

Share of Fund

SUPPORTING DOCUMENT

What is a share of fund?

SSASs generally operate on a pooled fund basis, which means all investments held within a SSAS are pooled together to form a combined total scheme value. A share of fund (SOF) is a calculation that establishes the value of each members' individual share of the total fund value.

When is a share of fund needed?

We recommend that a SOF is carried out at least every 3 years, to allow each SSAS member to accurately plan for their retirement, ensure there are sufficient funds to meet any pension income requirements and to keep records accurate and up to date as Trustees are required to do.

There are also certain events that require an updated SOF to be calculated before certain transactions can be approved and authorised, such as the following:

- Taking tax free cash
- Taking UFPLS (Uncrystallised Fund Pension Lump Sums)
- Annual or compulsory reviews (If members are in capped drawdown)
- Transfers out of the scheme (if more than 1 member)
- Allocation of death benefits

This list is not exhaustive and there may be other events where a SOF would be required, especially if there have been high value transactions in and out of the scheme that could significantly impact each members SOF, or if a SOF has not been completed for a long time.

How is a share of fund calculated?

Share of fund calculations, take into account, the total scheme fund value, all payments in and out of the scheme and the overall investment performance of the fund during the relevant calculation period. This is why it's important to ensure the scheme administrator is regularly provided with all relevant information to enable SOFs to be calculated promptly when required.

The total pooled fund is calculated using up to date valuation statements, bank statements, or property valuations, to establish the total current fund value. We then consider any payments in (contributions/transfers) and payments out (income/tax free cash/transfers) that would affect each individual member's fund share and alter their uncrystallised or crystallised fund allocation.

We then look at any overall investment performance since the last SOF was completed to finalise the calculation of each member' SOF on a proportionate basis between the two valuation points.

Payments in and out

These are transactions into and out of the designated SSAS scheme bank account that can alter each member's share of fund, or the split of their fund between crystallised and uncrystallised fund allocations (see explanation below).

'Payments in' refers to money received in relation to individual SSAS members, such as:

- Contributions - these will be uncrystallised.
- Transfers in - could be uncrystallised or crystallised.
- Pension sharing orders
- Allocated death benefits

Payments out refers to money paid out of the scheme in relation to individual SSAS members, such as:

- Tax free cash
- Pension drawdown
- Transfers out
- Pension sharing orders
- Death benefits in payment

What are uncrystallised funds?

Uncrystallised pension funds are individual member funds that have not yet been accessed for the purpose of taking retirement benefits. Uncrystallised funds can be accumulated by making contributions (by the sponsoring employer and/or the employee - the SSAS member) or by transferring in pension funds from other pension arrangements. The performance of the funds invested within the SSAS will also affect the value of any uncrystallised funds.

SSAS members can currently access their uncrystallised funds from the age of 55 (57 if a member was born after 5th April 1973).

We would always recommend seeking financial advice before accessing your funds.

What are crystallised funds?

When a member chooses to take any retirement benefits (tax free cash and/or pension), this is known as a BCE (Benefit Crystallisation Event). Members can choose how much

of their uncrystallised funds they would like to crystallise (convert from uncrystallised to crystallised). Members can choose to either crystallise a proportion of their uncrystallised funds or all their fund depending on what level of tax-free cash or pension income they require.

Generally, members will be entitled to 25% of their uncrystallised funds as a tax-free cash sum with the remaining crystallised funds converted to drawdown, from which pension payments can be made which are taxed as income at the members marginal tax rate.

When members crystallise funds, there are several options available to them, all of which may have different tax implications. We therefore, strongly recommend seeking financial advice prior to crystallising any funds.

Valuations

When a SOF is completed, we value all assets within the SSAS at the same point in time for accuracy. There is however some flexibility that can be applied for assets such as properties or unlisted shares for example, depending on the purpose of the SOF. We will always confirm whether a more accurate and up to date valuation is required for any assets held.

SOFs relating to Benefit Crystallisation Events (BCE) always require a higher level of accuracy, because funds will usually be paid out of the scheme as retirement benefits. Therefore, an incorrect valuation could significantly impact each members SOF and the amount of any funds than can be crystallised.

Some assets may be easier to obtain valuations for than others. Valuations often need to be supplied by 3rd parties, so this can sometime delay a SOF calculation.

Bank accounts also need to be fully updated and reconciled which requires access to all bank statements covering the relevant calculation period. If bank statements are not available and if there is no access to view transactions online, this can delay the reconciliation process required for a SOF to be completed. Similarly, if there is a high volume of transactions to reconcile, this can also delay the calculation process.

The complexity of the scheme may also be a factor. If there are a number of active members, external payroll, or earmarking (see below), calculations tend to be more complex and time consuming.

