Key Features and Terms & Conditions for your Virgin Stakeholder Pension

virginmoney.com

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The information contained in this booklet is correct as at October 2009.

R26_10.09_200324

Key features

Important note

The Financial Services Authority is the independent financial services regulator. It requires us, Virgin Money, to give you this important information to help you to decide whether our Virgin Stakeholder Pension is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

Its aims

- To help you save tax-efficiently by building up a fund to provide you with an income in retirement.

Commencement

Your pension will be set up after we receive your correctly completed application or instructions, and initial subscription, or when all our requirements have been met if later. We do, however, have the right to refuse your application.

Your investment

- The minimum payment into your pension is £1, whether you choose to invest regularly or as a one-off.
- You can change the amount you save, and make one-off payments, at any time.
- You can stop making payments if you need to.
- You can save in a stakeholder pension and get tax relief even if you are not working.
- Employers and other people can also make payments into your pension.
- You can transfer other pensions into this pension.
- You can open a stakeholder pension on behalf of your child.

Risk factors

- Once you have invested money, you can't access it until after your 50th birthday (55 from 6 April 2010).
- If you invest money for a child they won't be able to take their pension benefits until after the age of 55.
- The value of your fund and the income it receives can go down as well as up, with no guarantees you'll get back the full amount you invest. The value will depend on how much you save, the charges you pay and the rate at which your investment grows over the years.
- The income you get from your pension when you retire will depend on the value of your fund and interest rates at that time. You will need to buy an income called an annuity.
- If you don't keep up payments or if you retire earlier than expected, it's likely your pension will be worth less at retirement than we may have illustrated.
- If you transfer another pension plan into this one, the other pension company may apply 'transfer out' charges, and you may be giving up other benefits by transferring the pension.
- Tax law and practice may change in the future and affect your pension.
- If you already have a pension which you could make further contributions to, you should seek independent financial advice.

Your questions answered

How much can I save?

You can pay in anything from £1 upwards, without limit (but you will only receive tax relief on payments up to the HM Revenue & Customs limits). You'll find more details in the Terms & Conditions part of this booklet.

Is there any limit on what benefits I can take at retirement?

No, but if your total pension benefits at that time exceed the Lifetime Allowance (£1.75m for 2009/10) you could be taxed on the amounts over that limit. You'll find more details in the Terms & Conditions.

Can employers pay into my pension?

Yes.

Can other people pay into my pension?

Yes, but their payments would form part of your total contribution limits on which you're allowed tax relief. You'll find more details in your Terms & Conditions.

Can you give me an idea how much I'll get when I retire?

If you'd like a personal illustration, give us a call.

Can I stop payments into my pension?

You can stop and start payments anytime without penalty.

Can I transfer other pensions into my Virgin pension?

We can accept transfers from other registered pension schemes. Full details can be found in our booklet 'Transferring pensions to Virgin Money', which is available on request.

What are the tax benefits for me?

You get income tax relief on all payments you make into a stakeholder pension up to 100% of your annual earnings. This is subject to an upper annual allowance of £245,000 for the 2009-2010 tax year. This limit may increase each tax year. See section 18 of the Terms and Conditions for more details. (This excludes transfer payments.) Your savings then grow free of tax on income and capital gains.

How do I claim the tax relief?

You'll find more details in the Terms & Conditions, see section 3 and 18.

How do self-employed people claim tax relief?

Exactly the same as everyone else and in the same way we explain above.

What happens if I change jobs?

You can keep saving in a stakeholder pension as long as you are still eligible.

What is 'contracting out'?

On top of a basic state pension most employed people are entitled to additional pension benefits based on the amount of National Insurance contributions they have paid during their working life. The additional state pension is known as the State Second Pension or 'S2P'.

The Government gives employed people the choice to opt out of S2P. This is known as 'contracting out'. The money can then be invested in a private pension instead, with the aim of providing greater income in retirement than S2P would have.

The Government has announced plans to remove the option to contract out of S2P. It is believed this will be from 2012. Since 1 September 2009, Virgin Money stopped accepting applications to contract out of S2P.

Where is my money invested?

