rowanmoor

Defined Benefit SSAS

Guide

Contents

Introduction

A small self-administered scheme (SSAS) provides its members with control of one of the most important aspects of their personal wealth management; retirement planning.

This guide is designed to provide the member trustees of a Rowanmoor Defined Benefit SSAS with information about their scheme, its benefits and investment opportunities and their responsibilities as trustees. Should you require an explanation of any aspect of the technical information contained in this guide please contact us, or your financial adviser.

The Defined Benefit SSAS is established under trust by an employer, known as the principal employer, for the benefit of the scheme members. The members, together with Rowanmoor Trustees Limited, are the trustees of the scheme. This means the members, as trustees, control all aspects of the Defined Benefit SSAS's investment strategy and the payment of any benefits.

The Rowanmoor Defined Benefit SSAS is an occupational pension scheme designed for employers who want to maximise the provision of pension benefits for directors and key employees in a given year. The employer, and the member if required to do so, will make contributions to fully fund for a specific amount of pension benefit that will be paid to the member at normal pension age.

The member trustees may use the funds within the Defined Benefit SSAS to invest in their business through secured loans, or by purchasing property to lease back to the business at an open market rent. This is known as self-investment.

With good business financial planning advice, the innovative entrepreneur can make their Defined Benefit SSAS work for their business, whilst building up a substantial pension fund to benefit them, and their family, in retirement.

To ensure the smooth operation of the Defined Benefit SSAS, member trustees will need to inform us of any changes in members' tax or residency status, if members wish to transfer existing benefits into or out of the scheme and when contributions are to be made to the scheme. We also need to be made aware of any investment decisions, how and when members are to receive benefits and any other information relevant to the scheme's administration.

Please aim to review the Defined Benefit SSAS regularly, to make sure it will meet members' requirements when they take benefits. Circumstances can easily change and member trustees will need to set aside time periodically to consider changes in various circumstances throughout the life of the scheme. Some factors that may require consideration include: the level of benefits members can take from the Defined Benefit SSAS; changes in tax law; the investment performance of scheme assets and the risk factors associated with them; whether the scheme needs to sustain high levels of income throughout a member's retirement; and pension regulations, because tax charges and penalties will be imposed if regulations are not met in full.

Your Rowanmoor Defined Benefit SSAS is a scheme for life, the bespoke service we offer is enviable in the pensions industry and our award-winning administrators have a reputation for exceptional customer service to support it.

The information contained in this document is based on our understanding of current pensions law and taxation and is correct at the time of publishing. The Trust Deed and Rules of the Rowanmoor Defined Benefit SSAS are governed by and construed in accordance with English Law and parties agree to submit to the exclusive jurisdiction of the English courts. All documentation is supplied in English and we will communicate with you in English.

The scheme

A Rowanmoor Defined Benefit SSAS is a registered pension scheme with 11 or fewer members. The Defined Benefit SSAS is established under trust by an employer, known as the principal employer, for the benefit of the scheme members.

The member trustees

The members are also trustees of the scheme and are referred to as member trustees. The trustees are responsible for, and control, all aspects of the Defined Benefit SSAS's investment strategy and the payment of any benefits. All decisions made by the member trustees must be unanimous.

The member trustees must not be:

- minors;
- persons convicted of an offence involving dishonesty or deception;
- those with undischarged arrangements with creditors;
- disqualified directors;
- persons of unsound mind;
- persons disqualified from being a trustee by The Pensions Regulator.

Any member trustees finding themselves in one of these categories are automatically disqualified by legislation.

The independent trustee and administrator

Under a Rowanmoor Defined Benefit SSAS, the principal employer appoints Rowanmoor Trustees Limited as independent trustee and Rowanmoor Executive Pensions Limited as the scheme Administrator. These roles are central to the successful management of the scheme. This is primarily because of the complex nature of pensions and taxation legislation and the need to have a detailed knowledge of HM Revenue & Customs (HMRC) compliance and audit regime.

As scheme Administrator, Rowanmoor Executive Pensions Limited is responsible to HMRC for the establishment and running of the Defined Benefit SSAS and will carry out the day-to-day administration of the scheme.

Our services include:

- providing legal trust documentation to establish and govern the scheme and, where necessary, amending it;
- registering the scheme with HMRC;
- Defined Benefit SSAS administration services;
- keeping records of scheme investments, income and expenditure;
- calculating and reviewing benefit payments;
- technical support regarding the scheme, its investments and benefits;
- preparing unaudited scheme accounts as at 5 April each year to coincide with HMRC's reporting requirements;
- liaising with HMRC where necessary and filing the scheme reports required by them;
- making any payment due to HMRC from the scheme bank account.

We will advise the member trustees on the regulations affecting their scheme and the requirements of legislation but are unable to provide financial advice. We recommend that member trustees take appropriate advice from a financial adviser or other suitably qualified professional. Representatives from the company are available to attend trustee meetings.

