

RULES OF THE PRUDENTIAL (SAL) STAKEHOLDER SCHEME

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1. SCHEME STATUS, DEFINITIONS AND INTERPRETATION

1.1 Scheme status

- (a) The Scheme is a money purchase pension scheme registered under paragraph 1 Schedule 36 of the Finance Act 2004. The Provider is a financial institution and the Scheme is set up for a wider membership than a specific employment.
- (b) Schedule 1 describes:
- whether this Scheme is a Stakeholder Pension Scheme;
 - whether this Scheme is contracted-out of the State Second Pension as an Appropriate Personal Pension Scheme in receipt of an appropriate scheme certificate under the Pension Schemes Act;
 - whether this Scheme allows income withdrawal in the form of unsecured pensions, and
 - whether this Scheme is a Self-Invested Personal Pension Scheme.

Where the Scheme is a Stakeholder Pension Scheme, an Appropriate Personal Pension Scheme, allows income withdrawal or is a Self-Invested Personal Pension Scheme, overriding provisions apply which are set out on the Schedules attached to these Rules.

- (c) Schedule 2 applies if the Scheme is a Stakeholder Pension Scheme.
- (d) Schedule 3 applies if the Scheme is an Appropriate Personal Pension Scheme.
- (e) Schedule 4 applies if the Scheme allows income withdrawal in the form of unsecured pension.
- (f) Schedule 5 applies if the Scheme is a Self-Invested Personal Pension Scheme.

1.2 Definitions

The following words have the following meanings:

"Act" means the Finance Act 2004.

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

"Alternatively Secured Pension Fund" means the Member's funds held in the Scheme after the Member's 75th birthday in accordance with paragraph 11 Schedule 28 of the Act.

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

"Arrangement" means an arrangement (as described in Rule 2.2) made by a person with the Scheme Administrator to provide benefits under these Rules.

"Benefit Crystallisation Date" means the date on which the Benefit Crystallisation Event is effective and benefits are tested against the Member's Lifetime Allowance in accordance with the Act.

"Benefit Crystallisation Event" means a benefit crystallisation event as defined in section 216 of the Act.

"Child" means a natural or adopted child of the Member, where the child:

- (a) has not reached the age of 23, or
- (b) has reached that age and, in the opinion of the Scheme Administrator, was at the date of the Member's death dependent on the Member because of physical or mental impairment.

"Civil Partner" means a civil partner of a Member as defined in section 1 of the Civil Partnership Act 2004.

"Contract" means the contract between the Provider and the Member or another Person in respect of the Member.

"Crystallised Benefits" means benefits that have been put into payment and tested against the Member's Lifetime Allowance in accordance with section 219 of the Act.

"Dependant" means:

- (a) a person who was the Member's spouse or Civil Partner at the date of the Member's death;
- (b) a person who was the Member's spouse or Civil Partner when the Member first became entitled to a pension under the Scheme;
- (c) the Member's Child, or
- (d) a person who, in the opinion of the Scheme Administrator, at the date of the Member's death:
 - (i) was financially dependent on the Member;
 - (ii) had a financial relationship with the Member that was one of mutual dependence, or
 - (iii) was dependent on the Member because of physical or mental impairment.

"Employer" means the current employer of a Member.

"Ex-Civil Partner" means a former Civil Partner to whom Pension Credit Rights have been allocated following a Pension Sharing Order, agreement or equivalent provision.

"Ex-Spouse" means a former spouse of the Member to whom Pension Credit Rights have been allocated following a Pension Sharing Order, agreement or equivalent provision.

"Guaranteed Minimum Pension" means a minimum pension provided from an occupational pension scheme as a condition of contracting-out of the State Earnings Related Pension Scheme.

"HMRC" means Her Majesty's Revenue and Customs.

"Insurance Company" means an insurance company as defined in section 275 of the Act.

"Lifetime Allowance Charge" means a tax charge taken in accordance with section 214 of the Act.

"Member" means an individual who has become a Member under Rule 2.1.

"Member's Fund" means the aggregate under the Scheme of the accumulated values of:

- (a) the contributions paid to and retained in the Scheme by or in respect of the Member in accordance with Rule 2.3(a);
- (b) any transfer payment accepted by the Scheme in respect of the Member;
- (c) any Pension Credit Rights accepted by the Scheme in respect of the Member, and
- (d) any income or capital gain arising from the investment of such payments.

It excludes:

- (i) any contract or part of a contract to which contributions have been applied under the provisions of Rule 2.3(e) or 2.3(f);
- (ii) any administrative expenses of the Scheme and any payments of commission;
- (iii) any Pension Debit arising as a result of a Pension Sharing Order, and
- (iv) Crystallised Benefits.

"Member's Lifetime Allowance" means the Standard Lifetime Allowance, adjusted in accordance with section 218 of the Act. The Member's Lifetime Allowance is the value of benefits that the Member can draw from all Registered Pension Schemes in his or her lifetime without triggering a Lifetime Allowance Charge.

"Pension Credit" means a credit under section 29(1)(b) of the Welfare Reform and Pensions Act 1999.

"Pension Credit Rights" means rights to benefits attributable to a Pension Credit.

"Pension Debit" means a debit under section 29(1)(a) of the Welfare Reform and Pensions Act 1999.

"Pensions Regulator" means the Pensions Regulator established under the Pensions Act 2004.

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

"Pension Sharing Order" means any order or provision as defined in either section 19 or 20 of the Welfare Reform and Pensions Act 1999.

"Person" means an individual or a body of persons whether or not incorporated, other than the Employer.

"Protected Rights" means the Member's rights to benefits attributable to contributions comprising of age-related rebates and tax relief in respect of the employee's share of the age-related rebates; and transfer payments secured under section 19 of the Pension Schemes Act or relating to protected rights, rights under section 9(2B) of the Pension Schemes Act or Guaranteed Minimum Pension.

"Provider" means The Prudential Assurance Company Limited and any successor.

"Qualifying Recognised Overseas Pension Scheme" means a qualifying recognised overseas pension scheme as defined in section 169 of the Act.

"Registered Medical Practitioner" means a fully registered medical person within the meaning of the Medical Act 1983.

"Registered Pension Scheme" means a pension scheme registered in accordance with section 153 of the Act, or deemed registered in accordance with paragraph 1 Schedule 36 of the Act.

"Relevant UK Individual" means an individual who, in the Tax Year in which he or she joins the Scheme:

- (a) has relevant UK earnings as defined in section 189(2) of the Act chargeable to income tax for that year;
- (b) is resident in the United Kingdom at some time during that year, or
- (c) has, or whose spouse or Civil Partner has, for the Tax Year general earnings from overseas Crown employment subject to UK tax, as defined in section 189(4) of the Act.

"Rules" means these Rules of the Scheme, including the Schedules listed as applicable in Schedule 1.

"Scheme" means this scheme named in Schedule 1.

"Scheme Administrator" means the Scheme Administrator named in Schedule 1 and any successor.

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

"Self-Invested Personal Pension Scheme" means a self-invested personal pension scheme as described in regulation 3 of the Personal Pension Schemes (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 or such later regulation as may apply.

