SSAS Pensions Limited

ANNOUNCEMENT TO MEMBERS

SSAS Pensions Limited

CHOOSING HOW BEST TO INVEST FOR YOUR RETIREMENT IS A BIG DECISION. YOU WANT TO PREPARE FOR A FUTURE THAT FULFILS ALL YOUR PLANS.

Need a pension scheme that gives you more choice?

Then choose a pension scheme with wider investment power

SSAS Pensions Limited can help you to do this with expertise and information to help you in the years to come.

SECTION 1: INTRODUCTION

You have chosen to join a small self-administered scheme (SSAS) which has been established to provide retirement and death benefits for eligible employees. The rules have been designed to:

- obtain maximum tax advantages; and
- meet the requirements of a registered pension scheme

The scheme is constituted under a trust and is administered as defined in the Finance Act 2004 by trustees in accordance with the scheme rules.

SECTION 2: TRUSTEES

There are two types of trustee:

- Managing Trustees – the Managing Trustees are responsible for the day to day running of the scheme and all investment decisions. Every member will be appointed as a Managing Trustee. If necessary, additional individuals, who are not members of the scheme, may be appointed as non-member Managing Trustees.
- Special Trustee – SSAS Pensions Limited will be appointed as the Special Trustee. The main responsibility of SSAS Pensions Limited is to ensure that the scheme is established, administered and wound up in accordance with the scheme rules.

SECTION 3: ELIGIBILITY

Membership of the scheme is at your employer's discretion. You are not obliged to accept any invitation from your employer to join the scheme. Only Controlling Directors and their spouses are automatically eligible for membership of our Small Self Administered Scheme. If the Controlling Director(s) also have sons or daughters who are also Directors they may also be eligible for membership.

Note: This booklet is intended to provide you with an outline of the scheme. Full details are contained within the formal scheme rules.

Only the scheme rules may be used for legal interpretation.

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SECTION 4: CONTRIBUTIONS

WHO CONTRIBUTES?

Contributions towards your benefits:

- will be made by your employer, and
- may be made by you, as a member, at a rate agreed between you and your employer.

Contributions may vary in amount from year to year.

Each year, payments to this and any other pension arrangements you have, are subject to an Annual Allowance set by the Government. Higher earners will have a lower Annual Allowance limit, called the Tapered Annual Allowance. Please note you will normally have to pay a tax charge on any payments that exceed this allowance, including those made by an employer on your behalf.

The Money Purchase Annual Allowance (MPAA) is currently £10,000. The MPAA applies to you if you have flexibly accessed your pensions from this or any other scheme and have received any of the payments listed below from 6 April 2015 onwards:

- a payment from a flexible access drawdown fund (also known as a flexi-access drawdown fund);
- a payment from a capped drawdown fund which would exceed existing capped drawdown limits;
- a pension encashment (also known as an uncrystallised funds pension lump sum);
- a payment under a flexible annuity contract;
- a scheme pension payment from a money purchase scheme which has fewer than 11 other pensioner members;
- a stand-alone lump sum from a money purchase arrangement where you were entitled to primary protection with a right to take a lump sum of greater than £375,000.

The MPAA applies to all contributions you pay (or that are paid on your behalf e.g. employer contributions and death-in-service premiums) each year to all money purchase pension schemes of which you are a member. If the MPAA applies to you and your contributions exceed it, you will be liable to pay a tax charge based on your highest rate of income tax. The MPAA does not apply if you have taken only –

- income from a capped drawdown plan;
- tax-free cash (pension commencement lump sums) when using your plan to purchase an annuity or drawdown plan; or
- “small pots” taken as a cash lump sum.

In these circumstances, the higher Annual Allowance applies to you.

SECTION 5: TAX RELIEF

Any contributions you make under this net pay arrangement will attract full tax relief* at your highest marginal rate.

* If you are a Scottish taxpayer, the tax relief you will be entitled to will be at the Scottish Rate of income tax, which may be different from the rest of the UK.

There is no maximum limit on the payments you can make to the SSAS in each tax year. Please note limits do however apply to the amount of tax relief you can receive.