As independent trustee, Rowanmoor Trustees Limited must be a co-owner of all assets held as an investment of the scheme (see 'registration of investments' on page thirteen).

The scheme
(continued)

The scheme actuary

A Rowanmoor Defined Benefit SSAS offers employers the means to provide pension benefits for their directors and key employees within specific funding limits. The scheme actuary ensures the provision and funding of benefits comply with HMRC limits.

The Rowanmoor Actuary appointed to the scheme by the member trustees will act on their behalf to:

- provide an initial feasibility report on the funding of the scheme;
- give advice relating to the initial level of scheme benefits and the required contribution;
- advise on the funding position of the scheme, when requested;
- prepare annual benefit statements for active members;
- review the solvency position of the scheme on a formal basis every three years and advise the employer of any contribution requirements;
- calculate and advise on additional levels of scheme pension benefits and corresponding contribution requirements;
- calculate transfer values;
- advise on life cover and the provision of death benefits including lump sum payments;
- advise on any legislation changes impacting on the funding of the scheme;
- ensure compliance with current legislation;
- advise on each individual member's asset allocation to comply with the investment strategy of the scheme, by matching associated scheme liabilities.

Once a specific level of defined benefit has been calculated by the scheme actuary it must be agreed and documented by all member trustees. The document required for each individual member is known as a benefit schedule. A benefit schedule details what a member will be entitled to when they reach the scheme's normal pension age.

The scheme actuary can also advise the employer and the member trustees on any of the following issues:

- the cost of augmentation of benefits for individual members;
- the implications on the Defined Benefit SSAS of selling the business;
- members taking benefits at a date other than the normal retirement date;
- the financial reporting requirement to disclose pension costs in company accounts;
- pension sharing orders as a result of divorce proceedings;
- requirements of The Pensions Regulator.

The trustees' responsibilities

It is the duty of the member trustees, Rowanmoor Trustees Limited as independent trustee and Rowanmoor Executive Pensions Limited as scheme Administrator, to ensure that the Defined Benefit SSAS is properly administered.

Trust law requires trustees to act prudently, conscientiously and with the utmost good faith in the best interests of the beneficiaries of the trust. Member trustees have a responsibility to:

- hold regular trustee meetings inviting all member trustees and the independent trustee;
- prepare minutes of all trustee meetings and ensure that the date, time, place, attendees and decisions are recorded;
- receive investment advice;
- appoint all the advisers to the Defined Benefit SSAS in writing;
- receive written investment advice before making any investment;
- obtain the written agreement of all member trustees before making any decisions relating to self-investment;
- regularly review investments to ensure they remain appropriate;
- prepare the annual accounts for the Defined Benefit SSAS (we will complete the scheme's annual accounts as part of our standard service and accounts need not be audited if all member trustees have unanimously agreed to all decisions);
- maintain records of the Defined Benefit SSAS for a minimum period of six years.

The tax-efficient trust

A Rowanmoor Defined Benefit SSAS is established under trust, which provides the members and the principal employer with considerable tax advantages:

- contributions made by the employer qualify for tax relief in the year they are made, provided they are wholly and exclusively for the purposes of the employer's trade;
- a member's personal contributions normally benefit from tax relief (see 'funding the Defined Benefit SSAS' on page six);
- investments (other than dividend income) grow free from UK capital gains tax and income tax;
- a pension commencement lump sum can be taken from age 55, free of tax;
- lump sum death benefits can be paid free from inheritance tax.

Funding the Defined Benefit SSAS

The employer and the members may contribute to the scheme. The scheme actuary will confirm the level of contribution necessary to fund for specific pension and tax-free lump sum benefits.

The annual allowance and annual pension benefit accrual

The maximum annual pension a member can accrue in any one year is directly proportional to the contribution limit known as the annual allowance. The maximum annual pension which can be accrued for a member is 6.25% of the annual allowance. The annual allowance from the 2019/2020 tax year is £40,000 per annum.

The annual allowance of a member who qualifies as a high earner in a tax year is reduced, on a tapered sliding scale from £40,000 to £10,000, depending on their earnings for that year.

Maximum annual pension accrual is as follows:

Tax Year	Annual Allowance	Annual Pension Benefit Accrual
2019/2020	£40,000	£2,500

Carry-forward

Tax relief on accrued pension benefits in excess of 6.25% of the annual allowance can be obtained by using any unused annual allowance from the previous three qualifying tax years. A qualifying tax year is one in which the member was a member of a registered pension scheme. This facility is called carry-forward. Any contributions paid after 5 April 2019, using unused annual allowance from the 2016/2017 to 2018/2019 tax years, will be based upon a £40,000 annual allowance, or annual accrual limit of £2,500, limit for each year.

