MODEL RULES FOR OCCUPATIONAL SCHEMES

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Part 16:Schedule to the Rules

1. INTRODUCTION

The Scheme is an Occupational Pension Scheme. It is established by a UK registered Limited Company (the Provider) whose officers and employees are automatically eligible to become members, although others may also become members if permitted by the Trustees.

Its only purpose is to provide income withdrawals, annuities and lump sums as described in the scheme documents (including these rules)

1.1 Status of Rules

These rules set out the requirements for tax registration which override any inconsistent provisions in the other scheme documents.

These rules do not override the law. If any provision conflicts with the law, the law will apply.

References to any legislation or any provision include 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.

1.2 Form of Scheme

The Scheme is set up under an irrevocable trust.

Under normal circumstances the scheme will take the form of a single trust, with benefits for each member under the scheme held in separate arrangements in a form acceptable to H M Revenue and Customs

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 subsidiary trust to be established by the scheme trustees for the benefit of that member in a form acceptable to H M Revenue and Customs.

The reference to member in this rule should be taken to include a substitute member.

1.3 Contracting Out

It is possible to Contract Out of the state second pension through this scheme, where the Provider has established to HMRC to contract out the employment by virtue of which the scheme is established.

2. DEFINITIONS

In these Rules the following words have the following meanings:

Taxes Act means the Income and Corporation Taxes Act 1988 as amended by the subsequent legislation

2004 Act means the Finance Act 2004 as amended by subsequent legislation

Alternatively Secured Pension Year means the period of 12 months beginning on the member's 75th birthday and each succeeding period of 12 months

Affinity Group means any organisation representing particular trades, professions, industries or other group

Registered Pension Scheme means a pension scheme registered under Section 153 of the 2004 Act

Arrangement means an arrangement (as described in the rules 3.5 to 3.10) made by a person with the scheme administrator to provide benefits under these rules

Basic Amount is £3,600 (before deducting basic rate income tax) each tax year or a different figure set by Treasury Order issued under Section 190(4) of the 2004 Act

Connected is defined by section 839 Taxes Act

Controlling Director means as defined in section 632B (3) of the Taxes Act. It means:

- A person who was married to, or registered civil partner of, the member at the time of the member's death;
- A child of the member who has not reached the age of 23;
- A child of the member who has reached the age of 23 and, in the opinion of the scheme administrator, was at the time of the member's death dependant on the member due to physical or mental impairment;

- Any other person if, in the opinion of the scheme administrator, was at the date of the member's death either:

    - Financially dependent upon the member;
    - In a financial relationship of mutual dependence with the member;
    - Dependent upon the member because of physical or mental impairment

An ex-spouse of the member who was in receipt of payments from the member up to his or her death in respect of, for example, a financial provision order under the Matrimonial Causes Act 1973, may be regarded as financially dependent on the member.

Subject to the following paragraphs, a pension paid to an adult who qualifies on grounds of financial dependency or disability, may continue indefinitely.

A pension paid because of dependency by reason of disability may continue indefinitely. It is not necessary to show financial dependency for a person dependent on the member because of a disability.

An unmarried partner, whether of the same or opposite sex, can qualify as a survivor only if he or she was financially dependent on the member. Financial interdependence of the member and his or her partner is an acceptable criterion, for example where the partner relied upon a second income to maintain a standard of living which had depended on joint income prior to the member's death.

It is for the scheme administrator to decide whether a person meets this definition.

DWP means the Department for Work and Pensions.

Employee Share Scheme means:

- An approved profit sharing scheme under section 186 of the Taxes Act
- A 'share incentive plan' being an employed share ownership plan under Schedule 8 of Finance Act 2000 or
- A savings-related share option scheme under Schedule 9 of Finance Act 2000.

Employer means the current employer or employees of a member

Ex-spouse means an individual to whom pension credit rights have been or are to be allocated following a pension sharing order, agreement or equivalent provision

Insurer means an insurance company, an EC company or a friendly society as described in section 659B of the Taxes Act

Lifetime Allowance means the amount prescribed by section 218 of the 2004 Act. For the tax year 2013/2014 this is £1,500.000. For tax year 2014/2015 the Lifetime Allowance will reduce to £1,250,000 unless otherwise specified by Treasury order.

Member means an individual who has made one or more arrangements under the scheme for the provision of benefits. It also includes an individual who:

- At the time the arrangement was made was under the age of 16 (or, in England and Wales and Northern Ireland, under the age of 18 if not in employment) and whose legal guardian made the arrangement on the individual's benefit under the scheme, or
- Has had one or more arrangements made on his or her behalf following the winding up of another Scheme

Member's Fund means the aggregate, under arrangement of the accumulated values of:

- Contributions made to the scheme in respect of the member,
- Any transfer payment accepted by the scheme in respect of the member,
- Any pension credit rights accepted by the scheme in respect of the member, and
- Any income or capital gain arising from the investment of any such amounts

It excludes:

- Any administrative expenses of the scheme and any payments of commission, and
- Any pension debt arising as a result of a pension sharing order

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 them member's final or average salary

Normal Minimum Pension Age means the member's 55th birthday

Occupational Pension Scheme means a scheme as defined in section 1 of The Pension Schemes Act, or Section 176 of The Pension Schemes (Northern Ireland) Act 1993, and section 150 (5) of the 2004 Act

Pensionable Age has the meaning given in Schedule 4 of the Pensions Act 1995

Pension Credit Rights means rights to benefits arising from a credit as defined in Section 101P of the Pension Schemes Act, as inserted by section 37 of the Welfare Reform and Pensions Act 1993, or under corresponding Northern Ireland legislation

Pension Date is the effective start date of an annuity or income withdrawals under an arrangement. Where an arrangement is split into separate arrangements under rule 3.5 each separate arrangement may have a different pension date

Pension Debt means a debt under section 29(1) (a) of the Welfare Reform and Pension Act 1999 or under corresponding Northern Ireland legislation

Pension Input Period means the period as defined under Section 238 of the 2004 Act

Pension Schemes Act means the Pension Schemes Act 1993

Pension Sharing Order means any order or provision mentioned in Section 28(1) of the Welfare Reform and Pensions Act 1999 or Article 26 of the Welfare Reform and Pension (Northern Ireland) Order 1999

Provider means the person who established the scheme or any successor in relation to the provision of benefits

Regulation is a reference to a regulation of Statutory Instrument

Relevant UK Earnings are defined in Section 190 of the 2004 Act

Relevant UK Earnings as defined by Section 189(2) of the 2004 Act are:

- Employment income;
- Income chargeable under Schedule D and immediately derived from the carrying on or exercise of a trade, profession or vocation (whether individually or as a partner);
- Patent income to which section 529 of the Taxes Act applies

Relevant UK Individual is as defined in section 189(1) of the 2004 Act as an individual who, in any given tax year, satisfies the following:

- The individual has relevant UK earnings chargeable to income tax for that year;
- The individual is resident in the UK at some time during that year;
- The individual was resident in the UK both at some time during the five tax years immediately before that year and when the individual became a member of the scheme;
- The individual or spouse has, for the tax year, general earnings from overseas Crown employment subject to UK tax

Relievable Contributions means contributions made by or on behalf of a member which are eligible for tax relief in accordance with Section 188 of the 2004 Act

Resident in the UK means resident and ordinarily resident in the United Kingdom for tax purposes

Rule is a reference to a rule in this document

Rules means the rules of this scheme

Schedule to the Rules is the schedule to these rules (if applicable)

Scheme means this scheme

Scheme Administrator means the person appointed in the establishing document and mentioned in rule 14 who is responsible for the management of the scheme for the purposes of section 270 of the 2004 Act

For some specific requirements of the Welfare Reform and Pensions Act 1999 or the Pension Schemes Act, the references to scheme administrator in rules may relate more specifically to the manager or trustees of the scheme. The trustees may be different from the scheme administrator.

