APPROPRIATE PERSONAL PENSION SCHEMES

INTEGRATED MODEL RULES

Interpretation: References to any legislation or any provision includes references to any previous legislation or provision relating to the same subject matter and to any modification or re-enactment for the time being in force

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INTEGRATED MODEL RULES

1. INTRODUCTION

1.1 **Tax approval.** The Scheme is a personal pension scheme designed for approval under Chapter IV of Part XIV of the Act. Its only purpose is to provide income withdrawals, pensions and lump sums as described in the Scheme Documents (including these Rules).

1.2 **Member's chosen Scheme.** The Scheme is also designed to receive payments from the Secretary of State for Social Security where a notice has been given to the Secretary of State that a Member wishes minimum contributions (as in Rule 5.1(1)) to be made to the Scheme.

1.3 **Overriding Rules.** These Rules set out the requirements for tax approval and for the issue of an appropriate scheme certificate. They override any inconsistent provisions elsewhere in the Scheme Documents.

1.4 **Form of Scheme.** The Scheme may (but depending on the type of provider, need not) be set up under trust. If the Scheme is to take the form of individual irrevocable trusts for each Member, the benefits for each Member under the Scheme will be held under a trust to be established by the Scheme Administrator for the benefit of that Member in a form approved by the Inland Revenue. If the Scheme is to take that form, or if it is to be established under a single irrevocable trust and the Arrangements are not to take the form of insurance contracts, the Member must also enter into a binding agreement by deed with the Scheme Administrator as trustee in a form approved by the Inland Revenue not to require withdrawal of the trust funds, or income from those trust funds to be paid to the Member, otherwise than for the payment of benefits under the Scheme at the time provided by the Rules.

2. DEFINITIONS

In these Integrated Model Rules the following words have the following meanings:-

"Act" means the Income and Corporation Taxes Act 1988.

"Actuary" means a Fellow of the Institute of Actuaries or a Fellow of the Faculty of Actuaries, or a person with other actuarial qualifications who is approved by the Secretary of State for Social Security, at the request of the Scheme Administrator, as being a proper person to act in this capacity.

"Appropriate Personal Pension Scheme" means a personal pension scheme which has received an appropriate scheme certificate under the Pension Schemes Act.

"Approved Personal Pension Scheme" means a personal pension scheme approved under Chapter IV of Part XIV of the Act.

"Arrangement" means an arrangement (as described in Rule 3.2) made by an individual with the Scheme Administrator to provide benefits under these Rules.

"Contracted-out" has the same meaning as in the Pension Schemes Act.

"Dependant" means an individual who is, or who immediately before a Member's death or retirement was, financially dependent on the Member. It includes a Member's child or adopted child who has not attained age 18 or has not ceased to receive full-time educational or vocational training.

"Employer" means the current employer of a Member.

"Fund Manager" means the person who holds the investments or deposits for the purpose of the Scheme.

"Guaranteed Minimum Pension" has the same meaning as in the Pension Schemes Act.

"Insurer" means an insurance company, an EC company or a friendly society as described in regulation 9 of the Personal and Occupational Pension Schemes (Protected Rights) Regulations 1987 (SI 1987/1117) as amended by regulation 6 of SI 1995/35, and in Section 659B of the Act.

"Member" means an individual who has made arrangements under the Scheme for the provision of benefits.

"Member's Fund" means the aggregate, under an Arrangement, of the accumulated values of the contributions paid to the Scheme by or in respect of the Member and any transfer payment accepted by the Scheme in respect of the Member, but excluding:-

(a) the value of any contract or part of a contract to which contributions have been applied under the provisions of Rules 4.5 or 4.6; and

(b) any administrative expenses of the Scheme and any payments of commission.

"Money Purchase Benefits" means benefits calculated by reference to payments made by, or in respect of, a Member. It does not include benefits calculated by reference to the Member's final or average salary.

"Non-Protected Rights Fund" is defined in Rule 5.3.

"Pension Schemes Act" means the Pension Schemes Act 1993.

"Protected Pension", **"Protected Rights"** and **"Protected Rights Fund"** are defined in Rule 5.4.

"Protected Widow or Widower" means a widow or widower of the Member who, when the Member dies, is aged 45 or over, or is entitled to child benefit for a Qualifying Child under age 18, or is living with a Qualifying Child under age 16.

"Provider" means the person who established the Scheme. The name of the Provider is set out in the Appendix at the end of these Rules.

"Qualifying Child" means a child of the Member and the Member's widow or widower. It also includes any other child for whom the Member was entitled to child benefit immediately before the Member died (or would have been if the child had been in Great Britain). If the Member and the widow or widower were living together at the time the Member died, it also includes any child for whom the widow or widower was then entitled to child benefit (or would have been if the child had been in Great Britain).

"Rule" (followed by a number) means the Rule (with that number) in this Appendix.

"Scheme" means this personal pension scheme.

"Scheme Administrator" means the person appointed under Rule 16.2 who is responsible for the management of the Scheme.

"Scheme Documents" means the documents which govern the Scheme (including these Rules).

"Special Commissioners" means the persons defined in section 4 of the Taxes Management Act 1970.

"State Pensionable Age" means a man's 65th birthday and a woman's 60th birthday.

"Survivor" means a Dependant or widow or widower of a Member who has died.

"Survivor's Fund" means the value from time to time of those funds deriving from a Member's Non-Protected Rights Fund which have been set aside for the purchase of a pension for a particular Survivor.

"Tax Year" means a period beginning on 6 April and ending on the next following 5 April.

3. MEMBERS AND ARRANGEMENTS

3.1 **Becoming a Member.** A person who wants to become a Member must complete an application form required by the Scheme Administrator. The form must include the following undertakings:-

(1) the Member agrees to be bound by these Rules;

(2) the Scheme Administrator agrees, on behalf of the Provider, to administer the Scheme as required by these Rules.

A person can become a Member only if he or she is under age 75 and if the Scheme Administrator agrees.

3.2 **Making Arrangements.** A Member may make a single Arrangement with the Scheme Administrator in which case these Rules will apply to that Arrangement.

If the Scheme Administrator permits, a Member may make more than one Arrangement with the Scheme Administrator. If the Member does so, these Rules, except for those relating to the Protected Rights Fund, will apply to each Arrangement separately, but the limit described in Rules 4.3 to 4.5 will apply to all the Arrangements together. Where the Protected Rights Fund is spread over more than one Arrangement the Rules governing the Protected Rights Fund must be applied to those Arrangements together.

A separate application under Rule 3.1 must be made for each Arrangement but, if more than one Arrangement is being made at the same time, and if the application form so provides, only one application need be made for those Arrangements.

4. CONTRIBUTIONS

4.1 **Permitted contributions.** The Scheme may accept only the following contributions:-

(1) contributions by Members;

(2) contributions by the Member's employer(s) in respect of Members;

(3) minimum contributions together with basic tax relief and incentive payments as described in Rule 5.1 where the Scheme is the Member's chosen scheme.

When a Member's benefit under any Arrangement becomes payable no further contributions may be paid to that Arrangement, except that, as long as the Member is under State Pensionable Age, minimum contributions together with basic tax relief and incentive payments as described in Rule 5.1 may continue to be paid.

4.2 **Use of contributions.** The contributions and their proceeds under the Scheme must be used to provide benefits in accordance with these Rules, except so far as they are used to meet administrative expenses of the Scheme and to pay commission.

4.3 **Limit on contributions.** A Member may only pay contributions in a Tax Year for which he or she has "Net Relevant Earnings" (as defined in section 646 of the Act).

The only exception to this Rule is when section 641 of the Act allows "carry back" of contributions.

The total contributions paid in a Tax Year by a Member and by the Member's employer(s) in respect of the Member to all Approved Personal Pension Schemes and to all contracts and schemes approved under Chapter III of Part XIV of the Act must be within the limit set by the Act.

