



IFA Guide to Liberty Pension Scheme Administration

Thank you for your interest in the Liberty Pension Scheme.

Liberty has developed a pension product specifically with the IFA market in mind. With many years experience in the SIPP marketplace, working directly with IFAs, we feel that we have an insight into what an IFA requires from the SIPP product that they recommend to their clients.

To elaborate on the service that we can provide you we have produced this booklet which outlines how we will conduct our relationship with you and your clients and outlines the levels of service that you will come to expect from us.

Further information on Liberty is available on www.libertypensions.com

We would welcome the opportunity to talk to you about your expectations and how you feel we can assist you in providing the optimum levels of service to your clients.

On receipt of your client's application, your client will be assigned a dedicated administrator who will deal with all administration and technical queries. As the appointed financial adviser, all correspondence, apart from items we are required by the FSA to issue direct, will be sent to you to forward to your client as you deem appropriate. However, if you prefer future correspondence to go direct to your client, please write and advise us.

The Liberty Pension Structure

The Liberty Pension Scheme is an Appropriate Personal Pension Scheme within which is a SIPP section for Non-Protected Rights. In practical terms, your client benefits from holding Protected and Non-Protected Rights under one scheme, but either can be held without the other.

Protected and Non-Protected Rights are held in separate bank accounts. Where an investment holds both, we will keep a record of the split. To ensure this is kept accurate, if there is a partial disinvestment of the investment, we must have a valuation of the investment on the date the disinvestment takes place.

Whilst the scheme is structured as an Appropriate Personal Pension Scheme, Non-Protected Rights will have the same flexibility as they would under other SIPP schemes.

The borrowing limit of 50% of the fund includes the value of both Protected and Non-Protected Rights held in the Scheme.

Payment of Fees

IFA fees

There is a section on the Member Application Form for IFA fees which, as agreed with your client, are to be paid direct from the scheme bank account. Initial fees will be paid once there are sufficient funds in the account or, if they are on a percentage basis, once all initial funds have been received. Renewal fees will be paid on the anniversary of the scheme. As the fees have been pre-agreed, there is nothing more for the member to sign and payment will be made electronically into your nominated bank account.

Once the payment has been made, we will confirm the amount and date paid. If you need a reference to be quoted with the payment, please tell us when sending in the application.

If you don't want the payment to be made electronically, the member will need to countersign all cheques in accordance with the bank mandate even if the payment is in respect of pre-agreed fees.

Liberty Fees

As clients' fees are tailored to their Liberty Pension contract, we will calculate their fees based on the information provided in the application form. The client will be asked to sign a fee agreement whereby the Liberty Fee Schedule is agreed.

The first year's fees will be collected as soon as there are sufficient funds in the bank account. If there is a delay in funds being available because documents have not been returned, we will issue an invoice which the client will need to settle personally within 14 days. All recurring fees will be collected on the anniversary of the date the contract commenced. One-off fees will be collected once the transaction has completed.

Under the terms of the bank mandate, we will collect our fees directly from the client's Royal Bank of Scotland account and it will show up on statements as "Liberty Fees" followed by the description. It is important to ensure there are sufficient funds in the bank account to cover fees, otherwise this will incur further charges for the additional work in arranging for investments to be disinvested.

Should the client change their original investment strategy, fees might increase to reflect any additional work as the basis of our fees is the client pays only for the services used. Before any new investments are made, we will advise of any additional costs and refer to the previously signed Fee Agreement. The only exception to this will be where the fee is as a result of insufficient funds, or contributions paid where the supporting paperwork has not been sent in advance.

Agent Registration Form

When you recommend your first client to Liberty, we will send you an Agent Registration Form to complete. This will ask for the bank details your fee payments are to be made and whether you agree to the terms under which you can have online viewing access to your clients' bank accounts.



When further clients are recommended, please quote the Agent Number we will allocate to you in the Member Application Form.

Cancellation Rights under the Liberty Pension Scheme

Cancellation Rights for the pension contract

We have to offer your client a 30-day cooling off period, which commences from the date the Supplemental Deed is signed and executed by Liberty Trustees Limited. Immediately upon receiving the application, we will send a cancellation notice direct to your client explaining these rights. During this period, any contributions we receive cannot be invested outside the scheme's bank account(s). This is to ensure that in exercising the right to cancel the contract with Liberty, your client is not disadvantaged and we can wholly return any money received.

