Flexible Income Annuity

Policy Terms & Conditions

The purpose of this document

The Flexible Income Annuity is a contract of insurance between you and us formed by:

- your signed **application**
- this **policy** booklet, and
- the **policy schedule**

In addition, the Key Features Illustration contains important information and should be read in conjunction with the **policy** booklet and the **policy schedule**.

Please read all the documents carefully to make sure you have the benefits you expected. If you do not, you should refer to your intermediary for help.

If you find an error in this **policy** booklet or **policy schedule**, please contact your intermediary immediately or contact us using the address shown on this page.

This **policy** booklet is a legal document and gives you the terms of the contract that operates between you and us. You should keep this **policy** booklet and the **policy schedule** in a safe place together with the Key Features Illustration you received for your Flexible Income Annuity.

Any changes made to the benefits we provide, or to the terms of this **policy**, can only be made by us.

This **policy** booklet outlines our understanding of the tax treatment and regulations governing the **policy** at the date of issue.

It is important to understand that, like all legislation, the tax treatment and other provisions could change in future.

If you would like a copy of this **policy** booklet and the **policy schedule** in braille, large print or on audio tape, please contact us at the address shown on this page.

Definitions

We have highlighted some of the technical words we use in bold. Definitions are given in Part G.

Where we have used the words 'we', 'us', or 'our' in this **policy** they mean Retirement Advantage, which is a trading name of MGM Advantage Life Limited. Unless otherwise stated, the words 'you' or your' mean the **annuitant**.

Enquiries

If you have any query about your Flexible Income Annuity, please contact your intermediary or telephone us on 0800 032 7690.

Alternatively, you can write to us at:

Retirement Advantage
MGM House
Heene Road
Worthing
West Sussex
BN11 3AT.

Please remember to quote your **policy** number (shown in your **policy schedule**) in any correspondence you have with us.

Part A

Outline of the Flexible Income Annuity (Open Market Option)

This part applies only where the **policy** is shown as a Flexible Income Annuity (Open Market Option) on the **policy schedule**.

The Flexible Income Annuity (Open Market Option) can receive payments from only one **registered pension scheme**.

We have accepted a payment from a **registered pension scheme** and this **policy** derives from the **registered pension scheme** shown on, or in connection with, the **application**.

The **policy** was entered into by the trustees or administrator of the **registered pension scheme** paying the **purchase price** to us for the **policy** ("the paying scheme").

However, the **policy** has been set up solely for your benefit and the benefit of any **dependant** as detailed in this booklet and confirmed in the **policy schedule**.

This is designed to give you direct contractual rights with us and to allow you to deal direct with us.

The trustees or administrator of the paying scheme have decided that all contractual rights under the **policy** are to be enforceable only by you, or by any other person who may be entitled to receive the benefit, and not by the trustees or administrator of the paying scheme.

The **policy** provides a **lifetime annuity** and satisfies the conditions for a **lifetime annuity** set out in the Finance Act 2004.

We cannot accept any liability if the **policy** terms you choose are not allowed under the provisions of the paying scheme.

If we discover that any of the terms of your **policy** do not comply with those provisions, we may (as agreed with the trustees or administrator of the paying scheme at that time) have to change the amount and/or terms of your annuity. Alternatively, the trustees or administrator of the paying scheme may make arrangements for additional separate payments to you.

Part B

Outline of the Flexible Income Annuity (Immediate Vesting Pension)

This part applies only where the **policy** is shown as a Flexible Income Annuity (Immediate Vesting Pension) on the **policy schedule**.

We have accepted a payment from one or more **registered pension schemes** into the Retirement Advantage Personal Pension Plan ("the Plan") which is also a **registered pension scheme**.

You became a temporary member of the Plan on the date we received the first payment into the Plan and any supporting information that we need relating to the payment. We will send you a copy of the Plan rules upon request.

We may, with the agreement of the trustee of the Plan, change the Plan rules in the future. If we do change the rules of the Plan and you are affected by the change(s), we will give you as much notice as we can about the change(s) and, if practicable, at least three months' notice.

The **purchase price** from the Retirement Advantage Personal Pension Plan being used for your Flexible Income Annuity (Immediate Vesting Pension) will provide you with a **lifetime annuity** satisfying the conditions for a **lifetime annuity** set out in the Finance Act 2004.

However, before **application** of the **purchase price**, you can normally apply to take a pension commencement lump sum (a tax-free cash sum within limits set by **HMRC**).
If you do not apply to take a pension commencement lump sum at this time, your right to any pension commencement lump sum in relation to the payment into the Plan will be lost.

Part C

General rules

1. Interpretation
Words we use in this **policy** which indicate the male or female gender include the other gender.

Words we use in this **policy** which indicate the singular include the plural and vice versa.

The only exception to these general rules is where the interpretation would be inconsistent with the subject matter or content.

If any provision of this **policy** is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any event be affected or impaired.

References to any legislation or any provision of it include references to any secondary legislation made under it.

References to any legislation (whether primary or secondary) or any provision of it include references to any previous legislation or provision relating to the same subject-matter or to any modification or re-enactment of it for the time being in force.

2. Legal information
Our full legal name is MGM Advantage Life Limited. Our head office is at MGM House, Heene Road, Worthing, West Sussex, BN11 3AT, United Kingdom. Retirement Advantage is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

We shall classify you as a "Retail Client" for the purposes of the rules of the Financial Conduct Authority.

