

The **co-operative** investments
good with money

General terms and conditions for the
CIS Stakeholder Pension

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General terms and conditions

1 General

1.1 This plan is a CIS Stakeholder Pension Plan. A stakeholder pension is a type of personal pension that meets certain standards set by the government requiring low charges, no penalties and ease of access to make contributions.

1.2 In this document, certain words or expressions appear in italics and have a specific meaning which is explained in the Glossary.

These terms and conditions, together with the Confirmation of Membership Details, should be kept in a safe place for future reference.

1.3 The *Member* named in the Confirmation of Membership Details has applied for a stakeholder pension plan with us, The Co-operative Insurance Society Limited.

If the *Member* is under the age of 16, or under the age of 18 if not in full time employment, the *Member's* guardian is responsible for this plan as if he or she were the *Member* until the *Member* attains age 18.

1.4 The *CIS Stakeholder Pension Plan* provides Personal Pension Benefit in accordance with the contract of membership of the *Scheme*.

This plan comes into force on the *Issue Date*.

Personal Pension Benefit is determined by reference to the number of units allocated to this plan and by reference to the prices of units in *Funds* (see clause 10).

1.5 Day-to-day enquiries and communications with *The Co-operative Investments* may be made by telephone or by such other methods as agreed between the *Member* and *The Co-operative Investments*. The Confirmation of Membership Details shows the telephone number to use for such purposes and the *Member's* CIS Stakeholder pension plan number which must be quoted in all communications.

Telephone calls may be recorded for security purposes and monitored to ensure that service quality is being maintained.

All other communications, including all notices in respect of the *CIS Stakeholder Pension Plan*, shall be made in writing and shall be delivered or sent by post to *The Co-operative Investments* at the address shown in this terms and conditions booklet.

The Co-operative Investments will deliver or send written communications to the *Member* at the last address shown in its records. The *Member* shall notify *The Co-operative Investments* immediately in writing of any change of name or address.

1.6 Membership of the Scheme

This plan is issued under the terms of the *Scheme*. In the application the *Member* agreed to be a *Member* of the *Scheme* and to be bound by its *Rules*. Copies of the *Rules* can be obtained on request from *The Co-operative Investments* at the address shown in this terms and conditions booklet.

The *Rules* set down the conditions which apply to the *Scheme* and to plans issued under it. They reflect current legislation and

have been approved by the appropriate government departments. The *CIS Stakeholder Pension Plan* is intended to satisfy the legal requirements for stakeholder pension schemes, including the *Regulations*. Both the *Rules* and the terms of this plan may be amended provided that no variation shall affect the status of the *CIS Stakeholder Pension Plan* under relevant legislation and regulation. Members will be informed, where necessary, of any changes which affect them, normally by 30 days' notice in writing. These terms and conditions cannot otherwise be altered unless *The Co-operative Investments* has agreed in writing.

This plan is intended to comply with the current *Rules*. However, if anything in the terms of this plan conflicts with the *Rules*, either in their current form or as amended in the future, the provisions of the *Rules* will override the terms of this plan.

The *Rules* include conditions regarding the right of *The Co-operative Investments* to wind-up the *Scheme* or to refuse to accept further *Contributions*. This includes the right of *The Co-operative Investments* to refuse to accept applications for additional *Contributions* (see clause 2.4) or refuse to accept applications to apply annual increases or to amend the rate of increase (see clause 2.9).

This plan consists of these terms and conditions, together with the application made by the *Member*, the *Rules* and the Confirmation of Membership Details.

1.7 This plan shall be governed by and interpreted in accordance with English Law. All monies payable under the plan will be paid in the currency of the United Kingdom from time to time and all monies payable by *The Co-operative Investments* will be paid by cheque or by such other method as may be agreed.

1.8 Personal details

When the application for this plan was made, *The Co-operative Investments* asked certain questions and may subsequently have asked additional questions. The *Member* and the *Person Covered* (where appropriate) had a duty to answer fully and truthfully all of these questions, to the best of their knowledge and belief.

If *we* cancel a Benefit or reject any claim made under it, the only payment *we* will then make will be a return without interest of all amounts which have been paid under the appropriate *Benefit*. If *we* choose to reduce the amount payable under a *Benefit*, any reduction will be made in accordance with our underwriting principles and based upon *Actuarial Advice*. *We* will only exercise our right to cancel a *Benefit* or to reject any claim made under it or to reduce the amount payable if the wrong or incomplete answer would have affected our decision to accept the application on these terms.

Any amendment will be done by reference to our premium rates current at the *Issue Date*. The *Benefits* payable under this plan could, therefore, be reduced.

1.9 We will send the *Member* on request the appropriate Certificates should it be necessary to provide the *Member's* Tax Office with evidence of membership of the *Scheme* or of payment of *Contributions*.

1.10 Legislation governing taxation is liable to change and the information in this booklet is based on *The Co-operative Investments'* understanding of the position as at April 2006.

1.11 If the *Contribution Payer* is not the *Member*, the *Contribution Payer* is not a party to this plan.

Except as set out below, a person who is not a party to this plan has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this plan, but this does not affect any right or remedy of a third party which exists or is available apart from that Act. This means that only the *Member* has the right to enforce a term of this plan against us, except in relation to the following:

- The *Contribution Payer* has the limited right to the return of excess *Contributions* (see clause 2.8) provided that the terms of this plan may be amended by agreement between *Co-operative Insurance* and the *Member* without the *Contribution Payer's* consent.

