



## *Stanplan A*

Memorandum explaining the amendments to the Declaration of Trust and General Rules made on 10 March 2006.

### ***Background***

Standard Life Trustee Company Limited, as Trustee, has amended the Declaration of Trust and General Rules of Stanplan A to apply the new simplified pension regime from 6 April 2006. The new regime is set out in the Finance Act 2004 and the Pensions Act 2004.

The new simplified pension regime sweeps away the old contribution and benefit limits and introduces a new taxation framework for pensions. The general purpose of Stanplan A however remains the provision of pension and lump sum benefits on retirement along with death benefits in return for tax-efficient contributions.

### ***Amendments to the Declaration of Trust***

Given the extent of the amendments, the deed replaces the existing General Rules with a new set of General Rules that apply to Members who had not used their Fund to provide their benefits before 6 April 2006. We have introduced the terms and requirements of the new simplified pension regime into the General Rules and we will, in the rest of this Memorandum, highlight some of the key differences between the new and the old rules.

### ***Amendments to the General Rules***

#### **A. Interpretation and definitions**

This Rule introduces definitions used in the Finance Act 2004 as well as removing definitions used under the old tax regime.

We have also added a new definition of 'Civil Partnership' as, under the Civil Partnership Act 2004, civil partners are to receive the same treatment as married couples.

We have retained a definition of 'Group A Member', as unless the Employer agrees to pay the extra costs, the 'earnings cap' that applies to these Members should still apply to the calculation of salary related contributions and death benefits.

## **B. Membership and applications**

We will now accept a Normal Retirement Date between the Normal Minimum Pension Age and the day before the Member's 75<sup>th</sup> birthday. 'Normal Minimum Pension Age' means age 50 before 6 April 2010 when it becomes age 55.

We will not however accept an application for membership by an employee who is working in another European Union state unless they have been seconded from the United Kingdom for a limited period. We have made this change as, if these individuals are included, we would need to comply with the social and labour law of the state in which they are working. If an employee joins Stanplan A and is then seconded to work in another EU state, he can continue his membership but, if he is transferred to that state on a permanent basis, his contributions must stop.

## **C. Contributions**

We have removed the restrictions in the rules on the amount of contributions that employers and Members can pay to Stanplan A. Further information on the availability of tax relief and on new tax charges for large contributions can be found on the HM Revenue & Customs website –

<http://www.hmrc.gov.uk/pensionschemes/rpsm.htm>

As Stanplan A is an occupational pension scheme, we expect an Employer to contribute towards the cost of a Member's benefits.

## **D. Paternity or adoption leave**

The provisions for paying contributions and providing benefits during paternity or adoption leave are now the same as for maternity leave.

## **E. Death benefits before taking retirement benefits and before age 75**

### *Lump sum*

Under the new simplified pension regime, there is no limit on the amount of the lump sum that can be paid on the death of the Member before retirement and before age 75.

There is however a limit on the amount of the tax-free lump sum and, as a result, we have introduced an option for a beneficiary who is a dependant to take their benefit in the form of a pension (which can be with an insurer of their choice) instead of paying a 55% tax on the lump sum.

A lump sum death benefit must now be paid within two years of the Member's death. If the Employer does not, for a Member who died in service, choose a beneficiary within 18 months of the Member's death, the Trustee will now do so.

## **F. Early leavers**

The Pensions Act 2004 introduced changes for Members who leave with less than two years' pensionable service. These changes do not apply to the General Rules of Stanplan A as our rules give a paid up pension to all early leavers.

## **G. Retirement**

On retirement, a Member will use his Fund to take a Member's pension, a lump sum and provide pensions for his Dependants. It is still a requirement under the rules that he must use all of his Fund at the same time but it will now be possible for a Member to take their benefits before retirement as long as their Employer consents.

### *Taking benefits*

A Member can take their benefits between the ages of 50 and 75 but, in 2010, it is a requirement under the new tax regime that we increase the minimum age to age 55.

If a Member continues in service after his Normal Retirement Date, the Member can take all his benefits at that date or defer taking benefits and leave his Fund invested with the Assurance Company until he retires. Once the Member reaches age 75, he has no option to take a tax-free lump sum so we expect Members to ask for their benefits before that age. If the Member does not ask for his benefits by age 75, the Trustee will apply part of the Fund to pay any Lifetime Allowance Charge and hold the remaining Fund until the Member asks for his pension.

### *Pension*

There is no longer a limit on the amount of the Member's pension but, if a Member's Fund exceeds his available Lifetime Allowance, a new tax called the Lifetime Allowance Charge may be due.

If the Member wishes to take income rather than a pension, the Member has an option to transfer to the Standard Life Self-invested Pension Scheme or another similar scheme.

### *Lump sums*

Once the Member reaches age 75, he has no option to take a tax-free lump sum.

Under the new regime, the tax-free lump sum is limited to the 'Pension Commencement Lump Sum' set out in the Finance Act 2004. (The Pension Commencement Lump Sum takes account of any transitional protection including Members with rights to a tax-free lump sum greater than 25% of their Fund on 5 April 2006.) A tax-free lump sum is now available from voluntary contributions and protected rights.

### *Triviality*

The new limits apply for applying a lump sum to Members or Dependants instead of trivial pensions.

## **H. Death benefits after taking retirement benefits**

### *Pensions*

A Member can ask the Trustee to provide a pension for a Dependant or a Dependent Child after his death.

A Member can also ask for his pension to continue to be paid until the end of a guaranteed payment period of up to 10 years. There is no longer an option to pay the value of a guarantee as a lump sum.

### *Lump sums*

There is a new option for the Member to choose annuity protection where a lump sum is paid out if the Member dies after buying their pension and before age 75. (The Trustee will not agree to secure protection if the Member has also requested a guarantee period.) (Annuity Protection is not available from Standard Life at 6 April 2006 but the Member can use their open market option to buy a pension with protection from another insurer.)

### *Death after age 75 with a Fund*

If a Member dies after age 75 without having asked for their pension, the Trustee will apply the Fund, where possible, to provide pensions for Dependants and Dependent Children. If the Fund can't be used to provide pensions, the Member can nominate before his death that his Fund is paid to a charity or used to top up the Fund of another named Member.

## **I. Transfers**

A Member can ask the Trustee to accept transfers from most forms of pension savings.

Any transfers out of Stanplan A must consist of all of the Member's Fund (or all of the Member's Fund apart from any protected rights) and be to a scheme that is recognised as a pension scheme for tax purposes in the UK or abroad.

## **J. Pension sharing on divorce**

The new rule now covers the dissolution of a civil partnership and is much shorter as the requirements under the new pension regime are much simpler.

## **K. Protected Rights and Safeguarded Rights Rules**

(These rules apply to Group Plans that were contracted-out of the State Earnings Related Pension Scheme.)

There are now fewer legislative restrictions on the use of protected rights and safeguarded rights. (Safeguarded rights are rights granted to an ex-spouse from a Member's protected rights.) Members can now take their protected rights from the Normal Minimum Pension Age and use them to provide a tax-free lump sum. These two changes do not however apply to safeguarded rights which can't, unless the individual is ill, be taken before age 60 and must be taken in pension form.

April 2006