

Q&A to go with Stakeholder communication No 4

1.	I've got a personal pension with Equitable Life. What now?
	An information pack (in hard copy) prepared by Kingsbridge will be available via Neil Crawley. Please e-mail your address to crawleyn@parliament.uk , and the pack will be sent to you. The complex regulatory issues mean that Kingsbridge have had to include a great deal of "background information", but they have summarised matters as succinctly as possible in a covering note.
2.	Why wasn't a mutual insurer considered as one of the providers - they offer a better deal to investors, don't they?
	<p>Three providers were shortlisted, based on advice from Kingsbridge. One of these was a leading mutual.</p> <p>After a rigorous selection procedure (which included personal visits to all three insurers by senior House of Commons staff, extensive questionnaires and detailed discussions and negotiations), Norwich Union and AXA were chosen as the two insurers most likely to fit our requirements and provide the level of personalised service the House requires.</p> <p>Mutual insurers are owned by their policyholders, rather than by shareholders. Their mutual structure is really only of benefit to people who have "with profits" policies, as it is these policyholders who benefit when times are good for their mutual.</p> <p>Unfortunately, these same policyholders can suffer badly when things go wrong. The most spectacular example of this is, of course, Equitable Life. Mutual status has done their with profits policyholders few favours.</p>
3.	It took a while for my employing MP to sign off the form saying I could have my 10% contribution. Won't the same thing happen again now?
	No. You have a contractual entitlement to a 10% pension contribution, and the Fees Office will make the necessary payments once you have filled in your application form(s) for the Portcullis Plan.

4.	How does the Portcullis Plan compare to my present policy?
	<p>We are enclosing a simple questionnaire for you to hand to your current insurer or adviser. This should ensure that the provider or adviser has to commit, in writing, to the fact that you are at least as well served by your current arrangement as you would be by the ultra-low charges and other contractual terms associated with the Portcullis Plan. Such a move gives you valuable protection should it later become clear that your current terms are in fact less beneficial than those of the Portcullis Plan.</p> <p>We are simply anxious to ensure that everyone gets the best deal possible.</p>
5.	Why can't I have more choice/less choice?
	<p>A few people have asked why we are not providing more choice of providers/funds. This is more than offset by the people who would prefer to have no choice but simply be told "what's best", which goes to prove the old adage that you can't please all of the people all of the time!</p> <p>The overwhelming reaction has been relief that "I haven't got to make my own choices". This is not really a surprise, given that the take-up rate for what is effectively a "free" 10% salary supplement has been disappointingly low. We hope we have managed to strike an acceptable balance, but those who would like more choice may be reassured if they bear in mind that:</p> <ul style="list-style-type: none"> - you can move your Portcullis Pension to other funds offered by AXA or Norwich Union; - you can move your Portcullis Pension to other providers (including your current personal pension provider, if you have one) without penalty from either AXA or Norwich Union.
6.	I want to stay with my current provider.....
	<p>If you wish to stay with your current provider, we would still ask if you would be kind enough to co-operate in having your questionnaire completed and returned to us. This could be very much in your interest. If you look at the questionnaire, you will see that it gives providers an opportunity to improve their contractual terms if these are not already as good as those offered by the Portcullis Plan.</p> <p>We are happy to discuss the position with you once we see the responses to the questionnaire.</p>
7.	My financial adviser/pension provider is a friend/relative. They'd be upset if I stopped paying into the policy.
	<p>This is a common situation, and can be awkward. It is worth bearing in mind that a good adviser is there to ensure you get the best deal for your needs, not theirs!</p> <p>By asking everyone with an existing pension arrangement to send our questionnaire to their current insurer/IFA, we hope to spare you any embarrassment: "I had to send you the questionnaire because everyone has been asked to send them to their adviser/insurer".</p>