1.12 This plan does not share in our profits, except as described in clause 10.12.

1.13 The *Benefits* provided by this plan can be met only out of the Ordinary Long Term Fund of *The Co-operative Investments* together with its Share Capital and General Reserve Fund. The Personal Pension Benefit can normally be met only to the extent of those *Funds* in which units have been allocated to this plan.

1.14 In the event *The Co-operative Investments* becomes liable (in whole or in part) for a tax charge in respect of a *Member* because of any action taken by the *Member* or failure of the *Member* to take action then *The Co-operative Investments* will seek to recover such a tax charge from that *Member*.

2 Making contributions

2.1 *Contributions* to this plan may be made by means of a single payment or *Regular Contributions*.

2.2 *Contributions* may be made by only one *Contribution Payer*. The *Contribution Payer* may be the *Member* or another person. The employer of the *Member* may also make *Contributions*. Any *Contribution* which is paid by the *Member's* employer will be allocated to Personal Pension Benefit.

2.3 Single payment *Contributions* may be made by cheque or such other method as may be agreed. The first *Regular Contribution* is assumed to be payable on the *Start Date* and subsequent *Regular Contributions* are payable on monthly anniversaries of the *Start Date*. *Regular Contributions* must be paid by direct debit or standing order.

2.4 Each *Contribution* must be at least £20, inclusive of tax relief and employer *Contributions*. If permitted by the *Rules*, the *Contribution Payer* may apply to pay additional *Contributions* to this plan. This is done by making an application which will then form part of the contract between us. With the agreement of *The Co-operative Insurance* the amount of the *Regular Contributions* may be decreased at any time.

Conditions regarding maximum *Contributions* are set out in the *Rules*.

2.5 *Regular Contributions* may be discontinued at any time. Alternatively, a contribution holiday may be taken, which is a temporary suspension of *Regular Contributions*, for not more than two months in any 12-month period. In either case at least 14 days' notice will be required. A contribution holiday applies to all *Regular Contributions* payable.

If a Direct Debit demand is not met, collection will not normally be re-attempted in the same month. If two successive demands are not met where no contribution holiday has been notified and in any event if three demands are not met in any 12-month period, *Regular Contributions* will be discontinued at this time and no further direct debit demands will be made.

Detailed provisions covering the payment of *Contributions*, the effect of ceasing to make or reducing *Contributions* and the right to re-commence *Contributions* are contained in the relevant *Benefit Terms and Conditions*.

2.6 Payments of any income tax relief recovered from Her Majesty's Revenue and Customs (HMRC) in respect of a *Contribution* will be allocated to this plan when received by *The Co-operative Investments*. *The Co-operative Investments* will not recover any tax relief in respect of *Contributions* from an employer.

2.7 If any *Contribution* is not paid in full, we will decide how to apply it to the *Benefits* provided by this plan. We will not accept a part-payment if it is less than the minimum *Contribution* which applies to *CIS Stakeholder Pension Plans*.

2.8 If any *Contribution* is paid which exceeds the maximum *Contribution* on which tax relief is available and HMRC claim back any payment of tax relief, the tax relief will be repaid to HMRC and the corresponding net *contribution* will be refunded to the person from whom the contribution was received. *The Co-operative Investments* may adjust a repayment of *Contributions* to take account of expenses and interest and of any change in the unit price of the *Fund(s)* in which units were allocated in respect of these *Contributions* in accordance with the *Rules*. No *Benefit* will be paid in respect of any such refunded *Contributions* or repaid tax relief.

2.9 If *Regular Contributions* are subject to annual increases, then on each anniversary of the *Start Date*, the *Regular Contributions* will be increased. The *Regular Contributions* in respect of Personal Pension Benefit will be increased as shown on the Confirmation of Membership Details. Increases may be either a fixed percentage or the increase in the Retail Prices Index (RPI) as reasonably determined by *The Co-operative Investments*. If RPI increases are selected and the RPI decreases over the period, *Regular Contributions* will remain level.

If *Regular Contributions* are subject to annual increases and are being paid by standing order, we will write to the *Contribution Payer* at least 14 days before the anniversary of the *Start Date* to advise what increase should be applied to *Regular Contributions*.

A new application must be submitted to *The Co-operative Investments* in order to begin having annual increases to *Regular Contributions* after the *Issue Date*, or to amend the rate of increase. The new application will be subject to *The Co-operative Investments'* terms and conditions at the time.

We require at least 14 days' notice before the next anniversary of the *Start Date* in order to begin having, to amend or to cancel future annual increases to *Regular Contributions*. If any increase under this clause is cancelled, an application to reinstate *Contribution* increases will be subject to *The Co-operative Investments'* terms and conditions at the time.

- 2.10 In the event of the death of a *Contribution Payer* who is not the *Member*, *Regular Contributions* will cease. An application may be made to *The Co-operative Investments* to pay future *Contributions* by the *Member* or another person, subject to *The Co-operative Investments'* terms and conditions at the time.

3 Payment of Benefits

- 3.1 In return for the payment to us of *Contributions*, we will provide *Benefits*. Details of the *Benefits* are given in these terms and conditions. The *Benefits* may not be paid if full personal details were not disclosed (see clause 1.8).

No *Benefit* under this plan can be surrendered, assigned, transferred or paid unless allowed by the *Rules*.

We may be required to deduct tax from payments of *Benefit* made under this plan. If so, we will pay the tax deducted to HMRC. At April 2006, all instalments of pension made under personal pension plans are taxed under the PAYE system. However, additional taxes may be payable in certain circumstances.

