

keyfacts[®]

Key features of the

Group Personal Pension Flex

from Standard Life



Key features

keyfacts[®]

The Financial Services Authority is the independent financial services regulator. It requires us, Standard Life, to give you this important information to help you to decide whether our Group Personal Pension Flex Plan is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

Its aims

To offer you a way of saving for your retirement.

To build up a sum of money in a tax efficient way, which will give you:

- a pension when you retire, or
- a tax-free lump sum and a smaller regular pension.

To give you an opportunity to contract-out of the State Second Pension (S2P).

Your commitment

To make at least one payment into your plan.

To let the plan build up until you choose to take your benefits, and then to use it to buy your pension.

You cannot cash in this plan at any time.

To tell us if you stop being eligible to receive tax relief on your payments.

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Risks

What you get back when you retire isn't guaranteed. Your pension may be lower than illustrated. This could happen for a number of reasons, for example if:

- you stop paying into your plan or take a payment break
- the performance of the fund(s) you have chosen is lower than illustrated
- interest rates when you retire are lower than illustrated
- you start taking your pension earlier than the retirement date shown in the illustration
- tax rules or legislation change
- our charges increase in the future.

In addition, for with profits investments, your pension may be lower than illustrated because of:

- increases in the deductions for our costs in the future
- the bonus rates we set
- any smoothing
- any adjustments we make to ensure fair treatment between those who choose to leave with profits and those who remain.

For more information about smoothing and investing in with profits please read the enclosed 'Understanding With Profits' booklet (UWP1NB).

Your plan may invest in different types of investments, including investments based on stocks and shares, which carry different levels of risk. The value of your investment can fall as well as rise and you may get back less than you pay in.

If you decide to invest in a property fund, you should be aware that property can be difficult to sell, so you might not be able to sell your investment when you want to. In exceptional circumstances, it could take up to six months. The valuation of property is generally a matter of a valuer's opinion rather than fact.

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If you start the plan with a single payment and cancel during the 30 day cancellation period, you may get back less than you paid in. This is because we may make a deduction to reflect any market loss we have experienced between the date we received your payment and the date we received your instruction to cancel.

If you decide to invest in with profits, in certain circumstances we may increase the price of units when you make your investment or reduce the price of units when you leave with profits. If either or both of these happen, your benefits will be lower than they would otherwise have been. For more information about investing in with profits, please read the enclosed 'Understanding With Profits' booklet (UWP1NB).

Questions and answers

What is a Group Personal Pension Flex?

It is a savings plan that allows you to save for your retirement in a tax efficient way.

Am I eligible?

You're normally eligible to join a Group Personal Pension Flex if you're under 75 and resident in the UK.

Is this a Stakeholder pension?

No. The Government has set minimum standards that companies must meet for a Stakeholder pension. These are to do with payment levels, charges and terms and conditions. This plan is not a Stakeholder pension because our charges can be higher than the Government Stakeholder standards.

Stakeholder pensions may meet your needs at least as well as this pension plan. Your financial adviser will be able to advise which pension plan is better for you. You can find more information on Standard Life's Stakeholder Pension in our 'Stakeholder Pension Plan Key Features Document' (SPP17). For a copy, ask your financial adviser or nearest Standard Life office.

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How flexible is it?

You can make regular payments, which are normally weekly or monthly, but you can choose any frequency that suits you.

You can make one off payments at any time to top up your plan.

You can change the amount of your regular payments at any time, subject to the minimum payment amount.

You can stop paying, or take a payment break and restart later if your circumstances change. This will reduce your future pension.

Direct Debit and Web (using Contribution Payer) and Flexible Direct Debit are our preferred payment methods for all regular and irregular payments. All employee regular payments must be paid by the employer via salary deduction. For transfers from other providers we will accept payment by direct credit, telegraphic transfer or cheque.

What might I get when I want to retire?

Your final plan value will depend on:

- how much is paid in
- how long the payments are invested for
- the performance of the fund(s) you have chosen
- our charges (see 'What are the charges and discounts?')
- in addition, for with profits investments, any discretionary adjustments, including any smoothing (please see 'What are the discretionary adjustments?'). We may make discretionary adjustments in determining fair payouts and this could result in a higher or lower value. Any such adjustments will not reduce your guaranteed benefits.

For more information about smoothing and investing in with profits, please read the enclosed 'Understanding With Profits' booklet (UWP1NB).

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Your plan will be used to buy a pension, which is an income for the rest of your life, from us, another pension provider or registered pension scheme. The amount of pension will depend on a number of factors at the time, for example:

- interest rates
- your age and state of health
- life expectancy rates
- the type of pension you choose.

What choices will I have when I retire?

You can start taking all or part of your pension at any time between ages 55 (50 up to 6 April 2010) and 75, including while you're still working. You must start taking it by age 75. You can normally start taking your pension before age 55 (50 up to 6 April 2010) only if you are in severe ill health.

You can use all of your plan value to buy a pension, which will be taxable. Or you can normally take up to a quarter of the plan value as a tax-free lump sum, plus a smaller taxable pension.

You can choose a pension that stays the same each year or one that increases each year. This increase can be between 0% and 8.5% each year.

You can choose a smaller pension for yourself so that you also provide a pension for your husband, wife, civil partner or other dependant(s) after you die.

You can buy your taxable pension from any pension provider or registered pension scheme.

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How much can be paid into my plan each year?

Details of the minimum payment for your plan are available from your employer.

In each tax year, if you are a 'relevant UK individual' you can pay:

- up to £3,600 (including tax relief) regardless of your earnings, or
- up to 100% of your relevant UK earnings for that year (including tax relief). Relevant earnings are your taxable annual income and any bonuses, commission or benefits in kind that you receive from employment or self employment.

These limits are set by HM Revenue & Customs and apply to the total payments made by you and any third party to all your pension arrangements. These limits do not apply to payments made by your employer. A tax year runs from 6 April in one year to 5 April in the next year.