Your client can elect to waive the right to cancel, which will mean that any contributions paid can then be immediately invested out of the bank account. However if your client wished to cancel the contract with Liberty after the contract has commenced, funds cannot be returned to source. All funds must be transferred to another registered pension scheme and Liberty will charge for the work involved.

To waive the right to cancel, your client must sign the appropriate section on the application.

Cancellation Rights for Transfers

Independent of your client's 30 days to cancel his contract with Liberty, there is a 30-day cooling off period for any requests to transfer other pension arrangements into the scheme. On receipt of your client's transfer requests, whether from the application form or after the contract has commenced, we will send a cancellation notice direct to the client explaining these rights. The 30-day period commences from the date your client receives this notice and until this period has expired we will not be able to accept any transfers into the scheme. This ensures that if your client cancels the transfer request, there will not be a problem reinstating the benefit.

It is not possible to waive this right. However, the 30-days cooling off period can commence from an earlier date; the date you, an authorised person under the FSA, gave the client advice on the transfer and explained the implications of transferring from their existing scheme.

For the 30-day period to commence from this earlier date, we need a letter with the following wording, signed by the FSA regulated person who gave the advice and your client:

"I can confirm that on (DATE ADVICE WAS GIVEN), (CLIENT'S FULL NAME) was advised on the implications of transferring the following pension arrangements into The Liberty Pension Scheme.

(NAME OF SCHEME) – (POLICY REFERENCE)

The member is aware the 30-day right to cancel the transfer requests will commence from the date the advice referred to above was given.”

During the cancellation period, we will ask the transferring scheme for the relevant paperwork and forward to you anything which requires the client’s signature. We will not advise the transferring scheme to commence processing the transfer until the cancellation period has expired. Please do not send completed paperwork direct to the transferring scheme as the transfer could get “caught in the door” if the client then chose to cancel but the transferring scheme, unawares, went ahead and settled.

Cancellation for “Contract Amendments”

Your client is entitled to a 30-day cooling off period from the date when the contract is amended. An amendment is when your client elects to commence drawing benefits from the fund as an unsecured or alternatively secured pension. From the date we are informed of the client’s intention to amend the contract, we will send a cancellation notice direct to the client explaining these rights.

It is not possible to waive this right. However, unlike the right to cancel the contract or transfer requests, there is no necessity to delay processing the request. In order to exercise this right your client must return any funds paid from the scheme. Failure to do so will make the cancellation invalid, the amendment will stand and charges will be levied accordingly.

Anti-Money Laundering Requirements

For individuals

Prior to establishing your client’s Liberty Pension and opening a scheme bank account, we have to carry out due diligence to meet with FSA regulations. As you are also regulated by the FSA and would have carried out your own Customer Due Diligence (CDD), we can satisfy regulations if you send us a **Confirmation of Verification of Identity Private Individual Form** declaring that you currently hold CDD on the client and if needed, you could provide us with this information.

These forms must be fully completed with accurate client details (full name, current address and date of birth) as per the application and signed by an authorised person. Please ensure you also provide the full name of the regulated company and the FSA number. We cannot accept incomplete or inaccurate forms and this will delay the establishment of your client’s Liberty Pension.

For companies

We must also carry out Enhanced Due Diligence on all companies with whom the scheme does business. This includes any company making contributions on behalf of your client and any company with whom the scheme is placing investments.

For investment companies we have to check that the company is regulated by an FSA approved body, and for quoted companies we need to check they are listed on a recognised stock exchange. However, for any other company, we need details of their legal structure and ownership, as follows:

- Certified copy of the Certificate of Incorporation and any Certificates of a Change of Company Name
- Registered Address of Business and Trading Address if different
- Names of all the Directors and Authorised Signatories for the Company and appropriate identity documents (as above for individuals)
- Names of all the shareholders who hold more than 25% voting rights of the company

Alternatively, as a regulated company, you could send us a **Confirmation of Verification of Identity Corporate and other Non-Personal Entity Form** confirming you hold this information and can produce it on request. Again, this form must be fully complete with accurate information for us to be able to accept it. Until we have satisfied our AML requirements, we will not be able to do any business with the company.

