

Corporate Open Pension

Take control of your pension



Product Information



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I. Introduction

I.1. The Corporate Open Pension

The Corporate Open Pension is a registered pension scheme commonly known as a small self administered scheme (SSAS). The Corporate Open Pension enables entrepreneurs to secure their future and take advantage of all the generous taxation benefits available to registered pension schemes while retaining access and control of the funds for current business needs.

The Corporate Open Pension is established under irrevocable trust by a Trust Deed & Scheme Rules and is registered in the UK under the provisions of the UK Finance Act 2004. This ensures the protection of Trust Law as well as qualification for the most advantageous tax treatment possible under current legislation.

I.2. Membership

Once established your company (the Principal Employer) will decide which employees will be invited to become Members of the Corporate Open Pension.

I.3. The aim of the Corporate Open Pension

The aim is that the Member Trustees (see section I.4) use the Corporate Open Pension as a platform to provide flexible retirement benefits. The Corporate Open Pension allows you to make your own investment decisions and to benefit from the advantageous tax treatment available under the UK Finance Act 2004. The Scheme Trustees (see section I.4) together with any appointed advisers are responsible for the overall management of the Corporate Open Pension.

I.4. The Scheme Trustees

The Scheme Trustees are L&C Pensions (the Professional Trustee) together with all of the Members (the Member Trustees).

I.5. The Professional Trustee is L&C Pensions

The Professional Trustee will provide you with whatever technical advice you need to ensure that the Corporate Open Pension operates successfully and complies with all of the relevant regulations and the Trust Deed and Scheme Rules. We will also ensure that each asset is correctly registered and that the investment liabilities of the Scheme Trustees are as far as possible limited to the assets of the fund.



1.6. The Scheme Administrator is L&C Pensions

L&C Pensions will undertake the ongoing administration of the Corporate Open Pension. The duties will include maintaining all records, reporting as required to HM Revenue and Customs (HMRC), obtaining regular asset valuations, monitoring of the Trustees' bank account and recording the transactions.

1.7. Annual accounts

On an annual basis the fund will be valued in consultation with the relevant professional investment advisers and the Scheme Administrator will arrange for the production of financial statements each year. Where all the Members are appointed Member Trustees (see section 1.4) and act unanimously (see section 4.2) there is currently no requirement for audited scheme accounts.

1.8. Regulatory requirements

The Scheme Administrator will also ensure that the Corporate Open Pension complies with all relevant regulation requirements as well as compliance with HMRC and the Trust Deed and Scheme Rules. We will also provide technical support regarding the different retirement options available as well as any general enquiries that you may have from time to time.

1.9. The Trustees' bank account

Once the Trust Deed and Scheme Rules have been executed and the trust established the Scheme Trustees will open a bank account. The account will be opened in order to receive investment income, or pay any scheme expenses that might arise from time to time. In addition the bank account once opened will be able to accept any contributions or transfer payments.

2. Contributions

Contributions to your Corporate Open Pension are not restricted by regulation but the tax relief on them is. Contributions in excess of the Annual Allowance (£225,000 from 6/4/2007) may result in less favourable tax treatment, please ask your financial adviser for further explanation.

2.1. Employer contributions

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.

2.2. Eligibility for Members to make personal contributions

If you wish to make contributions to the Corporate Open Pension you must normally be resident or ordinarily resident in the UK at some time during the current tax year or, if not, have relevant UK earnings in this tax year. Please contact your financial adviser if you do not meet these criteria.

2.3. Member contributions

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. We will then reclaim this basic rate tax 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 and this will then apply for all Members.

2.4. Frequency of contributions

The Corporate Open Pension imposes no restriction on the frequency or level of contributions.

3. Transfers

3.1. Transfers from other registered pension schemes

You may transfer previously accumulated pension entitlements built up elsewhere into your Corporate Open Pension including another pension you are already receiving income from.

