This is not a consumer advertisement. It's intended for professional financial advisers and shouldn't be relied upon by private customers or any other persons.

WHAT TYPE OF PENSION PLAN IS A PRP?

It's an annually renewable With Profits Deferred Annuity Retirement Annuity Contract (also known as a Section 226 or Section 620 pension) with underlying defined benefits.

Available from 1972 to 1987, the PRP was aimed mainly at self-employed people, but was also open to anyone who worked for an employer who didn't offer an occupational pension scheme.

HOW DOES THE PRP WORK?

Each contribution paid into a PRP buys an amount of guaranteed yearly pension income and a tax-free cash lump sum equal to three times that amount, payable at the policyholder's maturity date.

The plan was set up with the policyholder's 70th birthday as the maturity date. We convert the contributions using premium rates based on some assumptions on life expectancy, investment returns and expenses. We review these assumptions from time to time, and therefore the premium rates may change. The current premium rates, effective from the policyholder's 2018 renewal date, are available on request.

If the benefits are taken at a different age to the maturity date, we'll recalculate them assuming the day the policyholder takes their benefits was the maturity date from outset.

As a PRP is a with profits plan, the guaranteed yearly pension income and the tax-free cash lump sum may increase due to the addition of any annual bonuses. The policyholder may also receive an interim bonus and a final bonus when they take their PRP benefits.

WHEN CAN THE GUARANTEED BENEFITS BE TAKEN?

The guaranteed benefits can normally be taken between the policyholder's 60th and 75th birthdays.

If the policyholder doesn't take their benefits before their 70th birthday, we'll recalculate the guaranteed pension income and tax-free cash lump sum assuming the maturity date is their 75th birthdays.

We'll write to them four months before the maturity date to let them know what their retirement options are. These options are also available any time between age 60 and 75. Details are available on request.

WHAT ARE THE RETIREMENT OPTIONS?

The retirement options available from age 60 are:

- a guaranteed pension income, payable for life, with a tax-free cash lump sum, or
- a higher pension income, payable for life, with no tax-free cash lump sum, or
- a trivial commutation cash lump sum or small pension pot, subject to the value of the plan.

ARE THE OPTIONS UNDER 'PENSION FREEDOMS' AVAILABLE?

No, these options aren't available as the PRP is treated as a defined benefit pension scheme.

The policyholder will need to transfer the value of their plan to a suitable product if they want the flexibility these options offer.

WHAT IF THE POLICYHOLDER WANTS TO TRANSFER TO ANOTHER PROVIDER?

The pension income and tax-free cash lump sum can be converted into a transfer value if the policyholder wishes to move to another provider. We refer to this as the 'total policy proceeds' in any illustration we send. This will be treated as a transfer and not an Open Market Option.

The PRP includes valuable guarantees that are available from age 60. If the policyholder transfers to another pension plan, they will lose these guarantees and may not be able to buy the same level of yearly pension income that their PRP could provide.

If the transfer value is £30,000 or more, then financial advice must be provided before the transfer can proceed as the plan contains safeguarded benefits.

If the policyholder has a waiver of premium benefit, it would be lost on transfer. If they have a life assurance plan running concurrently with their PRP, this can continue provided contributions are maintained.

HOW CAN THE PENSION INCOME BE PAID?

The yearly pension income we guarantee is payable to the policyholder only, monthly in advance, with no increases or guarantee period. Policyholders can choose different payment options to suit their circumstances without losing the underlying guarantee. The income they receive will depend on the options they choose.

Further information can be found in the 'Your Pension Annuity Options' brochure, which is available on request.

HOW IS THE TAX-FREE CASH LUMP SUM CALCULATED?

If the policyholder chooses to take a pension income, regardless of the payment options they select, the maximum tax-free cash lump sum payable will be the lower of:

- three times the maximum yearly pension income (payable to the policyholder only, yearly in arrears with no increases and no guarantee period), or
- the maximum allowed under the April 2006 rules.

Legal & General

WHO CAN PAY INTO A PRP?

The policyholder is the only person who can pay into their PRP. No third party, such as an employer or family member, can pay in.

CAN TRANSFER VALUES FROM OTHER PENSION PLANS BE PAID INTO A PRP?

No, it's not possible to pay transfer values into a PRP.

ARE CONTRIBUTIONS PAID NET OR GROSS OF BASIC RATE TAX?

Contributions are paid gross of tax and the policyholder has to claim any tax relief they are entitled to from HM Revenue & Customs through their yearly Self Assessment tax return.

If they have no UK earnings, they can still pay into their PRP but they won't be able to claim back any tax relief on their contributions.

WHEN CAN THE POLICYHOLDER ALTER THEIR CONTRIBUTIONS?

Contributions can only be altered on the policy anniversary date. Two months before the anniversary date we will write to policyholders who are currently contributing, giving them the opportunity to review the amount they pay into their plan.

Contributions can be paid yearly by cheque or monthly by Direct Debit. The minimum regular amounts we'll accept are £200 a year by cheque or £20 a month by Direct Debit. Lump sum contributions can also be made on the anniversary date. The minimum lump sum contribution is £500.

If the policyholder is paying monthly by Direct Debit, we will automatically renew their plan at the same contribution level, unless they tell us otherwise.

Policyholders can suspend their contributions at any time. If contributions are suspended part way through the policy year, we will recalculate the amount of guaranteed yearly pension income and tax-free cash lump sum bought at the last anniversary date to reflect the actual level of contributions paid. Any benefits secured at earlier anniversary dates will remain unchanged.

Policyholders can restart contributions at their next anniversary by paying yearly by cheque or monthly by Direct Debit. To do this they need to contact us within two months of their anniversary date and we will send them the appropriate forms.

WHAT CHARGES APPLY?

The premium rates that we use to convert the policyholder's contribution into a guaranteed pension income and tax-free cash lump sum include an allowance for expenses, whether incurred now or in the future. As with other with profits plans, future bonus rates will allow for any differences between actual expenses and those we allowed for in the premium rates.

WHAT ARE THE DEATH BENEFITS?

If the policyholder dies before taking their benefits, the amount payable on death is the higher of the transfer value or return of premiums (including interest if that option was selected at outset), less any tax charge if appropriate.

The policyholder may have nominated a beneficiary and any death benefit payment would be non-discretionary.

They can change their nomination at any time (in writing) to use their benefits for:

- an income payable to a spouse, registered civil partner or financially dependent partner.
- a lump sum payable to a named person.

They can't choose any other options.

WHAT WILL HAPPEN IF THE POLICYHOLDER DOESN'T TAKE THEIR PENSION BENEFITS BY THEIR 75th BIRTHDAY?

The plan will end and the benefits will be frozen until we are contacted to arrange payment of the pension benefits or transfer out of the plan.

CONTACT US

You can email: **prp.team@landg.com**. If you're contacting us by email, please do not to send any personal, financial or banking information, as this is not a secure method of communication.

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