Terms and Conditions

Pension Annuity

Policy provisions CPA/POL/707

Contents

Introduction

This introduction is not a part of the annuity Terms and Conditions. It aims to help you understand the annuity policy.

Our annuity policy provides regular income payments. We pay the benefits to the annuitant throughout the rest of his or her life.

You can buy an annuity with the proceeds of a pension contract or multiple pension contracts.

The Terms and Conditions applying to our annuity policy are set out in this booklet.

An annuity policy can have a range of extra options, but not all options will be available in every case. The Terms and Conditions applying to all extra options are set out in this booklet.

An annuity policy can be made up of several parts, and different options can apply to those different parts.

Every option affects the cost of the annuity, and some have a greater effect than others.

The actual combination of options applying to any particular annuity policy will depend on the application made to us and the relevant law. The extra options applying to any particular annuity (if any) will be set out in the Policy Document of that annuity policy.

This document is intended for reference both before and after the annuity has been bought. It is an important document and should be kept in a safe place. If you are looking at it before buying, we recommend that you also read the following:

Your Personal Annuity Quote, and **The Key Features Document**.

If you buy our Pension Annuity, then you should read these Terms and Conditions with the Policy Document.

1. The Policy

1.1 We (Legal & General Assurance Society Limited) will issue the annuity policy to the policy owner (the annuitant or the trustees of the pension scheme, as set out in the application to us) in return for a single contribution.

1.2 We will pay the benefit from the policy to the annuitant or his or her dependants in line with the policy provisions, subject to the Terms and Conditions as set out in this booklet.

1.3 All amounts due to or from us under the annuity policy must be paid in sterling to or by our principal pensions office at:

Legal & General, Brunel House, 2 Fitzalan Road, Cardiff, CF24 0EB.

Payments must be made in a way that is acceptable to us. This will normally be in sterling to a UK bank account. If we agree to arrange for anything else, the annuitant will bear any additional costs that arise.

1.4 The annuitant and any other person entitled to receive benefit under the annuity policy must, on request, confirm in writing that they have received the benefits. That written confirmation will be sufficient proof that we have met our responsibility to pay benefits. In most cases, clearance through the recipient's bank account will be sufficient confirmation.

2. Benefit

2.1 We will pay benefits every month, every three months, every six months or every year, as we agreed with the policy owner. The period between benefit payments is called the 'payment period'.

2.2 If we pay the benefit in advance (for the payment period ahead), we will pay the first instalment on the 'annuity commencement date' (see 2.5) agreed by us and the policy owner, or as soon as practicable after that date.

If the agreed annuity commencement date is earlier than the date we receive the contribution (referred to in 1.1), the first instalment will be paid as soon as practicable following receipt by us of the contribution.

The first instalment will be the total of any payments due for the period from the annuity commencement date to the date on which we receive the contribution inclusive.

2.3 If we pay the benefit in arrears (for the payment period just passed), we will pay the first instalment at the end of the payment period which started on the agreed annuity commencement date, or as soon as practicable after that date.

2.4 Except where section 6 and/or 7 applies, we will stop paying benefits to the annuitant when the annuitant dies. We will stop paying a dependant's benefit when the dependant dies.

2.5 The 'annuity commencement date' will be the 'policy commencement date' or such other date as is agreed between us and the policy owner. The 'policy commencement date' will be the date all necessary requirements to implement the annuity have been met.

3. Proportionate payment after death

3.1 This section only applies in respect of benefits being paid in arrears.

3.2 The payment will either be made 'with proportion' or 'without proportion'. Which of these applies will be agreed between us and the policy owner on the basis of the application made to us.

3.3 If, under the annuity policy, any final payment will be 'with proportion', after the annuitant's death we will make a final payment being an appropriate amount for the period between the last payment and the date of death, with the payment going to their estate.

3.4 If, under the annuity policy, any final payment will be 'without proportion', we will not make any payment for the period between the last instalment of benefit before the annuitant's death and the date of death.