3.2. Fast tracking transfers

If you are considering transferring previous pension entitlement to your Corporate Open Pension we recommend that you have independent financial advice to decide whether this would be in your best interests. It will be your or your financial adviser's responsibility to contact your previous provider to obtain transfer quotations. At the same time your financial adviser will assist you in completing our "Transfer Request form". The transfer quotation should be submitted to us and our Transfer Request form should be submitted to the Scheme Administrator of the transferring scheme.

3.3. Re-investing transferred funds

The Scheme Administrator will keep records of all contributions and transfer payments received and will advise the Scheme Trustees of the funds available for investment.

4. Investments

The reason that the wide investment powers of the Corporate Open Pension can be so beneficial is that the interests of the "Members" and the Principal Employer (i.e. the shareholders) coincide and are understood by the Member Trustees since they are all the same people. This is especially advantageous when self investment options are being considered (see section 4.7).

4.1. Investment strategy

The investments are as safe or as risky as you choose. The Member Trustees decide whether to stay in cash, or invest in any of the permitted investments (see section 4.6). All assets are held in trust by the Scheme Trustees who will be the legal owners of the assets.



4.2. Member Trustees act unanimously

Any investment decisions made by the Member Trustees must be unanimous.

If you wish to choose 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.

Alternatively the Member Trustees may appoint an Investment Manager subject to their agreement to certain conditions with us (see section 4.3). You should not trade too frequently, to avoid prejudicing the favourable tax treatment of your fund.

4.3. Investment Manager

Where the use of an Investment Manager is desired the Scheme Trustees will officially appoint them to act on their behalf provided that they are suitably authorised to do so. Once all arrangements and procedures have been agreed and confirmed between the Investment Manager and the Scheme Trustees (see section 4.4) then we will transmit funds to the Investment Manager. In some instances funds may stay in the Trustees' bank account with each transaction being settled directly from that account. The Investment Manager must supply regular valuations of the funds held to the Scheme Administrator. It is possible that your financial adviser could also fulfil the role of Investment Manager.

4.4. Investment agreement

An Investment Management agreement will be completed to formalise their appointment and the agreement will also confirm the requirements of the Scheme Trustees. The Scheme Trustees will sign whatever agreement the Investment Manager may supply, provided that the Investment Manager signs our standard side letter which will then be attached and form part of the agreement. The side letter ensures that the Investment Manager performs certain functions and that no investment is made where the contingent liability is unknown at purchase.

4.5. Custodian

Any nominated Investment Manager (acting as custodian) must advise where they would like the underlying assets to be held and provide details accordingly. This choice will be subject to approval by the Scheme Trustees. The custodian will also ensure that all investment income and other entitlements (including dividends) are received when they become due and that other corporate actions are dealt with appropriately.

4.6. Permitted investments

There are many investment opportunities available and your financial adviser can advise you on how a registered pension scheme of this type may be best invested in relation to your own individual circumstances and objectives.

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



Investments and transactions that 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

4.7. Self investment

If the Corporate Open Pension invests in property leased back to the Principal Employer or makes secured loans to, or possibly purchases shares in the Principal Employer, this is known as self investment.

4.8. Commercial basis

Up to 50% of the fund value may be used to make a loan to the Principal Employer and 5% may be used to purchase shares in the Principal Employer. However, the terms and conditions of such investments must be on a commercial arms length basis.

4.9. Commercial property

If your fund is used to invest in commercial property you can borrow up to 50% of your fund value to assist the purchase if necessary. You may apply to purchase any property provided it is not classified residential.

4.10. Special procedures

Please note that property purchases, loans and share purchases in the Principal Employer are subject to special procedures full details of which are available on request or from our website (www.lcpensions.com). You must not give any commitment to purchase property without our prior agreement.

4.11. Investment disclaimer

The Member Trustees may obtain advice on any investment from their financial adviser or Investment Manager. Neither the Professional Trustee nor the Scheme Administrator will give advice in relation to any investment whether proposed or currently held apart from advising whether a proposed investment would be permissible.