Member contributions

Members can only contribute to the scheme at a rate determined by the employer. The rate will be detailed in the benefit schedule. If the rate is zero the member will not be required to contribute. Any member contributions will usually be deducted by the employer direct from pay, but other methods of contribution may be permissible. Tax relief will only be granted on contributions up to 100% of the member's earnings in any tax year provided the member is under the age of 75 and a UK resident. If a member is or has been a Scottish resident, the tax relief they receive might be different. Tax relief is also limited by the annual allowance, which may include the total of the current annual allowance and any unused qualifying annual allowance carried forward from previous tax years (see 'carry-forward' on this page).

Employer contributions

Employer contributions will be limited to those calculated by the scheme actuary for an appropriate level of annual pension and will be detailed in the member's benefit schedule. Contributions may not exceed the funds required to provide the maximum annual pension accrual in a given tax year. Tax relief will be received in the year contributions are made provided they are wholly and exclusively for the purpose of the employer's trade. Tax relief on the employers' total contributions to all registered pension schemes will be spread if they are over £500,000 and constitute an increase of 210% or more over the previous year's contributions. The employer's accountant should advise on these aspects.

The level of the annual pension benefit accrual permissible in the Defined Benefit SSAS in any one tax year is dependent on, and subject to, the contributions made into any other money purchase arrangements. For example, in the tax year 2019/2020 if £20,000 of contributions are made into a money purchase arrangement, the residual annual allowance is £20,000 giving a permissible annual benefit accrual of £1,250 per annum. The maximum annual benefit accrual permitted may also include unused benefit accrual carried forward from previous tax years.

If contributions for a member exceed the cash equivalent value of the funds required to provide the maximum annual pension benefit accrual, as determined by the scheme actuary (after allowing for contributions paid to other money purchase arrangements), the member will have to pay tax on it.

Funding the Defined Benefit SSAS
(continued)

The lifetime allowance and the equivalent maximum pension

The lifetime allowance is the maximum pension fund that an individual can accumulate from all of the pension schemes of which they are a member during their lifetime, without being subject to a tax charge, known as the lifetime allowance charge. A member's fund, calculated by the scheme actuary, must be tested against the lifetime allowance when they take benefits and again at age 75.

The equivalent maximum pension is the maximum annual pension that members of a defined benefit scheme can receive without being subject to a tax charge. Any benefits accrued by a member in other pension schemes will be taken into account when determining the maximum pension payable from the Defined Benefit SSAS. The equivalent maximum pension for each member is 5% of the lifetime allowance.

The lifetime allowance is as follows:

Tax Year	Lifetime Allowance	Equivalent Maximum Pension
2019/2020	£1,055,000	£52,750

The lifetime allowance limit from the 2019/2020 tax year is £1,055,000. This will increase annually in line with the consumer price index.

Members who have enhanced protection will not be subject to the lifetime allowance charge. If members have primary, fixed, or individual protection they may be subject to the lifetime allowance charge, but based on lesser amount than if they had no protection (see 'pension protection' on page eight). If a member is affected by pension protection they should seek advice from a financial adviser.

Existing pension arrangements

Members may also have retirement benefits in other pension arrangements including those already paying benefits. These could include employer sponsored pension schemes or personal pensions. The assets within these arrangements could be used to fund the Defined Benefit SSAS and the following possible courses of action should be discussed with a financial adviser and the scheme actuary.

- Transfer the value of the investments in the other arrangement(s) into the Defined Benefit SSAS in cash form or in specie. This will increase the funds under the control of the member trustees and available for investment. Legislation requires independent advice is taken, from a suitably qualified individual, before transferring some types of benefits. In specie transfer of assets can be a complex process involving several different parties and will usually take longer than cash transfers.
- Assign the other arrangement(s) to become an asset of the scheme. This will increase the overall value of the Defined Benefit SSAS and contributions to the other arrangement may continue, unless enhanced protection or fixed protection has been claimed (see 'pension protection' on page eight). This option is often taken when there are reasons why a transfer of investments is not preferable. This could include the application of a transfer penalty if the funds are moved, or the loss of certain rights such as guaranteed annuity rates.
- Make the other arrangement(s) paid-up, and leave the funds with the existing provider. This option may be preferred if there are severe penalties on the fund if a transfer proceeds, or if there are guaranteed annuity rates attached to the arrangement and the member does not wish it to be assigned.
- Continue to run the other arrangement(s) alongside the new scheme. Care must be taken to ensure that the contributions to all pension arrangements do not exceed the annual allowance.

Pensions and divorce

When the courts review the assets of a couple going through divorce proceedings, accrued pension benefits can be taken into account. This may result in one party receiving a pension credit from the other, who incurs a pension debit of the amount that is ordered to be paid. A pension credit will count towards the recipient's lifetime allowance. A pension debit can be replaced by future contributions for additional pension benefit accrual.

