



# **Universal Group Executive Pension Fund**

## **Annual Scheme Report**

Prepared by

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Scheme Consultant

17<sup>th</sup> July 2018

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# 1. Introduction

Dear Trustees, I am pleased to enclose our new look annual trustee report for your scheme.

This report has changed its focus from previous years by being more specific to the day to day requirements of the scheme. We have cut the content of investment and inflation outlook data to look at broad interest and inflationary data.

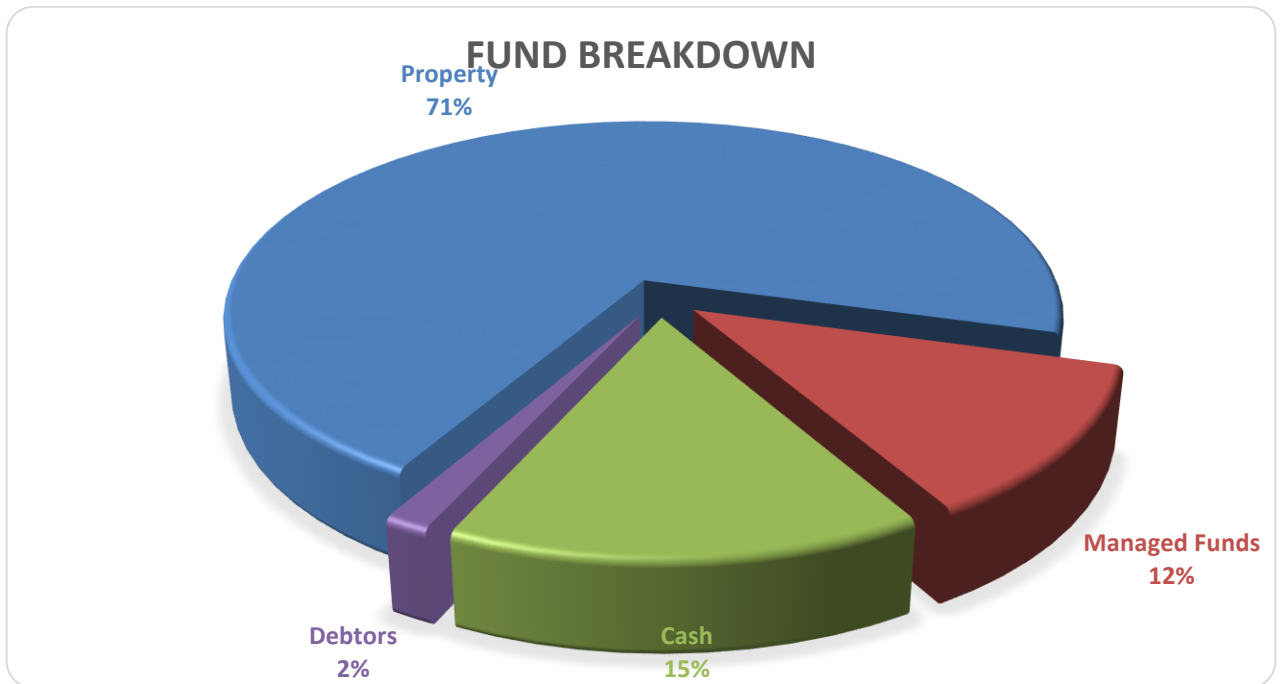
We have prepared a benefit statement for each of you and can of course tailor this according to your needs and planning requirements.

I also attach with our compliments our most recent newsletter, which contains our latest thinking and articles around both pension and protection planning, plus information on the new GDPR regulations.

At the end of this report, I have set out my proposals for 2018 to help ensure both tax compliance and tax efficiency as an action plan for you to consider.

Finally, thank you for choosing us to act as the Practitioner for your pension scheme.

## 2. Fund Composition



## 3. Scheme Tax Return

Below is a copy of our tax report submission for the period ending 31<sup>st</sup> March 2018 and our supporting comments.