3.5 We will treat a dependant's income in the same way on the dependant's death, with any payment going to their estate.

4. Increases in Annuity benefit (Pension Annuity policies only)

4.1 Benefits will increase every year in line with the policy application made to us.

Each increase will be either a fixed percentage each year or in line with the increase in the Retail Prices Index (see section 10).

The first increase will be made on the first anniversary of the annuity commencement date, and further increases will be made on each following anniversary. Increases will be 'compounded'. This means that each increase will be based on the total benefit including any previous increases.

5. Restrictions

5.1 The total amount of the benefit we pay under the annuity policy might be limited to a maximum level set by the pension scheme from which the annuity arises.

5.2 If a maximum annuity level is set, we will not increase any benefit by an amount that would result in the benefit going over the maximum, unless the increase is no more than the greater of 3% or the increase in the Retail Prices Index in any one year.

5.3 If we do not apply all or part of any increase as a result of 5.2, and a future increase in the Retail Prices Index (see section 10) means that we can pay part or all of the increase we held back, we will pay that amount from the next anniversary of the annuity commencement date.

If we hold back any amount under 5.2 and the annuitant is not the policy owner, we will pay it to the policy owner as soon as practicable after the annuitant's death.

5.4 No restriction will be applied to any benefit paid as 'Guaranteed Minimum Pension' (see 5.5 (which arises from contracting out of the earnings-related part of the state pension) under the Pension Annuity policy.

5.5 If a defined benefit occupational pension scheme has been contracted out of the earnings-related part of the state pension before 6 April 1997, then scheme members who joined that scheme before 6 April 1997 will normally have a Guaranteed Minimum Pension. This is a guaranteed benefit and replaces the earnings-related part of the state pension for the period while the scheme member was contracted out before 6 April 1997.

5.6 Having a maximum level of benefit does not mean that the benefit will necessarily ever reach that maximum.

6. Pension for dependant(s)

6.1 Benefits can be paid after the annuitant's death to a dependant who could be the annuitant's husband, wife, registered civil partner or financially dependent partner. The amount of the benefit will be a percentage of the annuitant's annuity, as set out in the application to us.

6.2 The benefit can be paid on a 'named spouse or civil partner or dependant' or an 'any spouse or civil partner' basis (see 6.3 and 6.6) depending on the application made to us.

6.3 Benefits can be paid on a 'named spouse or civil partner or dependant' basis to a husband, wife, registered civil partner or financially dependent partner (named in the application to us) if the following conditions apply:

- If the dependant is a husband or wife, the annuitant must be married to them at the time of the annuitant's death.
- If the dependant is a civil partner, the annuitant must be in a registered civil partnership with them at the time of the annuitant's death.

6.4 If the dependant is not a husband, wife or registered civil partner, they must be a financially dependent partner, at the date of the annuitant's death.

If the annuitant is not the policy owner, 'dependant' will have the meaning set by the rules of the pension scheme the annuity policy arises from.

If the annuitant is the policy owner, 'dependant' will mean someone who, in our opinion, is a partner who is dependent (or interdependent) on the annuitant financially. We will ask a dependant to sign a declaration confirming they are financially dependent on the annuitant's income.

6.5 If the annuity policy provides benefits for a dependant other than a spouse or registered civil partner and the annuitant is married or in a registered civil partnership at the date of death, we will pay any Guaranteed Minimum Pension, or Section 9(2B) rights provided by the relevant pension scheme to, and only to, the wife, husband or registered civil partner. In this case, no part of the Guaranteed Minimum Pension and/or Section 9(2B) rights will be paid to the named financial dependant.

6.6 Benefits can be paid on an 'any spouse or civil partner' basis only to a wife, husband or registered civil partner. It will be payable to the wife, husband or registered civil partner at the annuitant's date of death even if this is not the same person as named in the application.

If the annuity policy provides benefits for a dependant other than that paid as Guaranteed Minimum Pension or Section 9(2B) rights, the annuitant must have been married to their husband or wife or in a registered civil partnership with their civil partner for at least the last six months of their life and their husband, wife or registered civil partner must not be 10 years or more younger than them.