4.4 **Repayment of contributions which exceed limit.** Where all the contributions paid by a Member to the Scheme in a Tax Year have been paid after deduction of tax at the basic rate, the Scheme Administrator must be satisfied that the total contributions paid by the Member and by any employer(s) in respect of the Member in that Tax Year are within the limit described in Rule 4.3. If the Scheme Administrator discovers that the limit has been exceeded (or if in any case the Inland Revenue tell the Scheme Administrator that the limit has been exceeded) the Scheme Administrator must arrange for the contributions which exceed the limit to be repaid to the Member and, if applicable, the Member's employer(s) as follows:-

(1) the contributions which exceed the limit will be repaid from the Scheme unless the Member proves to the Scheme Administrator that they have been repaid from another scheme or schemes;

BUT

(2) if the employer has contributed, the employer's contributions will not be repaid unless the Member's contributions paid to all personal pension schemes in that Tax Year have been repaid and there are still contributions which exceed the limit remaining.

If the contributions paid by the Member were paid after deduction of tax at the basic rate, the amount repayable will be the gross contribution before deduction of tax from which the Scheme Administrator will deduct tax at the same rate as was deducted from the contributions when paid, or deemed to be paid for contributions carried back under section 641 of the Act. The Scheme Administrator may use discretion to adjust a repayment of net contributions to take account of expenses and interest and of any change in the value of the underlying assets during the intervening period.

4.5 **Using contributions to buy life insurance.** A Member may, if allowed to do so under the Scheme, choose for all or part of the contributions in respect of him or her (excluding Protected Payments as defined in Rule 5.1) to be used by the Scheme Administrator as premiums on a life insurance contract with an Insurer. The contract must provide a lump sum to be paid only if the Member dies before a specified age (not later than age 75). This lump sum shall be payable in accordance with Rule 10, provided that rights to benefits under such a life insurance contract may not be assigned, and Rule 10(3) shall not apply unless this proviso is expressly deleted in the contract documentation in respect of specific Arrangements or parts of Arrangements.

The total contributions to all Approved Personal Pension Schemes and to all contracts and schemes approved under Chapter III of Part XIV of the Act used in this way in any Tax Year must be within the limit set by the Act.

4.6 **Waiver of contributions.** A Member may, if allowed to do so under the Scheme, choose for not more than 25% (one quarter) of the contributions in any Tax Year in respect of him or her under the Scheme (excluding Protected Payments as defined in Rule 5.1) to be paid as premiums to an insurance contract:-

(1) which, if the Member becomes unable to follow his or her occupation by reason of incapacity, will enable the contributions that would otherwise have been paid by the Member and the Employer to be waived, and for the Member's Fund to be increased as if the contributions had been paid (and, where appropriate, will allow any insurance contract bought under Rule 4.5 to be similarly continued); and/or

(2) which provides that, if the Member's incapacity causes the benefit to start earlier than would otherwise be the case (under Rules 6.2 or 6.3), the benefit may be enhanced in a manner and to an extent acceptable to the Inland Revenue.

4.7 **Investment of contributions.** A Member may, if allowed to do so under the Scheme, choose how contributions, and any transfer payment accepted by the Scheme in respect of the Member, should be invested. This facility must, however, be restricted to investments in:-

(a) stocks and shares listed on a recognised stock exchange in a member state of the EU, including securities traded on the unlisted securities market;

(b) stocks and shares traded on an overseas stock exchange being one recognised by the Inland Revenue;

(c) unit trusts and investment trusts;

(d) managed funds and unit-linked funds of an Insurer;

(e) deposit accounts;

(f) commercial property.

The Fund Manager must not permit any type of investment under this Rule which would change, or conflict with, the form the Scheme has taken for the purposes of its appropriate scheme certificate.

5. PROTECTED PAYMENTS

5.1 **Protected payments.** Special restrictions apply to the following payments to the Scheme in respect of the Member (the "**Protected Payments**") and the benefits resulting from those payments:-

(1) payment of minimum contributions by the Secretary of State for Social Security in accordance with the Pension Schemes Act. These minimum contributions are the Contracted-out rebate percentage of the Member's earnings between the lower and upper earnings limits for National Insurance purposes, and the additional amounts specified in section 3(1)(b) of the Social Security Act 1986 and section 45(2) of the Pension Schemes Act; and

(2) payments attributable to tax relief on the Member's share of minimum contributions as described in regulation 3(d) of the Personal and Occupational Pension Schemes (Protected Rights) Regulations 1987; and

(3) transfer payments received under Rule 13.3 covering Protected Rights or Guaranteed Minimum Pensions under other personal or occupational pension schemes or under insurance policies or annuity contracts of the type described in section 19 of the Pension Schemes Act; and

(4) incentive payments made under section 7 of the Social Security Act 1986 and regulation 3(10) of the Personal and Occupational Pension Schemes (Incentive Payments) Regulations 1987.

5.2 **Allocation of minimum contributions.** The Scheme Administrator and the Provider shall ensure that all minimum contributions, as described in Rule 5.1(1), which are received by the Scheme are allocated to the Protected Rights Fund of each Member in respect of whom such minimum contributions relate within three months of the date on which payment of such minimum contributions is made by the Secretary of State for Social Security and applied with effect from the date of payment.

5.3 **Non-Protected payments.** Any payments other than those specified in Rule 5.1 (and the benefits resulting from such payments) are not subject to the restrictions referred to in Rule 5.1 unless the Scheme Documents specifically state otherwise. The Scheme assets representing Non-Protected payments are referred to in these Rules as the **"Non-Protected Rights Fund"**.

5.4 Money **Purchase Benefits.** The Protected payments under Rule 5.1 and their proceeds under the Scheme must be used to provide the Member with Money Purchase Benefits, except so far as they are used to meet administrative expenses of the Scheme and to pay commission.

The Member's rights to these benefits are called **"Protected Rights"**. The Scheme assets representing these Protected Rights are referred to in these Rules as the **"Protected Rights Fund"**. The pension bought with a Member's Protected Rights Fund is referred to as the **"Protected Pension"**.

5.5 **Calculation.** The value of the Member's Protected Rights Fund must be calculated in a way approved by the Scheme Administrator. It must be at least as favourable as the way in which any other Money Purchase Benefits of the Member in the Scheme are calculated. It must also be consistent with the requirements set out in the rest of these Rules.

Where the valuation of the Protected Rights Fund involves making estimates of the value of benefits, then the manner of calculation must be approved by an Actuary. The methods and assumptions used must be either determined by the Scheme Administrator, or notified to the Scheme Administrator by an Actuary, and must in either case be certified by an Actuary to be consistent with the requirements of the Pension Schemes Act and with "Retirement Benefit Schemes - Transfer Values (GN11)" published jointly by the Institute of Actuaries and the Faculty of Actuaries and current when the calculation is being made. The Scheme Administrator must keep such records as will enable the amount of the Member's Protected Rights Fund to be calculated at any time.

6. DATE MEMBER'S BENEFIT STARTS

6.1 **State Pensionable Age or later.** A Member's benefit becomes payable at State Pensionable Age unless it has started earlier as described below. The Member and the Scheme Administrator may agree in writing on a later date, but this date must be before the Member's 75th birthday.

6.2 **Between age 50 and State Pensionable Age.** The benefit from a Member's Protected Rights Fund may never start earlier than State Pensionable Age (unless the Member dies before then). But other benefits may, subject to Rule 6.1, start at any time after the Member reaches age 50 as he or she shall notify in writing to the Scheme Administrator.

6.3 **Incapacity below age 50.** A Member's benefit (except for benefits from the Protected Rights Fund) may start earlier than age 50 if the Member becomes incapable through infirmity of body or mind of carrying on his or her own occupation or any occupation of a similar nature for which he or she is trained or fitted.

The Scheme Administrator must consider suitable medical evidence and must be satisfied that this Rule applies. If the Inland Revenue ask to see the medical evidence, the Scheme Administrator must produce it for them.

6.4 **Occupations with a low retiring age.** There are certain occupations for which the Inland Revenue recognise an age lower than 50 as being the age at which people in that particular occupation retire. A Member in one of these occupations may start to receive benefit (except for benefits from his or her Protected Rights Fund) at any time after he or she reaches the accepted age. But the following conditions apply:-

(1) the occupation and the age must either be acceptable to the Inland Revenue in accordance with the list published by them for this purpose, or be specifically approved by them;

(2) contributions made to the Scheme by reference to the Member's "Net Relevant Earnings" (as defined in section 646 of the Act) from the occupation in question, and the benefits provided by those contributions, will be treated as a separate Arrangement from any other contributions to the Scheme.