The scheme reporting is one of the most important aspects of scheme management as the data submitted may be reviewed by an Inspector in connection with scheme fund movements. It is particularly important that where transactions are undertaken which may involve the scheme connected to persons or businesses associated with either the scheme members or the employer that we report that information in the correct format.

It is important that clients notify us in advance of any transactions involving either a scheme member, a close connected company or someone connected to a scheme member, such as a relative or business partner.

The following data has been submitted:

## Pension Schemes - Registered Pension Scheme Return

[Return to Registered Pension Scheme Return History >](#)  
[Return to Pension Scheme Returns for a scheme >](#)

### Details

Pension Scheme Tax Reference	00597104RB
Pension Scheme Name	UNIVERSAL GROUP EXECUTIVE PENSION FUND
Is the scheme an Occupational scheme?	Yes
Tax Year ended	05 Apr 2018
Date submitted	20 Jun 2018
Submitted by	The Practitioners Partnership LP
Scheme Administrator	Mr David Coates
Amended Return	No
Accounting Period	01 Apr 2017 - 31 Mar 2018

During this period, was the aggregate of payments to and from the scheme greater than £100,000? Yes

At the end of this period, did the scheme have assets with a total value before pension liabilities greater than £400,000? Yes

### Receipts and Payments

Total amount of the pension contributions received	£53900
Total amount of transfer-in payments	£77544
Total amount of transfer-out payments	£56296
Total amount paid out in lump sums and lump sum death benefits	£0
Total amount paid out to purchase lifetime annuities and scheme pensions from an insurance company	£0
Total amount borrowed	£0
Other	Administration fees
Other amount	£1696

### Connected Parties

At any time during the period from 01/04/2017 to 31/03/2018 did the scheme either directly or indirectly own assets that it had acquired from either: a. a sponsoring employer or any person connected with that employer? or b. a person who was a director of or a person connected to a director of a close company that was also a sponsoring employer? or c. a person who was either a sole owner or partner or a person connected with the sole owner or partner of a business which was a sponsoring employer? or d. a member or person connected with a member?	Yes
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### Land or Interest in Land

Total cost or market value of any land or interest in land owned by the scheme at the end of the period Specify whether this amount is	£875000 Market value
Total cost of any land, or interest in land, or premium paid to acquire a leasehold interest in land	£0
Total sale proceeds of any land sold, or interest in land sold, or premiums received on disposal of a leasehold interest in land	£0
Total amount of income received from land or	£49592

interest in land

Was any part of the land or interest in land residential property as defined in Schedule 29A of Finance Act 2004?	No
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### Cash and Bank Information

Total amount of all cash and bank balances at the beginning of the period	£214857
Total amount of all cash and bank balances at the end of the period	£209044
Total amount of interest credited to these accounts	£0

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### Arms Length Transactions

Total cost or market value of any assets owned at the end of the period	£262367
Specify whether this amount is	Market value
Nature of asset(s) acquired	Insurance company investments
Total cost of any assets acquired	£137544
Total amount of income from assets received	£9600

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### Declaration

I declare that	
The content of this return has been approved by the Scheme Administrator named below	Yes
The Scheme Administrator named below has authorised me to submit this return	Yes
Scheme Administrator ID	A0098529
Scheme Administrator	Mr David Coates
Address	4 Croft Close Merton OC25 2NQ United Kingdom

[Return to Registered Pension Scheme Return History >](#)  
[Return to Pension Scheme Returns for a scheme >](#)

## **Connected Party**

Connected party covers both the Company sponsoring the scheme and the scheme members. If you are unsure of the connected status of the scheme's holdings please let us know and we will ensure that you are covered.

During the period of the last return the connected party assets comprised of two properties, Park House, High Wycombe and Unit 13 Regents Trade Park, Gosport.

## **Arms Length Transactions**

Arms length transactions is any person, body or firm that falls outside of the connected part definition given above. It is possible to change from connected party to arms length and vice versa. If you are unsure of the arms length status of the scheme's holdings please let us know.