3. The law that applies to the policy
The law that applies to this **policy** is English law.

4. Currency, residency and place of payment.
You must be resident in the United Kingdom when you apply for the **policy**, and at the **commencement date**. Any payments into or out of this **policy** will be made in the United Kingdom in the currency of the United Kingdom and any payments to you will be made only via a bank or building society registered in or with an office in the UK where you are the account holder or a joint account holder.

5. Initial information
The information you provided must have been correct on the **commencement date**.

Before we pay any benefit under the **policy, HMRC** rules require certain checks to be completed. We (or the trustees or administrator of the scheme making a payment to us on your behalf) will require confirmation that the value of all your benefits

- already paid and
- in payment to you

from all **registered pension schemes**, including from your Flexible Income Annuity, will not attract a **lifetime allowance charge**.

We cannot accept any liability if it is later discovered that you have become liable to pay a **lifetime allowance charge**.

In addition, before we pay any benefits under the **policy**, we may require evidence of your date of birth and the date of birth of any other person to whom benefit is to be payable.

If the date of birth previously notified to us is incorrectly stated, we will adjust the benefits to those that would have applied if the correct date of birth had been given. We will make any further adjustments that are required to collect any overpayments from the **annuitant** or pay any underpayments that were made before the mistake is corrected.

We do not pay interest on any adjustments that are made due to underpayment, or charge any interest on any adjustments that are made due to overpayment, where dates of birth or any other relevant information is later found to be incorrect.

We make every effort to ensure that we set up and administer your annuity correctly. However, if a mistake is made we will correct any errors found as soon as possible.

6. Dealing with this policy

We may need to see certain documents when we are dealing with this **policy**. Precise requirements will be detailed at the relevant time and will depend on the claim being made or the change required. For example:

- evidence of age
- proof that you or any other individual is entitled to receive payments under this **policy**.

We may use electronic means to obtain this proof.

7. Payments made by us

We will not make any payments until all our requirements (referred to in sections 5 and 6 above) have been met.

We will make payments by direct credit or any other method we agree. We will not make any payments in cash.

We will pay the pension to the **annuitant** (or **dependant** if appropriate).

We may need to change our agreed methods of payment in the future, for example because of changes in banking requirements or circumstances beyond our control.

If practicable, we will give you three months' notice if a change is required.

8. Events or circumstances beyond our control

We shall not be liable to pay any compensation for loss due to an event or circumstance beyond our control, including the circumstances in section 11.

9. The Proceeds of Crime Act 2002

The Proceeds of Crime Act 2002 requires us to report any dealing suspected of involving the proceeds of crime to the National Crime Agency (NCA).

In such circumstances we are prevented by the Act from discussing such reports with you. If there is any delay in acting on your instructions or paying benefits as a result of any restrictions placed upon us by the Act, we will not be liable to any person for any loss this may cause.

10. Variation of the terms of the policy

In addition to the provisions in this **policy** allowing us to alter charges (see sections 14, 17.4, 17.6, 19, and 30), and **Lifetime bonuses** (see section 18), we may make reasonable and proportionate changes to the terms of this **policy** to reflect:

- changes in any law, taxation, rules or regulations, or rulings by a Court, Ombudsman, Regulator or similar body, or
- changes in any tax or levy which has to be paid by us, excluding any liability relating solely to any **investment fund**, which significantly alter the basis on which we set up this **policy**
- changes to the services provided by any third parties that we appoint to provide services associated with the administration of the **policy** (including **investment fund** managers)
- any other reasonable issues outside our control, including variations in inflation rates and investment conditions.

In particular, we may change the terms of this **policy** if we consider that the changes are necessary, or desirable, to ensure that the annuity provided by this **policy** is consistent with **HMRC** requirements.

We will tell you about any such change to the terms of the **policy** giving you one month's notice, or as soon as reasonably practicable, and will explain the reason for the change and any restrictions set by legislation.

During this notice period, if you are unhappy with the proposed amendment or supplemental Terms and Conditions, we will not increase the transfer out fees and charges and you will be free to transfer to another arrangement allowed by **HMRC** rules (subject to the existing transfer out fees and charges).

11. Taxation

Pension payments made under this **policy** are subject to income tax as set out in the relevant legislation. Generally payments will be made net of income tax to the recipient under the PAYE system.

Where the policy is shown as a Pension Annuity (Immediate Vesting Pension), we will deduct any lifetime allowance charge from the value transferred.

Any lump sum payment made under the Value Protection option may be taxed as described in section 27.3.

12. Unauthorised payments

Notwithstanding any provision to the contrary, nothing in this **policy** can require us to make an **unauthorised payment** as defined in part 4 of the Finance Act 2004 and we have no liability to you in respect of any **unauthorised payment** that is made.

13. Third party rights

This **policy** does not confer any rights on any other person or body other than the parties to the **policy**. No other person or body shall have rights pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any terms under this **policy**.

14. Transfers

It may be possible to transfer your **lifetime annuity** to another **lifetime annuity** if legislation and **HMRC** rules allow and the other arrangement is willing to accept the transfer. Transfer to anything other than a **lifetime annuity** will not be permitted.

It will not be possible to transfer where your **policy** has already been converted to a fixed income.

Any such transfer may be subject to a transfer charge as described in section 29.

15. Commutation

The benefits payable under this **policy** cannot be commuted or cashed in (in part or in full), except to comply with:

- a pensions sharing order on divorce or dissolution of a civil partnership, or
- orders made under the Proceeds of Crime Act 2002, or
- subject to our prior agreement, as otherwise allowed by legislation.