Pension protection

In changes to pensions legislation, which have come into effect since 6 April 2006 and 6 April 2011, the Government included facilities for members with funds that exceeded, or were likely to exceed, the lifetime allowance to apply for their accrued benefits to be protected.

Primary protection

Primary protection provides a way of protecting a member's fund, if it was over the lifetime allowance on 5 April 2006. It protects the value of the member's fund and growth on the protected fund, limited to the increase in the lifetime allowance, or £1,800,000 if higher, from the lifetime allowance charge. If a member has been granted primary protection the member will be entitled to an enhanced lifetime allowance, known as a personal lifetime allowance, when they take benefits. Contributions may continue to be made but this may not be advisable. It is no longer possible to apply for this protection.

Enhanced protection

Enhanced protection protects a member's fund, plus all future fund growth, from the lifetime allowance charge. When pension legislation changed on 6 April 2006, a member with a pension fund likely to exceed the lifetime allowance could register for enhanced protection.

Enhanced protection is lost if contributions are made to, or benefits are accrued in, any pension arrangements on or after 6 April 2006. Transfers of benefits from a member's other pension arrangements can normally be made without enhanced protection being lost but advice must be taken as this is not always the case. It is no longer possible to apply for this protection.

Tax-free lump sum protection

If a member's tax-free lump sum entitlement on 5 April 2006 was greater than 25% of their fund, or more than £375,000 (25% of the 2006/2007 lifetime allowance of £1,500,000) the member could protect their entitlement by obtaining tax-free lump sum protection.

Fixed protection

The lifetime allowance has been reduced on a number of occasions since it was first introduced. Each time, members with funds that exceeded, or were likely to exceed, the reduced lifetime allowance have been offered the opportunity to apply for fixed protection, provided they did not already have primary, enhanced, or fixed protection.

	Application Deadline	Protected Lifetime Allowance
Fixed Protection 2012	5 April 2012	£1,800,000
Fixed Protection 2014	5 April 2014	£1,500,000
Fixed Protection 2016	None	£1,250,000

There is no application deadline for fixed protection 2016 but if a member wants to claim this they will need to ensure they apply before taking benefits.

If contributions are made to, or benefits are accrued in, any pension arrangements at any point after fixed protection has come into effect, it will be lost.

Individual protection

Individual Protection 2014
Members with funds that exceeded £1,250,000 on 5 April 2014 could have applied for a personalised lifetime allowance equal to the value of their funds, subject to an overall limit of £1,500,000, until 5 April 2017. Individual protection will not be lost if contributions are made to any of the member's pension arrangements from 6 April 2014, but funds in excess of their personalised lifetime allowance will be subject to a tax charge when they take benefits.

Funding the Defined Benefit SSAS
(continued)

Individual protection (continued)

Individual Protection 2016

Members with funds that exceeded £1,000,000 on 5 April 2016 can apply for a personalised lifetime allowance equal to the value of their funds, subject to an overall limit of £1,250,000. Individual protection 2016 can be applied for by members with existing pension protection, with the exception of primary protection and individual protection 2014. There is no deadline by which this application needs to be made. Individual protection will not be lost if contributions are made to any of the member's pension arrangements from 6 April 2016, but funds in excess of their personalised lifetime allowance will be subject to a tax charge when they take benefits.

If a member is affected by pension protection they should actively seek financial advice from a suitably qualified professional.

Scheme bank account

Once we receive notification from HMRC that the scheme has been registered, a scheme bank account is opened with Rowanmoor Trustees Limited's designated bank. This account is used to hold the Defined Benefit SSAS's cash funds. All contributions and returns on investments must be paid into this account. Rowanmoor Trustees Limited, as independent trustee, is sole signatory to the account and we will administer its day-to-day operation under instruction from the member trustees.

Details about the scheme bank account can be found on the Rowanmoor website www.rowanmoor.co.uk.

Investments

We aim to give members the most comprehensive range of investment choice available under current legislation. We will permit any asset provided:

- the asset does not give rise to an unauthorised payment tax charge;
- we can obtain satisfactory title to the asset;
- ownership of the asset will not give rise to an unacceptable liability or risk.

We will provide guidance on administration requirements and the acceptability of assets in the scheme. Investments need to satisfy our requirements in relation to all the above factors to be acceptable as scheme investments.

The member trustees control the funds in the Defined Benefit SSAS, subject to the Trust Deed and Rules of the scheme. Whilst HMRC does not generally interfere in the way member trustees invest a Defined Benefit SSAS's assets, it will if tax avoidance is suspected, or if an investment appears to breach the main purpose of the Defined Benefit SSAS, which is to provide benefits for its members. It is therefore important to demonstrate that all investments are genuine and made in the interests of the members and their beneficiaries. The member trustees are free to appoint the investment adviser of their choice to help take advantage of the wide range of investment opportunities open to them.

