

Corporate Open Pension

Take control of your pension



Relax, the future is fine





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I. The L&C Corporate Open Pension

Your Employer's Corporate Open Pension enjoys all the usual benefits of a registered pension scheme:

- Tax relief on Employer contributions as an expense*
- Tax relief on your personal contributions at your highest marginal rate**
- No tax on any income or capital growth from investments (except dividend income on UK securities which is taxed at 10%)
- Normally up to 25% of your fund is available as a pension commencement lump sum (tax free cash)

With your Corporate Open Pension you can pay in what you want when you want.

* Employer contributions will be eligible to be treated as a business expense for Corporation Tax purposes subject to meeting the "wholly and exclusively for the purposes of trade" test.

** Only available up to the higher of £3,600 p.a. or 100% of your earnings (ignoring any Annual Allowance tax charge). Your financial adviser can explain to you the Annual Allowance (£225,000 from 6/4/2007) for contributions and the tax relief available.

2. Choose your investments

You (as a Member) will be appointed a Member Trustee.

There is a wide range of possible investments. The choice and timing of investment purchases and sales are the responsibility of the Member Trustees. Sometimes a suitably qualified Investment Manager may be appointed either to make the decisions on their behalf or to give them advice.

Apart from certain constraints imposed by HM Revenue & Customs (HMRC) to prevent abuse, the general rule is that all investments should be made on an arm's length commercial basis (independent professional valuations of private shares, properties and rents for example will be required) and that no investment should be made which would provide a direct personal benefit for a Member other than the eventual retirement benefits. For more details on how the investments are controlled please see section 14.

3. Transfer other pension benefits

You can transfer previously accumulated pension entitlements built up in other UK registered pension schemes into your Corporate Open Pension - including entitlements in another registered pension scheme that you may already be receiving income from. A summary of how a transfer can be facilitated is contained in section 12.



4. Retirement benefits

The amount of each benefit will be as agreed between the Member concerned and the Member Trustees provided that the total benefits for each Member will be equal in value to their “fund share” i.e. that proportion of the total fund value that, in the opinion of the Scheme Trustees (L&C Pensions and the Member Trustees), is derived from the transfer values received and the contributions paid by and for the Member throughout his membership.

You can take benefits at any time between age 50 (55 from 6/4/2010) and 75 and you do not have to retire before taking your benefits. You can draw income directly from your fund and opt to defer annuity purchase. You can even take benefits in stages to enhance tax planning. It is also possible to defer the annuity purchase indefinitely although this may result in a lower level of income than if an annuity were purchased. The retirement options available are explained in more detail in section 15.

5. Main features of the Corporate Open Pension

- It provides a platform for flexible retirement benefits
- It allows the Member Trustees to make their own investment decisions
- It enjoys the usual taxation benefits of a registered pension scheme
- It is set up under irrevocable trust subject to a Trust Deed & Scheme Rules
- It is registered in the UK under the provisions of the UK Finance Act 2004
- The Professional Trustee is L&C Pensions who also acts as Scheme Administrator

6. Why L&C Pensions?

- L&C Pensions are easy to deal with
- We are committed to customer service excellence
- We are independent pensions specialists who use high quality expertise to provide a range of technically based products and services
- Experienced personnel – Our directors have between them over 130 years expertise in the UK pensions industry, full details can be found on our website www.lcpensions.com
- Successful track record - L&C Pensions have been administering SSAS since 1988 and SIPP since 1995
- London & Colonial is a provider for SIPPs with over 12,000 Members
- Competitive charging structure – see our fee basis
- Specialist expertise in property investment – we have facilitated a wide range of investments ranging from normal commercial investment properties to multi-million pound shopping centre developments
- Technical support – the expertise behind this product is the same industry recognised team that developed the innovative Open Annuity

7. Who can have a Corporate Open Pension?

At your Employer's discretion, any employee may be invited to apply for membership. Also, anyone connected with an existing employee/Member of the Corporate Open Pension can also apply for membership at the discretion of the Employer.

Your membership will start when a completed application form is accepted by the Scheme Trustees.

A Corporate Open Pension can be established just to accept a transfer payment from another registered pension scheme provided that a nominal contribution is paid by your Employer and that you are under age 75.

If future contributions are to be made you must normally be resident, or ordinarily resident, in the UK during the current tax year when the contribution is paid or, if not, you must have UK relevant earnings in that tax year.

The Corporate Open Pension is particularly attractive for those who wish to pool their funds with their colleagues. You will then jointly choose and control the underlying investments. You will also control the amount and timing of your income as and when you need it, subject to the rules.