- 3.2 Before *The Co-operative Investments* makes a payment in respect of a *Benefit* it will require reasonable evidence of the right to receive that payment.
- 3.3 The amount of any instalment of pension made will depend on whether the *Member* or a *Survivor* are alive on the date the instalment is due. If the *Member* is alive on the date on which an instalment of pension is due, the *Member* will receive the full amount of the instalment. When the *Member* dies, instalments of pension may continue to be paid to a *Survivor* or to the *Member's* estate as described in clause 7. However, no partial payment will be made to cover any period for which the *Member* or a *Survivor* were alive after the date the previous instalment was due.

3.4 Optional methods of pension payment

Clause 7 describes how pensions are normally paid. With our agreement, the *Member* may select the form in which any pension payable is paid, as permitted by the *Rules*. The *Member* may choose the following options:

- The frequency of instalments of pension: monthly, quarterly, half-yearly or yearly.
- The provision of a *Guarantee Period*.
- The amount of pension payable being increased each year by a fixed percentage.
- The provision for a pension to become payable to a *Survivor* on the *Member's* death.

We must be notified of the *Member's* choices before we pay the first instalment of pension. We may not accept notification more than six months before the date on which the pension becomes payable.

If the *Member* dies and a pension then becomes payable to a *Survivor*, that person also has the right to request that the pension is paid in a different form, or that payment of the pension is deferred to a later date, as permitted by the *Rules*. This request must be made before we pay the first instalment of pension to that *Survivor*.

3.5 Choice of pension provider (Open Market Option)

If we provide a pension for the *Member*, the *Personal Pension Fund* will be used to buy the pension in accordance with the terms of this plan. However, the *Member* may choose to buy the pension from another insurer as permitted by the *Rules*, in which case we will pay the *Personal Pension Fund* to the other insurer. We will have no obligation under this plan after this payment has been made, unless this option is being exercised in conjunction with the phased retirement option (clause 7.6) in which case we will retain part of the *Personal Pension Fund*. If the *Member* chooses to take a lump sum payment as allowed in clause 7.3, the *Personal Pension Fund* will be reduced by the amount of the lump sum payment before being paid to the other insurer.

If the *Member* wishes to buy the pension from another insurer the *Member* must inform us before we pay the first instalment of pension. We may not accept notification more than six months before the date the pension would become payable by us.

If the *Member* dies before his or her pension has commenced and a pension then becomes payable to a *Survivor*, that person also has the right to buy the pension from another insurer. This request must be made before we pay the first instalment of pension to that *Survivor*.

3.6 Small pensions

The *Rules* allow us, in certain circumstances and at our discretion, to pay a lump sum instead of a small pension. If these circumstances apply to a pension payable under this plan, we may make a lump sum payment before the first instalment of the pension is to be paid. At present, 75% of the value of this payment is chargeable to tax under the PAYE system.

3.7 Serious ill-health

The *Rules* allow us, subject to certain conditions, to pay a lump sum instead of a pension to the *Member* in the event that the *Member* is able to demonstrate, to the *Scheme Administrator's* satisfaction, that he or she expects to live for less than one year.

3.8 Transfers from the Scheme

By giving not less than one month's notice in writing, the *Member* may request *The Co-operative Investments* to make a transfer of the *Personal Pension Fund* to another scheme in accordance with the *Rules*. If units in the CIS With-Profits Stakeholder Fund have been allocated to this plan a Market Value Reduction may be applied to the value of those units (see clause 10.7).

This option does not apply if a pension has become payable. We will have no further obligation under this plan after the transfer payment has been made.

4 Charges

- 4.1 The charges made in respect of the *Benefits* are referred to in the relevant *Benefit Terms and Conditions*. The charges in respect of Personal Pension Benefit may be amended or other charges may be introduced, provided the *Regulations* continue to be satisfied. *Co-operative Investments* will normally give the *Member* 90 days' notice if we intend to do this.
- 4.2 *The Co-operative Investments* may charge for the provision of information and any other activity performed by *The Co-operative Investments* in connection with the *Member's* divorce or dissolution of a *Civil Partnership* as permitted by the relevant legislation.

Personal Pension Benefit

5 General

- 5.1 This plan provides Personal Pension Benefit. Clauses 5, 6 and 7 set out the terms and conditions applicable to Personal Pension Benefit.
- 5.2 The charges are described in clause 10.7. On *Retirement*, additional charges will apply in respect of any pensions paid by *The Co-operative Investments*.

6 Contributions

- 6.1 *Contributions* in respect of Personal Pension Benefit may be made by means of a single payment or *Regular Contributions*. The Confirmation of Membership Details shows details of the *Regular Contributions* that are to be made. We will also acknowledge receipt of any single payments.
- 6.2 All *Contributions* received by us will be used to allocate to this plan units in one or more of the *Funds*, according to the *Member's* instructions, subject to minimum allocation levels set by *The Co-operative Investments*. See clause 13 for further information about *Funds*. The value of the units allocated in respect of a *Member* is known as the *Personal Pension Fund*. It will be made available to provide *Benefits* as described in clause 7.1.

The Co-operative Investments is required by the *Regulations* to set out how it will invest *Contributions* when the *Member* does not make a *Fund* selection in the application. In *The Co-operative Investments'* opinion, the characteristics of the CIS With-Profits Stakeholder Fund together with the application of lifestyle as the *Member* approaches *Retirement* provides a suitable strategy.