16. Language

The language in which this **policy** is supplied is English and this is the language in which we shall communicate with you for the purposes of this **policy**.

Part D

The investment funds

17.1 Investment choice

You must decide where you would like the **purchase price** invested by choosing one or more of our **investment funds** available at that time for your **policy**.

We may introduce new **investment funds** at any time or close, divide or merge at any time (see section 17.5).

You can ask us at any time for details of the current **investment funds**.

When we receive the **purchase price**, together with the initial information needed (see section 5), we will use it to buy **units** in the **investment fund**(s) you have chosen.

17.2 Valuing the investment funds

We calculate the value of each **investment fund** at 12.00 noon on each working day.

We value each **investment fund** on two bases. The first valuation basis uses the price at which the assets of the **investment fund** might be bought (the "buying basis"). The second valuation basis uses the price at which the assets might be sold (the "selling basis"). Any taxes or levies that have to be paid will be deducted from the values calculated.

We will decide which of the two bases of valuation, or any in between, should be used to calculate the **unit price** by assessing the expected movements into and out of an **investment fund**. If an **investment fund** is increasing in size, the valuation will normally be based on the "buying basis". If an **investment fund** is reducing in size, the valuation will normally be based on the "selling basis".

Each unit in an **investment fund** has a single **unit price.** This is the price at which **units** are bought or sold. The **unit price** for an **investment fund** is calculated by taking the value of the **investment fund** on the basis that applies at the date of calculation (as set out above) and dividing the value by the total number of **units** in the **investment fund**. The **unit price** is then rounded to the nearest 0.001 of a penny, with 0.0005 rounded up to the higher 0.001.

17.3 Allocation and cancellation of units

Units are purchased in the **investment fund**(s) you have chosen, based on the **unit price** published on our website (retirementadvantage.com) on the later of the date we receive the **purchase price** and the date we receive the last document which we require to support the purchase.

This **unit price** will be that calculated for the previous working day (we reserve the right to change the date that the **unit price** is calculated). We calculate the number of **units** purchased by multiplying the **purchase price** by the **Allocation Rate** and then dividing this amount by the **unit price** that applies. We will round the number of **units** to the nearest 0.001 part of a unit with 0.0005 rounded up to the higher 0.001.

The division of **investment funds** into **units** is notional and you have no legal rights to the underlying investments.

Income payments will be made to you by cancelling **units** (see section 17) to the value of each income payment, before any tax has been deducted. Other transactions giving rise to the cancellation of **units** are product charges, and adviser fees.

We will cancel **units** from all the **investment funds** applying to your **policy** on a proportionate basis.

Units are cancelled from each **investment fund** based on the appropriate **unit price**. We will round the number of **units** to the nearest 0.001 part of a unit with 0.0005 rounded down to the lower 0.001.

We reserve the right to delay a transaction for up to six months if:

- the **investment fund** does not hold sufficient liquid assets (assets which can be easily sold or converted into other assets), or

- in our opinion, a delay would be in the interests of you and other **policyholders**, for example, in poor market conditions where there is a significant fall in the market value of the **investment fund**'s assets.

17.4 Changing your investment choice

You can ask us at any time in writing, unless we have agreed an alternative method of communication with you, to switch existing investment(s) to other **investment fund**(s) of your choice. There are two restrictions which may apply unless all of the **units** in an **investment fund** relating to your **policy** are switched. We may set:

- a minimum value of **units** which can be switched, and
- a minimum value of **units** which must remain in any **investment fund** after a switch out.

You can ask us for details of the current minimum amounts at any time.

We will switch investments by cancelling **units** to the value you wish to switch from an **investment fund** and replace these with **units** in another **investment fund** or **investment funds** to the same value. Any investment instruction received before 12 noon will be applied using the **unit prices** on the next working day. Any investment instruction received after 12 noon on any day will be applied using the **unit prices** on the next but one working day.

We do not currently apply a charge for implementing a change to your investment choice. However, we reserve the right to apply a charge where you request more than six investment switches in any calendar year. We also reserve the right to introduce a charge in future for implementing a change to your investment choice and will give three months' notice if we intend to introduce such a charge.

17.5 Closing an investment fund

We can, at our discretion:

- close an **investment fund** to new money in respect of Flexible Income Annuity policies
- require that all investments under Flexible Income Annuity policies are moved to another fund (i.e. completely close an existing **investment fund** as far as Flexible Income Annuity policies are concerned).

We will give you at least three months' notice of any changes where this is practicable.

If we close an **investment fund** for Flexible Income Annuity policies, no new Flexible Income Annuity policies money can be invested in that **investment fund**.

If we close an **investment fund** to new and existing Flexible Income Annuity policies, all the **units** in the **investment fund** relating to Flexible Income Annuity policies will be switched to other **investment fund**(s).

At, or before, the date of closure, you may choose which other **investment fund**(s) your **units** should be switched to. If you do not tell us which **investment fund**(s) should be used for this purpose, we will switch **units** in the closed investment fund to a default investment fund which we will specify.

17.6 Charges from the investment funds

We may deduct an annual charge, on a daily basis, in determining the **unit price** of each **investment fund**.

There may also be additional expenses which are taken directly from the **investment funds**, or from the underlying investments of the **investment funds**, and which are taken into account in calculating the value of the **investment funds**.

These additional expenses are the normal costs, taxes, duties and other charges incurred in holding, purchasing, managing and selling the assets of the **investment funds**.

