



Discretionary Scheme EPP

Changes to the General Rules

This is a brief summary of the changes that the trustees will be making to the scheme rules by adopting the General Rules coded PEN44.

Contributions & benefits

- The 15% limit on employee contributions will be removed.
- The old limits on benefits will be removed for active members and early leavers.

Lump sum benefit on death before retirement

- There will be no limit on the amount of the lump sum. (Any insured death in service cover will be limited to the amount described in the Acceptance.)
- If the beneficiary is a dependant they will, before receiving the lump sum, be able to ask the trustees to pay part or all of it as a pension instead. This could be an attractive option if the lump sum would be subject to the 55% lifetime allowance charge.

Normal retirement date

- Normal retirement date can be any date from the 'normal minimum pension age' up to the day before the member's 75th birthday.
- 'Normal minimum pension age' means age 50 up to 5 April 2010 then age 55 from 6 April 2010.
- If the employer agrees, a member will be able to take their benefits before their normal retirement date and stay in service.
- No benefits will be payable before the normal minimum pension age unless the member is (and will continue to be) unable to carry on their normal occupation because of physical or mental impairment.
- There won't be an option for a member to take their benefits in stages.

Retirement benefits

- The tax-free lump sum will be limited to the 'pension commencement lump sum' set out in the Finance Act 2004. This takes account of any transitional protection, including members with rights to a tax-free lump sum greater than 25% of fund on 5 April 2006.
- A tax-free lump sum will be available from voluntary contributions.
- Once the tax-free lump sum (and any lifetime allowance charge) has been deducted, the balance of the fund will be used to provide an unlimited pension.
- There will be no requirement for the pension to increase in payment.
- The member will be able to choose 'annuity protection', where a lump sum is paid out if the member dies after buying their pension and before their 75th birthday. (Annuity protection isn't available from Standard Life at 6 April 2006 but the member will be able to use their open market option to buy a pension with protection from another provider.)

Triviality

- The new limits will apply for paying a lump sum to members or dependants instead of trivial pensions.

Early leavers

- The General Rules didn't need to be changed to take account of the changes introduced by the Pensions Act 2004 for members who leave with less than two years' pensionable service. This is because the General Rules give all members the right to preserved benefits. These Pensions Act changes only apply where a member leaves with three months' or more pensionable service and doesn't have a right to preserved benefits.

Civil partnerships

- Any reference to a husband or wife will include a civil partner and any reference to a widow or widower will include a surviving civil partner.

Paternity or adoption leave

- The provisions for paying contributions and providing benefits during paternity or adoption leave will be the same as for maternity leave.