

Key features of the **Compulsory Purchase Annuity**

Read on to find out the main points about the contract you're buying. You'll also get a personal illustration so you can put figures to the benefits you may receive in the future. Please take some time to go through both these documents to make sure you understand what the product is and how it works. Keep these safe with your other Compulsory Purchase Annuity documents – you may well want to refer to them again.

This guide refers to our product terms at October 2007.

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Its aims

- To provide you with a regular guaranteed retirement income to last your lifetime.
- To provide a member of your family, after you die, with a guaranteed retirement income, if you choose that option. In this booklet, 'family' means your husband, wife, civil partner or an adult who's financially dependent on you.

Your commitment

- To use the retirement fund you've built up, either with AEGON Scottish Equitable or another company, to buy the Compulsory Purchase Annuity.
- To exchange any such pension fund(s) for a guaranteed lifetime income for you and/or your family.

Risk factors

- Annuity rates may change by the time you buy your annuity.
- We won't know your final retirement income until:
 - your chosen retirement date (if your current plan is with AEGON Scottish Equitable)
 - we receive the money from your current pensions company or companies
- Choosing to add benefits to your annuity reduces your retirement income.
- Inflation may reduce the real value of your income over time.
- Your retirement income will stop when you die unless you've chosen an income for your family or a guarantee period.
- Once your annuity's set up, and your cancellation period has expired, you can't change your mind about it or cash it in.

Questions and answers

What is a Compulsory Purchase Annuity?

It's a plan designed to pay you a retirement income for the rest of your life.

To set up this plan you ask your current pension company or companies to send us the money from any pension plans you currently have with them after they've paid you any tax-free lump sum. If your current pension plan is with AEGON Scottish Equitable, we'll arrange this for you.

When we receive the first pension fund, we'll set up a conventional pension annuity that will provide you with a retirement income. If we're expecting more than one fund, we'll start paying you an income from each one as soon as we get it so your payments aren't delayed. It can also be used to provide a retirement income for your family, if you choose.

How flexible is it?

- You can take out this contract before you retire and usually between age 50 and the day before your 75th birthday.
- You can choose to set this up as a lifetime annuity or, if your pension fund is from a company pension scheme, as a scheme pension.
- You can choose the basis of your retirement income and how it'll be paid. You can find details of the choices in these sections:
 - 'What will my retirement income be?'
 - 'What choices will I have about how I get my retirement income?'
 - 'What happens to my retirement income when I die?'
- You can choose to have your income remain at the same level or increase automatically. You can choose a fixed percentage increase up to 5% each year or link your increases to the Retail Prices Index with a maximum yearly increase of either 2.5%, 3% or 5% (known as Limited Price Indexation).
- Once you've started to receive your income you can't cash in your plan, change it to another provider or temporarily stop payments.
- You can't take out this contract using a transfer from an overseas pension or a pension fund that's subject to bankruptcy or divorce where the net annuity is to be split.

What will my retirement income be?

- Your personal illustration gives you an example of what you could receive, but the final amount of your retirement income will depend on:
 - the size of the fund you're using to buy the Compulsory Purchase Annuity
 - annuity rates at the time you take your income
 - your gender and your age
 - how often your income is paid and the options you choose
- You can choose to have an income paid to your family when you die in exchange for a smaller retirement income for yourself.
- You can choose to guarantee the income for a fixed period of 5 or 10 years. This means that, if you die within this period, your payments will continue to be paid to the people you chose for this period of time.
- Not all of the options explained in this booklet will be available to you. The options you can choose depend on the type of pension plan that the money to buy the annuity is coming from.

Once you've chosen the options you want and your income has started, your retirement income amount is guaranteed to be paid at that level and frequency.

What choices will I have about how I get my retirement income?

We'll pay your retirement income direct into your UK bank or building society account.

You can choose for your annuity to start on any date in the past twelve months or in the next three months. If you choose a start date in the past, we'll reduce your payments slightly to cover the administration costs.

You can choose for your income to be paid:

- every month
- every three months
- every six months
- once a year

Your income can be paid in advance or in arrears, for example:

- If your income is paid once a year in advance from 1 January 2006, your first income payment will be made on 1 January 2006. It covers the period 1 January 2006 to 31 December 2006.
- If your income is paid once a year in arrears from 1 January 2006, your first income payment will be made on 1 January 2007. It covers the period 1 January 2006 to 31 December 2006.

What if I've contracted out of the Government's State Earnings Related Pension Scheme (SERPS) or the State Second Pension (S2P)?

While you were working, you may have decided to contract out of the state schemes listed above. This means that a portion of your retirement fund will have to provide certain benefits.

This portion of your pension may be in the form of reference scheme test (RST) benefits, a guaranteed minimum pension (GMP) or protected rights (PR). Because this contracted-out portion was designed to replace state pension benefits, the Government has certain rules about how this money is used, for example:

- You can't take any portion of GMP as a tax-free lump sum; it must all be used for retirement income.
- Any pension you set up for your husband, wife or civil partner must be at least half of the value of the part of your pension that comes from RST, GMP or PR benefits.
- You can only choose a guarantee period of five years for these benefits.

What happens to my retirement income when I die?