8.	I've had my current personal pension policy for years. Surely changing now is a bad idea, particularly for older employees?
	<p>Not necessarily. It's excellent that you've been saving - but worth finding out if you can do even better now. Some of the earlier personal pension policies had less flexible contract terms and higher charges than their more modern counterparts.</p> <p>If you change to a different pension provider now, you can simply "lump together" all your personal pension savings when you retire, and use them to buy a pension from one source.</p>
9.	If Stakeholder is a new product, surely it is untried and untested?
	<p>Although it is certainly true that the Stakeholder pension is a new <i>type</i> of personal pension, it is established under the same basic rules as older-style personal pensions (which have been around since 1988). It has a few extra rules to give consumers even more protection, and sets a limit on the charges which can be levied by the pension provider.</p>
10.	You've said I can transfer on an annual basis from the Stakeholder scheme to my current personal pension. Doesn't this mean that I lose the advantages of paying contributions monthly [the technical term is "pound cost" averaging]?
	<p>No. Contributions will have been paid monthly to the Portcullis Plan, so you will have had the advantages of pound cost averaging. If you have been invested in (say) UK equities in the Portcullis Plan, then transfer the cash you have built up to your current personal pension, you are moving from like to like, so the underlying share values will be the same in both cases.</p>
11.	If I transfer as you say that I can, don't I get hit for double charges at the time of my transfer?
	<p>No. Please have a look at the next page for a simple worked example, which is easier to follow than a lot of written verbiage!</p>
12.	Surely fund performance is more important than charges?
	<p>Both are important, but the only one over which there is any degree of "advance control" is the charging structure. The more money you have in your saving pot the better - and lower charges automatically mean more money invested than with higher charges.</p> <p>Please see the next page for examples showing how changes would affect the amount in your savings pot:</p> <ul style="list-style-type: none"> a) If you transfer your monies each year from Portcullis to a plan charging 1% a year or b) Compared to staying with an existing pension provider that charge 1% per annum

Comparison of how charges affect the amount in your savings pot

Assumptions:

- the charge on your Portcullis Plan is 0.4% per annum (the rate charged by NU)
- the charge on your current plan is 1% per annum
- contributions of £2,000 a year are paid on your behalf for a total of 5 years
- for clarity, no investment return is included in the illustration, although this would make the Portcullis figures even more attractive

Year	Contributions	Total in Portcullis Plan	Total charges	Total in your current plan	Total charges
1	£2,000	£2,000	8	£2,000	20
2	£2,000	£4,000	16	£4,000	40
3	£2,000	£6,000	24	£6,000	60
4	£2,000	£8,000	32	£8,000	80
5	£2,000	£10,000	40	£10,000	100
Total after 5 years			£120		£300

Saving on charges if all payments are made to (and remain in) the Portcullis Plan: £180 in 5 years

Example of how charges affect you if you transfer annually from your Portcullis Plan with AXA to your current plan

Year	Contributions paid to the Portcullis Plan during year	Total in Portcullis Plan	Total charges	Transferred to your current plan at start of year	Total in your current plan	Total charges
1	£2,000	£2,000	8			
2	£2,000	£2,000	8	£2,000	£2,000	20
3	£2,000	£2,000	8	£2,000	£4,000	40
4	£2,000	£2,000	8	£2,000	£6,000	60
5	£2,000	£2,000	8	£2,000	£8,000	80
Total after 5 years			£40			£200

At the end of 5 years you will have £2,000 in the Portcullis Plan and £8,000 in your current plan, and will have paid total charges of £40 + £200 = £240.

If you move the final (year 5) £2,000 from the Portcullis Plan to your current plan, giving a total of £10,000 in your current plan, the charge for the whole of year 6 will be £100; there will be no charge in your Portcullis Plan as this now contains no funds.

Comparison of projected ‘pots’ at retirement for an employee earning £20,000 a year.

The first column shows the number of years to retirement, the second column shows what pot would build up from a pension that charges 1% a year, the third column shows the pot that AXA would build and the fourth the pot that Norwich Union would build. Don’t forget that more than 5% growth will make the difference in fund values more marked.

Years to Retirement	Projected fund assuming 5% annual growth and contributions of £2,000 per annum increasing at 2% per annum		
	1% Charge Plan	AXA 0.5% Charge Plan	Norwich Union 0.4% Charge Plan
2	4,200	4,220	4,230
5	11,400	11,600	11,600
15	46,300	48,200	48,500
25	104,000	111,000	113,000