What is an earmarked SOF?

Some schemes may have formal documentation in place stipulating that certain assets should be earmarked for individual members or split between members using a pre agreed allocation percentage. When we complete SOF calculations, we have to adhere to any formal agreements in place, and any transactions related to an earmarked asset are taken into account and excluded from any pooled funds.

There may be a mixture of earmarked and pooled assets, or all funds could be 100% earmarked. SOFs with partially earmarked assets can be more complex and time consuming to complete.

How are scheme expenses deducted?

Fees are deducted on a proportionate basis unless linked to an earmarked asset. They are paid from the scheme bank account and each member's share of fund is proportionally adjusted.

If any expenses are linked to an earmarked asset, then the expenses will only be deducted from a members SOF if they own a percentage of the asset, on a proportional basis.

Share of fund costs

SOFs are charged based on the fee schedule. However, please note that the charges quoted are based on our standard calculation process. If the calculation process is highly complex or requires significant additional administration time to collate all relevant data from member trustees, advisers or 3rd parties, we reserve the right to charge for this process on a time cost basis. We will always endeavour to provide an indication of likely additional costs for any time cost work, but where this is not possible, the charges applicable will be communicated as quickly as practically possible.



Timescales

It is difficult to provide a timescale on the completion of a SOF as each one is different, and the process is sometimes reliant on 3rd parties or the provision of information from member trustees or their appointed representatives.

However, once we have received all relevant information, we endeavour to complete all SOFs with 5 working days, although this cannot be guaranteed for all cases.



Why has my share of fund decreased?

The main reason a members SOF may have decreased is due to payments out and investment performance. If the pension or tax-free cash taken by a member is higher than the level of proportional investment growth achieved from the scheme funds, then a members SOF will reduce.

The amount and timing of any payments in and out of the scheme, as well as overall fund performance, all impact the fund performance and each members SOF.

Examples

Example One - Decrease in fund value due to regular income.

Member B is concerned that their share has dropped despite overall scheme growth.

	Value as at 01.01.23 (£)	Proportionate share (%)
Member A	10,000	8.33
Member B	60,000	50.00
Member C	50,000	41.67
Total	120,000	100.00

Assume no growth for the purpose of this illustration and member B has taken £20,000 income, whilst the other members have taken no income.

	Value as at 01.01.23 (£)	Proportionate share (%)
Member A	10,000	10.00
Member B	40,000	40.00
Member C	50,000	50.00
Total	100,000	100.00

You can see that Member B's share of the scheme drops and the other members A and C increase. This is because Member B is the only member with any payments out.

Now assume there has been significant overall fund growth for the purpose of this illustration and Member B has still taken the same £20,000 income, whilst the other members have taken no income.

	Value as at 01.01.23 (£)	Proportionate share (%)
Member A	20,000	10.00
Member B	80,000	40.00
Member C	100,000	50.00
Total	200,000	100.00

You can see the fund shares remain the same despite the growth in the fund values.

Example Two - why has my tax-free cash value fluctuated.

Member A has a mixture of cash and investments in a pooled fund. They recently contributed £10,000 and a few weeks later decided they would like to take their tax-free cash of 25%. However, the tax-free cash entitlement is now lower than they expected.

Member A contributed £10,000 on 01.01.23 and their uncrystallised and crystallised pots were split as below.

	Value as at 01.01.23 (£)	Proportionate share (%)	Tax free cash entitlement
Uncrystallised	10,000	14.29	2,500
Crystallised	60,000	85.71	N/A
Total	70,000	100.00	N/A

Assume that due to investment performance there has been a decrease in the overall fund value to £65,000 from £70,000. The member shares remain the same as there have been no payments in or out that would alter this. However, you can see the tax free cash entitlement drops in value.

Examples

	Value as at 01.01.23 (£)	Proportionate share (%)	Tax free cash entitlement
Uncrystallised	9,288.50	14.29	2,322.12
Crystallised	55,711.50	85.71	N/A
Total	65,000	100	N/A

Now let's take another look and assume there was growth due to investment performance and the total fund value jumped to £80,000. The tax-free cash entitlement in this example increases.

	Value as at 01.01.23 (£)	Proportionate share (%)	Tax free cash entitlement
Uncrystallised	11,342	14.29	2,850
Crystallised	68,658	85.71	N/A
Total	80,000	100	N/A

As this is a pooled fund the crystallised and uncrystallised funds will increase or decrease in value based on each proportionate share. Neither pot is earmarked to retain a specific value so it will always fluctuate.

Share of Fund Assistance

If you have any queries regarding the share of fund calculation process or any calculations received, please email premierssas@globalpensioncorporation.com.



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