This approach means that:

- Where there are at least five years before the *Member* intends to *Retire*, initially we will invest *Contributions* in the CIS With-Profits Stakeholder Fund. At about five years before the *Member* intends to *Retire* we will begin switching his or her investments in the above fund into the CIS Fixed Interest Pension Fund (75%) and CIS Deposit Pension Fund (25%). We will split any new *Contributions* during this period between these funds in the same way.

- Where there are fewer than five years to go before the *Member* intends to *Retire*, his or her contributions will be invested into the CIS Fixed Interest Pension Fund (75%) and CIS Deposit Pension Fund (25%).

The Co-operative Investments, in its reasonable opinion, taking into account relevant legislation and the interests of *Members*, may change the above approach in respect of future *Contributions*. If this happens, the *Member* will normally be given 30 days' written notice, or such longer period as required by the *Regulations*, of the effect on the *Member* of any such change.

The Co-operative Investments will claim tax relief on *Contributions*, where appropriate, at the basic rate from the HMRC. If the rate of tax relief changes, the amount of *Regular Contributions* will be unchanged, so the amount paid by the *Contribution Payer* will change. *The Co-operative Investments* will give the *Contribution Payer* notice of such changes.

Units will be allocated to this plan based on the price at the next valuation after payments are received by *The Co-operative Investments*. In particular, units will be allocated in respect of tax relief when the tax relief is received which will be some time after the corresponding *Contribution* is received.

- 6.3 During a contribution holiday (see clause 2.5), no units will be allocated to this plan.
- 6.4 If *Regular Contributions* have been discontinued, the Personal Pension Benefit provided by the *Contributions* already paid will be unaffected. Please contact us if it is required to re-start *Regular Contributions* under this plan. Any new application will be subject to the standard conditions which apply to *The Co-operative Investments Stakeholder Pension Plans* at that time.
- 6.5 No *Contributions* in respect of Personal Pension Benefit may be made to this plan on or after the day on which *Benefits* are first taken (subject to clause 7.6) or the *Member's* 75th birthday.

7 Benefits

- 7.1 The *Personal Pension Fund* will be made available to provide *Benefits* as follows:
- when the *Member* reaches *Retirement Age*, in accordance with clauses 7.2 and 7.3, or
 - at another date, in accordance with clause 7.5, or
 - on more than one date, in accordance with clause 7.6, or
 - on the *Member's* death before *Retirement*, in accordance with clause 7.8.
- 7.2 On the *Member's Retirement*, or where *Benefits* are being taken using the phased retirement option (see clause 7.6), the *Personal Pension Fund* will be used to provide the *Member* with pension benefits, by cancelling units which have been allocated to this plan and applying the proceeds to purchase an annuity. The amounts of pension payable will depend on *The Co-operative Investments'* annuity rates at that time.

7.3 The *Member* has the option of taking part of the *Personal Pension Fund* as a lump sum payment. The *Rules* impose a limit on the amount of lump sum payment that can be taken. If the *Member* wishes to take a lump sum the *Member* must inform us before he or she receives the first instalment of pension.

That part of the *Personal Pension Fund* which is not taken as a lump sum will be used to provide the *Member* with a pension. This pension will be subject to the following conditions:

- It will be payable to the *Member* throughout his or her lifetime in instalments no less frequently than once a year.
- The final instalment will be payable on the due date preceding the *Member's* death, although clause 7.7 may then apply.

7.4 The *Member* may, however, choose to use part of the *Personal Pension Fund* to provide a pension which becomes payable on the *Member's* death to a *Survivor* (see clause 7.7). The *Member* may choose the form in which his or her pension is paid (see clause 3.4) or for it to be provided by a different insurer (see clause 3.5).

The amounts of pension payable will depend on the form of pension chosen.

7.5 Early and late retirement

7.5.1 The *Member* may choose to *Retire* at any time on or after their *Minimum Retirement Age* and before their 75th birthday. Alternatively, the *Member* may choose to *Retire* before their *Minimum Retirement Age* if he or she becomes *Disabled*.

7.5.2 The *Personal Pension Fund* will be used in accordance with clauses 7.2 and 7.3 to provide the *Member* with a pension and, if he or she wishes, a lump sum. The options described in clause 7.4 will also apply.

7.5.3 If the *Member* wishes to *Retire* before his or her *Retirement Age* the *Member* must inform us before the date on which he or she wishes to *Retire*.

7.5.4 If the *Member* wishes to *Retire* after his or her *Retirement Age*, the *Member* must inform us before he or she reaches *Retirement Age*. The *Member* must subsequently inform us, in advance, of the date on which he or she wishes to *Retire*.

7.6 Phased retirement

The *Member* may choose to phase his or her retirement by electing to take *Benefits* on more than one date. Each date must satisfy the requirements of clause 7.5.1. On each such date, a part of the *Personal Pension Fund* will be used in accordance with clauses 7.2 and 7.3 to provide the *Member* with a pension and, if he or she wishes, a lump sum. The options described in clause 7.4 will also apply.

This option is subject to restrictions which *The Co-operative Investments* may reasonably impose on:

- the amount of the *Personal Pension Fund* to be converted to *Benefits* at each date, and
- the amount of the *Personal Pension Fund* which remains invested after a conversion to *Benefits*

The *Member* must give not less than one month's notice in writing on each occasion when conversion of a part of the *Personal Pension Fund* to *Benefits* is required.

Contributions may continue to be made while drawing *Benefits* under phased retirement.