The amount of tax relief you can receive is subject to an upper limit set by the Government. In each tax year, relief is only available on payments which do not exceed 100% of your UK taxable earnings. If your payments to this scheme and any other pension plans you have, exceed this limit, the excess will not be eligible for tax relief.

Tax rules can change. The value to an investor of the tax treatment of a SSAS will depend on personal circumstances, which may change.

SECTION 6: INVESTMENT OF CONTRIBUTIONS INTO THE SCHEME

It is the responsibility of the Managing Trustees to ensure that contributions made to the scheme are invested in the best interests of all the members.

The range of permitted investments includes:

- insurance company pension policies
- OEICs/unit trusts
- stocks and shares
- UK commercial property
- loans to sponsoring employer on commercial terms
- bank and building society accounts.

The value of an investment is not guaranteed and can go up and down depending on investment performance (and currency exchange rates where a fund invests overseas), and could fall below the amount(s) paid in.

As a Managing Trustee, you will have a say in the development and implementation of the scheme's investment strategy.

The Special Trustee must be a co-signatory to the scheme bank account.

SECTION 7: RETIREMENT BENEFITS

The scheme is a “money purchase” type of arrangement. This means that the amount of your retirement benefits will depend upon a number of factors which include, among others, the following:

1. amount of contributions made to the scheme to secure your benefits;
2. investment return on these contributions;
3. rates for converting cash into annuities when you take your benefits;
4. term the money will be invested for.

Contributions to the scheme are invested in accordance with the investment strategy of the Managing Trustees.

When you retire, the Managing Trustees will determine the cash value of your share of the scheme funds.

Subject to the scheme rules, one or more of the following benefits is available to you:

- A taxable pension (provided by an annuity and/or Flexible Access Drawdown), or
- A Pension Commencement Lump Sum (also known as Tax Free Cash) but note that this will reduce the amount available to provide your pension, or
- One or more pension encashments (25% tax free and the remainder taxable – also known as Uncrystallised Funds Pension Lump Sums).

In addition to your own pension you may also provide a contingent pension for your spouse, registered civil partner or dependant, to be paid following your death.

A Lifetime Allowance, set by the Government, will apply to the total value of pension benefits you can receive from all your pension plans. A tax charge must normally be deducted from any benefits that exceed the Lifetime Allowance, before they can be paid.

NORMAL RETIREMENT DATE

A normal retirement date is agreed between you and your employer when you join the scheme. This is the date when you expect to retire from service. The agreed date may not normally be earlier than your 55th birthday, with effect from April 2028 the minimum pension age will increase to 57.

LATE RETIREMENT

If you remain in your employer’s service after your normal retirement date, you can postpone payment of your benefits until you actually retire. However, certain types of investment, such as insurance company pension policies may have a maximum age of 75.

If you wish to take your benefits later, the Managing Trustees will need to transfer any funds invested in respect of you to other investments that do not have a maximum age, before you reach age 75.

When you eventually retire, your benefits may be higher as:

- scheme funds will have remained invested and, subject to investment performance, may have increased in value
- the insurance company rates for converting cash into annuities may be cheaper as your benefits will be payable for a shorter period.

There are no guarantees that benefits will be higher in these circumstances.

The value of an investment is not guaranteed and can go up and down depending on investment performance (and currency exchange rates where a fund invests overseas), and could fall below the amount(s) paid in.

Pensions are a long-term investment. The retirement benefits you receive from your scheme will depend on a number of factors including the value of your fund when you decide to take your benefits which isn't guaranteed, and can go down as well as up. The value of your fund could fall below the amount(s) paid in.

EARLY RETIREMENT

It is possible to take your benefits early. You may start taking your pension before the minimum pension age only if you are in ill health. In these circumstances benefits are likely to be lower as:

- fewer contributions will have been made to the scheme;
- the contributions made will have been invested for a shorter period;
- the rates for converting cash into pension may be more expensive as the pension will be payable for a longer period.

