keyfacts®

Key Features of the Protected Rights Plan for Transfers In

IMPORTANT INFORMATION YOU NEED TO READ AND UNDERSTAND BEFORE YOU INVEST

The Financial Services Authority is the independent financial services regulator. It requires us, James Hay, to give you this important information to help you to decide whether our Protected Rights Plan is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safely for future reference.

James Hay

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Key Features of the Protected Rights Plan for Transfers In

This document provides you with the main points about the Protected Rights Plan for transfers in and should be read in conjunction with the SIPP Technical Product Guide, which provides more detailed information about SIPPs.

The Protected Rights Plan is a type of registered pension scheme known as an appropriate personal pension scheme, which allows you to transfer in existing contracted out rights, including contracted out rights in occupational scheme(s), and protected rights, and to make your own investment decisions, or to formulate your investment strategy in conjunction with your Financial Adviser.

Like all registered pension schemes the Protected Rights Plan provides you with a means of saving for your retirement. It is a long term investment and is designed to provide you with an income in retirement. You can open a Protected Rights Plan for transfers into:

- Accept transfers of contracted out rights and protected rights from existing pension schemes
- Accept transfers of protected rights from pension schemes already in income drawdown.

The underlying legal framework for the Protected Rights Plan is 'The James Hay Personal Pension Plan' (the SIPP). The SIPP has been set up under trust and is a registered pension scheme under HM Revenue & Customs rules.

James Hay Insurance Company Limited is the provider of the Protected Rights Plan and has appointed James Hay Pension Trustees Limited as Trustee of the SIPP and James Hay Administration Company Limited to administer the SIPP. Reference to James Hay in this document includes these companies where relevant in the particular context and unless a specific company name is mentioned.

Under the terms of its governing documentation, each of the arrangements into which your Protected Rights Plan is divided represents a separate trust fund distinct from the other arrangements under the James Hay Personal Pension Plan.

If you wish to review the benefits you may expect to receive from your Protected Rights Plan please refer to your illustration. However, please note that your benefits could be more or less than the figures shown on the illustration.

You should be aware that stakeholder pension schemes are generally available and might meet the client's needs as well as the scheme on offer. Your Financial Adviser will be able to advise you on all the options available and which are the most appropriate to meet your needs.

Its Aims

The Protected Rights Plan is designed to provide you with:

- A means to save for your retirement
- The option to take a pension commencement lump sum at retirement in exchange for part of your pension
- The opportunity to take your income withdrawal benefits in stages and phase in your retirement if you wish
- The option to take income withdrawals from your Protected Rights Plan as an alternative to buying an annuity.

Your Commitment

- You can establish the Protected Rights Plan for the purpose of receiving previously accumulated contracted out pension rights and/or protected rights from other pension arrangements.
- It is a HM Revenue & Customs requirement that you will not be able to take your benefits until age 55 unless you retire early due to ill health, or have a protected early retirement age as defined by the legislation.
- If you establish a Protected Rights Plan to accept a transfer of protected rights from a registered pension scheme already in income drawdown you elect to continue to take income from the Plan subject to limits laid down by HMRC.
- The level of income you choose must be within HM Revenue & Customs limits.

Risk Factors

- Benefits due to you may be lower than you expect if growth in your investments and interest rates are lower than those illustrated
- If you take your benefits earlier than shown on your illustration your benefits may be lower than illustrated
- Some investments may take longer to sell than other forms of investment
- High income withdrawals are unlikely to be sustainable if investment returns are low during the withdrawals period. They might also reduce any potential annuity.
- The higher the level of income withdrawals, the less you will have available to provide for dependants or to buy an annuity in the future
- Inflation will reduce what you could buy in the future on any given level of income
- The investment growth can be less than shown and capital values can rise or fall
- Annuity rates can change substantially over short periods of time, both up and down. They could be worse when you buy an annuity than they are now.
- The longer you wait before buying an annuity, the greater risk you bear of lower levels of income if you live longer than expected
- Our charges may change in the future, but we will always write to you to let you know in advance.

Questions and Answers

What is a Protected Rights Plan for Transfers In?