Investment opportunities

Cash and deposits

Insured pension funds, including trustee investment plans (TIPs)

Traded endowment policies (TEPs)*

Unit trusts and onshore and offshore open ended investment companies (OEICs)

Investment trusts

Structured products

Equities, warrants and bonds quoted on the London stock exchange (including AIM) and ISDX Main Board

Equities, warrants and bonds quoted on recognised worldwide stock exchanges

Authorised collectives, platforms and investment portfolios

Hedge funds and other alternative investment funds*

Foreign exchange contracts*

Unquoted shares*

Commercial property*

Prisons, care homes and public houses*

Forestry, woodland and agricultural land (UK only)*

Land, including land for development*

Secured loans to the principal employer, participating employer(s) or unconnected third parties*

Other ethical investments*

Gold bullion*

*Whilst these investment opportunities are eligible under legislation and regulatory requirements, we may perform additional due diligence on these investments before accepting them.

Unacceptable investments

Residential property (including ground rent)

Unsecured loans to the principal employer or participating employer(s)

Loans to connected parties such as member trustees or their families

Carbon credits

Landbanking

Exchange traded futures and options, contracts for difference (CFDs) and other derivatives

Life settlements

Tangible moveable property, including: Plant and machinery, wind turbines, solar panels, antiques, fine wine, furniture, jewellery and gemstones, oriental rugs, rare books and stamps, vintage cars, works of art, Krugerrands and yachts

Harvestable commodities and plantations

There are no limitations on the sale or purchase of assets to or from member trustees or other connected parties but these transactions must be at arm's length.

Investments
(continued)

Commercial property purchase

Commercial property may be purchased through the Defined Benefit SSAS as part of the trustees' investment strategy to provide retirement benefits. Buying property from the principal or associated employer can be tax-efficient and can inject valuable cash flow into the business, as well as providing a regular income to the Defined Benefit SSAS in the form of rent.

An independent valuation of the property must be obtained prior to purchase. If there are insufficient funds available within the Defined Benefit SSAS, the trustees may borrow up to 50% of the net value of the Defined Benefit SSAS's funds to buy the property (see 'borrowing to invest' on page twelve). The trustees take on the borrowing, which is not reflected in the employer's accounts. The member trustees need to regularly review the property's insurance to ensure that adequate cover is maintained. This insurance will be held in the names of Rowanmoor Trustees Limited and the member trustees and should include adequate public liability cover of at least £5 million. Rowanmoor has negotiated a block insurance policy for member trustees, which offers cover at competitive rates, please contact us for details. It is also important to ensure that rent is paid on the due dates and regular rent reviews take place.

The member trustees will be responsible for the management of any property held as an asset of the scheme. We will not act as a property manager.

Please refer to us for guidance if the trustees are considering property purchase as there are other issues, for example potential contamination from asbestos, and various environmental aspects which will need to be addressed.

Secured loans

The member trustees may use their Defined Benefit SSAS's funds to inject cash into their business. This is done by making a secured loan to the employer, known as a loanback.

Loans can be used to buy, for example, fixed assets, land for development or to increase stock and have to be repaid by regular capital and interest instalments. Loans are restricted to a maximum of 50% of the net Defined Benefit SSAS fund. Such loans must be secured against assets by way of a first charge and the security must be sufficient to cover the loan and interest on it. The maximum term permitted is five years, with the interest being at least 1% above the average base lending rate of the six leading high street banks.

Our retained solicitor must be appointed to undertake all legal work for the loan, including the security. This is to ensure that the trustees are not exposed to unacceptable risk, which can occur in the case of default on loan payments, if security is not put in place correctly.

Secured loans may also be made to third parties but it is not possible to make loans to the member trustees, or anyone connected to them. This means that a Defined Benefit SSAS established by a self-employed business owner or partnership may not lend money back to their business. Loans to third parties are not restricted to 50% of the fund.

The terms and conditions of any loan must be authorised by Rowanmoor Trustees Limited and all member trustees, who must be able to demonstrate that it is a prudent investment decision if questioned by HMRC.

Investments
(continued)

Shares

Quoted shares, traded on a recognised worldwide stock exchange, can be purchased without any restrictions.

Investment in unlisted shares is possible, however, HMRC restricts investment in companies connected with the members or companies that either directly or indirectly invest in unacceptable assets, known as 'taxable property' for example, residential property, antiques, boats or motor vehicles.

For unquoted shares a formal valuation from a qualified professional, such as an accountant, will be required. Please refer to us if the trustees are considering such an investment.

Please also refer to us if the trustees are considering any indirect investment in shares, bonds, limited liability partnerships or investment funds, as full details of the underlying assets will be required.

