Everything you need to know

Policy Terms & Conditions for the Flexible Income Annuity

mgmadvantage
DESIGNS FOR RETIREMENT

Flexible Income Annuity

The purpose of this document

Your Flexible Income Annuity is made up of this **policy** and the **policy schedule**.

Please read all the documents carefully to make sure you have the benefits you expected. If you do not, you should refer to your financial adviser for help. If you find an error in this **policy** or **policy schedule**, please contact your financial adviser immediately or contact us at the address shown below.

This **policy** is a legal document and gives you the terms of the contract that operates between you and us. You should keep this **policy** and the **policy schedule** in a safe place together with the Key Features Illustration you received for your Flexible Income Annuity.

Any changes made to the benefits we provide, or to the terms of this **policy**, can only be made by us.

This **policy** outlines our understanding of the tax treatment and regulations governing the **policy** at the date of issue. It is important to understand that, like all legislation, the tax treatment and other provisions could change in future.

If you would like a copy of this **policy** and the **policy schedule** in Braille, large print or on audio tape, please contact us at the address below.

Definitions

We have highlighted some of the technical words we use in bold. Definitions are given in Part G.

Where we have used the words 'we', 'us', or 'our' in this **policy** they mean MGM Advantage, which is a trading name of Marine and General Mutual Life Assurance Society. Unless otherwise stated, the words 'you' or 'your' mean the **annuitant**.

Enquiries

If you have any query about your Flexible Income Annuity, please contact your financial adviser or telephone us on 0800 121 65 65. Alternatively, you can write to us at

MGM House, Heene Road, Worthing, West Sussex BN11 3AT.

Please remember to quote your **policy** number (shown in your **policy schedule**) in any correspondence you have with us.

Membership

Membership of the Marine and General Mutual Life Assurance Society

We confirm that (unless already a member of the Society) acceptance of an **application** for a Flexible Income Annuity automatically results in

- the **annuitant** becoming a member of the Society, to share in some of the profits of the Society and with full voting rights.
- the **dependant**, if any, becoming a member of the Society, but without any voting rights. (Voting rights for the **dependant** will transfer automatically from the **annuitant** to the **dependant** on the **annuitant**'s death if the **dependant** is still alive at that time).

Where a **policy** covers **protected rights** and, on the **annuitant**'s death, the **protected rights** are to be paid to a spouse/**civil partner** who is not already a member of the Society, we will arrange for that spouse/**civil partner** to become a member of the Society, to share in some of the profits of the Society and with full voting rights.

Part A

Outline of the Flexible Income Annuity

(Open Market Option)

This part applies only where the **policy** is shown as a Flexible Income Annuity (Open Market Option) on the **policy schedule**.

The Flexible Income Annuity (Open Market Option) can receive payments from only one **registered pension scheme**.

We have accepted a payment from a **registered pension scheme** and this **policy** derives from the **registered pension scheme** shown on, or in connection with, the **application**.

The **policy** was entered into by the trustees or administrator of the **registered pension scheme** paying the **purchase price** to us for the **policy** ("the paying scheme").

However, the **policy** has been set up solely for your benefit and the benefit of any **dependant** as detailed in this booklet and confirmed in the **policy schedule**.

This is designed to give you direct contractual rights with us and to allow you to deal direct with us. The trustees or administrator of the paying scheme have decided that all contractual rights under the **policy** are to be enforceable only by you, or by any other person who may be entitled to receive the benefit, and not by the trustees or administrator of the paying scheme.

Any part of the **purchase price** relating to benefits resulting from contracting-out of the State Earnings Related Pension Scheme/State Second Pension will be used to provide **protected rights**.

The **policy** provides a **lifetime annuity** and satisfies the conditions for a **lifetime annuity** set out in the Finance Act 2004.

We cannot accept any liability if the **policy** terms you choose are not allowed under the provisions of the paying scheme.

If we discover that any of the terms of your **policy** do not comply with those provisions, we may (as agreed with the trustees or administrator of the paying scheme at that time) have to change the amount and/or terms of your annuity. Alternatively, the trustees or administrator of the paying scheme may make arrangements for additional separate payments to you.

Part B

Outline of the Flexible Income Annuity

(Immediate Vesting Pension)

This part applies only where the **policy** is shown as a Flexible Income Annuity (Immediate Vesting Pension) on the **policy schedule**.

We have accepted a payment from one or more registered pension schemes into the MGM Personal Pension Plan (“the Plan”) which is a **registered pension scheme** and an Appropriate Personal Pension Scheme (a scheme that meets the requirements on **protected rights**).

Unless you were already a member of the Plan, you became a member of the Plan on the date we received the first payment into the Plan and any supporting information that we need relating to the payment. We will send you a copy of the Plan rules upon request.

We may, with the agreement of the trustee of the Plan, change the Plan rules in the future. If we do change the rules of the Plan and you are affected by the change(s), we will give you as much notice as we can about the change(s) and, if practicable, at least three months' notice.

Any part of a payment into the Plan covering benefits resulting from contracting-out of the State Earnings Related Pension Scheme/State Second Pension will be treated as **protected rights**.

