2017 Annual Trustee Report

to the Trustees of

Springfield Pension Scheme

Prepared by

Pension
practitioner.com

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1. Introduction

We are pleased to enclose our annual report to the Trustees following completion of your tax return.

This report provides a copy of our tax submissions to HM Revenue & Customs on your behalf, together with our comments where relevant. Please take the time to review this and advise us of anything that you are not in agreement with.

In addition to this, we have also prepared the following for you:

- Inflation report and outlook for 2017 and beyond. The purpose of the inflation report is to help your investment decisions, having regard to the likely direction of inflation over the next 12 months.

- Economic and markets report. This summarises in what markets returns are being made, and the likely return on certain asset classes, such as property and equities for the next 12 months.

- A recent news update in the pensions industry. As always, there have been a number of changes since April 2016 and we have summarised the key issues and how you may be affected including the reduction in the Lifetime Allowance.

Our role is to ensure that the tax privileges for your pension scheme are maintained. In addition, we seek to add value by providing you with information so that in conjunction with your investment advisor you maximise the growth of your pension fund, in a tax efficient way for you and your business.

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

2. Pension Scheme Return

Pension Scheme Tax Reference	00744866RH
Pension Scheme Name	Springfield Pension Scheme
Is the scheme an Occupational scheme?	Yes
Tax Year ended	05 Apr 2017
Date submitted	30 Jan 2018
Submitted by	The Practitioners Partnership LP
Scheme Administrator	springfield business papers

Amended Return	No
Accounting Period	06 Apr 2016 - 05 Apr 2017

During this period, was the aggregate of payments to and from the scheme greater than £100,000?	No
Specify the aggregate of payments to and from the scheme	£1049
At the end of this period, did the scheme have assets with a total value before pension liabilities greater than £400,000?	Yes

Connected Parties

At any time during the period from 06/04/2016 to 05/04/2017 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

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	£490000
Specify whether this amount is	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
If any land or interest in land was disposed of without any consideration state the total cost or market value	£0
Specify whether this amount is	Cost
Were any disposals made to a connected party or connected parties?	No

Total amount of income received from land or interest in land	£49000
Was any part of the land or interest in land residential property as defined in Schedule 29A of Finance Act 2004?	No

Cash and Bank Information

Total amount of all cash and bank balances at the beginning of the period	£165983
Total amount of all cash and bank balances at the end of the period	£214034
Total amount of interest credited to these accounts	£100

3. Inflation Report

The following is an extract from the Inflation Report produced by the Bank of England in February 2017. The next Inflation Report will be produced and available from 11 May 2017. The entire report can be read here: www.bankofengland.co.uk/publications/Pages/inflationreport/2017/feb.aspx

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending on 1 February 2017, the Committee voted unanimously to maintain
Bank Rate at 0.25%. The Committee voted unanimously to continue with the programme of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, totalling up to £10 billion. The Committee also voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion.

Since the November *Report*, there have been rises in government bond yields and equity prices globally. Market contacts attribute these moves primarily to greater near-term momentum in global activity growth and an anticipated expansion of US fiscal policy further ahead. Sterling has been volatile, probably reflecting changing expectations of the form and impact of Brexit.

Output growth has been stable during 2016 at close to past average rates. Underpinning that, consumption growth has been robust, though it is expected to slow as the rise in import prices weighs on households' purchasing power. Activity in the housing market has picked up slightly but remains subdued. In contrast, investment has declined over the past year and, despite the depreciation in sterling, net trade has dragged on GDP growth.

Employment growth has slowed although the unemployment rate has fallen a little further. Unemployment is projected to remain somewhat above its equilibrium rate, the estimate of which has been revised down since November as part of the MPC's regular assessment of aggregate supply-side conditions. Productivity growth is projected to be modest. Weak productivity and a degree of slack in the labour market are projected to continue to weigh on wage growth, as the drag from low inflation diminishes.

CPI inflation picked up to 1.6% in December. It is projected to rise above the 2% target for a time as the past fall in the sterling exchange rate passes through to consumer prices. The extent to which inflation rises above the target will be sensitive to any further movements in sterling, which has been volatile. It will also depend on domestic cost pressures. Slowing domestic demand growth is likely to weigh slightly on labour cost pressures and domestically generated inflation.
Inflation expectations have risen but are judged to be broadly consistent with the MPC's 2% target.