You are a 'relevant UK individual' if:

- you are resident in the UK for tax purposes, or
- you have relevant UK earnings, or
- you were a UK resident sometime in the previous five tax years and when you joined, or
- you have, or your husband, wife or civil partner has, earnings from overseas Crown employment subject to UK tax.

If you're employed, both you and your employer can pay into your plan.

If you already have a pension plan you can transfer its value into this plan. There is no guarantee that doing so will increase your total pension. Please ask your financial adviser or nearest Standard Life office for our 'Personal Pension Flex: Transfer Payment Key Features Document' (PPF17b) if you wish to do this.

If you are an employee, your employer will tell you how often you make payments and whether your employer will collect payments and pay them to Standard Life on your behalf.

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If you are self-employed, regular monthly payments can be made either on a level amount basis, or a percentage of earnings basis. Payments can be taken from either your own personal bank account or from the business/partnership account. All self-employed members of Standard Life's Group Personal Pension must make their payments on the same basis and by the same payment method.

If you are contracted-out of S2P, the Government will refund part of your National Insurance contributions. We invest these contributions into your plan. Please ask your financial adviser or nearest Standard Life office for our 'Personal Pension Flex: Contracting-out only Key Features Document' (PPF17a) if you wish to do this.

Can I use the plan to contract-out of the State Second Pension (S2P)?

Yes, if you are employed.

S2P is based on your National Insurance contributions and will give you an additional pension on top of the basic 'old age' pension.

If you're employed and want to contract-out of S2P, you can use this Group Personal Pension Flex to do so. This means that the S2P part of your National Insurance contributions will be paid into your own plan instead of S2P.

It will grow in a separate fund (known as your Protected Rights fund) to give you an additional pension. You can take this pension at any time between the ages of 55 (50 up to 6 April 2010) and 75.

Contracting-out of S2P might not give you a higher pension. Whether it's a good idea for you will depend on your personal situation. Please ask your financial adviser or nearest Standard Life office for our 'Personal Pension Flex: Contracting-out only Key Features Document' (PPF17a) if you wish to do this.

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What about tax?

You'll get tax relief on the payments you make to all your pension plans, normally at your highest Income Tax rate.

We'll claim the tax relief for you at the basic-rate from HM Revenue & Customs and invest it in your plan. This means under current Income Tax rates, for every £100 you invest in your plan, you'll pay only £80. If you're a higher-rate taxpayer, you'll need to claim the extra tax relief through your tax return.

HM Revenue & Customs has an Annual Allowance for the total payments that you, your employer and any third party can make to all your pension arrangements. This allowance is £235,000 for the 2008/09 tax year.

You will pay a 40% tax charge on any payments that exceed this limit. If you think you will be affected by the Annual Allowance, you may wish to seek financial advice.

The funds you invest in will grow free of UK Capital Gains Tax.

You can normally take some of your fund as a tax-free lump sum before you convert the plan into a pension.

HM Revenue & Customs has a Lifetime Allowance on the total funds in pension arrangements that can be used to provide benefits to you. This allowance is £1.65 million for the tax year 2008/09. Any funds over this allowance will be liable to a tax charge of 55% for a lump sum, or 25% if taken as a pension. There are circumstances where you can apply for a personal Lifetime Allowance that's higher, speak to your financial adviser for more details.

Your dependants won't normally have to pay tax on any lump sum they receive if you die before retirement. However, if any part of the lump sum exceeds your Lifetime Allowance, that part will be taxed at 55%.

Your pension will be taxed in the same way as earned income.

Tax rules and legislation may change. The value of tax relief may change and will depend on your financial circumstances. The information we have given is based on our understanding of law and HM Revenue & Customs practice when we published this document.

Where are the payments invested?

We offer a range of investment-linked funds and a with profits fund for you to choose from.

We invest 100% of each payment. Each fund is made up of units and we use your payments to buy units in the fund(s) you choose.

If you choose our investment-linked funds, the price to buy or sell one unit in each fund depends on the value of investments that make up the fund. Your plan value is based on the total number of units you have in each fund. If the unit prices rise or fall, so will your plan value.

Some of the investment-linked funds are linked to funds managed by external fund managers. We may withdraw access to these external funds in the future. We'll normally give three months' notice and then switch your investment into another fund. We'll choose the fund whose investment objectives most closely match the original fund, unless you choose a different fund. Further payments that would have gone into the original fund will be invested in the fund to which your investment is switched.

If you choose to invest in with profits then

- if your plan started before we demutualised on 10 July 2006 you are invested in the Pension With Profits One Fund
- if your plan started after we demutualised on 10 July 2006 you are invested in the Pension With Profits One 2006 Fund.

Your policy schedule will tell you which fund applies to your plan.

If you are invested in with profits in a '2006' fund, deductions for the cost of guarantees (please see 'What are the charges and discounts?') may be different from those for other with profits funds, over time they could be higher or lower. In addition, you will not be entitled to any distribution from assets that existed before we demutualised.

The assets backing with profits are a mix of investments such as equities (company shares), property, bonds (which are loans to governments or companies) and cash deposits. Quarterly information on the asset mixes for different classes of with profits investment is published on our website, www.standardlife.co.uk

If you choose with profits we allocate you a number of units that represents your investment in with profits.

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With profits unit prices do not directly reflect the value of the underlying investments. Instead, the unit price may benefit from a regular bonus in the form of a daily increase. The regular bonus rate is a percentage of the unit price. This percentage may be zero. When we set regular bonuses we aim for a gradual build-up of guaranteed benefits. At the same time we aim to avoid limiting our investment freedom too much and so the potential final bonus.

The with profits unit price is guaranteed not to fall unless a unit price reduction is applied. The unit value is equal to the number of units multiplied by the unit price. In addition to the unit value, we may pay a final bonus when units are cancelled, for example to buy a Lifetime Annuity, to switch out of profits or to pay the death benefit. We use final bonus to make up any difference between your unit value and your fair payout. The level of final bonus may change over time, and may be zero.