The **purchase price** from the MGM Personal Pension Plan being used for your Flexible Income Annuity (Immediate Vesting Pension) will provide you with a **lifetime annuity** satisfying the conditions for a **lifetime annuity** set out in the Finance Act 2004.

However, before application of the **purchase price**, you can normally apply to take a pension commencement lump sum (a tax-free cash sum within limits set by **HMRC**). If you do not apply to take a pension commencement lump sum at this time, your right to any pension commencement lump sum in relation to the payment into the Plan will be lost.

Part C

General rules

1. Interpretation

Words we use in this **policy** which indicate the male or female gender include the other gender.

Words we use in this **policy** which indicate the singular include the plural and vice versa.

The only exception to these general rules is where the interpretation would be inconsistent with the subject matter or content.

If any provision of this **policy** is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any event be affected or impaired.

References to any legislation or any provision of it include references to any secondary legislation made under it.

References to any legislation (whether primary or secondary) or any provision of it include references to any previous legislation or provision relating to the same subject-matter or to any modification or re-enactment of it for the time being in force.

2. Legal information

Our full legal name is Marine and General Mutual Life Assurance Society. We are a mutual society and our head office is at MGM House, Heene Road, Worthing, West Sussex, BN11 3AT, United Kingdom. We are authorised and regulated by the Financial Services Authority.

We shall classify you as a "Retail Client" for the purposes of the rules of the Financial Services Authority.

3. The law that applies to the policy

The law that applies to this **policy** is English law.

4. Currency and place of payment

Any payments into or out of this **policy** will be made in the United Kingdom in the currency of the United Kingdom and any payments to you will be made only via a bank or building society registered in or with an office in the UK where you are the account holder or a joint account holder.

5. Initial information

The information received on, or in connection with, your **application** forms the basis on which benefits are to be provided.

All of this information must have been correct and complete on the **commencement date**.

Before we pay any benefit under the **policy**, **HMRC** rules require certain checks to be completed. We (or the trustees or administrator of the scheme making a payment to us on your behalf) will require confirmation that the value of all your benefits

- already paid and
- in payment to you

from all **registered pension schemes**, including from your Flexible Income Annuity, will not attract a **lifetime allowance charge**.

We cannot accept any liability if it is later discovered that you have become liable to pay a **lifetime allowance charge**.

In addition, before we pay any benefits under the **policy**, we may require evidence of your date of birth and the date of birth of any other person to whom benefit is to be payable. If the date of birth previously notified to us is incorrectly stated, we will adjust the benefits to those that would have applied if the correct date of birth had been given. We will make any further adjustments that are required to collect any overpayments from the **annuitant** or pay any underpayments that were made before the mistake is corrected. We do not pay interest on any adjustments that are made due to underpayment where dates of birth or any other relevant information is later found to be incorrect.

6. Dealing with this policy

We may need to see certain documents when we are dealing with this **policy**. Precise requirements will be detailed at the relevant time and will depend on the claim being made or the change required. For example:

- evidence of age
- proof that you or any other individual is entitled to receive payments under this **policy**.

We may use electronic means to obtain this proof.

7. Payments made by us

We will not make any payments until all our requirements (referred to in sections 5 and 6 above) have been met.

We will make payments by direct credit or any other method we agree. We will not make any payments in cash.

We will pay the pension to the **annuitant** (or **dependant** if appropriate).

We may need to change our agreed methods of payment in the future, for example because of changes in banking requirements or circumstances beyond our control. If practicable, we will give you three months' notice if a change is required.

8. Events or circumstances beyond our control

We shall not be liable to pay any compensation for loss due to an event or circumstance beyond our control, including the circumstances in section 9.

9. The Proceeds of Crime Act 2002

The Proceeds of Crime Act 2002 requires us to report any dealing suspected of involving the proceeds of crime to the Serious Organised Crime Agency (SOCA).

In such circumstances we are prevented by the Act from discussing such reports with you. If there is any delay in acting on your instructions or paying benefits as a result of any restrictions placed upon us by the Act, we will not be liable to any person for any loss this may cause.

10. Variation of the terms of the policy

In addition to the provisions in this **policy** allowing us to alter charges (see sections 14, 17.4, 17.6, 20, and 32), we may change the terms of this **policy** to reflect:

- changes in any law, taxation, rules or regulations, or rulings by a Court, Ombudsman, Regulator or similar body, or
- changes in any tax or levy which has to be paid by us, excluding any liability relating solely to any **investment fund**, which significantly alter the basis on which we set up this **policy**
- changes to the services provided by any third parties that we appoint to provide services associated with the administration of the **policy** (including **investment fund** managers)
- any other reasonable issues outside our control, including variations in inflation rates and investment conditions that are inconsistent with those assumed in the bases set by the **actuary** (as described in section 22).

In particular, we may change the terms of this **policy** if we consider that the changes are necessary, or desirable, to ensure that the annuity provided by this **policy** is consistent with **HMRC** requirements.

We will tell you about any such change to the terms of the **policy** giving you one month's notice, or as soon as reasonably practicable, and will explain the reason for the change and any restrictions set by legislation.

During this notice period, if you are unhappy with the proposed amendment or supplemental Terms and Conditions, we will not increase the transfer out fees and charges and you will be free to transfer to another arrangement allowed by **HMRC** rules (subject to the existing transfer out fees and charges).