Non-mainstream pooled investments

Non-mainstream pooled investments (NMPIs) include unregulated collective investment schemes (UCISs) and close substitutes, for example pooled investments or funds containing unusual, speculative or complex assets, product structures, investment strategies, terms and features. We will require evidence that trustees are suitably informed and are aware of the risks involved before we can proceed with such an investment. This evidence must be in the form of a declaration completed by a suitably qualified professional, such as a stockbroker or financial adviser, other than the trustees.

Borrowing to invest

The trustees may borrow money from lenders to enable them to purchase particular assets, or to otherwise benefit the Defined Benefit SSAS. This could include borrowing to provide a member's benefit that has become payable. The maximum the Defined Benefit SSAS can borrow is 50% of the net fund value at the date of the loan.

The Defined Benefit SSAS may also borrow to lend to the principal employer provided it charges the employer a higher rate of interest than it pays.

The terms and conditions of any borrowing must be authorised by Rowanmoor Trustees Limited and all member trustees. Rowanmoor Trustees Limited must be a party to the loan documentation.

Statement of investment principles

The trustees must be careful to ensure that the purchase or sale of any asset complies with the Trust Deed and Rules of the Defined Benefit SSAS and is in line with the scheme's overall investment strategy. Whilst it is not essential for a Defined Benefit SSAS, it is recommended that trustees agree a statement of investment principles and make investment decisions in accordance with those principles. A statement of investment principles should include the:

- objectives of scheme;
- policy for choosing investments;
- type of investments to be held;
- balance of different investments;
- risk associated with the investments;
- expected returns;
- policy for realisation of investments.

Record of investment decisions

Trustees are advised to maintain records of their decisions in case HMRC challenges any investment decision. By doing so they can supply evidence of the trustees' intention to invest for the long-term capital growth of the assets in the scheme and to provide members' benefits. All investments bought or sold should be recorded in the minutes of a trustees' meeting to show that the purchase or sale was in accordance with the agreed investment principles. In effect, exactly the same process should be used for any class of asset as would be used for the buying and selling of equities, bonds and gilts.

Investments
(continued)

Trading

Pension schemes should not trade. If they do, tax is payable by the trust on the trading activities and must be declared on a self-assessment form at the end of the tax year. The onus of deciding what is a trading activity rests with the trustees and the scheme Administrator.

Trustees should not engage in an activity that mirrors that of the sponsoring employer. For example, the pension scheme of a property developer will almost certainly be considered to be trading if the trustees carry out a development in the same manner as the property developer. A single, one-off development may be accepted but should not be repeated. Indeed any activity that could be construed as trading should not be repeated.

Other indicators of trading are:

- buying and selling assets with little time between purchase and sale;
- buying, developing and selling a property;
- holdings held as a member of a property investment 'Limited Liability Partnership', under 'The Limited Liability Partnership Act 2000'.

This is not an exhaustive list and advice should be taken in order to avoid trustees unknowingly making investments that are later challenged as trading activities by HMRC. Any such activity will incur costs in terms of time and professional fees and the registered status of the scheme may be at risk.

Registration of investments

Rowanmoor Trustees Limited, as independent trustee must be a named party to all investments including those detailed below.

Land/Property	Named, along with the member trustees on documentation evidencing the Defined Benefit SSAS's interest in any land or property.
Loan	Party to the loan agreement.
Quoted and Unquoted Shares/Unit Trusts/ Loan Stock/OEICS	Registered co-owner.
Portfolio of Securities/ Investment Management Arrangement	Signatory to any management agreement between the member trustees and a fund manager or broker. If shares are registered in the name of CREST, there should be a written arrangement that any transfer from the fund manager cannot be made without Rowanmoor Trustees Limited's written consent.
Insurance Policies/ Annuity Contracts	Party to the contract and the policy endorsed such that any surrender of these investments is paid only with the specific written agreement of Rowanmoor Trustees Limited.
Other Investments	Member trustees' ownership should be documented and Rowanmoor Trustees Limited included as one of the owners.

Taking benefits from the Defined Benefit SSAS

Members' benefits

Members take their benefits at any time from age 55. It may be possible to take benefits earlier in cases of serious ill health.

The use of all or part of a fund to provide benefits from the scheme is called 'crystallisation'. A member does not have to retire or stop work in order to take benefits from the Defined Benefit SSAS. Benefits may be taken in stages; all of the member's benefits do not have to be taken at one time.

When a member takes benefits from the scheme, and again at age 75, the capital value of their annual pension from the Defined Benefit SSAS, calculated by the scheme actuary, and any other pension arrangements they have, will be tested against the current lifetime allowance. If the lifetime allowance is exceeded, there will be an additional tax charge unless the member has obtained pension protection (see 'pension protection' on page eight).

Benefits can be taken as a pension, or a reduced pension and a tax-free lump sum called a pension commencement lump sum.