Scheme Documents means the documents that govern the scheme (including these rules)

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

Stakeholder Pension Scheme means a scheme for the time being registered as a stakeholder pension scheme under section 2 of the Welfare Reform and Pensions Act 1999

State Second Pension means the additional state pension formerly known as SERPS (State Earnings-Related Pension Scheme)

Substitute Member means a dependant widow or widower of a deceased member of another approved personal pension scheme who transfers benefits in payment through income withdrawal into this scheme in accordance with rules 10.4

Substitute Member's Funds means the value from time to time of those funds transferred to an arrangement from another approved personal pension scheme on behalf of a substitute member in accordance with rule 10.4

Survivor means a dependant or widow or widower or civil partner of a member who has died. For the avoidance of doubt, an individual who makes an arrangement under the scheme in order to accept a transfer of income withdrawal benefits from another approved personal pension scheme in accordance with rule 10.4 is a substitute member under the terms of these rules, not a survivor

Survivor's Funds means the value from time to time of those funds deriving from a member's 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 following 5 April

Unsecured Pension Year means the period of 12 months beginning with the day on which the member first becomes entitled to unsecured drawdown income from an arrangement, and each successive period of 12 months. If the member reaches the age of 75 or dies before reaching that age, the current unsecured pension is the last such year, and ends immediately before death or the member's 75th birthday

Unsecured Pension Reference Period is the period of five unsecured pension years beginning with the first, and every succeeding period of five unsecured pension years

Unsecured Pension Reference Date is the first day of any Unsecured Pension Reference Period

Unsecured Pension Nominated Date is, for the first Reference Period, the Reference Date; for subsequent Reference Periods it is either the Reference Date or any other date within the 60 days ending with that date as may be nominated by the scheme administrator.

Any reference to legislation (including regulations) includes any amendment or replacement to the legislation

3. MEMBERS AND ARRANGEMENTS

3.1 Becoming a Member

A person who wishes to become a member (or the legal guardian acting for a person under the age of 16, or in England, Wales and Northern Ireland 18, if not in employment, who is to be a member) or substitute member must go through an application procedure, as required by the scheme administrator. The application procedure must include the following declarations:

(1) The member (or a legal guardian acting for the member) or substitute member agrees to be bound by the rules
(2) The scheme administrator agrees, on behalf of the provider, to administer the scheme as required by these rules

A person with automatic eligibility (see rule 3.2) may become a member or substitute member on request provided he or she is under 75 (unless permitted by rule 3.3); any other applicant requires in addition the agreement of the trustees and scheme administrator

Where the legal guardian is representing a prospective member under the age of 16 (or in England, Wales and Northern Ireland 18 if not in employment), the legal guardian must give an undertaking that he or she understands that any payments to the scheme can only be used to provide benefits to the member under the rules, and will not be repaid except as permitted by the rules

3.2 Employer or Affinity Group Provider

The scheme has been established by an employer as an occupational scheme. Automatic eligibility for membership of the scheme is therefore limited to officers and employees of the employer provider and associated companies, and to family members of such officers and employees. Others who fall outside the above definition may only join the scheme with the consent of the trustees and scheme administrator

3.3 Ex-Spouse

Subject to the agreement of the trustees and scheme administrator an ex-spouse of a member may become a member of the scheme. An ex-spouse becoming a member of the scheme through this rule may do so after he or she has attained age 75, but must draw benefits immediately (see rule 5.4)

MAKING AN ARRANGEMENT

3.4 Single or Multiple Arrangement(s)

If the scheme administrator permits a member or substitute member may make:

(1) A single arrangement with the scheme administrator in which case these rules will apply to that arrangement.
(2) More than one arrangement with the scheme administrator. If the member or substitute member does so , these rules will apply to each arrangement separately, but the limits described in rule 4.5 to 4.8 for a member will apply to all arrangements together

The form of arrangements used in the scheme is described in the schedule to the rules.

3.5 Splitting of a Single Arrangement

An arrangement may later be treated as more than one arrangement if the member chooses for only part of the member's fund to be applied for a pension and (if relevant) a lump sum. Any part of the member's fund for which the member has not yet asked to be applied for benefits will be treated as an arrangement that has not reached pension date

3.6 Separate Benefits from Separate Arrangements

Different arrangements (whether difference at the time of being created or whether originating from a single arrangement) may produce separate annuities, income withdrawals or lump sums payable under the rules

3.7 Form of Arrangements

Whether established under trust or not, the arrangements under the scheme will be a contract between the scheme and the member, or the legal guardian acting for a person under the age of 16 (or in England, Wales, and Northern Ireland 18 if not in employment) where that person is regarded as the member or substitute member

3.8 Scheme Rules Override Terms of Arrangements

Nothing in the terms of an arrangement may conflict with the establishing document of the scheme or these rules unless specifically permitted by HM Revenue and Customs

4. CONTRIBUTIONS

4.1 Permitted Contributions

The scheme may only accept the following contributions:

(1) Relievable contributions by members, including contributions made on behalf of a member paid by another person
(2) Contributions made by the member's employer(s) in respect of the member
(3) Contributions by members, including contributions made on behalf of a member paid by another person, which are not relievable ("Non-relievable contributions)

Contributions under (1) above may only be made at a time when the member is eligible to make relievable contributions in accordance with rule 4.4

Contributions under (2) above may only be made in a tax year when the member has been in service with that employer

No contributions may be made at any time subsequent to the member's 75^{th} birthday

If the scheme administrator so permits payments may be made by a person other than the member if the payments are being made on behalf of the member and the member (or, if relevant, the member's legal guardian) is aware of the payment. These payments will be treated as a contribution made by the member

When a member's benefit under any arrangement becomes payable no further contributions may be paid to that arrangement unless the arrangement has become more than one arrangement under rule 3.5

4.2 Member Contributions

Contributions made by the member or other individual on his or her behalf may only be paid as the scheme administrator permits:

- In money form (cash, cheque, debit card, credit card, standing order, direct debit, direct transfer or via BACS payments), or
- As shares from an employee share scheme

Contributions in the form of shares from an employee share scheme are taken by reference to the market value of the shares at the date of payment. Market value will be arrived at using section 272 of the Taxation of Chargeable Gains Act 1992.

Contributions from and employee share scheme must be made within 90 days of the member:

- Opting to receive the shares (if from a savings-related share option scheme under Schedule 9 Finance Act 2000), or
- Directing the trustees of the employee share scheme to transfer ownership to the member or, if earlier, the release date of the relevant shares (if from either an approved profit-sharing scheme under section 186 of the Act or an employee share ownership plan (or 'share incentive plan') under Schedule 8 of Finance Act 2000)

4.3 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 or other remuneration to financial or other advisers.

4.4 Eligibility To Make Relievable Contributions

A member is eligible to make relievable contributions in a particular tax year if, for any part of the tax year, the member has relevant UK earnings. These must be actual earnings.

If a member does not have relevant UK earnings in a tax year, the member is still eligible to make relievable contributions if at least one of the following applies:

- The member is resident in the UK at some time in the tax year
- The member has, at some time in the five tax years before the tax year to which the contributions relate, been resident in the UK and was so when first making the arrangement
- The member at some time in the tax year performed Crown duties abroad, or was the spouse of an individual who at some time in the tax year performed such Crown duties abroad. These duties are defined in section 28 of the Income Tax (Earnings and Pensions) Act 2003

Rules 4.5 to 4.8 detail the maximum relievable contributions that a member eligible through rule 4.4 may contribute in a given tax year

4.5 Basic Amount

A member eligible to pay contributions under rule 4.4 may pay contributions up to the Basic Amount without the need to have relevant UK earnings. There is therefore no need for the scheme administrator to see evidence of earnings from the member for such amounts

The Basic Amount applies to the aggregate of all contributions paid in a tax year by the member to all registered pension schemes.

4.6 Evidence of Earnings For Higher Relievable Contributions

If the member is eligible to contribute under rule 4.4 and a proposed contribution by or by another person on behalf of) that member to this scheme will cause the total relievable contributions for that member for that tax year to exceed the Basic Amount, then evidence of earnings must be produced by the member or the employer to justify the contribution

Where evidence of earnings is produced by the member to the satisfaction of the scheme administrator, the amount of relevant UK earnings which results will be used to calculate the higher limit for relievable contributions

Evidence of earnings for a particular tax year will be acceptable for relievable contributions up to the level of those earnings in that same tax year

Evidence of earnings will include a declaration by the member that the relevant UK earnings in question have not also been used to justify relievable contributions to any other registered pension scheme in the current tax year

The evidence of earnings must be in the form allowed by Inland Revenue Personal Pension Schemes (Relief at Source) Regulations 1988 (SI 1988/1013 as amended by the Personal Pension Schemes (Relief at Source) (Amendment) Regulations 2000 (SI 2000/2315) and satisfy the conditions of those Regulations

If the administrator does not receive satisfactory evidence of earnings in support of all or part of a contribution in excess of the Basic Amount, he will treat any such contribution (or any such part of the contribution) as a Non-Relievable Contribution