6.7 The dependant's benefit will be a percentage of:

- the benefit the annuitant was receiving at the date of death; or
- if the dependant's benefit will not start until the end of a period for which payments are guaranteed, the benefit being paid at the end of that period.

6.8 We will work out increases in or alterations to dependant's benefit in the same way as we work out increases in or alterations to the annuitant's benefit.

6.9 If the annuity policy states that a dependant's benefit cannot start before the end of a set period (the guaranteed minimum payment period), and the dependant dies before the end of that period, we will not pay any dependant's benefit.

6.10 If a guaranteed minimum payment period applies (see section 7), a dependant's benefit can be paid 'with overlap' (see 6.13) or 'without overlap' (see 6.14) as chosen in the application to us.

If the annuitant dies after the end of a guaranteed minimum payment period, or there is no guaranteed minimum payment period, we will start paying the dependant's benefit on the next payment period after death.

6.11 We will not pay any benefit to any person other than the dependant named in the application made to us except as described in 6.4 or 6.5.

6.12 We will stop paying the dependant's annuity when that person dies unless a further payment is due in line with section 3.

6.13 If a guaranteed minimum payment period applies and the policy document specifies that we would pay a dependant's benefit 'with overlap', we will pay the dependant's benefit immediately from the next payment period after the annuitant's death. We will not wait until the end of the guaranteed minimum period to start paying the dependant's benefit.

If the dependant also dies before the end of the guaranteed minimum payment period, we will stop paying her or his benefit when she or he dies.

6.14 If a guaranteed minimum payment period applies and the policy document specifies that we would pay a dependant's benefit 'without overlap', if the annuitant dies before the end of the guaranteed minimum payment period we will start paying the dependant's benefit at the end of that period.

6.15 The terms 'wife' or 'husband' or 'spouse' do not include a 'common law' wife or husband. Civil partners must be in a civil partnership registered under the Civil Partnership Act 2004.

7. Guaranteed minimum payment period

7.1 The annuity policy can specify a guaranteed minimum payment period (that is, a period benefits are guaranteed to be paid for, even if the annuitant dies before the end of it). If the annuitant dies during this period, we will pay the remaining guaranteed payments as regular benefit payments until the end of the guaranteed minimum payment period.

7.2 Whether or not a guaranteed minimum payment period applies will depend on the options chosen in the application to us.

7.3 We will take into account any nomination of beneficiaries you submitted to us but we will use our discretion as to who to pay the benefits to.

If you don't submit a nomination, we may pay any benefits to your estate, which could mean that it won't be paid until we've received the probate notification (the first step in the legal process of administering the estate of a deceased person under a will).

8. Value Protection

8.1 Whether or not value protection applies will depend on the options chosen in the application to us.

8.2 If policy specifies value protection only.

i. The annuity policy can specify a value protection amount up to 100% of the amount used to buy the annuity.

ii. If the annuitant dies and has not received income payments that exceed the protected amount, we will pay a lump sum to a beneficiary or beneficiaries.

8.3 If policy specifies value protection and a pension for dependant(s).

i. Value protection on death of annuitant.

a. The annuity policy can specify a value protection amount up to 100% of the initial amount used to buy the annuity, less the pension for dependant percentage chosen.

b. If the annuitant dies and has not received income payments that exceed the amount protected, we will pay a lump sum to a beneficiary or beneficiaries.

ii. Value protection on death of second life.

a. The annuity policy can specify a value protection amount up to 100% of the initial amount used to buy the annuity.

b. If both the annuitant and dependant die and total income payments received by both have not exceeded the amount protected, we will pay a lump sum to a beneficiary or beneficiaries.

8.4 If you're under age 75 when you die, any lump sum paid will not be taxed. If you die when you are 75 or older, any lump sum paid to your beneficiary, dependant or estate will be taxed at their highest rate.

8.5 We will take into account any nomination of beneficiaries you make but we will use our discretion as to who to pay the benefits to.