UK economic activity remained resilient in the second half of 2016. Growth is likely to slow over 2017 as households adjust their spending to lower real income growth resulting in large part from the 18% fall in sterling since late 2015. That fall in sterling will raise CPI inflation, which is likely to return to around the 2% target by February and then rise above it over the following months.
Conditioned on a market path for Bank Rate that rises to just under 0.75% by early 2020, the MPC projects CPI inflation to fall back gradually from the middle of 2018. Continued pass-through of higher import prices means, however, that inflation is projected to remain somewhat above the 2% target at the end of the Committee's three-year forecast period.

4. Latest pension news

Changes to Lifetime Allowance scheme that will affect your pension

What is it?

Lifetime Allowance is a limit on the amount of pension benefit that can be drawn from your pension scheme without incurring an extra tax charge. Currently the Lifetime Allowance scheme stands at £1.25m following pension reforms from 2010 onward.
In April 2016 this limit will be reduced to £1m. Any amount over your lifetime allowance that you take as a lump sum is taxed at 55%. Any amount over your lifetime allowance that you take as a regular retirement income – for instance by buying an annuity – attracts a lifetime allowance charge of 25%. This is on top of any tax payable on the income in the usual way.

How will it affect me?

If you’re the value pension is approaching or exceeds the lifetime allowance, you must take action or could face unpleasant taxes.
Even if you are not sure that this applies to your situation, it could affect you. Pensions are a long term commitment, and even if your pension fund seems modest now, by the time you come to draw out the benefits it could stand to be a much larger sum, exceeding the lifetime allowance.

What can I do about it?

Transitional protections have been introduced, in the form of Fixed Protection 2016 (FP2016) and Individual Protection 2016 (IP2016). We have included the details of these below. HMRC confirmed in Newsletter 73 that you can apply for FP2016 AND IP2016 through an online self-service portal. This will then provide a protection reference number which you can use in order to take benefits using a protected Lifetime Allowance.

Fixed protection 2016

FP2016 is available for those that do not already have a previous version of fixed, enhanced or primary protection and do not contribute into or accrue benefits after 5th April 2016. The lifetime allowance will be £1.25 Million.

Individual protection 2016

IP2016 is available for those that have pensions valued in excess of £1 Million as at the 5th April 2016. Unlike FP2016, holders of IP2016 will be able to carry on contributing and accruing benefits.

It’s important to be proactive where your pension is concerned, and make prudent decisions with your pension provider’s advice. If you have any questions about the specifics of your pension, please get in touch to find out the best advice for your situation. Contact davidn@pensionpractitioner.com for guidance and reassurance concerning your pension scheme.

Pension Liberation

As you may be aware, as part of HMRC’s continuing strategy to combat pension liberation, HMRC made a number of changes to try to strengthen existing processes to deter pension liberation and safeguard pension savings. These changes related to new applications to register pension schemes and for dealing with requests for information about the tax status of a receiving scheme for a proposed transfer.

Pensions liberation fraud is now widespread and as a reputable SSAS provider, it is our duty to protect our clients from fraudulent companies; we always recommend that you obtain professional advice on investments made, in the case of property you should always obtain a valuation from a RICS member and in respect of investments, advice that is protected by the FSCS.

If you have therefore been offered a financial incentive for an investment, we strongly recommend that you notify us in order that we can ensure that the operator is blocked from further business.

Flexible Retirement options

A SSAS can take advantage of the recently announced flexible drawdown options to offer control and flexibility in the area of Pension Contributions and Investments. A SSAS is an extremely flexible solution for retirement income drawdown and Business exit options. At the age of 55 you can commence drawdown from your Pension fund. Currently you can draw the first 25% of the fund Tax-free. Because of the recent changes in Pension Legislation, you can take the remainder of the cash as you wish and only pay marginal rate Tax as and when you draw it. Marginal rate means the amount you drawdown will attract PAYE as if it were salary.

