

Scottish Friendly Personal Pension Plan  
Plan Conditions  
Nucleus APP only version

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## Overview of main plan features

The Scottish Friendly Personal Pension Plan (the 'Scheme') has been established by a Resolution of the Board of Directors of Scottish Friendly Assurance Society Limited (the 'Society ') adopting the Rules of the Scheme (the 'Rules'). The Society is also the current Scheme Administrator.

Any enquiries about the Scheme generally or about your entitlement to benefits under the Scheme should be addressed to the Scheme Administrator at the Society's Head Office at Scottish Friendly House, 16 Blythswood Square, Glasgow G2 4HJ from which copies of the Rules may be obtained.

This overview sets out the most important aspects likely to affect your Plan under the Scheme.

WHEN YOU WANT TO ALTER YOUR PLAN OR ARRANGE YOUR BENEFIT PAYMENT, YOU SHOULD CONTACT YOUR FINANCIAL ADVISER OR THE SCHEME ADMINISTRATOR.

The Scheme is an "Appropriate" Scheme in terms of the Pension Schemes Act 1993 and hence your Plan can be used to contract out of the State Second Pension (S2P). In order to contract out you must elect to make the Plan your "Chosen Scheme" by completing form CA1542. The Scheme Administrator will provide this form on request.

If you choose to use your Plan to contract out of S2P you will lose entitlement to part of your state benefits for the time you are contracted out and the Contributions Agency will instead pay contributions known as Minimum Contributions to your Plan.

These Minimum Contributions must be applied to secure protected rights under the Scheme. This means that if they are used to purchase a pension from a life assurance company or friendly society, the pension must be purchased using unisex/unistatus annuity rates and must continue at (at least) half the rate of your pension at your date of death to a surviving spouse or civil partner.

On your death, the protected rights fund must be used to provide a pension for a surviving spouse or civil partner.

## Taking benefits

Benefits may be taken in any form permitted by the Rules. They cannot normally be taken before age 50 (55 after 6 April 2010) and you do not have to retire to take your benefits. You may, if you wish, "phase" the taking of your benefits over a period of months or years. You must start taking benefits by the time you reach your 75th birthday.

When you take your benefits you can choose to use the proceeds of your Plan to purchase either a pension OR a tax free-cash lump sum (up to 25% of the value in your Plan is available to provide a tax free cash lump sum) and a smaller pension. A pension can be purchased from any annuity provider of your choice. This means advantage can be taken of the best annuity rates available when you retire. Alternatively, your pension income may be drawn down from your Plan, within the limits set by HMRC and subject to any minimum fund requirements set by the Scheme.

Under the Rules, if you are medically incapacitated you may be able to take your benefits prior to age 50 (55 from 6 April 2010) and in some circumstances, if you are in serious ill health you may be able to take all of your benefits in the form of a serious ill health lump sum (as defined in the Rules).

Your pension will be paid subject to deduction of income tax under the PAYE system.

## Death

The full value of your Plan will be available to provide benefits under the terms of the Rules in the event of your death. Pensions paid to a spouse or other dependant are normally subject to deduction of tax in the same way as members' pensions.

Lump sum death benefits will normally be payable at the Scheme Administrator's discretion to one or more of the beneficiaries nominated by you in the application form. Any lump sum death benefit paid to beneficiaries is normally free of tax.

## Changing address

If you move house you should tell the Scheme Administrator as soon as possible so that there is no problem in tracing you when your benefits are to be paid.

## Changing employment

If you change from being self-employed to employed or *vice versa*, or if you change employer, or if you become unemployed you should tell the Scheme Administrator as soon as possible.

# 1. General details

## 1.1 The scheme

Within the Scheme the Investor shall have one or more Plans as determined by the Scheme Administrator in accordance with the Rules. Each Plan is an 'Arrangement' as defined for the purposes of the Rules, and consists of a policy of assurance issued by the Society and referred to in the Schedule.