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

"Standard Lifetime Allowance" means the standard lifetime allowance established by the Treasury for each Tax Year under section 218 of the Act.

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

"Unauthorised Payment" means an unauthorised payment as defined in section 160(5) of the Act.

"Uncrystallised Benefits" means benefits not yet put into payment and not yet tested against the Member's Lifetime Allowance in accordance with section 219 of the Act.

"Unsecured Pension Fund" means the Member's funds held in the Scheme in accordance with paragraph 8 Schedule 28 of the Act.

1.3 Interpretation

- (a) Any reference to legislation (including regulations) includes reference to the equivalent Northern Ireland legislation and includes any amendment or replacement to the legislation.
- (b) Any reference to the singular includes a reference to the plural and vice versa.

- (c) These Rules override any contrary provisions in other Scheme Documents.
- (d) In no event will these Rules be interpreted as giving any right to the payment of an Unauthorised Payment.
- (e) A reference to "Rule" means a rule other than a section in a Schedule. A reference to "section" is to a paragraph in a Schedule unless the reference is to a statute, in which case the statute will be identified.

1.4 Transitional protection under the Act

Where the Member is entitled to transitional protection under Schedule 36 of the Act, the Scheme Administrator may pay benefits in accordance with the provisions of Schedule 36 of the Act.

2. MEMBERSHIP, ARRANGEMENTS, CONTRIBUTIONS AND INVESTMENT OF CONTRIBUTIONS

2.1 Membership

- (a) In order to become a Member, an application must be made to the Scheme Administrator, and the Scheme Administrator must have accepted the application.
- (b) A person can become a Member only if he or she is at the date the application is made:
 - (i) a Relevant UK Individual or is transferring funds from a Registered Pension Scheme;
 - (ii) over the age of 18 or such lower age as the Scheme Administrator allows, and
 - (iii) under age 75.
- (c) If the Scheme Administrator agrees, an Ex-Spouse or Ex-Civil Partner who meets the requirements of Rules 2.1(a) and 2.1(b) may become a Member of the Scheme.

2.2 Arrangements

- (a) If the Scheme Administrator agrees, a Member may have:
 - (i) a single Arrangement in which case these Rules will apply to that Arrangement, or
 - (ii) more than one Arrangement in which case these Rules will apply to each Arrangement separately.
- (b) Where the Scheme Administrator agrees, an Arrangement may be split so that benefits within the Arrangement are held or treated separately.
- (c) Nothing in the terms of an Arrangement may conflict with the Scheme Documents.

2.3 Contributions

- (a) The Scheme may only accept the following contributions:
 - (i) contributions by a Member, including contributions made by any Person on behalf of a Member;
 - (ii) contributions by an Employer in respect of the Member;

- (iii) if the Scheme is an Appropriate Personal Pension Scheme, Minimum Contributions and incentive payments as described in Schedule 3 where the Scheme is the Member's chosen scheme for the purpose of contracting-out.
- (b) If the Scheme Administrator agrees, 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 is aware of the payment. These payments will be treated as a contribution made by the Member.
- (c) Contributions made by the Member, Employer or any other Person on his or her behalf may only be paid in a form agreed with the Scheme Administrator.
- (d) Where the Member has paid contributions to the Scheme in a year in excess of the maximum amount that can receive tax relief, the Scheme Administrator may, at its discretion, refund those excess contributions to the Member. No refund may be made after the end of the period of six years following the end of the Tax Year in which the excess contributions were made.
- (e) If the Scheme Administrator agrees, a Member may choose that contributions paid by or in respect of him or her (excluding Protected Payments as described in Schedule 3) will be used by the Scheme Administrator for a life assurance contract covering the Member.
- (f) If the Scheme Administrator agrees and where the Arrangement was made before 6 April 2001, a Member may contract with the Provider that part of the Member's Fund be used to provide the following protection in the event that the Member is unable to follow his or her occupation by reason of incapacity as defined in the contract:
 - (i) the Member's Fund will be increased up to the level that it would have reached had contributions continued to have been paid (and, where appropriate, will allow life assurance cover under Rule 2.3(e) to be continued) during the period of incapacity: and/or
 - (ii) if the Member's incapacity causes the benefit to start earlier than would otherwise be the case, the Member's Fund will be increased by a lump sum as defined in the contract.
- (g) The Scheme Administrator may require a minimum level of contribution, subject to Schedule 2 where applicable.

2.4 **Investment of contributions**

The Scheme Administrator will invest the contributions in accordance with the Contract provided that the contributions will not be invested contrary to any relevant legislative or regulatory requirements.

3. MEMBER BENEFITS

3.1 **Age at which Member may take benefits**

- (a) The Scheme Administrator will pay benefits to the Member from the Member's Fund on a date that has been agreed with the Member, but this date cannot be earlier than the Member's 50th birthday (or, on or after 6 April 2010, 55th birthday).

- (b) A Member may take benefits from his or her Member's Fund earlier than age 50 (or, on or after 6 April 2010, age 55) if:
 - (i) the Scheme Administrator is satisfied that the Member is and will continue to be incapable of carrying out his or her occupation because of a physical or mental impairment, and
 - (ii) the Scheme Administrator has received written evidence from a Registered Medical Practitioner confirming that the Member is and will continue to be incapable of carrying out his or her occupation because of a physical or mental impairment.
- (c) If the Member was, on 5 April 2006, entitled under the Scheme to a pension from an age less than 50 because his or her occupation was recognised by HMRC on that date as one for which a lower retirement age was acceptable, the Scheme Administrator may, at the Member's request, pay benefits at any time on or after the Member has attained the earlier age specified.

This provision does not apply to a Member in respect of Pension Credit Rights.

- (d) The Member must crystallise all benefits under the Scheme prior to his or her 75th birthday.

3.2 **Benefit crystallisation**

- (a) At any time after the Member reaches the earliest age at which he or she can take benefits under these Rules, he or she may ask that benefits from his or her Member's Fund are paid in accordance with this Rule 3. This will give rise to one or more Benefit Crystallisation Events.
- (b) When the Member asks for benefits from his or her Member's Fund to be paid, the Scheme Administrator will ask the Member to provide information in order to determine how much of the Member's Lifetime Allowance will have been used on the relevant Benefit Crystallisation Date. Where the Scheme Administrator determines that the Member's Lifetime Allowance is exceeded, the Scheme Administrator will deduct a Lifetime Allowance Charge from any crystallising amount that exceeds the Member's Lifetime Allowance.
- (c) Where the Scheme Administrator permits, a Member may elect to split an Arrangement into two Arrangements and crystallise benefits in one Arrangement only. The Rules will apply separately to each Arrangement.
- (d) If the Member attains age 75 and has not crystallised all benefits under the Scheme, the Scheme Administrator will designate the Member's Fund as an Unsecured Pension Fund and may deduct a Lifetime Allowance Charge. The remaining Unsecured Pension Fund will be designated as an Alternatively Secured Pension Fund with which the Scheme Administrator may secure a pension for the Member at its discretion. The Scheme Administrator may choose the Insurance Company and form of pension.

