



Glossary

Barnett Waddingham Simplified Pension Drawdown Plan For NFU Mutual Clients

July 2023



NFU Mutual
INSURANCE | PENSIONS | INVESTMENTS

Note: Where we refer to 'us', 'our' or 'we', we mean BW SIPP LLP acting as the operator. This document is based on our interpretation of current legislation and *HM Revenue & Customs (HMRC)* practice, which may change in the future.

#

6 April 2006

The date that the pensions tax simplification regime came into force.

A

Anniversary date

Unless you or we notify otherwise, the annual anniversary of the first day of the month after your *Barnett Waddingham Simplified Pension Drawdown Plan* is established.

Annuity

An annuity contract purchased from an insurance company of your choice that provides you with an income for life in exchange for all or part of your *Barnett Waddingham Simplified Pension Drawdown Plan* funds and/or funds from other *registered pension schemes*. (See also *short-term annuity*.)

B

Barnett Waddingham Simplified Pension Drawdown Plan

Your *Barnett Waddingham Simplified Pension Drawdown Plan* is a self-invested personal pension product which is issued under the *scheme*.

Beneficiary/beneficiaries

As the member, you are the *beneficiary* of your *Barnett Waddingham Simplified Pension Drawdown Plan* until your death. After your death, the *beneficiaries* are the persons or entities who will receive benefits from your *Barnett Waddingham Simplified Pension Drawdown Plan* or other *registered pension schemes*. *Beneficiaries* can include your *dependants* and persons or entities other than your *dependants* (including *nominees* and other *beneficiaries*), whom you nominate to receive benefits from your *Barnett Waddingham Simplified Pension Drawdown Plan* on your prior death.

Business day

Any day other than a Saturday, a Sunday, or a day which is a public holiday in England.

C

Capital adequacy requirements

The *Financial Conduct Authority's (FCA)* requirements for the amount of realisable capital that a *SIPP operator* must hold. New requirements came into force with effect from 1 September 2016, which increased the required fixed minimum amount from £5,000 to £20,000.

Capped drawdown fund

An arrangement established before 6 April 2015 to pay income from a *self-invested personal pension scheme (SIPP)*, which is subject to annual limits specified by the *Government Actuary's Department (GAD)* (currently, 150% of the basic income derived from *GAD* tables for the relevant drawdown year) This is recalculated every three years up to age 75 and then annually, in line with *GAD* rates (although annual reviews can be requested before age 75). The *GAD* rate used for those aged 85 and over is the *GAD* rate for an 85 year old.

Career average revalued earnings scheme (CARE scheme)

A type of **defined benefit scheme** offered by employers. Benefits at retirement are based on average earnings over the employee's whole period of membership.

Client accounts

Common bank accounts in our name with **our chosen bank** which are used collectively for all **scheme members**. There are different **client accounts** for different types of payment, such as transfer payments in, making **flexi-access drawdown pension** payments to **members**, and making payments to **HMRC**.

Client money account

A common bank account in our name with **our chosen bank** which is used collectively for all **scheme members** and in which cash is held as client money, in accordance with **Financial Conduct Authority (FCA)** requirements.

Crystallisation/crystallised

The act or process of accessing funds in your **Barnett Waddingham Simplified Pension Drawdown Plan** to take **flexi-access drawdown pension** or a **pension commencement lump sum (PCLS)** on your retirement, on the transfer of all of your **Barnett Waddingham Simplified Pension Drawdown Plan** funds to a **qualifying recognised overseas pension scheme (QROPS)**, or on your death, at which point a test is made against the **lifetime allowance (LTA)**.

D

Data

'Personal Data' and 'Sensitive Personal Data' defined in the **Data Protection Act (DPA)** and 'Personal data' and 'Special categories of data' defined in **General Data Protection Regulations (GDPR)**.

