

KEY FEATURES OF THE WITH PROFITS PENSION ANNUITY

You should keep this
booklet in a safe place
for future reference



KEY FEATURES OF THE WITH PROFITS PENSION ANNUITY (SERIES 3)

We can give you our literature and communications in: Braille, large print or audiotape. If you need this document in any of these formats, please contact your Financial Adviser.

With this Key Features you will find enclosed a booklet called ‘Your guide to how we manage our With Profits fund’. This booklet contains useful information to help you understand how we manage your investments in our With Profits fund. We strongly recommend you take a few minutes to read this.

This Key Features document contains important information, which you should read with your Personal Illustration. If you are in any doubt as to whether this plan is suitable for your needs please contact your Financial Adviser.

ITS AIMS

- To provide you with a guaranteed minimum income for the rest of your life, and the potential for a rising income, based on bonuses from our With Profits fund.

YOUR COMMITMENT

- You use your pension fund to buy this annuity. Once you have bought your annuity and the cancellation period has ended, you can't cash it in or transfer it to another provider.

RISK FACTORS

- In the future your income could be less than shown in your Personal Illustration. This is because the increases depend on profits yet to be earned by our With Profits fund and how we choose to distribute them.
- The amount of income you receive (over and above the guaranteed minimum amount) may change each year and can fall as well as rise.
- The higher the Anticipated Bonus Rate (ABR) you choose, the higher actual bonuses must be to keep your income the same and also the more likely it is that your future income will fall. It won't fall below the guaranteed minimum amount – see ‘What are the annuity options?’.
- If your chosen ABR is higher than the actual bonus rates we apply to your annuity your income will fall after the first two years.
- We don't offer special annuity rates for people in poor health. This means you'll receive the same income even if you have a significantly reduced life expectancy.
- If your circumstances change, you will not be able to change the features of this annuity (except for changing the ABR or converting to a conventional (non-profit) annuity). As a result, this annuity may no longer be suitable for you.
- If the Government changes the way it taxes annuities this may reduce the potential growth from your investment or increase the amount of tax you must pay.
- Inflation will reduce the real value of the guaranteed level of the annuity and the value of top up income.
- **WARNING** – This policy has no cash in value at any time.

YOUR QUESTIONS ANSWERED

What is the With Profits Pension Annuity?

It is a plan bought with your pension fund and used to provide you with a guaranteed minimum income for the rest of your life. Your pension fund is invested in our With Profits fund with the aim of increasing your income in the future.

Your income is made up of two parts:

1. Your guaranteed minimum income – this depends on your age, your sex, the annuity options you choose and the amount of money used to buy your annuity – see **‘What guarantees are there?’** and **‘What are the annuity options?’**.
2. Your additional income – this depends on the investment performance of our With Profits fund and how we distribute any profits made. It will also reflect the Anticipated Bonus Rate (ABR) you choose – see **‘What guarantees are there?’** and **‘What are the annuity options?’**.

This plan accepts transfers and open market options from UK registered pension schemes.

Transfers

A transfer means you will become a member of the Liverpool Victoria (1996) Personal Pension Scheme. Your pension fund will then be used immediately to buy this annuity and provide you with an income. You will be able to take up to 25% of your pension fund as tax free cash.

If you transfer your pension to us your fund must be at least £10,000, inclusive of any tax free cash. You can transfer more than one pension fund to us but the total value of all your funds must still be at least £10,000, inclusive of any tax free cash. Regardless of the number of pension funds you transfer to us, your money will be used to buy a single annuity.

Open Market Options

An open market option means your current pension scheme will use your pension fund to buy this annuity and provide an income for you. You will be able to take tax free cash either from your current pension scheme or from us.

If you are taking the open market option from one or more of your pension funds, the money from each will be used to buy separate annuities. The value of each of your funds must be at least £7,500 after you have taken any tax free cash.

Your Financial Adviser will be able to explain this to you further if you wish.

Can I apply for this plan?