11. Taxation

Pension payments made under this **policy** are subject to income tax as set out in the relevant legislation. Generally payments will be made net of income tax to the recipient under the PAYE system.

Any lump sum payment made under the value protection option will also be paid net of tax as described in section 30.

12. Unauthorised payments

Notwithstanding any provision to the contrary, nothing in this **policy** can require us to make an **unauthorised payment**.

13. Third party rights

Only a person who is entitled to **protected rights** under this **policy** may enforce their right to receive that pension. Apart from that, this **policy** does not confer any rights on any other person or body other than the parties to the **policy**. No other person or body shall have rights pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any terms under this **policy**.

14. Transfers

You may transfer the value (as determined by us) of any non-**protected rights** to another arrangement allowed by **HMRC** rules. Transfer of **protected rights** will only be allowed if permitted by legislation.

Any such transfer may be subject to a transfer charge as described in section 20.2.

15. Commutation

The benefits payable under this **policy** cannot be commuted or cashed in (in part or in full), except to comply with:

- a pensions sharing order on divorce or dissolution of a civil partnership, or
- orders made under the Proceeds of Crime Act 2002

or, subject to our prior agreement, as otherwise allowed by legislation.

16. Language

The language in which this **policy** is supplied is English and this is the language in which we shall communicate with you for the purposes of this **policy**.

Part D

The investment funds

17. Investment funds

17.1 Investment choice

You can invest the **purchase price** in one or more of our **investment funds** available at that time for your **policy**.

We may introduce new **investment funds** at any time or close, wind-up, divide or merge at any time (see section 17.5).

You can ask us at any time for details of the current **investment funds**.

When we receive the **purchase price**, together with the initial information needed (see section 5), we will use it to buy **units** in the **investment fund**(s) you have chosen.

17.2 Valuing the investment funds

We calculate the value of each **investment fund** at 12.00 noon on each working day.

We value each **investment fund** on two bases. The first valuation basis uses the price at which the assets of the **investment fund** might be bought (the "buying basis"). The second valuation basis uses the price at which the assets might be sold (the "selling basis"). Any taxes or levies that have to be paid will be deducted from the values calculated.

We will decide which of the two bases of valuation, or any in between, should be used to calculate the **unit price** by assessing the expected movements into and out of an **investment fund**. If an **investment fund** is increasing in size, the valuation will normally be based on the "buying basis". If an **investment fund** is reducing in size, the valuation will normally be based on the "selling basis".

Each unit in an **investment fund** has a single **unit price**. This is the price at which **units** are bought or sold. The **unit price** for an **investment fund** is calculated by taking the value of the **investment fund** on the basis that applies at the date of calculation (as set out above) and dividing the value by the total number of **units** in the **investment fund**. The **unit price** is then rounded to the nearest 0.001 of a penny, with 0.0005 rounded up to the higher 0.001.

17.3 Allocation and cancellation of units

Units are purchased in the **investment fund**(s) you have chosen, based on the **unit price** published on our website (mgmadvantage.com) on the later of the date we receive the **purchase price** and the date we receive the last document which we require to support the purchase. This **unit price** will be that calculated for the previous working day. We calculate the number of **units** purchased by multiplying the **purchase price** by the **allocation rate** and then dividing this amount by the **unit price** that applies. We will round the number of **units** to the nearest 0.001 part of a unit with 0.0005 rounded up to the higher 0.001.

The division of **investment funds** into **units** is notional and you have no legal rights to the underlying investments.

Units are cancelled from each **investment fund** based on the appropriate **unit price**. We will round the number of **units** to the nearest 0.001 part of a unit with 0.0005 rounded down to the lower 0.001.

We reserve the right to delay a transaction for up to six months if:

- the **investment fund** does not hold sufficient liquid assets (assets which can be easily sold or converted into other assets), or
- in our opinion, a delay would be in the interests of you and other policyholders, for example, in poor market conditions where there is a significant fall in the market value of the **investment fund**’s assets.

17.4 Changing your investment choice

You can ask us at any time in writing, unless we have agreed an alternative method of communication with you, to switch your existing investment(s) to other **investment fund**(s) of your choice. There are two restrictions which may apply unless all of the **units** in an **investment fund** relating to your **policy** are switched. We may set:

- a minimum value of **units** which can be switched, and
- a minimum value of **units** which must remain in any **investment fund** after a switch out.

You can ask us for details of the current minimum amounts at any time.

We will switch your investments by cancelling **units** to the value you wish to switch from an **investment fund** and replace these with **units** in another **investment fund** or **investment funds** to the same value. Any investment instruction received before 12 noon will be applied using the **unit prices** on the next working day. Any investment instruction received after 12 noon on any day will be applied using the **unit prices** on the next but one working day.

We do not currently apply a charge for implementing a change to your investment choice. However, we reserve the right to apply a charge where you request more than six investment switches in any calendar year. We also reserve the right to introduce a charge in future for implementing a change to your investment choice and will give three months' notice if we intend to introduce such a charge.

17.5 Closing or winding-up an investment fund

We can, at our discretion,

- close an **investment fund** to new money in respect of Flexible Income Annuity policies
- require that all investments under Flexible Income Annuity policies are moved to another fund (i.e. wind-up an existing **investment fund** as far as Flexible Income Annuity policies are concerned).