3.3 **Pension income**

- (a) A Member may ask that all or some of his or her Member's Fund be used to provide a pension from an Insurance Company chosen by the Member or the Scheme Administrator.
- (b) The pension must be payable in accordance with section 165 of the Act.

- (c) The Member may request that some of his or her Member's Fund be used to provide a pension for a Dependant in the event of the Member's death. Any Dependant's pension chosen must be payable in accordance with section 167 of the Act.
- (d) The purchase of a pension by or for the Member from an Insurance Company, along with any pension commencement lump sum in accordance with Rule 3.4, will extinguish the Member's rights under the Scheme regarding the benefits crystallised under Rules 3.3 and 3.4.

3.4 Pension commencement lump sum

- (a) If a Member wishes to take some of his or her Member's Fund as a pension commencement lump sum, he or she must inform the Scheme Administrator when applying for a pension under Rule 3.3.
- (b) A pension commencement lump sum:
 - (i) may only be paid when the Member's benefits crystallise as a pension in accordance with Rule 3.3;
 - (ii) must not be more than 25% of the amount, at the time it is paid, of the Member's Fund being applied to provide benefits (including the lump sum) for the Member;
 - (iii) must be paid within three months of the relevant Benefit Crystallisation Date and before the Member's 75th birthday;
 - (iv) must not, when added to all pension commencement lump sums taken from all other Registered Pension Schemes, exceed 25% of the Standard Lifetime Allowance applicable at the time it is paid, and
 - (v) may only be paid up to the amount of the unused Member's Lifetime Allowance.

3.5 Commutation lump sum

A Member's Fund may be paid as a commutation lump sum where:

- (a) on a date chosen or agreed by the Member for valuation for this purpose across all Registered Pension Schemes, the value of the Member's crystallised and uncrystallised benefits, including pre-6 April 2006 pensions in payment, does not exceed 1% of the Standard Lifetime Allowance;
- (b) the lump sum extinguishes the Member's entitlement to any further benefits under the Scheme;
- (c) no commutation lump sum has been paid from any other Registered Pension Scheme under paragraph 7 Schedule 29 of the Act more than twelve months previously to the payment from this Scheme;
- (d) the Member has reached the age of 60 but has not reached the age of 75, and
- (e) the Member has all or part of his or her Member's Lifetime Allowance available at the time the lump sum crystallises.

3.6 Lump sum on grounds of serious ill-health

A Member's Fund may be paid as a serious ill-health lump sum where:

- (a) the Scheme Administrator has received written evidence from a Registered Medical Practitioner confirming that the Member is expected to live for less than one year;
- (b) the Member has all or part of his or her Member's Lifetime Allowance available at the time the lump sum crystallises;
- (c) the lump sum extinguishes the Member's entitlement to any further benefits under the Scheme, and
- (d) the lump sum is paid before the Member's 75th birthday.

4. BENEFITS ON DEATH

4.1 Member's Fund

- (a) Following the death of a Member before all of his or her Member's Fund has crystallised the Scheme Administrator may, as soon as practicable, pay out all or part of the Member's Fund as one or more death benefit lump sums or arrange for Dependants' pensions to be paid.
- (b) Where the Contract is subject to a trust, the Member's Fund will be paid as a lump sum to the trustees of that trust.
- (c) Where 4.1(b) does not apply, the Scheme Administrator may pay all or some of the Member's Fund as a lump sum to or for the benefit of any one or more of the following in such proportions as the Scheme Administrator decides:
 - (i) any Person (including trustees of any trust whether discretionary or otherwise) whose name the Member has notified to the Scheme Administrator in writing prior to the date of the Member's death;
 - (ii) the Member's surviving spouse or Civil Partner and any children and remoter issue of any of them;
 - (iii) the Member's parents and grandparents;
 - (iv) the Member's Dependants;
 - (v) the Member's or his or her surviving spouse's or Civil Partner's brothers and sisters (including half-brothers and half-sisters) and their spouses or Civil Partners and any children and remoter issue of any of them;
 - (vi) the Member's or his or her surviving spouse's or Civil Partner's aunts and uncles (including half-uncles and half-aunts) and their spouses or Civil Partners and any children and remoter issue of any of them;
 - (vii) any Person entitled under the Member's will to any interest in the Member's estate;
 - (viii) any other Person, or
 - (ix) the Member's estate.

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

- (d) The Scheme Administrator may arrange for a Dependant's pension to be paid to one or more Dependents. If the Dependant who is to receive a Dependant's pension does not choose the Insurance Company from which the pension will be paid, the Scheme Administrator may do so.

4.2 **Commutation lump sum death benefit**

- (a) The Scheme Administrator may pay a commutation lump sum death benefit instead of a Dependant's pension where:
 - (i) the Member had not reached age 75 at the date of the Member's death;
 - (ii) the value of that Dependant's pension does not exceed 1% of the Standard Lifetime Allowance, and
 - (iii) the lump sum extinguishes the Dependant's entitlement to any further death benefits in respect of the Member under the Scheme.
- (b) The Scheme Administrator must pay any commutation lump sum death benefit to the Dependant prior to the date that would have been the Member's 75th birthday.

4.3 **Life assurance**

If a life assurance contract taken out in accordance with 2.3(e) is in force at the date of the Member's death, the Scheme Administrator will, as soon as practicable, pay the lump sum benefit from the contract:

- (a) in accordance with any specific provision regarding payment of such sums under the contract; or
- (b) where (a) does not apply, and the life assurance contract is subject to a trust, to the trustees of that trust, or
- (c) where (a) and (b) do not apply, in accordance with Rule 4.1.

4.4 **Lump sum time limit**

The Scheme Administrator will normally pay any lump sum within two years of the Member's death or such other time as necessary to avoid tax charges.

5. **TRANSFERS**

5.1 **Transfers from the Scheme**

- (a) The Member may direct the Scheme Administrator to transfer all or part of the Member's Fund to another Registered Pension Scheme or to a Qualifying Recognised Overseas Pension Scheme.
- (b) The Scheme Administrator may, at its discretion, permit the Member to retain part of the Member's Fund in the Scheme.
- (c) The transfer must be made by a direct payment between the Scheme Administrator and the scheme administrator or trustee of the other scheme.
- (d) The Member may withdraw a request for transfer by giving the Scheme Administrator notice in writing to that effect but may not withdraw a request after the Scheme Administrator has entered into a binding agreement with a third party to make the transfer to the other scheme. A Member who has withdrawn a request may make another.

- (e) If the Scheme Administrator agrees, the Member may elect under this Rule 5.1 for different parts of the Member's Fund to be transferred to more than one Registered Pension Scheme or Qualifying Recognised Overseas Pension Scheme.
- (f) The Member and his or her Dependants will cease to be entitled to benefit under the Scheme in respect of any rights transferred in accordance with this Rule 5.1 and the Scheme Administrator and Provider will be discharged from any obligation to provide benefits in respect of those transferred rights.
- (g) The Scheme Administrator may, at its discretion, allow the transfer of a pension in payment from the Scheme.