There are two funds in the Virgin Stakeholder Pension:

- The Virgin Pension Growth Fund. It invests in the Virgin UK Index Tracking Trust. The aim is to use the stock market to grow your pension savings over the long term.
- The Virgin Pension Income Protector Fund. It invests in the Virgin Income Trust. The aim is to use fixed investments like gilts and bonds to protect the retirement income you've saved for, as you near retirement.

Stock market investments can go down as well as up and there is no guarantee you will get back all you invest.

What do I pay in charges?

There is an annual charge of 1% of the value of the funds you accumulate. If your fund is valued at £500 throughout the year, this means we deduct £5 that year. If your fund is valued at £7,500 throughout the year, we deduct £75 that year, and so on.

Do I have to choose which fund to invest in?

The Pension Growth Fund is the default investment fund. We will automatically invest all of your money there unless you tell us otherwise. We keep investing your money in this fund until you reach 10 years from retirement. Ten years prior to your retirement our 'automatic fund selector' takes over and each year starts investing some of your money in the Pension Income Protector Fund, and some in the Pension Growth Fund. You'll find more details about this in the Terms & Conditions part of this booklet.

You can override our default option and automatic fund selector, and tell us the percentage of your money you'd like invested in each fund.

What if I'm unsure if this pension is right for me?

Just phone or contact us online to ask a question. If you're still not sure, please contact an Independent Financial Adviser.

Further information

Unit prices

You'll find information about our unit prices in the 'How your money is invested' section of the Terms & Conditions.

Unit certificates

No unit certificates will be issued although we will send you a letter confirming the details of your investment.

Cashing in your pension

You can't 'cash in' your pension and spend it, like some other investments. Your money must remain invested until you are at least aged 50 (55 from 6 April 2010). After that, you must use most or all of it to buy an annuity, which provides you with an income during retirement. At that time, after we have transferred your whole pension fund to your chosen annuity provider, you can ask your annuity provider to give you up to 25% of your pension as a tax-free cash sum if you wish, and buy a reduced annuity with the remainder.

Although we don't currently offer annuities, when the time comes we'll help you find an annuity provider that's right for you.

Documentation

As well as your six-monthly statements we'll send you a Manager's Short Report twice a year. You'll find details of other documents relating to the Virgin Stakeholder Pension at the end of the Terms & Conditions.

Void payments, transfers, complaints and compensation

You'll find information about these in section 17 of the Terms & Conditions.

Taxation

Subject to the limits outlined in section 3 of these Terms & Conditions, HM Revenue & Customs will give tax relief on contributions you pay. These are referred to as 'tax relievable payments'. If you pay basic rate tax you will receive basic rate tax relief on any such tax relievable payments, which we will reclaim for you from HM Revenue & Customs and add to your Virgin Pension. If you pay income tax at the higher rate, you can claim any additional tax relief you are due from the HMRC in your annual tax return. However, if you're paying into a child's stakeholder pension you can't claim higher rate tax relief on your payments.

The Virgin Stakeholder Pension, and your savings in its pension funds (the Pension Growth Fund and the Pension Income Protector Fund), are free from income and capital gains tax.

When you eventually turn your pension fund into an annuity, the income you receive from the annuity may be subject to income tax, depending on your individual tax circumstances.

Annuities

When you come to retire, you will need to purchase an annuity. This is a financial product offered to provide you with an income when you retire. You can use your pension fund to purchase an annuity or take 25% as a lump sum and use the rest to purchase an annuity.

Investment income

Any investment income earned in the pension funds is reinvested and automatically reflected in the value of your units.

Manager

The Manager of the Virgin Stakeholder Pension Scheme is Virgin Money Unit Trust Managers Ltd, Discovery House, Whiting Road, Norwich NR4 6EJ. They pay Virgin Money Personal Financial Service Ltd a fee of £51 for marketing this pension for you. A fuller explanation is available on request. Virgin Money Personal Financial Service Ltd are authorised and regulated by the Financial Services Authority, and are on their register, number 179271.

Trustee

The Trustee of the Virgin Stakeholder Pension Scheme is Citibank International plc, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

Supervisory Authority

The Supervisory Authority of the Virgin Stakeholder Pension is The Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

Further information

Further information about the Virgin Stakeholder Pension can be found in the Terms & Conditions, and in our stakeholder pension brochure. If you require a copy or you'd like to ask us a question, please call us on 08456 10 20 40.