The following arms length holding was recorded:

Property at 1/3 St James Road, Forfar, Managed Funds and Cash at Bank.

## **Scheme Review**

During the period there were 4 new Trustees appointed to the Scheme and 1 leaver.

## 5. Inflation and Interest Rate Outlook

The MPC of the Bank of England is short for the Monetary Policy Committee and set a target for the annual inflation rate of the Consumer Prices Index of 2%. This has been in place for some time. Subject to that, the MPC is also required to support the Government's economic policy, including its objectives for growth and employment

The MPC's central projection in the November Report was for four-quarter GDP growth to pick up from early 2018 and settle around 1¾%.

Consumption growth was projected to remain subdued, while strong global growth, together with the lower level of sterling, was expected to support net trade and business investment. Inflation was projected to rise a little further above the 2% target in the near term before falling back over 2018.

Conditional on the path for Bank Rate implied by market interest rates prevailing at the time, inflation was projected to end the forecast period slightly above the 2% target. That central projection was also conditioned on the Term Funding Scheme, and on the stocks of purchased gilts and corporate bonds remaining at £435 billion and £10 billion respectively.

At its meeting ending on 13 December 2017, the MPC noted that the recent news in the macroeconomic data had been mixed and relatively limited. Global growth had remained strong, while some indicators of domestic activity in Q4 had softened a little.

The impact of November's rise in Bank Rate on the interest rates faced by households and firms had been consistent with previous experience, but it was too early to form a comprehensive view of its effect on the economy.

CPI inflation had risen to 3.1% in November, slightly higher than the MPC had anticipated at the time of the November Report. The MPC continued to judge that inflation was likely to be close to its peak, and would decline towards the 2% target in the medium term.

The MPC was of the view that, were the economy to follow the path expected in the November Report, further modest increases in Bank Rate would be warranted over the next few years, in order to return inflation sustainably to the target.

Any future increases in Bank Rate were expected to be at a gradual pace and to a limited extent. We expect a further increase of 0.25% of interest rates in 2018.



## 6. General Data Protection Regulation

The **General Data Protection Regulation (GDPR)** is a regulation intended to strengthen and unify data protection for all individuals within the European Union.

It will be effective on 25 May 2018 and replaces the data protection act. It is the biggest shake up in generations to data use, privacy and business impact. It covers anyone who is engaged in data use and storage.

Small self administered schemes have a unique relationship in that the employer sponsoring the scheme, the members and trustees are generally connected. Your scheme will be affected by GDPR. To assist, you will shortly receive a resolution from us to be appointed to handle much of the new requirements of GDPR in respect of your scheme.

**If the sponsoring employer is a trading company and holds personal data it will be affected by the regulations** and as such, our GDPR service on the Scheme may, by extension, help your business comply.

*'Personal Data' means any information relating to an identified or identifiable natural person ('data subject'); an identifiable natural person is one who can be identified, directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person. It is all encompassing.*

Our newsletter, which is enclosed fully explains how GDPR affects your business. The new GDPR rules come into effect from May this year and like auto-enrolment, non-compliance is not an option and the fines are even higher than those imposed by the Pensions Regulator.

We have recently added new qualified GDPR Practitioners and this is being headed by Merle Oper. You can email Merle at [merle@pensionpractitioner.com](mailto:merle@pensionpractitioner.com) for more information or assistance.

## 7. New Independent Trustee Service

Historically, small self administered schemes had a legal requirement for an independent trustee that acted as an oversight on behalf of HM Revenue and Customs to ensure that there was no improper termination of the trust.

Since 2006, this was no longer a legal requirement but recent changes to the rules surrounding pensions maybe useful for your scheme.

We can offer an independent trustee service via our trustee company and have structured this to give clients full flexibility on the remit needed. It is designed around protection to ensure that in the event of the demise or serious ill-health the distribution of benefits are in accordance with your wishes, impartially and with understanding of the rules that underpin pension schemes.

### **Controlling Investments**

Our independent trustee company signs a delegation letter, whereby the power of investing and decision making remains in the hands of the clients as trustees of their own funds.

