

# KEY FEATURES OF THE OPEN PENSION



LONDON &  
COLONIAL

INNOVATION YOU CAN TRUST

defaqto

2012



SIPP

## 1. Introduction

The Financial Services Authority is the independent financial services regulator. It requires us, London & Colonial Assurance Plc, to give you this important information to help you to decide whether our Open Pension is right for you.

You should read this Key Features document carefully in conjunction with any illustration that has been provided to you.

You should ensure that you understand what you are buying and then keep this document in a safe place for future reference.

Please also note that stakeholder pension schemes are generally available and might be sufficient for your purpose.

This Key Features document explains what the Open Pension is and the options available to you.

## 2. Its Aims

- To provide you with an income and tax free lump sum.
- To enable you to take income without buying an annuity.
- To give you the flexibility to take benefits in stages.
- To provide an income for your spouse or civil partner and/or dependant(s) on your death.
- To allow you to make your own investment decisions.

## 3. Your commitment

- To pay a contribution and/or transfer benefits from another Registered Pension Scheme.
- To wait until you are 55 before taking your benefits

## 4. Risks

The fund value can fluctuate and therefore the benefits may not be as high as you expect. The charges may be more than assumed in the illustration(s).

It may take time to realise the value of certain underlying assets, e.g. property and collective investment funds that invest in property. Annuity rates can change substantially over short periods of time, both up and down.

Taking pension benefits earlier than intended will reduce the level of expected benefits. If the value of an underlying asset falls before notice of cancellation is given, a full refund of the original investment may not be provided but rather the original amount less the fall in value. Inflation will reduce the spending power of your income in the future.

## 5. Frequently asked questions

### 5.1. What is the Open Pension?

The Open Pension is a personal pension that can accept contributions from you and/or your employer and can also accept transfers from other Registered Pension Schemes. It also allows you to direct the underlying investments.

### 5.2 How much can I contribute?

If you are eligible to contribute, the Open Pension imposes no restriction on the frequency or level of your payments. Contributions to your Open Pension are not restricted by regulations but the tax relief on them is. Contributions in excess of the lower of your earnings and the Annual Allowance may bear adverse tax consequences. Please refer to your financial adviser to explain the annual allowance.

### 5.3 Can my employer contribute?

Yes, your employer may also contribute to your Open Pension.

### 5.4 Can I stop paying contributions if I wish?

Yes, you can start and stop paying contributions into your Open Pension at any time.

### 5.5 What about tax?

Tax relief is available on your personal contributions at your highest marginal rate.

Personal contributions are paid net of basic rate tax regardless of whether you are a basic, higher, additional rate or even a non taxpayer.

We will reclaim the basic rate tax from HM Revenue & Customs on your behalf. If you are a higher or additional rate taxpayer, the further relief must be claimed through your self-assessment tax return.

If the total of your and your employer's contributions exceed the annual allowance then you will be liable to a 40% tax charge on the excess.

There is no UK tax on any income or capital growth from investments (except dividend income on UK securities which is subject to a non-reclaimable tax credit of 10%).

There is a lifetime allowance imposed by regulations and if the total value of all your pension schemes exceed this limit (£1.8 million, reducing to £1.5 million in 2012) then you will pay tax on the excess. Please speak to your financial adviser for further details.

## 5.6 What types of transfers can my Open Pension accept?

Your Open Pension can accept transfers from either a UK Registered Pension Scheme or an overseas pension arrangement.

## 5.7 Are there any limits to the amount that I can borrow?

Your Open Pension can borrow up to 50% of the net fund value to fund the purchase of an asset.

## 5.8 What about Investments?

You decide whether to keep your fund in cash or invest in any of the permitted investments (see our Permitted Investments sheet).

The investments are as safe or as risky as you choose. You can take all responsibility for your investment decisions or you may delegate decisions to your investment adviser.

Investment decisions require considerations of marketability and future liquidity, as well as the appropriate balance for a portfolio. We recommend that you take advice from a professional investment adviser unless you are confident that you have the necessary expertise yourself.

## 5.9 Can I buy an asset jointly with another party?

Yes, for example you can invest your fund in commercial property with others who are also members of the Open Pension scheme.

Please note that property purchases are subject to special procedures, full details of which are available on request. You must not give any commitment to a purchase without our prior agreement.

## 5.10 What are the benefit options from the Open Pension?

You may choose the following options:

- A tax free lump sum (known as a Pension Commencement Lump Sum)
- An Annuity
- Capped Drawdown
- Flexible Drawdown
- Phased retirement

## 5.11 From what age can I take my benefits?

Normally, retirement benefits can be taken at anytime after your 55th birthday.

## 5.12 How much can I take as a tax free lump sum?

You can have up to 25% of the fund value or if you are taking benefits from only part of your fund then 25% of that part of the fund.

