Key Features of the
Corporate Pension Account (Series 1 & 2)
Executive Pension Plan (Series 3)
FutureProof Executive Pension Plan

The Financial Conduct Authority is a financial services regulator. It requires us, Clerical Medical, to give you, as trustees of the employer's pension scheme, this important information to help you decide whether our 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. These key features should be read with the enclosed illustration.

Its aims

- To build up a sum of money in a tax-efficient way to help support key personnel financially in retirement.
- To enable the employer to take out 'extra life cover' to provide members' families with an extra cash sum if a member dies before they take all of their pension benefits.

Your commitment

- The employer makes the contributions they have agreed to pay.
- If a member commits to making regular contributions, that these are also paid.
- If the plan includes extra life cover, all questions in the application must be answered honestly and fully.
- You are required to tell us if a member stops working or changes their job.

Risks

- The value of the plan can go down as well as up, and could fall below the amount(s) paid in.
- What a member will get back isn't guaranteed. The illustration shows, in today's prices, the final fund values and benefits that might be payable at the member's normal retirement date. These would be lower than illustrated, if, for example:
  - All the payments are not made.
  - Investment performance is lower.
  - The member takes any pension encashments.
  - The cost of buying a pension is higher.
  - The member starts taking their pension earlier than their normal retirement date.
  - The charges are higher.
  - Inflation is higher than we've assumed.
  - Tax rules change.
- If pension encashments are taken, this will reduce the value of the plan. It may leave the member with insufficient funds when they are older. High levels of pension encashments may not be sustainable and could reduce the value to zero.
- The employment situation of members may change in such a way that the contributions for them have to be stopped. For example, members may leave and join new employers or become self-employed.
- You can invest in a range of investment funds that carry different types and levels of risk.
- In certain circumstances, there may be a delay if we are asked to transfer the value of the policy, a pension encashment is taken or switch between investment funds is requested.
  - If units are encashed from the property fund, or any fund that invests partly in property, we may postpone encashment for up to six months. This is because these assets can be less easy to sell than stocks and shares. Property valuation is a matter of judgement by a valuer.
  - The delay for all other funds will be no more than one month.

- If you change your mind within 30 days of receiving your cancellation notice and the value of any lump sum investment has fallen, the employer (and member if paying) may get back less than they've paid in.
- If the plan includes extra life cover, we may not pay any claim, have to amend the terms of the cover or at worst cancel the cover if the member:
  - doesn't answer the questions honestly
  - gives us incomplete or misleading answers, or
  - does not advise us of a change in the information provided in response to our questions prior to the date we have agreed the terms of the cover.
- If a member is transferring from another pension plan, they could lose any guaranteed benefits and may not be able to return to it.
- If money is taken out of the With-Profits Fund other than on death or at the normal retirement date, we may make a reduction called a market value reduction (MVR) and pay out less than the face value of your units. We will only do this if the face value of your units meant your investment would be worth more than your fair share of the With-Profits Fund. If you are investing in the With-Profits Fund (available only to plans started before 6 April 2005), please refer to "Where are the contributions invested?".

Questions and answers

Q What contributions can be paid to the plan?

- Contributions must be paid by the employer, and can also be paid by members.
- Monthly, yearly and single contributions can be paid. In addition, we may also be able to accept transfer payments from other pension plans a member has belonged to.
- Regular contributions can be paid monthly or yearly by direct debit. Single contributions can be paid by cheque or electronic transfer at any time.
- Minimum contribution levels apply and can change from time to time. Please refer to the product charges leaflet (included with the most recent yearly statement) for further details.
- The employer or members can change the amount of regular contributions they are paying, or pay additional single contributions, at any time. They can decide to automatically increase regular contributions each year.
- There is no maximum limit to how much can be paid to a plan, however there is a limit to the amount of tax relief that will be received. See 'What about tax?' for further details.
- You must maintain a schedule setting out the rates of contributions payable and the dates when such contributions are due. This schedule will be revised if any contributions are reduced or increased. The contributions must be paid within 60 days of the due date.

Q Where are the contributions invested?