For more information about investing in with profits, including how we decide the bonuses and any unit price reductions, please read the enclosed 'Understanding With Profits' booklet (UWP1NB).

As well as offering these funds, we offer a facility called Lifestyle profiles. This lets us automatically switch your investments into lower-risk funds as you get closer to retirement.

If you invest in a Lifestyle profile and you wish to combine this with another investment option, you can only combine it with investment in with profits. You cannot combine it with any other investment fund or Lifestyle profile. For more information please ask your financial adviser or nearest Standard Life office for a copy of our 'Lifestyle profiles' leaflet (GPEN41).

You can switch your payments in and out of various funds to change the mix of investments. You can only invest in 12 of our funds at any one time.

For more information about our funds, please ask your financial adviser or nearest Standard Life office for a copy of our leaflet 'Your Pension Investment Choices' (GPEN4).

What are the charges and discounts?

We make the following charges for managing your plan:

- For investment-linked funds, a Fund Management Charge which is for the management of your funds and for our costs, including any commission payable. The charge varies depending on the funds you choose to invest in and is taken from your fund each day before we calculate the unit price. The currently yearly rate of this charge is shown on your personal illustration.
- For investment in our with profits fund, there is no explicit management charge but we make deductions for our costs including an allowance for the assessed cost of guarantees provided by with profits business. These deductions may affect the proceeds you receive from your plan, although they will not reduce your guaranteed benefits.

If you stop making payments early on and do not restart them, our charges could reduce your plan value by the time you retire.

Additional expenses such as trustees', registrars', auditors' and regulators' fees may be deducted for certain Standard Life investment-linked funds which are linked to the funds of external managers. Where this charge applies, it is taken directly from the external fund and is included in the unit price. Please refer to 'Your pension investment choices' leaflet for more information (GPEN4).

Your personal illustration shows what you might get back in the future. It details our charges for investment-linked funds. It also shows the effect they and the deductions for our costs for investment in with profits may have on reducing the value of your personal pension over the term of your plan.

Your plan may also benefit from a discount. Any such discount will depend on the size of the fund and the terms that apply to your plan, and will be created by giving you extra units in your funds. Your personal illustration will give details of any discounts that may apply. You'll find full details of the terms in your plan document which we'll send after you join.

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We will not normally make a charge for switching funds, however we reserve the right to charge for switches. We reserve the right to charge if a switch involves an externally managed fund and the manager charges us for the switch. We also reserve the right to make a charge when more than 20 switches are made in any 12 month period.

We can increase the charges we make and the deductions for our costs for investments in with profits. We may do so in the future if our costs are higher than originally expected. This might happen if, for example:

- tax rules change
- our staff or overhead costs are more than we expected
- our income from charges is less than we expected
- for investments in with profits, our assessment of the cost of guarantees increases.

What are the discretionary adjustments? (For with profits investments only)

We may make discretionary adjustments

- in respect of smoothing
- to ensure fair treatment between those who choose to leave with profits and those who remain.

For more information about smoothing and investing in with profits please read the enclosed 'Understanding With Profits' booklet (UWP1NB).

What other benefits can I choose?

We offer a separate contract, Pension Contribution Insurance (PCI), which can protect your payments against illness or disability in the future.

If you would like more details on PCI, please ask your financial adviser or nearest Standard Life office.

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

We will pay out the full plan value at the date of your death.

If you have a separate fund because you've contracted-out of S2P, we'll provide a pension for your husband, wife or civil partner. We'll normally pay the rest of the fund as a lump sum. However, if any of the lump sum exceeds the Lifetime Allowance described in 'What about tax?', that part will be taxed at 55%.

If you have set up your plan under trust, we will pay the lump sum to the trustees. If it is not under trust, we will decide who to pay the lump sum to. We take into account your circumstances when you die and anyone you have previously stated you want the money to go to.

Can I transfer my plan?

You can transfer your plan to another pension provider or registered pension scheme at any time before you start taking your pension. We make no transfer charge for this. However, if you have invested in with profits we may reduce the price of units in certain circumstances. Please read the enclosed 'Understanding With Profits' booklet (UWP1NB) for more information.

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

You cannot cash in your plan.

Can I change my mind?

You have a legal right to cancel your contract if you change your mind. You have a 30 day period to consider if you want to change your mind. This 30 day period starts from the date you receive the plan documents. During this period, if you decide you want to cancel, you should write to us at the address shown in the 'How to contact us' section, instructing us to cancel the contract. Please make sure that you include your plan number in any correspondence with us.

If you start the plan with a single payment and cancel during the 30 day period, you may get back less than you paid in. This is because we may make a deduction to reflect any market loss we have experienced between the date we received your payment and the date we received your instruction to cancel.

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If you decide to cancel, and we have already received payment, we will refund the payment to the person who made it.

Please note, for regular payments, it is only the initial payment that you choose to make that will have cancellation rights. If you decide to increase the level of payment in the future you will not have the right to cancel that increase.

At the end of the 30 day period you will be bound by the terms and conditions of the plan and any money received by Standard Life will not be refundable under the cancellation rule.

How will I know how my plan is doing?

We will register you for our online service and send you a user id and password so that you can check your plan details on our website – www.standardlife.co.uk

We will send you a yearly statement to show how your plan is doing.

You can also get an up-to-date valuation at any time by calling our customer helpline.

How to contact us

Remember your financial adviser will normally be your first point of contact.

If you have any questions or would like to make any changes to your plan, you can phone us, send us an e-mail or, write to us.

Call us on 0845 60 60 082. Please have your plan number ready when calling (call charges may vary.) We may record/monitor calls to help improve our service.

E-mail us at: service_gp@standardlife.com

There is no guarantee that any e-mail sent will be received or will not have been tampered with or intercepted during transmission. You should not send personal details by email. You may prefer to contact us by phone, or in writing.

Write to us at:

Standard Life Assurance Limited
Standard Life House
30 Lothian Road
Edinburgh
EH1 2DH
United Kingdom

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Other information

How to complain

We have a leaflet that summarises our complaint handling procedures. If you'd like a copy, please ask us.