Defined benefit scheme

An **occupational pension scheme** established by an employer for its employees that provides benefits based on a proportion of pensionable salary for each year of pensionable service. Pensionable salary can be salary at retirement (known as 'final salary'), or the employee's average earnings over the whole period of membership of the scheme (a '**CARE**' scheme), or some other formula.

Department for Work and Pensions (DWP)

The Government department responsible for welfare and pension policy.

Dependant

Under pension legislation, **dependant** essentially means the following:

- a. your spouse or registered civil partner;
- b. any child of yours who is under 23, or who in our opinion is dependent on you, because of physical or mental impairment; or
- c. any other individual who, in our opinion, was financially dependent on you, or who had a relationship of mutual dependence with you, or who was dependent on you because of physical or mental impairment.

Dependant's flexi-access drawdown fund

A **flexi-access drawdown fund** established on the death of a **member** to enable the payment of pension income to a **dependant** nominated by the **member** (or, where applicable, by the **operator**) before his/her death.

Disqualifying Pension Credits

The pension rights allocated to an ex-spouse on divorce are known as a pension credit, if they are paid from uncrystallised pension funds. Pension rights paid from crystallised funds, such as a flexi-access drawdown fund, are known as a disqualifying pension credit.

E

Enhanced protection

A means of protecting pension rights built up before **6 April 2006** from the **LTA charge** when benefits are taken on or after **6 April 2006**. It is no longer possible to register for **enhanced protection**. The Government have confirmed that making a contribution to your SIPP from 6 April 2023 will no longer invalidate **enhanced protection** (unless you obtained **enhanced protection** on or after 15 March 2023). We recommend you speak with a financial adviser before making any decision to pay a contribution if this protection applies to you.

Execution-only

A transaction executed by us as the **operator** upon the specific instructions of a **member** who does not have a financial adviser, where the **operator** does not give advice on investments relating to the merits of the transaction, is done so on an **execution-only** basis.

Expression of wishes

A notification by you to us as the **operator** of who you would like any remaining assets in your **Barnett Waddingham Simplified Pension Drawdown Plan** to be paid to, on your prior death.

F

Financial Conduct Authority (FCA)

The **Financial Conduct Authority** (formerly the Financial Services Authority or FSA), or any replacement regulatory authority or authorities, is an independent, non-governmental funded body given statutory powers by the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012), to regulate financial services business in the UK. The **operator** is authorised and regulated by the **FCA**, and its registration number is 458323.

The **FCA** contact details are:

-  Financial Conduct Authority
12 Endeavour Square
London
E20 1JNS
-  www.fca.org.uk
-  consumer.queries@fca.org.uk
-  0800 111 6768

Financial Ombudsman Service (FOS)

An independent, levy-funded body that considers complaints about advice between consumers and financial firms, which cannot be resolved by the firms in the first instance.

The **FOS** contact details are:

-  The Financial Ombudsman Service
Exchange Tower
London
E14 9SR
-  www.financial-ombudsman.org.uk/contact/index.html
-  complaint.info@financial-ombudsman.org.uk
-  0800 023 4567 or 0300 123 9123

Financial Services Compensation Scheme (FSCS)

The UK's statutory compensation scheme for customers of authorised financial services firms. The **FSCS** may pay compensation if an authorised firm is unable to meet its obligations.

The **FSCS** contact details are:

-  Financial Services Compensation Scheme
10th Floor, Beaufort House
15 St Botolph Street
London
EC3A 7QU
-  www.fscs.org.uk
-  enquiries@fscs.org.uk
-  0800 678 1100 or 020 7741 4100

Fixed protection

Individuals with **fixed protection** have a **LTA** underpinned at £1.8 million. It is no longer possible to register for **fixed protection**. The Government have confirmed that making a contribution to your SIPP from 6 April 2023 will no longer invalidate **fixed protection** (unless you obtained **fixed protection** on or after 15 March 2023). We recommend you speak with a financial adviser before making any decision to pay a contribution if this protection applies to you.