PENSION ENCASHMENTS

Once you reach age the minimum pension age, and subject to the scheme rules, you may take one or more pension encashments.

- A partial pension encashment – is where you take part of the value of your benefits as a cash lump sum withdrawal.
- A full pension encashment – this is where you take the full value of your benefits as a cash lump sum withdrawal.

High levels of pension encashments may not be sustainable as they may exhaust your available funds. The value of your benefits may be eroded, especially if investment returns are poor and high levels of encashments are taken. If you exhaust your available funds or take a full pension encashment, you should consider how you will provide for your retirement.
If you take a pension encashment from your scheme, you will receive 25% tax free with the remaining 75% subject to income tax. HMRC will add this to any other taxable income you have to determine the correct amount of tax due. Tax will be deducted from any pension encashment at the emergency rate, and there may be a significant delay in receiving any tax you reclaim from HMRC.

DRAWDOWN OF PENSION

On your chosen retirement date, your benefits will crystallise, and you may choose, with the Managing Trustees' agreement, to take income withdrawals from scheme assets, using Flexible Access Drawdown.

You can decide how much to take each year, up to the full value of your benefits. You should bear in mind that if you do this, you will be subject to the Money Purchase Annual Allowance - this may significantly reduce the annual amount you can pay to the scheme each year. It should be noted, however, that:

- Where income withdrawals are taken from scheme assets, this will reduce the value of the fund.
- As the cost of securing pension benefits with an insurance company can fluctuate, any delay may lead to a reduction in the income you receive.
- The income you can take will depend on a number of things, including government limits, charges and expenses, and how well the investments perform and may reduce in future.
- The income from the scheme and any annuity bought later may be less than you could have received if you bought an annuity at the start.
- When people buy an annuity, those who live longer gain at the expense of those who die early. If you delay buying your annuity and live longer, you'll not gain to the same extent.

IF YOU STARTED TAKING INCOME DRAWDOWN BEFORE 6 APRIL 2015 (CAPPED DRAWDOWN)

If you started taking income withdrawals before 6 April 2015, you will normally have used "capped drawdown", which works in a different way to that described previously for "Flexible Access Drawdown".

- The Government sets an upper income withdrawal limit.
- You can choose how much income you want to take each year, within these limits.
- The maximum income you can withdraw is calculated using Government rates based on 150% of a single life annuity available on the open market, and depends on a number of things, including how well the investments perform, the charges and expenses that are deducted, interest rates, and your age.
- There is no minimum income requirement.
- Your income limits will be reviewed every 3 years up to age 75, and every year from age 75.
- You can choose to move to the Flexible Access Drawdown basis outlined previously at any time, but you cannot change your mind.
- If you ask to withdraw more than the maximum income, we will move you to the new Flexible Access Drawdown basis – you cannot then move back to the Capped Drawdown basis.
- In either case, if you move to the Flexible Access Drawdown basis and take any income, you will be subject to the 'money purchase annual allowance' which will restrict the amount you can contribute if you want to continue pension saving. For more information, speak to your financial adviser.

IF YOU STARTED TAKING INCOME DRAWDOWN BEFORE 6 APRIL 2015 (FLEXIBLE DRAWDOWN)

In certain circumstances, and provided you met the minimum income requirements, you may have been able to take income withdrawals from scheme assets using Flexible Drawdown.

Flexible Drawdown is a form of income withdrawal where there is no limit on the amount that the scheme can pay you each year. You can take as much or as little income as you like. If you wish, you can take out the entire value of your pension as one payment, which will be taxed as earned income. This option may be attractive because:

- rates for converting cash into annuities may be expensive at the time you retire;
- to raise the cash to secure an annuity may require the sale of certain investments e.g. property, at a time when prices are depressed or when it is not generally in the best interests of the scheme to dispose of an investment.

You will automatically move to the Flexible Access Drawdown basis outlined previously at 6 April 2015, and become subject to the Money Purchase Annual Allowance which will restrict the amount you can contribute if you want to continue pension saving.

For more information, speak to your financial adviser.