5.2 Transfers into the Scheme

- (a) The Scheme Administrator may, at the written request of the Member, accept a transfer payment representing the value of the Member's rights (including any Pension Credit Rights) under another Registered Pension Scheme, a Qualifying Recognised Overseas Pension Scheme, or any other source permitted by HMRC.
- (b) A transfer payment is not a relievable pension contribution for the purpose of section 188 of the Act.
- (c) The Scheme Administrator may accept a transfer without the Member's written request where the transfer originates from a scheme which is being wound-up and the Member's consent to that transfer is not required.
- (d) The transfer must be made by a direct payment between the scheme administrator or trustee of the other scheme and the Scheme Administrator.
- (e) The Scheme Administrator may require a minimum transfer value, subject to Schedule 2 where applicable.
- (f) The Scheme Administrator may, at its discretion, allow the transfer of a pension in payment to the Scheme.

5.3 Pension Sharing Order

- (a) If a Pension Sharing Order is made against a Member's Fund and the Member's Ex-Spouse or Ex-Civil Partner is awarded a Pension Credit, the Pension Sharing Order will be implemented by a transfer of the Pension Credit to another Registered Pension Scheme, a Qualifying Recognised Overseas Pension Scheme or a new Arrangement for the Ex-Spouse or Ex-Civil Partner within the Scheme. Where a new Arrangement is made for the Ex-Spouse or Ex-Civil Partner within the Scheme, the Ex-Spouse or Ex-Civil Partner will become a Member of the Scheme.
- (b) The Member may transfer a Pension Credit in respect of the Member to the Scheme where the Scheme Administrator agrees to the transfer.
- (c) The Scheme Administrator may deduct any charges it considers appropriate before implementing a Pension Sharing Order.

6. GENERAL PROVISIONS

6.1 Rights under the Scheme

An individual's rights under the Scheme are limited to those given under the Scheme Documents and by any life assurance or pension contract secured with the Member's Fund.

6.2 Assignment or Surrender

No benefit to which the Member (or upon his or her death a Dependant) has an actual or prospective right under the Scheme may be assigned or surrendered except:

- (a) to the extent necessary to comply with a Pension Sharing Order;
- (b) as permitted by sections 172 and 172A of the Act;
- (c) as permitted by sections 342A to 342C of the Insolvency Act 1986 and sections 36A to 36C of the Bankruptcy (Scotland) Act 1985, as amended by sections 15 to 16 of the Welfare Reform and Pensions Act 1999, or
- (d) as permitted by sections 273 to 278 of the Proceeds of Crime Act 2002.

6.3 Beneficiary unable to act

If the Scheme Administrator believes that an individual entitled to a pension or lump sum payment is unable to act for any reason, the Scheme Administrator may arrange that the pension or lump sum payment, instead of being made to that individual, will be made for the maintenance of that individual and/or any of that individual's Dependents. If any pension or lump sum payment is not so made, they (and any proceeds) must be held for the individual concerned until that individual is again able to act. If that individual dies without becoming able to act, payment must be made to that individual's estate. Any payment made in accordance with this provision will discharge the Scheme Administrator and Provider from any obligation to provide the benefits to which it relates.

6.4 Whereabouts unknown

If the address or other contact details of any individual who is entitled to a payment under the Scheme cannot be established and at least six years have passed since the date the payment became due, the Scheme Administrator may decide that that individual shall cease to have any claim to the payment from the Scheme. The Scheme Administrator must, however, first take all reasonable steps to establish the address.

6.5 Evidence and documentation

The Scheme Administrator may require any Member or any other Person to whom benefits are payable under the Scheme to produce any evidence or information which the Scheme Administrator reasonably requires. If the Member or other Person does not produce the required evidence or information, the Scheme Administrator may withhold payment of any benefit to which it is relevant until it is produced, or deduct tax charges or penalties at the highest rate from benefits paid.

6.6 Notice to Scheme Administrator

Where these Rules give a Member or other Person any choice, the Scheme Administrator may impose requirements on the period or form of the notice to be given by the Member or other Person. These requirements will not conflict with any requirements specified in the Rules.

NOTE: RULE 6.11 WAS BROUGHT INTO EFFECT ON 1 NOVEMBER 2010

6.7 Scheme Administrator

The Scheme Administrator is responsible for discharging the duties imposed by these Rules and by the Act. The Scheme Administrator must be a Person resident in the United Kingdom.

The Provider may remove the Scheme Administrator provided that at the same time it appoints a new scheme administrator or assumes the role itself.

6.8 Trustee

If the Scheme is established under trust, the Trustee of the Scheme is the trustee named in Schedule 1.

The Provider may remove the Trustee provided that at the same time it appoints a new trustee or assumes the role itself.

6.9 Amendment of Rules

The Scheme Administrator may at any time, in writing, alter these Rules to ensure that the Scheme remains a Registered Pension Scheme, or, if applicable, an Appropriate Personal Pension Scheme or Stakeholder Pension Scheme. This power of alteration may be exercised by the Scheme Administrator alone, and without any conditions. It is additional to, and independent of, any other power of alteration in relation to the Scheme.

The Scheme Administrator may also amend these Rules for administrative purposes, or if the Scheme Administrator considers the changes not to be disadvantageous to a majority of the Members.

6.10 Deduction of tax charges and other payments

The Scheme Administrator is entitled to deduct from any benefit payment any charge or tax for which the Scheme Administrator or the Member is liable as a result of the payment, based on the information and documentation available, before making that payment to the Member or a beneficiary.

The Scheme Administrator is entitled to deduct from the assets of the Scheme in respect of a Member a sum equal to any charge, tax, levy, fee or duty for which the Scheme Administrator is liable.

6.11 Miscellaneous lump sum payments

The Scheme Administrator may (whether by commutation of pension or otherwise) in circumstances other than those set out in Rules 3 and 4 pay a lump sum to or in respect of a Member where the relevant legislation would not make such a payment an Unauthorised Payment.

7. CLOSING OR WINDING-UP THE SCHEME

7.1 Closing the Scheme

The Provider may at any time:

- (a) stop admitting new Members to the Scheme, but continue to accept contributions from, and in respect of, existing Members, or
- (b) stop admitting new Members to the Scheme and stop accepting contributions from, and in respect of, existing Members.

If the Scheme is closed, the Scheme Administrator will continue to operate the Scheme under the Scheme Documents. If the Provider has stopped accepting contributions from, and in respect of, existing Members, the Scheme Administrator must notify each Member or other beneficiary of his or her rights and options.

7.2 Winding-up the Scheme

- (a) The Provider may wind-up the Scheme by giving notice to the Scheme Administrator. The Scheme Administrator will then notify each Member of his or her rights to a transfer under Rule 5.1 and give the Member any information relevant to the Member's Fund that is required by law.
- (b) A Member's consent to a transfer of his or her Member's Fund is not necessary. When a Member does not choose to transfer under Rule 5.1, the Scheme Administrator may transfer the Member's Fund to another Registered Pension Scheme of the Scheme Administrator's choice.

