



Pension Bond Policy Conditions

1. The Policy Contract

The terms of the Contract are set out in these Policy Conditions, the Schedule and any endorsements that apply to this Policy. The Policy is based on the Application Form, declarations and any statements made by or on behalf of the Member in connection with the Policy.

These Policy Conditions set out the terms on which the Policy operates. If any inconsistency should arise between this Policy, any other associated literature, or legislation, the legislation takes precedence.

The Policy benefits are provided in consideration of the Policy payment stated in the Schedule and any further payments stated in any Endorsement.

The Policy may be apportioned on divorce in accordance with the appropriate Court Order.

The issue of a new Policy may reflect such apportionment.

Each Policy is normally treated as one arrangement for benefit purposes.

2. Payment to the Policy

Payments are accepted subject to the Company's then current published minimum, and can be made at any time before the Selected Retirement Date, subject to the Company's then current published conditions and those conditions imposed by H.M. Revenue & Customs.

If any payment is deemed to breach any H.M. Revenue & Customs conditions, the Company shall cancel sufficient Units to provide the amount to be repaid to the Member or H.M. Revenue & Customs. Before making payment, the Company shall deduct the appropriate tax refunds or tax charges and return/forward them to H.M. Revenue & Customs.

If any payment is received which amounts to less than the minimum published payment or is in breach of any other criteria for acceptance, the Company reserves the right to return it to its source.

3. The Funds

Full details of Funds in which Units can be allocated for investment will be made available by the Company from time to time, and will be published in the Company's then current literature and supplied on request.

The Company reserves the right to add or withdraw any Fund(s) at any time without notice with no requirement to keep a Fund or Funds available for investment.

4. Fund Valuation and Unit Prices

For the purposes of determining the benefit due under the Policy, each available Fund is split into a number of Units of equal value.

The Company will deduct a management charge regularly from the assets belonging to the Fund(s).

The Company reserves the right to increase or decrease this charge at any time by such reasonable amount as it deems appropriate, subject in each case to giving three months' prior written notice to any Member with Units allocated in the affected Fund(s) together with the reason for the change. Notice posted to the Member at the last recorded address held by the Company for the Member's correspondence will be deemed to have been received 72 hours after posting.

In addition to a regular management charge, the Company may deduct from the assets belonging to the Fund(s) amounts that it deems appropriate for, but not limited to; costs, fees or charges associated with acquiring, disposing of or maintaining the assets of the Fund(s), Fund Manager's fees, liabilities, potential liabilities, processing payments, paying administrative expenses, taxes and duties. The Company reserves the right to vary reasonably the amounts deducted as described herein at its discretion and without notice.

For any encashment of Units, the value of the Units cancelled will reflect the charges or penalties that apply.

5. Unit Allocation

Unit allocation is solely for the purposes of calculating the benefits provided by the Policy to the Member or his/her surviving dependants. The Member does not own any of the Units, the Fund(s) or their underlying investments. However, a Member is entitled to the benefits of the Plan as described in Section 7 of this document.

At the Commencement Date of the Policy, Units in the Fund(s) selected, calculated by reference to the applicable Unit Price will be allocated to the Policy. The number of Units allocated is normally determined by dividing the Allocation Amount attributable to the Policy by the applicable Unit Price of the Fund two days following the Commencement Date.

The effective date used to determine the applicable Unit Price may be varied in reasonable circumstances at the Company's discretion in the event that to do otherwise would be inequitable to the interests of other Policyholders.

6. Switch(es)

For the purposes of these Policy Conditions the term 'switch' refers to cancelling some or all of the Units allocated to the Policy in one or more Fund(s) and re-allocating Units to the Policy in one or more other Fund(s).

The Member may, upon written application to the Company at its Principal Office in the form it specifies for that purpose, request that the Company switch some or all of the Units allocated to the Fund(s) held in the Policy between any of the Funds that the Company makes available for this purpose, subject to the following conditions:

- i. The amounts to be switched and the remaining value held in a Fund(s) must meet the minimum described by the Company from time to time in its literature.
- ii. Provided that the application to switch is received by the Company in the appropriate form and within the required period of notice that it specifies from time to time for this purpose and publishes in its literature, the effective date of the switch will be the applicable Valuation Date, which will normally be two days following the receipt of a satisfactory application. The Valuation Date applicable will be the appropriate Valuation Date for each individual Fund.
- iii. Units to the value of the amount to be switched between Fund(s) (valued at the applicable Unit Price at the effective date of the switch) will be cancelled in the Fund(s) from which the switch is to be made.
- iv. Units to the same value as those cancelled (valued at the applicable Unit Price at the effective date of the switch) less any charge levied under (v) below, will be allocated to the Fund(s) into which the switch is being made.
- v. Before allocating the amount to be applied to the Fund(s) required to be switched into, the Company may deduct a charge to be specified by the Company from time to time and published in its literature.