7.7 Benefits on death after retirement

7.7.1 When the *Member Retires*, or where *Benefits* are being taken using the phased retirement option (see clause 7.6), the *Member* may choose to use part of the *Personal Pension Fund* to provide for one or more pensions to become payable to his or her *Survivors* on his or her death in accordance with the *Rules*. If the *Member* decides to provide a pension for a *Survivor*, the *Member's* own pension will, as a result, be lower.

7.7.2 If the *Member* wishes to exercise this option, he or she must inform us of the identity of the person or persons involved before the first instalment of the *Member's* pension is paid. The *Member* cannot then change or cancel his or her notification. We may not accept notification more than six months before the date on which the *Member* is to *Retire*.

7.7.3 If the *Member* does not choose to provide a pension for a *Survivor* and the *Member* dies within the selected *Guarantee Period*, we will continue to pay the instalments of the *Member's* pension during the *Guarantee Period*. These payments will be made to the *Member's* estate and will be of the same amount as the *Member* would have received had he or she been alive.

7.8 Benefits on death before retirement

7.8.1 If the *Member* dies before *Retirement*, we will use the *Personal Pension Fund* to pay a lump sum for the benefit of one or more of the *Member's Beneficiaries* in accordance with the *Rules*. If the *Member* dies after phased retirement has commenced, this clause applies to the remaining part of the *Personal Pension Fund*.

7.8.2 The *Member* may choose that, in the event of his or her death before *Retirement*, the *Personal Pension Fund* should instead be used to provide a pension for one or more *Survivors*. If the *Member* wishes to exercise this option, the *Member* must inform us of the identity of the person or persons involved. The *Member* may subsequently tell us to change or cancel this notification.

7.8.3 If we pay a lump sum under the terms of clause 7.8.1, we will have no further obligations under this *Benefit* after payment has been made.

Transfers in

8.1 General

8.1.1 At the written request of the *Member*, *The Co-operative Investments* will accept a *Transfer Payment* in accordance with the *Rules*. Transfer payments may include Protected Rights.

8.1.2 A transfer payment is not a contribution for the purpose of obtaining tax relief. For all other purposes the amount of transfer payment received by us is included in the definition of *Contributions*.

8.1.3 The treatment of any transfer in will be subject to HMRC and Department of Work and Pensions (DWP) requirements.

8.2 Protected Rights

8.2.1 If the transfer in includes Protected Rights, the amount in respect of the Protected Rights will be used to allocate to this plan units in one or more of the *Funds*, according to the *Member's* instructions, subject to minimum allocation levels set out by *The Co-operative Investments*. The value of the units allocated is known as the Protected Rights Fund.

8.2.2 The Protected Rights Fund will be used to provide *Benefits* in accordance with clause 7, subject to any HMRC and DWP requirements.

Pension sharing on divorce

9.1 General

9.1.1 This plan may be used to accept *Pension Credit Rights* arising from a *Pension Sharing Order*. *Pension Credit Rights* is a particular type of transfer payment (see clause 8). The amount received by us, excluding any *Safeguarded Rights*, will be used to allocate to this plan units in one or more of the *Funds*, according to the *Member's* instructions, subject to minimum allocation levels set by *The Co-operative Investments*. If the *Member* does not make a *Fund* selection in the application, the amount received by us will be used to allocate units in accordance with clause 6.2. The value of the units allocated is known as the *Pension Credit Rights Fund*.

9.1.2 The *Pension Credit Rights Fund* will be used to provide *Benefits* in accordance with clause 7, subject to any HMRC requirements.

9.2 Safeguarded Rights

9.2.1 If the transfer in of *Pension Credit Rights* includes *Safeguarded Rights*, the amount in respect of the *Safeguarded Rights* will be used to allocate to this plan units in one or more of the *Funds*, according to the *Member's* instructions, subject to minimum allocation levels set by *The Co-operative Investments*. If the *Member* does not make a *Fund* selection on the application form, the amount received by us will be used to allocate units in accordance with clause 6.2. The value of the units allocated is known as the *Safeguarded Rights Fund*.

9.2.2 The *Safeguarded Rights Fund* will be used to provide *Benefits* in accordance with clause 7, subject to HMRC and DWP requirements.

Funds

10.1 In order to calculate the Personal Pension Benefit payable under the *CIS Stakeholder Pension Plan*, *The Co-operative Investments* will maintain a number of *Funds*. Some of these *Funds* may be used to calculate benefits under other *The Co-operative Investments* pension or investment products. The *Regulations* currently do not allow the CIS With-Profits Stakeholder Fund to be used in connection with any products other than *CIS Stakeholder Pension Plans*.

10.2 Each Fund has its own objectives. Details of the *Funds* available for the purposes of the *CIS Stakeholder Pension Plan* and the applicable *Fund* objectives are included in our "Statement of Investment Principles" booklet which is available on request.

The Co-operative Investments will have discretion to rename, merge, cancel or otherwise change from time to time these *Funds*. Examples of reasons why this may be done are changes to legislation, to increase the size of *Funds*, and with the intention of improving expected returns on *Funds* for the benefit of members. The *Member* will be given 90 days' written notice of the effect on the *Member* of any such amendments.

The Co-operative Investments may also introduce further *Funds* from time to time.

10.3 Each *Fund* will be divided into two series of units. At a particular point in time all units in a *Fund's* unit series which are allocated to *CIS Stakeholder Pension Plans* will have a single price for the purposes of the allocation and cancellation of units.