## 5.13 What is an Annuity?

An annuity is an insurance policy that converts the fund that you have accumulated in your Open Pension into an income for the rest of your life.

You may choose to purchase an annuity either from London & Colonial or any other EU insurance company of your choice. This is known as the Open Market Option.

#### 5.14 What is Capped Drawdown?

This is an income paid directly from your Open Pension. You can continue to invest your fund as you choose.

The minimum and maximum income levels are calculated when you first opt for Capped Drawdown and reviewed every 3 years thereafter (annually after you reach age 75).

You can choose a level of income between these two levels. The minimum level is zero and the maximum level is 100% 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.

#### 5.15 What is Phased retirement?

Phased retirement allows you to take benefits in stages, 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.

The uncrystallised part of your fund is still able to receive contributions (provided you are under age 75 at the time) and transfer payments from other Registered Pension Schemes.

#### 5.16 What is Flexible Drawdown?

This option allows you to draw unlimited amounts out of your fund subject to the income being taxed at your marginal rate. In order to take advantage of this option you must be able to certify that you have met the Minimum Income Requirement, see 5.18.

#### 5.17 How can I satisfy the "minimum income requirement"?

Three conditions must be met:

1. You must have a minimum relevant income of at least £20,000
2. No contributions have been made in the current tax year
3. You are not a member of a defined benefit or cash balance scheme

For further explanation or information please speak to your financial adviser.

#### 5.18 Is my income taxable?

The income that you receive will be taxed as earned income under UK PAYE arrangements. Tax will be deducted using the tax code provided by HM Revenue & Customs (HMRC).

#### 5.19 What happens if I die before taking benefits?

If any part of your fund is uncrystallised (see 5.16) the value of that part 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).

The Scheme Trustee will use its discretion to decide who should receive the cash payment bearing in mind any nomination that you had made previously. If you are over 75 at the time of this payment then the lump sum cash payment will be subject to a 55% tax charge.

## 5.20 What happens if I die while taking Drawdown?

Once any part of your fund has been designated to provide Drawdown (even if you are not taking any income) the value of that fund may be paid out on your death as a lump sum less a tax charge of 55% or be used to provide a dependant's pension/income or a combination of the two. If there are no dependants the fund can be paid to a nominated charity without an associated tax charge.

## 5.21 What are the charges for an Open Pension?

The charges are detailed separately in our Fee Basis leaflet.

## 5.22 Can I change my mind?

You have a right to cancel your Open Pension within 30 days from the day that you receive our letter accepting your application. Once you receive this, if you wish to cancel you just need to complete the cancellation notice enclosed with that letter and send it to us.

You will also have 30 days to change your mind about;

- starting to make regular contributions
- any increase in the amount of your regular contributions
- payment of an additional single contribution
- any additional transfer from another Registered Pension Scheme
- electing to take capped or flexible drawdown

## 5.23 Will I lose anything if I cancel within 30 days?

If you change your mind within the cancellation period we will return the contributions that have been paid. We will also return any transfer payments to the Registered Pension Scheme in question.

Please note that it may not be possible to return any transfer of funds to the original Registered Pension Scheme. In this case you would need to arrange for another Registered Pension Scheme to accept the transfer.

We will not apply any of our charges if you decide to cancel the Open Pension, however as investments will normally be made from day one, any refunds of assets purchased during the cancellation period will be subject to any fluctuations in the value of the investments.

Any associated third party costs involved in purchasing or selling the assets during the cancellation period, for example, solicitor's fees for property purchases or stockbroker fees for shares purchases will not be refunded.

An exchange of contracts for property purchases must only occur after the 30 day cancellation period has expired. Please also refer to our Property Investment notes for other conditions relating to property investment.

## 5.24 Can I transfer my Open Pension to another pension arrangement?

Yes, you can transfer your accumulated fund to another suitable pension arrangement at anytime.

## 5.25 What information will you send me?

We will send you a statement of your Open Pension once a year showing all transactions, charges and cash balances. A valuation of the assets held will be included where appropriate.

In addition, on each anniversary we will send you a statutory money purchase illustration of possible benefits at your 75th birthday.

If you are receiving income directly from the Open Pension we will send you:

- a payslip detailing both the amount of income we have paid to you and the amount of tax that has been deducted.
- a P60 after the end of the tax year showing the total amount of income that we have paid to you in the previous tax year.
- a statement each year setting out the percentage of the standard lifetime allowance used.

## 5.26 What should I do now?

Please speak to your financial adviser who will be able to answer any questions and tell you how to proceed.

## 6. What parties are involved?

The Scheme Trustee and the Scheme Administrator is London & Colonial Services Limited.

The Provider is London & Colonial Assurance PLC, an EU authorised insurer. For more information regarding London & Colonial and Gibraltar please visit our website [www.londoncolonial.com](http://www.londoncolonial.com)

London & Colonial Services Limited is authorised and regulated by the Financial Services Authority for establishing, operating and winding up personal pension schemes including SIPPs.