You can ask us for details of any charges that are currently applied to any **investment fund**(s) and we will give you at least three months' notice of any change to the annual management charge, unless the change results from a legislative or regulatory change outside our control (in which case we will give you as much notice as is practicable).

18. Lifetime bonus

Lifetime bonus may be added to the value of your investments unless your income is payable as a fixed income (see section 26).

This **lifetime bonus** will vary each month depending on your age, and on the death benefits chosen. If death benefit in the form of a guaranteed period (see section 27.1), with proportion (see section 27.2), or value protection (see section 27.3) applies, **lifetime bonus** will be reduced to meet the cost of the death benefit.

Any **lifetime bonus** will be used to provide additional **units** proportionately across the **investment fund**(s) you have chosen and will be added monthly.

The level of **lifetime bonus** added could alter if we change our assumptions about Flexible Income Annuity **policyholders**' life expectancy (how long **policyholders** are expected to live). The assumptions we use to calculate the **lifetime bonus** will be reviewed in the second half of each year, and will be applied from the end of the year (although no changes will be made during the first year of the **policy**).

We will take into account changes in external published mortality tables, projections and other relevant sources of information, our experience across similar policies, changes in health and healthcare and other valid reasons that affect our view of future mortality that are outside our control and could not have been reasonably foreseen. There is no minimum or maximum change to the **lifetime bonus** rates.

If the review shows that **annuitants** are living longer than we originally thought, the level of **lifetime bonus** added will be lower in future.

If the review shows that **annuitants** are not living as long as we originally assumed, the **lifetime bonus** added will be higher in future.

If we change the level of **lifetime bonus**, we will apply an adjustment to income at the next income review (see section 23), We will advise you of any change to the **lifetime bonus** in your annual statement. The calculation of **lifetime bonus** will allow for the revised assumptions about life expectancy until any further revision.

Where a **Dependant's** pension is payable after your death, **lifetime bonus** will continue to apply.

19. Charges

We will deduct the charges as described below.

19.1 Annual policy charge

We collect an annual **policy** charge, in monthly instalments, from the **commencement date** and on each monthly anniversary of the **commencement date**, to cover our administration costs and the cost of the **minimum income** guarantee (see section 22).

We will calculate the annual **policy** charge as a percentage charge against each fund. We will apply this percentage to reduce the number of **units** held in respect of your **policy**.

The annual **policy** charge could vary according to any changes to the **required fund performance** which result from changes to the amount of income you choose to receive, your **investment fund** choice, or the adviser fees you pay (see section 23)

In addition, we may make reasonable and proportionate changes to the annual **policy** charge for existing **policyholders** based on any other reasonable issues outside our control, including expense levels or legislative change.

The initial percentage charge will be indicated in your Key Features Illustration, although the actual percentage charge will depend on your overall fund value, and fund choice at any given time. Your annual statement will confirm the **policy** charge that has been deducted over the previous twelve months. You can ask us for details of the current annual **policy** charge applying to your **policy**.

Part E

The benefits payable

20. Introduction

This section gives more detailed information on the benefits that may be provided under this **policy**. The **policy schedule** shows the options chosen.

21. Pension payments

You must take an income from your **policy** for the rest of your life.

You can select the amount of income you require at any time.

You must take income each year between the minimum and maximum that we calculate, and not less than the level of the **minimum income guarantee** (described in section 22).

If you require a change in income level (an "on request" review – see section 23) we will calculate a revised **benchmark** and new minimum and maximum amounts, and a new **required fund performance** percentage. If the income level you request is above the new maximum, it will be restricted to the maximum amount.

We will calculate the **benchmark**, with reference to market annuity rates and allowing for the following:

- the value of investments in your **policy**
- your personal circumstances and those of any **dependant**s
- the death benefits you have chosen (see sections 27 and 28)

22. The minimum income guarantee

The **minimum income guarantee** ensures your income from the **policy** will never fall below a certain level.

Your **minimum income guarantee** will be 50% of your **benchmark** (see section 21) at the **commencement date**.

If additional transfer monies are received from the ceding scheme(s) after your policy has commenced, the minimum income guarantee will not be increased.

The amount of your **minimum income guarantee** is shown in your **policy schedule**.

Where you have chosen a **dependant**'s pension (see section 31), the **minimum income guarantee** will

- continue to apply to the **dependant**'s pension after your death but
- will be calculated by applying your **dependant**'s percentage rate to your **minimum income guarantee**. For this purpose, the "**dependant**'s percentage rate" is the percentage of your pension that you chose to continue to your **dependant** after your death. The **dependant**'s percentage rate is shown in your **policy schedule**.

If you have chosen value protection (see section 27.3) and **dependant**'s pension (see section 28), the value protection payment will be made first. The **dependant**'s **minimum income guarantee** will be calculated as: -

- the percentage rate you chose for the **dependant**'s pension multiplied by the ratio of:

  a) the remaining fund in your **policy** immediately after payment of any value protection amount,

  to

  b) the fund immediately before payment of any value protection amount.

The resulting percentage will be applied to the original **minimum income guarantee**.

Depending on the amount payable under the value protection option, there may be no fund for the **dependant**'s pension.

The **minimum income guarantee** would change following the **application** of a pension sharing order (as a result of divorce or dissolution of a civil partnership).

Unless your policy is converted to a fixed income annuity (see section 26), income payments subject to the **minimum income**

guarantee will be made from the **investment fund**s in which the **policy** is invested.