SECTION 8: BENEFITS ON DEATH IN SERVICE

Your employer will advise you if they have arranged for any insured death benefits to be paid if you die before your benefits commence.

In addition, the value of your share of the scheme funds (excluding any amounts taken as a pension encashment) will become payable whether you die in service before or after your chosen retirement date.

The maximum amount which may be paid in lump sum form on death in service, including any insured benefits, will be determined by the scheme rules.

If you die before age 75, there is normally no inheritance tax payable on the value of your share of the scheme funds and any amounts arising from insured death benefits. However, if a lump sum is paid, any amount in excess of the Lifetime Allowance will be subject to a tax charge. Normally no such charge is payable if the excess is used to provide a pension for your husband, wife, registered civil partner or other beneficiary. These pensions are not subject to income tax.

If you die on or after your 75th birthday, there is normally no inheritance tax payable on the value of your share of the scheme funds and any amounts arising from insured death benefits. However, there will be a tax charge at the recipient's marginal rate of income tax (this means it will be added to the rest of their income in the tax year to determine how much tax is payable).

There is no test against the Lifetime Allowance. Any pensions provided for your husband, wife, registered civil partner or other beneficiary will be subject to income tax.

NOMINATION FORMS

The scheme rules provide the Managing Trustees with discretion in deciding to whom any lump sum benefit should be paid.

You may advise the Managing Trustees at any time of your wishes regarding payment of any lump sum. Although the Managing Trustees are not bound by your wishes, they will take them into account when deciding on the form and destination of payment. A nomination form is available on request.

You may change your nominations at any time by completing another nomination form.

SECTION 9: LEAVING THE SCHEME

If you leave the services of your employer before your benefits come into payment, you may leave your benefits under the scheme, to be paid from the date you eventually decide to take them. In this instance, you would remain as a Managing Trustee, with all the responsibilities of the appointment.

Alternatively, you may take a transfer value equal to the value of your share of the scheme funds. This can be paid to another registered pension scheme or a qualifying registered overseas pension scheme of your choice.

SECTION 10: ADDITIONAL INFORMATION

OPTING OUT OF THE SCHEME

You can opt out of the scheme at any time by giving notice to the Managing Trustees. If you opt out, you will stop earning benefits and for the purposes of the scheme, you will be treated as if you had left your employer's pensionable service.

AMENDMENT OR TERMINATION

The Managing Trustees and the Special Trustee may, with the consent of the principal employer, alter or modify the rules of the scheme at any time, but no such alteration will adversely affect the rights you have earned in respect of contributions already paid.

If the scheme is terminated or if contributions cease, you will become entitled to the benefits secured for you by contributions already paid, as if you were leaving the scheme.

COMPLAINTS

If you have any queries regarding the scheme, these should be raised in the first instance with the Managing Trustees or the person administering the scheme on their behalf.

If you or your dependants are not satisfied by the information or explanation given by the scheme authorities or have any pensions query, you can consult The Pensions Advisory Service (TPAS) at any time. Normally, you should try to contact a local TPAS adviser through your nearest Citizens' Advice Bureau. Details of how to contact TPAS can be found at:

Website: www.pensionsadvisoryservice.org.uk

If difficulties still remain, then the Pensions Ombudsman has power to investigate and resolve any complaint or dispute of fact or law in relation to the scheme. Details of how to contact the Pensions Ombudsman can be found at:

Website: www.pensions-ombudsman.org.uk

The Ombudsman will not consider your case unless you have already followed the dispute procedure mentioned earlier.

The Pensions Regulator is able to intervene in the running of a pension scheme if the scheme trustees, employer or professional advisers have failed to carry out their duties properly. Details of how to contact The Pensions Regulator can be found at:

Website: www.thepensionsregulator.gov.uk

IMPORTANT NOTES

Tax treatment depends on the individual circumstances of each client and may be subject to change in the future. Tax rules can change.

The information contained in this booklet is based on SSAS Pensions Limited's understanding of current legislation and is correct at the time of publication.

This material is for use by UK Financial Advisers and Trustees of the scheme only and should not be distributed to or relied upon by any other person.