

# Key features of the Group Additional Voluntary Contribution Plan for employees

The Financial Conduct Authority is a financial services regulator. It requires us, Clerical Medical, to give you this important information to help you decide whether our Group Additional Voluntary Contribution Plan is right for you. You should read this document carefully, along with any documentation provided by the trustees, so that you understand what you are investing in and then keep it safe for future reference.

For the purposes of this document, 'you' refers to you as the individual member of your employer's scheme. It should, however, be noted that the trustees (or other governing body) are the legal owners of the assets of the plan and it is they who ultimately choose where those assets are invested. The trustees (or other governing body) may allow you to choose the funds in which your personal account is to be invested but are not bound by your selection.

## Its aims

- To build up a sum of money in a tax-efficient way to help support you financially in retirement in addition to that provided by your employer's main scheme.
- To provide for your dependants should you die before them.
- If your employer allows, to offer you flexibility and choice over when you start to take your benefits, between ages 55 and 75.

## Your commitment

- You agree to make regular and/or one or more single contributions into your personal account.
- To let your personal account build up until you want to use it to provide your benefits.
- You can pay in to your personal account, subject to the agreement of the trustees of the main pension scheme, the value of additional voluntary contribution benefits contained in any transfer payment you receive.

## Risks

- The value of your personal account can go down as well as up and could fall below the amount(s) paid in.
- What you'll get back isn't guaranteed. If the trustees give you an illustration, it shows, in today's prices, the final fund values and benefits that might be payable at your selected retirement date. These would be lower than illustrated, if, for example:
  - You don't make all the payments.
  - Investment performance is lower.
  - You take any pension encashments.
  - The cost of buying your pension is higher.
  - You start taking your pension earlier than your selected retirement date.
  - The charges are higher.
  - Inflation is higher than we've assumed.
  - Tax rules change.
- If you take pension encashments, this will reduce the value of your personal account. It may leave you with insufficient funds when you are older. High levels of pension encashments may not be sustainable and could reduce the value to zero.

- Your personal account can be invested in a range of investment funds, which carry differing levels of investment risk. For more information please see our 'Investor's Guide' for group pensions funds (X1713).
- In certain circumstances, there may be a delay if you ask to transfer the value of your plan, take a pension encashment or switch between investment funds.
  - If you're selling units from the property fund, or any fund that invests partly in property, we may postpone the sale of those units for up to six months. This is because the 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.
- Stopping or decreasing your payments will reduce your future pension. You can request an illustration showing how this might affect your future pension.
- If you are transferring additional voluntary contributions from another scheme, the benefits you receive may be less than the benefits provided by the scheme you are transferring from. You may also be giving up guaranteed benefits.
- If money is taken out of the With-Profits Fund other than on death or at the selected retirement age, 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 introduce an MVR if the face value of your units meant your investment would be worth more than your fair share of the With-Profits Fund.

## Questions and answers

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### **Q What is the Clerical Medical Group Additional Voluntary Contribution Plan?**

- The Group Additional Voluntary Contribution Plan is a plan which is run alongside a company pension scheme allowing you to pay additional voluntary contributions. Your personal account will build up over time. The value of your personal account will be used to help support you financially in retirement.
- Contributions can only be paid by you as a member of the scheme. The trustees own the investments and run the plan for the benefit of the scheme members.

### **Q How flexible is it?**

- You can make one-off single contributions at any time, as well as regular monthly contributions. You can also transfer your pension benefits from any other additional voluntary contribution or free-standing additional contribution plans you have into this personal account. See the section 'How much can be paid into my personal account?'. Any transfer payments are subject to the agreement of the scheme trustees.
- You can change any regular contributions you make at any time.
- Your employer may allow you to start taking your benefits at any time between the ages of 55 and 75, even if you're still working. You must start taking your benefits by the age of 75.
- You can start taking benefits before age 55 only if you're in ill health.

### **Q Is this a stakeholder pension plan?**

- No, this is not a stakeholder plan. The government has set minimum standards that companies must meet for a stakeholder pension. These are to do with contribution levels, costs and terms and conditions. This plan does not meet the criteria for stakeholder pensions.
- Stakeholder and personal pension schemes are generally available and may meet your needs at least as well as the Clerical Medical Group Additional Voluntary Contribution Plan.

### **Q What might I get when I take my benefits?**

- The final value of your personal account will depend on a number of things, for example, contributions made, how long they are invested for, investment performance and charges.
- Your personal account will be used to provide you with retirement benefits. There is no guarantee of the amount of benefits you will receive when you decide to take them.
- If you received an illustration from the trustees it will give you an indication of how much you might be able to buy with your future pension fund in today's terms. There is no guarantee of the amount of benefits you will receive when you decide to take them.