Please note that L&C Pensions reserves the right to refuse any investment request if they consider that it might not be consistent with the requirements of any relevant regulations or if it would be likely to carry unacceptable risks for us as owner or require unduly complex administration.

We may also require particular procedures to be followed and/or arrangements to be put in place in order to protect the Scheme Trustees and to comply with regulations and good practice.

4.12. Taxation

Currently there is no taxation of capital gains or income arising from the assets of your Corporate Open Pension. Where applicable your Investment Manager will claim any tax relief relating to the investments. However, the right for registered pension schemes to reclaim the 10% dividend tax credit on UK securities has been withdrawn.

4.13. Investing after drawing a pension

The Corporate Open Pension is fully flexible. You are able to maintain your investments while commencing pension income payments (benefits) from your fund. In this event the Scheme Trustees will pay your benefits directly to your bank account. Investments can continue to be made while you are in receipt of your benefits subject to the comments made in the next section.

5. Retirement options

5.1. Retirement age

You can take benefits anytime between age 50 (55 from 6/4/2010) and 75 and you do not have to retire before taking your benefits.

It may be possible to take benefits earlier than age 50 in special circumstances. These are:

- If you were a Member of an occupational pension scheme with a contractual right to an earlier retirement age on 10 December 2003 and you are included in a block transfer, you retain the earlier retirement age
- Members of personal pension schemes and retirement annuities with special retirement ages below 50 years (e.g. Sportspeople) at 5 April 2006 will keep their rights to draw benefits early in respect of pre-A day benefits, provided they crystallise the relevant scheme in full
- Serious ill health making you incapable of continuing your current occupation because of physical or mental injury, sickness, disease or disability

5.2. Benefit crystallisation event

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 (see section 5.3). This is an amount set in legislation. Benefits with a value in excess of this amount may bear adverse tax consequences.

5.3. Lifetime Allowance

The Lifetime Allowance is an amount set in legislation (£1.6 million from 6/4/2007 rising to £1.8 million on 6/4/2010). If the value of your fund including other pension benefits 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.

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.

The flexibility of the Corporate Open Pension allows you four main benefit options which are detailed in the next 4 sections.

5.4. Lifetime annuity

If you choose to purchase a lifetime annuity to secure a guaranteed income for the rest of your life 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.

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.

5.5. 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.

The amount of your income is flexible. Minimum and maximum income levels are calculated when you first opt for USP and you can choose a level of income between these two levels. Currently 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 5.7). The minimum and maximum income levels are reviewed every 5 years.

5.6. Phased retirement

The Corporate Open Pension allows you to take benefits in stages, provided you have not attained age 75. This enables you to match your income payments 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 (see section 5.2).

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

5.7. 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.

5.8. Taxation on benefits (PAYE)

If you choose to receive USP or ASP from your Corporate Open Pension we will pay your income directly to your chosen bank account. Income Tax will be deducted from all income 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.

5.9. 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 (available up to 12 months after commencement of the relevant benefit) 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 and is available up to 12 months after commencement of the relevant benefit.

6. Death Benefits

The Corporate Open Pension is designed primarily to make tax advantaged provision for retirement benefits. If life cover is required this will normally be arranged separately. In the event of your death the fund that has accumulated for you in your Corporate Open Pension will be applied according to the circumstances described below;

6.1. Uncrystallised funds before age 75

If any of your fund is uncrystallised (see section 5.6) the value of that fund less a Lifetime Allowance tax charge (if any) will be available to provide cash and pension benefits to your spouse, civil partner, financial or other dependent. Any cash payment would normally be free from Inheritance Tax (IHT).

6.2. Crystallised funds 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.

6.3. Crystallised funds 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.

The Scheme Trustees will use their discretion when paying the death benefit but bearing in mind any nomination you may have made previously.

