

# NPI

Your **2004** End of Year Statement



# Personal Pension Plan, Free Standing AVC Plan, Personal Pension Investment Plan, New Approach Personal Pension Plan, New Approach Free Standing AVC Plan, Personal Pension (Series II) Plan, Flexible Personal Pension Plan

## Benefits

You can normally start taking benefits at any time between the ages of 50 and 75, and you can choose, subject to Inland Revenue restrictions, to take part of your fund as a tax-free lump sum in exchange for a smaller pension. Exceptions are as follows:

- Personal Pension Plans used either for the purpose of contracting out of the earnings related portion of the State Pension Scheme (State Second Pension) or to receive a transfer payment which we have to treat in the same way. For these, the earliest date that benefits can be taken is your 60th birthday and all benefits must be taken in the form of a pension;
- Personal Pension Investment Plans. For these, the earliest date that benefits can be taken is your 60th birthday;
- Free Standing AVC Plans and New Approach Free Standing AVC Plans. For these, your pension date will normally be linked to the date you take your company pension benefits and all benefits must be taken in the form of a pension.

**Please also take the time to read the additional pensions simplification leaflet which outlines some important changes to pensions in the future.**

## Units

Each contribution buys units in your chosen fund(s). There are two types of units, Initial Units and Ordinary Units. Your statement shows the type and number of units you have bought in each fund within your plan.

Initial units are bought with:

- the first year's contributions into a Personal Pension Plan or Free Standing AVC Plan;
- the first two years' contributions into a Personal Pension Investment Plan;
- the first one or two year's regular contributions for increments;
- certain other payments (for example, parts of some transfer payments from other NPI contracts or schemes) where your statement shows initial units.

Thereafter all contributions buy Ordinary Units.

New Approach Personal Pension Plans, New Approach Free Standing AVC Plans, Personal Pension (Series II) Plans and Flexible Personal Pension Plans do not have Initial Units. All contributions buy Ordinary Units.

Initial Units incur a higher Annual Management Charge to recover some of the costs of setting up your Plan. They are converted to Ordinary Units on a date which depends on the type of contract:

- Personal Pension Plans – 65th birthday;
- Free Standing AVC Plans – your 65th birthday or your Intended Retirement Date, if earlier;
- Personal Pension Investment Plans – the policy anniversary before your 60th birthday or after ten years, if later.

## Price

There are two types of unit price, the bid price and the offer price. Your contributions buy units at the offer price. When benefits are taken from the plan or when any values are quoted, the bid price is used. Any difference between these two prices is used to recover some of NPI's costs. The difference is 5%, except for Flexible Personal Pension Plans where it is zero.

## Annual Bonuses

For investments in the unitised with-profit funds, the annual (or reversionary) bonus is applied by an increase in the unit price on a daily basis.

This year's annual bonus has been reduced, in some cases to zero. The letter sent to you in May 2003 for National Provident Life Ltd policyholders or July 2003 for NPI Ltd gave the reasons for those decisions.

The annual bonus rates are shown on your statement.

## Contracted-Out Personal Pension Plan

### With-Profit Pension (Series I) Fund

For certain investments in the Pension Unitised With-Profit Fund there is currently a guarantee that the annual (or reversionary) bonus rate will not be less than 4%. This guarantee applies to Ordinary Units bought in the With-Profit Pension (Series I) Fund under certain Personal Pension Plans and Free Standing AVC contracts, mostly those issued in the period 1988 to 1993.

For units bought in other with-profit funds there is no guaranteed annual bonus rate.

### Terminal Bonus

A terminal bonus may be added to your with-profit investment in addition to the annual bonuses when you make a claim on your policy. The terminal bonus depends on the economic and investment conditions when you make a claim and may be changed at any time without notice so it cannot be guaranteed in advance.

### Market Value Adjustment

In some investment circumstances we apply a Market Value Adjustment (MVA) (sometimes also known as a Market Value Reduction) to investments in unitised with-profit funds and the unitised Capital Account. This is necessary to balance the interests of policyholders withdrawing their investments with the interests of those who remain invested. Market Value Adjustments currently apply to most policies and reduce the amount that is payable on withdrawal from your fund.

An MVA is normally applied when the value of the underlying assets is low compared with the bid value of the policy.

MVA's will not apply to benefits payable on death, nor on certain retirements. They will apply on transfers, switches and other retirements. Please see your policy document for full details.

A Contracted-out Personal Pension Plan enables you, if you are an eligible employee, to contract out of the earnings related portion of the State Pension Scheme (State Second Pension). Payments are made by the National Insurance Contributions (NIC) Office and consist of a rebate of part of your National Insurance contributions. This is age and income-related and will be paid along with basic rate Income Tax relief on your share of the rebate. The rebate and tax relief will be sent to NPI after the NIC Office receives the end-of-year tax return from your employer. Tax relief may alter in the future.

Your statement may show that no contributions have been received. Some examples of situations where you may not qualify to receive payments from the NIC Office on this policy are:

- where you joined a contracted-out company pension scheme;
- where you became unemployed;
- where you became self-employed;
- where your income fell below the Lower Earnings Limit. The limit, calculated by the Inland Revenue, is £4,004 for the 2003/2004 tax year and £4,108 for 2004/2005;
- where the NIC Office are enquiring about the earnings details submitted to them by your employer;
- if you contracted-out with us on 6 April 2004, any payment will not be received until after 5 April 2005, the end of this tax year.

If you think contributions should have been received, you will need to call the NIC Office on 0845 9150150.

If you would like any further information about reviewing your contracted-out position, please contact your financial adviser for professional guidance. If you do not currently have a financial adviser, you can call IFA Promotions on 0800 0853250, and they will provide details of financial advisers in your area.

# Self Employed Retirement Plan

## Benefits

The 'basic benefit' figure on your statement is the basic guaranteed pension. The bonus figures all relate to this basic benefit and are based on retirement ages of 60, 65 and 70, where appropriate. Benefits from your Plan can be taken at any time between age 60 and 75.

We have not added an annual (reversionary) bonus to your plan this year, so your guaranteed benefits remain the same as last year. As previously explained in a letter sent to you in May last year, we do not expect to declare an annual bonus for the foreseeable future. Bonuses declared to date are unaffected by this decision.

A terminal bonus may be added to your with-profit investment in addition to the annual bonuses when you make a claim on your policy. The terminal bonus depends on the economic and investment conditions when you make a claim and may be changed at any time so it cannot be guaranteed in advance. For most policies no terminal bonus is currently payable because the value of the guaranteed benefits is higher than the value of the assets underlying the policies.

If you take benefits at an age other than those quoted on your statement we will adjust the basic benefit and any previously declared bonuses accordingly. If future contributions are altered we will adjust the basic benefit accordingly.

Market Value Adjustments (MVAs) do not apply to Self Employed Retirement Plans.

Before making any decisions regarding the future of your policy/ies or for full details of the options appropriate to you, NPI recommends that you seek professional advice from your financial adviser.

For full details of your Pension Plan, please refer to the documents sent to you when we issued the Plan.

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