8. What does the Professional Trustee do?

L&C Pensions, as the Professional Trustee, will provide you with whatever technical advice you need to ensure that your Corporate Open Pension operates successfully and complies with all of the relevant regulations. We will also ensure that each asset is correctly registered and that the liabilities of all Members and the Scheme Trustees are limited to the assets of the fund.

9. What does the Scheme Administrator do?

Once investments have been made, L&C Pensions will obtain regular asset valuations, monitor the Scheme Trustees' bank account and record details of the transactions. We will arrange for the appointment of appropriate professional advisors such as Solicitors, Valuers and Custodians. We will keep records of all contributions and transfer payments received and provide technical support regarding the different retirement options available as may be required from time to time. On an annual basis the fund will be valued in consultation with the appropriate professional advising on the investments. The Scheme Administrator will arrange for the production of financial statements each year. We will also ensure the Corporate Open Pension complies with the regulation requirements of HMRC.



10. Can my Employer pay contributions?

Your Employer may make contributions for you.

Employer contributions will be eligible to be treated as a business expense for Corporation Tax purposes subject to meeting the “wholly and exclusively for the purposes of trade” test.

11. How much can you pay in?

The Corporate Open Pension imposes no restriction on the frequency or amount of payments and contributions are not restricted by regulation. However, the tax relief on relatively large contributions may be restricted.

Contributions will qualify for tax relief unless they exceed your annual earnings or the Annual Allowance. Your financial adviser can explain to you the Annual Allowance for contributions and the tax relief available.

Personal contributions are normally paid via your Employer who deducts the amount from your monthly salary. This means you will get immediate tax relief at your highest marginal rate. Alternatively, contributions may be paid net of basic rate tax which will then be reclaimed from HMRC on your behalf. If you are a higher rate taxpayer, the further relief must be claimed through your self-assessment tax return. Your Employer will decide which method of tax relief will apply to your Corporate Open Pension.

If you join the Corporate Open Pension it may be a condition that you pay certain contributions yourself if this is what your Employer decides.



12. Does the Corporate Open Pension accept transfers?

Yes. Transfer payments may be received from any other UK registered pension scheme.

If you are considering transferring pension entitlement from other registered pension schemes it is important that you have independent financial advice to decide whether this would be in your best interests. It will be your responsibility, or that of your financial adviser, to contact the Scheme Administrator of your previous registered pension scheme to obtain a transfer quotation. This should then be passed to us together with a "Transfer request form".

13. What are the permitted investments?

Permitted investments include*

- Cash
- Shares quoted on the London Stock Exchange
- Shares quoted on recognised overseas Stock Exchanges
- Unit Trusts, Open Ended Investment Companies (OEICs) and Investment Trusts
- Insurance company managed and unitised funds
- UK and overseas commercial property (and associated borrowing if required). See separate property notes for more details
- Shares in the Principal Employer
- Secured loans to the Principal Employer
- Second hand endowment policies (TEPs)
- Investment in unquoted shares may be possible in some circumstances

What investments are **not** permitted?

- Loans cannot be made to you or anyone connected with you
- Residential property or personal chattels capable of private use, such as paintings

* L&C Pensions reserves the right to refuse any investment request if we consider that it would not comply with any relevant regulation or if it would be likely to carry unacceptable risks for the Scheme Trustees as owner or require unduly complex administration. Under current law investments that are held within the Corporate Open Pension are exempt from UK taxes on income and capital gains except dividend income on UK securities which is taxed at 10%.

14. How do we control the investments?

The contributions paid by and for all the Members will be invested under the control of the Member Trustees. All investments will be held as a "pooled fund" – this means that each Member has a share in the same fund and the percentage share of the fund relating to each Member depends upon the amount and timing of the contributions paid and transfers received that relate to them.

You (the Member Trustees) may appoint your own Investment Manager subject to their agreement to certain conditions with us. Your fund should not trade too frequently, to avoid prejudicing the favourable tax treatment.

If you (the Member Trustees) elect to make your own investments, you can do so simply by sending us a written instruction or, subject to a security process, dealing instructions may be given by telephone.

15. What are the retirement options?

The current regulations allow retirement benefits to be taken at any time after your 50th birthday (55 from 6/4/2010) but not later than age 75.

The level of benefits provided relates to the value of your fund that has accumulated and the prevailing annuity rates at the time your benefits start.

Starting to receive a benefit is called a benefit crystallisation event. When this occurs the value of the benefits taken are compared with the Lifetime Allowance*. This is an amount set in legislation. Benefits with a value in excess of this amount may bear adverse tax consequences.

The flexibility of the Corporate Open Pension allows you four main benefit options.