10.4 The assets of a *Fund*, and the units into which the *Fund* is divided, remain in the ownership of *The Co-operative Investments* which will invest such assets in accordance with the applicable *Fund* objectives. Income from the assets of a *Fund* will be added to that *Fund*. *The Co-operative Investments* may undertake borrowing or lending activity, subject to the *Regulations*, in respect of the assets of any *Fund*, in which case the proceeds of such activities will be added to that *Fund*, and liabilities arising from such activities will be deducted from that *Fund*. The *Member* has no rights to any of the assets in any *Fund*.

10.5 No new units of a *Fund* will be created unless assets of an equivalent value are added to that *Fund*. No assets may be deducted from a *Fund*, other than for reinvestment or in accordance with clause 10.7, unless units of an equivalent value are cancelled.

10.6 *The Co-operative Investments* may at any time consolidate or sub-divide units in any *Fund* as it reasonably decides provided the total value of the units allocated to this plan is not reduced.

10.7 Charges incurred in the sale or purchase of assets held by a *Fund* will be reflected in the *Fund* value in accordance with the *Regulations*. The only other charge will be a management charge of 1/365 per cent of the *Fund* value on each day for non-Series 2 units and 3/730 per cent of the *Fund* value on each day for Series 2 units. This will be applied by reducing the single unit price that would otherwise apply.

Series 2 units will apply initially and for a maximum period of 10 years. In accordance with the *Regulations*, in certain circumstances where the *Member* has previously taken out a CIS Stakeholder Pension Plan, a shorter period may apply. After this initial period non-Series 2 units will apply.

The Co-operative Investments reserves the right to change the method and frequency of applying the management charge and the amount of the charge, if in the reasonable opinion of *The Co-operative Investments* and in line with *Actuarial Advice* this is considered appropriate and provided that the *Regulations* continue to be satisfied.

10.8 The number of units in a *Fund* allocated to this plan in respect of each *Contribution* received in respect of Personal Pension Benefit will be calculated by dividing the *Contribution* by the single unit price applying at the time of allocation and rounding to the nearer ten-thousandth part of one unit.

10.9 In order to calculate the single unit price, the following principles will apply:

- The assets of each *Fund* will be valued by *The Co-operative Investments* on each business day. Additional valuations may be carried out at other times if *The Co-operative Investments* considers it necessary to do so. The single price for each type of unit within a *Fund* is determined by *The Co-operative Investments*.
- The value of securities held in a *Fund* which are listed on a Stock Exchange will be based on the quoted market prices. The value of any land and buildings will be based on periodic valuations carried out by an independent valuer, adjusted to take into account price variations between valuations. The value of any other assets will be determined by *The Co-operative Investments* in accordance with generally accepted methods of valuing such assets.
- *The Co-operative Investments* will normally allocate or cancel units at a forward price. This means that transactions in units are based on the price at the first valuation on the working day following the day *Contributions* or instructions are received by *The Co-operative Investments* at the address shown in this terms and conditions booklet.
- The minimum value of an asset must not be less than the market price for which the asset may be sold, reduced by any charges, taxes, duties and other expenses relevant to the sale. The maximum value of an asset must not exceed the market price at which the asset may be purchased, increased by any charges, taxes, duties and other expenses relevant to the purchase.
- The maximum value of each *Fund* is the sum of the maximum values of the assets within that *Fund*. The minimum value of each *Fund* is the sum of the minimum values of the assets within that *Fund*. In calculating these values, *The Co-operative Investments* will make allowance, as permitted by the *Regulations*, for accrued income and any future or contingent liabilities as it considers necessary to ensure fairness of treatment between members, and between members and other *Co-operative Investments* customers if appropriate.
- *We* will decide the value of each *Fund* by choosing a figure between its maximum and minimum values. A main factor *we* consider is whether more units are being created in the *Fund* than cancelled from it. If so, the purchase price of assets will be more relevant than the sale price, as *we* will be buying more assets than *we* are selling. If more units are being cancelled than created, the sale price of assets will be more relevant than the purchase price.

10.10 The single price for each type of unit within a *Fund* other than the CIS With-Profits Stakeholder Fund will be:

- not less than the minimum value of that part of that *Fund* represented by that type of unit, divided by the number of units

of that type in that *Fund*, the result being rounded down by an amount not exceeding £0.00001; and

- not more than the maximum value of that part of that *Fund* represented by that type of unit, divided by the number of units of that type in that *Fund*, the result being rounded up by an amount not exceeding £0.00001.

10.11 *The Co-operative Investments* maintains separate accounts for the CIS With-Profits Stakeholder Fund in order to ensure that any part of the *Personal Pension Fund* which is calculated with respect to the price of units in the CIS With-Profits Stakeholder Fund is unaffected by the performance of the remainder of *The Co-operative Investments*' Ordinary Long Term Fund.

The appropriate price for units in the CIS With-Profits Stakeholder Fund will be determined each business day in accordance with our Principals and Practices of Financial Management for the CIS With-Profits Stakeholder Fund, copies of which are available on request.

In certain circumstances it may be necessary to apply a Market Value Reduction (MVR) to the value of units in the CIS With-Profits Stakeholder Fund being cancelled in order to switch allocated units between *Funds* or transfer out of the *Scheme*.

10.12 Members whose plans have units allocated in the CIS With-Profits Stakeholder Fund are entitled to participate in the Stakeholder Pension Profits of *The Co-operative Investments*. This participation will normally arise only if the accumulation of the management charges on all CIS Stakeholder Pension Plans exceeds the accumulation of the expenses which have been incurred by *The Co-operative Investments* in administering the *Scheme*, including all expenses associated with acquiring stakeholder pension business. It is likely that a plan would need to be in force for many years before it became eligible for this participation because the management charges, which are subject to an upper limit, are expected to be much smaller than the corresponding expenses for the foreseeable future.