23. Income reviews

We will review your income at least every three years - the "three yearly review". We will carry out the calculations on every third **policy** anniversary.

You can also ask us to change your income level at any time unless your income is payable as a fixed income (see section 26).

We will complete an earlier review following the **application** of a pension sharing order (as a result of divorce or dissolution of a civil partnership) – a "pension sharing review". For a pension sharing review, we will perform the calculations based on your age on the date that the pension sharing order is applied and the value of your **policy** immediately after the **application** of the pension sharing order.

At each review, we will calculate your default revised income level. This is the level of income that is sustainable taking into account the value of investments in your fund, your required fund performance percentage and the expected level of future lifetime bonus (according to the most recent lifetime bonus review). Your income level will be automatically changed accordingly, but not below the **minimum income guarantee** (as described in section 22).

As the **required fund performance** takes into account the charges applicable for the funds you have chosen, your **required fund performance** may change if you have switched funds or the percentage invested in each of your chosen funds has changed since the last review.

The **required fund performance** may also change if:

- the relative size of the ongoing adviser fee has been changed (or if a one-off adviser fee has been taken), or
- we amend our charges (see section 19.1) .

If your fund has grown consistently at the **required fund performance** and there has been no change in the **lifetime bonus** or charges applied since your last review, your fund will be at the level required to sustain your current income level and there will be no change.

If your fund value is different from the fund required to sustain your current income level, your income will be changed proportionately. This might be because:

- performance of your fund has not met, or exceeded the **required fund performance**
- **units** relating to your **policy** were sold to produce income at a time when **unit price**s were relatively low (meaning more **units** were sold to meet your income requirements), or high (meaning fewer **units** were sold to meet your income requirements)
- we have reviewed and altered the level of **lifetime bonus** (either up or down)
- the charges applied to your **Policy** have changed
- the relative size of the ongoing adviser fee has changed (or a one-off adviser fee has been taken)

A new **benchmark** (as described in section 21) and minimum and maximum income amounts will be calculated.

The minimum is calculated as the lower of:

- 50% of **benchmark** at the income review date, and
- the default revised income,

but not less than the **minimum income guarantee**.

The maximum is the higher of

- 120% of '**benchmark**' at the income review date, and
- the default revised income.

We may change the “50%” and “120%” if required by legislation in the future, but we will give you at least one month’s notice of our intention to do this.

You will be informed of the maximum and minimum income available and the **required fund performance** for each. You can ask us to change your income to a new level within the maximum and minimum limits, though these limits will be recalculated at the time of the request.

24. Income payment options

Before the policy was set up, you were given the option to have income paid to you monthly, quarterly, half- yearly or yearly. The basis that you chose is confirmed as the “payment frequency” in your **policy schedule**.

We will not allow the “payment frequency” to be changed, but you can change the amount of income you receive at any time provided that

- your income has not been altered to a fixed income (see section 26)
- the new amount is within the limits described in section 23, and
- you advise us in writing at least ten working days before the income payment date from which the new income amount is to be paid.

We will deduct tax from your income payments based on the personal tax code advised by **HMRC** before making payment to your nominated bank account. We will use the emergency code basis if your personal tax code is not available.

25. Payment timing

Each annuity payment will be made either “in advance” or “in arrears”.

If paid in advance, each payment will be in respect of the period until the next annuity payment date.

If paid in arrears, each payment will be in respect of the period since the last annuity payment date.

26. Conversion to a fixed income

If 120% of the **benchmark** (see section 21) calculated at any time reaches a level where it is the same as or lower than your **minimum income guarantee**, your **policy** will be switched to the ‘fixed income’ basis. The fixed income will be the amount of the **minimum income guarantee.**

We will write to you and warn you if conversion to a fixed income is likely to happen.

We may change the **benchmark** percentage at which we calculate whether the **policy** should be switched to a fixed income in the future, but we will give you at least one month’s notice of our intention to do this.

You can also apply to move to a fixed income at any time. In any event, your **policy** will be converted to a fixed income basis on your 90th birthday unless you choose to transfer it to another provider.

The fixed income annuity will be calculated by us based on terms set at the time of conversion to fixed income, but will allow for any health-related adjustments that were made at the **commencement date** (either yours, and/or your **dependant**’s health if a **dependant**’s pension, as described in section 28, is included in the **policy** terms).

A “fixed income” will reflect the basis that you chose for the **policy** in relation to:

- any remaining guarantee period (see section 27.1),
- with or without proportion on death (see section 27.2), and
- **dependant**’s pension (see section 28).

The terms will use **mortality assumptions** and charges based on the **lifetime bonus** rates and annual **policy** charge used immediately before conversion, but allow for the different risks associated with a fixed income annuity. We will calculate the fixed income using investment yields appropriate to a fixed income annuity which are available at the time of the conversion. In the first year of your **policy**, we will have additional regard to market annuity rates, and our costs in setting up your **policy**.

You will no longer be able to alter the level of payments you receive, and you will not be able to switch back to an income that varies in line with investment performance.

27. Death benefits

The **annuitant**'s pension will be payable for life and will cease on the **annuitant**'s death unless a death benefit is selected (see 27.1, 27.2, 27.3 and 28).

27.1 Guaranteed period

The annuity may include a guaranteed period of up to 10 years from the **commencement date**.

If you die before the end of the guaranteed period you chose, a fixed income will be paid until the end of the guaranteed period.