## 7. How to contact us

Contact details for the Scheme Administrator are as follows:

The Open Pension Team  
London & Colonial  
38-42 Perrymount Road  
Haywards Heath  
West Sussex  
RH16 3DN  
Tel: 0870 756 6696  
Fax: 0870 756 6697  
Email: [info@londoncolonial.com](mailto:info@londoncolonial.com)  
Web: [www.londoncolonial.com](http://www.londoncolonial.com)

## 8. How to complain

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

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 you are not satisfied with the way we deal with your complaint, you may contact the Financial Ombudsman Service. Their address is as follows:

The Financial Ombudsman Service  
South Quay Plaza  
183 Marsh Wall  
London  
E149SR

If your complaint concerns the administration of your SIPP you may be referred 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.

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

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

## 9. UK Compensation Scheme

If London & Colonial is unable to meet its financial obligations in full, our current understanding is that you may be entitled to help and compensation from the Financial Services Compensation Scheme (FSCS). This depends on the type of business and the circumstances of the claim.

Some investments held in your Open Pension, such as commercial property, will not be covered by the FSCS.

If the provider of a financial product held in your Open Pension is unable to meet their financial obligations and the product is covered by the FSCS, your Open Pension may be entitled to compensation.

You should refer to the FSCS for further information:

Financial Services Compensation Scheme  
7th Floor  
Lloyds Chambers  
1 Portsoken Street  
London  
E1 8BN

Web: [www.fscs.org.uk](http://www.fscs.org.uk)

Tel: 0800 6781100

## 10. Law

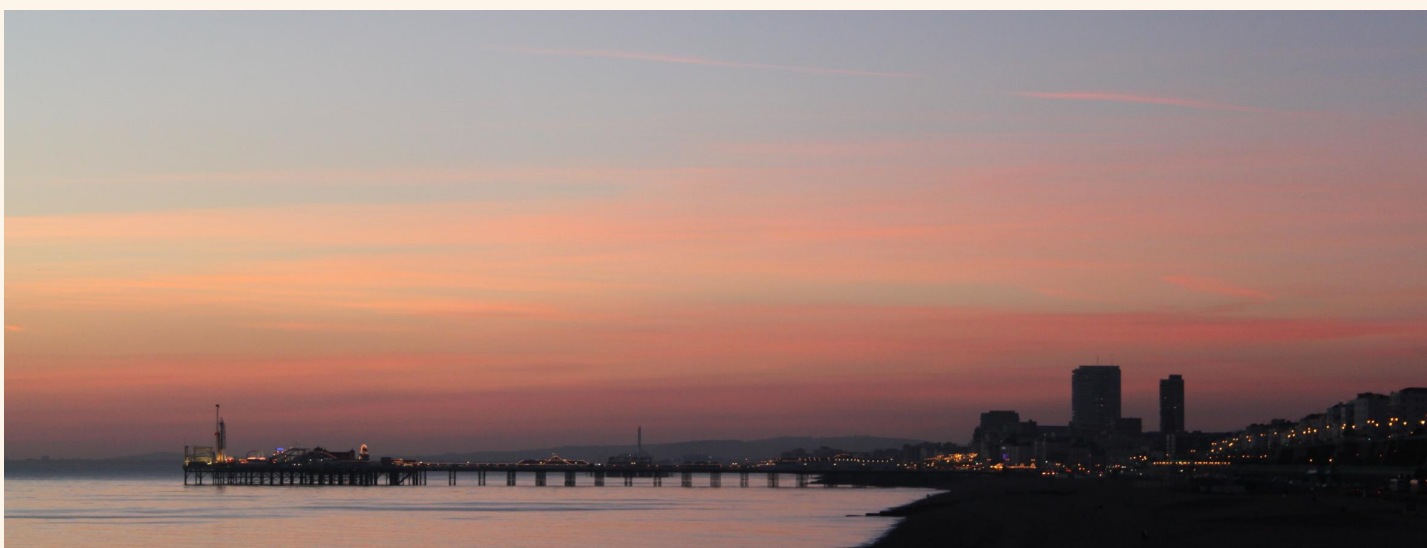
The information in this document is based on our interpretation and understanding of current law of England and Wales and HMRC practice, both of which may change.

All documents relating to the Open Pension are supplied in English and all other communications will be in English.

## 11. Terms & conditions of the Open Pension

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

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



## KEY FEATURES

Take control of your pension



For more information about any  
London & Colonial product please contact:

London & Colonial  
38-42 Perrymount Road  
Haywards Heath  
West Sussex  
RH16 3DN

t: 0870 7566696  
f: 0870 7566697  
e: [info@londoncolonial.com](mailto:info@londoncolonial.com)  
w: [www.londoncolonial.com](http://www.londoncolonial.com)

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