We will give you at least three months' notice of any such closure or wind-up where this is practicable.

If we close an **investment fund** for Flexible Income Annuity policies, no new Flexible Income Annuity policies money can be invested in that **investment fund**.

If we wind-up an **investment fund** for Flexible Income Annuity policies, all the **units** in the **investment fund** relating to Flexible Income Annuity policies will be switched to other **investment fund**(s). At, or before, the date of wind-up, you may choose which other **investment fund**(s) your **units** should be switched to. If you do not tell us which **investment fund**(s) should be used for this purpose, we will switch your **units** in the wound-up **investment fund** to a default **investment fund** which we will specify.

17.6 Charges from the investment funds

We may deduct an annual charge, on a daily basis, in determining the **unit price** of each **investment fund**.

There may also be additional expenses which are taken directly from the **investment funds**, or from the underlying investments of the **investment funds**, and which are taken into account in calculating the value of the **investment funds**. These additional expenses are the normal costs, taxes, duties and other reasonable charges incurred in holding, purchasing, managing and selling the assets of the **investment funds**.

You can ask us for details of any charges that are currently applied to any **investment fund**(s) and we will give you at least three months' notice of any change to the charges, unless the change results from a legislative or regulatory change outside our control (in which case we will give you as much notice as is practicable).

18. Member bonus

If our directors resolve that profits are available for distribution to members by way of bonus in accordance with the Society's articles of association, a **member bonus** will be added to your **policy** at such rate as the directors determine.

Any **member bonus** will be added annually (based on membership in the previous calendar year) and applied as a percentage increase either

- to increase the **units** relating to your **policy** in the **investment fund**(s) you have chosen

or, if your income is payable as a fixed income (see section 27),

- to increase your fixed income payments.

If a **dependant**'s pension is payable after your death, **member bonus** will continue to apply if one is declared.

Once added to a **policy**, the **member bonus** additions will not be withdrawn.

19. Lifetime bonus

Lifetime bonus may be added to the value of your investments in each **policy segment** unless your income is payable as a fixed income (see section 27).

These **lifetime bonuses** are calculated on a basis set by the **actuary**. They will vary depending on the death benefits chosen. If death benefit in the form of a guaranteed period (see section 28) or value protection (see section 30) applies, **lifetime bonuses** will be reduced as determined by the **actuary** to meet the cost of the death benefit.

The level of **lifetime bonus** could alter if we, on the advice of the **actuary**, change our assumptions about Flexible Income Annuity **policyholders**' life expectancy (how long **policyholders** are expected to live).

If we believe that **annuitants** are living longer than we originally thought, the level of **lifetime bonus** will be lower.

If we believe that **annuitants** are not living as long as we originally assumed, the **lifetime bonus** will go up.

If we change the level of **lifetime bonus**, we will apply a one-off adjustment to income at the next income review (see section 24). The calculation of **lifetime bonus** will allow for the revised assumptions about life expectancy until any further revision by the **actuary**.

Any **lifetime bonus** will be used to provide additional **units** in the **investment fund**(s) you have chosen and will be added monthly on the monthly anniversary date of the **commencement date**. We will determine **lifetime bonuses** as a percentage rate. We will apply this percentage rate to increase the **units** held in each **investment fund** on the date the **lifetime bonus** is added.

Where a **dependant**'s pension is payable after your death, **lifetime bonus** will continue to apply.

Once your income is payable as a fixed income (see section 27), your **policy** will no longer qualify for **lifetime bonus**.

20. Charges

We will deduct the charges as described below.

20.1 Annual policy charge

We collect an annual **policy** charge, in monthly instalments, from the **commencement date** and on each monthly anniversary of the **commencement date**, to cover our administration costs, **commission**, and the cost of the **minimum income guarantee** (see section 23).

We will calculate the annual **policy** charge as a percentage reduction. We will apply this percentage to reduce the number of **units** held in respect of your **policy**.

The charge at the **commencement date** will depend on:

- age attained at that time
- the level of the **purchase price**
- the **required fund performance** you chose
- **commission**
- the **investment funds** you choose because, in some cases, rebates we negotiate with the **investment fund** managers in respect of their charges will be deducted from the charge we apply to your **policy**
- your health.

Thereafter, the annual **policy** charge could vary according to:

- any changes you make to the **required fund performance**
- any changes you agree with your adviser in respect of **commission**
- any changes you make to your **investment fund** choice because, in some cases, any rebates we negotiate with the **investment fund** managers in respect of their charges will be deducted from the charge we apply to your **policy**

In addition, we reserve the right to make reasonable changes to the annual **policy** charge for existing policyholders based on any changes to expense levels outside our control as described in section 10.

The initial percentage charge will be shown in your Key Features Illustration. You can ask us for details of the current annual **policy** charge applying to your **policy**.

20.2 Charges on transfer to another provider (see section 14)

An additional charge may be applied on transfer:

- to recover initial expenses we incurred in setting up your **policy** (in first five years only) and

- if your health has deteriorated since the **commencement date** (in our opinion and based on information you and/or a qualified medical practitioner gives to us about your health).