If you have previously been contracted out of State Earning Related Pension Scheme (SERPS), or the State Second Pension (S2P), the Protected Rights Plan for Transfers In allows you to:

- Transfer in contracted out rights from other registered pension schemes
- Make your own investment decisions about how your Protected Rights Plan funds are invested, or to formulate your investment strategy in conjunction with your Financial Adviser who is suitably authorised by the Financial Services Authority (see below).

What are the tax advantages?

The funds invested are free from UK income and capital gains taxes (except that tax may not be reclaimed on UK dividends), unless your investment is regarded as taxable property by HM Revenue & Customs.

Tax benefits may change in the future which could affect the amount of benefits you receive.

What are the investment options?

The Protected Rights Plan offers you the following investment options:

- Investments available through the Select* and Collect Funds Lists. These are a range of collective investment funds made up of Unit Trusts, Open Ended Investment Companies (OEICs) and Pension Funds.
- Investments available through the Abbey Sharedealing Service.

More details of the types of investments permitted are available on our website at www.jameshay.co.uk

Remember that the value of stocks and shares and other investments, can fall as well as rise and that the capital value of your pension fund can also fall. Investments will be realised to pay benefits, to provide income withdrawals and to pay charges.

*These funds are only available if you have appointed a Financial Adviser.

What benefits can I have from the Protected Rights Plan?

You can normally take benefits from your Protected Rights Plan at any age between 55 and 75, whether you have retired or not. You cannot normally take the proceeds before age 55, unless you retire early due to ill health, or have a protected retirement age.

If you intend to take benefits from your protected rights fund using income withdrawal and you have other pension rights in the scheme, the Department of Work and Pensions require that the protected rights benefits are not depleted at a greater rate when compared with your other benefits in the scheme. This is commonly referred to as the 'proportionality' rule. Further information on this topic can be found in the SIPP Technical Product guide.

When you take benefits from the Plan the value of your protected rights fund will be tested against your 'lifetime allowance'.

The amount of lifetime allowance depends on your circumstances and may be:

- Standard Lifetime Allowance, or
- Enhanced Lifetime Allowance.

Your lifetime allowance does not restrict the amount of pension fund you can have but it restricts the amount that is tax privileged. This means that if your pension fund exceeds your lifetime allowance, in the absence of enhanced protection the excess will be subject to a tax charge when you come to take benefits.

You can find more details about how the lifetime allowance works in the SIPP Technical Product Guide.

The size of your fund will depend on how much you have invested, the length of time funds have been invested and the return from the investments.

By age 75 you must be taking income withdrawals in the form of Alternatively Secured Pension or must have purchased an annuity on the open market.

For further information about the possible benefits from the Protected Rights Plan please refer to your illustration and discuss the options with your Financial Adviser.

What happens if I take benefits in excess of my lifetime allowance?

If you choose to take benefits from funds which are in excess of your lifetime allowance there will be a tax charge of 25% on the excess (and income tax on the pension).

What benefits can I have from the arrangement set up to receive a pension transfer in income drawdown?

When a Protected Rights Plan is set up to receive a transfer from an existing registered pension scheme in income drawdown, you can transfer protected rights in income drawdown before you have reached age 75, as unsecured pension, or after you have reached age 75, as alternatively secured pension.

The level of income available will not be re-calculated when a transfer in income drawdown is received and will be recalculated by James Hay no later than the date the five yearly income review would have been done by the transferring scheme if you are under 75, or on each anniversary of your 75th birthday if you are over 75.

For further information about the possible benefits please refer to your illustration and discuss the options with your Financial Adviser. Please remember that when you transfer arrangements in income drawdown there will be no pension commencement lump sum payable from the fund.

How much income can I withdraw from the Protected Rights Plan?

There are limits laid down by HMRC as to the maximum annual amount of income that can be taken from your fund, as shown in your illustration. This maximum limit aims to avoid excessive depletion of your fund.

There is no minimum amount of income that you must take from your unsecured pension fund. If you take alternatively secured pension the minimum amount you must take is 55% of the maximum income available. Your Financial Adviser can explore alternative levels of income with you and the implications of taking different amounts. You need to think about the level of income you need, bearing in mind any other sources of income you may have, as well as rises in the cost of living and the need to provide for your dependants.

You can vary the income level at any time but you must not exceed the maximum income limit each year.

