

A vertical bar on the left side of the page, composed of horizontal segments in various colors (red, orange, yellow, purple). The letters 'itc' are repeated vertically in a stylized font, alternating with the colored segments.

This is a copy of the full report, as given to The Independent Theatre Council (ITC) in March 2001. It represents direct advice given to them as an organisation, but does not represent direct advice to any individual member organisation.

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E&OE

Introduction

The purpose of this report, is to lay out the reasons why a Stakeholder plan is appropriate and to highlight the reasons behind our specific product recommendation.

The agreed plan of action is to provide ITC with a suitable scheme, not only for its own staff, but, more importantly, to offer to the companies and individuals that you represent.

Why Stakeholder?

This new legislation represents a revolution on pension planning. It has grabbed the industry by its ankles and shaken some clarity into it. Quite simply, Stakeholder will give you the opportunity to offer a cheap, flexible pension scheme for everyone concerned. This scheme would be available for all to use, regardless of their employment status. It will provide a wide range of investment choice, across the risk spectrum, including a Socially Responsible (SRI) option.

The main body of this report, talks in terms of the traditional Employer / Employee relationship. It can be related easily, however, to your membership, including Sole Traders and other non-employer trade organisation members.

Advice

The cost of advice to you, as ITC, is included in the cost of the plan. I am happy to arrange for individual advice for your staff and members of the organisations that you represent, but we would need to agree a suitable charging structure for this. Perhaps we can agree a suitable menu of advice, to be offered.

Recommended Provider

We are recommending Clerical Medical as most suitable for your needs.

Why Clerical Medical?

For more than 175 years, Clerical Medical has concentrated on satisfying the long-term needs of professional people. In that time they have earned a reputation as a trusted and respected leading pension provider, developing products and services specifically designed for professionals and their advisers.

Clerical Medical became a member of the Halifax Group in 1997 and plays an increasingly prominent role in the life and pensions business of Halifax, which has assets of over £173 billion. By linking with Halifax, they have gained an extremely strong parent whilst retaining their own distinct identity. The combination of Halifax's financial strength and their investment acumen help them deliver outstanding performance and service. Indeed, Clerical Medical Investment Group Limited and its subsidiaries currently has funds under management of around £33 billion, with a Standard & Poor's financial strength rating of AA (very strong) and an Aa2 credit rating from Moody's, the international bank credit rating agency. Clerical Medical was the winner of the UK Group Personal Pension Provider of the Year Award at the UK Pensions Awards 2000 and also winner of seven first place Micropal investment awards.

With stakeholder pensions due to be introduced from 6th April of this year, there has been an increasing need to offer more guidance within the market place. We believe that Clerical Medical has always been at the forefront of latest development and changes in legislation, with the intention of being a major provider of this new type of pension scheme. Having received regulatory approval to go ahead as a Stakeholder provider, they want to make sure that employers are ready for any changes they need to make to their business, provide any answers to questions they may have and make sure that things are right from outset.

Flexibility

While offering a simple approach to setting up a pension, the Clerical Medical's Group Stakeholder Pension Plan is straight forward enough to give flexibility when introducing it to you and your membership organisations.

The FutureProof Group Stakeholder Pension Plan provides excellent prospects through the combination of its extensive range of actively managed investment funds and an attractive charging structure.

The full value of your investment starts to work immediately because:

- Charges under a Stakeholder Pension Plan are limited to a 1% annual management charge of the value of the funds accumulated
- There is no bid/offer spread, so that the prices at which units are bought will be the same when you sell them back
- 100% allocation rate means that the full value of all contributions are allocated to buying units
- The allocation rate for transfer values and single premiums can be increased
- There are no penalties if members wish to transfer out of the Stakeholder Plan or if contributions are reduced or stopped.
- Members can switch between funds at any time, without charge.

Tax –efficiency

- Any contributions made by the employer will be treated as a business expense against corporation tax (if they are indeed a taxpayer).
- Any contributions members make will receive income tax relief at the highest rates of tax they pay.
- Except for income tax on dividends on UK equity income, the investments held within the scheme are free from all UK taxes.
- Members have the option of taking part of their pension as a tax-free lump sum on retirement.