Pension commencement lump sum
Normally, the maximum tax-free lump sum that can be taken is based upon the scheme pension payable from the Defined Benefit SSAS (approximately five times the accrued pension) calculated by the scheme actuary but limited to a maximum of 25% of the lifetime allowance (see 'lifetime allowance and the equivalent maximum pension' on page seven). Therefore, the maximum tax-free lump sum for the 2019/2020 tax year is £263,750. However, individual members may be entitled to more than this amount of the fund if lump sum, fixed, or individual protection is in place at the time benefits commence (see 'pension protection' on page eight). A financial adviser can explain this further.

Pension
Pension benefits calculated by the scheme actuary, will be treated as earned income and will therefore be liable to income tax. Pension benefits may be taken as listed below.

- A scheme pension, paid to the member by the scheme over the member's lifetime. The pension normally cannot be reduced year-on-year.
- A lifetime annuity purchased by the trustees from a life assurance company. The annuity must be payable up to the member's death or the end of any guarantee period should the member die within this period.

Death benefits

Member dies before taking benefits

If a member dies before taking benefits from the scheme the cash equivalent of their Defined Benefit SSAS benefits, calculated by the scheme actuary, and any other pension arrangements they have, will be tested against the current lifetime allowance. Death benefits can be paid to the member's nominated beneficiaries in accordance with the member's benefit schedule.

A defined benefit lump sum death benefit up to the current lifetime allowance can be paid tax-free in the event of death before age 75. From age 75 all lump sum death benefit payments will be taxed at the recipient's marginal rate of income tax. If the beneficiary is not an individual, for example a trust fund or a company, a 45% tax rate will apply.

In addition to any defined benefit lump sum death benefit, dependants' pensions may be paid in accordance with the member's benefit schedule. Any dependants' pensions will be taxed as earned income. Pension benefits can be taken as follows:

- dependant's scheme pension;
- dependant's lifetime annuity.

Death benefits
(continued)

Member dies whilst taking benefits

Where a member has started to take benefits from the scheme a pension protection lump sum death benefit can be paid. This is calculated by the scheme actuary and paid tax-free in the event of death before age 75. From age 75 all lump sum death benefits are subject to a tax at the recipient's marginal rate of income tax. Alternatively, following payment of any remaining guarantees, subject to income tax, benefits can be paid as dependants' pensions as defined in the member's benefits schedule. Any dependants' pension will be taxed as earned income and may be taken as follows:

- dependant's scheme pension;
- dependant's lifetime annuity.

If a member dies and there are no dependants, benefits will be paid as defined in the member's benefits schedule.

If a member dies having taken pension benefits from only part of their fund, the death benefits payable can be a mixture of those outlined above and on page fourteen.

All death benefits are payable at the discretion of the trustees.

Accounts

Scheme accounts should be prepared annually. We provide this service within the annual trustee and administration fee. Accounts are prepared as at 5 April each year to coincide with HMRC's reporting requirements. These accounts show a net asset statement and a statement of income and expenditure for the scheme.

Accounts need not be audited provided all members are trustees and trustee decisions are made unanimously.

Unauthorised scheme payments

Payments out of a registered pension scheme, which are in breach of pensions legislation, are defined as unauthorised payments.

The regulations governing registered pension schemes contain numerous ways in which an unauthorised payment may be made, such as:

- payment of excessive benefits;
- investment in unacceptable assets, or borrowing more than 50% of net scheme assets;
- making a loan to a connected party of an amount greater than 50% of net scheme assets;
- writing off a loan or income from a connected party, unless all creditors of that party have been treated equally.

If an unauthorised payment is made, or is deemed to have been made, the recipient of the payment will be liable to a tax charge of 40% assessed on the value of the payment. This tax charge is known as an unauthorised payment charge. Additional charges may also apply depending on the size of the unauthorised scheme payment.

Reporting requirements

The scheme trustees and scheme Administrator are required to report certain information to HMRC. It is vital that the necessary information is provided and the information is correct, as there is the potential for the Defined Benefit SSAS, its members, or both, to suffer a financial penalty for failing to provide accurate information or for late reporting. The ultimate sanction is that HMRC can de-register the scheme, which will result in the full fund being exposed to a tax charge of 40%. Rowanmoor Executive Pensions Limited, as scheme Administrator, will undertake the following reporting requirements on behalf of the scheme trustees.

Scheme self-assessment

A scheme self-assessment tax return must be filed when the Defined Benefit SSAS has tax to declare or claim.

Pension scheme return

HMRC will issue a pension scheme return for completion on an annual basis. The report is issued for a tax year and must be completed by 31 January the following year. It requires, for example, details of contributions, scheme investments, self-investment, income from investments and payments from the scheme.

Event report

An event report is completed for each tax year where any of the under noted events has occurred and must be submitted by 31 January following the end of that tax year. Reportable events include:

- unauthorised scheme payments;
- payment of lump sum death benefits of more than 50% of the lifetime allowance;
- benefits taken before earliest pension age;
- retirement due to serious ill health;
- benefits taken by members with pension protection;
- overseas transfers;
- scheme wind-up.

