Key Features of the

Top-up Pension Plan

The Financial Conduct Authority is a financial services regulator. It requires us, Royal London Mutual Insurance Society Limited, to give you this important information to help you decide whether our Top-up Pension Plan is right for you.

You should read this document carefully so that you understand what you're buying, and then keep it safe for future reference.

Top-up Pension

Who is it for?

- Our Top-up Pension Plan is designed for policy holders who want to make additional savings for retirement

Its aim

- To build up a sum of money in a tax-efficient way which you may convert into a pension income and/or lump sum when you retire
- Note that stakeholder pension schemes are generally available and might meet your needs as well as this scheme

Your commitment

- To make regular contributions or lump sum contributions
- To leave your contributions invested until you take your retirement benefits. You can't cash your plan in (see 'Questions and Answers')
- To tell us when you are within four months of retirement
- To tell us if you have exceeded the Annual Allowance (see 'How much can be paid into my plan each year?')
- To tell us if you have exceeded the Lifetime Allowance (see 'How much might I get when I want to retire?')
- To tell us if you have a HM Revenue & Customs Lifetime Allowance enhancement certificate (if applicable) and provide us with a copy as evidence that you are eligible for primary, enhanced, fixed or individual protection (see 'How much might I get when I want to retire?')
- To tell us if you have taken benefits flexibly from any other defined contribution pension scheme. i.e. taking it all as cash in one go, taking smaller cash sums in stages, flexi-access drawdown etc.

Risk factors

- The fund you build up will depend on investment performance, the amount you have paid in, our charges and the impact of other business activities of the company. It could be less than you have paid in
- When you are ready to retire your benefits could be lower than expected. This could be because:
  - You stop paying into your plan or take a payment break
  - Interest rates when you retire are lower than expected if you convert the benefits into a pension income
  - You start taking your benefits before you originally planned to
  - Our charges may turn out to be higher than expected (see 'What are the charges?')
  - There are changes to the rules regarding the taxation of pensions
- If you exceed your Annual Allowance or Lifetime Allowance, tax penalties may apply (see 'What about tax?')
- The transfer value may be less than the contributions made. We may apply a market value reduction (see 'Where are the contributions invested?')
- Any state benefits you receive after retirement may be affected by income from other sources, including a pension
- Over time, inflation will reduce the buying power of money. For example, if inflation is 2.5% a year, then in 20 years' time £10,000 will buy only the same as £6,100 buys today
- If you transfer from another pension plan, the final pension benefits you'll receive may be less than you would have got if you'd stayed in your existing scheme under the existing terms. It might not always be in your best interests to transfer your existing pension benefits to the Top up Pension Plan, as you may be giving up any guaranteed benefits or protections. We are unable to accept any pension transfers from unfunded defined benefits schemes (e.g. Police/NHS/Teachers Pensions) please seek advice if unsure.

Questions and answers

What is the Top-up Pension Plan?

- It's a tax-efficient savings plan to help you save for retirement

How flexible is it?

- You can change your regular contributions. They must not fall below the minimum we allow, and can't be more than the maximum set by HM Revenue & Customs (see 'How much can be paid into my plan each year?')
- You can make additional one off contributions at any time
- You can stop and restart your contributions at any time without penalty. If you stop or reduce your contributions your benefits at retirement will reduce

How much can I pay into the Top-up Pension Plan?

- The minimum regular payment into this plan is £20 a month (£240 per year for a regular annual payment). The minimum lump-sum payment is £200. These figures are net of basic rate tax
- Monthly contributions are made by Direct Debit. Lump sum contributions can be made by direct credit
- You should check how much you are contributing to other pension plans to work out how much you can contribute to this plan
- The plan can accept transfers from some other pension plans providing the transfer is from a scheme (although not unfunded defined benefit schemes) which HM Revenue & Customs recognise as providing a Recognised Transfer. However, if you're a member of a Defined Benefits pension scheme, by transferring a plan that contains 'guaranteed minimum pension' you'll lose any guarantees that you held through this type of arrangement. The transfer value will not count towards your Annual Allowance
- The plan cannot accept contributions directly from your employer or from any other third party

How much might I get when I want to retire?

- Your plan benefits depend on how your investment grows, on our charges, the tax treatment of the investment and the outcome of our other business activities
- HM Revenue & Customs has set a limit on the total amount of pension savings you can build up before a tax charge applies. This is known as the Lifetime Allowance
- The limit is personal and excludes your partner's pension savings
- It applies to all pensions including occupational and personal pensions, as well as pensions you have claimed in the past

What and how much are the Annual and Lifetime Allowances?

Annual Allowance

- There's a limit on the amount you can invest in a pension plan without being subject to a tax charge. This limit is known as the annual allowance and is currently £40,000
- If you have any unused annual allowance from the previous three tax years and want to pay in over £40,000, please contact us for further information
- A tapered reduction in annual allowance will apply in the following circumstances: 1) Threshold income (income excluding pension contributions) is over £200,000 and 2) Adjusted income (income added to any pension contributions) is over £240,000. This reduces the annual allowance by £1 for every £2 of income earned over £240,000
- If you want to make contributions to your plan after you've taken all or some of your pension savings you may be limited to what you can contribute and receive tax relief on. This is known as the money purchase annual allowance. Please note that this is considerably lower than the annual allowance and relates to any pension plan you may have, not just this one.

Lifetime Allowance

- HM Revenue & Customs has set a limit on the total value of pension benefits you can build up without paying a tax charge. This is known as the Lifetime Allowance, which for the current tax year is up to the value of £1, 073,100

- Your Lifetime Allowance will be tested when you take your benefit and if you have any benefits left at age 75
- You can take benefits from different plans at different times and therefore can gradually use up your Lifetime Allowance. It will be revalued to take into account any benefits you have previously claimed
- If you are over the allowance you will be taxed on the excess amount (see 'What about tax?')
- Some people are entitled to an enhanced Lifetime Allowance (which increases the value of their Lifetime Allowance above the standard value) which will have been agreed by HM Revenue & Customs. You will need to tell us if this applies to you
- You should regularly monitor the value of all your pension plans, to help you identify whether you are near the Lifetime Allowance, and at the same time ensure you will have built up a fund that will be sufficient for your future needs. We'll send you a yearly statement to show you the value of your Top-up Pension Plan to help you decide whether you need to increase your contributions to help build up the value of your plan

What choices will I have when I retire?

- You don't actually have to retire to take your benefits as they can be taken at any age after 55. The minimum age will increase to 57 in 2028
- You can choose to defer claiming your benefits until any age
- You can change your retirement date to any other date subject to above age criteria. However, in certain circumstances a Market Value Reduction may apply (see 'Where are the contributions invested?')
- When you are ready to claim your benefits, we will need you to confirm how much Lifetime Allowance you have available. If you don't do this we will treat your plan as if no Lifetime Allowance exists and therefore tax it accordingly (see 'What about tax?')

1. Use it to buy a guaranteed income

An annuity is a financial product where you use all or some of your pension savings to buy a guaranteed income.

- Take 25% as a tax-free cash lump sum: You can take up to 25% of your pension pot tax-free as a cash lump sum, then use the remainder to buy your annuity. The remainder will be taxable as pension income
- Take your full pension as an annuity: You can use the whole fund to secure a regular income from an annuity and, if you've built up more than one pension pot, you can combine them into one annuity

Police Mutual will pay up to 25% of your fund as an initial lump sum to you if required, but we don't currently offer a product to enable you to access your remaining pension as a regular income. You will need to transfer your fund to another provider if you wish to do this.

2. Take it all as cash in one go

25% of the lump sum will be paid tax free and the remainder will be taxable as additional income at your highest marginal rate. You may find that we deduct more tax than you are required to pay. This is due to the way HMRC collect the tax. You will be able to reclaim any excess directly from the HMRC. The money purchase annual allowance will apply on any further pension savings and will restrict the amount you can pay before a tax charge will apply.

3. Take it as smaller cash sums in stages

As an alternative to taking your whole pension pot as cash, you can take some or all of it as smaller cash sums over whatever period you choose. For each withdrawal 25% is tax free and the rest will be taxed at your highest marginal rate.

Police Mutual don't currently offer a product to enable you to access your pension in this way. You will need to move your fund to another provider if you wish to do this.

4. Use it to provide flexi-access drawdown

With flexi-access drawdown providers/products you keep most or all of your pension pot invested and draw a variable amount of income from it. You can choose to take 25% of your pension pot as a tax free lump sum either at the outset or in stages alongside the flexible income.

Any payments from the flexi-access drawdown providers/products will be taxable as pension income. Choosing this option may also affect the amount you pay into pension plans.

You will need to transfer your fund to another provider if you wish to do this.

5. Take smaller pension pots as a lump sum

If up to three of your pension pots are each less than £10,000 and you are over the age of 55 (57 from 2028), you may be able to cash each of them in, regardless of any other pension savings you have.

25% of the lump sum will be paid tax free and the remainder will be taxable as additional income at your highest marginal rate.

If you flexibly access your pension you will receive tax relief only on money purchase savings up to £4,000

In order to provide our pension plan holders with access to a 'whole of market' annuity service and flexi-access drawdown, Police Mutual has established a relationship with Retirement Solutions (UK) Limited. Retirement Solutions are experts in the field of pension provision and will search the market on our customers' behalf in order to identify the best products available. Police Mutual receives no financial payment for providing this introduction.

Should you wish to take advantage of this service then Retirement Solutions can be contacted on **0161 913 2440** please quote reference 'Police Mutual TUPP' or via email at **pensions@retirementsolutions.co.uk** Alternatively you can visit their website **www.retirementsolutions.co.uk**

Can I claim my benefits earlier than age 55?

- The Top-up Pension Plan was originally classified as a Free Standing AVC and contributions were linked to an occupational pension scheme. If your occupational pension scheme allows you to retire earlier than the normal minimum retirement age, and you meet certain criteria, the same age can apply to the Top-up Pension Plan
- If taking pension benefits early a Lifetime Allowance test will be carried out on the amount of benefits from the Top-up Pension Plan
- You do not have to claim benefits at the same time as an occupational scheme. You can keep paying into your plan and choose to take your benefits at the normal minimum retirement age over 55 (57 from 2028)

Where are the contributions invested?

- We pool your money with other investors by investing in the Royal London With Profits Fund. The fund holds a wide range of investments in a mixture of company shares, property, government bonds, other bonds and cash. Note, we make a deduction from your plan for charges (see 'What are the charges?')
- We smooth payouts to some extent to even out some of the fluctuations in performance
- The experience of the With Profits Fund will determine the level of bonuses added to your plan. The value of your plan increases as regular bonuses are added throughout the year. We may pay a final bonus if your share of the With Profits Fund is greater than the value of the plan when you retire or die. We may apply a market value reduction if you transfer out in certain circumstances. This will reduce the amount paid out below the value of the plan. We use a market value reduction to protect the interests of other investors. We typically apply it if investment conditions have been particularly poor or during the early years
- We guarantee not to apply a market value reduction on death, or if you retire on your specified retirement age
- For further information, see 'Guide to how we manage our With Profits Fund.'

What about tax?

Tax Relief

- You'll receive tax relief on all regular and single contributions you make to your plan up to a maximum of £3,600 a year or 100% of your earnings, whichever is greater. We claim the tax relief at the standard rate from the HM Revenue & Customs and invest it in your plan. At current tax rates the tax relief increases every £100 you invest to around £125
- If you are a higher rate taxpayer you can claim further tax relief through your tax return. For more information, please contact your financial advisor or local tax office

Exceeding the Lifetime Allowance and Annual Allowance

- If you exceed the Annual Allowance (see 'How much can be paid into my plan each year?') you will be taxed on the excess amount through your tax return
- When you take your benefits they will be tested against your available Lifetime Allowance. If the value of all your pension benefits exceeds the Lifetime Allowance a tax charge will apply, known as the Lifetime Allowance Charge. Where applicable, we will deduct the Lifetime Allowance Charge from your fund when you are ready to claim it. You will need to declare this on your tax return. You may be able to choose to take the remainder of your fund in excess of the Lifetime Allowance as cash or as a pension. This will determine the level of tax which will apply
- If you take a lump sum from your plan at retirement (of up to 25% of your benefits), it will be free of all tax. Any amount above this will be taxed at your highest marginal rate of income tax. You may find we deduct more tax than you are required to pay. This is due to the way HMRC collect the tax. You will be able to reclaim any excess directly from the HMRC
- If you convert your fund into a pension income, it will be taxed as earned income

Tax on Death

- If you die before your 75th birthday and you have not taken your pension benefits, the plan benefits can be paid to your beneficiary as a lump sum tax-free
- If you die after your 75th birthday, the plan benefits can be taken as a lump sum which will be subject to tax at the recipient's marginal rate of income tax

General

- If you are not a UK resident at the time you claim your fund, and a Lifetime Allowance Charge applies, you will still be liable to pay the tax
- The fund grows free from capital gains and income tax, except on income from UK shares, where some investment returns may be received with tax credits, or after tax deductions, which cannot be reclaimed
- This information represents the current position, but legislation regarding taxation may change

What are the charges?

- We charge for managing your plan
- The charges are taken from your fund
- We made a charge when you took out a plan, details of which were in the Key Features document you had at the time
- Additionally, we make a yearly charge. The current amount of this charge is shown in your annual statement.
- Contributions made before 1 May 2003 are guaranteed to increase at 3.5% a year and contributions made after this date are guaranteed not to fall in value (both of these guarantees apply before charges are deducted). We make a charge to cover the cost of providing these guarantees
- Currently this charge is a deduction of 0.75% a year from the investment return we achieve. For example, if the underlying investment return of the fund is 4.5%, your plan grows by 3.75%
- Any reduction in investment return due to this charge will not affect the guarantees. The underlying investment return is allowed for when we allocate the regular bonus rate and in determining any non-guaranteed amount payable on claim
- Please see a recent illustration, yearly statement or contact us for details of the current charges and an indication of the effect of these charges in practice
- The most recent charges will be set out in your yearly statement. Each year we will tell you the most up to date charges for your plan
- We review these charges regularly, usually once a year and any changes made will be in accordance with the 'When can we vary the charges?' section

When can we vary the charges?

- We can at any time vary our charges if it is to your advantage, for example if we reduce or abolish any charge
- Where we make a change to our charges that is to your disadvantage or we add new charges, it will be for any one or more of the following reasons:
  - To take account of changes in our costs in running the service for which the charge is made
  - To take account of variations in costs for any changes or improvements we make to the services we already provide to our Top-up Pension Plan holders, including making technological changes
  - To take account of any changes we may reasonably make in activities we carry out or new activities
  - To take account of any changes in the law or the interpretation of the law, codes of practice or regulations
  - To take account of any decision, requirement or recommendation by a court, ombudsman or regulator with which we intend to comply
  - To correct an error, if it is reasonable to do so
  - To enable us to maintain our financial strength in the interests of all our customers
  - To take account of increases in inflation
  - By agreement with you
  - To enable us to harmonise the charges concerned following any acquisition or transfer of pensions business or any takeover of, or merger with, another pension plan provider
- These reasons may relate to circumstances existing at the time or those that we reasonably expect to apply in the near future
- Where we change our charges for one or more of these reasons, we will do so in a reasonable and proportionate manner.

  We will tell you about any changes to existing charges or about the introduction of a new charge for any reason mentioned above in your yearly statement

What other benefits can I choose?

- The plan offers no other benefits.

What happens if I die before I claim my plan benefits?

- Police Mutual currently do not offer the option to access pension funds flexibly through income drawdown, therefore the plan would need to be transferred to another provider with this facility
- There is normally no inheritance tax payable on the value of your plan, unless it forms part of your estate
- You can choose who the lump sum should go to when you apply and can change this at any time. Lump sum death benefits are payable at the discretion of the scheme Administrator taking into account, (but not being bound by) the customer nomination form
- Once you have taken your benefits, Police Mutual is not responsible for any subsequent death benefits

Can you transfer the value of other pension plans into this plan?

- If you have a defined benefits pension plan with another provider, you can transfer the value of it to this plan
- If the pension plan you are transferring money from allows you to take more than 25% of its value as tax-free cash when you take your benefits, you may lose this entitlement when you make your transfer
- For the majority of people it will remain in your best interests to stay in your occupational scheme (particularly if it is defined benefit) rather than transfer to a defined contribution scheme (like the Top up Pension Plan). Therefore if you are considering transferring you should speak to an Independent Financial Advisor
- We are unable to accept any pension transfers from unfunded defined benefits schemes (e.g. Police/NHS/Teachers Pensions). You should seek advice if you are unsure
- Depending on the type of scheme you are transferring from you may be required to take advice before transferring. Please contact the pension scheme you are transferring from for more information

Can I transfer my plan into another pension scheme?

- You can transfer your plan to another registered pension scheme at any time before taking the benefits. The value of the fund that you transfer to other registered pension schemes does not count as part of your Annual Allowance providing you transfer it to another registered pension scheme
- The value of your fund is not guaranteed and may be less than you have paid in

Can you change your mind?

- It's your legal right to change your mind within 30 days. You should sign and return the cancellation notice, call us or confirm your wishes in writing. Send your written notice to us at the address shown within 30 days of receiving your plan documentation
- On receipt of the appropriate documentation, your contributions will be refunded. Where transfer payments have been received, the transfer amount, or value of investment if it has fallen since it was invested, will be returned to the previous scheme(s). If however any previous scheme is unwilling to accept a refund, it will need to be transferred to another registered pension scheme
- If you do not do this within 30 days, you will be unable to cancel your plan and get your money back. You can transfer your plan to another provider (see 'Can you transfer your plan?')

How will I know how my Top-up Pension Plan is doing?

- We'll send you a yearly statement to show how your plan is doing. It is important that you regularly review your plan and level of contributions to make sure it will be sufficient for your retirement
- You can call us on 01543 441630 if you want a statement at any other time

Do you provide advice on the Top-up Pension Plan?

- You can discuss the general features of the product with us, but we will not assess your personal and financial circumstances. We will also be unable to advise you whether the product is suitable for you.
- You should take financial advice if:
  - Your circumstances change, for example if you are nearing retirement
  - You are considering making a transfer payment into or out of this plan
  - You are considering claiming your pension

Other Information

How to complain

If you wish to complain about any aspect of the service you receive, please contact us at:

Complaints Team

Police Mutual

Alexandra House

Queen Street

Lichfield

Staffordshire

WS13 6QS

or email us at:

groupcomplaintsteam@pmas.co.uk

A copy of our complaint handling procedure is available on request

If you are not satisfied with our response you can complain to:

The Financial Ombudsman Service (FOS)

Exchange Tower
London
E14 9SR
T: 0800 023 4567
W: www.financial-ombudsman.org.uk/

The Financial Ombudsman Service opening hours are:
Monday to Friday – 8am to 8pm
Saturday – 9am to 1pm

Or:

The Pension Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU
0800 917 4487
www.pensions-ombudsman.org.uk

These services are free and will not affect your legal rights

Terms and conditions

- This document and the application form you sign contain the legally binding terms and conditions governing the Top-up Pension Plan
- We may vary these terms and conditions (other than in respect to charges) at any time for the following reasons:
  - To take account of changes in the products or services we provide or the way we provide them
  - To take account of any changes or improvements we make to the services we already provide to our Top-up Pension Plan holders, including making technological changes
  - To take account of any changes in the law or the interpretation of the law, codes of practice or regulations
  - To take account of any decision, requirement or recommendation by a court, ombudsman or regulator with which we intend to comply
  - To correct errors, if it is reasonable to do so
  - If we reasonably believe the change is necessary in the interests of our business as a whole, for example to protect our financial strength
  - If the change is to your advantage
  - By agreement with you
  - To enable us to harmonise the terms and conditions following any acquisition or transfer of pensions business or any takeover of, or merger with, another pension plan provider
- We will tell you about any changes to these terms and conditions for any reason mentioned above in your yearly statement
- Where we change our terms and conditions for one or more of these reasons, we will do so in a reasonable and proportionate manner

Law

In any legal disputes this plan is subject to the law of England and Wales unless the parties agree otherwise.

Language

- For the duration of your plan, all correspondence will be communicated in English.

Compensation

- We are covered by the **Financial Services Compensation Scheme (FSCS)**. You may be entitled to compensation from the scheme if we cannot meet our obligations. There are various levels of compensation available, which depend on the type of business and the circumstance of the claim. For compensation purposes the Top-up Pension Plan is classed as a long-term insurance product. This means you are entitled to receive 100% of the whole of the claim

The Financial Services Compensation Scheme (FSCS)

PO Box 300, Mitcheldean, GL17 1DY

T: 0800 678 1100
W: www.fscs.org.uk/

The Financial Services Compensation Scheme opening hours are:
Monday to Friday – 8.30am to 5.30pm,
excluding public holidays

Solvency And Financial Condition Report

The Solvency and Financial Condition Report of The Royal London Mutual Insurance Society Limited is available at royallondon.com/about-us/corporate-information/corporate-governance/regulatory-returns-and-publications/

How to contact us

1. Call 01543 441630

2. Visit policemutual.co.uk

We're open from 8.30am - 5.30pm Mon-Fri

Write to us at:
Police Mutual
Alexandra House
Queen Street
Lichfield
Staffordshire
WS13 6QS

Police Mutual

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