Banking

Although accounts with other banks may be opened, Liberty prefers to use Royal Bank of Scotland for all scheme banking because of the good working relationship we have with the bank and the systems we have put in place. Furthermore, we would reserve the right to charge a higher administration fee should another bank be used.

Royal Bank of Scotland offers a range of accounts and will loan for property investments. We have negotiated an excellent flat interest rate on deposits of 0.25% below base. Full information on the Royal Bank of Scotland's products is available on request.

Funding in bank account

We normally ask that a minimum of £5,000 remains in your client's account as a contingency for our fees and yours.

Where your client is in drawdown and receiving regular payments, we will inform you on set-up how long the pension can be paid before further liquidity is needed. We will issue a reminder at least one month beforehand, following which we would expect a disinvestment to be arranged.

Where a disinvestment is required, please ensure enough time is allowed for the paperwork to be signed and for the disinvestment to take place, as if the account goes overdrawn or a payment request is returned due to insufficient funds, not only will bank charges be levied but Liberty will also charge £100 plus VAT.

Bank Statements

Bank statements will be sent direct from the bank to the member's home address every month, or every quarter if preferred. It is not the bank's practice to issue duplicate statements to financial advisers.

Once an account has been opened, we will provide your client with a username to view account transactions online. At the initial login stage, your client will be asked to set up a password which will be required for subsequent logins.

When you recommend your first client to us and on receipt of the Agent Registration Form, we will set up a username for your company to view your client's accounts. We will update your viewing access to incorporate all your clients whenever new members are established. When first logging on to view your client's account, you will be asked to set up a password. This can be reset by us if it is forgotten or if staff leave the company, but for security we will need the request in writing from a director/partner on company headed paper.

Payment Options on the Account

Liberty will hold a cheque book for your client's accounts. In accordance with the bank mandate, cheques will need to be signed by Liberty Trustees Limited and your client. We will complete the payee and amount details and send the cheque signed by Liberty Trustees Ltd for you arrange for the client to countersign.

Where payments are to be made electronically, so long as authority has not been withdrawn from the mandate, Liberty can process this as soon as we have your client's written instruction. This should speed up the process for making investments and paying any pension benefits.

Where regular payments are to be made from the account, a standing order form will need to be completed. Unless the member takes immediate benefits from the scheme, this will be arranged via a Drawdown Application and Quote.

Receiving funds into the bank account

Payments into the account can be electronic or by cheque. Prior to receiving funds, due diligence will need to have been carried out on the source. Cheques should be made payable to "The Liberty Pension re:..." followed by your client's name, and should be sent to Liberty with a full description to what the payment relates.

It takes 5 working days for a cheque to clear from the date it is deposited into the account. Interest will be payable on the amount 3 days after deposit.

Investments

Liberty adopts a liberal view to investments: if it is permitted by HMRC without incurring tax charges and does not conflict with the Trust Deed and Rules, it is an acceptable investment.



To assist us in providing a proactive approach to administration and to ensure that the member is aware of fees prior to establishing a scheme, we ask that as much information as possible on the investment strategy is provided on the Member Application Form.

Where an investment will involve an increase in the original fees, we will inform you of the additional fees. We believe our fees are fair and competitive and that your client should be made aware in advance of any fees due prior to work being undertaken, as opposed to the other way round.

Your client is appointed co-trustee to the scheme and therefore both Liberty Trustees Limited and your client must be registered joint owners on any investments. Liberty Trustees Limited should always be listed as the first applicant and any correspondence should be sent to our registered address: **Suite 3 Havana House, Cuba Industrial Estate, Stubbins, Bury, Lancashire, BL0 0NE.**

It is our standard practice to send the application back to you to forward to the investment company. Should you prefer Liberty to send the application, with a copy for your files, please advise us when sending in the form.

Applications for investments should be fully completed and signed by your client prior to being sent to Liberty for countersigning. We will not sign any applications where information about the investment is missing, and these will be returned to you to complete.

If the payment is to be made by cheque, we will send a cheque signed by Liberty Trustees back with the application form which the member will need to countersign before sending to the investment company.