- where the policy is joint life, **lifetime bonus** will have been given on the assumption that you will not transfer out and we may need to recalculate these and make a partial recovery if you do transfer out.

Part E

The benefits payable

21. Introduction

This section gives more detailed information on the benefits that may be provided under this **policy**. The **policy schedule** shows the options chosen.

22. Pension payments

You must take an income from your **policy** for the rest of your life.

You can select the amount of income you require at any time provided that it is within the income limits described in this section.

You must take income, from each **policy segment**, each **policy year** between a minimum of 50% and a maximum of 120% of a pension figure (the ’benchmark’) calculated by the **actuary** and not less than the level of the **minimum income guarantee** (described in section 23).

We may change the "50%" and "120%" percentage limits in the future, but we will give you at least one month's notice of our intention to do this. If you require a change in income level (an "on request" review – see section 24) we will calculate a revised ‘benchmark’ and new minimum and maximum amounts, and a new **required fund performance** percentage. If the income level you request is above the new maximum, it will be restricted to the maximum amount.

We will calculate the ’benchmark’ using the basis set by the **actuary** and allowing for the following:

- the value of the investments in the **policy segment**

- your personal circumstances

- the death benefits you have chosen (see sections 28 to 31)

- how long the **actuary** expects a person of your age to live
- estimated future charges from your **policy** (as determined on the basis set by the **actuary**),

and if you chose a **dependant**'s pension (see section 31),

- your **dependant**'s age and
- how long the **actuary** expects a person of your **dependant**'s age to live.

Where there is more than one **policy segment**, the 'benchmark', minimum and maximum amount and **required fund performance** will be calculated separately for each **policy segment**.

The initial income from any **protected rights** will be the **minimum income guarantee** (see section 23) for the **protected rights**.

23. The minimum income guarantee

The **minimum income guarantee** ensures your income from the **policy** will never fall below a certain level. Your **minimum income guarantee** will be 50% of your 'benchmark' (see section 22) at the **commencement date**.

The amount of your **minimum income guarantee** is shown in your **policy schedule**.

Where you have chosen a **dependant**'s pension (see section 31), the **minimum income guarantee** will

- continue to apply to the **dependant**'s pension after your death but
- will be calculated by applying your **dependant**'s percentage rate to your **minimum income guarantee**. For this purpose, the "**dependant**'s percentage rate" is the percentage of your pension that you chose to continue to your **dependant** after your death. For any **protected rights**, the "**dependant**'s percentage rate" is always 50%. The **dependant**'s percentage rate is shown in your **policy schedule**.

If you have chosen value protection (see section 30) and **dependant**'s pension (see section 31), the value protection payment will be made first. The **dependant**'s **minimum income guarantee** will be calculated as: -

- the percentage rate you chose for the **dependant**'s pension multiplied by the ratio of:

a) the remaining fund in your **policy** immediately after payment of any value protection amount to

b) the fund immediately before payment of any value protection amount.

The resulting percentage will be applied to the original minimum income guarantee

Depending on the amount payable under the value protection option, there may be no fund for the **dependant**'s pension.

The **minimum income guarantee** applies to and is calculated separately for each **policy segment**.

Income payments subject to the **minimum income guarantee** will be made from the **investment funds** in which the **policy segment** is invested.

24. Income reviews

We will review your income at least every five years – the "five yearly review". We will carry out the calculations on every fifth **policy** anniversary.

In addition, we will complete an earlier review

- if you ask us to provide a different income level – an "on request review"
- following the application of a pension sharing order (as a result of divorce or dissolution of a civil partnership) – a "pension sharing review". For a pension sharing review, we will recalculate the minimum and maximum income and **required fund performance** based on your age on the date that the pension sharing order is applied and the value of your **policy** immediately after the application of the pension sharing order.

At each review a new 'benchmark', minimum and maximum amount and **required fund performance** will be calculated (as described in section 22).

The income you take from your **policy** will never be less than the **minimum income guarantee** we calculate (as described in section 23).

At each five year review, we will provide a statement showing the effect of the actual investment performance on your **policy** compared to your **required fund performance.**

As the **required fund performance** takes into account the charges applicable for the funds you have chosen, your **required fund performance** may change if you have switched funds or the percentage invested in each of your chosen funds has changed since the last review.

At each review, we will calculate your default revised income level using your **required fund performance** percentage. If the actual performance of your underlying fund is

- higher than your **required fund performance**, you may be able to increase your income
- lower than your **required fund performance**, you may have to reduce your income
- the same as your **required fund performance**, your income will remain the same other than if:
    - we alter the level of **lifetime bonus** (either up or down)
    - **units** relating to your **policy** were sold to produce income at a time when **unit prices** had dropped (meaning more **units** were sold to meet your income requirements)
    - **units** relating to your **policy** were sold to produce income at a time when **unit prices** had increased (meaning that less **units** were sold to meet your income requirements).

The minimum is calculated as the lower of

- 50% of ‘benchmark’ and
- the default revised income, but not less than the **minimum income guarantee**.

The maximum is the higher of

- 120% of ’benchmark’ and
- the default revised income.

If the default revised income level set by your **required fund performance** is outside the minimum and maximum amounts, reserve **units** will be used so that the income level is within the minimum and maximum amounts. The reserve **units** are purely notional and have no value to the **policyholder**.