This way, we are not party to investment decisions made by clients. However, if you require our independent trustee to be party to investment decision making, this can be facilitated on a case by case basis.

### **Dealing with disputes**

Members of small self administered schemes are usually related through bloodline or business association. Disputes do arise where one person wants to go their separate way or there is a disagreement over investment choice.

The independent trustee can through our appointment have the final say as arbitrator. This is because our trustee company is independent of all the members, has no beneficial interest in the scheme and are required under appointment to act independently, fairly and judiciously.

### **Ill-health benefits**

This is perhaps where most of the need arises. Small self administered schemes have benefited significantly from the increased flexibility of distribution of funds either on death or serious ill-health.

The risk of developing cancer for all invasive cancer sites is one in two for males and one in three for females in the western world. This is a lifechanging condition and depending on the condition and type, your SSAS can be distributed to meet medical and income replacement requirements.

The emotional strain on families and the affected person is significant – having an independent trustee to take on the responsibility of benefit distribution ensures that this is undertaken with integrity and consideration.

### **Death benefits**

In the absence of a surviving trustee, your beneficiaries are required to go to court for a trustee to be appointed which can be a very expensive and time-consuming process.

Children can be admitted to the pension scheme to benefit funds to be distributed at key anniversary dates. You can also arrange for your family to inherit the fund allowing the scheme to become a family trust.

An independent trustee can ensure that both the need for a court appointed trustee is avoided and your instructions are passed down and enacted by the independent trustee to avoid any family dispute that can often arise with family members as appointed trustees.

For more information on this please contact your dedicated scheme administrator, Emily McAlister who will arrange a consultation via email on [esther@pensionpractitioner.com](mailto:esther@pensionpractitioner.com)

## Welcome to the 1st Practitioner 2018 Newsletter.

We shortened the number of newsletters issued in 2017, but increase the content to help you get the best value for your small self administered pension scheme and update you with any new services and changes.

# Tax rules have changed - Is your Nomination of Beneficiary form up to date?

Death Benefits and the importance of updating your Nomination of Beneficiary form and the creation of a family trust within the SSAS that is protected against inheritance Tax.

On the 6 April 2016 the way pension funds can be distributed following a member's death changed significantly. In most cases where the member dies before age 75 the funds can be passed on tax-free, and on death over 75 they will usually be taxed at the marginal rate of the beneficiary. The default action was to nominate your spouse as the beneficiary. You now have options available to you that are potentially much more tax efficient.

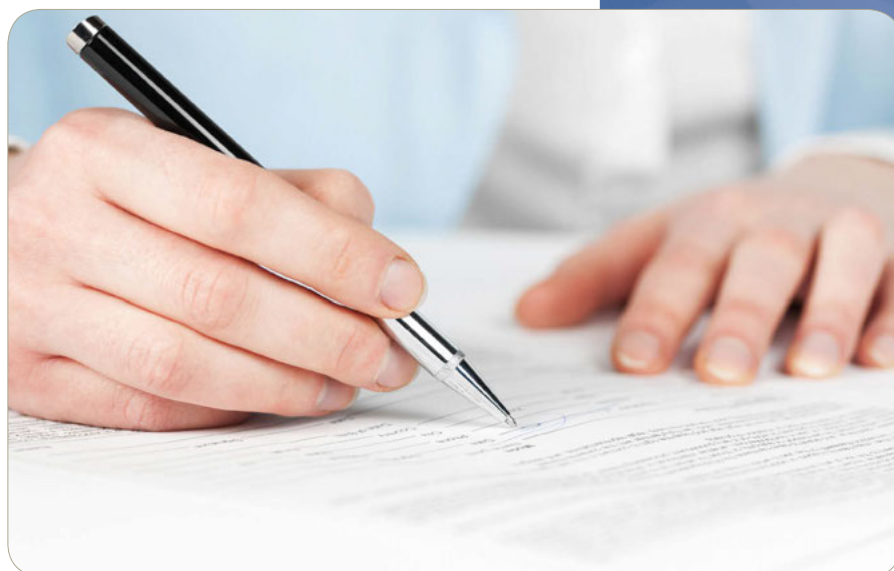
In the event that the beneficiary decides to take a lump sum, this money will then form part of their estate and in the event of death, their subsequent beneficiaries will pay inheritance tax. This money will be at risk to creditors, divorce and marriage after death as well.