If a Member to whom this Rule applies stops being in the relevant occupation before the benefit becomes payable, he or she must immediately tell the Scheme Administrator.

7. BENEFIT FOR MEMBER

7.1 **Member's choice of lump sum.** The Member may choose to receive a lump sum on the day the benefit starts. If the Member has chosen to receive the benefit from the Protected Rights Fund before other benefits, the Member will not be able to receive a lump sum from an Arrangement which includes any part of the Protected Rights Fund. The following conditions apply:-

(1) if the Arrangement was made before 27 July 1989:-

(a) the lump sum cannot (subject to Rule 7.1(3)) be more than 25% (one quarter) of the amount, at the time the lump sum is paid, of the Member's Fund being used to provide benefits for the Member under Rule 7 (ie excluding any part of the Member's Fund being used to provide a Survivor's pension under Rule 8);

(b) none of the Member's Protected Rights Fund may be paid as a lump sum, but the part of the Protected Rights Fund under the Arrangement from which the lump sum is to be paid and being used to provide pension for the Member under Rule 7 (ie excluding, if the benefits from the Protected Rights Fund are being paid at the same time as other benefits, any part of the Protected Rights Fund being used to provide a pension for a Protected Widow or Widower under Rule 8) may be included for the purpose of calculating the 25%;

(2) if the Arrangement was made on or after 27 July 1989 the lump sum cannot (subject to Rule 7.1(3)) be more than 25% (one quarter) of the amount, at the time the lump sum is paid, by which the Member's Fund exceeds any part of the Member's Protected Rights Fund which is within that Arrangement;

(3) for the purposes of Rules 7.1(1) and 7.1(2), there shall be excluded from the Member's Fund the accumulated value of that part of any transfer payment accepted in respect of a Member and which had its origins in a source described in Rules 13.1(2), (3), (5) and (6), unless no certificate as described in Rule 7.1(4) is relevant in respect of that part of any such transfer payment;

(4) the Member may also receive as a lump sum so much of any transfer payment accepted in respect of the Member from a source described in Rules 13.1(2), (3), (5) and (6) as has been certified as payable in that form. This amount may be enhanced in line with the increase in the retail prices index between the date of transfer from that source to the date that benefits are paid from the Member's Fund. In no circumstances, however, may the lump sum paid under Rule 7 exceed the limit set under section 635 of the Act.

Where the Member has made more than one Arrangement, Rule 7 applies to each Arrangement separately.

7.2 **Member's pension.** Except for any lump sum paid as described in Rule 7.1, and subject to Rule 7.9, the Member's Fund will be used to buy a pension for life from an Insurer starting on the date appropriate under Rule 6.

The pension bought with a Member's Protected Rights Fund must be one offered without regard to the sex or marital status of the Member either in making the offer or in calculating the amount of the pension.

7.3 **Member taking early benefit - Protected Rights Fund.** If the Member's pension starts before State Pensionable Age, the Protected Rights Fund will not be used immediately. It will be used at or after State Pensionable Age to buy extra pension. In this case the rest of Rule 7 will apply separately to the Protected Rights Fund. But, if the Member dies between the date the pension starts and State Pensionable Age, Rule 11 will apply.

7.4 **Member's right to choose.** The Member has the right to choose any Insurer to provide the pension. Once the Member has chosen the Insurer, he or she must write to tell the Scheme Administrator which Insurer he or she has chosen.

If the Member has chosen the Insurer to provide the Protected Pension, he or she must notify the Scheme Administrator at least one month, but not more than 6 months, before the date the pension is due to start. If the Member agrees to the benefit starting at a later date than State Pensionable Age, the time during which he or she can write to tell the Scheme Administrator of the choice of Insurer is different. In this case it is any time from the date on which he or she agrees to a later date up to one month before that later date. If there is less than one month between the two dates, then he or she can only choose an Insurer by telling the Scheme Administrator so in writing on the same day as he or she agrees to the later date. The Scheme Administrator may allow any Member a longer period in which to make his or her choice.

7.5 **Scheme Administrator's choice.** If the Member does not choose an Insurer by writing to tell the Scheme Administrator by the latest date permitted under Rule 7.4 or Rule 7.9, the Scheme Administrator will choose an Insurer.

7.6 **Form of pension.** Rules 7.6 to 7.8 and also Rule 8 set out benefits which may, if available under the Scheme, (or in the case of a Member with a Protected Rights Fund must in some circumstances) be paid on the Member's death. Where these Rules allow alternatives, a Member who chooses an Insurer may at the same time choose which alternatives apply. If the Scheme Administrator chooses an Insurer, the Scheme Administrator may allow the Member to choose the alternatives or the Scheme Administrator may choose the alternatives.

Any Survivor's pension bought with a Member's Protected Rights Fund must be bought, together with the Member's pension from the Protected Rights Fund, as a single contract with one Insurer.

Any other Survivor's pension will be bought at the same time as the Member's pension bought with the Member's Non-Protected Rights Fund. It will be bought from the Insurer from whom the Member's pension is bought, unless the Scheme Administrator permits otherwise. If the Scheme Administrator permits, the Survivor's pension may be bought from a different Insurer chosen either by the Member or by the wife or husband or Dependant for whom the Survivor's pension is bought.

7.7 **Minimum payment guarantee.** Subject to Rule 7.8, the Member's pension may (but need not) be on terms that it will in any event be paid for a guarantee period not exceeding 10 years. If the Member dies during the guarantee period, it may be paid for the rest of the period to another individual, or to the estate of the Member or of another individual who dies after the Member (and the recipient may vary from time to time).

Where the pension continues and is payable to another individual it may either continue for the full guarantee period in any event, or be arranged so as to stop if at any time the individual to whom it is being paid marries, reaches age 18 or leaves full-time educational or vocational training after reaching age 18.

7.8 **Minimum payment guarantee - Protected Rights Fund.** The following special restrictions apply to any guarantee on the Protected Pension:-

(1) the guarantee period may be only for up to 5 years;

(2) if there is a pension for the Protected Widow or Widower, or a Survivor, included with the Protected Pension (as described in Rule 8.2) which becomes payable on the Member's death, the guarantee may only take effect by increasing that pension up to the amount of the Member's Protected Pension for any part of the guarantee period. If the pension stops during the guarantee period on the death of the person entitled to it under Rule 8.2, or because the last Dependent Child entitled to it under (2) of that Rule dies or reaches age 18, the payments for the rest of that period may be made to another individual, or to the estate of the Member or of another individual who dies after the Member (and the recipient may vary from time to time).

7.9 **Pension deferral.** The Member may choose to defer the purchase of the pension specified in Rule 7.2 (other than the pension to be purchased with the Protected Rights Fund) and shall so notify the Scheme Administrator in writing no later than one month before the date benefit is to start. The Member shall also notify the Scheme Administrator in writing when he or she wishes the deferral to end, again providing at least one month's notice. The pension must be purchased before the Member's 75th birthday.

7.10 **Income withdrawals.** Whilst the purchase of the pension is deferred under Rule 7.9, the Member shall make income withdrawals each year from the Member's Non-Protected Rights Fund (excluding any lump sum paid under Rule 7.1) in accordance with Rules 7.11 and 7.12. No income withdrawals shall be made after the Member attains the age of 75.

7.11 **Income withdrawal limits.** The (aggregate) amount of income withdrawal(s) in each of the three successive periods of twelve months beginning with the date benefit starts shall not exceed the amount of pension purchasable on that date calculated by reference to the amount of the Member's Non-Protected Rights Fund (excluding any lump sum paid under Rule 7.1) and the current published tables of annuity rates prepared for this purpose by the Government Actuary. Such income withdrawals shall not be less than 35% of the pension so calculated. This minimum limit shall not apply for the twelve month period during which the pension is purchased or the Member dies.

7.12 **Recalculation of withdrawal limits.** The maximum and minimum annual income withdrawals for each period of three years succeeding the first shall be calculated by reference to the amount of the Member's Non-Protected Rights Fund remaining on the first day of each period and the Government Actuary's annuity rate tables current at that date.