We will apply the calculation independently to each **policy segment**.

25. Income payment options

Income payments will be made to you by cancelling **units** (see section 17) to the value of each income payment, before any tax has been deducted. We will cancel **units** from all the **investment funds** applying to your **policy** on a proportionate basis across all the **investment funds** in which you have invested.

Before the **policy** was set up, you were given the option to have income paid to you monthly, quarterly, half-yearly or yearly. The basis that you chose is confirmed as the "payment frequency" in your **policy schedule**.

We will not allow the "payment frequency" to be changed, but you can change the amount of income you receive at any time provided that

- your income has not been altered to a fixed income (see section 27)
- the new amount is within the limits described in section 24, and
- you advise us in writing at least ten working days before the income payment date from which the new income amount is to be paid.

We will deduct tax from your income payments based on the personal tax code advised by **HMRC** before making payment to your nominated bank account. We will use the emergency code basis if your personal tax code is not available.

26. Payment timing

Each annuity payment shall be made either “in advance” or “in arrears”.

If paid in advance, each payment will be in respect of the period until the next annuity payment date.

If paid in arrears, each payment will be in respect of the period since the last annuity payment date.

27. Conversion to a fixed income

If the maximum income figure calculated at any time reaches a level where it is the same as or lower than your **minimum income guarantee**, your **policy** will be switched to the ‘fixed income’ basis. The fixed income will be the amount of the **minimum income guarantee**.

We will write to you and warn you if this is likely to happen.

You can also apply to move to a fixed income at any time. In any event, your **policy** will be converted to a fixed income basis on your 90th birthday.

A "fixed income" will reflect the basis that you chose for the **policy** in relation to:

- any remaining guarantee period (see section 28),
- with or without proportion on death (see section 29), and
- **dependant**'s pension (see section 31).

The annuity will be calculated based on terms set at the time of conversion to fixed income, but allowing for any adjustment that we would have applied at the **commencement date** based on information provided about your health at the **commencement date** (and of your **dependant**'s health if a **dependant**'s pension, as described in section 31, is included in the **policy** terms). You can ask for details of these terms.

You will no longer be able to alter the level of payments: the payments will remain constant, except that the payments may be increased because of additions through **member bonuses**, which will be added as a percentage increase as described in section 18.

You will not be able to switch back to an income that varies in line with investment performance.

Death benefits

28. Guaranteed period

The annuity may include a guaranteed period of up to 10 years from the **commencement date**. The maximum guaranteed period is 5 years for any part of the annuity that is **protected rights**.

If you die before the end of the guaranteed period you chose, a fixed income will be paid to your **dependant**, or another nominated individual, until the end of the guaranteed period.

The fixed income payments to the end of the guaranteed period will be twice the minimum income level shown in the income range available at **commencement date** and will be recalculated on a consistent basis at subsequent reviews and shown on review documentation.

If you chose a **dependant**'s pension, the fixed income payments will be paid until the end of the guaranteed period, then the **dependant**'s pension will start.

Income reviews will be suspended until the end of the guaranteed period. However, the **dependant** can choose to switch **investment funds** (see section 17.4).

An income review will be carried out at the end of the guaranteed period. The **dependant**'s pension will be calculated by using the fund reduced by the relevant percentage and allowing for the **required fund performance** you chose or a new **required fund performance** that your **dependant** chooses, but otherwise as described in section 22 and subject to a minimum of the **dependant**'s **minimum income guarantee**.

For any part of the annuity that is:

- **protected rights**, if you are survived by a spouse or **civil partner**, the remaining instalments of the **protected rights** to the end of the guaranteed period must be paid to the spouse or **civil partner**. If there is no surviving spouse or **civil partner**, these remaining instalments will be paid to your estate.
- not **protected rights**, the remaining instalments of the non-**protected rights** to the end of the guaranteed period will be paid to your spouse or **civil partner** (if any), failing which to your estate, or in accordance with the terms of your will, or to a person nominated by the executor of your estate.

If you die before the end of the guaranteed period you chose, the final annuity payment date will be the last payment due before the end of the guaranteed period if paid in advance and due at the end of the guaranteed period if paid in arrears.

29. With or without proportion to death

If you die after the end of any guaranteed period (see section 28), the last annuity payment will be the one due immediately before the date of your death, but this may change as a result of the options you chose for your annuity payments.

If you chose annuity payments:

- "in arrears" (see section 26) and
- "with proportion to death", this means that a further payment will be made for the period from the date of the last annuity payment before your death to the date of your death.

The amount of this further payment will be calculated by multiplying the amount of your annuity payment for the year by the number of days between the date of the last annuity payment before your death and the date of your death, then dividing by 365.

If you chose annuity payments

- "in arrears" and you chose "without proportion to death", or
- "in advance"

the last payment will be the one immediately before your death.

If income from **protected rights** is payable in arrears, this must be "with proportion".

If the annuity is payable "in advance", we will not reclaim any of the final annuity payment made before your death.

30. Value protection

If you have not chosen a guaranteed period (see section 28), you may select "value protection" for any non-**protected rights** when you apply for your **policy**.