Yes, as long as you are currently resident in the UK for tax purposes and at least 50 years old. With effect from 6 April 2010 you must be at least 55 years old to apply. You can't apply if you live in the Channel Islands or the Isle of Man. Your transfer or open market option into this plan must be completed before your 75th birthday.

What happens when I apply?

When we receive your application, we set up your annuity using the same annuity rates used for your chosen Personal Illustration, provided that:

- you choose an annuity start date not more than 3 months after the date of your chosen illustration, and
- we receive your application within 14 days of the date of that illustration, and
- we receive the purchase money and documentation by your chosen annuity start date.

Otherwise, we will use the rates which apply on the day your annuity actually starts.

What guarantees are there?

We give you extra security by providing two income guarantees:

1. Minimum income guarantee

We guarantee to pay a minimum income that you can depend on for the rest of your life, or until you change your ABR. Whatever ABR you choose, your minimum guaranteed income will be the same as the starting income for an ABR of 0%. If you choose to change the ABR we will work out your new minimum guaranteed income.

2. 2nd year income guarantee

In year 2 we guarantee that your income won't be less than in year 1. You will also receive an increase if our actual bonus in year 2 is higher than the ABR you chose. From year 3 onwards your income depends on our With Profits fund performance, which is not guaranteed.

What are the annuity options?

You have a number of options so you can tailor your annuity to your needs.

1. Guarantee Period

You can guarantee your annuity for up to 10 years (referred to as the 'Guarantee Period'). If you choose to do this and you die within the Guarantee Period, your spouse/civil partner or dependants, or whoever else you nominate in your Will, would continue to receive your pension income for the remainder of the Guarantee Period. Choosing this option would reduce the income provided by your annuity; the longer the Guarantee Period the lower the income you will receive. Once you have chosen this option, you can't change it.

2. Dependant's Pension

You can choose a Dependant's Pension if you wish your spouse/civil partner or dependant to receive a pension income when you die (called a 'Dependant's Pension'). You can normally choose the Dependant's Pension to be up to 100% of yours. The higher the Dependant's Pension you choose, the lower the income you will receive. Once you have chosen this option, you can't change it.

3. Payment Frequency

- Your income can be paid monthly, 3 monthly, 6 monthly or yearly.
- Your first income payment can be paid as soon as your annuity starts (known as in advance) or at the end of the first payment period (known as in arrears). For example, if you choose monthly income payments, your first payment could be paid at the start of the month (in advance) or at the end of the month after your annuity starts (in arrears).
- If paid in arrears your income can be paid with or without proportion. If you choose 'with proportion', and you die in between income payments, a proportion of the next income payment due will be paid to your estate. For example, if you choose annual income payments, and you die 6 months after an income payment has been paid to you, 50% of the next income payment due will be paid to your estate (as 6 months is equal to 50% of a year). If you choose 'without proportion' no percentage of the next income payment due would be paid.

These payment options affect the level of income provided by your annuity. Once you have chosen your payment options you can't change them.

4. Anticipated Bonus Rate (ABR)

The Anticipated Bonus Rate (ABR) is the bonus rate you want us to assume we will apply to your plan when we work out your starting income. The higher the rate you ask us to assume, the greater the risk we will not achieve it, and so, the greater the risk that your income will go down in future years. The highest rate we allow you to assume is currently 5%.

When you apply, you must choose an ABR for your annuity between 0% and 5% (to 2 decimal places, for example 2.75%). The ABR determines your starting annuity income and the way in which your income will vary from year to year. If you choose:

- A high ABR – you will start off on a higher income.
- A low ABR – you will start off on a lower income.
- A zero ABR – your income will go up when we declare a regular bonus.

If we pay you a top up bonus it is important to know this is only paid for a limited period so the extra income may stop after a year.

If your chosen ABR is higher than the bonuses we declare, your income will go down after the first two years. If it is lower than the bonuses we declare your income will go up – see '**What guarantees are there?**'. The higher the ABR you choose the greater the risk that your income will go down.