Any *Stakeholder Pension Profits* which are allocated in this manner will be paid into the CIS With-Profits Stakeholder Fund and may be used to allocate bonus units to eligible members in such a way that the price of units is not adversely affected. Amounts of any bonus units are declared by the Board of Directors of *The Co-operative Investments*.

10.13 The *Member* may, with *The Co-operative Investments*' agreement, request a fund switch, i.e. the cancellation of some or all of the units of any *Fund* then allocated to this plan in exchange for an allocation of units in another *Fund* or *Funds*.

The switch will be based on the appropriate unit prices of the relevant *Funds* applicable at the time the switch is processed. In the case of a switch from the CIS With-Profits Stakeholder Fund, an MVR may be imposed. *The Co-operative Investments* reserves the right to require 30 days' notice of switches of allocated units between *Funds*, if in its reasonable opinion it considers this necessary.

The *Member* may, with *The Co-operative Investments*' agreement, request a change to the allocation of future *Regular Contributions*

between the *Funds* available at the time. If 14 days' notice is provided, *The Co-operative Investments* will change the allocation from the next *Regular Contribution* payment date. If less than 14 days' notice is given, *The Co-operative Investments* will use its best endeavours to change the allocation from the next *Regular Contribution* payment date, but does not guarantee to do so.

The options in this clause to switch allocated units and/or to vary future allocations of *Regular Contributions* will not be available if the value of units to be switched or the amount of *Contribution* to be allocated to any *Fund* would be less than any minimum amounts reasonably required by *The Co-operative Investments* at that time.

Glossary

Actuarial Advice means advice from a Fellow of the Institute of Actuaries, a Fellow of the Faculty of Actuaries, or some other person with similar actuarial qualifications.

Beneficiaries are:

- the *Member's* spouse, children or grandchildren
- the *Member's Dependants*
- any person entitled to share in any part of the *Member's* estate under the *Member's* will
- any person whom the *Member* has nominated by informing us in writing, or
- the *Member's* personal representative (i.e. the person who administers the *Member's* estate after the *Member's* death).

Benefit or Benefits means The Personal Pension Benefit.

Benefit Terms and Conditions means the terms and conditions applying to the appropriate Benefit. Where appropriate, the phrase 'terms and conditions' includes the *Benefit Terms and Conditions*.

The Co-operative Investments, we and us means The Co-operative Insurance Society Limited, Miller Street, Manchester, M60 0AL.

CIS Stakeholder Pension Plan means a plan which may provide Personal Pension Benefit and Life Assurance Benefit under the *Scheme*.

Civil Partnership means a partnership entered into in accordance with Section 1 of the Civil Partnership Act 2004. *Civil Partner* has a corresponding meaning.

Contribution Payer means the person who pays *Contributions*, other than the employer of the *Member*, as stated in the Confirmation of Membership Details.

Contributions are the amounts paid to us in order to receive Personal Pension Benefit under the terms of this plan, including *Transfer Payments* received. *Contributions* also includes tax relief.

Dependant

means

- (a) a person who was married to the *Member*, or who was a *Civil Partner* of the *Member*, at the date of the *Member's* death, a person who was married to the *Member*, or who was a *Civil Partner* of the *Member*, when the *Member* retires; or

- (b) a child (whether natural or adopted) of the *Member* if the child

- has not reached the age of 23, or
- has reached that age and, in the opinion of the scheme administrator, was at the date of the *Member's* death dependent on the *Member* because of mental or physical impairment, or

- (c) a person to whom neither of (a) nor (b) applies but who, in the opinion of the scheme administrator, at the date of the *Member's* death:

- was financially dependent on the *Member*
- was financially interdependent with the *Member*, or
- was dependent on the member because of physical or mental impairment.

Disabled means that, in our reasonable opinion, the *Member* has become permanently incapable, through infirmity of body or mind, of carrying on the *Member's* normal occupation or any occupation of a similar nature for which the *Member* is trained or fitted. We will require medical evidence that the *Member* is *Disabled*, and will continue to be in the future. This information must be provided at the *Member's* expense.

Fund means a separately identifiable collection of assets within *The Co-operative Investments'* Ordinary Long Term Fund.

Guarantee Period means a period from the payment of the first instalment of a pension under this plan. If a *Guarantee Period* is selected by the *Member* or a *Survivor* and that person dies before the end of the *Guarantee Period*, the pension will continue until instalments have been paid for the whole of the *Guarantee Period*.

Issue Date means the date on which the application to join the *Scheme* was accepted, as stated in the Confirmation of Membership Details.

Market Value Reduction or MVR means a deduction from that part of the *Personal Pension Fund* which is represented by units in the CIS With-Profits Stakeholder Fund. An *MVR* may be applied, in order to secure fair treatment for all *Members* whose plans have units allocated in the CIS With-Profits Stakeholder Fund, if the *Member* switches units between *Funds* or transfers out. The *MVR* allows *The Co-operative Investments* to reduce the *Personal Pension Fund* to an amount which more closely reflects the value of the investments held. These investments include stocks, shares and government securities, whose values may go down as well as up. Application of the *MVR* will, for example, help to ensure that large amounts of money being taken out of the CIS With-Profits Stakeholder Fund at a time when investment values have been particularly depressed does not cause one *Member* or group of *Members* to benefit at the expense of other *Members*. The size of the *MVR*, or whether there will be one, will be determined in accordance with the current practice of *The Co-operative Investments* at the time, and based on *Actuarial Advice*.