SCHEDULE 1

SCHEME INFORMATION

1. **SCHEME NAME:** The Prudential (SAL) Stakeholder Scheme.
2. **SCHEME STATUS:**
 - (a) The Scheme is a Registered Pension Scheme.
 - (b) The Scheme is a Stakeholder Pension Scheme.
 - (c) The Scheme is contracted-out of the State Second Pension as an Appropriate Personal Pension Scheme.
 - (d) The Scheme does not allow income withdrawal in the form of unsecured pensions.
 - (e) The Scheme is not a Self-Invested Personal Pension Scheme.
 - (f) The Scheme is not established under trust.
3. **SCHEME ADMINISTRATION:** The Scheme Administrator is The Prudential Assurance Company Limited.
4. **OVERRIDING PROVISION:** The following overriding provision will replace Rule 6.9:

“The Provider may at any time, in writing, alter these Rules to ensure that the Scheme remains a Registered Pension Scheme, or, if applicable, an Appropriate Personal Pension Scheme or Stakeholder Pension Scheme. This power of alteration may be exercised by the Provider alone, and without any conditions. It is additional to, and independent of, any other power of alteration in relation to the Scheme.

The Provider may also amend these Rules for administrative purposes, or if the Provider considers the changes not to be disadvantageous to a majority of the Members.”
5. **APPLICABLE SCHEDULES:**

The following Schedules are applicable to this Scheme:

Schedule 2

Schedule 3

SCHEDULE 2

STAKEHOLDER PENSION SCHEME

1. INTRODUCTION AND DEFINITIONS

- 1.1 This Scheme is registered with the Pensions Regulator as a Stakeholder Pension Scheme. The Scheme Administrator and Provider will ensure that the Scheme complies with the conditions contained in this Schedule and the SHP Regulations.
- 1.2 "**SHP Regulations**" means the Stakeholder Pension Schemes Regulations 2000.

2. MEMBERSHIP

- 2.1 Neither the Scheme Administrator nor the Provider will refuse membership of the Scheme to an individual on the grounds of:
- (a) his or her financial status;
 - (b) the amount of contributions he or she is going to make to the Scheme (subject to section 3 of this Schedule), or
 - (c) the manner in which the contributions are going to be made.
- 2.2 However, section 2.1 of this Schedule does not prevent the Scheme from restricting membership by reference to:
- (a) employment with a particular employer;
 - (b) individuals participating in a particular trade or profession, or
 - (c) membership of a particular organisation.

3. CONTRIBUTIONS

- 3.1 The Scheme Administrator must accept any contribution from a Member or Employer eligible to make a contribution, provided that it is at least £20 or such other amount permitted by the SHP Regulations.
- 3.2 Contributions may be paid in the form allowed by the Scheme Administrator, subject to the requirements of the SHP Regulations.

4. DEDUCTIONS

The Scheme Administrator may not make any deduction from contributions paid by or on behalf of a Member or from the Member's Fund except where permitted under the SHP Regulations.

5. INVESTMENT

- 5.1 No investment under the Scheme will be made unless permitted by the SHP Regulations or other relevant legislation.
- 5.2 No Member is required to make any choice as regards the investment of:
- (a) contributions paid by or on behalf of the Member;
 - (b) any amount credited to the Member's Fund in respect of a Pension Credit, or
 - (c) any income or capital gain arising from such contributions or Pension Credit.

5.3 If any Member has not made any choice regarding the investment of his or her contributions or Pension Credit, the Scheme Administrator shall apply the contributions and Pension Credit in respect of that Member in accordance with the requirements of lifestyling as defined in the SHP Regulations.

6. WINDING-UP

6.1 If the Scheme ceases to be registered as a Stakeholder Pension Scheme with the Pensions Regulator, the Scheme Administrator must commence to wind-up the Scheme on the date on which the Scheme is notified in writing by the Pensions Regulator that it is no longer so registered.

6.2 Within two weeks of the date that winding-up commences, or within such other period as may be allowed under the SHP Regulations, the Scheme Administrator will tell all known employers who have designated the Scheme for the purposes of employee access under section 3 of the Welfare Reform and Pensions Act 1999 that winding-up has started. The employers will also be told why the Scheme is being wound-up and, if it is the case, why the Scheme has ceased to be registered as a Stakeholder Pension Scheme.

6.3 Any contributions paid to the Scheme after the date of commencement of winding-up will be repaid to the party who made the payment.

6.4 The Scheme Administrator will ensure that all pension rights under the Scheme are secured within twelve months of the date that winding-up commenced, or as soon thereafter as is practicable, by means of a transfer:

(a) to other Stakeholder Pension Schemes, or

(b) if requested by the Member or other beneficiary, to another Registered Pension Scheme or a Qualifying Recognised Overseas Pension Scheme.

6.5 If the Scheme Administrator does not wind-up the Scheme within twelve months of the date that winding-up commenced, the Scheme Administrator will notify the Pensions Regulator within one month of failing to complete the winding-up, and regularly thereafter as required by the Pensions Regulator.

6.6 The transfer payment in respect of a Member will be at least the value of the Member's Fund. Any Protected Rights (as described in Schedule 3) will be secured in accordance with section 28 of the Pension Schemes Act.

SCHEDULE 3

APPROPRIATE PERSONAL PENSION SCHEME

1. INTRODUCTION AND DEFINITIONS

1.1 The Scheme is contracted-out of the State Second Pension as an Appropriate Personal Pension Scheme under the Pension Schemes Act. It is designed to receive Protected Payments.

1.2 **"Minimum Contributions"** means contributions comprising of age-related rebates and tax relief in respect of the employee's share of the age-related rebates paid by HMRC. The age-related rebate is the contracted-out rebate percentage of the Member's earnings between the lower and upper earnings limits.

"Non-Protected Rights Fund" means the Member's Fund that is not attributable to Protected Rights.

"Protected Payments" means the payments made to the Protected Rights Fund in respect of the Member and listed in section 2.1 of this Schedule.

"Protected Pension" means a pension provided from a Member's Protected Rights Fund.

"Protected Rights Fund" means that part of the Member's Fund attributable to Protected Payments and any income or capital gain arising from the investment of those payments. The Scheme Administrator will identify the Protected Rights Fund separately from the Non-Protected Rights Fund.

"Safeguarded Rights" means the Member's rights to benefits attributable to contracted-out rights resulting from a Pension Credit under section 68A of the Pension Schemes Act.

1.3 Schedule controls use of Protected Rights and Safeguarded Rights

The provisions of this Schedule apply only to the Protected Rights Fund and, where stated, Safeguarded Rights. In relation to the Member's Protected Rights Fund and Safeguarded Rights the provisions of this Schedule override any contrary provisions in the Rules. Where provisions of this Schedule do not specifically address the application of the Protected Rights Fund or Safeguarded Rights, the Rules apply.

1.4 Safeguarded Rights

The Scheme Administrator will make provision for the identification of Safeguarded Rights.