Fixed protection 2014

Individuals with **fixed protection 2014** have a **LTA** underpinned at £1.5 million. It is no longer possible to register for **fixed protection 2014**. The Government have confirmed that making a contribution to your SIPP from 6 April 2023 will no longer invalidate **fixed protection** (unless you obtained **fixed protection** on or after 15 March 2023). We recommend you speak with a financial adviser before making any decision to pay a contribution if this protection applies to you. Individuals with **primary protection**, **enhanced protection** or **fixed protection** are ineligible to apply for **fixed protection 2014**.

Fixed protection 2016

Individuals with **fixed protection 2016** have a **LTA** underpinned at £1.25 million. The Government have confirmed that making a contribution to your SIPP from 6 April 2023 will no longer invalidate **fixed protection** (unless you obtained **fixed protection** on or after 15 March 2023). We recommend you speak with a financial adviser before making any decision to pay a contribution if this protection applies to you. Individuals with **primary protection, enhanced protection, fixed protection**, or **fixed protection 2014** are ineligible to apply for **fixed protection 2016**.

To obtain further information about restrictions or to register online for **fixed protection 2016**, please visit www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance#fixed-protection-2016.

Flexi-access drawdown fund

An arrangement under your **Barnett Waddingham Simplified Pension Drawdown Plan** enabling the payment of pension income directly from your **Barnett Waddingham Simplified Pension Drawdown Plan** which contains funds:

- designated for **flexi-access drawdown pension** for the first time on or after 6 April 2015;
- transferred from a **capped drawdown fund** which is converted to a **flexi-access drawdown fund** on transfer;
- transferred from a **flexible drawdown fund**; and/or
- transferred from a **flexi-access drawdown fund** established under another **registered pension scheme**.

Flexi-access drawdown pension

Pension income paid from a **flexi-access drawdown fund**.

Flexible drawdown fund

An arrangement established before 6 April 2015 to pay income from a **SIPP** that had no limits on how much income could be taken, but which was only available if certain conditions were met. If a valid declaration was accepted before 6 April 2015 that these conditions were met, the **flexible drawdown fund** converted automatically to a **flexi-access drawdown fund** on 6 April 2015.

G

General Data Protection Regulation

The **General Data Protection Regulation (GDPR)** was implemented in the UK from 25 May 2018 via the Data Protection Act 2018, which replaced the Data Protection Act 1998. The GDPR is a regulation in European Union (EU) law on data protection and privacy for all individuals within the EU and the European Economic Area (EEA). It also addresses the export of personal data outside the EU and EEA areas.

Government Actuary's Department (GAD)

The Government department that provides actuarial services and analysis to the Government and public sector, and produces tables for calculating the maximum income limit applicable to a **capped drawdown fund**.

Guaranteed annuity rate (GAR)

A feature usually associated with old style retirement annuity plans. A **GAR** was written into the plan terms from the outset and guaranteed to provide a minimum annuity rate, but only on or after a set retirement date.

H HM Revenue & Customs (HMRC)

The Government department that deals with the taxation of pension contributions and benefits.

I Ill-health

To qualify for an **ill-health** pension, we must have received evidence from a registered medical practitioner confirming that you are, and will continue to be, incapable of continuing your current occupation, and that you have ceased to carry out that occupation.

In specie

The transfer of the legal ownership of an asset other than cash (for example, property or shares) without sell or buy transactions.

Individual protection 2014

Individuals could apply for **individual protection 2014** if their total pension savings on 5 April 2014 were more than £1.25 million, provided that they did not have existing **primary protection**. Their **LTA** will be equal to the value of their total pension savings on 5 April 2014, subject to a maximum of £1.5 million.

It is no longer possible to register for **individual protection 2014**.

Individual protection 2016

Individuals can apply for **individual protection 2016** if their total pension savings on 5 April 2016 were more than £1 million, provided that they do not have existing **primary protection** or **individual protection 2014**. Their **LTA** will be equal to the value of their total pension savings on 5 April 2016, subject to a maximum of £1.25 million.

