

Questions and answers about your B&CE Contracted Out Pension Scheme



1. What is the B&CE Contracted Out Pension Scheme (BCECOPS)?

It is a plan that helps you build up your pension fund from National Insurance contribution rebates to provide an income by contracting out of the State Second Pension (S2P). These benefits are known as Protected Rights. The rebate (contributions) will not be paid into your contracted out arrangement until the **tax year** following the year in which the National Insurance payments were deducted from your pay.

The contribution comes via HM Revenue & Customs and is normally received into your plan from September onwards. For more information about contracting out please visit www.pensionadvisoryservice.org.uk

2. What is due to happen to contracting out from 2012

The Government has announced its intention to abolish contracting out of the State Second Pension for Defined Contribution schemes such as BCECOPS. A specific abolition date has not yet been formally decided upon, but it is thought it will be April 2012 (although it could be earlier).

Currently, one of the assumptions that all pension providers have to state in their yearly statement is that they assume that if you are contracted out you will remain so until your state retirement age. This change means that we will and can only assume you remain contracted out until 2012. Therefore, the projected total pension amount in your illustration is likely to be lower than previous illustrations because you will only be contracted out until 2012 instead of your state retirement age.

The closer your state retirement date is to 2012, the smaller the impact of this change is likely to be.

After 2012, no further rebates of National Insurance contributions will be made by HM Revenue & Customs to your contracted out arrangement. It will still remain in force in respect of contributions received and will still benefit from investment growth.

3. How will changes to the State Second Pension (S2P) affect the rebates HM Revenue & Customs pay over to my policy?

From April 2009 S2P is changing; this earnings related benefit will start to move to a flat rate benefit. If you are currently contracted out of S2P, then as explained above you will only be contracted out until 2012; until then the main affect of the changes will be on those earning over £40,040 a year.

From April 2009 an Upper Accrual Point (UAP) is being introduced. The UAP will be set at £40,040 on the yearly amount of earnings that can be taken into account when calculating the contracted out rebate. This limit will be frozen at £40,040 and will not increase in future years.

4. What is a Statutory Money Purchase Illustration (SMPI)?

It is an illustration which takes into account how inflation between now and your expected retirement date could reduce the buying power of your pension income. The idea is to help you make sensible plans to provide income in your retirement. It is based on a common set of assumptions used by all pension providers. These are shown on page 2 of your statement.

5. Why are there so many assumptions in the statement that do not relate to me? (e.g. single, not retiring at 65, my wife is more/less than 3 years older/younger, can I take a lump sum)

The illustration is not fully tailored to each individual circumstance; it is based on your current pension valuation and future contributions along with a number of general assumptions that are set down by the Department for Work & Pensions. These illustrations are a projection of what you might get and therefore not guaranteed.

6. How can I take the benefits from my B&CE Contracted Out Pension Scheme?

- You can take the benefits any time **after** you reach 50. **It is important to note that this will rise to 55 in April 2010 and you should review the impact this has on your personal circumstance.**
- You can take up to 25% as a tax-free lump sum.
- If you are over the age of 60 and the value of your fund (when combined with your other pension arrangements) is below £17,500 in this tax year (2009/10), you may be able to take all the benefits as a lump sum under the trivial payment rules.
- If you are married/ in a registered civil partnership, at retirement a pension has to be provided, on your death to your spouse/ registered civil partner of half of your pension. If you are single, a full pension is payable.

7. Where is the money invested?

The money will buy units in an authorised unit trust. The trust invests in a range of asset classes (shares, property, fixed interest securities and deposits) both in the United Kingdom and overseas. The aim is to provide long-term capital growth on a medium risk basis.

8. Where can I find up to date investment fund prices?

Buy and sell prices will be published daily on the Investment Management Association (IMA) website, www.investmentuk.org/investors and click on the link for daily fund pricing, and then click on the letter B to highlight the fund figures for B&CE. For reasons beyond the control of the fund manager, these may not necessarily be the current dealing prices.

You can also write to us at: B&CE Financial Services Ltd, Manor Royal, Crawley, West Sussex, RH10 9QP. Or email us at: info@bandce.co.uk

9. What are the charges and how are they deducted?

The annual management charge is 1% and the trustees' fee is 0.02%. These charges and fees are taken out of the schemes assets, so you don't actually see them but they are reflected in the price of the units.

10. How do I contract back in?

If you wish, you can contract back in to the S2P, you will need to complete the HM Revenue & Customs cancellation notice form (CA1543).

HM Revenue & Customs must receive the completed form by the 5 April 2010. So if you wish to contract back in with effect from this tax year you will need to return a correctly completed CA1543 form to us before 3 April 2010. We can send you a form on request.

11. What happens with the fund if I contract back in to S2P?

The funds built up between the date you elected to contract out and the date you contract back in will remain invested in B&CE's Contracted Out Pension Scheme until they are claimed. The fund can also be transferred, at any time to another suitable arrangement.

12. How is the current economic and financial situation affecting my BCECOPS fund?

The current financial market volatility may face the UK and the world for some time to come. However, we know that downturns are an inevitable part of market cycles followed, of course, by recovery.

It is important to remember that paying into a pension is a long term investment and that funds are not guaranteed. B&CE continue to maintain strong reserves, which will enable us to meet all of our financial commitments.

And we remain as committed as ever to acting in your best interests at all times.

Contributions to your B&CE Contracted Out Pension Scheme are invested in a Managed Fund. This is a medium risk fund that aims to provide investment growth over the medium to long term. It invests in a mix of company shares, loans to the government or companies, and cash deposits. The Managed Fund is subject to short term changes and the value of units may change in accordance with market conditions. Therefore it is not guaranteed.

It is important to remember that the rise and fall in unit prices affects the number of units that will be bought by payments made into the policy: A payment will buy fewer units as unit prices go up and a payment will buy more units as unit prices go down.

E.g. If the price of each unit is £2.50 and you pay in £30 then you will buy 30 units. If the price of each unit is £3 then you will buy 10 units.

13. I want some advice, where do I go?

- You can contact The Pension Advisory Service (TPAS) on 020 7630 2250 or you can visit their website at <http://www.pensionadvisoryservice.org.uk> (This is normally a free service).
- If you already have a financial advisor you may wish to speak to them about your retirement needs.
- Should you require advice, <http://www.unbiased.co.uk> helps you locate an Independent Financial Advisor in your area. Please note an IFA may charge you for this service.