Terms & Conditions

It may be the small print, but it's important information you need to know

1. Definitions

In these Terms & Conditions we have to use precise technical terms to give their exact meaning. But we always try to write in plain English, and this section is intended to help by explaining what's meant by certain phrases.

1.1 Whenever we use the term 'retire' in these Terms & Conditions, we mean 'begin to take benefits from your pension'. It is possible to begin taking benefits from some or all of your pension at any time from the age of 50 (55 from 6 April 2010), and continue working.

1.2 The term 'occupational pension' or 'occupational pension scheme' in these Terms & Conditions means your employer's company pension scheme. This would either be a defined benefit scheme (final salary scheme), or a defined contribution scheme (money purchase scheme). A group personal pension or a stakeholder pension is not an occupational scheme. If you are not sure if you're in an occupational scheme at work, or what type it is, your employer should be able to tell you.

1.3 The term 'UK resident' or 'resident in the UK' in these Terms & Conditions means you are currently living in the UK, and you live here for at least six months of the tax year.

2. Eligibility and your application

2.1 You can save in a Virgin Stakeholder Pension if you have earnings which are subject to UK income tax and you are:

- a resident in the UK, or
- a Crown Servant (an officer of the United Kingdom Government) of the UK working abroad, or
- the spouse or civil partner of a UK Crown Servant working abroad; or
- were resident in the UK at some time during the previous 5 tax years and were resident in the UK when you joined our pension scheme.

2.2 You can also open a stakeholder pension for a child if you are the child's legal guardian. A legal guardian is normally a natural parent who the child lives with. Or, in their absence, a person appointed by court order to be legally responsible for the child until they are 18. To start a pension for a child, the child will need to be a resident of the UK during any tax year payments are made into the pension. If you start a pension for a child the pension will be regarded as held in your name until the child becomes 18.

2.3 You must confirm you are eligible to join this pension scheme in your application. However, even if you are not eligible to pay in to a stakeholder pension, you can still set up a stakeholder pension for the purpose of transferring in another pension, or paying in a pension credit from a pension sharing order on divorce. But you will not be able to make further tax relievable payments into the pension until you become eligible.

2.4 If in the future you become ineligible to save in a stakeholder pension, the money you have paid in will remain invested to grow in your Virgin pension until you retire, unless you transfer your fund to another registered pension scheme.

2.5 We will write to confirm your pension has been set up after we receive your correctly completed application or when all our requirements have been met if later. We do, however, have the right to refuse your application.

2.6 For the purposes of the Financial Services Authority regulations we assume you are a retail client (a consumer as opposed to a business), which gives you rights under the Financial Ombudsman Service and Financial Services Compensation Scheme. If you're not a retail client you may not necessarily have the same rights.

3. Paying in – contributions, tax relief and your annual allowance

3.1 You can pay into your pension by making single investments, regular savings or combinations of the two. Regular savings can be monthly or yearly by direct debit or standing order. Single investments can be by cheque, debit card or one off direct debit.

3.2 If you are employed, your employer can also pay into your pension. If you are a member of your company's Virgin Stakeholder Pension, payments can be deducted from your pay and sent to us by your employer.

3.3 The minimum payment is £1 at any time.

3.4 We can accept transfer payments from existing registered pension schemes approved by HM Revenue & Customs (HMRC).

3.5 You can pay any amount you like from £1 upwards, without limit. However, HM Revenue & Customs limit the amount of tax relief that can be claimed on your pension in any tax year (6 April - 5 April inclusive) as follows:

- You can get tax relief on contributions of up to 100% of your relevant UK earnings if you are a UK taxpayer. Contributions on which you receive tax relief are called 'relievable contributions'.
- If you are a non-taxpayer, you will receive tax relief on contributions up to a maximum of £3,600 (gross) per tax year.
- However, there is an annual allowance, (£245,000 for the 2009/10 tax year), and any payments into your pension above that limit (including contributions from your employer and increases in value of any other pensions you have) will trigger a tax charge of 40% on the excess payments.
- The annual allowance will increase in the tax years up to 2010/11 and may be increased thereafter at the discretion of the Government. See section 18 for the confirmed increases known at the date of these Terms & Conditions.