We will have discretion to decide who will receive payment of the fixed income for the remainder of the guaranteed period. However, although the final decision is for us to take, you may indicate your wishes to us by nominating one or more individuals to receive payment.

The income payable to beneficiary(s) on your death may be taxable at a rate set by HMRC for such payments. If you die before age 75 the income payments will be made to beneficiary(s) tax-free until the end of the guarantee period. If you die from age 75 onwards the income payments made to beneficiary(s) will be taxed at their marginal rate of income tax.

The fixed-income payments to the end of the guarantee period will be 100% of the **benchmark** income figure as described in Q21, calculated at the later of:

- commencement, or
- the last income review, or
- when you last requested an income change

If the annuity has already been converted to a fixed income annuity (see section 26) then the guarantee payments will be at the same level as the first life.

If you chose a **dependant**'s pension, the fixed income payments will be paid until the end of the guaranteed period, then the **dependant**'s pension will start.

Income reviews will be suspended until the end of the guaranteed period. However, the **dependant** can choose to switch **investment funds** (see section 17.4).

An income review will be carried out at the end of the guaranteed period.

The **dependant**'s pension will be calculated by using the fund reduced by the relevant percentage and allowing for:

- the **required fund performance** you chose or
- a new **required fund performance** that your **dependant** chooses,
- but otherwise as described in section 21 and subject to a minimum of the **dependant**'s **minimum income guarantee.**

If you die before the end of the guaranteed period you chose, the final annuity payment date will be the last payment due before the end of the guaranteed period if paid in advance and due at the end of the guaranteed period if paid in arrears.

If payments are being made to a dependant, the option to transfer out or convert to a fixed income will only be available after the guarantee period is finished, and will be in relation to the value of the dependant's benefits only.

27.2. With or without proportion to death

If you die after the end of any guaranteed period (see section 27.1), the last annuity payment will be the one due immediately before the date of your death, but this may change as a result of the options you chose for your annuity payments.

If you chose annuity payments:

- "in arrears" (see section 25) and
- "with proportion to death" this means that

a further payment will be made for the period from the date of the last annuity payment before your death to the date of your death.

The amount of this further payment will be calculated by multiplying the amount of your annuity payment for the year by the number of days between the date of the last annuity payment before your death and the date of your death, then dividing by 365.

If you chose annuity payments

- "in arrears" and you chose "without proportion to death", or
- "in advance"

the last payment will be the one immediately before your death.

If the annuity is payable "in advance", we will not reclaim any of the final annuity payment made before your death.

27.3 Value protection

If you have not chosen a guaranteed period (see section 27.1), you may select "value protection" when you apply for your **policy**.

"Value protection" means that, if you die before your 75th birthday, and you have not moved to a fixed income (see section 26), a lump sum will be paid.

We will have discretion to decide who will receive payment of the lump sum. However, although the final decision is for us to take, you may indicate your wishes to us by nominating one or more individuals to receive payment.

The lump sum may be taxable at a rate set by HMRC for such payments. The value protection payment will be paid tax-free to your beneficiary.

If you chose value protection, you also chose the rate of value protection (a fixed percentage of the **purchase price** of your **policy**, up to 100%). If value protection applies, this will be confirmed in your **policy schedule** together with the value protection percentage rate.

The value protection payable on death is then calculated as:

- the value protection percentage you chose applied to the **purchase price** of your Flexible Income Annuity then reduced by
- the total annuity payments made to the date of your death ignoring any income tax deductions.

27.4. Dependant's pension

When you set up your Flexible Income Annuity you can choose to include a **dependant**'s pension for a **second Annuitant**. If you choose such a **dependant**'s pension, the details will be confirmed in your **policy schedule**.

If you also chose value protection (see section 27.3), the value of your **policy** after payment of the value protection will be available for your **dependant**'s pension.

The percentage rate chosen for the **dependant**'s pension will be applied to the value of the **policy**:

- on the date we receive your death certificate or other formal notification that we, at our discretion, accept as meeting our requirements for formal confirmation of death, or, if later,
- at the end of any guaranteed period that you chose (**see section 27.1**).

The minimum income guarantee will be calculated as detailed in section 22.

The dependant's income will be calculated based on the remaining fund value and the required fund performance you chose. The dependant's pension will continue to be paid at this level until the next income review that happens after your death, and future income reviews will be based on this required fund performance (**see section 23**), unless

- your dependant chooses to change their income level between minimum and maximum amounts (**see section 23**)
- the policy is automatically moved to a fixed income basis (**see section 26**).

If your policy was on the fixed income basis prior to your death the dependant's pension payable will be calculated by:

- multiplying the dependant's percentage selected at outset, by the income level that applied prior to your death.

Alternatively, your **dependant** can choose to have a fixed income if under age 90 and, in any event, a fixed income will apply from age 90, all as described in section 26.

Any **dependant**'s pension will only be paid to the **second Annuitant** named in the **policy schedule**, if that person is still alive.

The **dependant**'s pension will start on the next payment date after the date of your death or, if later, at the end of the guaranteed period (**see section 27.1**).

The **dependant**'s pension will be payable for life and will cease on the **dependant**'s death. The final payment due will be the one made immediately before the date of the **dependant**'s death.

The income payable to your dependant on your death may be taxable at a rate set by HMRC for such payments. If you die before age 75 any income payments made to your dependant will be tax-free. If you die from age 75 onwards any income payments made to your dependant will be taxed at their marginal rate of income tax.