7. Risks

7.1. Investment risks

Any investment carries an element of risk, the degree of which is dependent upon the nature of the asset. You should ensure that you are familiar with the key features of any underlying asset in which you choose to invest. Values of investments can fall as well as rise. Neither the Professional Trustee nor the Scheme Administrator offers any guarantee in relation to the investments that you choose or monitors their performance.

7.2. Other risks

Apart from the investment risk inherent within the underlying assets of the fund, there are other factors that should be borne in mind. Taking pension benefits earlier than intended will reduce the level of expected benefits. Ceasing or reducing contributions (for example, due to a change in your personal circumstances) when the intention was to pay regular contributions will result in a lower fund at retirement. Annuity rates and the rates used to calculate income benefits can change. Charges to your fund and charges on the underlying investments will also be subject to increase.

8. Costs

Fees are charged on the Corporate Open Pension in accordance with the fee basis in force from time to time.

Our current fee basis is attached. If you are content to leave your funds in cash on deposit or in a managed fund or unit trust the fees are likely to be less than if you seek a more active portfolio because you will pay additional fees for this.



9. Your right to change your mind

The Corporate Open Pension is currently an unregulated product and is therefore not subject to any statutory cancellation rights.

9.1. If you wish to cancel your Corporate Open Pension

Any contributions or transfer payments that we have already received **cannot** be returned as it would be treated as an unauthorised payment. Any funds remaining after deductions (if any) will be transferred to another registered pension scheme. If any of the funds have been invested it is possible that any transfer funds available will be less than we originally received. The Scheme Administrator reserves the right to make a deduction for any administration costs that have arisen.

9.2. Returning a transfer

It is not permitted simply to return the funds to the original registered pension scheme after we have already received a transfer payment. If you wish to cancel the Corporate Open Pension you would need either to arrange for a transfer to another registered pension scheme or to arrange for a transfer back to the original registered pension scheme.

9.3. Cancelling USP or ASP

After you have commenced USP or ASP you cannot change your mind because the returned income and/or Pension Commencement Lump Sum will be treated as an unauthorised payment by HMRC.

10. Service standards

We are committed to providing a high quality of service consistent with best industry practice.

10.1. Regulation

All Small Self Administered Schemes including the Corporate Open Pension are currently unregulated products. We have taken the view that we will follow as closely as possible the UK Financial Services Authority's Conduct of Business rules for similar regulated products.

10.2. Complaints

We hope you should never need to complain, but if you do please contact us in the first instance. Copies of our complaints handling procedure are available on request.

If your complaint concerns the administration of your Corporate Open Pension you may be able to refer your complaint to the Pensions Ombudsman. You can also obtain help and guidance from The Pensions Advisory Service (TPAS) who can advise you how to complain and may be able to resolve the complaint, without the need for the Pensions Ombudsman to get involved. Their address is as follows:

The Pensions Advisory Service (TPAS)
11 Belgrave Road
London
SW1V 1RB
Telephone 0845 601 2923

Making a complaint will not affect your legal rights.

10.3. Investment complaints

Complaints concerning the underlying investments of your fund should be made directly to the Investment Manager concerned in accordance with their complaint procedure.

10.4. Further information

If Members or their dependants have problems concerning pension rights and are not satisfied by the information or explanation given by the Professional Trustee or the Scheme Administrator they may contact the Pensions Regulator at
Napier House
Trafalgar Place
Brighton
BN1 4DW
or through the Citizens Advice Bureau.

II. Contact us

Tel: 0870 756 6696

Fax: 0870 756 6697

Email: info@lcpensions.com

Or in writing to:

The Corporate Open Pension Team

L&C Pensions

38-42 Perrymount Road

Haywards Heath

West Sussex

RH16 3DN

Important note:

This is a summary only; the full details are contained in the Trust Deed and Scheme Rules.

Further information is available from your financial adviser or from the Scheme Administrator whose contact details are shown above.

The information in this guide is based on our understanding of current legislation which may change in the future.

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

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