

For customers

# Key features of the **Stakeholder Pension Plan**

The Financial Services Authority is the independent financial services regulator. It requires us, AEGON Scottish Equitable, to give you this important information to help you to decide whether our [Stakeholder Pension plan](#) is right for you. You should read this document carefully so that you understand what you're buying, and then keep it safe for future reference.

It's important for you to read this document, as it gives you the main points about your plan.

You should read it along with your illustration, which you'll find in the front of this pack.

This key features refers to our **Stakeholder Pension Plan** product terms as at 1 June 2008.

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# Your plan's aims

- To build up a sum of money, in a tax-efficient way, large enough to give you a pension during your retirement with the option of a tax-free cash sum.
- To give you a way to contract out of the State Second Pension (S2P), if that's right for you. You can find more details on this in the 'Your questions answered' section.

# Your commitment

- You and/or your employer have the choice of:
  - paying regular monthly or yearly contributions into your plan until your chosen retirement date, or
  - paying one-off single contributions to your plan, or
  - transferring money from an existing pension plan, or
  - a combination of these options
- You'll allow the value of your plan to build up and then use it to provide a pension.
- You agree to tell us if you change jobs or change your employment status, for example if you change from being employed to self-employed.

# Risk factors

- What you get back when you retire can't be guaranteed, and may be lower than shown in your illustration. It will depend on:
  - how much you pay in
  - how long you save
  - if you stop paying or reduce the contributions you're paying into your plan or take a contribution break
  - if you start taking your pension earlier than your chosen retirement age
  - investment performance, which may go down as well as up
  - plan charges (although they can't exceed the maximum charge cap in place when the plan was set up)
  - interest rates when you retire
  - any tax rules changes
  - if you transfer your plan to another company
- You can invest in a range of investment funds and the funds have different levels of risk.
- If you invest in one of our with-profits funds and then withdraw the money at any time, we may have to reduce the value of your fund by what we call a smoothing reduction. This adjustment is to make sure that investors receive a fair share if they leave with-profits funds and to protect the interests of the continuing investors.
- If you cancel, and in the time you've been invested the value of:
  - any single contribution you've paid in falls, you may not receive back the full amount you paid in
  - any transfer payment you've made falls, we may not pay the full amount back to the transferring scheme. Please note: the transferring scheme may decide not to accept the transfer back into the scheme.

If you've registered for enhanced protection or do so in the future, you'll lose this entitlement if you pay contributions into this plan. A financial adviser will be able to tell you if this applies to you.

# Your questions answered

## What's a stakeholder pension plan?

It's a savings plan that helps you save for retirement in a tax-efficient way. It can also pay out a lump sum or provide a pension for your family if you die before you retire.

The government has set minimum standards that companies must meet for a stakeholder pension. These are to do with contribution levels, charges, and terms and conditions. This pension plan meets these set standards.

## How flexible is it?

You and your employer can pay into the plan regularly. You can also make one-off contributions at any time, as long as you make the minimum contribution of £20 per month.

You can change regular contributions at any time, as long as you still meet the minimum contribution level.

You can stop or take a break from paying contributions at any time and leave your fund in the plan to benefit from future investment growth. However, any contribution break is likely to reduce your future pension.

You can also transfer your pension to another registered pension scheme. The amount transferred is called a transfer value.

## How much might I get when I want to retire?

Your final plan value will depend on a number of factors:

- how much you pay in
- how long you save
- investment performance, which may go down as well as up
- plan charges
- interest rates when you retire

The illustration included in this pack shows examples of what you may receive in the future.

## Can I contract out of the State Second Pension (S2P)?

Yes. You should get professional financial advice on this.

If you contract out of S2P, the S2P part of your National Insurance contributions will be paid into your own plan instead of S2P. These contributions grow in a separate fund (known as your protected rights fund) to give you an additional pension.

## What choices will I have when I retire?

We'll write to you before your chosen retirement date and give you details of all your options, including:

- converting all your plan value into a pension (which would be taxable under PAYE)
- taking up to 25% of the plan value as tax-free cash, and taking a smaller pension
- transferring your fund to a more flexible retirement plan and taking income withdrawals within limits set down by the government (you can still take up to 25% of this fund as tax-free cash)

You can arrange your pension income from any pension company.