If you ever need to complain, first write to us at the address shown on the previous page. If you are not satisfied with our response, you may be able to complain to:

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

Telephone: 0845 080 1800
Switchboard: 020 7964 1000
Fax: 020 7964 1001

e-mail: complaint.info@financial-ombudsman.org.uk
Website: www.financial-ombudsman.org.uk

Complaining to the Ombudsman will not affect your legal rights.

Terms and conditions

This document gives a summary of Standard Life's Group Personal Pension Flex. It does not include all the definitions, exclusions, terms and conditions. These can be found in the Policy Provisions booklet. If you would like a copy of the Policy Provisions booklet, please ask your financial adviser or contact us direct.

We have the right to change some of the terms and conditions. We will write to you and explain if this happens.

Law

The law of Scotland will decide any legal dispute.

The English language will be used in all documents and future correspondence.

Compensation

The Financial Services Compensation Scheme (FSCS) has been set up to deal with compensation if firms are unable, or likely to be unable, to meet claims against them.

The amount of compensation available from the FSCS depends on the type of business and the circumstances of the claim. Further information is available from the FSCS website at www.fscs.org.uk

About Standard Life

Standard Life Assurance Limited's product range includes pensions and investments.

Standard Life Assurance Limited is on the Financial Services Authority Register. The registration number is 439567.

Pensions
Mortgages
Savings
Investments
Healthcare
Insurance

Speak soon.

If you'd like more information on the products or services within this literature, or if there's anything more we can help you with, just call us on this number or visit our website. Call charges may vary and your call may be recorded or monitored to improve our service.

0845 60 60 075

www.standardlife.co.uk

Products provided by subsidiaries of Standard Life plc or other specified providers.

Growth rates in pension illustrations



This document contains information about the rates of growth used in pension illustrations and, for with profits, the allowance made for deductions in respect of the assessed cost of guarantees provided under with profits business.

Your personal illustration consists of up to three projections at different growth rates. For most funds, the growth rates used in the illustration are as follows:

Lower rate	5%
Intermediate rate	7%
Higher rate	9%

For some funds or products, where we believe a reduced rate is more appropriate, we use lower growth rates in the illustration. These funds or products, along with the growth rates used, are listed in the following table. Any funds not listed in the table use the growth rates shown above. The table also shows, for with profits, the yearly allowance we make in the illustration for deductions in respect of guarantees.

Fund or Product	Lower rate %	Intermediate rate %	Higher rate %	Allowance for deductions in respect of guarantees (% of fund value)
Newton Phoenix Multi-Asset Fund	5.00	6.75	8.50	Not applicable
CF Midas Balanced Income Fund	4.75	6.50	8.25	Not applicable
Conventional With Profits Executive Pension Plan	4.75	6.50	8.25	0.50
Conventional With Profits Retirement Annuity Contract	4.75	6.50	8.25	0.50
F&C Lifestyle Defensive Funds	4.75	6.50	8.25	Not applicable
F&C Multi-Manager Distribution Fund	4.75	6.50	8.25	Not applicable
Gartmore Cautious Managed Fund	4.75	6.50	8.25	Not applicable
Insight Diversified Target Return Fund	4.75	6.50	8.25	Not applicable
Insight Wealth Builder Balanced Fund	4.75	6.50	8.25	Not applicable
Insight Diversified Dynamic Return Fund	4.75	6.50	8.25	Not applicable
Investec Cautious Managed Fund	4.75	6.50	8.25	Not applicable
Jupiter Merlin Income Fund	4.75	6.50	8.25	Not applicable
New Star UK Property Fund	5.00	6.75	8.50	Not applicable
Pension Millennium With Profits Fund	4.75	6.50	8.25	0.15
Pension Millennium With Profits 2006 Fund	4.75	6.50	8.25	0.20
Pension With Profits One Fund	4.75	6.50	8.25	0.15
Pension With Profits One 2006 Fund	4.75	6.50	8.25	0.20
Pension 2 With Profits 2 Fund	4.75	6.50	8.25	0.15
Pension 2 With Profits 2 2006 Fund	4.75	6.50	8.25	0.20
Standard Life Investments Dynamic Distribution Fund	4.75	6.50	8.25	Not applicable
Standard Life Pension Cautious Managed Fund	4.75	6.50	8.25	Not applicable
Standard Life Pension Cautious Manager of Managers Fund	4.75	6.50	8.25	Not applicable
Standard Life Schroder Multi-Manager Cautious Managed Pension Fund	4.75	6.50	8.25	Not applicable
With Profits Pension Annuity	4.75	6.50	8.25	0.00
Aberdeen Multi-Manager Cautious Portfolio	4.50	6.25	8.00	Not applicable
Fidelity Multi-Manager Income Portfolio Fund	4.50	6.25	8.00	Not applicable