2. PROTECTED RIGHTS FUND

2.1 Protected Payments

Protected Payments comprise of the following payments:

- (a) Minimum Contributions;
- (b) transfer payments secured under section 19 of the Pension Schemes Act, or relating to Protected Rights, rights under section 9(2B) of the Pension Schemes Act or Guaranteed Minimum Pension, and

- (c) incentive payments under paragraph 22 Schedule 6 of the Pension Schemes Act and regulation 3(10) of the Personal and Occupational Pension Schemes (Incentive Payments) Regulations 1987.

2.2 Allocation of Minimum Contributions

The Scheme Administrator shall ensure that all Minimum Contributions that are received by the Scheme in respect of a Member will be allocated to the Member's Protected Rights Fund within three months of the date on which payment of such Minimum Contributions is made by HMRC.

2.3 Calculation of Protected Rights Fund

The value of the Member's Protected Rights Fund must be calculated in a way approved by the Scheme Administrator and consistent with these Rules. It will be at least as favourable as the way in which any other money purchase benefits of the Member in the Scheme are calculated. Where the valuation of the Protected Rights Fund involves making estimates of the value of benefits, then the manner of calculation must be approved by an Actuary.

3. USE OF PROTECTED RIGHTS FUND

- 3.1 The Protected Rights Fund must be used to provide the Member with money purchase benefits as described in this section 3 of this Schedule except where they are used to meet administrative expenses of the Scheme and to pay commission.

3.2 Protected Pension

- (a) The Protected Rights Fund will be used to provide a Protected Pension for the Member on the date selected by the Member in accordance with Rule 3.1. A Protected Pension:
 - (i) must be calculated and offered without regard to the sex of the Member;
 - (ii) must include a pension payable on the Member's death to any surviving spouse or Civil Partner, if such a person exists when the pension is provided, and
 - (iii) may, if there is no surviving spouse or Civil Partner, also include a Dependant's pension for another Dependant.
- (b) The Protected Pension provided for a surviving spouse, Civil Partner or Dependant will be paid in accordance with relevant legislation.
- (c) The Protected Pension may be on terms that it will continue to be paid after the Member's death for a guarantee period not exceeding five years from its commencement.

3.3 Pension commencement lump sum

The Member may take a pension commencement lump sum of not more than 25% of the Protected Rights Fund in accordance with Rule 3.4.

3.4 Death before provision of Protected Pension

If a Member with a Protected Rights Fund dies before a Protected Pension is provided, the Scheme Administrator will take reasonable steps to find out whether the Member is survived by a spouse or Civil Partner.

- (a) If the Scheme Administrator finds that the Member is survived by a spouse or Civil Partner, the Scheme Administrator must, as soon as practicable, use the Member's Protected Rights Fund to secure a pension for the surviving spouse or Civil Partner, unless the Scheme Administrator agrees to pay a commutation lump sum in accordance with Rule 4.2.
- (b) If the Scheme Administrator finds that the Member is not survived by a spouse or Civil Partner, the Scheme Administrator may pay the value of the Member's Protected Rights Fund in accordance with any direction given by the Member in writing. Where no direction is given, the Scheme Administrator will pay the Protected Rights Fund to the Member's estate.

3.5 Lump sum on grounds of serious ill-health

The Scheme Administrator will pay the Member's Protected Rights Fund as a lump sum on grounds of serious ill-health provided the Member's Non-Protected Rights Fund, if any, is also being paid as a lump sum under Rule 3.6. The payment of this lump sum must comply with the provisions of Rule 3.6. The Scheme Administrator will designate half of the Member's Protected Rights Fund for the provision of a Dependant's pension for any surviving spouse or Civil Partner.

4. USE OF SAFEGUARDED RIGHTS

Safeguarded Rights will be used by the Scheme Administrator to provide benefits for the Member in accordance with relevant legislation.

5. TRANSFER OF THE PROTECTED RIGHTS FUND FROM THE SCHEME

5.1 The Protected Rights Fund may be transferred to:

- (a) an Appropriate Personal Pension Scheme;
- (b) a contracted-out occupational pension scheme that is a Registered Pension Scheme, or
- (c) any other pension scheme permitted by law.

5.2 Where a Member's Protected Rights are to be transferred, the whole of the Member's Protected Rights Fund under the Scheme must be transferred. The transfer payment must be of an amount at least equal to the value of the Member's Protected Rights Fund.

5.3 Where the transfer is to a money purchase scheme, the Member's Protected Rights Fund must be applied by the receiving scheme in providing money purchase benefits for and in respect of the Member.

5.4 Where the transfer is to a salary-related contracted-out occupational pension scheme within the meaning of the Protected Rights (Transfer Payment) Regulations 1996, the Scheme Administrator will make that transfer in accordance with regulation 4 of those regulations.

5.5 The Member's Protected Rights Fund must be transferred to one pension scheme.

5.6 Part of the Member's Protected Rights Fund may be transferred where the transfer is of a Pension Debit arising under a Pension Sharing Order.

6. TRANSFER OF SAFEGUARDED RIGHTS FROM THE SCHEME

6.1 Safeguarded Rights may be transferred to:

- (a) an Appropriate Personal Pension Scheme;
- (b) a contracted-out occupational pension scheme that is a Registered Pension Scheme;
- (c) a Registered Pension Scheme that has ceased to be an Appropriate Personal Pension Scheme or a contracted-out occupational pension scheme, provided the requirements of the Pension Sharing (Safeguarded Rights) Regulations 2000 and regulations 17 and 18 of the Pension Sharing (Pension Credit Benefit) Regulations 2000 are satisfied, or
- (d) any other pension scheme permitted by law.

6.2 Where a Member's Safeguarded Rights are to be transferred, the whole of the Member's Safeguarded Rights held under the Scheme must be transferred. The transfer payment must be of an amount at least equal to the value of the Member's Safeguarded Rights calculated as specified in regulation 24 of the Pension Sharing (Pension Credit Benefit) Regulations 2000.

6.3 Safeguarded Rights may be transferred separately from Protected Rights where they are held in a separate Arrangement.

7. TRANSFER OF PROTECTED RIGHTS OR SAFEGUARDED RIGHTS TO THE SCHEME

7.1 The Scheme Administrator may, at the written request of a Member, accept a transfer payment representing the value of the Member's Protected Rights or Safeguarded Rights under another Registered Pension Scheme.

7.2 The transfer payment may include:

- (a) the Member's Protected Rights in a Registered Pension Scheme which is, or was, an Appropriate Personal Pension Scheme or an occupational pension scheme contracted-out on a money purchase basis, or Protected Rights under an appropriate policy of insurance of the type described under section 32A of the Pension Schemes Act;
- (b) the Member's accrued rights to a Guaranteed Minimum Pension under a Registered Pension Scheme, or an insurance policy or annuity contract of the type described in section 19 of the Pension Schemes Act;
- (c) rights under section 9(2B) of the Pension Schemes Act, or
- (d) any Safeguarded Rights attributable to the Member.

7.3 If a transfer is received, the Scheme Administrator must use that part of the transfer payment representing Protected Rights, accrued rights to a Guaranteed Minimum Pension or rights under section 9(2B), to provide the Member with Protected Rights under the Scheme.

7.4 Any transfer payment or part of a transfer payment representing Safeguarded Rights will be treated as the Member's Safeguarded Rights under the Scheme.