3.6 From 6 April 2011 the Government will restrict tax relief on individuals with an annual income of £150,000 or more. Relief will be tapered off so for those earning over £180,000 tax relief will be worth 20 per cent – the same as a basic rate taxpayer. From 22 April 2009 the Government introduced the following rules to restrict higher rate tax relief to people:

- Whose income is £150,000 or higher
- Who change their normal ongoing regular pension savings, and
- Whose total annual pension savings exceed £20,000

People in this category will be subject to a special annual allowance charge from 2009/2010 onwards. If you think this applies to you, you should check the details on the HMRC website at http://www.hmrc.gov.uk/budget2009/pensions-individuals-1550.htm

3.7 Contracted out rebates are not counted as part of the above limits, and are allowed on top of them. The pension benefits the contracted out rebates create are counted towards your lifetime allowance though (see section 11 of these Terms & Conditions).

3.8 If you make regular payments you can choose to have them increase automatically by 10%, each year, subject to HM Revenue & Customs limits on the amount of tax relief you can receive. If you choose to automatically increase your payments by 10% each year, the increase will happen each year on the anniversary of your first regular payment. We will write to you to confirm your new payment amount before each automatic increase is made. You can choose to switch the automatic increase on or off at any time.

3.9 If employers are making regular payments into your pension, their payments won't automatically increase by 10% each year.

3.10 If you are a member of your company's Virgin Stakeholder Pension and your payments are made through payroll, it won't be possible for us to automatically increase them by 10% each year.

4. Continuing payments if you are out of work

4.1 If you stop work altogether you may not have any earnings but you are still able to pay into your pension as much as you like. However, the amount of tax relief you can receive will be restricted to a maximum amount of contributions of £3,600 (gross).

5. Where your money is invested

5.1 The Virgin Stakeholder Pension Scheme is a unit trust based pension. This means your money is invested in authorised unit trusts, safeguarded by independent trustees. After deduction of charges, all gains and losses through the performance of the funds are yours.

The value of your units can go down as well as up and you may not get back all the money you invest.

5.2 The Virgin Stakeholder Pension offers two investment funds - the Pension Growth Fund and the Pension Income Protector Fund. Your money is invested in one or both of these funds.

The value of your units can go down as well as up and you may not get back all the money you invest.

5.3 The Pension Growth Fund invests in the Virgin UK Index Tracking Trust with the aim of growing your pension savings on the stock market over the years, by mirroring as closely as possible the performance of the FTSE All-Share Index.

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5.4 The Pension Income Protector Fund invests in the Virgin Income Trust with the aim of protecting the retirement income you've saved for, by investing in Government gilts and low-risk corporate bonds issued by leading UK and European companies.

5.5 Our default fund is the Pension Growth Fund, where your money will automatically be invested until you are within 10 years of retirement, at which point our 'automatic fund selector' takes over.

The Virgin Stakeholder Pension has an automatic fund selector designed to take account of how near or far you are from retirement and invest your savings accordingly. With the automatic fund selector switched on, all payments are invested in the Pension Growth Fund until 10 years before your chosen retirement date. At this point, 10% of the value of your pension fund is switched to the Pension Income Protector Fund. Then we switch investments and redirect your savings so that the following year you have 80% of your savings in the Pension Growth Fund and 20% in the Pension Income Protector Fund.

All automatic fund switches take place on the last business day of the month in which they occur. This process continues each year so that one year from your retirement date, 100% of your pension fund is in the Pension Income Protector Fund.

Any payments into your pension after that time will be invested in the Pension Income Protector Fund.

5.6 If you are using our automatic fund selector, changing your retirement date may alter the proportion of your pension invested in each fund. This is because the automatic fund selector comes into effect ten years from your retirement. We move 10% each year from the Pension Growth Fund to the Pension Income Protector Fund. If you are within 10 years from retirement, moving your retirement date would mean the split between investments held in each fund would change.