"Value protection" means that, if you die before your 75th birthday, and you have not moved to a fixed income (see section 27), a lump sum will be paid to your estate or as instructed by your executors.

If you chose value protection, you also chose the rate of value protection (a fixed percentage of the **purchase price** of your **policy**, up to 100%). If value protection applies, this will be confirmed in your **policy schedule** together with the value protection percentage rate.

The value protection payable on death is then calculated as

- the value protection percentage you chose applied to the **purchase price** of your Flexible Income Annuity

then reduced by

- the total annuity payments made to the date of your death ignoring any income tax deductions.

The value protection lump sum is taxable at a rate set by **HMRC** for such payments under section 273A of the Finance Act 2004. We will deduct this tax before payment and pay it to **HMRC**.

31. Dependant's pension

For any non-**protected rights**, when you set up your Flexible Income Annuity you can choose to include a **dependant**'s pension for your spouse or **civil partner**. If you choose such a **dependant**'s pension, the details will be confirmed in your **policy schedule**.

If you also chose value protection (see section 30), the value of your **policy** after payment of the value protection will be available for your **dependant**'s pension.

The percentage rate chosen for the **dependant**'s pension will be applied to the value of the **policy**

- on the date we receive your death certificate or other formal notification that we, at our discretion, accept as meeting our requirements for formal confirmation of death, or, if later,

- at the end of any guaranteed period that you chose (see section 28).

The **minimum income guarantee** will be calculated as detailed in section 23.

The **required fund performance** that applied immediately before your death will continue to apply until your **dependant** chooses a different **required fund performance** or different **investment fund**(s).

If, or when, your **dependant** chooses a different **required fund performance**, we will review the minimum and maximum amounts as described in section 24.

Alternatively, your **dependant** can choose to have a fixed income if under age 90 and, in any event, a fixed income will apply from age 90, all as described in section 27.

For any **protected rights**, if you are married or have a **civil partner** at the **commencement date**, a **dependant**'s pension of 50% of your own pension from **protected rights** must be included. This **dependant**'s pension will be paid to your widow/widower or **civil partner** at the time of your death. This may be a different person from the **dependant** shown in the **policy schedule**.

For non-**protected rights**, any **dependant**'s pension will only be paid to the **dependant** named in the **policy schedule**, if that person is still alive.

The **dependant**'s pension (for **protected rights** and for non-**protected rights**), will start on the next payment date after the date of your death or, if later, at the end of the guaranteed period (see section 28).

The **dependant**'s pension will be payable for life and will cease on the **dependant**'s death. The final payment due will be the one made immediately before the date of the **dependant**'s death.

Part F

Additional information

32. Financial Services Compensation Scheme

The **policy** is covered by the Financial Services Compensation Scheme for the purpose of providing compensation in the unlikely event of MGM's insolvency.

If a charge is imposed on us under the Financial Services Compensation Scheme (or any other investor compensation scheme), we can pay for it by imposing on our policyholders whatever level of charges is necessary and reasonable, subject to complying with legal and regulatory requirements. As such, if such a charge is imposed in relation to the **policy**, we may make an appropriate deduction from benefits payable under the **policy**.

33. Notices to annuitants

You and your **dependant** must give us an address to which we will send any notices. These notices will be treated as having been received by you, or by your **dependant** after your death, two postal days after posting (excluding Sundays and Bank Holidays).

Changes in address need to be notified to us promptly.

34. Complaints

We hope you will never need to, but if you ever wish to complain about any aspect of the service you receive from us, please first of all write to us at the address on page 1.

Please quote your **policy** number (shown in your **policy schedule**).

If you or your beneficiaries are not satisfied with our response to your complaint, you may be able to take the complaint to the Pensions Advisory Service (TPAS), 11 Belgrave Road, London SW1 V1RB or to the Pensions Ombudsman, at the same address.

You or your beneficiaries can also refer any complaint to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR.

The services of TPAS, the Pensions Ombudsman and Financial Ombudsman Service are free for anyone taking a complaint to them and your legal rights will not be affected if you subsequently decide not to accept their findings.

The telephone numbers of these organisations are:

The Pensions Advisory Service (TPAS):
0845 601 2923

Pensions Ombudsman
020 7834 9144

Financial Ombudsman Service:
0800 0234 567

35. Long-term business

The benefits arising under this **policy** are part of our "long-term business" within the meaning of the Financial Services and Markets Act 2000.

36. Pensions business

This annuity is also classed as pensions business under section 431B of the Income and Corporation Taxes Act 1988. The **purchase price** of your Flexible Income Annuity must relate to pension business in the way described in section 431B of the Income and Corporation Taxes Act 1988. If we discover that the **purchase price** did not meet these requirements, we may modify the **policy** in whatever way is necessary to ensure that **HMRC** does not impose any penalty on us.

Part G

Definitions

This section explains what various expressions used in this **policy** mean. Where they are used they are shown in **bold** in the text.