You can change your ABR at any plan anniversary from the second anniversary onwards. If you choose to include a Dependant's Pension in your annuity, your dependant can also change the ABR after your death. You can change your ABR as often as you want to. If you increase the ABR we can ask for evidence of your health before agreeing terms for the change.

Before we actually change your annuity we will tell you what your new income and minimum guaranteed income would be. We will then ask you if you want to go ahead (please see the Policy Conditions for further details).

Your Financial Adviser can give you Personal Illustrations showing different combinations of annuity options. These will help you to compare the amounts of income you would get before you decide which combination best suits your needs.

How does the With Profits fund work?

The fund invests in a wide range of investments in order to spread the risk. The fund holds stocks & shares (UK and overseas), fixed interest securities (mainly Government stocks) and property, as well as cash and other securities. The proportion of these may vary to reflect changes in market conditions, and our view of investment prospects. Currently, the bulk of the fund (about 60% of its value) is invested in stocks & shares (also see '**How does tax affect my annuity?**'). The Society's mutual status means that all distributed profits are used to benefit the With Profits policies.

To provide stability over time, we hold back some of the investment returns in good years to offset returns when investment performance isn't so good. This smoothing effect allows the investment performance to be cushioned from the daily fluctuations, either upwards or downwards, of the stock market. Investors in funds that don't smooth returns could see the value of their investments rise or fall faster than those in a smoothed fund.

We aim to increase your income by adding regular and possibly top-up bonuses.

Regular Bonuses

We aim to add regular bonuses to provide steady growth. These bonuses may increase or decrease your actual income depending on the ABR you chose and will depend on the calendar year in which you invested. Bonuses may vary from time to time to reflect changes in current and expected future market conditions and the underlying investments in the fund including any commitments we have made to members of Liverpool Victoria Friendly Society Limited.

Top-up bonuses

We may also add a top-up bonus which will increase the income we pay you. A top-up bonus is not a permanent increase to your income. We can withdraw or change it at any time, usually after 12 months. Top-up bonuses reflect our investment performance, our own and industry mortality experience and how we think that might change in future, together with profits and losses from our other businesses. Please see "Your guide to how we manage our With Profits fund" for more details.

Our regular and top up bonuses also take into account plan charges – see your Personal Illustration for details of these.

Can I change my annuity once it has started?

Yes. You can change your ABR – see '**What are the annuity options?**'.

You can also change your annuity to a conventional non-profit annuity, if you feel this would best suit your needs. You can do this at any plan anniversary from the second anniversary onwards. If you choose to include a dependant's pension in your annuity, your dependant will also be able to do this after your death.

After you have changed to a conventional non-profit annuity you can't change back to With Profits or make any other changes to your annuity. Your Financial Adviser can advise you of the best option for you.

What happens to my annuity when I die?

If you do not choose to include a Guarantee Period or Dependant's Pension in your annuity then your income will stop on your death.

How does tax affect my annuity?

Tax treatment depends on your personal circumstances. Any references to taxation are based on our understanding of current legislation and HM Revenue & Customs practice, which is subject to change.

Tax on the fund

The With Profits fund in which we invest your annuity purchase money is tax exempt. This means it doesn't pay tax on capital gains or on income received from cash deposits, gilts and fixed interest securities. However, we can't recover the tax deducted from dividends received by the fund.

Tax on the annuity income paid to you

Your annuity will normally be taxed as earned income in a similar way to employment income. We deduct tax according to your tax code and pass the tax on to HM Revenue & Customs. If we do not have all the tax information we need when your annuity starts, you will normally be taxed at the emergency rate to start with.

Tax on annuity income paid to your dependant under a Dependant's Pension or Guarantee Period

If you choose to include a Dependant's Pension, the income paid to your dependant after you die will also be taxed as earned income (as above) but will be based on the dependant's tax position.

This will also be the case if you choose to include a Guarantee Period in your annuity, we will pay the income as instructed by your legal personal representatives or the scheme's trustees.

