme's practitioner. Equitable Life should not be registered as the scheme practitioner since this is not a service provided by Equitable Life.

Further details about the online reporting requirements are available from the following website address: www.hmrc.gov.uk/pensionschemes/online.htm

In the meantime, scheme administrators will only be able to submit returns in paper form.

Scheme accounts to be audited

The following sets out the requirements (for many schemes the situation is unchanged from the current position):

- defined contribution schemes which have all of the benefits secured under insurance policies or annuity contracts under which the benefits are allocated to the member (known as 'ear-marked schemes') do not need to have their accounts audited,
- schemes which are set up on either a non ear-marked defined contribution basis or as a defined benefit scheme, and which have more than one member, must have their scheme accounts audited annually.

Member nominated trustees

a) For schemes with fewer than one-third member nominated trustees

There must be an agreed process for election/appointment of one-third member nominated trustees within a 'reasonable period' from the 'commencement date' (yet to be decided), and they must be appointed within a 'reasonable period', which the Pensions Regulator considers to be 6 months.

b) Schemes with member nominated trustees in place

Such schemes may need to take action if current procedures fall short of the new requirements. The existing trustees can remain and the old procedures for replacing them may be used for the time being. The deadlines for implementing the new requirements have yet to be set.

c) Schemes exempt from the requirements

The following schemes are exempt from the member nominated trustee requirements:

- schemes with fewer than 2 members (including active, retired and deferred members);
- schemes where all members are trustees (usually Small Self-Administered Schemes).

Further details (including future updates on the timescales for meeting these requirements) can be found on the following website address:
www.thepensionsregulator.gov.uk/codesandguidance/codes/consultationcomplete.aspx

Consultation by employers

From 6 April 2006, new rules come into effect regarding the need for sponsoring employers to consult the affected employees at least 60 days prior to any changes being made to the pension arrangements.

The new rules initially affect companies with more than 150 employees (rather than members of the scheme). This will reduce to 100 employees from 6 April 2007 and 50 employees from 6 April 2008.

In addition to schemes where the employer has fewer than 150 employees, schemes that are exempt from the member nominated trustee requirements are also exempt from this requirement.

Guidelines on these regulations have been issued by the Department for Work and Pensions and are available from the following website address: www.dwp.gov.uk/lifeevent/penret/penreform/9_emp.asp

Events that the employer is required to report to the Pensions Regulator

The employer is responsible for reporting notifiable events to the Pensions Regulator. Examples of the types of events an employer should report include the following:

- a decision to cease carrying on business;
- insolvency;
- breaches of covenants with lenders;
- change in credit rating;
- convictions for dishonesty;
- any decision by the employer to take action which will, or is intended to, result in a debt which is or may become due to the scheme not being paid in full;
- any breaches of the law in relation to the administration of the scheme that are likely to be material.

You can get information about the notifiable events and a booklet (Guidance from the Pensions Regulator) explaining what you need to do from the following website address:
www.thepensionsregulator.gov.uk/codesandguidance/codes/inforce/index.aspx

The requirements for the employer are in addition to the trustees' responsibilities in this area.

Trustees and employers can, if they wish, record all notifiable events using the online software provided free of charge on the HMRC website.

Information to members

When a member puts benefits into payment on or after 6 April 2006, the scheme administrator must provide that member with at least one statement per year showing the percentage of the lifetime allowance that they have utilised since 6 April 2006 in relation to this scheme. If the pension is paid direct to the member by Equitable Life, we will provide this statement direct to the member.

Retention of documentation for 6 years

Scheme administrators must retain all financial documentation for 6 full tax years after the end of the tax year to which the documentation relates.

In addition, any request by HMRC to produce source documentation for an event occurring within the last 7 tax years may be made to members, trustees, employers and scheme administrators alike. Such requests must be met within 30 days.

Internal disputes resolution procedures

The Government has confirmed that there will be no change to current internal dispute resolution procedures for the time being.

Transitional arrangements

The points below should be read in conjunction with section 3 entitled 'Transitional arrangements' of the booklet that we sent to you in November 2005.

a) Death benefits where an individual has been granted either enhanced or primary protection

i) Where enhanced protection applies

If an individual is paying for death in service benefits and the individual continues to contribute after 6 April 2006 then enhanced protection will normally be lost.

Enhanced protection can, however, remain intact for members of occupational pension schemes where the premiums for life assurance are paid by the employer and not attributable to the member. The potential value of death in service or other life assurance benefits are not counted in the value of benefits accrued before 6 April 2006 subject to enhanced protection.

Life assurance death benefits, when they are paid from a scheme, can cause enhanced protection to be lost.

ii) Where primary protection applies

As with enhanced protection, the potential value of death in service benefits are not counted in the value of benefits accrued before 6 April 2006 and subject to primary protection. Consequently, where a death or life assurance benefit is paid, it may cause the total amount payable to exceed the individual's Lifetime Allowance. Any excess over the individual's Lifetime Allowance will be subject to a Lifetime Allowance Charge.

b) Requirement to inform HMRC if enhanced protection is lost

If action is taken that causes enhanced protection to be lost, for example, a pension contribution is paid on or after 6 April 2006 (other than some types of payment such as National Insurance rebates if a member is contracted-out of the State Second Pension), then HMRC must be informed within 90 days of the event occurring. It is the individual's responsibility to report this.

c) Applying for protection

HMRC have confirmed that the forms for applying for enhanced and/or primary protection will be available from early March 2006, although completed forms cannot be submitted to HMRC before 6 April 2006.

As there are various factors to consider before registering for enhanced protection and/or primary protection, we suggest that anyone who is considering these options should speak to an independent financial adviser before making any decision. There may be a charge for any advice given.