8. SCHEME CEASES TO BE AN APPROPRIATE PERSONAL PENSION SCHEME

If the Scheme ceases to be an Appropriate Personal Pension Scheme, the Scheme Administrator will inform each Member of his or her rights and options in accordance with the Personal Pension Schemes (Disclosure of Information) Regulations 1987.

SCHEDULE 4

UNSECURED PENSION

1. INTRODUCTION AND DEFINITIONS

1.1 This Schedule will apply where the Scheme Administrator permits unsecured pensions.

1.2 **"Dependant's Maximum Unsecured Pension"** means the Dependant's maximum unsecured pension described in section 6.4 of this Schedule.

"Dependant's Unsecured Pension" means a pension paid from a Dependant's Unsecured Pension Fund as income withdrawal.

"Dependant's Unsecured Pension Fund" means that part of the Member's Unsecured Pension Fund that has been designated for the payment of a Dependant's Unsecured Pension for a specified Dependant after the Member's death.

"Maximum Unsecured Pension" means the maximum unsecured pension described in section 3.1 of this Schedule.

"Short-term Annuity" means a short-term annuity as defined in paragraph 6 Schedule 28 of the Act.

"Unsecured Pension" means a pension paid from a Member's Unsecured Pension Fund as income withdrawal.

"Unsecured Pension Fund" means funds designated by the Member to provide an Unsecured Pension under the Scheme. The Member's Unsecured Pension Fund will be placed in a separate Arrangement from the Member's Fund.

2. UNSECURED PENSION FUND

2.1 If the Scheme Administrator agrees, a Member may choose to designate funds as an Unsecured Pension Fund and draw his or her pension direct from the Unsecured Pension Fund as an Unsecured Pension.

2.2 If not all of the Member's Fund is to be designated as Unsecured Pension Fund, the Scheme Administrator will place the remaining Member's Fund in a separate Arrangement.

2.3 The Member is entitled to take a pension commencement lump sum in accordance with Rule 3.4 when uncrystallised benefits are designated as Unsecured Pension Fund.

2.4 Once the Member has taken an Unsecured Pension, the Member may designate previously uncrystallised funds for placement in the Unsecured Pension Fund. When this occurs, the funds to be placed in the Unsecured Pension Fund will be tested against the Member's Lifetime Allowance in accordance with the Act and the Member may take an additional pension commencement lump sum, based on the amount being crystallised in accordance with Rule 3.4.

- 2.5 The Member may at any time use part of his or her Unsecured Pension Fund to purchase a Short-term Annuity from an Insurance Company.
- (a) The Short-term Annuity must not be in payment for more than five years, or after the Member's 75th birthday.
 - (b) The annual income from the Short-term Annuity together with other income drawn from the Unsecured Pension Fund must not exceed the Maximum Unsecured Pension.
- 2.6 The Member may at any time use all or part of the remaining Unsecured Pension Fund to secure a pension with an Insurance Company. At the time the pension is secured, any increase in the Member's Unsecured Pension Fund will be tested against the Member's Lifetime Allowance in accordance with paragraph 4 Schedule 32 of the Act.
- 2.7 The Member may use all of the remaining Unsecured Pension Fund to secure a pension, or transfer it to another Registered Pension Scheme before his or her 75th birthday. If the Member attains age 75 and Unsecured Pension Fund remains, the Scheme Administrator will test any increase in the Unsecured Pension Fund against the Member's Lifetime Allowance in accordance with the Act and may deduct a Lifetime Allowance Charge. The remaining Unsecured Pension Fund will be designated as an Alternatively Secured Pension Fund with which the Scheme Administrator may secure a pension for the Member at its discretion. The Scheme Administrator may choose the Insurance Company and form of pension.
- 2.8 If the Scheme Administrator accepts funds attributable to Protected Rights into the Unsecured Pension Fund, these funds will be drawn in accordance with relevant legislation.

3. MAXIMUM UNSECURED PENSION

- 3.1 The Member may not in any pension year draw from his or her Unsecured Pension Fund an income greater than the Maximum Unsecured Pension. The Maximum Unsecured Pension is 120% of the basis amount or such other percentage of the basis amount set by law.
- (a) The basis amount is the amount of pension that could be purchased on the valuation date calculated by reference to:
 - (i) the amount of the Member's remaining Unsecured Pension Fund, and
 - (ii) the current published tables prepared for this purpose by the Government.
 - (b) A pension year is a 12 month period starting with the initial calculation date, and every following 12 month period until a review is triggered. For Unsecured Pensions put into payment on or after 6 April 2006, the initial calculation date is the Benefit Crystallisation Date. For Unsecured Pensions in payment on 5 April 2006, the initial calculation date is the earliest of:
 - (i) the date on which the Scheme Administrator recalculates the basis amount in accordance with this section 3.1 of this Schedule;
 - (ii) the date on which the basis amount is recalculated following an annuity purchase in accordance with section 2.6 of this Schedule, or
 - (iii) 6 April 2008.

- 3.2 The Maximum Unsecured Pension will be recalculated on the first day of the sixth pension year following the Benefit Crystallisation Date (or such other date established in accordance with section 3.1(b) of this Schedule) and every five pension years thereafter. Following a recalculation of the Maximum Unsecured Pension, the Member must adjust withdrawals from the Unsecured Pension Fund as necessary.
- 3.3 The Scheme Administrator will recalculate the Maximum Unsecured Pension in accordance with section 3.1(a) of this Schedule where:
- (a) a Member chooses to secure a pension (which is not a Short-term Annuity) with part of the Unsecured Pension Fund;
 - (b) part of the Member's Unsecured Pension Fund is subject to a Pension Debit, or
 - (c) the Member chooses to add all or part of his or her remaining Member's fund or to transfer uncrystallised benefits from another Registered Pension Scheme or a Qualifying Recognised Overseas Pension Scheme to the Unsecured Pension Fund.

The Maximum Unsecured Pension will be based on the new amount of Unsecured Pension Fund. Where (a) or (b) apply, the new Maximum Unsecured Pension limit will apply from the beginning of the pension year following the purchase or debit. Where (c) applies the new Maximum Unsecured Pension limit applies immediately.

- 3.4 The timing of the recalculation of the Maximum Unsecured Pension in accordance with section 3.2 of this Schedule will be unaffected by the fact that the Maximum Unsecured Pension is recalculated following pension purchases, Pension Debits or additions in accordance with section 3.3 of this Schedule.
- 3.5 If the Member requests and the Scheme Administrator agrees, the Maximum Unsecured Pension calculation made in accordance with section 3.1 of this Schedule may be made at any time up to sixty days before the calculation is due to be made. However, the calculation made will be applied as if it had taken place on the due date. The next scheduled recalculation will be due five years after the previous calculation due date. This option to recalculate up to sixty days in advance does not apply to any recalculation that occurs under section 3.3 of this Schedule.