Your retirement income will end when you die unless you choose for it to continue, for example:

- If you choose an income for your family, they'll start receiving an income if you die before them.
- If you choose to guarantee the pension for a fixed period of 5 or 10 years, then if you die within this period, any remaining income payments will continue to your estate.

If you choose both options, then if you die within the guarantee period, your family will get two sets of income. This works in one of two ways:

- We pay the balance of your payments due under the guarantee period then start paying your family's income. This is known as without overlap.
- We start paying their income immediately so that initially they receive both the balance of your payments due under the guarantee period and their own payments. This is known as with overlap.

What are the charges?

We don't take any charges direct from this plan as these are included in the rates we set for your retirement income.

What about tax?

- Your retirement income will be treated as earned income and may be taxable.
- If you're a taxpayer, we'll pay your income after tax has been deducted. We'll pay your income net of basic rate tax until the Revenue confirms your tax code.
- If payments continue after you die they may be subject to inheritance tax.
- If the total of all your pension funds, or any payments you receive from them, amounts to more than the lifetime allowance then you may have to pay additional tax on the excess. Please see your financial adviser for more information.

Please see your financial adviser for more details about how your retirement income will be taxed.

This information is based on our understanding of current taxation law and Revenue practice, which may change.

Can I change my mind?

You have the right to cancel your annuity if you change your mind and you have a minimum of 30 days from the date we send out your first personal illustration, or until we set up your payments, to do this. If you want to cancel, you should complete and return the cancellation notice that you'll get from us to the address shown on it.

If you cancel within the 30-day period, we'll refund any retirement fund we may have received.

If you cancel this annuity you must get the scheme trustees/administrators of your previous pension scheme to agree to receive the money back. If they don't, you'll need to let us know which other pension company to send the money to.

Once your regular payments start, you can't cancel.

Scheme pensions

If you choose to set the Compulsory Purchase Annuity up as a scheme pension, there are some options that we're unable to offer.

- We don't accept increases to the income over 5% or RPI each year.
- We don't accept reduction or cessation of the income on ill-health.
- We don't accept ad hoc increases to escalation, or allow reductions to the escalation rate.
- We don't reduce the income for a bridging pension.
- We don't offer value protection.

How to contact us

If you have any general questions, you can phone, email or write to us.

If you're a new customer

Call us on: 08456 015 273, Monday to Friday, 8.30am to 5.30pm

Write to us at: OMO new business team, Annuities Department,
AEGON Scottish Equitable, Lochside Crescent,
Edinburgh Park, Edinburgh EH12 9SE

Email us at: omomb@aegon.co.uk

If you already have a plan with AEGON Scottish Equitable

Call us on the number shown in the letter you got with this booklet.

We may monitor calls for security purposes, to help improve our service and to resolve any complaints.

We can only give you information about the products and services we offer. If you have any doubts over whether this plan is suitable for you, you should seek advice from your financial adviser.

Other information

How to complain

We hope you never have to complain, but if you do, the first step is to write to us. If you're not satisfied with our response, you can then raise the issue with:

The Financial Ombudsman Service
 South Quay Plaza
 183 Marsh Wall
 London
 E14 9SR

Phone: 0845 080 1800
www.financial-ombudsman.org.uk
enquiries@financial-ombudsman.org.uk

Referring the matter to the Ombudsman won't affect your right to take legal action later on.

If you'd like a copy of our complaints procedure, please ask us, or you can download it from the 'Contact us' section of our website at www.aegonse.co.uk

Terms and conditions

This document gives you a summary of the AEGON Scottish Equitable Compulsory Purchase Annuity. It doesn't include all the definitions, exclusions, terms and conditions. These can be found in our policy conditions booklet. You'll receive a copy of this when your annuity's set up, but if you'd like a copy now, please ask your financial adviser or contact us direct.

We have the right to change some of the terms and conditions. We'll write to you and explain the changes if this happens.

Law

The applicable law will be the law of the part of the UK you live in when the contract starts, or Scots law. Your plan is covered by the Financial Services and Markets Act 2000.

All documents and future correspondence will be in English.

Compensation

You may have a legal right to compensation if a financial adviser recommended this product to you and it's established this recommendation was unsuitable when it was made.

You can contact us for information on compensation arrangements. You can also get further information from the Financial Services Authority or the Financial Services Compensation Scheme.

AEGON Scottish Equitable

- AEGON Scottish Equitable is a trading name of Scottish Equitable plc. We've been part of the AEGON Group since 1994, linking Scottish Equitable's 175 years of experience in the UK's pensions, annuities, investment and protection markets with AEGON's global strength.
- Our product range includes life assurance, pensions, annuities and investments for individuals and corporate clients.
- We provide technical support and information to financial advisers and planholders.
- Scottish Equitable plc is on the Financial Services Authority (FSA) register (No 165548).

customer impact

Meeting the customers' needs by putting them at the heart of our industry

We're determined to treat you fairly and communicate clearly with you at all times.

As well as following the Financial Services Authority's Treating Customers Fairly principles, we're fully signed up to the Association of British Insurers' Customer Impact scheme.

Both of these cover how products are designed and marketed, and ensure we deal fairly with all claims and payments.

As part of the Customer Impact scheme, we publicly commit to putting customers at the core of our business and must show how we're achieving this.

For more information visit: www.aegonse.co.uk/customerimpact