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ALLIANCE TRUST URGES GOVERNMENT TO REMOVE ALL RESTRICTIONS ON PROTECTED RIGHTS

Alliance Trust, a leading SIPP provider, is urging the Government to remove all restrictions relating to protected rights and commits to allowing protected rights to be held within all Alliance Trust SIPPs as soon as these rule changes come into force. Protected rights are pension funds that have built up from the National Insurance rebates for those who have contracted-out of the State Second Pension.

Alliance Trust says that the current restriction on transferring protected rights to a SIPP is a source of great frustration for people wanting to consolidate all their pension rights into a single self-invested pension arrangement. The rules mean that protected rights normally have to be left out of any such consolidation exercises; they are either left in the original pension scheme or transferred into an 'appropriate personal pension scheme', typically a stakeholder pension scheme or an insured personal pension.

Hyman Wolanski, Head of Pensions at Alliance Trust, comments: *"The original concept of contracting-out – namely to ensure that substitute benefits are provided in private pension arrangements that fully replicate the State Second Pension rights given up through contracting-out – has been watered down so much over the years there is now little merit in maintaining any special rules for protected rights.*

"The industry was hoping that these rules would be removed from 6 April 2007, when SIPP administration became a regulated activity, but this was not to be. It now seems that the Government, as announced recently by Lord Mackenzie, may tackle this topic again. However, at present, protected rights must provide a spouse's or civil partner's pension entitlement on the individual's death, and the Government has not yet decided if it is prepared to remove this particular requirement. If this requirement is not removed then it would be necessary to maintain a separate record of the SIPP fund that relates to the protected rights since it will have different death benefits to the remainder of the fund. This would significantly complicate the administration of the SIPP.

"We are well aware of the deep frustration caused to our advisers and their SIPP clients by the current restrictions on transferring protected rights to a SIPP. Alliance Trust is committed to allowing protected rights to be held within our SIPPs as soon as the Government changes its rules to allow this."

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Contacts

Jane Holligan, Media Relations Manager
Alliance Trust

Tel +44 (0)1382 306064

Mobile 07745 783212

Email jane.holligan@alliancetrust.co.uk

Web www.alliancetrust.co.uk

Anna Schirmer/ Corrie Stirling-Aird
Lansons Communications

Tel +44 (0)20 7490 8828

Email alliancetrust@lansons.com

Notes to editors

1. Alliance Trust is an international investment and financial services group. It is headed by Alliance Trust PLC, the largest generalist investment trust listed on the London Stock Exchange. A FTSE-250 company, it had around £2.9bn of assets at the end of April 2007.
2. Alliance Trust Savings, the financial services and pensions arm of the group, is a top ten SIPP provider with more than 11,500 plans. Alliance Trust offers a full range of SIPPs from its bespoke Full SIPP to its investment dealing Select SIPP where you can choose from more than 3,000 investment choices. The Select SIPP has no set-up or annual administration charge and is available online.
3. Photographs of Hyman Wolanski are available.