For example: If a Members fund holds £200k at age 55, the available Tax free lump sum will be £50k If you choose to take the other £150k at £10k per year, you will pay no Tax on that £10k if you have no other income If you choose to take the entire fund, you will pay a higher rate of Tax under the PAYE scheme at marginal rates. As life changes occur, being in control of your own Scheme allows your choices to change to adapt to your circumstances. If your SSAS owns a Property, you can still receive rent even when you have retired.

5. The beneficiaries of your pension

The distribution of the assets of the pension scheme on death (nominating the beneficiary)

Pensions are emerging as an important IHT planning tool, thanks to the introduction of new death benefit rules on April 6. These allow the full value of your pension to be passed to a beneficiary tax-free, provided death occurs before the age of 75.

If death occurs after 75, the pension can still be bequeathed tax-free but the beneficiary will pay tax on income taken at their marginal rate. If the whole pension is taken as a lump sum, tax of up to 45pc could be applied. When the beneficiary dies, the money can again be passed on under the same tax treatment.

The debate on which assets to spend in your life has shifted, now it's perfectly valid to use other assets before your pension because of the abolition of the death tax.

Using a pension to bequeath assets can be a better way to avoid IHT than gifting. The rules covering gifts say that you can give away £3,000 annually, and distribute regular sums of proven “surplus” income. You can also give away other cash or assets but to avoid an IHT charge you must live for at least seven years afterwards. This is known as a “potentially exempt transfer” (PET).

Any lump sum payable from your Pension can be assessed and vulnerable to any of the following if thought is not given to the options available at the time.

Creditors or Bankruptcy If the surviving spouse/partner or a nominated Beneficiary under the new rules is subject to creditor claims.

Bankruptcy or Divorce, the fund is fully at risk where the Beneficiary takes the benefits as a lump sum.

Where a Nominated Beneficiary receives the benefit under the new Flexible Pension Legislation, the fund is also at risk if they Divorce or become Bankrupt.

Remarriage of Surviving Spouse On first death if all the assets become solely owned by or are available to the surviving spouse/partner, what happens if the surviving spouse/partner remarries? All or part of the pension fund could be lost to your children upon the spouse’s/partner’s subsequent Death or Divorce.

Care Costs Following first death, should the surviving spouse/partner need Care, then the whole estate including the family home would be assessed to pay for the cost of that Care. This may include Pension benefits considered ‘available’ to the care user even if they are not taking benefits!

One concern here is that unless specifically Nominated, the Beneficiary cannot gain all the Tax free benefits. Even if that Beneficiary has decided not to take benefits, could their right to take all or any part of the Pension fund be assessed as if their asset or right to income? By not taking these benefits could they be challenged as depriving their estate and Creditors?

The Solution is a family pension death benefit trust where the nominations are contingent on the Trustees accepting or refusing to accept the funds. We would guide you on how to Appoint Trustees to the Family Pension Death Benefits Trust who can then make the decision to accept the pension funds on death or optimise the flexibility and the tax benefits of the new pensions freedom legislation. This may involve keeping it within the pension fund which allows you to hedge your bets. Ultimately it may be difficult to predict the best route to follow as the disposition and character of beneficiaries can change. In such cases, it may be better to "hedge one's bets" by the member establishing the family death benefit trust.

6. New Services

Protection Practitioner

The changes to pension scheme rules from April 2015 are set to transform pension schemes to operate like bank accounts in retirement; by this we mean you can draw as little or as much as you wish from your SSAS and other private pensions but you will pay income tax on those payments in the UK. Improved rules surrounding death benefits are set to ensure that IHT planning surrounding pensions now plays an important role in overall IHT planning with your business. For example, a trust working in tandem with your pension scheme can ensure succession planning of your personal pension and business assets tax efficiently.

Our launch of the "protection practitioner" service is geared towards delivering trust planning options for you as the member of the SSAS and your business. To contact a consultant, please visit our website: www.protectionpractitioner.com

7. Changes

Changes to our Terms of Business

Pension Practitioner now incorporates a range of other affiliated business partners. Recognising their growth we will be opening an administration office in Gibraltar to also cater for the growing number of clients who have decided to either retire or to relocate some aspects of their business beyond the UK.

You will therefore see some changes to our Terms of Business, specifically to our payments and accountancy functions, which will be managed and administered from Gibraltar.