5.7 If you'd prefer, you can override our default fund and the automatic fund selector. You can split your contributions between our two funds in the way you choose. If the automatic fund selector is on when you do this, we will switch it off and no further automatic switches will be made for you. You can of course switch it back on at any time if you change your mind.

5.8 You can also switch investments from one fund to the other at any time. Again, if the automatic fund selector is on when you do this, we will switch it off and no further automatic switches will be made for you. You can of course switch it back on at any time if you change your mind.

5.9 Once you've told us to switch your investment or to change the split of your contributions, all future contributions will be invested in the split you asked for until you tell us otherwise. If you want to change the split at any point in the future, just to let us know.

5.10 You can make these changes or ask us to make switches at any time. You can make these changes over the phone or send us a written request each time you want to make a switch.

5.11 All switches between funds are free of charge.

6. How your money is invested

6.1 Your money is invested by buying units in the Pension Growth Fund and/or the Pension Income Protector Fund. In each fund we buy units for you on the day we receive your payment (or your request to switch savings from one fund to the other), at the unit price calculated at 5pm that day. This is called 'forward pricing' (investing in a fund before you know the end of the day's final unit price). If a payment (or request to switch savings between funds) arrives after 5pm, we will buy units for you the following business day.

The price of units is calculated every working day by dividing the value of the fund by the number of units in the fund. Unit prices are quoted daily in the Financial Times. You can also find them on our website, **www.virginmoney.com**

6.2 The Virgin Stakeholder Pension uses an investment mechanism called an IPA (Individual Pension Account). In some pensions that are not IPA based, when you decide to take benefits from your pension SDRT (Stamp Duty Reserve Tax) is payable on investments sold in the underlying unit trusts. Often this charge is passed on to the customer.

IPAs are exempt from SDRT so neither Virgin Money nor our pension customers have to pay it.

6.3 If you make a single payment, once the proceeds have been invested we will send confirmation of the number of units bought the next business day. This will also be shown on your six-monthly statement, together with any regular payments and tax reclaims paid into your pension.

6.4 When we buy or sell units for you they are pooled with those of other investors. The FSA regulations instruct us to tell you that this may result in a less favourable unit price than if your units had been bought or sold separately. We'd like to reassure you that this can never happen in a unit trust.

7. Tax relief on payments into your pension

7.1 HM Revenue & Customs (HMRC) give income tax relief on payments into a stakeholder pension with the exception of:

- Payments from an employer.
- A payment we receive as a result of you transferring a pension to us from a registered pension scheme.
- A pension credit paid into your plan as a result of a pension sharing order, e.g. after a divorce.
- Employer's National Insurance rebate payments.

However, the amount of tax relief you can receive is limited to a maximum of:

- 100% of your UK tax earnings if you are a UK taxpayer.
- £3,600 (gross) if you are a non-taxpayer.

There is also an annual allowance, (£245,000 for the 2009/10 tax year), and any payments into your pension above that limit (including contributions from your employer and increases in value of any other pensions you have) will trigger a tax charge of 40% on the excess payments.

7.2 Any tax-relievable payments you make into your pension will be classed as net of basic rate income tax (20% for the 2009/10 tax year). We will claim this tax back for you from the HMRC and invest it in your pension.

If you pay income tax at the higher rate, you can claim any additional tax relief you are due from the HMRC in your annual tax return. However, if you're paying into a child's stakeholder pension you can't claim higher rate tax relief on the payments.

7.3 Tax relief can take up to twelve weeks to reclaim from the HMRC. We add it to your pension as soon as we receive it.

7.4 If you have contracted out of S2P with your Virgin Pension, any 'contracted out' payment into your pension will include an additional amount representing basic rate tax relief on your National Insurance rebate. The rebate is made up of tax relief received on an individual's NI contributions. The reason for this is to replace the benefits given when contracted into the State Second Pension. You cannot claim any higher rate tax relief on this payment.

8. Tax relief within the investment funds

8.1 Any income distributions (e.g. dividends) received by the pension funds are reinvested back into the fund itself, and are reflected in the prices of units. Income distributions made by the Virgin Income Trust to the Pension Income Protector Fund are received gross. This is also reinvested and reflected in the prices of units, ensuring investments in the fund grow free of tax.