4.7 Continuation Of Contributions After Ceasing To Have Relevant Earnings

Where a member is contributing up to the Basic Amount only, and does not produce evidence of earnings to justify higher contributions, any continuation of relievable contributions after the member ceases to have actual relevant earnings will be up to the Basic Amount only. The member may continue to pay relievable contributions so long as he or she continues to be eligible to pay contributions under rule 4.4

4.8 Total Contributions Limit

The total relievable contributions paid in a tax year by any member (or by any other person on his or her behalf) to all registered pension schemes may not exceed the total of the member's Relevant UK Earnings for that tax year

The member may make non-relievable contributions without limit

4.9 Method Of Payment Of Contributions

All relievable contributions made by a member to the scheme (or by any other person on behalf of the member) are amounts net of basic rate income tax

Therefore when the member makes a relievable contribution to the scheme, the member must reduce the intended amount of the contribution by a figure equal to the amount of basic rate income tax due as relief on the intended amount of contribution

The scheme administrator will recover this figure from HM Revenue and Customs and add the recovered amount to the member's fund in accordance with these rules. This applies even where the member is not a tax payer

All contributions paid to this scheme by an employer are treated by the scheme administrator as being gross amounts. Employer contributions must therefore represent the full contribution

4.10 Non-Relievable Contributions

Any non-relievable contributions paid to this scheme by or on behalf of a member are treated by the scheme administrator as being gross amounts

The exception to this rule is if the member at any time before the third anniversary of the end of the tax year in which the contribution was made, requests that the non-relievable contribution (or any part thereof) be repaid as an excess contributions lump sum. In such a case the administrator will make the refund within three months of the member's request

5. MEMBER BEGINS TAKING BENEFITS

5.1 Multiple Arrangements

Where the member has made more than one arrangement rules 5.3 to 5.7 apply to each arrangement separately. This means that benefits may start separately from each arrangement.

5.2 Split Arrangements

Where the member has an arrangement that s to be ‘split’ into two arrangements in accordance with rule 3.5 because only part of the member’s fund is to be applied for ongoing benefits, rules 5.3 to 5.7 will apply separately to each arrangement. This means that benefits (lump sums, annuities or pensions paid by income withdrawals) may start at different times from each arrangement

5.3 Normal Commencement Date For Benefits

Subject to rules 5.4 to 5.7, payment of benefit derived from the member’s fund commences on such a date as chosen by the member, subject to following restrictions:

- The commencement date may not be earlier than the Normal Minimum Pension Age;
- The commencement date many not be later than the member’s 75th birthday

5.4 Pension Credit Rights

Pension credit rights must come into payment in accordance with the rule 5.3 unless

- The scheme is an occupational pension scheme under DWP law, in which case benefits cannot be drawn by the member until his or her 65th birthday, or
- An ex-spouse with pension credit rights becomes a member of the scheme in accordance with rule 3.3 after his or her 75th birthday, in which case benefits must be drawn immediately

5.5 Incapacity Below Normal Minimum Pension Age

A member’s benefit may start earlier than the Normal Minimum Pension Age 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 and has in fact ceased to carry on such occupation

The scheme administrator must consider suitable medical evidence and must be satisfied that this rule applies. If H M Revenue and Customs ask to see such medical evidence, the scheme administrator must produce this for them

Pension credit rights of an ex-spouse may not be paid early in accordance with this rule

6. BENEFITS FOR MEMBER

6.1 Multiple Arrangement

Where the member has made more than one arrangement under the scheme in accordance with rule 3.4, the rest of Part 6 of these rules applies to each arrangement separately, unless otherwise stated

6.2 Split Arrangement

Where the member has an arrangement that is “split” into two arrangements in accordance with rule 3.5 because only part of the member’s fund is to be applied to purchase an annuity or provide income withdrawals then the rest of Part 6 of these rules apples to each separate arrangement as in rule 6.1. This means that a lump sum may be taken from the newly created arrangement in accordance with rule 6.3, with a further lump sum being drawn from the original arrangement at a later date in accordance with the same rule

6.3 Pension Commencement Lump Sum

The member may choose to received a Pension Commencement Lump Sum on a date chosen by the member in accordance with rule 5.3 or when the scheme administrator is satisfied that the ill-health condition in rule 5.5 has been satisfied. Where a lump sum is to be paid the following further conditions apply:

- The member must not have used up all of his or her Lifetime Allowance at the time or payment (and any unused balance of the Lifetime Allowance must be sufficient to justify the lump sum to be paid)
- The lump sum must be paid within three months of the member’s actual entitlement to benefits
- The lump sum must be paid before the member has reached his or her 75th birthday
- The lump sum when aggregated with all previous lump sums received from this or other pension schemes by the member must not exceed the permitted maximum

Unless the member has registered Primary or Enhanced Protection, the permitted maximum is the lower of:

- 25% of the member’s Lifetime Allowance available at the time of payment; and

- 25% of the capital value of the benefits coming into payment under the relevant arrangement generating the lump sum payment

6.4 Member's Pension – General

Except for any lump sum paid as described in rule 6.3, the Member's Fund will be used to provide pension income for the life of the member, either through the purchase of an annuity from an insurer or through unsecured or alternatively secured income drawdown

That pension must start on the date chosen in accordance with (or required by) Part 5 of these rules

The member must, no later than three calendar months before the date benefit is to commence, write to the scheme administrator to advise whether an annuity is to be purchased or an unsecured or alternatively secured drawdown fund should be established

6.5 Member's Pension - Annuity

If an annuity is purchased form an insurance company, it must comply with the conditions set by paragraph 3 of Schedule 28 to the 2004 Act:

- It must pay an income not less frequently than annually;
- It must be payable until the member's death or until the later of the member's death and the end of a term certain not exceeding ten years;
- It may be either a level annuity, an increasing annuity, or a relevant linked annuity

The annuity contract may also provide benefits to any dependant on the death of the member in accordance with rule 7.1. If so the annuity to the dependant must also conform with the requirements of Part 2 of Schedule 28 to the 2004 Act

The member has the right to choose the insurer from which any annuity is to be purchased. 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 pension from the member's fund then he or she should notify the scheme administrator no later than three calendar months before the date on which he wishes the annuity to commence

If the member does not choose an insurer by writing to tell the scheme administrator by the latest date permitted above the scheme administrator will choose an insurer from whom the annuity will be bought

This rule and also Part 7 of these rules set out benefits which may, if available under the scheme, be paid by an annuity on the member's death. Where these rules allow alternatives, a member who opts to choose the insurer from which the annuity is to be purchased may at the same time choose which of the alternatives detailed in the aforementioned rules apply under the terms of the annuity. If the insurer is chosen by the scheme administrator, the scheme administrator may still allow the member to choose what benefits the annuity will provide on his or her death. Alternatively the scheme administrator may choose the alternatives

Any dependant's annuity will be secured through an annuity at the same time as the member's annuity bought with the member's fund. If the scheme administrator permits, the survivor's pension may be secured from a different insurer than the one providing the member's annuity, chosen either by the member or by the wife or husband or dependant for whom the survivor's pension is being bought.

The member’s pension may (but need not) be guaranteed under the terms of the annuity for a period not exceeding ten years. If the member dies during the guaranteed 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 23.

It is the responsibility of the trustees and scheme administrator to ensure that any annuity purchased by the scheme conforms to these rules and the requirements laid down by the Act

6.6 Member’s Pension – Unsecured Income Drawdown

If the member chooses to take an unsecured drawdown pension in respect of an arrangement, the scheme administrator will designate the appropriate funds (less any pension commencement lump sum taken under rule 6.3) as an unsecured drawdown fund. The member must draw from this fund a yearly pension as income withdrawals in accordance with the following provisions

The (aggregate) amount of income withdrawal drawn from an arrangement in each Unsecured Pension Year shall not exceed 120% of the Basis Amount. This is true even where the final Unsecured Pension Year is truncated by either the death of the member or the member’s attaining the age of 75. No matter how short the Year, up to 120% of the Basis Amount may be drawn

There is no requirement for the member to withdraw any income during an Unsecured Pension Year, or for the member to draw the same amount of income in successive years

This rule equally applies to an arrangement created through the splitting of an existing arrangement as permitted through rule 3.5

Unless there is a review within a reference period, the Basis Amount effective throughout the reference period is the amount of pension purchasable on the appropriate Nominated Date calculated by reference to:

- The amount of the member’s unsecured drawdown fund (excluding any lump sum paid under rule 6.3), and

- The current published tables of annuity rates prepared for this purpose by the Government Actuary's Department

The nominated date for the first reference period is the pension date. For subsequent reference periods, the nominated date will be either the first day of that period or such date within the 60 days ending with that date as may be nominated by the scheme administrator