We recommend you get professional financial advice nearer to your retirement to find out more about these options.

## Retirement age

Currently you can start taking a pension from your plan at any time between the ages of 50 and 75 (including while you're still working). However, the minimum age you can start taking a pension will change on 6 April 2010 to 55. You may be able to take your pension earlier than this if you're in ill health.

## How much can be paid into my plan each year?

Both you and your employer can pay into your plan.

There's no maximum limit on the amount you can pay into your plan in any tax year. However, limits do apply to the amount of tax relief you can receive. For more details, see 'What about tax?'.

Also, if the total contributions paid by you and/or your employer to all your pension arrangements in any year are more than that year's annual allowance (for the tax year 2009/10 this is £245,000), you'll have to pay tax of 40% on the amount over the annual allowance.

## What about tax?

A pension plan is one of the most tax-efficient ways of saving for your retirement.

- Your contributions are paid net of basic rate income tax and we collect the tax relief from HM Revenue & Customs (HMRC). Basic rate tax relief is currently 20%, so this means that for every £100 paid into your plan, you only pay £80.
- If you're in a higher tax band, you claim the extra relief from HMRC on your yearly tax return or by approaching your tax office to adjust the tax code. The higher tax rate is 40%.
- You'll be eligible for tax relief on any personal contributions up to the greater of 100% of your earnings and £3,600 each year (this limit applies across all pension arrangements that you make contributions to in any one year). We'll refund any contribution you make to this arrangement that doesn't qualify for tax relief.
- Growth in the value of the plan is free from capital gains tax and certain types of dividends paid to the plan are free from income tax.

This information is based on our understanding of current taxation law and HMRC practice, which may change. The amount of tax relief you'll get depends on your financial circumstances.

We recommend you get financial advice if you need more information on tax.

## Where are my contributions invested?

We invest your contributions to your pension plan in the fund or funds that you decide best suits your needs.

To comply with the government's stakeholder standards, we offer a default investment fund under the AEGON Scottish Equitable Stakeholder Pension Scheme, known as the Stakeholder Default fund. Investing in this fund means you don't have to make ongoing complex investment decisions.

The default investment fund is the Balanced Passive Lifestyle fund. This fund follows a defined risk-graded investment strategy, aiming to build your pension fund in the early years and then protecting the fund value as you near retirement. To achieve this, we'll initially invest contributions in funds with greater growth prospects. Then, as you approach retirement, we'll gradually, and automatically, move your pension fund to lower-risk investments to protect the fund. The process of moving your investments starts six years before your chosen retirement dates. However, you don't have to invest in this fund, if you don't want to. From time to time we'll review the structure of the fund to make sure it's suitable for the existing economic conditions. We might make changes if we need to. You'll find more detail about this in your policy conditions documents.

You can choose from our wide range of internal funds and externally managed investment funds. They all have varying investment strategies and cover different levels of risk and potential reward. So you can choose the funds to suit your individual investment strategy. For advice as to whether a fund is suitable for you, please speak to your financial adviser.

You can find more details on the funds available in our pension fund range guide, which you can get from your financial adviser.

If you choose to invest in one of our unit-linked funds:

- each of our funds is made up of units
- we use the contributions to buy units in the funds you choose
- the price of one unit in each fund depends on the value of investments

We work out the value of your plan based on the total number of units you have in each fund. If the unit prices rise or fall, so will your plan value.

We normally calculate fund valuations every working day, as long as both we and the London Stock Exchange are open. We'll normally set the unit prices at 12 noon immediately after each fund valuation. In unfavourable investment conditions, we and, if appropriate, our investment managers may set unit prices at different times and more than once a day.

