Personal Retirement Plan Trustees' Report

as at 5 April 2011

Useful information to help you understand your pension plan

The Children's Mutual™

About your pension

How we invest your money

We currently offer two investment funds:

- a Deposit Fund
- a Managed Fund

Deposit Fund

This fund aims for steady growth, with low risk, by investing in a cash account. If you're a cautious investor, or you're approaching retirement and are worried about the ups and downs of investments linked to shares, then this fund could be a solution for you. Please note, we take a charge each year to manage the investment. When interest rates are lower than the charge, the value of your plan could therefore go down. If you have only invested lump sums into your plan, the charge is 0.75% of the value of your plan. If you have paid in regularly by direct debit, then a higher charge of 6.75% applies to any amounts you paid in during the *first 12 months* of your plan only.

Managed Fund

This fund holds shares in the Global Allocation Fund (previously called the Managed Fund), which is looked after by UBS Global Asset Management. The Fund aims to maximise growth over the long-term. Normally this type of fund should do better than a deposit fund over the medium to long-term (five years or more). But share prices can go up and down, so you may get back less than you've paid in.

It's important that you should regularly review your investment objectives to make sure that the fund you've chosen is still right for you. Remember, you can switch both your current investment and future contributions between the funds at any time, and there's no charge for the first switch in each plan year.

Please see the enclosed Investors' Report for more information about these two funds.

Your annual statement

Your statement shows the total contributions we've received, and how they've been allocated to your chosen fund. This makes it easy for you to check that we've received your payments and invested them in line with your instructions.

Please take a few moments to read through your statement and call us on **0845 609 0085** if you have any questions.

Tax advantages

To encourage people to save for their retirement, contributions to most pension plans get tax relief. This means that if you're a basic rate taxpayer, for every £80 you pay into your pension plan in the tax year 2010-11, HM Revenue & Customs will add an extra £20 to your plan.

If you have a plan that started before 1 July 1988, for every £100 you pay into your plan in the tax year 2010-11 you can reclaim £20 from HM Revenue & Customs, through your tax return. If you are a higher rate taxpayer, you can claim the difference between the higher rate and the basic rate tax, which is an additional £20 through your tax return.

Payments shown in your statement include both your contributions and payments received from HM Revenue & Customs. You may need to send a copy of this statement to them to support your claim for tax relief on your contributions.

How the funds are taxed

The Deposit Fund grows completely free of all taxes.

The Managed Fund doesn't pay income or capital gains tax. But tax is automatically taken off any dividend income the Fund receives from the shares it holds, and you can't claim this tax back.

Things you should think about now

Why it's worth checking your pension plan regularly

You probably know how much income you'd like to receive when you retire. But is your pension on track? It's really important that you review your pension **regularly**. Things change, for example:

- your personal situation
- you become self-employed or employed

- you change jobs
- the Government changes pensions rules.

Changes in the economy can also affect your pension and your retirement plans. For instance, if interest rates stay low, this could affect the amount of pension you can buy when you retire. Therefore, you may need to think about making extra contributions towards your retirement. Unfortunately, you can't add to this pension plan (other than by continuing current monthly contributions), so please contact your Financial Adviser. If you don't have an adviser already, visit the IFA Promotions website for details of advisers in your local area: unbiased.co.uk

Please see the enclosed illustration for an estimate of what your pension plan might be worth when you retire, and how much income you could receive from it.

Changing circumstances

It's vital you tell us about any changes to your employment or income, as these could affect your right to tax relief. Please contact our Pensions Team on **0845 609 0085** if:

- your earned income stops or reduces, or
- your employer now provides a company pension scheme, stakeholder pension scheme or personal pension arrangement which you are (or will be) able to join.

Act now

It's essential to plan for your retirement as early as possible, as any delay can have a major impact on the amount of pension fund you can build up. Unfortunately, you can't add to this plan (other than by continuing current monthly contributions), so if you'd like to make extra contributions towards your retirement, please contact your Financial Adviser. If you don't have an adviser already, visit the IFA Promotions website for details of advisers in your local area: unbiased.co.uk

Changes to the Government payments.

The Government is making some changes. If you currently use your pension plan to 'contract out' of the State Second Pension (or SERPS, as it used to be called), these changes will affect you.

- From 6 April 2012, you won't be contracted out any more.
- After that date, the Government will stop sending us yearly National Insurance rebate payments for your plan.
- You can carry on making your own payments as usual.
- Your basic State pension won't be affected.

If you're contracted out, we wrote out to you earlier this year with some more information. If you have any questions, please call us on **0845 609 0085** or visit direct.gov.uk/en/Pensionsandretirementplanning

Protecting your contributions if you become sick

If your earned income stops or reduces due to long-term sickness, your pension contributions may also need to stop, or be reduced. But if your plan has what we call 'waiver of premium' benefit, your pension contributions will be paid for you in full until either:

- you're well enough to return to work
- you reach your chosen retirement age
- you're 60 years old, or
- you die,

whichever happens first.

We can't guarantee that we'll be able to cover everyone who asks for this valuable benefit – it does depend on things like your health (both now and in the past) and your job. But it's well worth asking our Pensions Team how much it might cost and what to do next if you'd like to apply.

Things to think about for the future – your Retirement Options

Taking income later

When you retire, the pension fund you've built up is normally used to buy what's called an 'annuity' (which gives you a regular income in retirement). Because of lower investment returns and the fact that people are living longer, the level of income you can buy with your fund is much lower than it has been in the past.

So, instead of buying an annuity when you retire, you may prefer to leave your fund invested and maybe take occasional withdrawals from it. Whatever you decide, Government rules require you to take all your retirement benefits no later than your 75th birthday (this requirement will shortly be removed). We don't offer this particular option, but when you reach the retirement age you chose at outset, you'll be able to move your fund without penalty to another provider who can.

Taking income straight away

If you decide to take an income from your entire pension fund when you retire, it's worth shopping around for the best deal available – our annuity rates may not be the most competitive.

Some more information about pensions

Stakeholder Pensions

To give everyone an opportunity to save for retirement, the Government introduced 'Stakeholder' pensions. Employers with more than five employees must make a Stakeholder scheme available to their employees. If you work for a smaller company, are self-employed, or even if you already belong to a company pension scheme, you can have your own Stakeholder plan. Because Stakeholder plans have low charges, they are likely to be the most cost-effective way of saving for your retirement (unless you can join your employer's company pension scheme). We don't offer a Stakeholder pension plan, and have no plans to do so in future.

Technical Information

Personal pension plans issued since 1 July 1988 are written in the name of the Trustee. The Trustee of the plan is Tunbridge Wells Equitable Friendly Society Trustee Company Limited and the plan administrator is Tunbridge Wells Equitable Friendly Society Limited.

The plan is registered as an appropriate Personal Pension Scheme and was originally approved by the Inland Revenue under Chapter IV of Part XIV of the Income and Corporation Taxes Act 1988. From 6 April 2006 it has been registered under the 2004 Finance Act. The Scheme rules adopted by the Trustee are the HM Revenue & Customs (HMRC) model rules. Copies of these rules can be provided on request.

Got a question?

Please get in touch with us on **0845 609 0085**. Lines are open Monday to Friday 8 am to 6 pm.

We'll be happy to answer your questions about the plan and how it works, but please note we can't give you advice as to which might be the most suitable options for you. All calls are recorded for training and security purposes.

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