4. PENSION SHARING ORDER

- 4.1 Where a Pension Sharing Order is made against the Unsecured Pension Fund, giving rise to a Pension Credit, the Scheme Administrator will implement the Pension Sharing Order in accordance with Rule 5.3.
- 4.2 The Scheme Administrator will prepare and sign a certificate in respect of any Pension Credit arising from the Arrangement showing that no amount of the Pension Credit may be paid as a lump sum to the Ex-Spouse or Ex-Civil Partner.

5. DEATH OF THE MEMBER

- 5.1 The Member may choose that, upon his or her death prior to age 75, any remaining Unsecured Pension Fund may be used to provide one or more of the following benefits for a specified Dependant or beneficiary:
- (a) a Dependant's Unsecured Pension;
 - (b) a pension for one or more Dependents, or
 - (c) a lump sum for a Dependant or beneficiary.

5.2 Where the individual receiving all or some of the Unsecured Pension Fund is not a Dependant, the Unsecured Pension Fund must be taken as a lump sum. The Scheme Administrator will deduct tax in accordance with the Act.

5.3 Where the Member has not chosen how the remaining Unsecured Pension Fund will be used, the Scheme Administrator may use all or part of the Unsecured Pension Fund to provide a Dependant's Unsecured Pension, a Dependant's pension or a lump sum as the Scheme Administrator decides in accordance with Rule 4.1(c).

6. DEPENDANT'S UNSECURED PENSION

6.1 The Dependant may choose at any time to do any of the following with all or part of the Dependant's Unsecured Pension Fund:

- (a) secure a Dependant's pension;
- (b) continue the Unsecured Pension as a Dependant's Unsecured Pension from which a Dependant's Short-term Annuity may be purchased in accordance with section 6.2 of this Schedule;
- (c) transfer to another Registered Pension Scheme; or
- (d) receive a lump sum,

except that if the Dependant is over age 75, he or she must purchase a pension or transfer the Dependant's Unsecured Pension Fund to another Registered Pension Scheme. The Dependant's pension may be subject to restrictions on income in the first year following the Member's death.

6.2 The Dependant's Short-term Annuity:

- (a) must not be in payment for more than five years, or after the date that is or would have been the Member's 75th birthday, and
- (b) must not yield an annual income that, together with other income drawn from the Dependant's Unsecured Pension Fund, exceeds the Dependant's Maximum Unsecured Pension.

6.3 The Dependant must use all of the remaining Dependant's Unsecured Pension Fund to purchase a pension, transfer to another Registered Pension Scheme or take a lump sum before his or her 75th birthday.

6.4 The Dependant may not in any pension year as defined in section 3.1(b) of this Schedule, draw an income from the Dependant's Unsecured Pension Fund that is greater than the Dependant's Maximum Unsecured Pension.

- (a) The Dependant's Maximum Unsecured Pension will be calculated on a basis amount determined by reference to:
 - (i) the amount of the remaining Dependant's Unsecured Pension Fund, and
 - (ii) the current published tables prepared for this purpose by the Government.
- (b) The Scheme Administrator will conduct the first calculation of the Dependant's Maximum Unsecured Pension on the day that the Dependant's Unsecured Pension is designated. A new calculation will be performed every five pension years thereafter, and the Dependant must adjust withdrawals from the Dependant's Unsecured Pension Fund accordingly.

- (c) For Dependant's Unsecured Pensions in payment on 5 April 2006, the initial calculation date is the earliest of:
 - (i) the date on which the Scheme Administrator recalculates the basis amount in accordance with section 6.4(b) of this Schedule;
 - (ii) the date on which the basis amount is recalculated in accordance with section 6.1 of this Schedule, or
 - (iii) 6 April 2008.

6.5 The Scheme Administrator will recalculate the Dependant's Maximum Unsecured Pension in accordance with section 6.4(a) of this Schedule where part of the Dependant's Unsecured Pension Fund:

- (a) is used to secure a pension (which is not a Short-term Annuity);
- (b) is subject to a Pension Debit, or
- (c) where additional funds are designated for the Dependant's Unsecured Pension Fund.

The Dependant's Maximum Unsecured Pension will be based on the new amount of Dependant's Unsecured Pension Fund. Where (a) or (b) apply, the new Dependant's Maximum Unsecured Pension limit will apply from the beginning of the pension year following the purchase or debit. Where (c) applies, the new Dependant's Maximum Unsecured Pension limit applies immediately.

6.6 If the Dependant dies while drawing a Dependant's Unsecured Pension, the Dependant's Unsecured Pension Fund may be:

- (a) applied to provide a pension or unsecured pension for any other Dependant of the Member at the time of the Member's death, or
- (b) paid as a lump sum to a person designated by the Dependant.

6.7 Where the Dependant has not chosen how the remaining Dependant's Unsecured Pension Fund will be used, the Scheme Administrator will exercise its discretion to pay the remaining Dependant's Unsecured Pension Fund as a lump sum in accordance with Rule 4.1(c) or as a Dependant's pension.

7. TRANSFERS

The Scheme Administrator may transfer the Member's Unsecured Pension Fund or the Dependant's Unsecured Pension Fund to another Registered Pension Scheme or accept a transfer of unsecured pension fund from another Registered Pension Scheme at its discretion and in accordance with relevant legislation.

SCHEDULE 5

SELF-INVESTED PERSONAL PENSION SCHEME

1. INTRODUCTION AND DEFINITIONS

1.1 This Scheme is a Self-Invested Personal Pension Scheme. It will be administered in accordance with legislation relevant to such schemes.

1.2 "**Borrowing**" means borrowing as defined in section 163 of the Act.

"**Connected**" means connected as defined in section 839 of the Income and Corporation Taxes Act 1988.

"**Connected Person**" means a person Connected to the Member.

"**Loan**" means a loan as defined in section 162 of the Act.

"**Permitted Investments Regulations**" means the Personal Pension Schemes (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001.

2. INVESTMENTS

2.1 If the Scheme Administrator agrees, a Member may choose or direct how contributions and any transfer payment accepted by the Scheme in respect of the Member should be invested.

2.2 All investments will be made with the permission of the Scheme Administrator and in accordance with the Act and the Permitted Investments Regulations.

3. LOANS FROM SCHEME

3.1 A Loan or loan guarantee will be made only where agreed by the Scheme Administrator.

3.2 The Scheme Administrator will not agree to a Loan that is more than 50% of the Member's Fund (excluding that part of the Member's Fund attributable to Protected Rights) on the date the Loan is made.

3.3 The Scheme Administrator will not agree to a Loan that is not made in accordance with the Act and the Permitted Investments Regulations.

4. BORROWING BY SCHEME

4.1 The Scheme will borrow only where agreed by the Scheme Administrator.

4.2 The Scheme Administrator will not agree to Borrowing which would constitute unauthorised borrowing under section 182 of the Act.

5. CONNECTED TRANSACTIONS

The Scheme Administrator will not enter directly or indirectly into any investment transactions with a Member or any Connected Person except on normal commercial terms.

6. TRANSITIONAL RULES

The Scheme may retain investments acquired prior to 6 April 2006 which do not comply with the Act, provided they complied with the Permitted Investments Regulations prior to 6 April 2006 or to HMRC guidelines that applied at the time the investment was made.