MINUTES
OF THE TRUSTEE MEETING OF THE ABBEYCOLOR SELF-ADMINISTERED PENSION FUND

BL/0063

Date of Meeting	-	21 February 2018 @ 10 am	
Location	-	9 Parrys Close, Bayston Hill, Shrewsbury	
Present	-	Mrs J Madin -	Member/Trustee
		Mr S Madin -	Member/Trustee
		Mr G Madin -	Member/Trustee
		Mr T Smith -	Rowanmoor Executive Pensions Limited

Introduction

TS opened the meeting advising that he had attended the previous trustee meeting two years earlier. SM wanted to discuss death benefits and was also considering taking benefits himself.

Death Benefits

TS advised that the payment of death benefits is at the discretion of the trustees. The member can indicate how they would like death benefits to be paid and to whom. However, it was important that the trustees had discretion concerning the payment of death benefits in order to ensure death benefits are paid free from inheritance tax. The scheme is written under trust and is outside the member's estate.

When a member dies, there are two options the trustees can consider when dealing with residual funds. Residual funds can be paid out as a lump sum or funds can be used to provide a pension to nominated individuals. Death benefits can be paid to a wide range of beneficiaries, including children and grandchildren. However, a death benefit nomination or expression of wish form should be completed in order to ensure a pension can be paid to individuals that are not considered dependants of the member. Children aged 23 or over would not be considered dependants for example.

If a member dies before age 75, a lump sum payment will be paid tax free subject to the lifetime allowance in certain circumstances as long as the lump sum is paid within two years of the scheme administrator being notified of the member's death. If a pension is to be paid to nominated beneficiaries this pension should be designated to each nominated person within two years of the notification of the member's death in order to ensure pension payments are paid tax free. The lifetime allowance is the maximum pension fund a member can accrue without taxation charges applying when the member takes benefits. The lifetime allowance is currently £1 million.

The same options are available where a member dies at age 75 or over. However, lump sum payments and pension payments are taxed at the recipient's marginal rate of tax.

If a nominated person receives a pension they can take this pension at any age and the fund passed to them does not count towards their lifetime allowance. When a person who receives a nominated pension dies, then the same options will apply when the trustees consider how these residual funds should be paid. The age at when the nominated person dies will determine whether residual funds are taxed or not.

This scheme holds two properties and it is possible to transfer the properties out of the scheme in specie if a lump sum death benefit is paid. However, it would be possible to leave the properties in the scheme and for those persons who were nominated to receive funds and draw a pension from the fund in the same way that JM draws her widow's pension from the fund now.

SM and GM agreed that drawing a pension from the fund might be the best way to deal with death benefits with rental income received being used to draw a pension for example. Those persons nominated to receive a pension can draw us much or as little as they want , subject to funds being available. If the pension is taxed, because a member died on or after age 75, the nominated person can take account of their own taxation situation when considering the amount of pension they draw from the scheme. TS advised that the only risk with this approach is that current legislation is changed and death benefit payments are not as tax efficient as they currently are.

GM queried what the current fund split was. TS advised that the last fund split carried out during March 2017 when JM's widows pension was reviewed. The fund split was as follows:

JM (widow's fund)	£360,469
SM	£106,745
GM	£198

Funds are allocated in accordance with contributions paid into the scheme or transfers from other pension arrangements in respect of each member. Growth is allocated in accordance with each member's share of the fund relative to each other. If a member holds 50% of the overall fund value, for example, they will receive 50% of the growth achieved by the scheme.

SM and GM advised that expression of wish forms should be updated and TS advised that he will arrange for new forms to be issued.

Flexible Access Drawdown

JM was currently drawing her widow's pension directly from the fund under a capped drawdown pension where there is a limit set on the maximum pension that can be drawn each year.

JM could draw a maximum pension of £58,395 per annum following the review carried out last year even though she is only drawing a pension of £6,000 per annum. SM queried whether the review of JM's widow pension had to be carried out every year because this meant arranging property valuations each year.

TS advised that under capped drawdown because JM was over 75 her pension would have to be reviewed on an annual basis. If she switched to the new flexi access drawdown pension basis where JM could take as much or as little as she likes and her pension would not have to be reviewed each year. It is recommended that her widow's pension fund is reviewed every three years under flexible access drawdown.

SM Taking Benefits

SM will reach 55 next year and may consider taking benefits. TS advised that 55 is the minimum age a member can take their own accrued benefits. SM can take up to 25% of his accrued fund as tax free cash. The remaining fund will then be set aside to provide a pension. SM could decide to purchase an annuity and secure his pension or he could decide to draw his pension directly from the fund under flexi access drawdown. SM can only take benefits under flexi access drawdown and capped drawdown will not be available to him.

SM does not have to take all his benefits in one go and it is possible to phase taking benefits. For example, SM could decide to set aside or crystallise £40,000 of his fund where 25% of this can be taken as tax free cash. After the £10,000 has been taken as tax free cash, SM could decide to take the remaining £30,000 as a pension or he could decide not to take a pension at all. SM's fund would then be split between those funds he had set aside for a pension (crystallised funds) and those funds which had not been used to provide benefits (uncrystallised funds).

TS advised that many members used the rental income received in order to fund their pension each year. A drawdown pension is not a secure and if underlying investments fall in value then this will reduce the pension that can be taken from the fund.

Any Other Business

SM advised that life cover is currently held in respect of this scheme. As the members have got older this has become more and more expensive and it might be the case that they want to start reducing the amount of cover available. TS advised he would look into this.

TS advised that he would prepare minutes in respect of the meeting. No further issues were discussed and the meeting closed at 10.50am