- Contributions and transfer payments are used to buy units in the investment funds chosen. We work out the value of the plan based on the total number of units in each fund. The value of units and therefore the plan, can go down as well as up and could fall below the amount(s) paid in.
- We offer a wide range of funds to choose from. For more details on the investment options please go to our website **www.clericalmedical.co.uk/funds** Your financial adviser will be able to help you make your choice.
- You can redirect where future contributions will be invested to change the mix of investments; there is currently no charge for doing this. You can also switch existing units in and out of various funds but a charge may apply as described in the product charges leaflet included with the most recent yearly statement.
- We may change the selection of funds that we make available and restrictions can apply.
- FutureProof Executive Pension Plans can select a 'lifestyle investment programme'. This means we will automatically move the investments into lower risk funds as the member's selected retirement date is approached. See the 'Choosing investment funds – Lifestyle Investment Programming' booklet (X1678) for full details.
- If the scheme was established before 6 April 2005, you can invest in our With-Profits Fund.
- The With-Profits fund is designed to generate capital growth and provide one or more guarantees over the medium to long term, whilst also providing some stability against market volatility in the short term. This is achieved by combining your money with that of other with-profits investors, all collectively sharing in the performance of the fund. This fund is invested in a mix of assets – shares in UK and overseas companies, property, fixed-interest investments and other types of investment (including cash).

- There are two types of with-profits bonus:
  - A regular bonus (sometimes called 'bonus interest'), which we may add to increase your investment's face value over time. We decide this rate once a year, but we can change it mid-year in exceptional circumstances. We add to it the investment by increasing the face value of the units in the With-Profits Fund (the unit price) throughout the coming year. The unit price is guaranteed not to decrease over time. On death, or if money is taken out of the With-Profits Fund at the selected retirement date, any regular bonus included in the face value of the units is guaranteed.
  - A possible final bonus (sometimes called 'terminal bonus'), which we may add when money is taken out of the With-Profits Fund. We normally review this twice a year, but in exceptional circumstances we can change it at short notice if investment conditions change significantly.
- The rates of bonus for with-profits units bought by single contributions (including transfers from company pension schemes and other personal pension plans) may be different from those applying units bought by regular contributions.
- If you are investing in the With-Profits Fund, please be aware that:
  - What you receive will be affected by a deduction that we are currently making to support the guarantees on policies of other groups of investors, for example because investment returns are below guaranteed levels.
  - The ultimate value of a with-profits investment depends on the level of future bonuses which cannot be guaranteed.
  - We recommend you read our 'With-profits summary' which gives more information about how we run the fund, including the market value reduction and how we aim to ensure that policyholders' interests are dealt with fairly.
  - Our 'With-profits summary' (X1332) is available on request.

Q How can a member take their benefits?

- A member can normally start taking benefits from the plan from age 55 with your agreement. The age from which benefits can start to be taken from a pension may change.
- In certain circumstances, a member may be able to take benefits earlier, for example if they're in ill health.
- The member must use the value of their plan to take benefits by age 75 at the latest. They may be able to defer taking their pension by transferring to another provider before age 75.
- The member could choose from the following options –
  - Take one or more pension encashments, (subject to your agreement and any restrictions which apply) and/or
  - Buy one or more annuities,

  or

  - Transfer all of the funds to another policy, which for instance may allow income drawdown. This type of plan allows the member to keep the value of their pension fund invested, but take a taxable income.
- The value available to provide benefits will depend on a number of things, for example –
  - how much is paid in
  - how long the investments are held for
  - any pension encashments already taken
  - investment performance
  - the charges and expenses.
- 25% of any pension encashments will be tax free. For further details on tax, please see 'What about tax?'.
- When a member buys an annuity they can normally choose to take up to 25% of the value taken as a tax free cash sum. This will reduce the income from the annuity. The illustration(s) will give you an indication, in today's terms, of how much income the member might receive if they choose to buy an annuity with their pension fund.
- Rather than take an annuity or drawdown income from Clerical Medical, the member can take these from another pension provider.
- Provided the member leaves a minimum amount in their plan, the employer and/or the member can carry on paying contributions into their plan after taking some of their benefits, helping them to continue to save for their retirement. This amount can change from time to time – contact us for details.
- For more details of all the member's options at retirement, please speak to your financial adviser, or see our website: **www.scottishwidows.co.uk/retirement**

What happens if the member dies before they have taken all their benefits?

- The value of their plan will be used to provide benefits to their dependants or beneficiaries at your discretion.
- We'll normally pay the value as a lump sum.
- If the plan is arranged under trust, we'll pay any lump sum to the trustees. If it's not arranged under trust, we'll decide who to pay the lump sum to.
- The employer can pay for extra life cover for members until they retire. If extra life cover applies, we'll pay the life cover as a lump sum in addition to the value of the plan. We have shown any extra life cover chosen on the illustration.

What are the charges?