If you don't give us guidance, we may pay any benefits to your estate, which could mean that it won't be paid until we've received the probate notification (the first step in the legal process of administering the estate of a deceased person under a will)

9. Incorrect information

9.1 We require certain information from the annuitant and/or scheme trustees before an annuity commences. This information is normally provided in the annuity application form, and it determines the amount of benefit payable.

The information which is used for this purpose includes, but is not limited to, the annuitant's date of birth, his or her marital or civil partnership status and similar information regarding any dependant to whom a benefit might become payable. In some cases, medical and other personal information may be required and relevant.

If the applicant has failed to take reasonable care when completing the application and as a result information which we have asked for has not been notified or proves to have been incorrectly notified, Legal & General will adjust the benefits to the amount which would have been payable had the correct information been notified originally. Also, an additional adjustment will be made in respect of the period between the annuity commencement date and the date of amendment.

If the result of the adjustment described above is that the amount of benefit is reduced, the annuitant will be required to return any overpayments as soon as possible.

If any benefit is paid to any person and it later becomes apparent that the benefit was not due to that person, the person to whom it was paid will be required to return any such payment as soon as possible unless: a) the payment was made as a result of an error by us, and b) we agree that it would not be reasonable to return any such payment.

If any overpayment of benefit is made after the later of the annuitant's death and the end of any guaranteed minimum payment period if applicable, his or her estate or beneficiary will be required to return any such payment to us. Similarly, if any payment of dependant's annuity is made after the death of the dependant, that person's estate or beneficiary will be required to return any such payment to us.

10. Retail Prices Index

10.1 This section applies only to any benefit or limit which increases in line with the Retail Prices Index.

The 'Retail Prices Index' is an index of the cost of all goods, reflecting changes in those costs from month to month. It is produced by the Office for National Statistics. When we work out the amount of any increase in benefit, we will refer to the increase in the Retail Prices Index over an appropriate 12 month period; in line with either the rules of the scheme under which the policy is written or based on the annuity anniversary, whichever is appropriate.

If it is based on the annuity anniversary the 12 month period will be measured up to a point 6 months before the anniversary date. We will then apply any increase on the actual anniversary date.

If the Retail Prices Index falls over the 12 month period used, the benefit will not decrease but will be frozen. The benefit will not then be increased until the Retail Prices Index exceeds the level it attained prior to the decrease. The next increase in benefit will be measured from the level of the Retail Prices Index prior to the decrease as if the Retail Prices Index had not fallen below the level immediately prior to the decrease.

The amount of benefit in any year will never be greater than:

- the amount of benefit in the previous year; plus
- the increase in line with the Retail Prices Index.

If:

a. the constituents of the Retail Prices Index are materially changed; or

b the Retail Prices Index is discontinued.

Legal & General may (to the extent permitted by law) increase index-linked benefits by reference to:

i. the index used to measure the increase in respect of issues of UK government index-linked gilts; or

ii. such other index as Legal & General considers appropriate.

Increases in benefit other than to meet the Guaranteed Minimum Pension will take place at each anniversary of the annuity commencement date.

Increases to meet the Guaranteed Minimum Pension will take place in line with the Retail Prices Index.

11. Limited Price Indexation

11.1 Limited Price Indexation (LPI) is an annual increase that uses the Retail Prices Index (RPI) as the reference index for the increase, with a limit of 5% for any increase in one year. The LPI increase applied each year on the anniversary of your annuity, will use the latest published September RPI figure, to a maximum of 5%.

12. Evidence of entitlement

12.1 Before we pay any benefit we will need to see satisfactory evidence that you are still alive. Similarly, before we pay benefits to a Dependant or Beneficiary after your death, we must see satisfactory proof of your death and that the Dependant or Beneficiary is still alive. We also need satisfactory evidence of the Dependant's age and:

- your marriage to or registered civil partnership with that person; or
- that the person was dependent or interdependent with you as described in section 6.4, whichever is relevant. For example, we'll ask your Dependant to sign a declaration and we might also ask to see their bank statements.

