

# FACT SHEET

Fact Sheet / Trust based schemes and deed poll schemes / September 2007

## TRUST BASED SCHEMES AND DEED POLL SCHEMES

UK pensions legislation allows personal pension schemes to be set up in various ways, including under trust and by deed poll. This fact sheet provides a comparison of the two and the rationale behind the introduction of the Suffolk Life MasterSIPP.

**For adviser use only – not approved for use with clients.**

**The tax treatment, tax benefits and regulatory statements are based on our understanding of current legislation.**

### The deed poll scheme

In the past, we have offered a deed poll SIPP. This meant that each one of our SIPPs was a contract of insurance issued to our investors by Suffolk Life Annuities Limited, an insurance company authorised and regulated by the Financial Services Authority (FSA). Therefore all our investors received a policy.

Our deed poll SIPP is administered by Suffolk Life Pensions Limited, a specialist pension administrator and personal pension operator also authorised and regulated by the FSA, under an administration agreement with Suffolk Life Annuities Limited. The assets currently held in our deed poll SIPP are legally and beneficially owned by Suffolk Life Annuities Limited.

### The deed poll scheme and permitted links

Where pension scheme assets are owned by an insurance company, they are subject to rules set by the FSA called 'permitted links'.

These rules restrict the scope of investments that can be made through the deed poll SIPP. The pension provider interprets the permitted links rules and publishes them in a schedule that details what investments are allowed. Investors must adhere to the schedule and comply with the permitted links rules.

Many investors find the permitted links rules can be restrictive, particularly as they do not allow investment in areas such as certain hedge funds, property funds and structured products.

### The trust based scheme and the Suffolk Life MasterSIPP

The Suffolk Life MasterSIPP is a trust based scheme where the operator and scheme administrator is Suffolk Life Pensions Limited. Suffolk Life Trustees Limited is the trustee. Investors become

members of the trust based scheme and receive a membership certificate. The assets bought with ordinary pension benefits (non-protected rights) are legally owned by the trustee.

Protected rights benefits are invested through a trustee investment plan taken out by the trustee with Suffolk Life Annuities Limited. Currently, protected rights benefits have to be invested through an insurance company, which means that the investments are restricted by the FSA's permitted links rules for insurance companies. Suffolk Life Annuities Limited is then the legal and beneficial owner of the assets purchased with the protected rights benefits.

### How our trust based SIPP works

The Suffolk Life MasterSIPP has been intelligently designed to meet the demands of all SIPP investors. We have used the legal status of Suffolk Life Annuities Limited as an insurance company to allow the self-investment of both protected rights and ordinary pension benefits as part of the same scheme.

The assets, other than protected rights and property, in our trust based scheme are legally owned by the trustee and so are not required to comply with the permitted links rules. We are therefore able to offer much greater investment choice for ordinary pension benefits.

When property investments are made as part of the SIPP, regardless of which pension benefits the property is supporting, the asset is owned by Suffolk Life Annuities Limited under insurance contracts issued to the trustee. This means we are able to offer co-ownership of the asset across both protected rights and ordinary pension benefits.

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### The case for a trust based scheme

The allowable investments under a deed poll scheme are restricted by the permitted links rules set by the FSA. These are generally more restrictive than the allowable investments under a trust based scheme to which the permitted links rules do not apply. In most cases this is not a problem as the majority of assets that investors wish to hold are allowable under the permitted links rules. However, some of the newer, more complex investment products can only be held in a trust based arrangement.

We believe our trust based Suffolk Life MasterSIPP is one of the most versatile schemes available anywhere.

### The Suffolk Life MasterSIPP in perspective

**Q.** Who has legal ownership of the assets in the Suffolk Life MasterSIPP?

**A.** For ordinary pension benefits, other than commercial property investments, it is the trustee, Suffolk Life Trustees Limited. For commercial property and protected rights it is Suffolk Life Annuities Limited that holds the actual assets for the trustee investment plans issued to the trustee.

**Q.** What are the investment restrictions?

**A.** Ordinary pension benefits are subject to our own restrictions. Protected rights are limited by the FSA rules and regulations for

insurers, as well as any further restrictions we impose. Please see our allowable investment schedule for further information.

**Q.** Is VAT charged on fees?

**A.** VAT is charged on fees for ordinary pension benefits, but fees for dealing with protected rights and commercial property are VAT exempt.

**Q.** How are death benefits paid?

**A.** Death benefits relating to ordinary pension benefits are paid at the discretion of Suffolk Life Pensions Limited and are usually free of Inheritance Tax. Protected rights must be paid to a surviving spouse, civil partner or dependent child before they can be used for other beneficiaries, which may then be subject to Inheritance Tax.

**Q.** What protection is available for members?

**A.** Members may be able to make a claim under the Financial Services Compensation Scheme (FSCS) with a maximum overall benefit of £48,000 if Suffolk Life Pensions Limited cannot meet its obligations. If an underlying investment manager, fund supermarket, stockbroker or insurance company was not able to meet its obligations, Suffolk Life may be able to make a claim under the FSCS for the SIPP and different maximum amounts may apply.

### DIRECT COMPARISON OF THE SUFFOLK LIFE MASTERSIPP AND THE SUFFOLK LIFE SIPP (DEED POLL SCHEME)

	MasterSIPP (Trust based scheme) – ordinary pension benefits except property	MasterSIPP (Trust based scheme) – protected rights	Suffolk Life SIPP (Deed poll scheme)
Legal owner of the underlying assets	The trustee of the scheme – Suffolk Life Trustees Limited	Suffolk Life Annuities Limited	Suffolk Life Annuities Limited
Investment restrictions	Restricted by Suffolk Life	Restricted by FSA regulations for insurers, as well as any further restrictions we impose	Restricted by FSA regulations for insurers, as well as any further restrictions we impose
Signatories	Suffolk Life authorised signatories list	Suffolk Life authorised signatories list	Suffolk Life authorised signatories list
VAT on fees	VAT will be charged	VAT exempt	VAT exempt
Death benefits	Paid at our discretion, usually free of IHT	Paid at our discretion. Lump sums may be subject to IHT	Paid at our discretion, usually free of IHT
Investor protection	Investor may be able to claim under the FSCS. 100% of first £30,000 and 90% of next £20,000 with a maximum overall claim of £48,000	Trustee may be able to claim for the investor's SIPP under the FSCS. 100% of first £2,000 and 90% of the remainder	Investor may be able to claim under the FSCS. 100% of first £2,000 and 90% of the remainder

[www.suffolklife.co.uk](http://www.suffolklife.co.uk)

Suffolk Life is the trading name of Suffolk Life Pensions Limited (registered in England and Wales number 1180742) and Suffolk Life Annuities Limited (registered in England and Wales number 1011674).

Both companies are authorised and regulated by the Financial Services Authority.

Suffolk Life operates and administers self-invested pensions and similar pensions products.

The registered address of all companies is 153 Princes Street, Ipswich, Suffolk, IP1 1QJ

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Telephone calls to Suffolk Life are recorded for training, monitoring and fact verification purposes.

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