

THE EQUITABLE LIFE ASSURANCE SOCIETY
FOUNDED 1762

Private and confidential

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

16 February 2005

Our ref: SE07/APR05

Dear Client

IMPORTANT CHANGES: PENSIONS ACT 2004

Scheme name Sample Scheme
Scheme number S1234

You will be aware that significant changes have been made recently to legislation affecting pension schemes. A number of these changes come into force from 6 April 2005, with most of the rest from 6 April 2006. This letter concerns changes introduced by the Pensions Act 2004 which come into force from 6 April 2005. One of these changes requires action by the trustees. Details of the others are included at this stage for information only.

ACTION YOU NEED TO TAKE NOW AS A RESULT OF THE CHANGES

Announcement to members

By 5 April 2005 you need to inform the members of the scheme of a change to the scheme booklet regarding changes in respect of retirements on or after 6 April 2005 and the new Pensions Regulator (see below). We enclose a draft announcement which you may wish to use. Please provide us with a signed and dated copy of the announcement you issue for our records.

FURTHER INFORMATION REGARDING THE APRIL 2005 CHANGES

Changes in respect of retirements on or after 6 April 2005

The change you may view as most significant is the extension to the forms of pension available to your scheme members retiring on or after 6 April 2005. Legislation is introducing a relaxation to remove the restrictions on the form of pension that must be taken for funds accrued from contributions paid on or after 6 April 1997 (including those in respect of contracting out of the state scheme) as currently pensions must increase in payment by the lesser of RPI or 5%.

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PO Box 171, Walton Street, Aylesbury, Bucks HP21 7YU Telephone 0870 607 6791 Facsimile 0870 607 6780

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The Equitable Life Assurance Society is a mutual society registered in England No. 37038.
Registered Office: 20 - 22 Bedford Row, London, WC1R 4JS, United Kingdom.
The Equitable group comprises: The Equitable Life Assurance Society, University Life Assurance Society.

Continuation sheet number 1

15 February 2005

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Creation of the new Pensions Regulator

The Pensions Regulator will replace the Occupational Pensions Regulatory Authority (OPRA) and will be funded by a levy payable by all schemes. It will inherit OPRA's existing regulatory powers but will also have new additional powers, as described in the appendix.

It will become an offence to provide false or misleading information to the regulator, and a new 'Pensions Regulator Tribunal' will be established to hear appeals against its decisions.

Changes to Internal Dispute Resolution (IDR)

The existing rigid requirements of the Pensions Act 1995 are replaced with a less prescriptive regime which can be more easily adapted to take account of the circumstances of individual pension schemes.

The IDR procedure no longer requires two stages, provided that the dispute is at some stage referred to the trustees. The rigid timescales for considering and giving notice are replaced with reasonableness tests on which the Pensions Regulator will issue a code of practice.

Existing IDR procedures based on the current requirements are almost certain to satisfy the new, more flexible requirements.

We hope that this information will assist your understanding of the April 2005 changes and enable you to comply with the requirements. We will write to you as further information becomes available in respect of April 2006 pensions changes.

Should you have any queries in respect of the above, please telephone us on 0870 607 6791 or write to us at the address shown.

Yours sincerely,

Meral Ustunurmeli
Senior Manager - Group Pensions Services

Enclosures
Appendix, Draft announcement to members

APPENDIX - ADDITIONAL POWERS OF THE PENSIONS REGULATOR

The Pensions Regulator will inherit OPRA's existing regulatory powers but will also have new additional powers:

- to issue improvement notices to remedy a breach
- to issue third party notices where a third party is causing trustees to breach requirements
- to freeze a final salary scheme's assets or to prevent further accrual under the scheme if there is a risk to members' benefits while an investigation is taking place
- to issue contribution notices and financial support directions
- in respect of removal and appointment of trustees
- to gather and retain information
- in respect of 'whistle-blowing'

The new regulator must issue codes of practice in respect of:

- what constitutes a 'reasonable' period for taking certain actions
- the duty to notify the regulator of certain events
- the duty to report breaches
- scheme funding
- Member Nominated Trustees
- the requirement for trustee knowledge and understanding
- reporting late or missed payments
- amendment of existing rights
- any other matters contained in regulations.

It will become an offence to provide false or misleading information to the regulator, and a new 'Pensions Regulator Tribunal' will be established to hear appeals against its decisions.

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This announcement may be issued to inform members of the Money Purchase scheme by 5 April 2005 of changes to the Scheme Booklet regarding the new Pensions Regulator. The announcement should be issued on Company headed paper, dated and signed by the scheme administrator. Please send us a copy of the announcement for our records.

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Announcement to Members – Pensions Act 2004

Please note the following changes introduced by the Pensions Act 2004 which affect the Pension Scheme.

Increases to pensions in payment

Until 6 April 1997 the only statutory requirements to increase pensions in payment applied to contracted-out benefits (3% p.a.). The Pensions Act 1995 required pensions purchased with contributions paid in respect of employment on or after 6 April 1997 (apart from additional voluntary contributions) to have minimum increases each year in accordance with the rate of inflation up to 5% (known as limited price indexation).

The Government now recognises that this requirement restricts a member's choice when he or she comes to retire and as a result these minimum pension increases will no longer apply to pensions which come into payment after 6 April 2005.

The Occupational Pensions Regulatory Authority (OPRA)

Your scheme booklet will tell you that OPRA is a regulatory body set up by the Pensions Act 1995 and that it is able to intervene in the running of schemes where trustees, employers or professional advisers have failed in their duty.

The Pensions Act 2004 will dissolve OPRA and create a new Pensions Regulator in its place. The changeover date is 6 April 2005. The Pensions Regulator takes over all of OPRA's functions, including the maintenance of the register of occupational pension schemes, and will inherit OPRA's current powers as well as having a range of new or increased powers which will assist it in fulfilling its objective of protecting members' benefits.

Please keep this announcement with your copy of the Scheme booklet.

Signed:

Date: