



Talisman Pension Plan

Charges summary

Introduction

We offered two Talisman Pension Plan ranges, with different charging structures, investment choices and options available. This summary provides details of our Talisman Pension Plan range that was available from July 1998 until 31 January 2006.

Since 30 December 2012 it has not been possible to pay increments to the products below, with the exception of automatic increments agreed prior to that date. This range includes the following products:

- Personal Pension Plan
- Executive Pension Plan
- Buyout Bond
- Free-Standing AVC Pension Plan

With the exception of Buyout Bonds there are two versions of the contract; version 1 and version 2.

Version 1 has a low initial allocation rate for regular contributions and no back-end charges, i.e. no charges for taking benefits or transferring at any time before selected retirement age.

Version 2 has a level allocation rate for regular contributions, but has back-end charges, i.e. we recover our charges if the client stops or reduces contributions, reduces the term to their selected retirement date, takes benefits or transfers out at any time before their selected retirement age.

The treatment of single contributions (including contracting out contributions) and transfer payments is the same for both versions.

Please note that for both versions a market value reduction factor may be applied if the plan is invested in the With Profits fund and we will also clawback any remaining charges where our option to increase transfer payments has been used.

Regular contributions – version 1

Allocation rates

The initial allocation rate applied for the initial allocation period only (see below) and were calculated as 91% less 25% of the initial commission selected. If level commission was selected this rate was deducted from 91%. Examples of the rates that applied and the initial allocation period are shown below.

Initial allocation rate	91.0%	88.5%	78.5%	66.0%	58.5%	53.5%
Initial commission selected (% LAUTRO)	Nil	10%	50%	100%	130%	150%
Interpolate for initial commission rates not shown						

Term to selected retirement age (complete years)	5 years	10 years	15 years	20 years	25 years and over
Initial allocation period	6 months	12 months	18 months	24 months	27 months

The standard allocation rate is applied from the end of the initial allocation period until selected retirement age and was calculated as 105% less the rate of renewal or level commission selected. Examples of the rates that apply are shown below.

Renewal commission selected (% LAUTRO)	Nil	50%	100%	150%	200%
Standard allocation rate %	105%	103.75%	102.5%	101.25%	100%
Interpolate for renewal commission rates not shown					

Additional unit allocation

Additional units are added at a rate of 0.75% of the value of the fund every policy anniversary. This has the effect of reducing the fund management charge from 1% to 0.25% a year.

Stopping or reducing contributions

There are no additional charges applied for stopping or reducing contributions, or for reducing the term.

Taking benefits or transferring before selected retirement age

There are no additional charges for taking benefits or transferring out before selected retirement age.

Regular contributions – version 2

Allocation rates

This has a flat allocation rate which is applied throughout the term of the plan. Where full commission is 130% initial and 2.5% renewal (LAUTRO basis) the allocation rate is 100% for all terms. The allocation rate for any other level of commission selected is calculated from the appropriate nil commission rate. The following table shows examples of the allocation rate applied at different commission rates and terms.

Term to selected retirement age (complete years)	0 years	5 years	10 years	15 years and over
Nil commission	105%	106%	107%	108%
150% initial and nil renewal	101.65%	101.5%	101.35%	101.2%
Nil initial and 5% renewal	100.8%	101.8%	102.8%	103.8%
100% initial and 2.5% renewal	100.67%	100.9%	101.13%	101.36%
130% initial and 2.5% renewal	100%	100%	100%	100%
150% initial and 2.5% renewal	99.55%	99.4%	99.25%	99.1%
Interpolate for different terms				

Additional unit allocation

Additional units are added each year from the 9th policy anniversary effectively reducing the fund management charge to 0.25% a year for investments held for 9 years or more. Additional units are not applied when contributions are not paid to the plan.

Stopping or reducing contributions

A unit cancellation charge is applied where regular contributions are stopped either by making the plan paid-up, by taking a contribution holiday, and where contributions or the term are reduced. We apply this as the regular contribution charges for version 2 assume that contributions at the agreed level will continue to be paid until the client's selected retirement age. These charges cover the set up costs, the commission taken and the ongoing administration costs over the term of the plan.

The charge is in addition to those already applied to the plan and is calculated at an individual level. It varies depending on the level of commission taken and the term remaining to the selected retirement age. This means that the longer the client has continued to pay contributions at the agreed level, the smaller the additional charge will be. The additional charge is calculated in percentage terms, and results in units being cancelled from the regular contribution fund each year. The units are cancelled on the day before the policy anniversary. It applies over the period the client takes a contribution holiday or over the remaining term of the plan if the plan is made paid up. It also applies where contributions or the term are reduced.