The Basis Amount must be reviewed if, during the course of a reference period, either:

- Part of the unsecured drawdown fund is used to purchase an annuity for the member; or
- The unsecured drawdown fund is reduced as a result of a pension sharing order

Such a review will take place immediately after the appropriate event (the scheme administrator has no latitude to choose an alternative date within a 60 day window). The review will revise the Basis Amount in effect for the Year immediately following that in which the review takes place and for all subsequent Years until the next Nominated Date

If one of the above events occurs during the last year of a reference period, no review is triggered

The Basis Amount must be reviewed if, during the course of a reference period, the unsecured drawdown fund is augmented by an Additional Fund Designation within the same arrangement

The review will take place immediately after the event (the scheme administrator has no latitude to choose an alternative date within a 60 day window). The review will revise the Basis Amount in effect for the Year immediately following that in which the review takes place and for all subsequent Years until the next Nominated Date

Other than the reviews of the Basis Amount which take place quinquennially on the Nominated Date and any interim reviews provided for within this rule, no reviews of the Basis Amount may take place at any time

For each year during which unsecured income drawdown is to be paid to the member, the scheme administrator will assume that the maximum permitted drawdown (which is to say 120% of the Basis Amount) is required unless the member has notified him in writing of a smaller amount no later than three months prior to the start of the Year. The scheme administrator will act on the assumption that the member requires the drawdown income to be paid yearly unless the member has specified a shorted payment interval (not more frequently than monthly) in writing by the same date

6.7 Member's Pension – Alternatively Secured Income Drawdown

On the member's attaining his or her 75th birthday, any unsecured drawdown funds held on behalf of the member will become part of the member's alternatively secured drawdown fund unless the member has, no later than three calendar months previously, notified the scheme administrator in writing that he or she wishes those funds to be used to purchase an annuity

On the member's attaining his or her 75th birthday, any funds held in arrangements for the member which have previously not been applied to pay out a lump sum, to purchase an annuity or to establish an unsecured drawdown fund (the "uncrystallised funds") will become part of the member's alternatively secured drawdown fund unless the member has, no later than three calendar months previously, notified the scheme administrator in writing that he or she wishes those funds to be used to purchase an annuity

The aggregate amount of income withdrawal in each alternatively secured pension year shall not exceed 90% of the Basis Amount or such figure as may be substituted by law. The aggregate amount of income withdrawal shall not be lower than 65% of the Basis Amount or such figure as may be substituted by law

The Basis Amount for any alternatively secured pension year is the amount of pension purchasable on the appropriate Nominated Date calculated by reference to:

- The amount of the member's alternatively secured drawdown fund and
- The current published tables of annuity rates prepared for this purpose by the Government Actuary's Department

The first nominated date is the member's 75th birthday. For subsequent Years, the nominated date will be either the first day of that Year or such date within the 60 days ending with that date as may be nominated by the scheme administrator

For each Year during which alternatively secured income drawdown is to be paid to the member, the scheme administrator will assume that the maximum permitted drawdown (which is to say 90% of the Basis Amount) is required unless the member has notified him in writing of a smaller amount no later than three months prior to the start of the Year. The scheme administrator will act on the assumption that the member requires drawdown income to be paid yearly unless the member has specified a shorter payment interval (not more frequent than monthly) in writing by the same date

6.8 Lifetime Allowance Charge

The scheme administrator will be responsible for evaluating whether a charge to tax under section 214 of the 2004 Act arises under any of the following circumstances:

1) On the payment of a pension commencement lump sum under rule 6.3;
2) On the purchase of an annuity under rule 6.5;
3) On the transfer of funds into an unsecured drawdown fund under rule 6.6;
4) On the member's attaining age 75 with uncrystallised funds under rule 6.7

The scheme administrator will require the member to give written statement confirming either:

- That the full standard member's lifetime allowance is available; or
- That a stated proportion of the standard allowance is available; or
- That a registered Primary Protected allowance at a stated level is available; or
- That a registered Enhanced Protection is available

If the member provides such a statement, the scheme administrator will use the information provided to calculate the maximum benefits payable without triggering a charge under section 214, and to calculate the excess (if any) to which such a tax charge is due

6.8.1 No Excess Chargeable Under Section 214

If no excess is identified, the scheme administrator will arrange for the payment of benefit in accordance with whichever of the rules 6.3, 6.5, 6.6 or 6.7 is applicable, using the full amount of crystallised benefit

6.8.2 Excess Chargeable

Where an excess does arise, the scheme administrator will arrange for the payment of benefits out of the amount falling within the available lifetime allowance in accordance with rule 6.8.1

So far as the excess is concerned the scheme administrator will (if applicable) contact the member in order to establish whether the member wishes to commute any or all to a “lifetime allowance excess lump sum” as defined in section 166(1)(g) of the 2004 Act. Any amount not so commuted will be used to provide income benefits by either purchasing an annuity or establishing an unsecured or alternatively secured drawdown fund

For the avoidance of doubt the scheme administrator will not offer the option of commutation in the case of option (4) in rule 6.8, since a lifetime allowance excess lump sum cannot be paid once the member has reached his or her 75th birthday

6.8.2.1 Lifetime Allowance Excess Lump Sum

If the member, not being aged 75 or more, requests that any part of the excess be commuted to a lifetime allowance excess lump sum, the scheme administrator will charge that amount to tax at the 55% rate prescribed by section 215(2)(a) of the 2004 Act. The after-tax residue will be paid to the member of the earliest possible time

6.8.2.2 Benefits From Retained Amount

If any part of the excess (the “retained amount”) remains after paying lifetime allowance excess lump sums, the administrator will charge the remaining excess at the 25% tax rate prescribed by section 215(2)(b) of the 2004 Act. The after-tax residue will be applied towards either purchasing an annuity or establishing an unsecured or alternatively secured drawdown fund as applicable

If the member is unable to provide the scheme administrator with a statement confirming the amount of lifetime allowance available, the scheme administrator will act upon the assumption that no lifetime allowance is available, and that the entire amount being crystallised is an excess subject to tax under section 214

In such circumstances, a pension commencement lump sum (option 1 above) cannot be paid. The entire crystallised amount will be treated as a retained amount subject to the 25% charge specified at section 215(2)(b) of the 2004 Act, and the net amount after withholding of this tax will be applied in purchasing an annuity or in setting up an unsecured or alternatively secured drawdown fund, as the case may be.

6.8.3 Accounting For Tax

The scheme administrator will account to H M Revenue and Customs for all tax charged under section 214 in accordance with the requirements of the Registered Pension Schemes (Accounting and Assessment) Regulations 2005 – SI 2005/3454

A return will be made of all lifetime allowance charges made during the quarter (quarters end on 31 March, 30 June, 30 September and 31 December). This return, together with the tax charged and withheld, will be made no later than 45 days after the end of the quarter

The scheme administrator will in addition provide to the member a certificate showing the funds crystallised, the amounts of any lifetime allowance excess lump sum and retained amount, and the tax deducted from these and accounted for to H M Revenue and Customs. The certificate will cover all benefit crystallisation events during the tax year and will be sent to the member no later than the 5th day of June next following the end of the tax year

6.9 Trivial Commutation

If all the conditions below are satisfied, a member may apply to the scheme administrator to pay out a “trivial commutation lump sum”

6.9.1 Conditions

The member has attained the age of 60 but not yet attained the age of 75

The member must satisfy the scheme administrator in writing that:

- The value of his or her pension entitlements under all UK registered pension schemes plus
- The value (for the purposes of the Lifetime Allowance Charge) of all rights previously crystallised plus
- The value (for the purposes of the Lifetime Allowance Charge) of any pensions in payment as at 6 April 2006

does not exceed £18,000 (or such sum as may be substituted by legislation)

The member must satisfy the scheme administrator in writing that he or she has not received any previous trivial commutation lump sum from any UK registered pension scheme other than within the period of 9 months ending on the date of application.

If the member has received a previous lump sum within that period of 9 months, he or she must advise the scheme administrator of the date on which the earliest of these was received

The payment of trivial commutation lump sum will extinguish all of the member’s entitlement to benefits within the Scheme

6.9.2 The Lump Sum

The scheme administrator will pay out the lump sum as soon as possible upon receiving the member’s request

If a previous trivial commutation lump sum has been received within the 9 months ending on the date of application, the scheme administrator must pay out the trivial commutation lump sum within 12 months of that payment date

75% of the lump sum will be taxed as pension income through PAYE. The remaining 25% will be paid free of tax

7. MEMBER DIES AFTER BENEFITS START

7.1 Death When Annuity Purchased

Subject to the following provisions a member may elect when an annuity is purchased that, in addition to the pension being provided for the member, the annuity contract will also provide for a pension after the member's death for:

- The widow or widower or surviving civil partner; and/or
- One or more dependants

Pensions can be of any amount so long as the aggregate annual amount of all annuities paid to any survivors under an arrangement (excluding any annuity paid to a survivor as a result of a guarantee on a member's annuity) is no more than the annual amount of the annuity actually being paid to the member at the date of death, after deducting any pension debt (where relevant).