8. MEMBER DIES AFTER BENEFIT STARTS

8.1 **Member's choice.** Subject to Rule 8.2 a Member may choose that, in addition to the pension bought for the Member, there will also be bought a pension payable after the Member's death for:-

(1) the widow or widower; and/or

(2) one or more Dependants.

8.2 **Protected Rights Fund - restrictions.** The Protected Pension must include a pension payable on the Member's death to any Protected Widow or Widower. It must not include a pension for any other Survivor if there is a Protected Widow or Widower.

The Protected Pension may (but need not) also include a Survivor's pension if there is no Protected Widow or Widower. In this case the Survivor's pension must be payable either:-

(1) to any one widow, widower or Dependant; or

(2) for the benefit of any Dependent Child(ren). "**Dependent Child(ren)**" means a child (or children) for whom the Member was entitled to child benefit immediately before he or she died (or would have been if the child had been in Great Britain). The child(ren)'s pension will be paid only so long as at least one Dependent Child is under age 18.

The restrictions on the Protected Rights Fund under this Rule 8.2 do not affect the Member's choice under Rule 8.1 for the rest of the pension.

When a Survivor has a pension, part of which is covered by this Rule 8.2 and part of which is not, the provisions below about the permissible dates for the pension to start and to stop apply to each part separately.

8.3 **Amount of pension.** Subject to Rule 7.8, the Protected Pension payable to the Protected Widow or Widower will be half the amount, and that payable to any other Survivor will not be more than half the amount, that would have been payable if the Member had survived. Pensions payable to Survivors which are not Protected Pensions can be of any amount so long as the total of all pensions is not more than the highest amount of pension which the Member could have purchased the day before he died.

8.4 **Start of Survivor's pension.** Subject to Rule 8.10, a Survivor's pension will start as soon as practicable after the Member dies, except as described below.

A widow or widower who is under age 60 when the Member dies may choose a pension to start at any later time up to the 60th birthday (or, if she or he is receiving continued payments of the Member's pension for a guarantee period ending after the 60th birthday, at the end of the guarantee period). A Protected Widow or Widower may not, however, do this with any Survivor's pension included with the Member's pension bought with the Protected Rights Fund (as described in Rule 8.2).

8.5 **Duration of child(ren)'s pension.** A pension provided for a Dependent Child (or Dependent Children) included with the pension bought with the Member's Protected Rights Fund will stop when there is no longer any Dependent Child under age 18. Any other pension payable to a person who is a Dependant solely because that person is under age 18 when the Member dies must also stop when the Dependant reaches age 18, except that it may (but need not) continue after that age for so long as the Dependant stays in full-time educational or vocational training.

8.6 **Duration of Protected Widow's or Widower's pension.** The Protected Widow's or Widower's pension included with the pension bought with a Member's Protected Rights Fund will continue for life unless provision is made for it to stop:-

> **either** if the Protected Widow or Widower remarries before reaching State Pensionable Age
>
> **or** if, before the Protected Widow or Widower reaches age 45, the situation changes so that she or he is neither entitled to child benefit for a Qualifying Child under age 18 nor living with a Qualifying Child under age 16.

8.7 **Duration of other Survivor's pension.** A Survivor's pension which is not covered by Rules 8.5 or 8.6 may be paid for the Survivor's life or may stop if the Survivor marries. If it is payable to a widow or widower it may also stop if, before the widow or widower reaches age 45, there ceases to be any other Survivor under age 18.

8.8 **Minimum payment guarantee - Survivor's pension.** A Survivor's pension may (but need not) be on terms that it will in any event be paid for a guarantee period not exceeding 10 years. Then, if the pension would have stopped in accordance with Rules 8.5 to 8.7, it may be paid for the rest of the guarantee period to another individual, or to the estate of the Member or of another individual who dies after the Member (and the recipient may vary from time to time).

Where the pension continues and is payable to another individual it may either continue for the full guarantee period in any event, or be arranged so as to stop if at any time the individual to whom it is being paid marries, reaches age 18 or leaves full-time educational or vocational training after reaching age 18.

This Rule 8.8 does not apply, however, to a Survivor's pension included in the pension bought with a Member's Protected Rights Fund. (The Member's pension itself, however, may be guaranteed as described in Rule 7.8.)

8.9 **Lump sum payable direct by Insurer.** If any lump sum is payable under a life insurance contract as described in Rule 4.5, it will be paid direct by the Insurer to the Scheme Administrator. It will not form part of the Member's Fund, but it will be applied separately by the Scheme Administrator as described in Rule 10.

8.10 **Death of Member during pension deferral period.** If the Member dies after electing to defer the purchase of his or her pension under Rule 7.9, but before the pension is purchased, the Member's Non-Protected Rights Fund may be applied to or for the benefit of one or more Survivors. Each such Survivor may choose, in writing, to receive his or her Survivor's Fund in one of the following ways:-

(1) purchase of a pension either immediately, or following a period of deferral during which income withdrawals shall be made in accordance with Rules 9.18 and 9.19, or

(2) payment of the Survivor's Fund as a lump sum.

The total of all Survivors' pensions must not be more than the highest amount of pension which the Member could have purchased the day before he died. Any restriction of a Survivor's pension required by the foregoing will be deemed to have been achieved by a corresponding reduction of the Survivor's Fund in the event that the Survivor chooses (1) or (2) above. The option under (1) to defer pension purchase and take income withdrawals shall not be available to any Survivor who chooses under Rule 8.4 to have a pension which starts at a later time up to his or her 60th birthday or who has already attained the age of 75. The pension must be purchased before the earlier of the Member's 75th birthday and the Survivor's 75th birthday.

Any Survivor making income withdrawals under option (1) may nevertheless choose option (2) at any time within the two years following the death of the Member.

No Survivor shall make any income withdrawals after ceasing to be entitled to a pension under Rules 8.5 or 8.7. Subject to the preceding paragraph, any Survivor's Fund remaining at the date of such cessation will be used to meet general administrative expenses of the Scheme.

The provisions of Rule 9.3 will apply on the death of the Member during the pension deferral period.

Where the Member's Non-Protected Rights Fund is not to be applied to or for the benefit of one or more Survivors, it shall be applied in accordance with Rule 9.15.

8.11 **Death of Survivor during pension deferral period.** If a Survivor who has chosen under Rule 8.10(1) to receive a pension after a period of deferral dies before the pension is purchased, the Survivor's Fund shall be paid as a lump sum in accordance with Rule 9.15. For the purposes of this Rule 8.11, the word 'Member' in Rule 9.15 shall be read as 'Survivor'.

8.12 **Deduction of tax.** Payment of a lump sum under Rules 8.10 or 8.11 shall be made after deduction of tax at the rate specified in section 648B(2) of the Act.

9. MEMBER DIES BEFORE BENEFIT STARTS

9.1 **Member's choice.** If allowed to do so under the Scheme, and subject to Rule 9.17, a Member may choose that, if he or she dies before the benefit starts, the Member's Fund will be used to buy from an Insurer a Survivor's pension, ie a pension for:-

(1) the widow or widower; and/or

(2) one or more Dependants.

Alternatively, the Member may choose for the Member's Fund to be used to pay a lump sum under Rule 9.14 and, if applicable, Rule 9.15.

But, if Rule 9.2 applies, any choice made by the Member will have no effect.

9.2 **Protected Rights Fund - compulsory.** If a Member with a Protected Rights Fund dies before the pension starts, the Scheme Administrator must take reasonable steps to find out whether the Member is survived by a Protected Widow or Widower.

If the Scheme Administrator discovers that the Member is survived by a Protected Widow or Widower, then, as soon as practicable, the Member's Protected Rights Fund must be used to buy the Protected Widow or Widower a pension unless the Scheme Administrator decides to pay a lump sum under Rule 9.7. The rest of the Member's Fund (if any) must be used, either to buy further pension for the Protected Widow or Widower or to buy a pension for another widow, widower, or Dependant(s) of the Member. If the Member has not chosen the recipient or recipients, the Scheme Administrator may do so.

When a Survivor has a pension, part of which is bought by the Member's Protected Rights Fund and part of which is not, the provisions below about the permissible dates for the pension to start and to stop apply to each part separately.