Each Plan shall consist of two notional accounts - an "Accumulation Account" and a "Benefits & Income Account" and contributions which are credited to the Plan shall be allocated to and invested within the relevant Accumulation Account under that Plan. Immediately before any benefit becomes payable from the Plan (excluding the payment of any transfer value) the relevant part of the Accumulation Account which is to be designated for the provision of the benefit shall be re-allocated to the Benefits & Income Account within the Plan, and the benefit shall then (as appropriate) be purchased or provided from the Benefits & Income Account.

Each Plan is evidence of a contract between the Investor and the Society (in all its capacities under the Scheme) and is based on the Application and Declaration made by the Investor on the First Application Date shown in the Schedule and any associated Application(s) and Declaration(s) made by the Investor.

Each Plan consists of and is subject to:

- (a) the Schedule, and
- (b) these standard Plan Conditions ("the Plan Conditions") bearing the Reference shown on the Schedule.

## 1.2 Statutory provisions

Each Plan is issued in connection with the Scheme and is subject to the Rules. The Scheme has been established by a Resolution of the Directors of the Society, and is a registered pension scheme under the Finance Act 2004 (as amended from time to time). In addition, HMRC has issued an Appropriate Scheme Certificate in respect of the Scheme.

In the event of:

- (a) the Scheme ceasing to be a registered pension scheme under the Finance Act 2004; or
- (b) any change or anticipated change in legislation which makes it impracticable to carry out the Plan Conditions; or
- (c) a change in the basis of taxation of the Society with regard to policies of this type; or
- (d) the Society being required by law to pay any sum in respect of the Plan to any government agency; or
- (e) a change in market conditions; or
- (f) any recommendations by the Financial Services Authority; or
- (g) any changes to the Society's systems, methods of operation, services or facilities; or
- (h) any mistake being discovered; or
- (i) the Scheme being wound up

the Society will make such alterations to the Plan Conditions or to the units allocated to the Plan as it considers necessary.

### 1.3 Payment of benefits

The Scheme Administrator will pay any benefits under your Plan in accordance with the Rules as stated in the Schedule. Such payment will be made at the Scheme Administrator's Head Office subject to:

- (a) due payment of contribution(s);
- (b) delivery of the Plan documents listed in 1.1 to the Scheme Administrator; and
- (c) satisfactory proof being provided to the Directors of the Society in relation to
  - (i) the happening of any event on which sums become due under the Plan and the Scheme
  - (ii) the title of the claimant, and
  - (iii) the correctness of the stated date of birth of the Investor.

If the date of birth of the Investor has been mis-stated, the number of units allocated to the policy may have to be altered and an appropriate adjustment may be made according to the circumstances.

Pension payments made in accordance with Section 3.7 of these Plan Conditions will be made only on production of evidence satisfactory to the Scheme Administrator that any person on whose survival the payment depends is alive at the due date of payment.

The Scheme Administrator will deduct from any benefits payable by it, any tax for which it may become liable in consequence of such payment

### 1.4 Definitions

The following terms will have the following meanings throughout these Plan Conditions.

"Investor" means the person named in the Schedule.

'Minimum Contributions' means those contributions received by the Scheme from HMRC's National Insurance Contributions Office ("NICO") in respect of the Investor as described in the Rules.

"Pension Date" means, for each Plan, the date on which the Investor elects to uplift the benefits from the Benefit and Income Account under that Plan.

"Plan" means each policy of assurance constituted by the Plan documents listed in section 1.1 of these Plan Conditions being a money purchase Arrangement (as defined for the purposes of the Rules) under the Scheme.

"Protected Rights Transfer Amount" means a transfer value received by the Scheme Administrator in respect of the Plan and in accordance with the Rules, which consists of Protected Rights (as defined in the Rules).

"Rules" means the governing Deed and Rules of the Scheme as amended from time to time.