9. Charges

9.1 An annual management fee is charged in the unit trusts in which the pension funds invest. The annual fee is 1% a year on investments in both the Virgin UK Index Tracking Trust and the Virgin Income Trust. Instead of being taken on a single day each year, the annual fee is spread over the year. If there are 365 days in a year, 1/365th of the annual fee is deducted each day, from the unit price calculated on that day. It is deducted from the investment income the unit trust receives, and is reflected in the daily value of the units. The annual management fee is the only charge we make.

9.2 If on any given day total withdrawals from the underlying unit trust are greater than total new business, the price at which we are able to sell investments in the trust will be different from the price at which we are able to buy them. In these circumstances the unit price applying to your withdrawal may, at our discretion, be that at which the trust's investments can be sold. This is called the 'cancellation price' of the units.

10. Your six-monthly statements

10.1 We send you a statement twice a year showing the value of your pension on 30 April and 31 October. We also send you a copy of the Manager's Short Report twice a year.

11. Taking your pension benefits – your lifetime allowance

11.1 Any time you take pension benefits, they are tested against your lifetime allowance (LTA). This will be set at £1.75m for 2009/10. If your total pension savings exceed this amount, you may be taxed on any amount over the LTA. This 'LTA charge' is set at 25% if you take your additional savings as a pension income and 55% if you take them as a lump sum.

So that we can establish if a LTA charge should apply when you take any benefits from your Virgin Pension, we may ask you for details of any other pension funds you have, or pensions you are already taking benefits from.

11.2 If you have received a pension credit as a result of a pension sharing order or you have spent some time working abroad, you may also qualify for an enhanced lifetime allowance. Further details are available from HMRC on how this applies.

11.3 Where we do ask you to complete a LTA questionnaire, after you have taken pension benefits, we will send you what's called a Benefit Crystallisation Event (BCE) statement which will show how much of your lifetime allowance has been used up by taking those pension benefits.

11.4 If you have chosen to take your pension benefits as an annuity, the company providing the annuity will ask you to complete the relevant LTA forms. After taking the benefits they will issue you with a BCE statement and then send you BCE statements annually reminding you of the lifetime allowance you have used up.

12. Taking your pension benefits – primary and enhanced protection

12.1 Unless you register for primary or enhanced protection the standard LTA will apply to you. If you had pension savings of over £1.5m on 5 April 2006, or less than this but you think your savings might grow to more than £1.5m, you can apply for protection for these savings from the LTA charge by registering a claim with HMRC. There are two forms of protection: primary and enhanced protection. Primary protection is available for anyone whose fund exceeds £1.5m as at 6 April 2006. Enhanced protection is available for those that think their savings may grow to more than the LTA. If you think this may apply to you, you can get more information from HMRC online or by contacting your local tax office.

12.2 You can also protect any rights (previous to 5 April 2006) to take pension benefits as a cash lump sum, if they are greater than those allowed under the tax rules after 6 April 2006. Claims must be registered with HMRC by 5 April 2009 on the 'Protection of Existing Rights Form' available from HMRC. If you think you may be affected by this, you should seek financial advice.

12.3 If you have applied for enhanced protection, you cannot continue to contribute to your pension after 6 April 2006. If you do, you will lose the benefit of protection and may incur an HMRC fine of up to £3,000.

12.4 If you want to rely on an enhanced LTA when taking your pension benefits, you must tell us in advance of taking those benefits. You will also need to tell us the HMRC reference number you were issued with in connection with your enhanced LTA.

13. Taking your pension benefits – your options

13.1 You must decide how you want to take your benefits from your Virgin Pension no later than your 75th birthday. This means that by then you must have used your fund to buy an annuity or an alternative retirement income scheme from another registered pension scheme, and taken any tax-free cash you are allowed. You aren't allowed to take any tax-free cash after your 75th birthday.

13.2 As we do not currently offer annuities or any other form of retirement income schemes, if you reach your 75th birthday without taking your benefits, under HMRC rules, we will have to sell the units within your pension fund and return this to you as an unauthorised payment. At this point we will have to automatically deduct an HMRC scheme sanction charge of up to 40% before sending you the final settlement. You will also need to declare this to the HMRC via your annual tax return thus incurring an additional personal tax liability of up to 55%.