9.3 **Member's or Survivor's choice of Insurer.** If the Provider is not an Insurer and the Member has notified the Scheme Administrator that he or she wishes the pension to be bought from a particular Insurer, then (except in the case of a pension payable to a Protected Widow or Widower) the Scheme Administrator must buy the pension from that Insurer.

In any other case (including cases of a Protected Widow or Widower) where the Provider is not an Insurer, the Scheme Administrator must write and tell the Survivor that she or he has the right to choose an Insurer. The Survivor then has three months to write back and tell the Scheme Administrator which Insurer she or he has chosen. If the Survivor chooses an Insurer, she or he may at the same time decide whether any of the options in Rules 9.8 to 9.13 will apply to the pension.

Where the Provider is an Insurer, the Provider may either provide the pension or permit the Member or Survivor to choose an Insurer as described above. Where the Provider provides the pension, the Scheme Administrator may allow the Member or the Survivor to choose whether any of the options in Rules 9.8 to 9.13 will apply to the pension or the Scheme Administrator may make the choice.

9.4 **Scheme Administrator's choice.** Subject to Rule 9.17, if a Member or Survivor who is allowed to choose an Insurer does not do so by writing to tell the Scheme Administrator by the latest date permitted under Rule 9.3, the Scheme Administrator will choose the Insurer and will decide which of the alternatives in Rules 9.8 to 9.13 will apply to the pension.

9.5 **Maximum amount of pension.** The total of all Survivors' pensions under Rule 9 must not be more than the highest amount of pension which the Member could have purchased the day before he died (assuming that he or she would not have taken any lump sum under Rule 7.1). Any restriction of a Survivor's pension required by the foregoing will be deemed to have been achieved by a corresponding reduction of the Survivor's Fund in the event that the Survivor chooses option (1) or (2) under Rule 8.10. Any part of the Member's Fund that cannot be used to buy Survivors' pensions will be used by the Scheme Administrator to meet general administration expenses of the Scheme.

9.6 **Start of Survivor's pension.** A Survivor's pension, unless deferred as in Rule 9.17, will start as soon as practicable after the Member dies, except as described below.

A widow or widower who is under age 60 when the Member dies may choose a pension to start at any later time up to the 60th birthday (or, if she or he is receiving continued payments of the Member's pension for a guarantee period ending after the 60th birthday, at the end of the guarantee period). A Protected Widow or Widower may not, however, do this with any Survivor's pension bought with the Member's Protected Rights Fund (as described in Rule 9.2).

9.7 **Protected Rights Fund - lump sum instead of small pension.** If there is a surviving Protected Widow or Widower and the pension from the Member's Protected Rights Fund would not be more than £260 per annum (or such greater amount as may be prescribed by regulations made under section 28 of the Pension Schemes Act and is permitted by the Inland Revenue) the Scheme Administrator may pay the cash value of the Protected Rights as a lump sum instead. The Scheme Administrator may not do so if the Member had other rights under the Scheme (ie from all Arrangements) when the Member died which are not being satisfied by a lump sum, or if the Inland Revenue limits would otherwise be infringed.

9.8 **Duration of child's pension.** A pension payable to a person who is a Dependant solely because that person is under age 18 when the Member dies must stop when the Dependant reaches age 18, except that it may (but need not) continue after that age for so long as the Dependant stays in full-time educational or vocational training.

9.9 **Duration of Protected Widow's or Widower's pension.** The pension bought with a Member's Protected Rights Fund will continue until the death of the Protected Widow or Widower unless provision is made for it to stop:-

> **either** if the Protected Widow or Widower remarries before reaching State Pensionable Age
>
> **or** if, before the Protected Widow or Widower reaches age 45, the situation changes

so that she or he is neither entitled to child benefit for a Qualifying Child under age 18 nor living with a Qualifying Child under age 16.

9.10 **Duration of other Survivor's pension.** A Survivor's pension which is not covered by Rules 9.8 or 9.9 must be paid for the Survivor's life or may stop if the Survivor marries. If it is payable to a widow or widower it may also stop if, before the widow or widower reaches age 45, there ceases to be any other Survivor under age 18.

9.11 **Widow's or widower's pension continuing to a child.** A Survivor's pension bought with a Member's Protected Rights Fund for a Protected Widow or Widower may (but need not) be on terms that, if the widow or widower is still receiving a pension when she or he dies and leaves a Dependent Child (or Dependent Children), the pension will continue for the benefit of that child or those children. **"Dependent Child(ren)"** means a child for whom the widow or widower was entitled to child benefit immediately before she or he died (or would have been if the child had been in Great Britain). The amount paid as pension for the child(ren) will not be more than the widow's or widower's pension would have been if she or he had survived. It will continue to be paid only so long as at least one Dependent Child is under age 18.

9.12 **Minimum payment guarantee.** A Survivor's pension may (but need not) be on terms that it will in any event be paid for a guarantee period not exceeding 10 years if it is not bought with the Protected Rights Fund. Then, if the pension would have stopped in accordance with Rules 9.8 or 9.10, it will be paid for the rest of the guarantee period to another individual, or to the estate of the Member or of another individual who dies after the Member (and the recipient may vary from time to time).

Where the pension continues and is payable to another individual it may either continue to be payable for the full guarantee period in any event, or be arranged so as to stop if at any time the individual to whom it is being paid marries, reaches age 18 or leaves full-time educational or vocational training after reaching age 18.

9.13 **Minimum payment guarantee - Protected Rights Fund.** The pension bought with a Member's Protected Rights Fund may (but need not) be on terms that it will be paid for a guarantee period up to 5 years from its commencement. Then if, within that guarantee period, the Protected Widow or Widower dies or the pension would have stopped in accordance with Rule 9.11, the pension will be paid for the rest of the guarantee period to another individual, or to the estate of the Member or of another individual who dies after the Member (and the recipient may vary from time to time).

Where the pension continues and is payable to another individual it may either continue to be payable for the full guarantee period in any event, or be arranged so as to stop if at any time the individual to whom it is being paid marries, reaches age 18 or leaves full-time educational or vocational training after reaching age 18.

9.14 **Protected Rights Fund - no Protected Widow or Widower.** If a Member with a Protected Rights Fund dies and either:-

(1) the Scheme Administrator decides after making reasonable enquiries that the Member died without leaving a Protected Widow or Widower; or

(2) the Protected Widow or Widower dies before the pension is bought

then, and provided that no pension has become payable to another Survivor, the Scheme

Administrator must, as soon as practicable and subject to Rule 9.16, pay the value of the Member's Protected Rights Fund in accordance with any direction given by the Member in writing, or to the Member's estate. If any pension is paid under Rule 9.1, the Member's Protected Rights Fund must be used to buy Survivors' pensions. Such pensions may (but need not) be on terms that they will be paid for any period not exceeding 10 years.

9.15 **Non-Protected Rights Fund - lump sum.** Subject to Rule 13.5, if a Member dies and no Survivor's pension has become payable under Rules 9.1 or 9.2, then the Scheme Administrator may, as soon as practicable and subject to Rule 9.16, pay out the Member's Fund (other than any Protected Rights Fund) as a lump sum:-

(1) in accordance with any specific provision regarding payment of such sums under the contract(s) applying to the Arrangements in question; or

(2) if (1) is not applicable and at the time of the Member's death the Scheme Administrator is satisfied that the contract is subject to a valid trust under which no beneficial interest in a benefit can be payable to the Member, the Member's estate or the Member's legal personal representatives, to the trustees of the trust; or

(3) if (1) and (2) are not applicable, at the discretion of the Scheme Administrator, to or for the benefit of any one or more of the following in such proportions as the Scheme Administrator decides:-

(a) any persons (including trustees) whose names the Member has notified to the Scheme Administrator in writing;

(b) the Member's surviving spouse, children and remoter issue;

(c) the Member's Dependants;

(d) the individuals entitled under the Member's will to any interest in the Member's estate;

(e) the Member's legal personal representatives.

For this purpose a relationship acquired by legal adoption is as valid as a blood relationship.