Contributions

Although employers are not obliged to contribute to an employee's plan, they do have control over how much, if they wish, they'd like to pay into a member's Personal Account. Contributions can be paid either as a percentage of salary or as a fixed amount and can be increased at any time. These can also vary according to different groupings set within a workforce. For example, one could decide to alter the level of contributions for those who have been with the company for more than 10 years; or perhaps if someone requests a career break. Stakeholder pensions are flexible enough to allow members to stop, reduce or restart contributions at any time, without penalty. This is particularly beneficial for those who have variable levels of income, such as contract workers or those who work part-time.

There are limits on the amount that can be paid into the employees' Plan; these are set by the Inland Revenue.

Depending on their circumstances, members may wish to contribute anywhere from the minimum amount of £20 up to the maximum of £3,600 in each tax year (including any contributions you wish to make). With a stakeholder pension members may be able to increase the value of their pension fund by contributing more than £3,600 in

each tax year, providing they meet the existing age and income limits set by the Inland Revenue, as shown below. The maximum contributions payable are calculated as a percentage of net relevant earnings (that is, earnings on which UK income tax is chargeable), based on the highest level of net relevant earnings the member has received during the current tax year or any of the previous 5 tax years.

Age (at beginning of tax year)	Percentage of net relevant earnings (%)
35 or less	17.5
36 – 45	20
46 – 50	25
51 – 55	30
56 – 60	35
61 – 74	40

Members' contributions

A Personal Account is set up for each member under your Stakeholder Plan.

Members can contribute to the Plan whether or not you or any employer makes contributions. They can also increase their pensions by making extra contributions; these can be paid at any time.

National Insurance contributions

Depending on the type of plan, contributions can also be accepted from the National Insurance Contributions Office if members contract out of the State Earnings Related Pension Scheme (SERPS).

Features of the Plan

Benefits at retirement

The age at which you normally expect your employees to retire ('Normal Retirement Age') is normally between 50 and 75 years; members are free to take their benefits at any age within this range, although it is common to take their benefits at the same time as ceasing work. In certain circumstances such as ill health, earlier retirement may be allowed. Any benefits received as a result of contracting out of the State Earnings Related Pension Scheme (SERPS) must be taken between ages 60 and 75.

On retirement, the members will be presented with a variety of ways in which they can use the value of their fund. These can include:

- A regular pension for life
- An income to provide for their dependants after they die
- A tax-free lump sum which may be available, plus a reduced pension for life. The tax-free lump sum will depend on Inland Revenue limits.

The amount of pension your employees will receive will depend on the costs of buying a pension on retirement, the amount of contributions paid into the Stakeholder Plan, the investment performance and any deductions made.

Death before retirement benefit

If a member dies before retirement, the value of their Personal Account will be payable to any dependants.

Contracting out

Members may choose to contract out of the State Earnings Related Pension Scheme (SERPS). If this is the case, the National Insurance Contributions Office (NICO) will be paid part of National Insurance Contributions (NICs) into the member's Personal Account; benefits derived from these benefits can be taken between the ages of 60 and 75 years. Members will cease to accrue future benefits under SERPS.

There are a number of factors that need to be considered before deciding to contract out and, in April 2002, the Government also plans to replace SERPS with the State Second Pension. Members should therefore discuss their options with a professional adviser before making any decision.

Setting up your Stakeholder Plan – the easy way

Setting up a Stakeholder Pension Plan does not need to be as time-consuming or complicated as you might imagine. In tandem with us, Clerical Medical's expert staff have extensive experience in setting up pension plans, and stakeholder is no different. We will offer practical assistance and expertise at every stage so that setting up of your plan is straightforward and hassle-free.

- We will give you all the necessary information and forms to set up a Stakeholder Plan.
- Once your Plan has been set up, we can ensure that everything runs smoothly from the outset. For instance, it is possible to have a payment method that enables contributions to be deducted directly from company payroll systems.
- Clerical Medical will also assign you an account executive who is able to confirm the administrative procedures and provide a link with their Customer Service team.
- We will make sure there are secure arrangements to allow you to have easy access to the information you need about your Stakeholder Plan.
- Recognising the importance of maximising the take up of your Plan by your workforce and membership, we can provide you with a wide range of support material, including, videos and other promotional materials designed to inform your employees of the benefits of joining the Plan.

Initially, all that you need to do is complete and return the designation form, enclosed.