Crucially, the scope for who can receive the benefits as an income has been significantly widened. Previously, only a dependent could receive a pension income. Under the new rules anyone, whether related or not, can potentially receive an income – but if they are not a dependent **they will have to be specifically nominated to be eligible**. The ability to draw an income means that funds can be kept in the tax-free pension environment and withdrawn as and when required. The change in legislation has also provided tax planning opportunities. This is why it is **vital nominations are updated** in

line with the new legislation. If grandchildren inherit a portion of a pension fund from a member aged over 75 and withdraw cash, the taxable income might be covered by their personal allowance (£11,500 for 2017/18), or, at worst it, would be taxed at the basic rate. It is more tax efficient for the grandchildren to be beneficiaries in cases where the parents are potential or higher rate tax payers.

It is also important that anyone in receipt of an income as a beneficiary completes the nomination form, as any remaining funds can be passed on again following their death. Whilst it is true that you cannot control who the beneficiary nominates and therefore the pension scheme you have built up is at threat from divorce, marriage after death, creditors etc, a solution to ensuring that the money passes down the bloodline would be to put into place a Pension Scheme Death Benefit Trust

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## Tax rules have changed - Is your Nomination of Beneficiary form up to date? *continued...*

that Trustees have the option to settle all or a proportion of the fund into depending on family circumstances at the time (this is only applicable where the member dies before the age of 75).

If there is no nomination in place, you will need to look at the will and contact family members before making a decision as to how the benefits are distributed (we will assist you with this). If there are any dependents, then we would be able to pay a pension income to them, but any other beneficiaries would only have the option of a lump sum.

Only in the event of there being no dependents can the scheme administrator nominate anyone else to receive a pension income.

Once the beneficiary has decided they want to take the death benefits in the form of drawdown (as opposed to taking a lump sum) we will need to designate the funds into their own name.

Where the deceased was a member of a SSAS the beneficiary could join the existing SSAS as a member (if not one already) if all remaining trustees are in agreement and the beneficiary is over the age of 18. Alternatively, they could be a beneficiary of the SSAS without being a member. This means they would be entitled to the benefits designated to them, but would not be involved in the investment decisions which would continue to be made by the remaining trustees.

In the case of the scheme having insufficient liquidity and where the beneficiary wishes to take the death benefits as a lump sum, or to purchase an annuity, all assets would first need to be sold. In the case of a property held in a SSAS it may be possible for other members to purchase the deceased's share within the pensions.

Where the beneficiary wants to designate funds to drawdown it may also be possible to transfer the ownership of the property to their name as a Trustee of the SSAS or in the case of a jointly owned property, to the SSAS. This option would require the agreement of all parties involved. As some of the funds would still be tied up in property, the beneficiary would only be able to draw income from the liquid funds (including rent coming in) until such a time as the property is sold.



### In the Will

It is recommended that the SSAS member **does not** make a specific reference to the pension in the Will nor makes a direction on the distribution of death benefits in the Will. In doing so, this could lead to the pension falling into the estate for Inheritance Tax purposes when, under this new legislation, funds paid from a pension fund upon death are not normally included in the estate for Inheritance Tax purposes.

The completed expression of wish form gives an indication of the policyholder's intentions. The administrators/trustees can also ask to see a copy of the deceased's Will to try to establish who would have been intended to benefit upon the policyholder's death. If the Will binds the pension plan provider, then the discretion upon distribution could be deemed to be

lost and the pension funds could then fall into the estate for Inheritance Tax purposes.