Each year around the anniversary of the date you started to take an income from your Protected Rights Plan we will send you an annual statement showing the progress of your fund, allowing for withdrawals, charges and investment performance.

At each review, your Financial Adviser can provide an updated illustration showing the possible future benefits, similar to the illustration available when you set up your Protected Rights Plan. Your Financial Adviser can also give an indication of the annuity that could be secured at that time.

When do I buy an annuity?

At any time from age 55.

Even though you do not need to purchase an annuity you should speak to your Financial Adviser about this option as beyond a certain age you might not get as much from an annuity as you were taking in income withdrawals. This is particularly true if you have taken high levels of income. The older you are the more annuity you can buy for your money.

Annuity purchase rates can change all the time, up or down, and it makes sense to buy when annuity rates are high. Remember you can use your fund on the open market to take advantage of the best rates available from the whole range of insurance companies.

What happens if I die?

If you have a spouse or civil partner, on death your protected rights fund must be used to provide an income to that person, either as an unsecured pension or an alternatively secured pension form the Plan or by purchasing an annuity of the open market.

If you die before taking benefits or die whilst you are under 75 and taking an unsecured pension fund, then:

- If you do not have a surviving spouse or civil partner on death, then the protected rights fund can be paid to any beneficiaries as directed by you, or to your estate. This may be liable to inheritance tax.
- If you do not have a spouse or civil partner, the remaining fund will be paid less 35% tax to a beneficiary as directed by your or to your estate.

If you die whilst you are 75 or over and taking an alternatively secured pension, then:

- If you have a spouse or civil partner, the remaining funds might be used to provide an income for a dependant, if any, either as an unsecured pension or an alternatively secured pension or by purchasing an annuity on the open market.
- If you do not have a dependant, the remaining funds must be transferred to a charity as directed by you, or if no nomination has been made, to a charity chosen by James Hay.

For more information on these options and the tax consequences of selecting a particular option please refer to the Death Benefits section in the SIPP Technical Product Guide.

Can I make contributions to my Protected Rights Plan?

No, contributions cannot be made to the Protected Rights Plan, but you, your employer or a third party on your behalf can choose to make contributions into one of the James Hay SIPP products which meets your needs. Your Financial Adviser will be able to provide you with more details about the James Hay SIPP products, and more details about making contributions to a James Hay SIPP can be found in the SIPP Technical Product Guide.

Can I transfer out?

Yes, provided the receiving scheme is a registered pension scheme that is capable of receiving protected rights or a qualifying recognised overseas pension scheme. Protected rights funds providing income withdrawals may only be transferred to pension scheme arrangements which have been set up for the purpose of receiving transfers from income withdrawal arrangements.

PLEASE NOTE: That it is only possible to transfer the total value of your Protected Rights plan to another provider, partial transfers are not permitted.

Further Information

Can I change my mind?

You will have cancellation rights in respect of your Protected Rights Plan. We will send you a cancellation notice as soon as we have opened your Protected Rights Plan. You will have 30 calendar days during which you have the right to change your mind and send the cancellation notice back to James Hay. Your Protected Rights Plan will then be cancelled and we'll try and return the monies back to the original pension scheme less any fall in investment value.

PLEASE NOTE: It may not always be possible to return a transfer payment to the original pension scheme if you cancel the Protected Rights Plan, or a particular transfer payment, within the cancellation period, after the transfer has been received by us. In this circumstance you will need to arrange for another pension scheme to accept the transfer.

Can I change my mind when electing to take benefits?

For all clients, if you elect to take income withdrawals from your Protected Rights Plan we will send you a cancellation notice. You will have 30 calendar days during which you have the right to change your mind and send the cancellation notice, along with any pension commencement lump sum and income you may have received, back to James Hay. Your election to take income withdrawals will then be cancelled.

If we are instructed to re-invest the returned pension commencement lump sum and/or income in the same investments from where the money originally came, you may receive less units/shares because of transaction costs or upward movements in prices. The same applies where monies have already been disinvested before the cancellation form is received by us and are held in the central trustee bank account in order to pay future income. If we are instructed to re-invest such monies in the same investments from where the money originally came, you may receive less units/shares.

If you choose to cancel your election to take income withdrawals this will not affect any instructions you send us to take income withdrawals in the future.