"Schedule" means the Schedule appended to these Plan Conditions and bearing the Investor's name. It includes any amendments made thereto after the issue of the Plan including (but not limited to) any amendment made by a contract note.

"Scheme" means the Scottish Friendly Personal Pension Plan

"Scheme Administrator" means the Society or any replacement Scheme Administrator appointed under the Rules.

"Selected Retirement Age" means the age chosen at commencement of the Plan by the Investor as the age from which he or she expects to take his or her own benefits from the Plan, and shown as such on the Schedule.

"Society" means Scottish Friendly Assurance Society Limited as insurer of the Plan and Provider of the Scheme.

## 1.5 General

Where appropriate in these Plan Conditions, words in the singular will include the plural and the masculine will include the feminine and *vice versa* in both cases.

Instructions to deal with the Plan will be made in such a form as the Scheme Administrator may prescribe and will be subject to such restrictions as the Society has imposed.

The law of contract will be that of Scotland unless otherwise stated in the Special Provisions section of the Schedule.

By payment of the first contribution and issue of the policy constituting the Plan the Investor, as detailed in the Schedule, becomes a member of the Society under Rule 2 of the Society.

## 2. Fund details

### 2.1 The funds

The Society will maintain a number of distinct Investment-Linked Funds ("the Funds") relating to pensions business. Each Fund will be divided into accumulation and such other types of units as the Society may determine, and units of a particular type will be of equal value. The Society reserves the right to consolidate or subdivide units at any time. Benefits under the Plan are specified in terms of these units but this does not confer the right to hold the units directly and the assets of each Fund will remain the property of the Society. The Society may reassure the Funds in whole or in part. The Society reserves the right to introduce further Funds, or to subdivide, close or merge existing Funds

### 2.2 Investment linked funds

- (a) No Units will be created in a Fund unless assets equivalent to these units are added at the same time to that Fund. No assets will be withdrawn from a Fund except as in sub-section (b) unless units equivalent to these assets are cancelled at the same time.
- (b) The investment of the Funds will be at the discretion of the Society, which may borrow money for any other Fund on the security of the assets of that Fund. Investment income from the assets of each Fund will be credited to that Fund. The Society may withdraw from each Fund the amount it considers appropriate in respect of the following:
  - (i) management charge as described in Section 2.4 of these Plan Conditions,
  - (ii) expenses, taxes, duties and other charges for acquiring, managing, maintaining, valuing and disposing of assets.
  - (iii) interest on monies borrowed on account of the fund, including interest due on monies borrowed from any other Fund.
  - (iv) any taxes or other charges on Fund income or on capital gains in respect of the assets of the Fund.
  - (v) a proportion of any tax, levy or other charge on the Society, the Scheme Administrator or the Scheme.
  - (vi) any expenses, taxes duties or other charges incurred in connection with the Funds and not previously taken into account.

### 2.3 Valuation of investment linked funds

- (a) Each Fund will be valued at least once in each calendar month.
- (b) The Society will derive the maximum and minimum values of a Fund from the corresponding values of the assets reduced by all loans charged against the Fund and with appropriate allowances for uninvested cash, accrued income and accrued or prospective charges.
- (c) The maximum value of an asset of a Fund will not exceed the market price at which it might be purchased and the minimum value will not be less than the market price at which it might be sold.
- (d) The values of Stock Exchange securities will be based on quoted prices.
- (e) The values of real or heritable property will be based on valuations prepared and certified by an independent valuer appointed by the Society and adjusted to allow for variations in property prices since the last such valuation.
- (f) The values of all other assets will be determined by the Society.

### 2.4 Management charge on investment linked funds

At each valuation the Society will deduct from the parts of each Investment Linked Fund represented by accumulation units a management charge calculated as a proportion of the current maximum value of the relevant part of the Fund in question excluding any units held by any other Fund. The charge for each day since the previous valuation will be  $\frac{1}{365^{\text{th}}}$ , in respect of that part of the Fund represented by accumulation units, of 1.5% or such other percentage for that Fund as the Society may specify.