It is our opinion at Pension Practitioner that all of our members review and update their Nomination of Beneficiary forms to take advantage of the new rules.

Please contact **Merle Oper** on [merle@pensionpractitioner.com](mailto:merle@pensionpractitioner.com) to arrange a meeting with David Nicklin to discuss this matter.

## The declining lifetime allowance...

We are often asked about protection against the lifetime allowance and whether it is possible to plan for this.

The lifetime allowance started at £1.5 million in 2006 and rose to the heady heights of £1.8 million by 2011/12 dropping all the way back £1 million by 2016/17 tax year. It is possible to protect against the current threshold of £1 million but to do so, the general rule is that you must stop making pension contributions, and if you want to protect your fund up to £1.25 million you would need a pot equal to £1 million as at 5 April 2016.

We run pension calculations for all our clients at the time we complete your pension scheme tax returns and therefore we will advise you if we think it is necessary to adopt protection. Where protection is possible, we undertake this service for clients.

## Pensions and Bankruptcy How you can be affected.

Where an individual suffers an insolvency event, the general rule is that his or her pension benefits which have accrued in a pension scheme (whether personal or occupational) do not fall into the estate which the trustee in bankruptcy will utilise to satisfy the bankrupt's debts since March 2000.

However, if the bankrupt has already taken his or her pension and is receiving an income, this can be considered to fall within the bankrupt's estate and may be made subject to an income payments order (IPO).

Under current pension rules, a member can take as little or as much as they wish from their SSAS, this is known as flexi-access. If someone is therefore entitled to draw their pension, but decides not to draw it to avoid an income payment order we are sometimes asked what happens.

Mr Henry was made bankrupt in 2012 and his assets included four pension policies. During his bankruptcy he was

able to draw on his pensions, but decided not to do so and so they remained uncrystallised. The Trustee in Bankruptcy sought an IPO in respect of a share of both lump sum payments and income from the pensions. The bankrupt, Mr Henry sought to oppose the application.

It was held that an IPO cannot be made in respect of an uncrystallised pension. The court held that the definition of "income" is applicable only to "a pension in payment under which definite amounts have become contractually payable."

In addition, a Trustee in Bankruptcy could not compel Mr Henry to convert "property" i.e. his pension policies which did not constitute his bankruptcy estate into income. The Court of Appeal also held that, there was no basis for concluding that a bankrupt's contractual right to draw down his or her pension is within the definition of income.



## Platform Technology

**Clients will be able to sign up to a new platform which is a goal based pension platform that allows you to add family to your SSAS.**

Quite simply, it is an incentivised savings platform and allows contributions to be received into your e-wallet which is viewable via your computer or an app based phone such as an iPhone or a Samsung Galaxy.

When you spend, linked up providers such as your mobile phone operator or your mortgage company will pay cash into your e-wallet and you can then decide to get that money switched to your SSAS.

We have seen the proto-type and it looks fantastic, "beta-testing" starts in 2018 so look out for your invitation to a playpen where you can test out how it works for you!

## Share Trading Account

**Whilst Barclays stockbrokers have sold off their share dealing services, Reyker Securities continue to offer a share trading account for your SSAS with really good rates.**

Reyker Securities is a member of the London Stock Exchange and we can assist clients with a fast track share dealing account opening service with them.

**Please ping us an email if you need help with your stocks and shares account.**



# Data Protection Act – The law is changing

If you have a SSAS it is likely that the scheme is registered with the Information Commissioner Office (ICO) and as a Trustee you are registered as a Data Controller for compliance with the UK Data Protection Act. This is a set of regulations setting out how data on third parties should be used and stored.



**From May 2018, the General Data Protection Regulations (GDPR) kicks in** and it will affect most business owners and trustees of pension schemes. This is the biggest change in data protection laws since 1995 and is designed to give people back control over how their data is used. This is a complex area and we are here to help you. Instead of guidelines there is a distinct shift to a basis on which you have to demonstrate how you comply with the GDPR.