Investments

Clerical Medical has a long standing reputation of providing good long-term investment performance – a key element in helping people make their money grow. Their experienced team of managers and analysts manage an extensive range of funds to suit virtually every investment need, aiming to produce steady growth according to variable attitudes towards investment risk.

Their approach aims to achieve consistent returns over the long term, without exposing the investment to unnecessary risk. Their investment managers aim to add value by outperforming a given benchmark, for example a stockmarket index, by taking views on certain stocks and by backing our convictions.

In recent years, Clerical Medical has undertaken extensive research to establish what investors' expectations of our funds were. This led them to adopt fixed asset allocation benchmarks for their managed funds, underpinned by market index benchmarks for their specialist funds. We believe this is a good way to achieve the clarity of performance that will aid the fund managers in controlling portfolio risk and enable them to deliver to investors the level of performance that today's competitive environment demands.

Active fund management is a central theme of Clerical Medical's investment philosophy:

Active fund management across all major asset classes

Consistent, fundamental, original research with fund manager expertise

Teamwork with individual accountability

Imaginative process based on technical position, economic cycle and valuation

Value-added over the long-term within a disciplined framework

Excellent customer service

Each member in a Clerical Medical Stakeholder Pension Plan arrangement can decide to switch from one fund to another at any time, without charge.

There is also a range of 'lifestyling' options, where Clerical Medical switch you between a range of funds, according to your attitude to investment risk and the length of time until retirement.

The fund range also includes an ethical or socially responsible option.

Service

In support of our own service standards, Clerical Medical works hard at providing a first class service to its customers, so that you can concentrate on running your business. Their installation team will provide assistance in establishing your Plan and selecting the correct payment basis. A dedicated service team within Clerical Medical will also administer your plan, providing continuity and knowledge of how your scheme operates.

The service includes:

- An annual personal account statement for each member
- Annual illustrations of the benefits which the plan may provide for the chosen levels of contribution
- Illustrations showing a member's benefits on withdrawal, death or retirement.

As part of their commitment to excellent service, Clerical Medical have committed themselves to the following service standards for various administrative functions:

SCHEME ANNIVERSARY	
Issue of pre-renewal pack	6 weeks before renewal
Renewal Process complete/ i.e. post renewal documentation issued	10 days after renewal date
PREMIUM COLLECTION	
Contributions allocated to accounts	Day of receiving
POLICY SERVICING	
Quotations and illustrations	1 day after request received
Payment options	5 days after request received
Settlement of lump sum death benefits	1 day after request received
Retirement benefits set up	5 days after request received
Transfers	5 days after request received

Access to the scheme, via the Internet, will be rolled out over the coming year, enabling employers to gain relevant information on-line. In time, it will even be possible for individual members to check their accounts on their WAP phones.

Payment methods

There are a variety of methods from which contributions can be paid and to send and receive information about contributions - either by cheque or by direct debit, direct credit, standing orders or telegraphic transfer.

Information source	Cheque	Direct Debit	Telegraphic Transfer	Direct Credit	Standing Orders
Direct Debit Schedule	✗	✓	✗	✗	X
Pensions Dataflow: disk/e-mail. Contribution information, which can be extracted from your payroll, is submitted using a standard CMIG format.	✓	✗	✓	✓	✓
Direct Data Transfer: Information extracted from your payroll using a disk or e mail	✓	✗	✓	✓	✓

Payroll deduction

Clerical Medical can help to make arrangements for member contributions to be deducted directly from company payroll and paid into the plan. This amount will then be designated to the stakeholder scheme within a specified time limit (you do not have to agree a request to change contribution limits more frequently than 6 months made in payroll deduction). You will need to provide your employees with information about any conditions that you impose on operating the payroll deduction facility.

From the point of view of individual and company trade organisation members, they can each make their own payment arrangements, under the umbrella of your scheme. This means that you will not be taking any added administrative burden on their behalf.

As discussed, the majority of your membership is web-enabled. I recommend that they use the BACS and email system. I can supply copies of suitable spreadsheets for companies to use. For those technologically challenged of your membership, a disk and cheque system will be most suitable. Any individual members can set up direct debits from their own bank accounts.

Branding

As discussed, the provider is willing to brand a literature folder with your logo.