- vi. The Fund(s) from which a switch is made may have a different charging structure to the Fund(s) into which the switch is made.
- vii. The Company reserves the right to defer or decline a request to switch where in the reasonable opinion of the Company such a switch would be detrimental to other Members, or is practically inoperable due to market conditions.

7. Withdrawals for Transfer, Pension Commencement Lump Sum, Retirement and Unsecured Pension

The Member may, either as specified in the Application Form or at any time subsequently upon written application to the Company at its Principal Office in the form that it specifies for the purpose, request that the Company cancels some or all of the Units allocated to the Policy in order to provide for the withdrawal of a single cash sum at any time or for regular cash sums on fixed Payment Dates, in accordance with the legislation and subject to the following additional conditions:

- i. The amount remaining allocated to Units after a partial withdrawal must exceed the minimum as specified by the Company from time to time and published in its literature.
- ii. Regular withdrawals of amounts and frequency as specified by the Company and published in its literature may be requested by the Member and withdrawn automatically at regular intervals. Regular withdrawals for any other amounts or frequencies agreed by the Company will be made in a similar way.
- iii. Regular withdrawals will be made on fixed Payment Dates and the amount of each withdrawal will be calculated so that Units allocated to the Policy to the value of the amount of the withdrawal (valued at the appropriate Unit Price) will be cancelled in respect of each withdrawal.
- iv. For withdrawals other than regular withdrawals the amount withdrawn will be calculated so that Units allocated to the Policy to the value of the amount of the withdrawal (valued at the appropriate Unit Price) will be cancelled in respect of each withdrawal.
- v. A withdrawal resulting in the total cancellation of all Units allocated to the Policy shall result in the termination of this Contract.
- vi. The Company reserves the right to defer a request for a withdrawal where in the reasonable opinion of the Company such a withdrawal would be detrimental to other members, or is practically inoperable due to market conditions.
- vii. Where the Bond type selected is such that an early withdrawal charge applies for a period following the applicable date of investment of the Initial or each Additional Investment (if any), such charge will apply to the then current fund value.

Benefits

At the Selected Retirement Date a Retirement Benefit will be made available to purchase a Lifetime Annuity or set up an Unsecured Pension fund, after the payment of the Pension Commencement Lump Sum (a tax free cash sum), if requested.

The Member may also upon written application to the Company at its Principal Office request that the Retirement Benefit is made available at another date, subject to any relevant Regulations and Legislation to which this Policy is subject. In this case the Retirement Benefit will be equal to the amount that would have been available as a withdrawal for Transfer calculated as if the date of payment of the Retirement Benefit had been the effective date of Transfer.

Pension Commencement Lump Sum

If the Policy is established to provide immediate benefits, the value of the Pension Commencement Lump Sum, if required, is not invested and will not incur any investment charges.

If immediate benefits are not required, when the Member selects the Pension Commencement Lump Sum, this amount will be part of the Retirement Benefit. The Retirement Benefit being equal to the value of the Units allocated to the Policy calculated at the applicable Unit Price at the time benefits are taken before age 75.

Lifetime Annuity

The Retirement Benefit may be used to purchase a Lifetime Annuity from an insurance company selected by the Member, subject to any relevant Regulations and Legislation to which this Policy is subject.

Unsecured Pension

The Retirement Benefit may be used to provide an Unsecured Pension. The remaining value of the Retirement Benefit, after payment of the Pension Commencement Lump Sum if required, will be used to provide an Unsecured Pension Fund invested in the Fund(s) chosen. If the Member requires an Unsecured Pension (income), it will be paid from the Unsecured Pension Fund.

The Member does not have to take an income. The maximum Unsecured Pension amount that the Member may draw is up to 120% of the 'basis amount'. The 'basis amount' represents the annual amount of the lifetime annuity that the Unsecured Pension fund could purchase at outset and whenever this amount is reviewed. The basis amount is calculated using tables compiled for this purpose by the Government Actuary's Department. These tables show the annual amount of Lifetime Annuity income an Unsecured Pension fund can generate for the Member assuming the annuity provides a level of income for the life of the Member with no provision for a continuing dependant's annuity on death. The maximum income level has to be reviewed every five years, therefore, the income payable could change. The Member will be notified of the results at the time each review of the income level takes place.

Benefits – from age 75

An Unsecured Pension can continue to be paid up until the day before the Member's 75th birthday. Prior to reaching age 75, the Member will need to decide whether to continue income withdrawal or to purchase a Lifetime Annuity. If the Member wishes to continue with income withdrawal after their 75th birthday, it will be necessary for the Member to transfer their Policy value to another pension provider who is able to offer an Alternatively Secured Pension (the name for income withdrawal after age 75).

Alternatively, the Member must use their Policy value to purchase a Lifetime Annuity effective from their 75th birthday.

Annuity payments due will be held on account until the Member contacts the Company with the appropriate information to enable payments to be made.