Our with-profits funds aim to smooth out the volatility normally associated with direct investment in financial markets. Our with-profits funds currently available don't offer bonuses. We change the unit prices daily to reflect smoothed investment returns. We calculate these using the actual growth on the fund's investments and our expected growth rate for the fund. The expected growth rate isn't guaranteed and can change. Smoothing won't be able to counteract the impact of a sustained decline in investment returns. You can find more information in our guide to our with-profits funds. We may apply a smoothing increase or smoothing reduction on withdrawal from any with-profits fund.

If you give us incomplete or unclear investment instructions, then we'll invest your money in line with our investment fund allocation procedure. We'll send you a copy of this once we receive your application, or you can contact us for a copy now.

You can change the funds you're invested in (this is known as switching) at any time in the future. You can make up to 20 switches in a year free of charge. You can find full details in your policy conditions. You'll receive a copy of your policy conditions once your plan is set up, but if you'd like a copy now, please ask your employer or adviser, or contact us direct.

## **Where can I find out about the charges?**

We charge for managing your plan and investments. We take these charges through deductions from your plan value over the years to your retirement. Your illustration (the section 'Charges we take from your fund') will show the charges applicable to, and the effect they may have on, your plan.

Your illustration gives details of the yearly fund management charge (also known as the annual management charge or AMC) that will apply to your investment fund. Many funds are available at no extra cost and you can choose these funds whatever the yearly fund management charge on your Stakeholder Pension Plan. Some funds have additional charges – you can find details of these in the relevant fund descriptions. If you're considering investing in a fund with an additional charge, you must make sure that this doesn't result in your total plan charge exceeding the stakeholder charge cap applicable to you, either now or in the future.

We may vary the charges (subject to the maximum charge cap in place when the plan was set up) and our terms. You can find more details in your policy conditions or by contacting us.

## **What other benefits can I choose?**

You can choose to take waiver of contribution benefit as a separate plan set up alongside this plan. This would then pay your contributions if you became ill and couldn't contribute to your plan. Please note that any waiver cover will stop when you reach age 60 even if your scheme retirement date is over age 60. You don't have to take this benefit.

You can apply for this benefit using the same application form for this plan. If your financial adviser is submitting your application electronically, this benefit won't be available when you set your plan up but you can apply for it at a later date. Your financial adviser will be able to give you more information on this.

The cost of this benefit can vary depending on your occupation and health. It will stop if you stop paying into your plan.

### **What happens to the plan if I die before I retire?**

We'll pay the value of your plan as a cash lump sum. If you've arranged your plan under trust, we'll pay the lump sum to the trustees. If it's not arranged under trust, we'll decide who to pay the lump sum to. We take into account your circumstances when you die and anyone you've stated you want the money to go to.

We'll check this lump sum death benefit against the lifetime allowance. Any amount over the allowance amount will be taxed at 55%.

The 'lifetime allowance' is the total value of the benefits built up in your pension fund(s) by you and/or your employer that can benefit from tax relief. The level set for the tax year ending April 2010 is £1.75 million. This will rise to £1.8 million for the tax year ending April 2011 and after that the government will review it every five years.

You can opt to have this lump sum paid as a pension to your husband, wife, civil partner or dependants. If paid as a pension, we wouldn't check it against the lifetime allowance and there would be no tax charge (although the pension would be taxable as income under PAYE).

The protected rights part of your plan value (see the earlier section 'Can I contract out of the State Second Pension (S2P)?' for more on protected rights) must normally be used on your death to provide a pension for your husband, wife or civil partner. If you're not married and don't have a civil partner, it can be paid as a lump sum to your dependant(s).

So that we know who you want to benefit from your plan if you die before you retire, please complete the death benefit nomination section in your application form.

### **Can I transfer my plan?**

You can transfer your plan to another registered pension scheme at any time before you start taking a pension. There's no charge for doing this.

The enclosed illustration gives examples of how much you could transfer to another plan, depending on when you transfer.

### **Can I change my mind?**

Yes. If you decide to join the pension scheme, we'll send you a notice telling you about your right to change your mind and how to cancel. You'll then have 30 days in which to cancel. If you decide to cancel, let us know within the 30-day cancellation period and we'll give you your money back. However, this may be less than you paid in if the value of your investment has fallen during this time.