The Society reserves the right to increase the management charge, for example if costs of administration are higher than assumed or additional, unforeseen, costs are incurred as a result of changes in legislation.

### 2.5 Unit prices

Unit prices will be calculated for each Fund at each valuation. The price of each type of unit in a Fund will be calculated by the Society and will be no less than the minimum value, and no more than the maximum value, of the part of the Fund attributable to that type of unit after deduction of management charges divided by the number of units of that type in the Fund, the result being rounded down by not more than 0.1p. The actual price may vary above this level.

All amounts arising from rounding up or down of unit prices will accrue to the Society. In all transactions involving the allocation or cancellation of units under the Plan, the number of units will be rounded to the nearest thousandth.

### 2.6 Choice of funds for allocation and cancellation of units

On receipt of a payment to the Plan, units will normally be allocated to the Plan's Accumulation Account in accordance with the Investor's (or the Investor's advisor's) instructions.

However, where a payment is received which represents benefits under another registered pension scheme which are already subject to income drawdown, the units will be allocated (in the same way) to the Plan's Benefits and Income Account.

In the absence of any valid instructions from the Investor (or the Investor's advisor), contributions will be invested in the Scottish Friendly Cash Fund until valid instructions are received.

Cancellation of units to provide benefits in accordance with Section 3.7 of these Conditions or to effect a transfer in accordance with section 3.8 of these Conditions will be made proportionately in each fund in which the Plan is invested at the date on which the cancellation of units is effected by the Scheme Administrator.

## 2.7 Switching of units

- (a) The Investor may instruct the Society that the whole or part of the allocation to one or both accounts within the Plan of units in one or more of the Funds is to be cancelled and the value of the cancelled units less the charge, if any, the Scheme Administrator makes for this switch is to be allocated to units of the same type in another Fund or Funds.
- (b) For the purpose of such a switch, cancelled units and allocated units will be valued at the first unit price calculation after the receipt of the request at the Society's Head Office or on some other date at the Society's discretion.
- (c) The Society reserves the right to defer the switch in terms of Section 2.8 of these Plan Conditions.

## 2.8 Delayed cancellation

The Society reserves the right to defer for not more than six months the cancellation of units in a Fund which, directly or indirectly, holds assets in the form of real or heritable property, and not for more than one month in other cases. The unit prices applicable to the deferred transactions shall be those prevailing at the expiry of the period of deferment.

# 3. Contribution and benefit details

## 3.1 Payment of protected rights transfer amounts

As described in the Rules, the Scheme Administrator may accept a Protected Rights Transfer Amount into the Plan from another registered pension scheme (as defined for the purposes of the Finance Act 2004) at any time provided it is not less than the minimum payment amount that the Scheme Administrator is willing to accept at that time.

Any Protected Rights Transfer amount so received will normally be allocated to the Plan's Accumulation Account from the Funds in accordance with the Investor's instructions. However, where a payment is received which represents benefits under another registered pension scheme which are already subject to income drawdown, the units will be allocated (in the same way) to the Plan's Benefits and Income Account.

Any such Protected Rights Transfer Amount shall be applied in accordance with these Plan Conditions, or such other provisions as are in force at the date of payment of the Protected Rights Transfer Amount, at the discretion of the Scheme Administrator.

## 3.2 Payment of minimum contributions

As described in the Rules, if the Investor is contracted-out by reference to the Scheme the Plan may accept Minimum Contributions into the Accumulation Account together with basic rate tax relief and any associated incentive payments in respect of the Investor.

## 3.3 Allocation of units

On receipt of a Protected Rights Transfer Amount or a Minimum Contribution into the Plan, accumulation units will be allocated to the relevant Accumulation or Benefits and Income Account by dividing the appropriate contribution for each Fund by the allocation unit price of that Fund.