Growth rates in pension illustrations

Fund or Product	Lower rate %	Intermediate rate %	Higher rate %	Allowance for deductions in respect of guarantees (% of fund value)
Jupiter Distribution Fund	4.25	6.00	7.75	Not applicable
New Star Managed Distribution Fund	4.25	6.00	7.75	Not applicable
Standard Life Investments Global Absolute Return Strategies Fund	4.25	6.00	7.75	Not applicable
Standard Life Schroder Diversified Target Return Pension Fund	4.25	6.00	7.75	Not applicable
Pension With Profits Fund	4.00	5.75	7.50	0.75
JPM Cautious Total Return Fund	3.75	5.50	7.25	Not applicable
UBS Targeted Return Fund	4.00	5.75	7.50	Not applicable
Aberdeen Corporate Bond Fund	3.50	5.25	7.00	Not applicable
BGI Over 5 Year Index-Linked Gilt Fund	3.25	5.00	6.75	Not applicable
BGI Over 15 Year Gilt Index Fund	3.25	5.00	6.75	Not applicable
Gartmore Fixed Interest Fund	3.50	5.25	7.00	Not applicable
Invesco Perpetual Corporate Bond Fund	3.50	5.25	7.00	Not applicable
Ignis Corporate Bond Fund	3.50	5.25	7.00	Not applicable
Investec Sterling Bond Fund	3.50	5.25	7.00	Not applicable
Jupiter Corporate Bond Fund	3.50	5.25	7.00	Not applicable
M&G Corporate Bond Fund	3.50	5.25	7.00	Not applicable
New Star Sterling Bond Fund	3.50	5.25	7.00	Not applicable
Old Mutual Corporate Bond Fund	3.50	5.25	7.00	Not applicable
Pension Inflation Plus Fund	3.25	5.00	6.75	0.00
Standard Life Investments Higher Income Fund	3.50	5.25	7.00	Not applicable
Standard Life Pension Cash Fund	3.25	5.00	6.75	Not applicable
Standard Life Pension Corporate Bond Funds	3.50	5.25	7.00	Not applicable
Standard Life Pension Fixed Interest Funds	3.50	5.25	7.00	Not applicable
Standard Life Pension Index-Linked Funds	3.50	5.25	7.00	Not applicable
Standard Life Pension Long Corporate Bond Fund	3.50	5.25	7.00	Not applicable
Standard Life Pension Managed Cash Fund	3.25	5.00	6.75	Not applicable
Standard Life Pension Overseas Fixed Interest Funds	3.50	5.25	7.00	Not applicable
Standard Life Pension Protection Funds	3.50	5.25	7.00	Not applicable
Standard Life Pension Sterling Funds	3.25	5.00	6.75	Not applicable
Standard Life Pension UK Fixed Interest Funds	3.50	5.25	7.00	Not applicable
Standard Life Pension UK Gilt Tracker Fund	3.50	5.25	7.00	Not applicable

Note:

- Funds and rates are correct as at January 2010.
- These growth rates are only examples and are not guaranteed – they are not minimum or maximum rates. What you will get back depends on how your investment grows and on the tax treatment of the investment.
- We make charges and other deductions to meet the cost of setting up and managing your plan. In addition, we make deductions in respect of the assessed cost of guarantees provided under with profits business when determining final bonus rates and with profits payout values.
- Before choosing funds or products you should consider the risks of the investment as well as the potential for growth.
- Not all funds are available on all pensions products. For some policies there may be restrictions on switching between funds.
- This document should be read in conjunction with your personal illustration and, if applicable, Key Features Document.

October 2007

Understanding with profits



Summary: how your with profits investment works

We aim to treat all planholders fairly. Your with profits payout takes account of the premiums you pay us, the returns on the assets we invest in, our deductions, and any discretionary adjustments (up or down) that we make. The amount of your with profits payout also depends on whether you stay in with profits to the maturity date or retirement date, if any, set at the start of your plan.

Some with profits plans guarantee a minimum payout, for example when you die or when your plan reaches the maturity date or retirement date. In such cases, we will pay at least this minimum amount regardless of the performance of the assets we hold over the period that your plan is invested in with profits.

We invest in a wide range of assets, including equities (company shares), property and bonds (loans to governments or companies). These types of assets can rise or fall in value. When we set fair payouts we may smooth out some of the effects of short-term changes in asset values. We may hold different mixes of assets to back different classes of with profits plan. This mix of assets may change over time.

We may use bonuses in delivering fair payouts. We may add regular bonuses to gradually build up any guaranteed benefits; and, if necessary, we will pay a final bonus to top up your benefits to your fair payout plus any enhancement.

The remainder of this booklet provides further information on how your with profits investment works.



How your Standard Life with profits Investment works

- 1. Introduction** page 4
- 2. What is a with profits investment?** page 4
 - What is a unitised plan? page 5
 - What are the bonuses for unitised plans?
 - How we decide the bonuses for unitised plans
 - What are your guarantees?
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Your plan documents define the terms and conditions that apply to your plan

1. Introduction

This booklet tells you how we manage our with profits business for most types of unitised with profits plans that Standard Life operates in the UK. We also have separate Understanding With Profits booklets for Stakeholder plans and other types of with profits plans.

This Understanding With Profits booklet is intended only to give a simplified description of how we manage this with profits business. It does not in any way:

- vary the existing terms and conditions of your plan;
- create any new or additional obligations; or
- restrict the way we manage our with profits business.

We set out a fuller, more technical description of how we manage our UK with profits business in a separate document called Principles and Practices of Financial Management for the Heritage With Profits Fund (the Heritage PPFM). Please see the Heritage PPFM if you want more information on the topics covered in this booklet.

Our website www.standardlife.co.uk/withprofits will always have the most up-to-date version of all Understanding With Profits booklets and of the Heritage PPFM. You can also get copies by contacting us on 0845 60 60 100. (Call charges may vary.)

If we make any changes to the Heritage PPFM that materially change this booklet, we will send you a new booklet at or before the time we send you your next yearly statement. We will also send you a booklet if we propose to change any of the principles we apply in managing this with profits business.

2. What is a with profits investment?

Your with profits investment provides a share in the performance of a relevant with profits fund. The relevant with profits fund (the fund) is the mix of assets that we hold to back your class of with profits investment. Other features that a with profits investment may have include certain guaranteed benefits, some smoothing of investment returns, and other discretionary adjustments. We explain these features, and which assets we invest in, later in this booklet.

Unitised plans

What is a unitised plan?

With a unitised plan we allocate a number of units to your plan for each premium you pay. The with profits units allocated represent your with profits investment. We may cancel units to meet charges under your plan.

See page 6
"What are your guarantees?"

The unit price normally increases daily. This daily increase reflects any regular bonus rate we declare. Guaranteed payouts may apply at the maturity date or retirement date originally selected at the start of your plan. This date is specified in your plan documents. Guaranteed payouts may apply when those covered die, for example for whole-of-life plans such as With Profits Bonds.

See page 7
"What happens if guarantees do not apply when your with profits investment ends?"