9.16 **Lump sum payable by Scheme Administrator - time limit.** The Scheme Administrator will pay any lump sum within 2 years of the Member's death. If this is not practicable then, at the end of 2 years, it will be transferred to a separate account outside the Scheme until it can be paid.

9.17 **Pension deferral.** The purchase of any Survivor's pension under Rules 9.1 or 9.2 (other than from the Protected Rights Fund) may be deferred at the written option of the Survivor unless he or she has attained the age of 75 or has made an election under Rule 9.6. Subject to Rules 9.8 and 9.10, the Survivor shall notify the Scheme Administrator in writing when he or she wishes the deferral to end, providing at least one month's notice. The pension must be purchased before the earlier of the Member's 75th birthday and the Survivor's 75th birthday.

9.18 **Income withdrawals.** Whilst any pension is deferred under Rule 9.17, the Survivor shall make income withdrawals from the Survivor's Fund in accordance with this Rule and Rule 9.19. Income withdrawals must be made before the earlier of the Member's 75th birthday and the Survivor's 75th birthday. The Survivor must not make any income withdrawals after ceasing to be entitled to a pension under Rules 9.8 or 9.10 (any Survivor's Fund remaining at the date of such cessation will be used to meet general administrative expenses of the Scheme).

9.19 **Income withdrawal limits.** Pensions payable to Survivors which are not Protected Pensions can be of any amount so long as the total of all pensions is not more than the highest amount of pension which the Member could have purchased the day before he died. The (aggregate) amount of income withdrawal(s) in each of the three successive periods of twelve months beginning with the date of the Member's death shall not exceed the amount of pension purchasable on that date calculated by reference to the amount of the Survivor's Fund and the current published tables of annuity rates prepared for this purpose by the Government Actuary. Thereafter Rule 7.12 shall apply. Such income withdrawals shall not be less than 35% of the pension so calculated. This minimum limit shall not apply for the twelve month period during which the pension is purchased or the Survivor dies, or ceases to be entitled to a pension under Rules 9.8 or 9.10.

9.20 **Death of Survivor during pension deferral period.** If a Survivor dies after electing to defer his or her pension under Rule 9.17, but before the pension is purchased, the Survivor's Fund shall be paid as a lump sum in accordance with Rule 9.15. For the purposes of this Rule 9.20, the word 'Member' in Rule 9.15 shall be read as 'Survivor'.

10. MEMBER DIES BEFORE PENSION STARTS - LIFE INSURANCE

Lump sum payable under life insurance contract. If some of the contributions in respect of a Member have been used to pay premiums under a life insurance contract as described in Rule 4.5, the Scheme Administrator will ,as soon as practicable and subject to Rule 9.16, pay the lump sum benefit from the contract:-

(1) in accordance with any specific provision regarding payment of such sums under the contract; or

(2) if (1) is not applicable and at the time of the Member's death the Scheme Administrator is satisfied that the contract is subject to a valid trust under which no beneficial interest in a benefit can be payable to the Member, the Member's estate or the Member's legal personal representatives, to the trustees of the trust; or

(3) subject to the proviso to Rule 4.5, if (1) and (2) are not applicable and at the time of the Member's death the contract is vested in an assignee, other than the Member's estate or the Member's legal personal representative, to the assignee; or

(4) if (1), (2) and (3) are not applicable, at the discretion of the Scheme Administrator, to or for the benefit of any one or more of the following in such proportions as the Scheme Administrator decides:-

(a) any persons (including trustees) whose names the Member has notified to the Scheme Administrator in writing;

(b) the Member's surviving spouse, children and remoter issue;

(c) the Member's Dependants;

(d) the individuals entitled under the Member's will to any interest in the Member's estate;

(e) the Member's legal personal representatives.

For this purpose a relationship acquired by legal adoption is as valid as a blood relationship.

11. MEMBER WITH PROTECTED RIGHTS FUND DIES AFTER PENSION STARTS BUT BEFORE STATE PENSIONABLE AGE

If a Member has a Protected Rights Fund, and dies after any other benefit starts but before State Pensionable Age, then the benefit on the Member's death will be as follows:-

(1) Rule 9 will apply to the Protected Rights Fund as if the Member had died before the benefit had started. Consequently, where the conditions described in Rule 9.14 apply and no part of the Member's Fund containing Protected Rights is to be used to pay a Survivor's pension, the Member's Protected Rights Fund must be paid as a lump sum;

(2) any other benefits will be as described in Rule 8.

12. TRANSFER OUT OF THE SCHEME

12.1 **Member's right to a cash equivalent.** A Member has a right to a cash equivalent under the provisions of Part IV Chapter IV of the Pension Schemes Act.

If a Member elects to apply for a cash equivalent, then <u>all</u> the Member's accrued rights in <u>all</u> Arrangements under the Scheme must be transferred, subject to special conditions for Protected Rights.

12.2 **Transfer payments.** In the absence of an election to apply for a cash equivalent under Rule 12.1, the Scheme Administrator may, nevertheless, at the written request of a Member transfer the Member's Fund, or that part of it which excludes Protected Rights, to another scheme of which he or she has become a member. Where Protected Rights are to be transferred, the whole of the Member's Protected Rights Fund under the Scheme must be transferred subject to the special conditions for Protected Rights set out in Rules 12.5 and 12.7. If Protected Rights are to be transferred from an Arrangement which also contains Non-Protected Rights, then the latter must also be transferred.

The Member's Fund may be transferred to:-

(1) another Approved Personal Pension Scheme;

(2) an occupational pension scheme approved under Chapter I of Part XIV of the Act to which the Member's Employer contributes or has contributed;

(3) a relevant statutory scheme as described in section 611A of the Act;

(4) any other scheme approved for the purpose of this Rule by the Inland Revenue.

The transfer must be made by a direct payment between the Scheme Administrator and the administrator or trustee of the other scheme, or through a financial intermediary, being a person acceptable to both parties.

The Scheme Administrator must comply generally with all Inland Revenue requirements concerning making transfer payments.

12.3 **Member withdrawing a request.** The Member may withdraw a request by giving the Scheme Administrator notice in writing to that effect but may not withdraw a request after the Scheme Administrator has entered into a binding agreement with a third party to make the transfer to the other scheme. A Member who has withdrawn a request may make another.

12.4 **Time of transfer.** The transfer must be completed before any benefit from the Member's Fund becomes payable or would have become payable but for an election to defer the purchase of the pension under Rule 7.9. A Member with a Protected Rights Fund whose pension has started but who has not reached State Pensionable Age may, however, arrange for the Protected Rights Fund to be transferred under this Rule, so long as the transfer is completed before the Member reaches State Pensionable Age.

12.5 **Protected Rights Fund - additional conditions.** The transfer of a Member's Protected Rights Fund will be subject to the following additional conditions, according to the type of scheme to which a transfer is being made.

(1) **All Schemes**

The Member must consent to the transfer.

The receiving scheme must be an appropriate personal pension scheme, a Contracted-out occupational pension scheme, an occupational pension scheme which has ceased to be Contracted-out but is still under the supervision of the Occupational Pensions Board or an overseas occupational pension scheme to which the Occupational Pensions Board approve the transfer.

The transfer payment must be of an amount at least equal to the Member's Protected Rights Fund.

(2) **Appropriate personal pension schemes and occupational pension schemes which are or were Contracted-out by the money purchase test**

The transfer payment must be applied by the receiving scheme in providing Money Purchase Benefits for and in respect of the Member.

(3) **All occupational pension schemes (except overseas schemes not covered by (2), (4) or (5))**

The Member must have entered employment with an Employer which is (or, where the scheme has ceased to be Contracted-out, was) a contributor to the receiving scheme, or be a former member of the receiving scheme.

(4) **Occupational pension schemes other than schemes which are or were Contracted-out by the money purchase test**

The receiving scheme must provide the Member and the Member's widow or widower with Guaranteed Minimum Pensions equal to those to which they would have been treated as entitled by reason of the Member's membership of the Scheme if the transfer payment had not been made.

The transfer must have been made on or after 6 April 1990.

(5) **Schemes which have ceased to be Contracted-out and are under the supervision of the Occupational Pensions Board**

No transfer payment may be made to such a scheme without the approval of the Occupational Pensions Board, who may impose any conditions they consider appropriate.