The unit price to be used is that obtained from the unit price calculation immediately following receipt of the contribution by the Scheme Administrator provided the Plan is in force or can be brought into force on the date of receipt. If this is not possible, the unit price to be used may be that for a later date up to the date following that on which the policy can be brought into force, at the discretion of the Scheme Administrator.

## 3.4 Benefits payable on death

On the date of notification, or on the date of the fulfilment of the requirements of Section 1.3 of these Plan Conditions if later, the Plan will be terminated and the death benefit, equal to the value of the units allocated to the Plan at their price on the date of notification, subject to Section 2.5, will be payable in accordance with the Rules.

### 3.5 Selected retirement age

Unless, or to the extent that, the Investor has not either chosen an early Pension Date, or to defer the Pension Date to a later date, in respect of any part of his or her Plan as described in Section 3.6 of these Plan Conditions, the Pension Date in respect of the whole Plan will be the date when he or she reaches Selected Retirement Age as stated in the Schedule. The retirement proceeds of the Plan will be the value of the units allocated to the Plan at their price on the Pension Date.

### 3.6 Early or late retirement options

In respect of part or all of the Plan, the Investor may notify the Scheme Administrator that he or she wishes to take retirement benefits from the Plan at a Pension Date earlier or later than the Selected Retirement Age, which may be any age allowed in the Rules and must be on a date at least one month and (except where indicating only that benefits are not to be taken at Selected Retirement Age) not more than three months after the date notification is given to the Scheme Administrator.

The retirement proceeds of the Plan will be the value of the units allocated to the Plan at their price on the Pension Date.

### 3.7 Application of the investor's plan on retirement

3.7.1 The funds in that part of the Investor's Accumulation Account under the Plan which are to be used for the provision of benefits on any Pension Date shall be transferred to his or her Benefits and Income account at that time and must be used by the Scheme Administrator to provide one or more of:-

- (a) a pension to the Investor payable from that Pension Date,
- (b) a pension to a spouse, civil partner or dependent of the Investor, payable from the death of the Investor, and
- (c) a cash sum, within the limits allowed by the Rules,

as described in this Condition 3.7 and in the Rules.

3.7.2 After paying any cash sum, the Scheme Administrator must use the remainder of the relevant part of the Benefits and Income Account in order to provide pension benefits by means of:-

- the purchase of a lifetime annuity with an approved annuity provider; or
- if the Investor satisfies the scheme Administrator's requirements at that time, by draw down of income from the Benefits and Income Account under the Plan.

Whichever way they are paid, any benefits provided in the form of a pension will be treated as earned income and will be paid net of income tax under PAYE.

3.7.3 If the Investor elects to use some or all of the funds in the Benefits & Income Account under the Plan to purchase a lifetime annuity, the Scheme Administrator will purchase the pensions by transferring the retirement proceeds, less any cash sum under (c), to a policy written by the annuity provider selected by the Investor.

3.7.4 If no annuity provider is selected by age 75 the funds in the Benefits & Income Account under the Plan will be designated as alternatively secured pension and continue to be held in the Benefits & Income Account under the Plan.

3.7.5 The amounts of pension which can be purchased as a lifetime annuity will depend on the option chosen and the annuity rates in force on the Pension Date at which the retirement proceeds are taken.

The amount of pension taken by income drawdown either before age 75 or, as an alternatively secured pension after age 75 will be subject to the limits calculated in accordance with the Act and in force at that time.

Pensions may be level or may escalate by a fixed percentage each year, and may be payable in any manner permitted by the Rules in respect of any Arrangement constituting Protected Rights (as defined in the Rules).

### 3.8 Transfer of the plan

The Investor may notify the Scheme Administrator that some or all of the value of the Plan is to be transferred to another registered pension scheme (as defined for the purposes of the Finance Act 2004) at a given date, which must be at least one month and not more than three months after the date notification is given to the Scheme Administrator. The transfer value will be calculated as the value of units allocated to the Plan. The units will be valued at their price on the given date.