Member means an individual who has made arrangements under the *Scheme* for the provision of *Benefits* under this plan, or an individual under the age of 16, or under the age of 18 if not in full time employment, whose guardian has made arrangements under the *Scheme* for the provision of *Benefits* on the individual's behalf.

Minimum Retirement Age means the age of 50 where *Retirement* is before 6 April 2010 and the age of 55 where *Retirement* is on or after 6 April 2010.

Pension Credit Rights means a credit awarded under a *Pension Sharing Order*, which provides rights to *Benefits* under this plan.

Pension Credit Rights Fund means the value of the Personal Pension Benefit being provided under this plan by virtue of *Pension Credit Rights* but excluding any *Safeguarded Rights*. It is calculated by multiplying the number of units allocated to the *Pension Credit Rights Fund* by the unit price(s) applicable at the time, according to *The Co-operative Investments'* records, and adjusting for any *MVR* imposed.

Pension Sharing Order means any order or provision under section 28(1) Welfare Reform and Pensions Act 1999 or Article 26 of the Welfare Reform and Pensions (Northern Ireland) Order 1999, as amended or substituted from time to time.

Personal Pension Fund means the value of the Personal Pension Benefit being provided under this plan. It is calculated by multiplying the number of units in each *Fund* allocated to the *Member's* Personal Pension Benefit by the unit price(s) applicable at the time, according to *The Co-operative Investments'* records, and adjusting for any *MVR* imposed. The *Personal Pension Fund* includes the *Pensions Credit Rights Fund*, the *Safeguarded Rights Fund* and the *Protected Rights Fund* as appropriate.

Protected Rights means rights to benefits as a result of contracting out of the State Second Pension or the State Earnings Related Pension Scheme.

Protected Rights Fund means the value of the Personal Pension benefit being provided under this plan by virtue of *Protected Rights*. It is calculated by multiplying the number of units allocated to the Protected Rights Fund by the unit price applicable at the time, according to the *The Co-operative Investments'* records, and adjusting for any *MVR* imposed.

Registered Pension Scheme means a scheme registered in accordance with Part 4 of the Finance Act 2004.

Regular Contributions means the regular monthly *Contributions* paid to *The Co-operative Investments* from the *Contribution Payer* and any payments from an employer, in order to receive *Benefits*. The term *Regular Contributions* includes any associated tax relief.

Regulations means the Stakeholder Pension Schemes Regulations 2000 as amended or substituted from time to time.

Retire means that the *Member* decides to receive the pension which is being provided under the Personal Pension Benefit of this plan. *Retirement* has a corresponding meaning. The *Member* can *Retire* at any time on or after the *Member's Minimum Retirement Age* and before reaching the age of 75. For the purposes of this plan, the *Member* does not need to stop working in order to *Retire*. Phased retirement (see clause 7.6) is not included in this definition of *Retirement* until the final part of the *Personal Pension Fund* is vested.

Retirement Age means the birthday on which the *Member* intends to *Retire*, as stated on the Confirmation of Membership Details. The *Member* may choose to *Retire* on a different date, subject to clause 7.5.

Rules means the rules of the *Scheme*, as amended or substituted from time to time.

Safeguarded Rights are the amount of the *Pension Credit Rights* that are deemed to be in respect of rights from contracting out of the State Second Pension and/or the State Earnings Related Pension Scheme.

Safeguarded Rights Fund means the value of the Personal Pension Benefit being provided under this plan by virtue of *Safeguarded Rights*. It is calculated by multiplying the number of units allocated to the *Safeguarded Rights Fund* by the unit price applicable at the time, according to *The Co-operative Investments'* records, and adjusting for any *MVR* imposed.

Scheme means the CIS Stakeholder Pension Scheme which was set up by a deed poll dated 17th November 2000. The *Scheme* is governed by the *Rules*.

Series 1 carries a 1% annual management charge. If you make additional contributions to a plan set up before 6 April 2005, there is an annual management charge of 1% of the value of funds you accumulate.

Series 2 carries a 1.5% annual management charge. For new plans there is an annual management charge of 1.5% of the value of the funds you accumulate. On the 10th anniversary of the opening of your plan, the annual management charge will fall to 1% of the value of the funds you accumulate. While you are being charged 1.5% each year, you will be invested in Series 2 units within your chosen fund(s).

Stakeholder Pension Profits means the amount of surplus which is used for the benefit of members whose plans have units allocated in the CIS With-Profits Stakeholder Fund. This amount is determined by the Board of Directors of *The Co-operative Investments*. *Stakeholder Pension Profits* cannot be guaranteed, nor can the allocation of any *Stakeholder Pension Profits* to this plan. However, the whole of the profits of the life assurance and pensions business of *The Co-operative Investments* must be applied for the sole benefit of its life assurance and pensions policyholders, including for this purpose the making of reserves with the aim of preserving the strength of the Society for the benefit of current and future life assurance and pension policyholders. *Stakeholder Pension Profits* will exclude any profits or losses on business other than *CIS Stakeholder Pension Plans*. *Stakeholder Pension Profits* are unlikely to arise for many years (see clause 10.12).

Start Date means the date from which *Regular Contributions* will commence, as stated in the Confirmation of Membership Details. Any Life Assurance Benefit provided will also commence on the *Start Date*.

Survivor means a widow or widower or *Dependant* of a *Member* who has died.

Transfer Payment means payment of a transfer amount in respect of the *Member* from another *Registered Pension Scheme*.

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