A survivor's annuity will start as soon as practicable after the member dies, except that a widow or widower or civil partner who is under the age of 60 when the member dies may choose, if the scheme administrator permits, for the annuity to start at any later time up to his or her 60th birthday (or, if he or she is receiving continued payments of the member's annuity for a guarantee period ending after his or her 60th birthday, at the end of the guarantee period)

Where the survivor's annuity is not being deferred in accordance with this rule the annuity payments should be backdated to the date of death of the member

7.1.1 Duration of Child(ren)'s Pension

Any pension payable to a person who is a dependant solely because that person is under age 23 when the member dies must also stop when the dependant reaches age 23

7.1.2 Duration Of Other Survivor's Pension

A survivor's annuity that is not covered by 7.1.1 may be paid for the survivor's life or may stop if the survivor marries

7.1.3 Minimum Payment Guarantee – Survivor's Pension

A survivor's annuity may (but need not) be on terms that it will in any event be paid for a guarantee period not exceeding ten years. Then if the annuity would have stopped in accordance with rules 7.1.1 to 7.1.2 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 annuity 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 or reaches age 23

7.2 Death During Unsecured Drawdown

7.2.1 Survivor's Benefits From Unsecured Drawdown Funds

A member may elect that, in the event of his or her death during the period of unsecured drawdown, the member's unsecured drawdown fund should be applied to or for the benefit of one or more survivors. The trustees may (but need not) consider themselves bound by such an election

If the member does not so elect the trustees may (but need not) choose that member's unsecured drawdown fund should be applied to or for the benefit of one or more survivors

Each survivor so chosen may choose to receive his or her survivor's fund by:

1) The securing or a pension through annuity purchase;
2) A period of unsecured income withdrawal from the arrangement;
3) A period of alternatively secured income withdrawal from the arrangement; or
4) Payment of the survivor's fund as a lump sum

Pension payments under options (1), (2) or (3) above should come into payment as soon as possible after the member's death. Where an annuity is being provided annuity payments should be backdated to the date of death of the member. Where income withdrawals are being provided income withdrawal payments must start with effect from the date of death of the member

If there is more than one:

- Survivor – then benefits may be paid to each survivor in different forms under this rule, whether within the same arrangement or not
- Arrangement within the scheme from which a survivor is entitled to benefits – then, if the scheme permits, different forms of benefits may be paid to the survivor from each arrangement

Any part of the member's unsecured drawdown fund that cannot be used to buy survivor annuities and which has not been nominated by either the member or the survivor to provide drawdown income or a lump sum will be used by the scheme administrator to meet general expenses of the scheme

The option to take income withdrawals under option (2) above shall not be available to any survivor who has already attained the age of 75

Where a survivor draws unsecured income withdrawals from an arrangement under option (2) above the pension must be secured through either the purchase of an annuity or the conversion to alternatively secured drawdown by the survivor's 75th birthday

If the survivor is already over the age of 75 at the death of the member, only options (1) and (3) are available

Payment of a lump sum under option (4) shall be made after deduction of tax at the rate specified in section 206 of the 2004 Act

7.2.2 Survivor's Benefits From Uncrystallised Funds

A member may choose that, in the event of his or her death during the period of unsecured drawdown, any funds in any of the member's arrangements which have not yet been crystallised should be applied to or for the benefit of one or more survivors. If the member does not choose the trustees may (but need not) choose that the member's uncrystallised funds should be applied to or for the benefit of one or more survivors

Each survivor so chosen may choose to receive his or her survivor's fund by;

1) Securing of a pension through annuity purchase;
2) A period of unsecured income withdrawal arrangement;
3) A period of alternatively secured income withdrawal from the Arrangement; or
4) Payment of the survivor's fund as a lump sum

Any survivor initially in receipt of income withdrawals under option (2) above may nevertheless choose to convert option (4) at any time within the two years following the death of the member

No survivor may be paid any income withdrawals after ceasing to be entitle to a pension under rules 7.1.1 or 7.1.2. Any survivor's fund remaining at the date of such cessation will be used to meet general administrative expenses of the scheme

Where the survivor's fund is to be used to purchase an annuity under option (1) above, whether immediately or after a period of deferral then the survivor may choose which insurer the annuity is purchased from as stated in rule 6.5

Where the survivor is receiving unsecured income drawdown from an arrangement in accordance with option (2) above he or she may, if the scheme administrator permits, choose to purchase an annuity with only part of the survivor's fund held in that arrangement

7.3 Death During Alternatively Secured Drawdown

7.3.1 Survivor's Benefits From Alternatively Secured Drawdown Funds

A member may elect that, in the event of his or her death during the period of alternatively secured drawdown, the member's alternatively secured drawdown fund should be applied to or for the benefit of one or more dependants. The trustees may (but need not) consider themselves bound by such an election

Dependants are as defined in Part 2 of Schedule 28 to the 2004 Act. The term is limited to:

- A person who was married to, or a registered civil partner of, the member at the time of the member's death;
- A child of the member who has not reached the age of 23;
- A child of the member who has reached the age of 23 and, in the opinion of the scheme administrator, was at the time of the member's death dependant on that member due to physical or mental impairment;
- Any other person who, in the opinion of the scheme administrator, was at the date of the member's death either:
    - Financially dependent upon the member;
    - In a financial relationship of mutual dependence with the member;
    - Dependent upon the member because of physical or mental impairment

If the member does not elect the trustee may (but need not) choose that the member's alternatively secured drawdown fund should be applied to or for the benefit of one or more dependants

Each dependant so chosen may choose to receive his or her survivor's fund by:

1) The securing of a pension through annuity purchase;
2) A period of unsecured income withdrawal from the arrangement;
3) A period of alternatively secured income withdrawal from the arrangement

Such pensions should come into payment as soon as possible after the member's death where an annuity is being provided annuity payments should be backdated to the date of death of the member. Where income withdrawals are being provided income withdrawal payments must start with effect from the date of death of the member

7.3.2 Guaranteed Term For Alternatively Secured Drawdown Arrangements

This rule applies if a member dies while receiving alternatively secured income drawdown, provided no more than ten years have elapsed since the member first became entitled to alternatively secured drawdown

If this rule applies, the member's alternatively secured drawdown fund may (but need not) continue to provide alternatively secured drawdown for the remainder of that ten year period

If this rule applies, and if the member has given written notification to the scheme administrator nominating the person or persons to whom income should be paid, the scheme administrator will continue to pay drawdown income for the remainder of the period to the person or persons so nominated. Alternatively the scheme administrator may continue payment of alternatively secured drawdown to any person nominated by the member's legal personal representative or, if no such nomination was made, to any relative of the member, for the duration of that 10 year period

8. MEMBER DIES BEFORE BENEFITS START

8.1 Options Available

A member may choose that if he or she dies before pension date, the member's fund will be used to either:

1) Secure a survivor's pension through the purchase of an annuity from an insurer (that is a pension for the widow or widower or surviving civil partner, and/or one or more dependants), or
2) Secure a survivor's pension through unsecured income drawdown to the widow/widower/surviving civil partner; or
3) Secure a survivor's pension through alternatively secured income drawdown to the widow/widower/surviving civil partner; or
4) Pay a lump sum

If the member does not make a choice under this rule and there is a survivor then the trustees may decide how the member's fund should be used in accordance with this rule

Annuity payments under option (1) of rule 8.1 should come into payment as soon as possible following the death of the member. Annuity payments should be backdated to the date of death of the member

Unsecured or alternatively secured income drawdown payments under options (2) or (3) of rule 8.1 must start with effect from the date of the death of the member

8.2 Survivor's Annuity

8.2.1 Choice of Provider

If option (1) of rule 8.1 applies and the member has notified the scheme administrator that he or she wishes the pension to be secured from a particular insurer, then the trustees and scheme administrator must buy the annuity from that insurer