- We charge for managing and investing the plan.
- We take our charges from the value of the plan. If applicable any charges due to your financial adviser will be taken from the contributions or the value of the plan.
- Your illustration shows the current charges and how they could affect what the member might get back.
- For some types of plan, there may be a penalty if contributions are missed, stopped or reduced. Please refer to your product charges leaflet for details.
- We can increase most of the charges we make if:
  - a tax rule or law change significantly increases our costs or significantly decreases our income from charges; or
  - there are exceptional circumstances which we could not reasonably have foreseen resulting in either our costs being significantly more, or our income from charges being significantly less, than we anticipated.
- We will give you three months' notice if we increase our charges.
- If the plan is invested in fund(s) managed by other fund managers, they can change any charges that they make.
- Please refer to the product charges leaflet (included with the most recent yearly statement) or speak to your financial adviser if you have any questions about the charges for the plan.
  - For the Corporate Pension Account Series 1, see leaflet reference X168.
  - For the Corporate Pension Account Series 2, see leaflet reference X813.
  - For the Executive Pension Plan Series 3 see leaflet reference X1773.
  - For the FutureProof Executive Pension Plan see leaflet reference X1334.

What about tax?

- This plan allows both members and employers to take advantage of important tax benefits:
- Contributions paid by a member:
  - Each year, relief is available on contributions which don't exceed a member's relevant UK earnings, or £3,600 if higher.
  - Any contributions that a member pays into this plan will qualify for income tax relief up to the highest rate(s) of income tax they pay. Their tax relief depends on their main place of residence as advised by HMRC for the current tax year. If the member is a Scottish taxpayer the tax relief they will be entitled to will be at the Scottish Rate of income tax, which may be different from the rest of the UK. The relief is given automatically when the contributions are taken from their pay. They will not have to claim back any tax from HM Revenue & Customs.
  - A member won't receive tax relief on the contributions paid by the employer, or on transfer payments.
- Contributions paid by the employer may be allowable as a business expense, for tax purposes, if their local inspector of taxes is satisfied that the contributions have been made wholly and exclusively for the purposes of the employer's trade.
- The Treasury sets an annual allowance on the amount that can be paid into all registered pension schemes without incurring a tax charge. It applies to all contributions a member pays (or that are paid on their behalf) except for transfers or pension credits. In certain circumstances, a member may be able to take advantage of up to three years' previous unused allowances. Higher earners will have a lower annual allowance limit, called the 'Tapered Annual Allowance'. Please speak to your financial adviser for further details.
- If the member takes a pension encashment or flexibly accesses their benefits, tax relief will only be available on contributions up to the Money Purchase Annual Allowance (MPAA). This is £4,000 for the 2018/2019 tax year. If the member pays in more than this to any money purchase pensions they will be subject to an annual allowance charge.

- The Treasury also sets an overall limit on the value of benefits a member can take. This is known as the lifetime allowance (LTA). Each time a member takes any benefits, the value is measured against the LTA. If the value of the benefits exceeds the remaining balance of their LTA, the excess will be subject to a tax charge. Please speak to your financial adviser.
- If the member takes a pension encashment, they will receive 25% tax free with the remaining 75% subject to income tax. There may be a significant delay in receiving any tax which they reclaim from HMRC.
- Annuity payments and any income paid from the proceeds of this plan will be subject to income tax.
- If the member chooses to buy an annuity and decides to take a cash sum at that time, the cash sum is normally tax-free.
- If the member dies before they are 75, we will pay a lump sum or income to any dependants or beneficiaries. This will normally be tax-free.
- Although the value of pension funds is generally not subject to Inheritance Tax, in certain circumstances the value of death benefits may be subject to tax charges. As this is a complex area the member should contact their adviser or tax office for further guidance.
- Our pension investment funds are generally free of UK income and capital gains tax. However, we can't reclaim tax deducted at source from the dividends of UK company shares.
- The value of the tax benefits of the plan depends on individual circumstances. A member's circumstances and tax rules may change in the future.

Q Can a member transfer the value of their plan?

- A member can transfer the value of their plan to another pension plan. They can normally do so at any time, however in certain circumstances there may be a delay.
- With effect from 1 January 2017, there are no exit charges although an MVR may apply (see the 'Risks' section).

Q Can I change my mind?

- Yes, you, as trustees, can change your mind and cancel a new member's plan or any change in contributions or any transfer to an existing plan within 30 days of receiving your cancellation notice.
- For transfer payments from final salary schemes, however, the member will not receive a cancellation notice and will not be able to change their mind. When we receive their completed application form and transfer payment we will assume that the cancellation period has already expired. The member should therefore think carefully about their options before transferring.
- If you decide to change your mind, you will need to sign and return the cancellation notice that we will send to you.

Q What will be lost by cancelling?