28. Transfer out to another provider

On request and subject to section 14, as long as your policy has not been converted to a fixed income, we will calculate a transfer value for the contract (see section 14). You must provide evidence about your health in order to receive a transfer value.

We will calculate the transfer value as the fair value of the future benefits from your **lifetime annuity** based on our then current view of your life expectancy. We will also take a charge for the costs we incur in processing the transfer.

The transfer value can therefore be lower than the unit value because:

- Our view of future life expectancy of FIA **policyholder**s, **dependant**s and transferring **policyholder**s may be different to that underlying the calculation of **lifetime bonus**.
- Your health, or that of your **dependant**s, may have deteriorated since the **commencement date** faster than was expected (in our opinion and based on information you and/or a registered medical practitioner gives to us about your health) and therefore your future income would have been paid for a shorter time than expected.
- **Lifetime bonus** has been given based on the assumption that the **policy** is not transferred out. For a **policy** transferring out, the amount of **lifetime bonus** added to your **policy** to date may be higher than is fairly due up to that point.
- We make a deduction to recover initial costs we incurred in setting up the **policy** if you transfer out within 5 years of commencement.
- We make a charge for processing the transfer.

Part F

Additional information

29. Cancelling the policy

You have the right to cancel within 30 days of your contract being set up.

Immediate vesting personal pension

If you are combining more than one pension fund into an Retirement Advantage pension before converting to an annuity (known as an immediate vesting personal pension or IVPP), you have 30 days to cancel from the day we tell you we have received the first pot of money from your existing pension provider(s). We will write to you and provide a notice about your right to cancel. You need only return this cancellation notice if you wish to cancel your annuity with us.

Open market option

If you are using your open market option to move a pension fund with another provider to Retirement Advantage you will receive a notice of your right to cancel when your annuity begins. You have 30 days to cancel from the day the cancellation notice was received.

In both cases

If you decide to cancel your policy, you must return the cancellation notice within 30 days. You just also return any money received, including any tax-free cash payments. On cancellation, we will try and return your pension fund (less any adviser charge or implementation fee paid to your intermediary) to your original pension provider. We will calculate the fund's value on the date we receive the notice. If the value has fallen, we will pay the lower amount. Please bear in mind that the original pension provider may refuse to accept the repayment on the terms that previously applied to you, or they may not even accept it at all. If so, you will be responsible for finding another provider who will accept the transfer of the pension fund. If we do not receive new instructions or we cannot act on them, we will set up a Flexible Income Annuity as originally instructed.

30. Financial Services Compensation Scheme

The **policy** is covered by the Financial Services Compensation Scheme for the purpose of providing compensation in the unlikely event of Retirement Advantage's insolvency.

If a charge is imposed on us under the Financial Services Compensation Scheme (or any other investor compensation scheme), we can pay for it by imposing on our **policyholder**s whatever level of charges is necessary and reasonable, subject to complying with legal and regulatory requirements. As such, if such a charge is imposed in relation to the **policy**, we may make an appropriate deduction from benefits payable under the **policy**.

31. Notices to annuitants

You and your **dependant** must give us an address to which we will send any notices. These notices will be treated as having been received by you, or by your **dependant** after your death, two postal days after posting (excluding Sundays and Bank Holidays). Changes in address need to be notified to us promptly.

32. Complaints

We hope you will never need to, but if you ever wish to complain about any aspect of the service you receive from us, please write to us at the address on page 2.

Please quote your **policy** number (shown in your **policy schedule**).

If you or your beneficiaries are not satisfied with our response to your complaint, you may be able to take the complaint to the Pensions Advisory Service (TPAS), 11 Belgrave Road, London SW1 V1RB or to the Pensions Ombudsman, at the same address.

You or your beneficiaries can also refer any complaint to the Financial Ombudsman Service, Exchange Tower, London E14 9SR.

The services of TPAS, the Pensions Ombudsman and Financial Ombudsman

Service are free for anyone taking a complaint to them and your legal rights will not be affected if you subsequently decide not to accept their findings.

The telephone numbers of these organisations are:

The Pensions Advisory Service (TPAS):
0300 123 1047

Pensions Ombudsman
020 7630 2200

Financial Ombudsman Service:
0800 0234 567

33. Long-term business

The benefits arising under this **policy** are part of our "long-term business" within the meaning of the Financial Services and Markets Act 2000.

34. Pensions business

This annuity is also classed as pensions business under section 58 of the Finance Act 2012. The **purchase price** of your Flexible Income Annuity must relate to pension business in the way described in section 58 of the Finance Act 2012. If we discover that the **purchase price** did not meet these requirements, we may modify the **policy** in whatever way is necessary to ensure that **HMRC** does not impose any penalty on us.

Part G

Definitions

This section explains what various expressions used in this **policy** booklet mean. Where they are used they are shown in bold in the text.

Allocation Rate

the percentage of your fund used to purchase **units** at the start of your **policy**. This will be 100% if you have a financial adviser and are paying them on an 'adviser fees' basis.

If you have not received any financial advice to commence this Plan, but it was facilitated by a third party, the third party will be eligible for the payment of commission. If commission is paid to the third party your **allocation rate** may be above or below 100%.

Annuitant

the person who will receive the pension annuity payments

Application

the form signed by the **annuitant** to take out this **policy**.

Benchmark

the level of annuity that is calculated by reference to the value of investments in your **policy**, market annuity rates and other factors referred to in section 21, from which we determine the 50% minimum income and the 120% maximum income levels.