Non-compliance with the GDPR will trigger substantial fines. Currently, the ICO can issue fines of up to £500,000 to any UK organisation that “seriously breaches” the DPA. GDPR raises the stakes considerably and fines, like HMRC tax penalties, will be common. Organisations that fail to comply with the regulations risk fines of up to £17 million or 4% of their global turnover. Industry-specific codes will come out later this year, however, we do expect the same threshold to be applied against pension schemes.

## The 7 key principles of GDPR

### 1. LEGALITY, TRANSPARENCY AND FAIRNESS

Firms must have explicit consent from an individual to use their data after having informed that individual what the data will be used for. Companies need to ensure that any kind of information they hold and the way they process that information is clearly disclosed and available to individuals on request.

### 2. PURPOSE LIMITATION PRINCIPLE

Firms should collect data for specific legitimate and explicit purposes and only use the data for such purposes.

### 3. MINIMISATION PRINCIPLE

The data held by a company must be relevant, adequate and limited to only what is necessary for the purposes the data was gathered for..

### 4. ACCURACY PRINCIPLE

Firms are responsible to keep the data accurate and not store old redundant data.

### 5. STORAGE LIMITATION PRINCIPLE

GDPR specifies circumstances when personal data can be held for longer periods. In general, data should only be kept for a period long enough to satisfy the requirements for what it was gathered for.

### 6. INTEGRITY AND CONFIDENTIALITY PRINCIPLE

Significant emphasis is put on firms to process personal data in a manner that ensures appropriate security against unauthorised processing, accidental loss, destruction or damage. Firms need to use appropriate technological or operational measures to ensure this.

### 7. THE ACCOUNTABILITY PRINCIPLE

Both the Data Controller and Data Processor have the responsibility for, and must be able to prove compliance with, all GDPR principles. The supervisory authorities can audit businesses to check compliance.

The Accountability Principle comes with a new requirement to notify the Supervisory Authority of data breaches within 72 hours of becoming aware of the breach.

Along with the 7 Principles, there are distinct rights given to individuals whose data is being processed (Data Subjects).

1. Right to be informed
2. The right of access
3. The right to rectification
4. The right to erasure
5. The right to restrict processing
6. The right to data portability
7. The right to object
8. The right to object to automated processing and profiling

Most notable out of the rights are the right for people to withdraw consent as easily as they can give it and the right to erasure, or “right to be forgotten” as it’s already known.

Right to portability puts a technological burden on firms, as they must ensure individuals can obtain their personal data in a format that is structured, clearly understandable and provided in a commonly used machine-readable format e.g. CSV files, within a month of a request being issued.

We will roll out a compliance process to help ensure you are protected and get ready for GDPR. We have an in-house certified GDPR Practitioner to help with this and we are extending this service to clients who have businesses and are seeking help and guidance on GDPR compliance. Please contact [merle@pensionpractitioner.com](mailto:merle@pensionpractitioner.com) for more information on this.

### What happens to GDPR after Brexit...

The UK has adopted GDPR in full. The Data Protection Bill 2017, which will have minor variations and derogations, has entered Parliament and has had a second reading in the House of Lords. Industry specific guidance is expected to come out soon after the Bill has passed.

## Other News

### New Office and New People

You may have noticed that we have now opened and centralised our UK administration centre in Bolton.

We have consolidated and merged our practice under the Practitioners Partnership, which is now headed up in Gibraltar where we are able to undertake pension guidance for UK as well as ex-pats.

**New Head Office:**  
Pension Practitioner  
1st Floor  
World Trade Centre  
Baytree Road  
Gibraltar  
GX11 1AA

### IN MEMORIAM Brad Davis

Brad Davis passed away on 5 June 17 at the age of 52.

He had just returned to the office from holiday and was, as usual, working into the night serving his clients when he sadly and unexpectedly had a heart attack in the office.

He was a wonderful character, enjoyed life to the full and he built up an extensive network of clients, who became very much his “phone friends” over the years.

He is very sadly missed and is survived by his daughter, Jessica.

Rest in Peace