(6) **Overseas occupational pension schemes not covered by (2), (4) or (5)**

The Member must have entered employment outside the United Kingdom to which the receiving scheme applies, or be a former member of the receiving scheme.

No transfer payment may be made to such a scheme without the approval of the Occupational Pensions Board, who may impose any conditions they consider appropriate.

12.6 **Discharge of rights.** Entitlement to benefit under the Scheme for or in respect of the Member will cease in respect of any rights transferred in accordance with this Rule and the Provider and the Scheme Administrator will be discharged from any obligation to provide benefits in respect of those rights.

12.7 **Multiple transfers.** A Member may elect under this Rule for different parts of the Member's Fund(s) to be transferred as described above to different schemes.

13. TRANSFER INTO THE SCHEME

13.1 **Transferring scheme.** The Scheme Administrator may, at the written request of a Member, accept a transfer payment representing the value of the Member's rights under:-

(1) another Approved Personal Pension Scheme;

(2) an occupational pension scheme approved, or being considered for approval, under Chapter I of Part XIV of the Act;

(3) a deferred annuity contract providing benefits arising out of previous membership of an occupational pension scheme as described above (ie a "buy-out policy" or "section 32 policy" as described in section 591(2)(g) of the Act, or a policy assigned to the Member in the terms of section 431(4)(b) of the Act);

(4) a retirement annuity contract or trust scheme approved under Chapter III of Part XIV of the Act;

(5) a relevant statutory scheme as described in section 611A of the Act;

(6) any other source permitted by the Inland Revenue.

13.2 **General conditions.** The transfer must be made by a direct payment between the administrator or trustee of the other scheme and the Scheme Administrator (or, in the case of a transfer of the type described in Rules 13.1(3) or (4), between the insurance company or friendly society concerned and the Scheme Administrator). Alternatively the transfer may be made through a financial intermediary, being a person acceptable to both parties.

A transfer payment is not a contribution for the purpose of section 639(1) of the Act (tax relief). It may not be used for the purpose of Rule 4.5 (buying life insurance) or Rule 4.6 (waiver of contributions).

Before accepting a transfer payment from another personal pension scheme, the Scheme Administrator must find out from the administrator of the transferring scheme how much of the transfer payment (if any) is derived from funds which have been held for the provision of benefits for the Member by a scheme or schemes of the kind described in Rules 13.1(2),(3),(5) or (6). This amount must be subject to the restriction in Rule 13.5.

If a transfer payment is later made from the Scheme to another Approved Personal Pension Scheme, the Scheme Administrator must give the administrator of the receiving scheme any information requested as to any part of the transfer payment which is subject to the restriction in Rule 13.5.

The Scheme Administrator must comply generally with all Inland Revenue requirements concerning accepting transfer payments and providing benefits from transfer payments including that stated in Rule 7.1(4).

13.3 **Protected Rights.** A transfer payment under Rule 13.1 may include:-

(a) Protected Rights for the Member from another scheme which is, or was, an Appropriate Personal Pension Scheme or an occupational pension scheme Contracted-out by the money purchase test; or

(b) the Member's accrued rights to Guaranteed Minimum Pensions under a scheme which is, or was, a salary related Contracted-out scheme, or an insurance policy or annuity contract of the type described in section 19 of the Pension Schemes Act.

If such a transfer is received, then the Scheme Administrator must use that part of the transfer payment representing Protected Rights or accrued rights to Guaranteed Minimum Pensions to provide the Member with Protected Rights under the Scheme. The rest of the transfer payment will only be used to provide Protected Rights if the Scheme Documents say that these Rules apply to all payments to the Scheme.

13.4 **Time of transfer.** The transfer must be completed before the Member's pension from the Member's Fund is due to start. A Member with a Protected Rights Fund whose pension has started but who has not reached State Pensionable Age may, however, arrange for a transfer payment representing the Protected Rights or Guaranteed Minimum Pension to be made to the Scheme under this Rule, so long as the transfer is completed before the Member reaches State Pensionable Age.

13.5 **Lump sum restriction on death.** If the Member dies before the pension starts the Scheme Administrator must use any part of the Member's Fund which derives from a transfer payment from a source of the sort described in Rules 13.1(2),(3),(5) or (6) either:-

(a) by using it wholly to buy Survivors' pensions as described in Rule 9; or

(b) by paying up to 25% (one quarter) of it as a lump sum in the way described in Rule 9.15, and by using the rest of it to buy Survivors' pensions as described in Rule 9. If there is no surviving widow or widower and there is no Dependant to whom a pension has become payable, the whole may be paid as a lump sum. But Rule 9.14 overrides this Rule 13.5. In any case where Rule 9.14 applies, the Protected Rights Fund must always be used in the way described in Rule 9.14.

14. GENERAL PROVISIONS ABOUT BENEFITS

14.1 **Rights under the Scheme.** A person's rights under the Scheme are only those given under the Scheme Documents or by any insurance or pension contract bought with the Member's Fund.

14.2 **Assignment.** Rights to a lump sum retirement benefit under the Scheme may not be assigned or surrendered.

No pension secured with a Member's Fund may be assigned or surrendered. The only exception is that a pension which continues to a person's estate after his or her death may be assigned by his or her will, or by his or her personal representatives in distributing his or her estate, for any of the following reasons:-

(1) to give effect to his or her will; or

(2) to give effect to the rights of those entitled on his or her intestacy; or

(3) to appropriate it to a legacy or to a share or interest in the estate.

Furthermore, by statute, every assignment of Protected Rights or payments giving effect to them is void. So is any charge on them, and also any agreement to assign or charge them.

14.3 **Beneficiary unable to act.** If the Scheme Administrator believes that a person entitled to payments is unable to act by reason of mental disorder or otherwise, the Scheme Administrator may arrange that payments, instead of being made to that person, will be made for the maintenance of that person and/or any of that person's Dependants. If any payments are not so made, they (and any proceeds) must be held for the person concerned until that person is again able to act. If that person dies without becoming able to act, payment must be made to that person's estate. Any payment made in accordance with this provision will discharge the Provider and the Scheme Administrator from any obligation to provide the benefits to which it relates.

14.4 **Prison.** If a person entitled to benefit is serving a period of imprisonment or detention in legal custody, payments which are or become due to that person from a Member's Protected Rights Fund or payments of a benefit secured with that Fund may be suspended. The value of the suspended payments must then be used for the maintenance of one or more of that person's Dependants.

14.5 **Whereabouts unknown.** The Scheme Administrator may use discretion to decide that any person who is entitled to a payment under the Scheme shall cease to have any claim to the payment if at least 6 years have passed from the date the payment became due and the address of the person is not known to the Scheme Administrator. The Scheme Administrator must, however, first take all reasonable steps to ascertain the address.

14.6 **Evidence.** The Scheme Administrator may require any Member or any other person to whom a pension or lump sum is payable under the Scheme to produce any evidence or information which the Scheme Administrator may from time to time reasonably require. If the Member or the other person does not produce the evidence or information, the Scheme Administrator may withhold payment of any benefit to which it is relevant until it is produced.

14.7 **Notice to Scheme Administrator.** Where these Rules give a Member or other person any choice, the Scheme Administrator may impose any requirements as to the period or form of the notice to be given by the Member, so long as these do not conflict with any requirements specified in these Rules.

15. GENERAL PROVISIONS ABOUT PENSIONS

15.1 **Payment intervals.** The pension bought from a Member's Fund may be paid in advance or arrear. It must be paid at least once a year.

If a pension bought with a Member's Protected Rights Fund is payable in advance, it must be paid at least once a year. If it is payable in arrear, it must be paid at least monthly unless the recipient agrees in writing that it can be paid less often. It must be paid at least once a year.

15.2 **Increase in payment.** A pension under the Scheme may be of a level amount, a variable amount or may increase in payment.

But in the case of a pension bought with a Member's Protected Rights Fund, the following special conditions apply:-

(1) the pension must increase each year by the same percentage as a Guaranteed Minimum Pension accruing after 5 April 1988. These increases are governed by orders under section 109 of the Pension Schemes Act and reflect increases in the general level of prices up to a maximum of 3%;

(2) the pension may (but need not) be on terms that it will increase by a greater amount, but not by more than 3% in any year;

(3) the first increase must be made not later than the first anniversary of the pension starting. Further increases must be made on each anniversary of the first increase.