Contributions

When your client wishes to make a contribution, be it a one-off contribution or a regular contribution, we require a completed Contributions Form prior to the contribution being paid. This allows Liberty to reclaim the correct amount of tax in a timely fashion and ensures any due diligence requirements are met.

If a contribution is paid into the scheme without sending a Contributions Form, a charge of £100 will be levied.

In-Specie Contributions

This is an area where there is a great deal of interest and potential for developing SIPP funds, though recent changes by HMRC have resulted in certain SIPP companies pulling out – an over-reaction as the new rules are slightly cumbersome but not prohibitive. We have endeavoured to develop procedures to ensure that the advice you provide to your clients is correct, and that all parties involved in the transfer understand what will happen at all stages. It is clear that HMRC have “beefed-up” their policing of this

area for a purpose, but we have created a set of steps which, if followed correctly, will ensure that we all adhere to what HMRC expect and most importantly, keep the client happy.

We will require adequate proof from you that you have met with the client and agreed that the transfer is a viable option. This can be done in a fairly straightforward letter – we can not proceed until we receive this!

For all in-specie contributions, we need our usual contribution form to be completed.

Underlying principles

In the eyes of HMRC, there is no such thing as an in-specie contribution! All contributions should be expressed as monetary amounts. However, the member or employer can confirm in writing how much they propose to pay, and at the same time inform the scheme administrator that it will be paid by transferring an asset, eg shares. This creates a debt which is legally enforceable by the administrator, which may seem rather “heavy” but what it does is necessitate a certain order of doing things.

The main problem, as shown below in the Shares procedure, is in precisely matching the asset value to the contribution amount.

There may be Stamp Duty payable for in-specie contributions, and potentially Capital Gains Tax. Please ensure that clients are aware of this possibility.

Procedure for in-specie contribution of property

Liberty should be advised of the level of contribution. If this amount is to be honoured by transferring a property to the scheme, we would require a current valuation of the property from a suitably qualified source. If property is being transferred into the scheme, please ensure that there is no borrowing outstanding on it.

As with all property transactions, we will appoint a solicitor who will act on behalf of the scheme.

Procedure for in-specie contributions of shares

A Stock Transfer Form will need to be completed, and we will require information for all parties at a very early stage.

HMRC are very strict on the issue of share valuation. Shares could increase or decrease in value during the in-specie transfer process. If there is an increase in value, this will have to be refunded to the appropriate party.

If the value is lower than the contribution amount, the contributor will need to sign to agree to top-up any shortfall.

Share Valuations

For share valuations where the price covers a range, for example, 10 - 15p, we will follow the process of "Quarter Up Valuations" as put forward by HMRC.

A direct quotation from the HMRC website follows:

"If you use a share valuing service, they will tell you what the end of day quotation was for each of the shares. The price may appear as a range such as 1091 – 1101. To work out the value of the shares, you need to work out the 'quarter-up' price. This is the lower price, plus one quarter of the difference between the two prices. So, in this example, the price would be 1091p plus one quarter of 10p or 2½p. The price for the shares would be 1093½p."

Therefore, when completing the valuation of the asset on the paperwork required, please ensure that you use this procedure when declaring the value of the asset.

Drawdown

Both Protected Rights and Non-Protected Rights can be used to pay an unsecured pension and an alternatively secured pension from age 75. There are calculators on our website which cater for partial, phased and full drawdown, and your client's calculated quote should be sent to us with a Drawdown Application. If preferred, your client's dedicated administrator can produce these calculations for you.

We will set up a standing order to run for 5 years, in line with the minimum review requirements. However, your client is not committed to receive this amount throughout this period and it can be amended by written instruction. There is no charge for electing to draw a pension from the scheme, although a charge will be levied for:

- any pension payment alterations during the 5-year period
- subsequent fund crystallisations for partial drawdown
- an ASP if benefits are already in payment.

We do not stipulate a minimum amount to be left in the account to cover pension payments, but on setting up the standing order for the pension, we will advise how long the pension can be paid before a disinvestment is needed. It will be you and your client's responsibility to ensure there are sufficient funds in the account at all times for pension payments and fee collections. Where payments are returned as a result of insufficient funds, a charge will be levied.