13.4 When you retire we will sell the units in your pension for you. You must then transfer some or all of the proceeds to buy an annuity from an annuity provider, which will provide you with an income for the rest of your life. However, you can take up to a maximum of 25% of the total value of your pension plan as a tax-free cash sum when you retire. The cash sum is paid to you by your chosen annuity provider, with the remainder used to buy an annuity.

13.5 On the day we receive your written instructions to transfer your pension fund to the annuity provider of your choice, the final value of your pension fund will be calculated using the unit price at the close of business on that day. We then send a cheque for that amount to your chosen annuity provider.

13.6 If you have contracted out of S2P with the Virgin Stakeholder Pension, the 'contracted out' part of your plan is treated as a completely separate portion. You can however take 25% of it as tax-free cash when you retire. The remainder must be used to buy an annuity.

13.7 If the total value of all your pension savings (in all schemes including contracted out schemes, if you are a member of more than one scheme) is £17,500 or less (2009/10 tax year), and you are aged 60 or over, you can take your entire fund as a lump sum. This is known as trivial commutation. 25% of the lump sum is paid to you tax free and the rest is taxed at the emergency rate of tax before it is paid to you.

If you try to make any contributions after your nominated retirement date they will not be accepted as contributions to the pension and will be refunded to you separately from any triviality payment.

The maximum trivial commutation amount will increase each tax year up to 2010/11 as set out in section 18.

14. Tax you pay when taking pension benefits

14.1 Any part of your stakeholder pension that isn't taken as a tax-free cash sum when you retire must be used to buy an annuity. The regular income this annuity gives you in retirement is subject to income tax.

14.2 No capital gains tax (CGT) is normally payable with respect to stakeholder pensions.

14.3 In cases where a lifetime allowance charge is due (as explained in section11), we will deduct the tax due to HMRC before we pay out your pension benefits.

15. If you become seriously ill

15.1 If you become seriously ill (by which HM Revenue & Customs mean a medical practitioner has certified you are not expected to live for more than one year), with the exception of any 'contracted out' part of your fund, you can take your pension benefits straight away as a cash lump sum, tax free.

16. If you die before you retire

16.1 If you die before you retire we will sell all units in your pension plan. We will send the payment to your beneficiaries as soon as we receive all the details we need. The payment will be free from any tax. You can name who you would like to receive the money. This is not legally binding so it won't be subject to inheritance tax. If the person(s) named are aged under 18 when you die, the money will be paid to their legal guardian to look after until the person(s) reach the age of 18.

16.2 If you die before you take any 'contracted out' part of your pension, and you leave a widow or widower, that part of your fund must be used to buy an annuity for them. If you have no surviving widow or widower, the 'contracted out' part of your fund will be paid to your estate.

16.3 If the value of all your pension benefits at the date of death exceed the lifetime allowance (£1.75m for 2009/10), then your personal representatives are required to inform HMRC of this fact.

16.4 If 16.3 applies, HMRC will request us, as scheme administrator, to supply details of the beneficiaries who received payments. In these circumstances, HMRC will tax the recipient(s) of the payment at the rate of 55% on the excess over the lifetime allowance.

16.5 All payments must be made within two years of the date of your death – otherwise, under HMRC rules, they become unauthorised payments. Should this happen we will have to automatically deduct an HMRC scheme sanction charge of up to 40% before sending the final settlement. Your beneficiaries will also need to declare this to the HMRC and further tax of up to 55% will be deducted.

17. Cancellations, void payments, interest, transfers, complaints and compensation

17.1 Some savings products give you the right to change your mind and cancel your plan within a certain period. You no longer have this right to cancel with stock market based investments like the Virgin Stakeholder Pension that are sold over the phone or internet.

17.2 If you make an ineligible payment into your pension it will be classed as 'void' and returned to you.

This could happen if a change in circumstances means you're no longer eligible to contribute to a stakeholder pension. If the unit price is lower than when the payment was invested, you may not get back the full amount you paid in.