- If you tell us you want to cancel the plan or change to an existing plan we'll return:
  - For regular contributions, all of the contributions paid;
  - For single contributions and transfer payments, the amount of the payment less any fall in their value.
- For transfer payments it may not be possible to return the value of the payments to the member's previous pension plan. They may have to take out a new plan.

Q What are the consequences of not cancelling?

- If you do not cancel the plan or change to an existing plan within 30 days of receiving your cancellation notice, the plan or changes to the existing plan will continue as agreed.

Q How will you know how each member's policy is doing?

- We'll send you a statement and charges sheet each year to show how each member's policy is doing. You should regularly review the plan to check if it remains on track for the members' needs.
- You can check the unit prices of our unit-linked funds on our website: **www.clericalmedical.co.uk/funds** or get an up-to-date valuation of the plan by contacting us.

How to contact us

- Your financial adviser will normally be your first point of contact.
- If you've any questions about the plan, or any changes you want to make to it, please contact us. You can phone us, send us a fax, or write to us.

Call us on **0345 030 6243** during the following times:

- Monday to Friday 8.30am to 6pm.

We may record and monitor calls to help us to improve our service.

Fax number: **0131 662 4053**

Email: **cmig.policyholder@clericalmedical.co.uk**

Website: **www.clericalmedical.co.uk**

Office address:
Clerical Medical
PO Box 28121
15 Dalkeith Road
Edinburgh
EH16 9AS

- We'll communicate with you in English.

If you want to know more about pensions and your options at retirement, visit our website – **www.scottishwidows.co.uk/retirement**

Other information

How to complain

- If you ever need to complain, please contact us. If you're not satisfied with our response, you can complain to:

The Financial Ombudsman Service
Exchange Tower
London
E14 9SR

Telephone: **0800 023 4567**

Email: **complaint.info@financial-ombudsman.org.uk**

Website: **www.financial-ombudsman.org.uk**

- Complaining to the Ombudsman won't affect your legal rights.

Terms and Conditions

- These Key Features give a summary of the Corporate Pension Account (Series 1 & 2), Executive Pension Plan (Series 3) and FutureProof Executive Pension Plan. Further details of the benefits, charges and conditions are given in product literature, Scheme Rules and Policy Provisions, which are available from us or your financial adviser.
- We have the right to change some of the terms and conditions at any time. We'll write and explain if this affects your plan.

Law

- For legal purposes the law of England and Wales will apply.
- This information represents Clerical Medical's interpretation of the law and HM Revenue & Customs practices as at date of publication. Changes to tax rules and other laws may affect your contract terms.

Conflicts of Interest

- In accordance with FCA regulations we have established and implemented procedures for identifying, and preventing or managing, conflicts of interest. Conflicts of interest can occur in our day to day business activities, for example, where one of our clients could make a gain at the direct expense of another client, or we might be faced with an opportunity to make a gain but this would be to the direct disadvantage of one or more of our clients.
- Depending on the exact nature of the conflict of interest involved, we may take certain actions to lessen the potential impact of the conflict. Such actions may include putting in place controls between the opposing sides of the conflict, which may control or prevent the exchange of information, and/or involve the appropriate management of staff activities and segregation of duties. In instances where such controls would not be enough to eliminate the potential risk of damage to clients from specific conflicts, we will disclose the general nature and/or source of those conflicts of interest to you and the steps taken to lessen the potential risk, before we take on the relevant business.
- Our procedures for dealing with conflicts of interest may be revised and updated from time to time. If you would like more information on the procedures, or on any specific conflict of interest that you think might affect you, please contact us.

Categorising Your Business

- We'll treat you as a 'retail client', unless we contact you to let you know otherwise. Retail clients are afforded the highest level of protection under the rules of the Financial Conduct Authority. You should be aware that other organisations, including the Financial Ombudsman Service (FOS) and the Financial Services Compensation Scheme (FSCS), may classify you differently. If they do, they may afford you lesser rights than those which normally apply to retail clients.

Solvency and Financial Condition Report (SFCR)

- Our SFCR provides information on the performance and management of our business, including its financial strength. It's produced each year and is available on our website at: **www.scottishwidows.co.uk/about_us/financial_information/solvency-2-returns.html**

Financial Services Compensation Scheme (FSCS)

- Your plan with Clerical Medical is fully covered by the Financial Services Compensation Scheme. More information about compensation arrangements is available from the Financial Services Compensation Scheme, who can be contacted on **0800 678 1100** or **0207 741 4100** or via their website at **www.fscs.org.uk**

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www.clericalmedical.co.uk

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