Alternatively the Member can exercise their Open Market Option and purchase a Lifetime Annuity with another provider, who may be able to offer a higher annuity.

The payment of the Retirement Benefit in respect of the whole of this Policy will result in the termination of this Contract and all of its benefits.

Death Benefit

In the event of the death of the Member, a Death Benefit will be payable. On the next working day following notification of death, all Funds will be switched into the Cash Fund or such other Fund as the Company considers appropriate at the time. The amount of the Death Benefit will be based on the value of the Policy on the date of settlement, reduced by any encashment charges that may apply.

The Death Benefit may be used to provide the following options:

- a. On death prior to the Member taking any benefit from the Policy
 1. As a lump sum, normally free of tax, or
 2. A Dependant's Lifetime Annuity may need to be purchased, or
 3. A combination of (1) and (2).
- b. On death after the Member commences taking benefits
 1. To purchase a dependant's annuity, or
 2. If the dependant is under age 75 used to set up a dependant's Unsecured Pension fund, or
 3. A lump sum death benefit can be paid but might be subject to tax.
 4. If the dependant is over age 75 – used to set up a dependant's Alternatively Secured Pension fund (the Company does not provide Alternatively Secured Pensions so a dependant requiring this option would need to transfer the Death Benefit fund to another pension provider who does offer this pension).

H.M. Revenue & Customs defines a dependant as a person who was married to, or a Civil Partner of, the Member at the date of the Member's death. A child of the Member is a dependant if the child is under the age of 23, or has reached age 23, and is considered dependent on the Member because of physical or mental impairment. In addition, a person who was not married to the Member or was not in a Civil Partnership with the Member at the date of the Member's death and is not a child of the Member is dependant of the Member if, at the date of the Member's death the person was financially dependent on the Member, the person's financial relationship with the Member was one of mutual dependence, or the person was dependent on the Member because of physical or mental impairment.

8. H.M. Revenue and Customs

This Policy forms part of a registered pension scheme under Chapter II of Part IV of the Finance Act 2004.

9. Legislation and Taxation

This Contract shall be governed by and interpreted in accordance with the law of England. Should jurisdictions other than that of England attempt to assert any right over the Policy the Policy will be terminated at the discretion of the Company.

The Company reserves the right to make any such alterations to the benefits or in the terms of this Contract as it shall consider necessary or equitable in the circumstances in the event of:

- i. Any levy, assessment or other charge being imposed or made on the Company under or pursuant to the UK Financial Services and Markets Act 2000 or the Financial Services Compensation Scheme or any similar legislation, regulatory imposition or other such arrangement.
- ii. Any change in the law of England or other jurisdiction relevant to the Company.
- iii. Any change in the basis of the assessment to tax of the Company and/or the Funds under the law of England or other jurisdiction relevant to the Company and/or the Funds.
- iv. Any requirement or obligation made upon the Company to effect a change in the contractual conditions of the Policy or treatment of the Funds as a result of changes in the regulations or practice of H.M. Revenue & Customs or any other such regulatory or financial authority.

10. Endorsements

Where any change is made to the terms of this Contract in accordance with any of the Conditions contained herein, the Company will note the change in its records but will not necessarily issue an endorsement unless the Company considers it appropriate to do so.

11. Currency and Payments

The Company reserves the right to withhold payment of any sort relating to the Policy until it has received all information and documentation it requires in order to satisfy itself as to the claimant(s) legal title to the Policy and adequate confirmation of the claimant(s) country of residence.

Lump sum contributions, transfer payments, and benefit payments shall be made to and from the Company in Sterling currency and to whatever address the Company shall decide. The Company's relevant terms and requirements from time to time will be published in its literature.

12. Residence

This Contract is not available if the applicant, any potential beneficiary or any other party to this Contract would be a U.S. person for the purposes of U.S. Federal income tax, a U.S. partnership or corporation or any trust which is controlled by one or more U.S. persons and is subject to the supervision of a U.S. court.

For the purposes of these Policy Conditions, the term U.S. shall mean the United States of America.

If any of the above conditions apply during the duration of this Contract then the Member or the Member's successor in title is required to inform the Company in writing at its Principal Office accordingly and failure to do so within a reasonable period of time may invalidate the Contract and its benefits.

This Contract and the terms and conditions contained herein are available only in the United Kingdom and are not transferable to or available in any other country in which the Company transacts business without the express agreement of the Company.

13. Definitions and Interpretations

The following words have special meanings wherever they appear in these Policy Conditions or associated documents.

Company means

American Life Insurance Company.

Endorsement means

Any amendment to the terms and conditions of this Policy or the Schedule appended to it.

Principal Office means

22 Addiscombe Road, Croydon, CR9 5AZ, for the time being.

Scheme means

Alico Personal Pension Plan No 2 Scheme.

Selected Retirement Date means

The date stated in the Policy Schedule.

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