15.3 **Enforceability.** The Scheme Administrator may only buy a pension from an Insurer with a Member's Protected Rights Fund if the Scheme Administrator is satisfied that any person who is or may be entitled to payment of that pension may enforce that entitlement:-

(a) under a trust: or

(b) under a deed poll; or

(c) under Scottish law.

16. PROVIDER AND SCHEME ADMINISTRATOR

16.1 **Provider.** The name of the Provider is set out in the Appendix at the end of these Rules. The Provider is a person permitted by section 632 of the Act to establish a personal pension scheme. If the Provider ceases to be such a person, the Scheme Administrator must immediately inform the Inland Revenue.

16.2 **Scheme Administrator.** The Provider has appointed as first Scheme Administrator the person named in the Appendix at the end of these Rules. The Provider may by notice remove the Scheme Administrator provided that at the same time it appoints another.

The Scheme Administrator is responsible for discharging the duties imposed by these Rules and by the Act. The Scheme Administrator must be a person resident in the United Kingdom. If the Provider is resident in the United Kingdom, the Provider may be appointed as the Scheme Administrator.

17. CLOSING OR WINDING-UP THE SCHEME

17.1 **Closing the Scheme.** The Provider may at any time:-

(1) stop admitting new members to the Scheme, but continue to accept contributions from, and in respect of, existing Members; or

(2) stop admitting new members to the Scheme and stop accepting contributions from, and in respect of, existing Members.

If the Scheme is closed, the Scheme Administrator must continue to operate the Scheme under the Scheme Documents, unless the Provider is winding-up the Scheme. Where (2) above applies, the Scheme Administrator must notify each Member of his or her rights and options under the Personal Pension Schemes (Disclosure of Information) Regulations 1987.

17.2 **Winding-up the Scheme.** The Provider may wind-up the Scheme by giving notice to the Scheme Administrator. The Scheme Administrator must then notify each Member of his or her rights and options under the Personal Pension Schemes (Disclosure of Information) Regulations 1987. This notification must include notice of the Member's rights to a transfer under Rule 12.

When a Member does not make a choice under Rule 12, the Scheme Administrator must transfer the Member's Fund, excluding the Protected Rights Fund, to another Approved Personal Pension Scheme of the Scheme Administrator's choice. The Member's consent will not be necessary. When the Member has a Protected Rights Fund, Rule 19 also applies.

18. WITHDRAWAL OF REVENUE APPROVAL

18.1 **Withdrawal of approval of Scheme.** If the Inland Revenue withdraw approval of the Scheme under the Act, the Scheme Administrator will inform the Members within 3 months of the date of receipt of the notice of withdrawal unless the Scheme Administrator appeals. If an appeal is made, the Scheme Administrator will inform the Members within 3 months of the date of receipt of the notice that the Special Commissioners have dismissed the appeal or have ruled that the decision is to have effect from a different date. The Scheme Administrator will then wind-up the Scheme as described in Rule 17.2.

18.2 **Withdrawal of approval of a Member's Arrangement.** If the Inland Revenue inform the Scheme Administrator that they are withdrawing approval of an Arrangement made for a Member under the Scheme, the Scheme Administrator will inform the Member within 3 months of the date on which the notice of withdrawal is issued by the Inland Revenue unless the Scheme Administrator appeals. If an appeal is made, the Scheme Administrator will inform the Member within 3 months of the date of receipt of any notice that the Special Commissioners have dismissed the appeal or have ruled that the decision is to have effect from a different date. When the Scheme Administrator informs the Member of the withdrawal of approval, the Scheme Administrator will also inform the Member of his or her rights to a transfer under Rule 12.

19. SCHEME CEASES TO BE AN APPROPRIATE PERSONAL PENSION SCHEME

If the Scheme ceases to be an Appropriate Personal Pension Scheme, the Scheme Administrator will inform Members of their rights and options in accordance with the Personal Pension Schemes (Disclosure of Information) Regulations 1987 and will seek the Occupational Pensions Board's approval to any proposed arrangements for securing Protected Rights. If it is decided to buy Members back into the State Earnings Related Pension Scheme (SERPS), then personal pension protected rights premiums must be calculated and paid to the Secretary of State for Social Security in the manner required by regulations made under the Pension Schemes Act. Once the premium has been paid, the Member will no longer have any Protected Rights under the Scheme.

20. INVESTMENTS OR DEPOSITS HELD FOR THE PURPOSE OF THE SCHEME

The Fund Manager must not permit any type of investment under this Rule which would change, or conflict with, the form the Scheme has taken for the purpose of its appropriate scheme certificate.

20.1 **Effective date.** The provisions of Rules 20.2 to 20.5 shall, subject to Rule 20.6, have effect from 1 November 1989.

20.2 **Loans.** The Fund Manager shall not use directly or indirectly any of the investments or deposits held for the purpose of the Scheme to lend money to a Member or any person connected with a Member. The Fund Manager shall also ensure that no loan from any source made to a Member shall in any way affect the return on the investments representing that Member's interest in the Scheme.

20.3 **Other investments.** The Fund Manager shall not, subject to Rule 20.4, enter into any investment transactions with a Member or any person connected with a Member. For the purposes of this Rule 20.3, investment transactions shall include the acquisitions by the Fund Manager of a Member's commercial property or stocks or shares, and the subsequent acquisition by the Member of any of the investments or deposits held for the purpose of the Scheme. All transactions in quoted United Kingdom or overseas securities shall take place through a recognised stock exchange, unless otherwise permitted by the Inland Revenue.

20.4 **Further conditions.** The Fund Manager shall not hold directly, as an investment, residential property or land connected with such a property, or personal chattels capable in any way of private use. This provision shall not, subject to Rule 20.3, apply to commercial land and property. The Fund Manager may lease any commercial property to any business or partnership connected with a Member but the Fund Manager must ensure that the lease, including the rent payable, is on commercial terms as determined by a professional valuation.

20.5 **Connected transactions.** For the purposes of Rules 20.2 to 20.4, a person is connected with a Member if that person falls within the definition of "connected persons" in section 839 of the Act. The Scheme Administrator shall ensure that any transaction falling within the provisions of these Rules is not one with a connected person, save where permitted by Rule 20.4. Also, a transaction need not be regarded as being with a Member or a connected person if it relates wholly to pooled funds which are genuinely open to any member of the public, which are clearly described in the Provider's literature and disclosure documents as being standard funds open to all, where the investment management is undertaken by the Provider with no direction or influence by members and where a common value is applied across the membership with no segregation or linking of particular assets to particular members.

20.6 **Transactions completed before 1 November 1989.** The provisions of Rules 20.2 to 20.5 shall not apply to any transactions which fall within those provisions but which were completed before 1 November 1989.

21. ALTERATIONS TO THESE RULES

21.1 **Inland Revenue consent.** No alteration may be made to any of these Rules without the consent of the Inland Revenue. This applies whether the alteration is made under Rule 21.3 or under any other power of alteration in the Scheme Documents.

21.2 **Occupational Pensions Board (OPB) consent.** No alteration which affects matters dealt with in the Pension Schemes Act may be made to any of these Rules without the consent of the OPB. This applies whether the alteration is made under Rule 21.3 or under any other power of alteration in relation to the Scheme. This restriction will only apply, however, so long as anyone has Protected Rights under the Scheme or the Scheme has a current appropriate scheme certificate.

21.3 **Power to alter these Rules.** The Scheme Administrator may at any time in writing make any alteration to these Rules which is necessary to ensure that the Scheme retains its appropriate scheme certificate or which is necessary to ensure that the Scheme retains its approval under Chapter IV of Part XIV of the Act. This power of alteration may be exercised by the Scheme Administrator alone and without any conditions except the ones in Rules 21.1 and 21.2. It is additional to, and independent of, any other power of alteration in relation to the Scheme.

21.4 **Alteration of an Arrangement.** No Arrangement may be amended in a way which could prejudice the Inland Revenue approval of the Scheme or of the Arrangement.