For pension plans, we may sometimes allocate units using a specially increased price, and so allocate fewer units to your plan. The circumstances where we may do this are set out in your plan documents.

We provide the returns on unitised with profits plans through the unit price and any final bonus. In certain circumstances we may reduce the unit price when your with profits investment ends.

What are the bonuses for unitised plans?

There are two types of bonus: regular and final. We may use these bonuses to provide some of the return on with profits plans.

Regular bonus

We may increase the amount guaranteed under your plan, over time, by adding regular bonuses. We usually declare regular bonus rates once a year.

We add any regular bonus by increasing the with profits unit price each day. The regular bonus is a percentage of the unit price. This percentage may be 0%.

Final bonus

We may pay a final bonus when your with profits investment ends. The level of final bonus may change over time, and may be zero.

We may apply different levels of final bonus depending on when you invested in with profits, the type of plan you have, why your with profits investment is ending and whether you have paid all the agreed premiums when due.

Understanding with profits

See section 6
“How we invest
the money backing
with profits plans”
for details of how
guarantees affect
investment
freedom.

How we decide the bonuses for unitised plans

How we decide regular bonus

The aim of regular bonus is to build up guaranteed benefits. We try not to let guaranteed benefits become so high that they limit investment freedom too much, because this might reduce the benefits that we could eventually pay out through final bonus.

The factors affecting the regular bonuses we declare include:

- how we expect our assets to perform in the future – if our long-term view changes so that we expect lower investment returns, we may declare lower regular bonuses;
- actual returns in past years – if they have been poor we may have to declare lower regular bonuses;
- the level of regular bonus in recent years – we aim to make any changes gradually over time;
- the financial position of the Heritage With Profits fund; and
- whether the regular bonus is for pension plans or other plans, because different tax rules apply.

See section 3
“How do we set
payouts?”

How we decide final bonus

When your with profits investment ends, we assess what would be a fair payout.

If your fair payout plus any enhancement is higher than your unit value, we will pay a final bonus to make up the difference.

What are your guarantees?

Pension plans

Your guaranteed benefits apply at the retirement date originally selected at the start of your plan, provided you use them to buy an annuity at that date. In this case we generally guarantee not to reduce the unit price. The guaranteed benefits are the number of units cancelled times the unit price. This unit price guarantee may not apply to some units allocated in the previous 5 years.

If you die before retirement, the value of the units cancelled at that date is normally payable as a minimum. We guarantee not to reduce the unit price in this event.

Other plans

For most plans, your guaranteed benefits apply at the maturity date you selected at the start of your plan. Provided you have not stopped paying premiums early, we guarantee not to reduce the unit price. The guaranteed benefits are the number of units cancelled times the unit price.

For some pension plans the same guarantee, less any outstanding initial unit charges, may apply at other retirement dates not more than 5 years before the originally selected date – please see your plan documents for details.

Understanding with profits

These guaranteed benefits also apply if those covered die before the maturity date, but a higher amount may be guaranteed under the terms of your plan, which are set out in your plan documents.

With Profits Bonds have no maturity date. For these plans we guarantee not to reduce the unit price if those covered die. The guaranteed benefits are the number of units cancelled times the unit price, but a higher amount may be guaranteed under the terms of your plan. We may also guarantee not to reduce the unit price on some regular withdrawals from With Profits Bonds. Please see your plan documents for details.

What happens if you stop paying premiums to a unitised plan?

If you stop paying premiums early, fewer units will be allocated to your plan than if you had continued paying premiums throughout the term of your plan.

For pension plans, if you stop paying premiums early your guarantees in respect of units allocated to your plan are unchanged.

For other plans, if you stop paying premiums early, we may reduce the unit price at the maturity date if your fair payout plus any enhancement is less than the unit value.

See section 3
“How do we set
payouts?”

What happens if guarantees do not apply when your unitised with profits investment ends?

If your fair payout plus any enhancement is higher than your unit value, we will pay a final bonus to make up the difference.

If your fair payout plus any enhancement is lower than your unit value, we may reduce the unit price. Your payout, after any reduction, will be at least your fair payout plus any enhancement.

We are most likely to reduce the unit price if in the period since you invested in with profits:

- there has been a large fall in the value of the assets of the fund; or
- investment returns have been poor for a sustained period.

We recommend that you seek advice from your financial adviser if you are thinking about ending your with profits investment.

3. How do we set payouts?

We explained earlier that you will receive at least a fair payout when your with profits investment ends. We use asset shares as a tool to help set fair payouts. The asset share represents the underlying value of a plan; the fair payout may be more or less than this. We describe below what an asset share is and how we use asset shares, with any further adjustments, to set fair payouts. Your fair payout depends on the type of plan you have and why your with profits investment is ending. In some circumstances you could get back less than you invested.

What is an asset share?

Briefly, the asset share of a with profits policy is the accumulation at the relevant returns of the premiums paid, less any amounts withdrawn, less the deductions we make.

The relevant returns are the investment returns on the assets that back that class of with profits policies. Asset values, and so asset shares, may go down as well as up.

We publish information on the asset mix for different classes of with profits policies on our website at www.standardlife.co.uk/withprofits. You can also get a copy of this information by contacting us on 0845 60 60 100. (Call charges may vary.)

The deductions we make are normally for such things as our expenses; tax; costs of life cover, critical illness cover and guarantees; and a contribution to the capital of the Heritage With Profits Fund. For most unitised plans, these deductions (except for the cost of guarantees) correspond to charges under similar plans not invested in with profits.

When we calculate asset shares, we may need to make assumptions about the amounts to deduct for the cost of life cover and tax. If the actual cost of life cover and tax is different from these assumptions, then we may adjust the asset share (up or down) to reflect the difference.

How we use asset shares to set fair payouts

After calculating the asset share but before we set fair payouts, we may make further discretionary adjustments:

- up or down for any smoothing; and
- if you are leaving with profits early, down to the extent necessary to protect the interests of remaining planholders. For example, in certain circumstances, we may need to make additional deductions for the cost of guarantees on their plans.