Your right to cancel will remain unaffected if any event beyond your control makes it impracticable for you to communicate the wish to cancel.

What charges can I expect?

The Charges for all transactions that take place in respect of the Plan are described in the Protected Rights Plan Charges Schedule.

How will I know what my Protected Rights Plan is worth?

After we accept your application we'll send an acknowledgement letter to you, or your Financial Adviser if you have one appointed, followed by a statement showing your initial transfer payments to the Protected Rights Plan. Any additional payments into your Protected Rights Plan will be acknowledged and statements will be sent to you, or your Financial Adviser if one is appointed.

At least once a year we'll also send you, and your Financial Adviser if one is appointed, a statement showing the value of your Protected Rights Plan and the transactions, including any corporate actions, carried out over the past twelve months. The frequency of these valuation statements will normally be annually, unless you have requested them to be half yearly. If you'd like information between these valuation statements you can obtain the information from us, but there will be a charge for this. Please refer to your Protected Rights Plan Charges Schedule for more information.

Are there any possible tax charges?

Investments within the Protected Rights Plan enjoy freedom from UK tax on income and capital gains, except that tax may not be reclaimed on UK dividends. However, if an investment is regarded as taxable property it will be subject to tax charges prescribed by legislation.

Any income withdrawals and eventual annuity will be taxed under the PAYE system.

If you elect to take income withdrawal any lump sum death benefits paid from your Protected Rights Plan before you are 75, will be taxed at 35%.

In the absence of Enhanced Protection, funds paid out which are in excess of your lifetime allowance may be subject to a tax charge.

If the excess is paid as a member's pension the tax charge will be 25% but if it is paid as a dependant's pension following your death there will be no tax charge.

If the excess is paid as a lump sum, whether to you on your retirement or to your beneficiary on your death, the tax charge will be 55%.

If at any time you receive benefits which are not in accordance with current pension rules these will be regarded by HM Revenue & Customs as unauthorised payments and will be subject to any tax charges that are prescribed by legislation.

What if I have a complaint?

If you have any cause for complaint about the service you have received in respect of the administration of your Protected Rights Plan, please contact:

Customer Relations Manager
James Hay Administration Company Limited
Dunn's House
St Paul's Road
Salisbury
Wiltshire
SP2 7BF

If you are not satisfied with the way your complaint is dealt with, or if your complaint is not dealt with in eight weeks, you may then refer the complaint to the Financial Ombudsman Service. Details can be supplied on request. Any complaint regarding the advice given to you by your Financial Adviser should be referred to them for review under their own complaints process, details of which should already have been provided by them.

If you have a complaint regarding an individual investment, this should be directed to the individual fund manager concerned and again, details should be provided by your Financial Adviser. A copy of the James Hay complaints procedure is available on request. Making a complaint will not affect your legal rights.

Can I claim compensation?

The Protected Rights Plan is covered by the Financial Services Compensation Scheme and you may be entitled to compensation from the Scheme to the extent of your Plan's overall exposure to a particular investment product, or investment company default. James Hay will make such a claim on the Plan's behalf following a written request from you.

Where can I see your Terms and Conditions?

Your rights as the holder of a Protected Rights Plan for Transfers In are set out in the Protected Rights Plan for Transfers In Terms and Conditions, which may be subject to change in the future.

How is this affected by law?

The laws of England and Wales govern the relationship we have with you prior to conclusion of any contract. Providing there are no legal constraints, the parties are entitled to choose the law which is to apply on conclusion of the contract. In the absence of an agreement to the contrary, we propose for the contract to be governed by the Law of England and Wales and for all parties to submit to the exclusive jurisdiction of the UK Courts.

IMPORTANT INFORMATION

Any taxation information contained in this guide is based on our interpretation of current legislation and HM Revenue & Customs practice. Please remember that current tax benefits may change in the future.

Documentation

All documentation about your plan will be provided in English.

How to Contact Us

Call SIPP Enquiries on:

0845 850 4455

Lines are open 9am to 5pm Monday to Friday. To help us improve our service we may record or monitor calls.

Visit our website:

www.jameshay.co.uk

Email us:

sipp@jameshay.co.uk

Write to us at:

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