We increase the charge applying to these plans in these circumstances because we actually collect charges in arrears assuming regular contributions and the accumulating investments on these regular contributions continue. If they don't continue the total overall charges we expect to collect will not be received. For this reason, we increase the charge rate to meet the charges we originally expected to collect, based on the new expected contribution level. In summary, the adjustment ensures that we collect the same overall charge, even though we disclose this as an additional charge.

The additional charge is recalculated if contributions start again following a contribution holiday, or reduce further, or where the term is reduced.

Taking benefits or transferring before selected retirement age

In the same way that we collect an additional charge where contributions are stopped, we collect an additional charge where benefits are taken or transferred before the selected retirement age. This charge is calculated the same way, but we need to deduct the balance of the overall charges we expected to receive from the regular contribution fund value as a single deduction as opposed to over the remaining term. Any reduced fund or transfer value is subject to a minimum of 58.5%.

Single contributions (including contracting out contributions) and transfer payments – versions 1 and 2

Allocation rates

Our allocation rates for single contributions (including contracting out contributions) and transfer payments were based on the size of the contribution and the amount of single contribution commission taken. The rates below applied when the term to selected retirement age was 5 or more years.

Contribution size	Allocation rate
Under £50,000	105.2% – commission
£50,000 to £99,999.99	105.6% – commission
£100,000 or more	106.3% – commission

If the term to the selected retirement age was less than 5 years the initial allocation rate was 105.2% less any single contribution commission paid. This was further reduced by an amount of between 0% and 2% depending on the term in complete years and months.

Term (complete years and months)	0 years	1 year	2 years	3 years	4 years	5 years
Allocation reduction	2%	1%	0.75%	0.5%	0.25%	0%

For example, a single contribution of £45,000 on nil commission with a 3 year term got an allocation rate of 104.7% (105.2% - 0% - 0.5%). The reduction applied for different terms is in the table above.

Additional unit allocation

Additional units are added at a rate of 0.5% of the value of the single contribution or transfer payment fund every policy anniversary, effectively reducing the fund management charge from 1% to 0.5% a year.

Taking benefits or transferring before selected retirement age

The single contribution or transfer payment fund is reduced if benefits are taken or are transferred within 5 years of the single contribution being paid. We do this by calculating what allocation rate would have applied to the actual term and dividing this by the allocation rate actually received. In effect, what we are doing is adjusting the value of the single contribution fund to what it would have been had the actual term been used to calculate the allocation rate at the time the single contribution was paid.

Using the previous example and assuming that the single contribution was transferred out after 2 years, we would reduce the value of the single contribution fund to 99.76% (105.2% - 0% - 0.75%)/104.7%.

If the single contribution or transfer payment fund is invested in our With Profits fund a market value reduction factor may be applied. We will also clawback any remaining charges from the transfer payment fund where our option to increase transfer payments has been used.

Other charges – versions 1 and 2

Fund management charge

All of our unit linked funds and With Profits funds have a fund management charge of 1% a year and a 5% bid/offer spread.

External funds are available. Different fund charges will apply depending on the fund chosen.

Fund switches

There are no charges for switching between any of our investment funds or for redirecting future contributions. We do reserve the right to introduce a charge in the future.

A market value reduction factor may be applied to switches out of our With Profits funds.

Policy fee

Where applicable, a monthly policy fee is charged. This policy fee increases each year on the policy anniversary in line with the Retail Prices Index. The charge is collected by cancelling units from the fund to the value of the policy fee each month.

Fund based renewal commission (FBRC)

Any FBRC is paid by cancelling units from the pension fund to the value of the FBRC payable.

Option to increase transfer payments

What is it?

As you're no doubt aware, when plans are transferred a market value reduction factor or charge may be applied by the company transferring the plan. This means that the value of the plan may be reduced, sometimes quite significantly. This reduces the amount being invested in the new plan and the amount payable to beneficiaries on death before a client's intended retirement date.

Our option to increase transfer payments was available to clients with these plans until it was withdrawn on 5 April 2006. It tried to ensure that our client's beneficiaries don't lose out if the client dies before they retire. It gave clients the option, for an additional charge, to increase the fund value payable on their death. That increase would, within certain limits, have increased the value of their death benefit to the level it was before any reductions were applied. In effect, we topped up the fund value available on their death to allow them to maintain the level of their death benefits.

Paying for the option

Our charge for providing this option is dependent on how much we topped up the value of the client's death benefit by, when they transferred it to us. To spread the cost of the option, we increased the annual management charge that is deducted from the transfer payment fund each year. By the time the client reaches their selected retirement age this increased charge will have covered the cost of using this option.

Taking benefits or transferring before selected retirement age

No exit charges apply as these have been waived.



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