Any adjustments we may make, whether up or down, may depend on why the with profits investment is ending. For example we may sometimes make smoothing adjustments for maturities and retirements where guarantees apply, but not for other types of payouts.

In addition to the fair payout, we may pay an enhancement in respect of any distribution of inherited estate.

See section 4
“What is
smoothing?”

Understanding with profits

We tell you more about the assets we hold to back with profits plans in section 6, and about the inherited estate in section 8.

As explained earlier, we will pay the higher of:

- your fair payout plus any enhancement; and
- any applicable guaranteed amount.

How do we set fair payouts for unitised plans?

If you have a With Profits Bond, your fair payout is the asset share, plus any further discretionary adjustments (up or down), for your plan.

A bonus year is from 16 November in one year to 15 November in the next.

For most other unitised plans, we use the asset share, plus any further discretionary adjustments (up or down), for typical policies for a group of plans to set payout calculation factors, which we then use for all plans in that group. We may, for example, group together plans that started in the same bonus year. We set payout calculation factors at least once a year.

We apply these payout calculation factors to your unit value to determine your fair payout. The payout calculation factor(s) may differ according to why the with profits investment is ending.

For unitised pension plans we currently apply separate payout factors to the units allocated to your plan in each bonus year and then add the resulting values together to produce your fair payout. The factors we use are based on typical single premium policies.

The following two diagrams show how the with profits payout for a unitised plan is calculated and delivered.

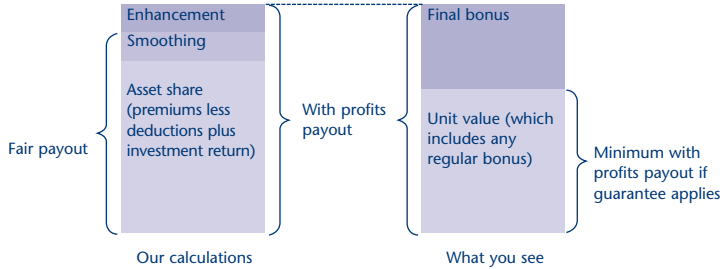
- The left-hand side of both diagrams shows a breakdown of the fair payout value of the plan at a time when we are smoothing payouts up and paying an enhancement in respect of a distribution of the inherited estate but making no other discretionary adjustments (see above).
- The right-hand side shows how the with profits payout is delivered (see section 2).

Plan values and payouts may differ in other circumstances as described above, and could result in different diagrams. The height of the boxes does not indicate the relative size of each element of the with profits payout.

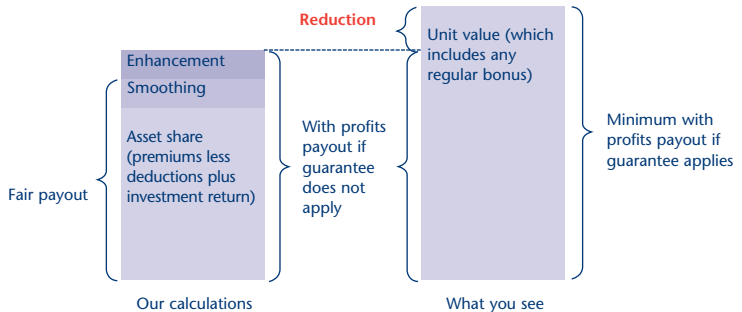
Understanding with profits

See section 8
 “What is the
 inherited estate
 and how do we
 use it?”

Payout diagram 1 – Fair payout plus inherited estate enhancement is higher than the unit value



Payout diagram 2 - Fair payout plus inherited estate enhancement is lower than the unit value



In the circumstances illustrated in payout diagram 2, if the guarantee does not apply we normally pay the fair payout plus any inherited estate enhancement. We do this by reducing the unit price. The **reduction**, the difference between the amount we pay and the unreduced unit value that includes regular bonus, is sometimes called a Market Value Reduction (MVR) or Market Value Adjustment (MVA).

4. What is smoothing?

We hold a wide range of assets to back with profits plans. The return on these assets will vary over time. One year the assets could go up in value, but the next they could go down. We may even out some of the fluctuations in investment returns to reduce the immediate impact of short-term changes in asset values on payouts under our with profits plans.

Smoothing is the name we give this process. We aim to smooth for payouts on maturity and retirement where guarantees apply, and we may smooth for other types of payout.

Smoothing evens out some of the effects of short-term changes in asset values. In the longer term:

- smoothing will not protect planholders from long-term falls in the value of the backing assets;
- smoothing will not stop planholders benefiting from the effects of long-term improvements in the value of the backing assets.

See section 3 “How do we set payouts?”

Sometimes we smooth up, so the fair payout of a with profits policy is higher than its asset share; and sometimes we smooth down, so the fair payout of a with profits policy is lower than its asset share. However, we aim to operate smoothing so that, over time, the total amount of the fair payouts for all with profits policies in the Heritage With Profits Fund is equal to the total value of the asset shares for those policies. When we set fair payouts using typical policies our aim is that fair payouts for the typical policies are between 80% and 125% of their asset share. We also aim to make fair payouts between 80% and 125% of asset share for With Profits Bonds.

We may sometimes reduce the amount of smoothing or apply no smoothing of investment returns at all. We may do this, for example, if there has been a rapid fall in the value of assets and we expect a significant amount of money to be leaving with profits.

If a fair payout is more than the asset share, the Heritage With Profits Fund makes a smoothing loss. If a fair payout is less than the asset share, the Heritage With Profits Fund makes a smoothing gain. When we make adjustments for any smoothing, we take account of the losses and gains that the Fund has made as a result of smoothing on past payouts. The smoothing losses and gains we will allow for are those from fair payouts made while the plan has been invested in with profits.

5. What expenses do we incur?

Like any other business Standard Life incurs expenses. These include the salaries of our staff, the cost of maintaining our head office and branches, our investment costs, any commission paid to intermediaries and any other ongoing costs. When determining asset shares and fair payouts, we make deductions for a fair share of these expenses incurred in the operation of the Heritage With Profits Fund.