Commencement date

the date that this **policy** comes into force and is the date we received the fully completed **application** and payment unless we agree an earlier date in writing.

Dependant (second Annuitant)

the **policyholder's second Annuitant** is:

- The spouse or civil partner of the main **annuitant** when the **lifetime annuity** was purchased; or

An unmarried partner who is living with and financially dependent (or interdependent) on the main **annuitant** when the lifetime **annuity** was purchased.

Retirement Advantage may require proof of financial dependency (or interdependency) such as:

- Joint bank account
- Joint mortgage agreement
- Joint tenancy agreement
- Joint utility bill
- Joint council tax bill; or

Some other proof that they lived together at the date of death.

HMRC

this means Her Majesty's Revenue and Customs.

Investment fund

a pension **investment fund** which we agree as available for **policy** investments. These **investment funds** may be funds operated by us or by other fund managers chosen by us.

Lifetime allowance

the overall ceiling on the amount of tax privileged pension savings that any one individual can accumulate within **HMRC** rules. The exact figure is

- whatever the 'standard **lifetime allowance**', as set by **HMRC** rules, for the tax year concerned is, or

- a multiple of this figure where the individual concerned was eligible to apply to **HMRC** (and received confirmation from **HMRC**) for protection against the 'standard **lifetime allowance**'

Lifetime allowance charge

a tax charge imposed if total benefits taken by the **annuitant** from all **registered pension schemes** exceed the **lifetime allowance**.

Lifetime annuity

a pension provided from a **registered pension scheme**, under a 'money purchase arrangement'. The annuity is purchased from an insurance company of the **annuitant**'s choice and must satisfy the conditions set out in paragraph 3 of Schedule 28 to the Finance Act 2004.

Lifetime bonus
when **annuitants** die, their remaining funds after any death benefits are paid are retained by the company.

As an annuity, the **policy** is an insurance contract under which you stand to benefit from your continuing survival. Each month we add additional **units** to your **policy** by way of a **lifetime bonus**.

Minimum income guarantee
is confirmed in your **policy schedule** (see section 22) and ensures that your income from the **policy** (before income tax applies) will not fall below a minimum guaranteed amount except where a pension sharing order (from a divorce or dissolution of a civil partnership) is applied.

Mortality assumptions
are the assumptions we make about future life expectancy. We take into account external published mortality tables and projections, our experience across similar policies, changes in health and healthcare, and other valid reasons that affect our view of future mortality that are outside our control and could not have been reasonably foreseen.

Policy
this document, the **policy schedule** and any endorsements to it.

Policyholder
is the person in respect of whom the **policy** was established to receive pension payments and, after that person's death, the dependant if a **dependant**'s pension is confirmed in the **policy schedule**.

Policy schedule
the document that makes these general terms personal to the **annuitant**. It includes details such as the **commencement date**, the amount of the **lifetime annuity** and confirms the benefit options selected. If any of the information on the **policy schedule** changes, we may send another one to the **annuitant** or an endorsement recording the new details. These will then form part of the **policy schedule**.

Policy year
each period of 12 consecutive months starting on the **commencement date**.

Purchase price
the amount of the **annuitant**'s pension fund to be used to buy the **lifetime annuity** under the **policy** after:

- any pension commencement lump sum
- payment of any Initial Adviser Fee
- where the Flexible Income Annuity (Immediate Vesting Pension) option applies (as shown in the **policy schedule**): for any deduction to meet the **lifetime allowance charge** and where any fund in excess of the **lifetime allowance** is paid as a lump sum

Registered pension scheme
a pension scheme registered under Part 4 of the Finance Act 2004.

Required fund performance
this is a guide to the investment performance required in order to achieve income in line with the income level you choose.

Scheme sanction charge
a tax charge imposed on a scheme administrator (the person responsible for certain aspects of the management of the **registered pension scheme**) when an **unauthorised payment** is made.

Second Annuitant
Please see **dependant** for the definition.

Unauthorised payment
is defined in section 160 of the Finance Act 2004. Broadly it is any type of payment which, if made, would give rise to an **unauthorised payment** tax charge under the Finance Act 2004.

Units
the notional "**units**" into which we divide each **investment fund** and which we use to work out the value of your fund.

Unit price
the value of a unit in an **investment fund** as described in section 17.2.

About us

Previously known as MGM Advantage and Stonehaven, we are a well-established company that can trace its roots back to 1852. In 2015 we changed our name to **Retirement Advantage** – merging our retirement income and equity release divisions, to help us provide those who are in, at or approaching retirement with a range of simple, secure and flexible products to suit their needs.

Every year thousands of retirees rely on us for their income. And with more than £1.9 billion of funds under our management, and a heritage dating back over 150 years. You can trust us to keep your money safe and secure.

As a company that specialises in retirement, we believe that we know the needs of our customers better. Our award-winning expertise has allowed us to create products that can help you live well in retirement, using the money in your pension and/or the value of your property. You can find out more about us on our website at: www.retirementadvantage.com

Retirement Advantage is a trading name of MGM Advantage Life Limited.

MGM Advantage Life Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, registration number 598800.

You can check these details at:

- www.fca.org.uk/register; or

- by calling 0800 111 6768 or 0300 500 8082.

Options from ORIGO

We're a founder member of Options, a new industry-wide service provided by Origo. This service has reduced the time it takes to transfer money between pension companies so that we can start your annuity payments as quickly as possible. The service is similar to the BACS service run by the banks where money is electronically transferred between companies.

22-037 06/16