Actuary

the person(s) or organisation(s) we appoint to advise us on actuarial matters in connection with Flexible Income Annuity policies

Allocation Rate

the percentage of your fund used to purchase units at the start of your policy. This will be 100% unless you agree to pay your adviser a non-standard level of initial commission

Annuitant

the person who will receive the pension annuity payments

Application
the form signed by the **annuitant** to take out this **policy**. The information contained within the **application**, together with any other information that we may require, will form the basis of this **policy**

Civil partner
the **annuitant**'s **civil partner**, as defined in the Civil Partnership Act 2004

Commencement date
the date that this **policy** comes into force and is the date we received the fully completed **application** and payment unless we agree an earlier date in writing

Commission
payments met from your **policy** to your adviser covering the cost of advice to you from your adviser in relation to your **policy** on the basis that you agreed with your adviser when you started your **policy**, and notified to us (or on any revised basis you agree and notify to us from time to time thereafter) but always subject to any parameters set by us within the Financial Services Authority's rules

Dependant
the **policyholder**'s

- spouse (husband or wife) or
- **civil partner**

where you have chosen a **dependant**'s pension

HMRC
this means Her Majesty's Revenue and Customs

Investment fund
a pension **investment fund** which we agree as available for **policy** investments. These investment funds may be funds operated by us or by other fund managers chosen by us

Lifetime allowance
the overall ceiling on the amount of tax privileged pension savings that any one individual can accumulate within **HMRC** rules. The exact figure is

- whatever the 'standard **lifetime allowance**', as set by **HMRC** rules, for the tax year concerned is or
- a multiple of this figure where the individual concerned was eligible to apply to **HMRC** (and received confirmation from **HMRC**) for protection against the 'standard **lifetime allowance**'

Lifetime allowance charge

a tax charge imposed if total benefits taken by the **annuitant** from all registered pension schemes exceed the **lifetime allowance**

Lifetime annuity

a pension provided from a **registered pension scheme**, under a 'money purchase arrangement'. The annuity is purchased from an insurance company of the **annuitant**'s choice and must satisfy the conditions set out in paragraph 3 of Schedule 28 to the Finance Act 2004

Lifetime bonus

when annuitants (covered by Flexible Income Annuity policies) die, the parts of their funds that remain after any benefits are paid are pooled and shared among the surviving annuitants as a **lifetime bonus**

Member bonus

policyholders are members of the Society and share in the profits of the Society which the directors resolve are available for distribution to members. The share of the profits for policyholders (and dependants after the **policyholder**'s death) is applied in the form of a **member bonus**

Minimum income guarantee

is confirmed in your **policy schedule** (see section 23) and ensures that your income from the **policy** (before income tax applies) will not fall below a minimum guaranteed amount except where a pension sharing order (from a divorce or dissolution of a **civil partnership**) is applied

Policy

this document, the **policy schedule** and any endorsements to it

Policyholder

is the person in respect of whom the **policy** was established to receive pension payments and, after that person's death, the **dependant** if a **dependant**'s pension is confirmed in the **policy schedule**

Policy schedule

the document that makes these general terms personal to the **annuitant**. It includes details such as the **commencement date**, the amount of the **lifetime annuity** and confirms the benefit options selected. If any of the information on the **policy schedule** changes, we may send another one to the **annuitant** or an endorsement recording the new details. These will then form part of the **policy schedule**

Policy segment

each **policy** will have at least one **policy segment**. Separate **policy** segments will apply for:

- non-**protected rights** and
- **protected rights**

and may, at our discretion, apply in other circumstances, in which case we will confirm the details to you

Policy year
each period of 12 consecutive months starting on the **commencement date**

Protected rights
apply only where the value of benefits resulting from contracting-out of the State Earnings Related Pension Scheme/State Second Pension is included in the **purchase price**. If there are **protected rights** applicable to your **policy**, this will be shown on the **policy schedule**

Purchase price
the amount of the **annuitant**'s pension fund to be used to buy the **lifetime annuity** under the **policy** after:

- any pension commencement lump sum
- where the Flexible Income Annuity (Immediate Vesting Pension) option applies (as shown in the **policy schedule**): for any deduction to meet the **lifetime allowance charge** and where any fund in excess of the **lifetime allowance** is paid as a lump sum

Registered pension scheme
a pension scheme registered under Part 4 of the Finance Act 2004

Required fund performance
this is a guide to the investment performance required in order to achieve income in line with the income level you choose

Scheme sanction charge
a tax charge imposed on a scheme administrator (the person responsible for certain aspects of the management of the **registered pension scheme**) when an **unauthorised payment** is made

Unauthorised payment
is defined in section 160 of the Finance Act 2004. Broadly it is any type of payment which, if made, would give rise to an **unauthorised payment** tax charge under the Finance Act 2004

Units
the notional "**units**" into which we divide each **investment fund** and which we use to work out the value of your **policy**

Unit price
the value of a unit in an **investment fund** as described in section 17.2.

About Us

MGM Advantage is a trading name of Marine and General Mutual Life Assurance Society (often known simply as MGM). We are the longest registered company in the UK with a history dating back to 1852.

We are also a mutual organisation with a focus on treating customers fairly and providing value for money. Because we don't have shareholders to pay, we share our profits with our members.

You can find out more about us on our website at mgmadvantage.com.

MGM Advantage is authorised and regulated by the Financial Services Authority, registration number 110395.

You can check these details with the Financial Services Authority (FSA) at either:

- www.fsa.gov.uk/register
- or on 0845 606 1234.

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