6. How we invest the money backing with profits plans

We invest in a mix of assets, including:

- equities (company shares);
- property;
- bonds (loans to governments or companies); and
- cash deposits.

Equity and property assets generally have more variable values than bonds or cash deposits, but over the longer term we expect them to provide higher returns. Bonds and cash deposits generally have more stable values, but over the longer term we expect them to provide lower returns.

We may also invest in derivatives – such as investments that provide rights or obligations to buy or sell assets at a particular price and time – as an efficient way of managing our with profits business.

How we decide the asset mix

We regularly review the asset mix that backs each class of with profits business. We seek to optimise investment returns. The asset mix may not be the same for all classes of with profits plan and may change over time.

We decide what asset mix to hold by considering the extent of guarantees for each class of with profits plan, and the appropriate balance between risk and expected return. When we invest in assets with more variable values, there is a higher risk that the assets will have low values when we need to make payouts to planholders. In particular, the assets backing a class of with profits plan could be worth less than the guaranteed benefits. In this case the shortfall has to be met. The higher the level of guarantees for a class of plan, then the more we may have to invest in lower-risk assets with more stable values, to back that class of plan. However, we generally expect lower-risk assets to give lower returns over the longer term.

Our main restriction on investment strategy is maintaining the financial strength of the Heritage With Profits Fund at an appropriate level whilst meeting our obligations to planholders. The investment return credited to a particular class of with profits plan will reflect the investment return on the mix of assets that backs that class of business.

Understanding with profits

How we manage the risks associated with investment

Risks associated with investment include companies performing poorly and reducing dividends, or borrowers not making promised interest and capital repayments, or our having to sell assets to meet payouts when prices are depressed. We aim to control our exposure to investment risks by investing in assets of sufficient quality and variety. For example we set limits on the amount we invest in any one asset, in assets issued by any one company, and in assets that are not traded on a recognised stock or bond market (and so may be difficult to sell).

Sometimes we may need to reduce significantly the proportion invested in higher-risk assets such as equities and property, for example where the financial strength of the Heritage With Profits Fund reduces following a sudden or sustained fall in asset values. Any change in the asset mix is likely to result in a change in future investment returns and with profits payouts. However, this will not affect any existing guarantees.

Subject to the above considerations the assets backing with profits plans are held solely for investment reasons.

7. How we manage risk

Running our business inevitably involves some risks. The largest risk is that the investment return on the with profits assets is not enough to meet plan guarantees and to maintain the financial strength of the Heritage With Profits Fund. We manage this risk by varying the mix of assets that backs with profits plans.

We also manage this risk through the deductions we make from asset shares for the cost of guarantees. We normally review these deductions once a year, but we may do so more often. We may increase these deductions if we make a loss in respect of guarantees, for example because we assess that the cost of guarantees has increased or will increase. This assessment will vary because of, for example, changes in:

- asset values;
- asset mixes; and
- regular bonus.

Other risks include higher-than-expected costs of providing life cover and higher-than-expected expenses. We may manage these risks through underwriting (for example asking health questions on proposal forms) and reinsurance (passing part of the risk to another insurance company), and through budgetary controls.

See section 6
“How we invest
the money backing
with profits plans”

We carefully consider the significant risks associated with any particular business activity before we undertake it. We take on additional risks in the Heritage With Profits Fund, for example by writing new business, only if these risks are not expected to have a materially adverse effect on existing planholders.

Capital is needed to support any business activity. Before undertaking a business activity in the Heritage With Profits Fund we compare:

- the expected profitability of the activity; with
- the expected benefits to our with profits planholders of other uses of that capital.

8. What is the inherited estate and how do we use it?

On 10 July 2006 The Standard Life Assurance Company transferred all its UK with profits business into the Heritage With Profits Fund of Standard Life Assurance Limited. This Fund was set up with an inherited estate – a pool of assets that provides working capital for our with profits business.

The main role of the inherited estate is to ensure that a prudent amount is retained in the Heritage With Profits Fund for liabilities that may arise in the Fund. To the extent that we are satisfied that the inherited estate exceeds the amount needed for this we will distribute any excess, over time, as an enhancement to with profits payouts.

We aim to restrict any distribution of the inherited estate to payouts for former Standard Life Assurance Company policies that have remained continuously in with profits since 9 July 2006.

9. How we manage new business

We aim to offer competitive terms for new business and increases to premiums on existing business. We set limits on the new business that can be written in the Heritage With Profits Fund.

We have no plans to stop selling new with profits plans. If we do ever stop selling them, we will notify you and will write to explain how we will manage our with profits business in the future.

A with profits payout will only include an inherited estate enhancement if we are making distributions from the inherited estate at the time when we make that payout.

10. How we balance the interests of with profits planholders and shareholders

Standard Life Assurance Limited is a wholly owned subsidiary of Standard Life plc, which is owned by its shareholders. Shareholders are entitled to certain payments from the Heritage With Profits Fund and meet certain costs, as described below.

We explained earlier how we set fair payouts using asset shares as a tool, and the deductions we may make from asset shares. For unitised plans, provided we meet our obligations to planholders, the shareholders are entitled to the deductions from asset shares (except deductions for tax or costs of guarantees). In return they meet the expenses and costs of life cover and of critical illness cover on these plans. For conventional plans the deductions made from asset shares remain in the Heritage With Profits Fund, and this Fund meets the expenses and cost of life cover on these plans.

We will not take any action to increase the amount shareholders may receive if this would conflict with our duty to treat customers fairly.

The Standard Life Assurance Limited Board makes all the decisions about with profits business. The With Profits Committee independently assesses the fairness to with profits planholders of any significant proposed action or exercise of discretion.

We publish a report to UK with profits planholders each year on our website www.standardlife.co.uk/withprofits. This report sets out the Board's opinion on the fairness to planholders of its exercise of discretion during the previous calendar year. The With Profits Committee may append a report of its own to this report.

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