It is still possible to register online for individual protection 2016 at www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance#individual-protection-2016

L Legislation and regulation

The rules and regulations of the **FCA**, and any statutes, statutory instruments and other legislation that apply to us and to the **scheme**. Where **legislation and regulation** are amended, references to **legislation and regulation** are to be construed as incorporating those amendments.

Lifetime allowance (LTA)

The maximum amount of pension savings that you can build up, which benefits from tax relief.

The **Lifetime Allowance** is £1,073,100 for the 2023/24 tax year.

The Government have confirmed their intention to abolish the **lifetime allowance** entirely from 6 April 2024.

Lifetime allowance charge (LTA charge)

The Government have confirmed that there will be no **lifetime allowance** excess tax charge applied for benefits taken above the **lifetime allowance** in the 2023/24 tax year. For funds in excess of the **lifetime allowance** taken as either income or a lump sum, the excess will be taxed as income at the recipient's marginal rate.

M Member

Any person who has completed an application for membership of the **scheme**, and has been admitted as a **member** of it by the **operator**.

MoneyHelper

MoneyHelper is the new consumer brand from the **Money and Pensions Service**, bringing together the services previously provided by The Pensions Advisory Service and the Money Advice Service. They also provide the **Pension Wise** service.

MoneyHelper offers a single place for people to go to be clear on their money and pension choices.

 moneyhelper.org.uk

Money and Pensions Service

The **Money and Pensions Service (MAPS)** is a body sponsored by the Department for Work and Pensions to ensure people have access to information and guidance to make effective financial decisions.

MAPS provides the **MoneyHelper** and **Pension Wise** services.

The **Money and Pensions Service** contact details are;

 Money and Pensions Service
Holborn Centre
120 Holborn
London
EC1N 2TD

 moneyandpensionsservice.org.uk

 contact@maps.org.uk

 01159 659570

Money purchase annual allowance (money purchase AA)

Any person who flexibly accesses their money purchase pension benefits for the first time on or after 6 April 2015 will have a **money purchase annual allowance** of £10,000 (gross) for the tax year 2023/24 onwards, until the Government notifies otherwise, for all contributions paid into **money purchase pension schemes**. Tax relief can only be obtained on further contributions to a **money purchase pension scheme** of up to £10,000 (gross) for any tax year.

Money purchase pension scheme

Under a **money purchase pension scheme**, an individual pays money into a retirement fund which is invested, for example, in the stock market. The value of the resulting pension is not guaranteed, as it is directly linked to the performance of the underlying investments.

A **money purchase pension scheme** can be one of several types of pension scheme including a **SIPP**, a **personal pension scheme**, an **occupational pension scheme** and a **small self-administered scheme (SSAS)**. It is also known as a 'defined contribution scheme'.

N NFU Mutual

The National Farmers Union Mutual Insurance Society Limited (Company Number 111982), a mutual company providing insurance, pension and investment products, and registered in England.

NFU Mutual's registered office is:

 Tiddington Road
Stratford Upon Avon
Warwickshire
CV37 7BJ

 www.nfumutual.co.uk

NFU Mutual financial adviser

Financial advice is provided by **NFU Mutual Select Investments Limited**. NFU Mutual financial advisers advise on NFU Mutual products and selected products from specialist providers.

NFU Mutual Select Investments Limited

NFU Mutual Select Investments Limited (Company Number 8049488) is a member of the NFU Mutual group of companies and is registered in England.

NFU Mutual Select Investments Limited's registered office is:

 Tiddington Road
Stratford upon Avon
Warwickshire
CV37 7BJ.

NFU Mutual Trustee Investment Plan (TIP)

The Trustee Investment Plan issued by **NFU Mutual** upon its standard policy terms and conditions, as at the date when your investment in the Trustee Investment Plan is made. Full details about the funds can be found in the Fund Guide included with the Key Features document for the NFU Mutual Trustee Investment Plan.