If you decide to cancel and have made a transfer payment, we may not be able to return the full amount paid back to the transferring scheme if the value of your investment has fallen during this time.

### **How will I know how my plan is doing?**

Every year we'll send you a statement showing how your plan is performing, how much your plan is worth, how much you've paid in and your estimated pension when you retire.

You can also access up-to-the-minute information about your plan online, whenever you want it, through our secure online services. We'll send you details on how to register once your plan has been set up. You can check our fund performance and prices on our website at [www.aegonse.co.uk](http://www.aegonse.co.uk)

### **Can I make changes to my plan?**

If you want to make additional contributions or switch funds, you should speak to your financial adviser first. We're not allowed to give any financial advice.

# How to contact us

If you have any general questions at any time, please get in touch.

Phone us: 0845 610 0010  
Monday to Friday, 8.30am to 5.30pm

Email us: [enquiries@aegon.co.uk](mailto:enquiries@aegon.co.uk)

Write to us:

**AEGON**  
Edinburgh Park  
Edinburgh  
EH12 9SE

We may record and monitor calls for security purposes, to help improve our service and to resolve any complaints.

# Other information

## How to complain

We hope you never have to complain, but if you do, the first step is to write to us. If you're not satisfied with our response, you can then raise the issue with:

The Financial Ombudsman Service  
South Quay Plaza  
183 Marsh Wall  
London  
E14 9SR

0845 080 1800  
complaint.info@financial-ombudsman.org.uk  
[www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

Referring the matter to the Ombudsman won't affect your right to take legal action later on.

If you'd like a copy of our complaint procedures, please ask us, or you can download it from the 'Contact us' section of our website at [www.aegonse.co.uk](http://www.aegonse.co.uk)

## Your adviser

We may supply other benefits to your Openwork adviser. These are designed to help your adviser give you an improved service. These benefits may include gifts and hospitality, marketing and promotional support, seminars, travel and accommodation expenses, technical services and training. The cost to us of providing this is £234 per adviser per year. Further information can be provided to you on request.

## Special risks

In this document we've clearly highlighted the key risks associated with taking out this AEGON Scottish Equitable product.

## Time limits

We'll tell you about any time limits that may apply and that aren't covered here or in the illustration, for example underwriting decisions or requirements that may have time limits.

You must let us know of any changes to your plan or any other details you've given us.

## Terms and conditions

This key features only gives you a summary of the main points of our [Stakeholder Pension plan](#). It doesn't include all the definitions, exclusions, terms and conditions. You can find full details in the policy conditions.

We have the right to change some of the terms and conditions. If this happens, we'll write to you and explain the changes.

## Communication

Our contract with you is in English and all future communication about it will be in English.

## Law

If, when the contract starts, you live in the UK, then your plan will be set up and governed by the law of the part of the UK where you live. Otherwise Scots law will apply. The applicable law can only be changed if both you and we agree to the change.

## Compensation

We're covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the scheme if we can't meet our obligations (for example, if we were to become insolvent or unable to meet the claims against us). This depends on the type of business and the circumstances of the claim. Insurance business of this type is generally covered for 90% of the value of the whole claim, without limit.

You can get more information about compensation arrangements from the Financial Services Compensation Scheme by calling 020 7892 7300 or visiting [www.fscs.org.uk](http://www.fscs.org.uk)

## Financial Services Authority register

Scottish Equitable plc is on the Financial Services Authority register (number 165548).

## customer impact

Meeting the customers' needs by putting them at the heart of our industry

We're determined to treat you fairly and communicate clearly with you at all times.

As well as following the Financial Services Authority's Treating Customers Fairly principles, we're fully signed up to the Association of British Insurers' Customer Impact scheme.

Both of these cover how products are designed and marketed, and make sure we deal fairly with all claims and payments.

As part of the Customer Impact scheme, we publicly commit to putting customers at the core of our business and must show how we're achieving this.

For more information visit: [www.aegon.co.uk/customerimpact](http://www.aegon.co.uk/customerimpact)



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