Accounting for tax return

A quarterly return will be required when the scheme has made a deduction of tax or is liable to pay tax on the following events:

- lifetime allowance charge;
- annual allowance charge;
- payment of a surplus;
- serious ill health lump sum charge;
- special lump sum death benefit charge;
- short service refunds;
- de-registration.

Payment of the tax is required 45 days after the end of the quarter.

Members benefiting from contributions in excess of the annual allowance must declare so on their personal annual self-assessment tax return to HMRC.

Tax charges and penalties

The basis of pensions legislation is simple but the detail behind it is extremely complex. If schemes do not obey the intricate rules, HMRC has numerous powers to raise tax penalties against the scheme.

There are a number of charges and penalties which HMRC can impose if a scheme does not comply with the regulations, or does not submit reports within deadlines. Some of the common ones are listed below.

Annual allowance charge	A tax charge, at the member's marginal rate of income tax; imposed on the member if their contributions, or any contributions made on their behalf, exceed the annual allowance.
Lifetime allowance charge	A member's fund must be tested against the relevant lifetime allowance when taking benefits. Funds in excess of the lifetime allowance will be subject to a tax charge: ● 25% of the excess, if it is to be taken as a pension, which is subject to tax under PAYE; or ● 55% of the excess if it is taken as a lump sum.
Unauthorised payment charge	A 40% tax charge where an unauthorised payment is made, which is levied against the member or their employer. Unauthorised payments can include tax-free lump sums in excess of 25%, access to pension funds before age 55, non-payment of rent on a scheme property occupied by the principal employer, excessive scheme borrowing, non-payment of loan interest, unauthorised loans and certain movements of pension funds within the scheme.
Scheme sanction charge	May apply where an unauthorised payment has been made, for example, where there has been excessive scheme borrowing. The charge is up to 40% of the amount involved, levied on the scheme Administrator.
De-registration charge	A 40% tax charge imposed on the scheme Administrator when the scheme's registration is withdrawn by HMRC.

There are other events upon which less significant charges can be levied including failing to submit scheme returns, making false statements and not complying with HMRC requirements when winding-up a scheme. In extreme cases registration can be withdrawn.

Why Rowanmoor?

Rowanmoor is the UK's largest independent SSAS provider and a provider of bespoke self-invested personal pensions (SIPPs) and Family Pension Trusts (Family SIPPs) and is renowned for its expertise in the field of self-administered pensions.

By working closely with you and your advisers we help you to achieve your goals and ensure you stay informed, involved and in control of the Defined Benefit SSAS. Our role is to provide the supporting administrative framework for your Defined Benefit SSAS and guidance on legislative issues, so that you can gain maximum benefit from your Defined Benefit SSAS and can focus on what is important to you.

A Rowanmoor Defined Benefit SSAS is structured to allow the widest range of retirement and investment options permitted under legislation. We are able to support requests for alternative investments, such as gold bullion and unquoted shares. Requests for alternative investments undergo a due diligence review process, and those which pass we consider to be acceptable investments under one of our schemes. Every pension scheme registered in the UK must have a scheme Administrator and we take on the responsibility and risks associated with this role for the schemes we establish. We believe our fees are competitive for the bespoke service we offer and our fee menus are as comprehensive as possible, with specific events listed and the charges quantified.

We work with our customers to find practical solutions to their problems and are proactive in maintaining relationships. All clients are supported by a dedicated, named administrator who works in a supportive team environment; there are no call centres or anonymous 'customer service' departments. When dealing with our customers, our approach is to use common sense, joined-up thinking and to be proactive with our communications.

We have a national presence, with local offices in Salisbury, London, Edinburgh and Bolton.

In-house Actuarial, Pensions Technical, Scheme Property and Fund Accounts teams are available to provide specialist assistance to our staff and customers on the more complex aspects of pension arrangements, such as property investments, and options when taking retirement benefits. We undertake all actuarial work associated with our schemes in-house.

We are a true service provider, focussed on sustaining high-quality, friendly, efficient, personal and professional pension administration services. A market leader in bespoke SSAS administration, over the years we have won the confidence of some of the country's major life offices, who have entrusted us to administer their own SSAS portfolios from our administration centres in Salisbury and Bolton.

Rowanmoor's focus is on growth, whilst always ensuring service quality is maintained through investment in our staff, systems and services. We have a reputation for the quality of our services, our expertise and our innovation and have won many industry awards.

A reputation for excellence takes time to establish and we value ours.

rowanmoor
Defined Benefit SSAS

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If you require this document in audio, large print or Braille format, please telephone 03445 440 550 or fax 03445 440 500.

DBSSAS-TG 08/19