How does the Lifetime Allowance affect me?

The Government limits the total value of the pension funds you can take benefits from without paying additional tax. This limit is known as your Lifetime Allowance. The Standard Lifetime Allowance limit is £1,600,000 in the tax year 2007/08, rising in stages to £1,800,000 in the tax year 2010/11. You might have a higher personal Lifetime Allowance limit if you apply, or have already applied, for Enhanced or Primary Protection.

Before your annuity starts you must normally confirm the percentage of your Lifetime Allowance you have already used. For a transfer you must tell us. For an open market option you must tell your current provider. Your Financial Adviser will be able to help you with this.

If your total pension benefits are worth more than your personal Lifetime Allowance, you may be charged a Lifetime Allowance Charge. This tax charge is 55% if you take the excess amount over the Lifetime Allowance as a lump sum or 25% if you take it as income. If you choose to take it as income, you will also pay income tax on the money you receive.

What are the charges?

The charges for your annuity and their effect are shown on your Personal Illustration, and are reflected in the amount of income we pay you at the start and in future years.

How much does the advice cost?

Your Financial Adviser will give you details about the cost of providing advice. The amount will depend on the purchase price of your annuity.

FURTHER INFORMATION

Law

The Law of England and Wales will apply. All communications will be in the English language.

Cancellation Rights

You will have 30 days from the date of your first Personal Illustration in which you can change your mind. Any requests for further illustrations do not start the cancellation period again.

To cancel the plan, you must:

- Return the enclosed cancellation form
- Return any money paid to you during the 30 day cancellation period, to the following address: LV=, Intermediary Division, County Gates, Bournemouth BH1 2NF

If you decide to cancel, and the value of your investment falls after your With Profits Pension Annuity starts, we reserve the right to refund the value of your investment on the date we receive your completed instructions. This may mean the transferring scheme gets back less than they originally paid to us. If the transferring pension scheme refuses to accept the pension funds back you can either purchase a conventional annuity with LV= or transfer the pension funds to another insurance company of your choice.

Once your annuity has been set up, and the 30 days has expired, it can't be cashed-in or transferred to another provider.

Complaints

If you have a complaint about any aspect of the service you receive from us, please phone us quoting your reference number. Alternatively, you can write to us at: Box 2, LV=, County Gates, Bournemouth, BH1 2NF.

Making a complaint will not affect your right to take legal action. We operate a written complaints procedure in accordance with the Financial Services Authority and you may be able to refer your complaint to the Financial Ombudsman Service. Details of our complaints handling process are available on request.

Compensation

We are covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim. This type of business is covered for 100% of the first £2,000 plus 90% of the rest of the claim, and the maximum compensation is unlimited.

Further information about compensation arrangements is available from: Financial Services Compensation Scheme, 7th Floor, Lloyds Chambers, 1 Portsoken Street, London E1 8BN
Tel: 020 7892 7300 Fax: 020 7892 7301
Email: enquiries@fscs.org.uk.

Liverpool Victoria Friendly Society Limited

Liverpool Victoria Friendly Society Limited was founded in 1843. It is incorporated under the provisions of the Friendly Societies Act 1992. The Society does not have any shareholders and, as a mutual organisation, exists wholly for the benefit of its members. Together with its subsidiary companies, the Society is an insurance and financial services business in the United Kingdom.

At present the Liverpool Victoria group of companies manages more than £8 billion on behalf of its members and customers. The prudent management of our members' money has always been and will continue to be of utmost importance to us. The Society believes that remaining mutual has a vital part to play in its ability to continue to provide members with a better future.

As a member, you will be entitled to attend the Society's formal meetings and vote on Society matters when you have held your membership-conferring product for a continuous period of twelve months.

Full membership terms and conditions are available on request.

IMPORTANT INFORMATION

Liverpool Victoria Friendly Society Limited

Authorised and regulated by the Financial Services Authority.