Nominee

A person who is not a **dependant**, and who is nominated by a **member** (or, where applicable, the **operator**), to receive benefits from the **member's Barnett Waddingham Simplified Pension Drawdown Plan** on the **member's** death. The **operator** can only consider a **member's nominees** or **dependants** to receive pension income, and can only nominate a **nominee** in the absence of any known **dependants** of the **member**, or **nominees** and charities that were nominated by the **member**.

Nominee's flexi-access drawdown fund

A **flexi-access drawdown fund** established on the death of a **member** to enable the payment of pension to a **nominee** nominated by the **member** before his/her death (or, where applicable, by the **operator**).

O Occupational pension scheme

A pension scheme established by an employer to provide **retirement benefits** for its employees.

Operator

BW SIPP LLP (company number OC322417). The **operator** is the administrator of the **scheme**, and is responsible for carrying out all the duties and functions required by the **FCA, HMRC**, and **legislation and regulation** relating to the day-to-day running of the **scheme**.

Our chosen bank

Bank of Scotland or such other bank or banks that we may select from time to time.

P Pension commencement lump sum (PCLS)

A lump sum benefit of up to 25% of the value of funds crystallised in your **Barnett Waddingham Simplified Pension Drawdown Plan**, which is currently tax-free, and often referred to as 'tax-free cash'. A PCLS is only available when entitlement to a **flexi-access drawdown pension** arises.

The amount of the **PCLS** is tested against your **LTA**. The percentage that you can take may be lower than 25% if there is insufficient **LTA**, and may be different to 25% if you are entitled to a protected lump sum amount.

Pension sharing

The provision of a percentage share of a pension scheme member's pension benefits to an ex-spouse or civil partner on divorce, or dissolution of a civil partnership.

Pension Wise

Pension Wise is a free and impartial service from **MoneyHelper**, a government backed organisation. They offer guidance face-to-face, over the phone, and online. You can access the service and book an appointment at moneyhelper.org.uk/pensionwise or by calling 0800 280 8880.

Pensions Ombudsman

An independent individual who determines complaints by pension scheme members and **beneficiaries** against scheme trustees, managers, administrators and employers about the way a pension scheme is run.

The **Pensions Ombudsman's** contact details are:

 The Office of the Pensions Ombudsman
10 South Colonnade
Canary Wharf
London E14 4PU

 www.pensions-ombudsman.org.uk

 enquiries@pensions-ombudsman.org.uk

 020 7630 2200

Personal pension scheme

A **personal pension scheme** which provides an individual plan or policy for the participant and to which the individual and/or his employer can contribute. Benefits are based on the amount contributed and investment return achieved.

Primary protection

A means of protecting pension rights built up before **6 April 2006** from the **LTA charge** when benefits are taken after **6 April 2006** for people who notified **HMRC** by 5 April 2009. Individuals with **primary protection** can continue to contribute to **registered pension schemes** on and after **6 April 2006** and have a personal **LTA**, which is greater than the standard **LTA**.

Q

Qualifying recognised overseas pension scheme (QROPS)

An overseas pension scheme that satisfies certain **HMRC** requirements so that it can accept transfers from UK **registered pension schemes**.

R

Recognised overseas pension scheme (ROPS)

An overseas pension scheme established in a country or territory mentioned in regulation 3(2) of the Pension Schemes (Categories of Country and Requirements for Recognised Overseas Schemes) Regulations 2006, or which satisfies other prescribed requirements.

Registered pension scheme

A pension scheme that has been registered with **HMRC** under Chapter 2 of Part 4 of the Finance Act 2004 in order to qualify for certain **tax reliefs**.

Retirement benefits

The benefits that can be taken from your **Barnett Waddingham Simplified Pension Drawdown Plan** or other **registered pension schemes**.