13. Cashing in or assigning the Annuity

13.1 If the annuity policy is written under a personal pension scheme and the annuitant is not the policy owner, the benefits provided under the policy cannot normally be assigned to anyone else (except by the annuitant's will after their death), cashed in or exchanged for a lump sum. Also, the annuitant cannot transfer or cash in the policy.

13.2 Circumstances under which the policy can be partly or wholly surrendered or assigned will include:

- pension sharing on divorce or dissolution of a registered civil partnership under the Welfare Reform and Pensions Act 1999,
- orders made under the Proceeds of Crime Act 2002, and
- surrenders under Section 73 of the Pensions Act 1995 where the policy owner is the trustee of a defined benefit pension scheme and has insufficient assets to secure full benefits for its members.

Where the policy owner is not the annuitant, the policy can be assigned by the trustees of the scheme to the annuitant.

13.3 If the annuity policy is written under an occupational pension scheme and the annuitant is not the policy owner, the benefits provided under the policy cannot be assigned to anyone else, cashed in or exchanged for a lump sum. The policy owner can assign the policy to the annuitant, but not to anyone else.

13.4 If the annuitant is the policy owner, the benefits provided by the annuity policy cannot be assigned to anyone else, cashed in or exchanged for a lump sum. Also, the annuitant cannot assign or cash in the policy.

14. Policy owner

14.1 If the annuitant is the policy owner the annuity policy will be issued to the annuitant under the terms of chapter 4 of the Finance Act 2004 (and any future changes to or replacement of this act).

14.2 If the annuitant is not the policy owner the annuity policy will be issued to the trustees of the pension scheme and will be held by them subject to the rules of the scheme.

15. Cancellation rights

15.1 You can cancel your application:

- At any point before your annuity starts
- Up to 30 days from the date you receive our confirmation that your annuity has started.

If you cancel before any tax-free cash is paid and before your annuity has started:
If we've received your pension pot we'll contact your previous pension scheme to see if they're willing to accept it back. If they won't, we'll ask you to choose another provider who will accept the transfer or choose another pension or retirement income product with us.

If you cancel after any tax-free cash is paid or after your annuity has started:
We can't return your pension pot to your previous pension scheme and you can't change your decision to buy an annuity. Once you've applied to buy an annuity and any tax-free cash has been paid you must buy an annuity with this fund. You can choose to buy an annuity with another provider or continue with us and you may be able to select new annuity options.

How do I cancel?

If you wish to cancel, please contact us and your pension scheme provider as soon as possible if they are paying you any tax-free cash. If we've paid you any income, you must return this money to us within 30 days of letting us know.

If you decide to cancel and have used part of your pension pot to pay an adviser charge, we will reclaim the charge from your financial adviser. Your financial adviser may then ask you to pay for the services they have provided using another method.

If you decide to cancel and you have paid the adviser charge direct to your financial adviser, we will not reclaim the adviser charge from your adviser.

16. Changes to the policy

16.1 We can change the terms of the policy to respond proportionately to changes in law or to meet regulatory requirements. We will inform you at the earliest opportunity after the change.

17. General

17.1 Governing Law
The policy will be governed by and constructed in accordance with the laws of England. The English courts are to have exclusive jurisdiction to settle any disputes or claims that may arise out of or in connection with the policy.

17.2 Rights of Third Parties
We, the annuitant and the policy owner can enforce the terms of the policy. Nothing in the policy expressly or impliedly confers any right on any third party to enforce any of its provisions under the Contracts (Rights of Third Parties) Act 1999. For the purpose of this section, a third party is any party not already mentioned in this paragraph.

Additional support and alternative formats

Please contact us if you have any special circumstances you'd like to tell us about as we may be able to provide some additional support.

You can also request this document in Braille, large print or audio.

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Registered in England and Wales No. 00166055.

Registered office: One Coleman Street, London, EC2R 5AA.

Legal & General Assurance Society Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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