### **Q How can I take my benefits?**

- You can normally start taking benefits from your plan from age 55. The age from which you can start taking pension benefits from your pension may change.
- In certain circumstances, you may be able to take benefits earlier, for example if you're in ill health.
- You must use the value of your personal account to take benefits by age 75 at the latest. You may be able to defer taking your pension by transferring to another provider before age 75.
- You could choose one or more of the following options –
  - take one or more pension encashments, (subject to the trustees' agreement and any restrictions which apply) and/or
  - buy one or more annuities, and/or
  - transfer some or all of the funds to another plan which, for instance, may allow income drawdown. This type of plan allows you to keep the value of your 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
  - charges and expenses.
- 25% of any pension encashments will be tax free. For further details on tax, please see 'What about tax?'
- Each time you buy an annuity you 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.
- Rather than take an annuity or drawdown income from Clerical Medical, you can take these from another pension provider.
- Provided you leave a minimum amount in your personal account, you can carry on paying contributions into your personal account after taking some of your benefits, helping you to continue to save for your retirement. The minimum amount can change from time to time – contact us for details.
- For more details of all your options at retirement, please speak to your financial adviser, or see our website: [www.scottishwidows.co.uk/retirement](http://www.scottishwidows.co.uk/retirement)

**Deciding how to take your benefits is complex. You should speak to a financial adviser before making any decisions.**

### **Q How much can be paid into my personal account each year?**

- The maximum level of additional voluntary contributions may be determined by the main scheme rules.
- In addition, you can transfer any other additional voluntary contribution or free-standing additional voluntary contribution plans you have into this personal account, subject to the agreement of the scheme trustees.
- In any tax year, you can pay up to 100% (gross) of your relevant UK earnings (or £3,600 if this is greater) into registered pension schemes and receive tax relief. These contributions are called 'relievable contributions'. If your contributions to this plan, and any other plans you have, when added to the basic rate tax relief received, exceed this limit, the excess will not be eligible for tax relief. We can only accept contributions from you that are eligible for tax relief.
- If it turns out that any contributions paid are not relievable, we will return the excess contribution amount to you less the tax relief which is payable to HM Revenue & Customs (HMRC).
- Contributions must stop before age 75.

### **Q What about tax?**

- Any regular or one-off single contributions receive income tax relief at the rates or rate you pay. Your tax relief may depend on your main place of residence in the UK as advised by HMRC for each tax year. If you are a Scottish or Welsh taxpayer the tax relief you will be entitled to will be at the Scottish or Welsh Rate of income tax as applicable. Your contributions are normally deducted from your salary before income tax is taken, so you do not have to get involved in claiming back any tax.
- All funds in registered pension schemes grow free of UK income tax and capital gains tax.
- If you take a pension encashment, you will receive 25% tax free with the remaining 75% subject to income tax. There may be a significant delay in receiving any tax which you reclaim from HMRC.
- Annuity payments and any income paid from the proceeds of this plan will be subject to income tax.
- If you choose to buy an annuity and decide to take a cash sum at that time, the cash sum is normally tax-free.
- If you die before you are 75, we will pay a lump sum or income to any dependants or beneficiaries. This will normally be tax-free.

- Tax charges will normally apply if the Government's Annual Allowance, Tapered Annual Allowance, Money Purchase Annual Allowance or Lifetime Allowance is exceeded.
- Although the value of pension funds are not generally subject to Inheritance Tax, in certain circumstances the value of death benefits may be subject to tax charges. As this is a complex area you should contact your adviser or tax office for further guidance.
- Each tax year, contributions into your personal account, and any other pension plans you have, are subject to the Annual Allowance set by the Government. Any contributions that exceed the Annual Allowance, including those made by an employer on your behalf are normally subject to a tax charge. Benefits built up under a salary related scheme during a year will also count towards your Annual Allowance. Higher earners will have a lower annual allowance limit, called the 'Tapered Annual Allowance'.
- You need to tell us if you are subject to the Money Purchase Annual Allowance because you have already taken money out of a pension under flexible access rules. If this applies to you your pension provider will have given you a flexible access statement and told you what action to take.
- A Lifetime Allowance set by the Government will apply to the value of pension benefits you receive from all your pension plans. A tax charge must normally be deducted from any benefits that exceed the Lifetime Allowance before they can be paid.

If you need further information, please speak to your financial adviser.

**Tax treatment will depend on your individual circumstances. Your circumstances and tax rules may change.**

**Q Where are my contributions/transfer payments invested?**

- The trustees may have decided into which investment funds your contributions will be invested. They can give you details of the fund(s) available. Your contributions can be invested in a range of stocks and shares, government stocks and commercial property in the UK and abroad.
- Each of our funds is made up of units.
- We use your contributions to buy units in the funds selected.
- The price of the units in each fund depends on the value of the underlying investments.

- We work out the value of your personal account based on the total number of units you have in each fund. The value of units, and therefore your personal account, can fall as well as rise.
- Where the trustees choose more than one fund, the contributions can be switched in and out of the various funds to change the mix of investments. There is currently no charge for doing this.
- We may change the selection of funds that we make available in the future and restrictions may apply.