S

Scheme

The Barnett Waddingham Self Invested Personal Pension is a **registered pension scheme** and is established and governed by a **trust deed and rules**.

Self invested personal pension scheme (SIPP)

A **personal pension scheme** which allows the individual to have more control over the manner in which the assets are invested. **SIPPs** permit a wide range of investments and offer flexible retirement options.

Serious ill-health

If evidence is received from a registered medical practitioner confirming that you are expected to live for less than a year, and you have not exceeded the **LTA**, you can exchange your pension scheme funds for a **serious ill-health** lump sum. This is not usually available from funds used for **drawdown pension**.

Small self-administered scheme (SSAS)

A particular type of trust-based **occupational pension scheme** that is often used by business owners as a means of saving for retirement whilst retaining control over the use and investment of pension scheme monies. Generally, all **SSAS** members are trustees.

Statutory flexi-access drawdown pension illustration

Annual illustration issued to *personal pension scheme* members who are taking *flexi-access drawdown pension* giving forecasts of the effects of drawing certain levels of pension over various periods, allowing for certain levels of growth of the member's fund in those periods. It also provides a forecast of the level of *annuity* that might be bought.

Successor

A person nominated by a *beneficiary* (or, where applicable, the *operator*) to receive benefits from the *beneficiary's Barnett Waddingham Simplified Pension Drawdown Plan* on the *beneficiary's* death. The *operator* can only consider a *beneficiary's successors* to receive pension income, and can only nominate a *successor* in the absence of any *successors* or charities that were nominated by the *beneficiary*.

Successor's flexi-access drawdown fund

A *flexi-access drawdown fund* established on the death of a *beneficiary* who dies leaving unused funds in a *dependant's flexi-access drawdown fund* or a *nominee's flexi-access drawdown fund* to enable the payment of pension income to a successor nominated by the *beneficiary* before his/her death (or, where applicable, by the *operator*).

T

The Pensions Regulator (TPR)

The UK regulator of work-based pension schemes. *TPR's* principal aim is to prevent problems developing, and its statutory objectives include promoting and improving the understanding of the good administration of work-based pensions to protect member benefits.

TPR's contact details are:

 The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

 www.tpr.gov.uk

Transfer in

A cash transfer of the value of pension benefits from another *registered pension scheme* or a *ROPS* to your *Barnett Waddingham Simplified Pension Drawdown Plan*.

Transfer out

A cash transfer of the whole of your *Barnett Waddingham Simplified Pension Drawdown Plan* funds to another *registered pension scheme* or to a *QROPS*.

Trust deed and rules

The legal document which establishes the *scheme* and sets out how it is governed.

Trustee

BW SIPP Trustees Limited (company number 03011174), is a non-trading company set up to act as a bare trustee of the **scheme** and referred to in the **trust deed and rules** as the 'asset trustee'. Its sole purpose is to hold the **scheme** assets for the benefit of the **scheme members**. The **trustee** is not responsible for the day-to-day running of the **scheme** and as such is not regulated under the Financial Services and Markets Act 2000.

U

Unauthorised payment

A payment that is not authorised by **HMRC** made to or in respect of a **member** or to or in respect of an employer by a pension scheme. **Unauthorised payments** are subject to tax charges and are not permitted by the **scheme**.

If you would like to discuss anything related to the Barnett Waddingham Self Invested Personal Pension for NFU Mutual Clients please contact us:

 0344 443 0111

 nfum@bwsipp.co.uk

www.bwsipp.co.uk

July 2023

Barnett Waddingham LLP is a body corporate with members to whom we refer as "partners". A list of members can be inspected at the registered office. Barnett Waddingham LLP (OC307678), BW SIPP LLP (OC322417), and Barnett Waddingham Actuaries and Consultants Limited (06498431) are registered in England and Wales with their registered office at 2 London Wall Place, London, EC2Y 5AU.

Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority. BW SIPP LLP is authorised and regulated by the Financial Conduct Authority.