In any other case where option (1) of rule 8.1 applies, the scheme administrator must write and tell the survivor that he or she has the right to choose an insurer. The survivor then has three months from the date of notification to write back and tell the scheme administrator which insurer he or she has chosen. If the survivor chooses an insurer, he or she may at the same time decide whether any of the options in rules 8.2.2 to 8.2.3 will apply to the pension provided by the annuity

If a member or survivor does not choose which insurer the annuity is purchased from by writing tell the scheme administrator by the latest date permitted under this rule then the trustees and scheme administrator will choose the insurer and will decide which (if any) of the alternatives in rules 8.2.2 to 8.2.3 will apply to the pension

Any part of the member's fund that cannot be used to buy survivors' pensions or to pay survivors' lump sums will be used by the scheme administrator to meet general administration expenses of the scheme

A widow or widower or surviving civil partner who is under the age of 60 when the member dies may choose to defer all pension benefits to any later time up to his or her 60th birthday

Where the survivor's annuity is not being deferred, the purchase of a survivor's annuity must occur as soon as practicable after the member dies, and the annuity payments should be backdated to the date of the death of the member

8.2.2 Duration Of Survivor's Annuities

A pension payable to a person who is a dependant solely because that person is under the age of 23 when the member dies must stop when the dependant reaches age 23

A survivor's pension that is not covered by the above rule must be paid for the survivor's life, although it may stop if the survivor remarries/marries

8.2.3 Minimum Payment Guarantee

A survivor's pension bought with a member's fund may (but need not) be on terms that it will in any event be paid for a guarantee period not exceeding ten years. Then, if the pension would have stopped in accordance with rule 8.2.2, 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 or reaches the age of 23

8.3 Survivor's Unsecured Income Drawdown

If option (2) of rule 8.1 applies and the member has advised the scheme administrator how funds belonging to specified arrangements should be allocated between survivors, the scheme administrator will establish unsecured drawdown funds for each nominated survivor in accordance with the member's wishes. This may, if required, involve splitting arrangements in accordance with rule 3.5

If the member has not given such advice, the scheme administrator will allocate funds belonging to the member's arrangements between survivors according to his best judgement. This may, if required, involve splitting arrangements in accordance with rule 3.5

Upon establishing the unsecured drawdown funds, the scheme administrator will calculate the Basis Amount applicable to each survivor, and will write to the survivors advising them of the maximum drawdown income to which they are entitled for the first reference period. The survivor should, within three calendar months of this advice, notify the scheme administrator in writing of their desired level of gross income (up to 120% of the Basis Amount) and the desired frequency of payment (not less frequent than yearly) for the first Year

If the survivor provides the scheme administrator with the above information within the time specified, the scheme administrator will operate income drawdown in accordance with the survivor's requests. If the survivor does not notify the scheme administrator of his or her requirements within the time specified, the scheme administrator will act upon the assumption that the maximum income is required and that the payment interval will be yearly

For Years subsequent to the first, the survivor may vary level of drawdown by giving written notice to the scheme administrator not less than three months prior to the start of the Year. If such notification is made after this time limit, the administrator may (but need not) continue to operate drawdown for the Year on the basis used in the previous Year

If the survivor attains his or her 75th birthday while being paid unsecured income drawdown, the form of drawdown will be converted to alternatively secured drawdown with effect from that birthday (see rule 8.4.1)

8.3.1 Right To Claim Uncrystallised Funds Lump Sum

At any time during the two years beginning with the member's death but before the survivor's 75th birthday, any or all of the arrangements originally in use to provide the survivor with unsecured income drawdown may be converted to pay a lump sum benefit to the survivor. In order to ensure that the lump sum benefit can be paid within the two years prescribed by law, the survivor must make a written request to the scheme administrator no later than two months prior to the second anniversary of the member's death

8.4 Survivor’s Alternatively Secured Drawdown

If option (3) of rule 8.1 applies and the member has advised the scheme administrator how fund belonging to specified arrangements should be allocated between survivors, the scheme administrator will establish alternatively secured drawdown funds for each nominated survivor in accordance with the member’s wishes. This may, if required, involve splitting arrangements in accordance with 3.5

If the member has not given such advice, the scheme administrator will allocate funds belonging to the member’s arrangements between survivors according to his best judgement. This may, if required, involve splitting arrangements in accordance with rule 3.5

Upon establishing the alternatively secured drawdown funds, the scheme administrator will calculate the Basis Amount applicable to each survivor, and will write to the survivors advising them of the maximum drawdown income to which they are entitled for the Year. The survivor should, within three calendar months of this advice, notify the scheme administrator in writing of their desired level of gross income (between 65% and 90% of the Basis Amount) and the desired frequency of payment (not less frequent than yearly) for that Year

If the survivor provides the scheme administrator with the above information within the time specified, the scheme administrator will operate the income drawdown in accordance with the survivor’s requests. If the survivor does not notify the scheme administrator of his or her requirements within the time specified, the scheme administrator will act upon the assumption that the maximum income is required, and that the payment interval will be yearly.

For years subsequent to the first, the survivor may vary the level of drawdown by giving written notice to the scheme administrator not less than three months prior to the start of the Year. If such notification is made after this time limit, the scheme administrator may (but need not) continue to operate drawdown for the Year on the basis used in the previous Year.

8.4.1 Conversion From Unsecured To Alternatively Secured Drawdown

If option (2) of rule 8.1 has applied and the survivor to whom unsecured income drawdown is being paid attains his or her 75th birthday, the scheme administrator will take the unsecured drawdown funds relating to the survivor and use them to establish an alternatively secured income fund

The last year of unsecured income drawdown will end on the day preceding the 75th birthday. Even though this will be a shortened year, the full Basis Amount will be available for calculating maximum drawdown for the year

The first year of alternatively secured drawdown will commence on the 75th birthday. Time limits for notifying changes in the level of drawdown will be as set out in rule 8.4

8.5 Survivor's Lump Sum

The scheme administrator will pay any lump sum due under option (4) of rule 8.1 within two years of the member's death. If this is not practicable then, at the end of two years, it will be transferred to a separate account outside the scheme until it can be paid

8.5.1 Lifetime Allowance Charge

The scheme administrator is not responsible for any tax which may be due under the terms of section 214 of the 2004 Act. This responsibility rests with the legal personal representatives of the member

All lump sum death benefits paid out in accordance with rule 8.5 will be paid out gross. The scheme administrator will provide on demand to the legal personal representatives of the member, a full list of lump sum death benefit payments in order to assist them in complying with their legal responsibilities

9. TRANSFER OUT OF THE SCHEME

9.1 Member's Right To A Recognised Transfer

A member has a right to request that the "cash equivalent" of all accumulated funds, assets and other rights held within any or all arrangements under the scheme should be transferred in accordance with section 169 of the 2004 Act to:

- Another recognised pension; or
- A qualifying recognised overseas pension scheme

The transfer must be made by a direct payment between trustees/scheme administrator and the administrator or trustee of the other scheme. The transfer may not be paid or passed through a financial intermediary or broker. If the scheme has appointed a Pensioneer or managing trustee, then the Pensioneer or managing trustee must be a party to the transaction

The scheme administrator will make enquiries of the proposed receiving scheme to satisfy itself that the receiving scheme qualifies as a registered pension scheme or qualifying recognised overseas pension scheme. Unless satisfactory evidence is received, the scheme administrator will not transfer funds

No recognised transfer may be made after an annuity has been purchased

9.2 Discharge Of Rights

Entitlement to benefit under the scheme for or in respect of the member or survivor will cease in respect of any rights transferred in accordance with Part 9 of these rules and the scheme will be discharged from any obligation to provide benefits in respect of those rights

10. TRANSFER INTO THE SCHEME

10.1.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 (including any pension credit rights under:

- Another recognised pension scheme; or
- A qualifying registered overseas pension scheme

The scheme administrator may accept a transfer without the member's written request where the transfer originates from a scheme that is being wound- up and the rules of that scheme do not require the member's consent to that transfer

10.2. Transfer In With Pension Debit

Where the scheme administrator accepts a transfer payment into the scheme and is informed by the transferring scheme of a pension debit relating to the transfer payment, then the scheme administrator must retain details of this pension debit. If those benefits are subsequently transferred from the scheme in accordance with Part 9 of these rules then the scheme administrator must give full details of the pension debit to the receiving scheme's administrator

10.3 General Conditions

The transfer must be made by a direct payment between trustees/scheme administrator of the other scheme and the trustees/administrator. The transfer may not be paid or passed through a financial intermediary or broker.

