**Retirement Annuities**

Retirement Annuity Contracts (RACs) are a type of pension plan that someone could take out up to 1 July 1988, when they were replaced by personal pensions.

RACs were available to those in employment where there was no access to an occupational pension scheme and to those in self-employment, provided they had earnings subject to UK taxation.

Since 1 July 1988, no new RACs have been able to be taken out but those already holding these contracts are able to continue to contribute to them. Before 6 April 2006, RACs differed from personal pensions. For example:

* Benefits could not normally be taken until age 60 except on grounds of incapacity.
* There was no open market option available to allow the policyholder to buy an annuity elsewhere, although a transfer could be made to another pre-existing RAC to take advantage of the annuity rates available under that other RAC, (or to a personal pension)
* The maximum lump sum at retirement was three times the initial annual amount of annuity remaining after the commutation.
* There was no full commutation on grounds of serious ill health or triviality.

From 6 April 2006, under new rules introduced by HM Revenue & Customs (HMRC), RACs were put on the same basis as personal pensions and almost all of their special features no longer apply.

From 6 April 2006, RACs became subject to the same requirements as any other registered pension scheme in terms of contribution limits and the types of benefit they could provide, and contract terms had to be adapted to comply with the requirements of the new pensions tax regime - further information about the new pensions tax regime is given in the Role of Government section.

While RACs will continue to operate as contracts in their own right, almost all of their special features no longer apply.