* The Lifetime Allowance is an amount set in legislation (£1.6 million 6/4/2007 rising to £1.8 million 6/4/2010). If the value of your fund (together with other pension benefits you might have elsewhere) is in excess of the Lifetime Allowance at the date your benefits are taken or at age 75 (if later) any excess will be subject to a Lifetime Allowance tax charge.

15.1 Lifetime Annuity

If you choose to purchase a lifetime annuity then the accrued fund from your Corporate Open Pension is passed to London & Colonial or any other insurance company of your choice within the EU who will provide you with an income for the rest of your life.

All liability of the Scheme Trustees is discharged on payment of the fund to an insurance company. There is no requirement for you to cease work to purchase an annuity.

15.2 Unsecured Pension (USP) (Income Drawdown)

This allows you to defer the purchase of an annuity but receive an income directly from the fund, which you (the Member Trustees) can continue to invest as you choose. There is no requirement that you have to cease work.

The minimum and maximum income levels are calculated when you first opt for USP and reviewed every 5 years thereafter. You can choose a level of income between these two levels*. The minimum level is zero and the maximum level is 120% of an amount calculated by reference to the size of your fund and the appropriate factor as shown in the Government Actuary's Department annuity tables. Please see our website www.lcpensions.com for more details.

Please note that USP is a way of deferring annuity purchase. An annuity may be purchased any time after age 50 (55 from 6/4/2010) but an annuity must be purchased by your 75th birthday at the latest unless you opt for an ASP (see section 15.4).

* Annual income is subject to Income Tax under the UK PAYE arrangements

15.3 Phased retirement

The Corporate Open Pension allows you to take benefits in stages, provided you have not attained age 75, enabling you to match income requirements exactly to your personal circumstances. Each time you take a stage payment of your benefits a part of your fund is "crystallised" and held separately. This is known as a benefit crystallisation event.

The uncrystallised part of your fund is still able to receive contributions and transfer payments from other registered pension schemes.

15.4 Alternatively Secured Pension (ASP)

ASP is available from age 75 and is similar to USP but there are more restrictive rules on the amount of income that you can receive. The minimum and maximum levels are calculated when you first opt for ASP and reviewed annually thereafter. The minimum amount of income is 55% and the maximum amount of income that can be drawn is 90% of an amount calculated by reference to the size of your fund and the appropriate factor as shown in the Government Actuary's Department annuity tables for an annuitant aged 75.

15.5 When can I take a pension commencement lump sum (Tax free cash)?

You will be entitled to a pension commencement lump sum each time you crystallise part of your fund to provide an income assuming you have not attained age 75. This is normally up to 25% of the value of the part of the fund crystallised.

16. What about PAYE?

Annual income is subject to Income Tax under the UK PAYE arrangements. If you choose to receive USP or ASP from your Corporate Open Pension we will pay it directly to your chosen bank account. Income Tax will be deducted from all payments in accordance with UK PAYE arrangements. In the absence of a P45 we are required to deduct tax at basic rate until we receive authority from HMRC to apply deductions in accordance with a tax code.

17. What happens to your fund when you die?

The Corporate Open Pension is designed primarily to make tax advantaged provision for retirement benefits.

If any of your fund is uncrystallised (see section 15.3) the value of that fund less a Lifetime Allowance tax charge (if any) will be available to provide cash and pension benefits. Any cash payment would normally be free from Inheritance Tax (IHT).

If any of your fund has been crystallised then the death benefit from that part of your fund will depend on your age at the time of your death and also the basis of the benefits taken.

The Scheme Trustees will use their discretion when paying the death benefit bearing in mind any nomination by the Member.

Before age 75

Prior to age 75 once any part of your fund has been designated to provide USP (even if that is zero) the value of that fund may be paid out on your death as a lump sum less 35% or used to provide a dependant's pension/income or a combination of the two. It is possible that IHT will also be payable on any lump sum although IHT would not be payable if the lump sum payment is made to a spouse or dependant.

After age 75

If you have not purchased an annuity at age 75 but have opted for ASP then any funds remaining on your death will be used to provide an income for your spouse, civil partner, financial or other dependant. If there are no dependants the fund can be paid to a nominated charity.



18. Financial health warning

Risk Factors

- The value of your Corporate Open Pension depends on the success of the underlying investments
- We give no guarantees and have no responsibility for any investment decisions or for the performance of the investments that are made
- We cannot guarantee the future tax treatment of your investments or your income

**For more information about
L&C Pensions please contact:**

L&C Pensions
38 – 42 Perrymount Road
Haywards Heath
West Sussex
RH16 3DN

Tel: 0870 7566696

Fax: 0870 7566697

Email: info@lcpensions.com

Web: www.lcpensions.com