A transfer payment is not a contribution for the purpose of sections 188 or 196 of the 2004 Act (tax relief), nor is it an input for the purposes of section 229 of the 2004 Act (annual allowance charge)

The scheme administrator must comply generally with all HM Revenue and Customs requirements for the acceptance of transfer and provision of benefits from transfer payments

The transfer must be completed before any annuity is due to be purchased from the member's fund

10.4 Acceptance Of Transfers Of Income Drawdown Benefits

If all the conditions below are not met, a member may transfer in the scheme benefits from an arrangement held under another registered pension scheme which constitute either an unsecured income drawdown fund or an alternatively secured income drawdown fund

Benefits in payment through income drawdown under another registered pension scheme in respect of a substitute member may also be transferred to the scheme if the scheme administrator so permits and all the conditions below are met.

The conditions that must be met are:

- The payment must consist of the whole of the member's fund or substitute member's fund held under each of the arrangements being transferred;
- The receiving arrangement(s) must have been set up by the scheme specifically to accept the transfer or an earlier or simultaneous transfer of the same nature and must prohibit the acceptance of:
    - Contributions under Part 4 of these rules; and
    - Further transfer payments which do not fall within rule 10.4

Member and substitute member benefits may not be transferred into the same arrangement, even if the member and the substitute member are the same person

No tax-free lump sum may be paid from the new arrangement(s) whether immediately following transfer or subsequently if the member or substitute member dies before an annuity has been purchased

Following the transfer into the new scheme the member or substitute member may not transfer those benefits held in the new arrangement(s) until at least a year has expired from the date of transfer

The transfer into the receiving arrangement will constitute an addition fund designation, and so an interim revaluation of the Basis Amount will be triggered in accordance with rule 6.6

10.5 Transfer In Of Protected Lump Sum

The scheme may accept transfers of rights which include "protected" enhancements to the normal pension rights available within the scheme. These may include:

- Pension Commencement Lump Sum rights in excess of 25% of funds within an arrangement; or
- Rights to take a Pension Commencement Lump Sum at an age earlier than the Normal Minimum Pension Age (with corresponding reduction in the Lifetime Allowance)

Where the transfer constitutes a “bulk transfer” (i.e. the rights of two or more members of the scheme are transferred together), the scheme may be entitled to inherit the protections

Benefits subject to such protected rights shall be retained in a separate arrangement from all other benefits

Rules 5.3, 6.3 and 6.8 shall be amended as follows:

5.3 Where the minimum commencement age prescribed by the rules of the surrendering scheme would be earlier than the Normal Minimum Pension Age, the earliest benefit date in respect of rights within the separate arrangement shall be that lower age

6.3 Where the amount permitted by the rules of the surrendering scheme is greater than the amount calculated by the normal rule, the maximum benefit payable from the separate arrangement will be that higher amount

6.8 Where the lump sum benefit has been paid out by virtue of Rule 6.3 in respect of a protected arrangement, the member’s Lifetime Allowance shall be adjusted downwards in accordance with the requirements of the protection

11. GENERAL PROVISIONS ABOUT SCHEME ETC

11.1 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 (or substitute member's fund, where relevant). The scheme must provide money purchase benefits within section 181 of the Pension Schemes Act

11.2 Provider

The name of the provider is set out in the schedule to the rules. The provider is a person permitted by section 154 of the 2004 Act to establish a registered pension. If the provider ceases to be such a person, the scheme administrator must immediately inform H M Revenue and Customs

As the scheme is established by an employer or affinity group, the scheme is established under trust. Membership of the scheme is limited in accordance with rules 3.2 and 3.3

11.3 Scheme Administrator

The scheme administrator is the person named in the schedule to the rules. The provider may by notice removed the scheme administrator provided that at the same time it appoints another or assumes the role itself

The scheme administrator is responsible for discharging the duties imposed by these rules and by the 2004 Act and other legislation. The scheme administrator must be a person resident in the UK. If the provider is resident in the UK, the provider may be appointed as the scheme administrator

11.4 Managing Trustee

One of the trustees of the scheme may act as a managing trustee.

The initial appointment of the managing trustee may be stated within the Trust Deed establishing the scheme. Alternatively a managing trustee may be appointed at any subsequent time by written instrument

11.4.1 Managing Trustee Obligatory

Where the role of managing trustee is specified as mandatory, whether in the Trust Deed establishing the scheme or in any subsequent amending instrument, the managing trustee's appointment and obligation to act as such shall not be capable of termination at any time unless the managing trustee:

- Has died;
- Is removed by an order of the court
- Is disqualified, suspended or prohibited under the Pensions Act 1955 or Article 3, 4 or 29 of the Pensions (Northern Ireland) Order 1995;
- Has committed a fraudulent breach of trust in relation to the scheme and that is the reason for the termination; or
- Is replaced by another managing trustee and the appointment of the other managing trustee either precedes or takes effect at the same time as the termination

The appointment of a successor to the former managing trustee shall, except where rule 11.4.5 applies, be made no more than thirty days after the termination

The power to appoint a new managing trustee lies with the provider, who shall make such an appointment by written instrument

In the event of the termination of a management trustee's appointment, the remaining trustees are entitled to make a new appointment if the provider has failed to do so within the requisite 30 days

11.4.2 Managing Trustee Optional

Where the role of managing trustee is not specified as mandatory, one of the scheme's trustees may nonetheless be appointed to that role

That appointment and the obligation to act as such may be terminated at any time without the requirement for a replacement managing trustee to be appointed

During any period in which a managing trustee is appointed, rules 11.5 to 11.6 will apply in full

11.5 Managing Trustee's Undertaking

If at any time the scheme has a trustee who has been appointed as managing trustee, upon appointment that managing trustee must undertake that they will not:

- Consent to any action they consider infringes the terms of the trust deed and rules of the scheme, the 2004 Act and associated Regulations or published Revenue and Customs practice in relation to the initial and continued registration of the scheme;
- Agree to the termination of the scheme otherwise than in accordance with the terms of the approved winding-up provisions contained in the trust deed of the scheme and these rules;
- Delegate any powers to any other trustee of the scheme (or to any person or body acting on behalf of those trustees) where they consider such delegation

is being made for the purpose of infringing the terms of the trust deed and rules of the scheme, the 2004 Act and associated Regulations or published Revenue and Customs practice in relation to the initial and continued registration of the scheme ;

- Make any delegation unless:
  - The terms of this rule are brought to the attention of the delegate, and
  - They make all reasonable efforts to ensure that the delegate gives to the trustees an undertaking corresponding to that set out above

11.6 Responsibilities of Managing Trustee

The primary responsibility of any managing trustee (as stated in the undertaking above) is to ensure that the trustees do not take any action which, in the opinion of the managing trustee, would jeopardize the continuing registered status of the scheme

In addition the managing trustee has a number of responsibilities relating to funds and assets acquired by and owned by the scheme

11.6.1 Mandatory Co-Signatory of Accounts

If the scheme has a managing trustee, that managing trustee must be a mandatory co-signatory to all scheme bank or building society accounts. However, it is acceptable for the trustees to make regular payments from a scheme bank account without specific agreement in every case from the managing trustee providing payments:

- Have been previously authorised in principle by the managing trustee; and
- Are covered by a standing order or direct debit arrangement

Such payments may include, for example, pension payments being paid through income drawdown, premiums paid on insurance policies, ground rents, mortgage repayments, and bank charges.

Any transfer payments made to the scheme in cash must be paid into a scheme bank or building society account of which the managing trustee is a mandatory co-signatory

All cash contributions paid into the scheme should be paid into a scheme bank account to which the managing trustee is a co-signatory

11.6.2 Mandatory Co-Owner of Assets

If the scheme has a managing trustee, that managing trustee must be a registered owner (along with the other trustees) of all scheme assets. Where legally possible the managing trustee's name should be on the document of title, but if this is not possible and the land or property is in England or Wales then there should be a legally enforceable restriction in place to prevent the assets being realised for cash without the written authority of the managing trustee. Such a restriction should be registered at H M Land Registry

Any proceeds from the sale or disposal of an assets owned by the scheme must be paid to a scheme bank or building society account of which the managing trustee is a mandatory co-signatory

This rule applies to all new assets owned by the scheme. Where necessary (as for example on the appointment of a new managing trustee), existing assets should be re-registered to shoe that the managing trustee is co-owner of the assets

11.6.3

The managing trustee, if the scheme has one, must be a party to any insurance policy entered into. The wording of these policies must reflect that any proceeds of the policy may only be paid if the managing trustee agrees in writing to the insurance company. They must also be a party to any new borrowings entered into in accordance with rule 13.4