17.3 If an employer or someone else makes a payment into your pension which is classed as void for any reason or because they have made a payment in error, we will return the payment directly to them. We will let you know if this happens.

17.4 Interest will not be paid on any money we are unable to invest or return (for example, as a result of an incomplete application).

17.5 If you wish to transfer your pension to another registered pension scheme provider, you can do so at any time. The transfer value of your pension will be based on the unit price on the day we make the transfer payment to the new provider. We will need your request to do this as well as confirmation from your new provider that they will accept the transfer.

17.6 If you feel you have cause to make a complaint, please send full details in writing to Virgin Money, PO Box 9522, Chelmsford CM99 2AB. Or you can write to The Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR. This will not affect your right to take legal action.

Virgin Money's complaints handling procedures are available on request.

The Occupational Pension Advisory Service is available to give you initial assistance if you have any difficulties. Their address is 11 Belgrave Road, London SW1V 1RB. You can also write to the Pension Ombudsman at this address, who can investigate and settle pension administration complaints.

Under the Financial Services and Markets Act 2000, if we can't meet any claim payment, you may get compensation. Payments under the scheme are limited to 100% of the first £30,000 and 90% of the next £20,000. The maximum amount payable is £48,000. If you'd like more information, visit the Financial Services Compensation Scheme website at www.fscs.org.uk

18. Allowances and limits for each tax year

Tax Year	Lifetime Allowance (LTA)	Triviality Limit	Annual Allowance
2009/10	£1.75m	£17,500	£245,000
2010/11	£1.8m	£18,000	£255,000

The Government have said these limits will be reviewed after 2010/11 and will not be decreased.

19. And finally...

19.1 The Virgin Stakeholder Pension Scheme is governed by English law and is a registered pension scheme (Pension Schemes Tax Ref: 00613691RS) and an Appropriate Personal Stakeholder Pension Scheme governed by HM Revenue & Customs under the Finance Act 2004.

The Scheme has been registered as a stakeholder pension scheme under Section 2 of the Welfare Reform and Pensions Act 1999.

The Scheme is an authorised pension unit trust governed by a Trust Deed and Rules dated 27 September 1996 and amended by supplemental deeds dated 4 December 2000, 14 March 2001, 12 March 2002, 5 April 2006 and 9 May 2006.

Free copies of the Trust Deed and Rules, the Statement of Investment Principles and also the Scheme Particulars for the Virgin Stakeholder Pension Scheme are available from us on request.

Our conflicts of interest policy details any potential conflicts of interest between Virgin Money and its customers, and between individual Virgin Money customers.

An example of a conflict of interest would be where Virgin Money has a financial incentive to favour one customer over the interests of other customers.

The activities, culture and organisation of Virgin Money make the risk of detrimental conflicts of interest extremely low. However, should they arise, our policy requires any such conflict to be immediately disclosed to customers, and all necessary steps taken to minimise such risks. A copy of the full policy is available on request.

19.2 The Manager of the pension funds and underlying unit trusts and administrator of the IPA is Virgin Money Unit Trust Managers Ltd, who are authorised and regulated by the Financial Services Authority, and are on their register, number 171748. The Trustee of the pension funds and underlying unit trusts is Citibank International plc, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

19.3 These Terms & Conditions are based on Virgin Money's understanding of HM Revenue & Customs practice as at April 2008. Our relationship with you and any contract between us is subject to English law. By taking out a Virgin Stakeholder Pension you agree to submit to the exclusive jurisdiction of courts in the UK if there is ever a dispute between us.

19.4 This contract and all other communications will be written in English. Our literature will be updated from time to time and we may update the terms and conditions of your pension. If this happens we'll always give you at least one month's notice. If any inconsistency arises, the Trust Deed and Rules will apply. You are free to move to another pension provider if you are unhappy with any changes.

19.5 We are obliged to inform you that we will not assess the suitability or appropriateness for you of any transactions carried out for you or services provided to you and you will not benefit from the Financial Services Authority's regulations on assessing suitability and appropriateness.

If you have any doubt on the suitability of this product you should seek independent financial advice.

Consequently you should check that the Virgin Stakeholder Pension is both suitable and appropriate to your particular needs.