**Q Investing in the With-Profits Fund**

**The With-Profits Fund is only available if you are an existing member of, or a new member to, a plan set up before 6 April 2006.**

- The With-Profits Fund is designed to generate capital growth and provide some 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 then invested in a mix of assets – shares in the 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 the 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 pensions schemes and other personal pension plans) may be different from those applying to 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 What are the charges?**

- To cover the costs of administering and investing your personal account, Clerical Medical takes an annual management fee from the investment funds. It is calculated on a daily basis and is reflected in the price of the units of each fund.
- Clerical Medical may also make an adjustment at the end of each calendar year to the number of units held in your personal account, expressed as a percentage of the value of your personal account each year. The amount of any adjustment will depend on the terms negotiated with your employer.
- 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.

#### **Q What happens if I die before I have taken all my benefits?**

- The value of your personal account will be paid out in accordance with the scheme rules, as a pension and/or lump sum to one or more of your dependants. You should nominate whom you would like to benefit. A form is available from us for this purpose.

- There's no limit to the amount of lump sum death benefit that can be paid, although it will be tested against your Lifetime Allowance (LTA). If the lump sum exceeds your remaining LTA, the excess will be taxed at 55%. However, if the excess is used to provide dependants' pensions, there is no tax charge. There's no limit to the amount of dependants' pension, they are taxed under PAYE as earned income.
- When you take your benefits you can arrange to have your pension paid to your husband, wife, civil partner or nominated dependants if you die first. The cost of providing this will result in a lower pension for you.

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

- If you change your mind you should tell the trustees as soon as possible. We'll return all contributions, but for single contributions and transfer payments, we may deduct any fall in their value.
- If you are transferring from a registered pension scheme, your financial adviser should allow you a reflection period of 30 days before you send your application to us. When we receive your application we will assume that your reflection period has already expired.
- If the Trustees don't cancel the plan, it will continue and we'll collect any contributions you've agreed to make.

#### **Q How will I know how the plan is doing?**


- The trustees will send you a yearly statement to show you how your personal account is doing.
- You can check the unit prices of your funds on our website: [www.clericalmedical.co.uk](http://www.clericalmedical.co.uk)

## Further information

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### How to contact us

- If you would like further information on any of the sections in this key features document, please refer to the product guide or speak with your plan trustees.
- Your trustees will normally be your first point of contact.
- If you've any questions about your personal account, or any changes you want to make to it, please contact us. You can phone us or write to us.

-  Call us on **0345 603 6770** during the following times:  
Monday to Friday 8.30am to 5.30pm.

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

-  **Website: [www.clericalmedical.co.uk](http://www.clericalmedical.co.uk)**

 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](http://www.scottishwidows.co.uk/retirement)**

## Clerical Medical

Clerical Medical is part of the Lloyds Banking Group.

### How to complain

- Our aim is to provide you with the highest standard of service. If you have a concern about any aspect of the service you receive, you should refer it to the trustees in the first instance.
- If the trustees are unable to resolve the problem, they may refer it to us.
- A copy of our published complaints procedure is available on request.
- You have the right to refer your complaint to The Pensions Ombudsman free of charge.

The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the event(s) you are complaining about happened – or, if later, within three years of when you first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.


The Pensions Ombudsman can be contacted at:

 10 South Colonnade, Canary Wharf, London, E14 4PU

 Tel: **0800 917 4487**


Email: **[enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)**

 Website: **[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)**

 You can also submit a complaint form online:

**[www.pensions-ombudsman.org.uk/our-service/make-a-complaint/](http://www.pensions-ombudsman.org.uk/our-service/make-a-complaint/)**

If you have general requests for information or guidance concerning your pension arrangements contact:

 The Pensions Advisory Service  
11 Belgrave Road  
London, SW1V 1RB

 Tel: **0800 011 3797**

 Website: **[www.pensionsadvisoryservice.org.uk/](http://www.pensionsadvisoryservice.org.uk/)**

## 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 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.

## Terms and conditions

- This key features document only provides you with outline information. If you would like a copy of the full terms and conditions please contact the trustees.
- We may change some of the terms and conditions. We'll write to the trustees and explain if this happens. We will also send them a copy of anything that has changed.

## Law

- The Laws of England and Wales apply to this product.
- The terms and conditions for this product and any further communications will be supplied in English.
- Every care has been taken to make sure that the information given in this document is in accordance with our understanding of current legislation and HM Revenue & Customs practice. The law and HM Revenue & Customs practice are subject to change which cannot be foreseen.

## 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](http://www.scottishwidows.co.uk/about_us/financial_information/solvency-2-returns.html)

## Financial Services Compensation Scheme

Your personal account 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](http://www.fscs.org.uk)



Protected

**[www.clericalmedical.co.uk](http://www.clericalmedical.co.uk)**

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