The managing trustees must be signatory to any management arrangement between the trustees and any fund manager or broker. This arrangement is to ensure that any proceeds paid from the portfolio to the trustees will be paid only into a scheme bank or building society account of which the managing trustee is a mandatory co-signatory. The managing trustee does not have to be co-signatory to any nominee account that is set up by the fund manager or broker as part of the management of the portfolio unless that account can be accessed by the trustees

The requirements above also apply for other management arrangements where shares are held on behalf of the trustees by a nominee and any share transactions undertaken on non-UK stock exchanges that might require the share certificate to be registered in the name of a recognised nominee. Where shares are registered in the name of CREST it will be acceptable if written arrangements are in place such that they cannot be transferred out of the control of the duly appointed fund manager (other than in the normal course of managing investments) without the written consent of the managing trustee

12 CLOSING OR WINDING-UP THE SCHEME

12.1 Closing The Scheme

The provider may at any time give notice to the scheme administrator to:

12.1.1 Stop admitting new members (or substitute members where relevant) to the scheme, but continue to accept contributions from, and in respect of, existing members; or

12.1.2 Stop admitting new members (or substitute members, where relevant) to the scheme and stop accepting contributions from, and in respect of, existing members

If the scheme is closed, the scheme administrator will continue to operate the scheme under the scheme documents, unless the provider is winding-up the scheme. Where rule 12.1.2 applies, the scheme administrator must notify each member or other beneficiary of his or her rights and options under the Pension Schemes Act or Pensions Act 1995 (where relevant)

12.2 Winding-Up The Scheme

The provider may wind-up the scheme by giving written notice to the scheme administrator. The scheme administrator will then notify each member of his or her rights and options under the legislation and H M Revenue and Customs practice. This notification will include notice of the member's rights to transfer under Part 9 of these rules

When a member does not make a choice under Part 9 of these rules, the scheme administrator will transfer the member's fund to another registered pension scheme of the scheme administrator's choice. The member's consent will not be necessary

12.3 Deregistration Of The Scheme

If the H M Revenue and Customs deregisters the scheme through section 157 of the 2004 Act, the scheme administrator will inform the members (and other beneficiaries as appropriate) within 3 months of the date of receipt of the notice of deregistration unless the scheme administrator appeals

If an appeal is made, the scheme administrator will inform the members and other beneficiaries within 3 months of the date of receipt of the notice that the commissioners have dismissed the appeal or have ruled that the decision is to have effect from a different date. The scheme administration will then wind-up the scheme as described in rule 12.2

The scheme administrator will, before winding up the scheme, account to H M Revenue and Customs for all tax liabilities consequent upon the deregistration, whether charged under section 242 of the 2004 Act or otherwise

13 INVESTMENTS OR DEPOSITS

Subject to restrictions within this section, the scheme may invest in any funds or assets permitted by law

13.1 Employer Related Investments

The scheme being an occupational pension scheme, must comply with the restrictions on employer related investments imposed through section 40 of the Pensions Act 1995

No more than 5% (at the time of payment) of the value of the scheme's funds and assets may at any time be invested in shares or securities of the provider

If the scheme has been established for the purposes of providing retirement benefits to the employees of more than one employer, no more than 20% (at the time of payment) of the scheme's funds and assets may be invested in shares or securities of those companies

13.2 General

It is a decision for the trustees as to how scheme funds are invested and the degree of investment choice open to a member. It is the responsibility of the scheme administrator to ensure that any investments made confirm with the requirements of these rules, the legislation and H M Revenue and Customs practice

If the trustees so permit, a member may choose or direct how contributions and any transfer payment accepted by the scheme in respect of the member should be invested, subject to the requirement that any investment made conforms with the requirements of these rules.

13.3 Loans

The scheme may not lend money to any person who is a member of the scheme, or to any person who is connected with a member of the scheme.

The scheme may lend money to the provider or other sponsoring employer as long as the provisions of section 179 and Schedule 30 of the 2004 Act are complied with. The conditions are:

- The amount loaned must not exceed an amount equal to 50% of the aggregate of the amount of the funds, and the market value of the assets, held within the scheme immediately before the loan is made
- The loan must be secured by a charge which is of "adequate value". Three tests must be satisfied in order for a charge to be of adequate value:

    - At the time the charge is given, the market value of the assets subject to the charge must be at least equal to the amount owing (including interest) or, for a replacement charge, the value of the assets subject to the previous charge;
    - If, at any subsequent time, the market value of the assets subject to the charge becomes inadequate to satisfy the test above, the reduction in value must not be attributable to any steps taken by the scheme, the sponsoring employer or any person connected with them;
    - The charge must take priority over any other charge upon those assets
- The rate of interest must not be less than the rate prescribed by H M Revenue and Customs;
- The loan must be repayable within 5 years (unless postponed in accordance with rule shown below)
- The principal and interest payable under the loan are repaid evenly year on year over the course of the loan period. The formula is given by paragraph 4 of Schedule 30 to the 2004 Act, which prescribes that the minimum required payment in any loan period is:

  (L+TIP) x NLY / TLY

  where L is the amount of the loan; TIP is the total interest payable; NLY is the number or loan years in any period; and TLY is the total number of loan years

- The loan repayment date may be postponed to a later date no more than five years after the standard date. This postponement may only be made once

13.4 Borrowing

The scheme may borrow money in order to assist in carrying out any of the purposes of the scheme. Such borrowing must satisfy the requirements of Section 182 of the 2004 Act

No amount may be borrowed if the effect of such borrowing would be to increase the aggregate amount of debt outstanding above one half of the value of the arrangement. Or, as a formula:

(APB + PB) < VA / 2

where APB is the aggregate of amounts previously borrowed (less amounts repaid); PB is the proposed borrowing; VA is the value of the arrangement. The value of the arrangement is further defined as the aggregate of:

- The amount of sums and value of assets making up member’s unsecured or alternatively secured drawdown funds;
- The amount of sums and value of assets making up dependants’ unsecured or alternatively secured drawdown funds;
- The capital value (at a valuation factor of 20) of any scheme pensions payable;
- The value of the uncrystallised rights

13.5 Property

The scheme may invest in commercial property.

The scheme may not invest in residential property or chattels which would be treated as “taxable assets” by virtue of Part 2 of Schedule 29A to the 2004 Act (as inserted by Schedule 22 to the Finance (Number 2) Bill 2006)

For the avoidance of doubt the scheme is an “investment regulated” scheme as defined in Part 1 of Schedule 29A to the 2004 Act

14 SCHEME ADMINISTRATOR'S FEES

14.1 Annual Fees

The scheme administrator shall charge an annual fee for the general administration of the scheme, as notified to members on the scheme application form and from time to time.

The scheme administrator shall also charge an annual fee in respect of each individual member's participation in the scheme. This will also be notified to members on the scheme application form and from time to time

The annual fees are due in advance ordinarily collected on each anniversary of the scheme's establishment, and the first fees shall be payable upon application

The scheme administrator may increase annual fees at its sole discretion save that such increases shall be limited to the greater of the increase in the Retail Price Index and the increase in the Consumer Price Index over the period since the last such increase

The scheme administrator will give 12 months' notice of any increase in the annual fee to all trustees and members

15 ALTERATIONS TO THESE RULES

15.1 Power To Alter These Rules

The scheme administrator may at any time, in writing, make any alteration to these rules. This power of alteration may be exercised by the scheme administrators alone, and without any conditions except rule 15.2 it is additional to, and independent of, any other power of alteration in relation to the scheme

15.2 Alteration of An Arrangement

No arrangement may be amended in a way that could prejudice continuing H M Revenue and Customs registration of the scheme or of the arrangement

15.3 Conflict

In the event of any conflict between these rules and the application form, then these rules shall prevail

16 SCHEDULE TO THE RULES

The provider is: Pripak Limited whose company registration is 03077100 and whose

registered office is situated 19-21 Swan Street West Malling Kent ME19 6JU

The provider is an employer or affinity group

The scheme administrator is Eagle Corporate Limited

Member’s arrangements are initially established as a single arrangement

The scheme allows adults to make arrangements for individuals under the age of 16, or in England, Wales and Northern Ireland, 18, if not in employment, as members

The scheme allows employed individuals in England, Wales or Northern Ireland who are over the age of 16 but under the age of 18 to make their own arrangements as members

Arrangements may be split in accordance with rule 3.5

The scheme will permit contributions paid in the form of shares

The scheme does not offer life insurance

An arrangement may be transferred from or to the scheme where benefits are in payment from that arrangement through income drawdown

The provider is not an insurer

Distribution of any death benefit will be subject to the terms of the member’s arrangement