

Commercial Property Multiple Member SIPP

AT A GLANCE

How two or more people can pool their pension assets to buy commercial property

Important information: This document is for use by financial advisers only. It is not intended for onward transmission to a private customer and should not be relied upon by any other person. The information contained in this document is correct as at 1 October 2014 in accordance with Sanlam Investments and Pensions' guidelines regarding commercial property as an asset of a multi-member SIPP. We reserve the right to review our procedures and charges in light of any statutory, legislative or other changes that may arise from time to time.

Sanlam Investments and Pensions can purchase a property and hold it on behalf of two or more members who all choose to invest in the same single asset. This is known as a Multiple Member SIPP. There are two investment options available under Multiple Member SIPP (MMS):

- MMS (Connected), whereby each of the members is connected in accordance with the criteria below.
- MMS (Unconnected), where the members do not meet the criteria for a MMS (Connected).

Sanlam Investments and Pensions will make the decision, based on the proposed membership, as to which option applies.

Why use Sanlam Investments and Pensions?

- When combined with other facilities on offer, MMS could make a previously unfeasible proposition viable.
- Enables groups of individuals to pool their respective pension pots to provide a higher fund value so they are able to purchase a commercial property.

MMS (Connected) criteria

Sanlam Investments and Pensions will accept the following connection between members:

- member's spouse or civil partner;
- a member's parents;
- a member's grandparents (subject to Sanlam Investments and Pensions' approval);
- co-director or co-business partner of member; or
- individuals where there is a close business association.*

* Must satisfy most of the following criteria: sharing premises; sharing staff; business dependency upon the other party; sharing business process; common services; common reception; businesses must complement each other; and/or shared client base.

Requirements

- Sanlam Investments and Pensions require a Multiple Member Risk Deed and Property Agreement (the 'Risk Deed') to be signed by all members. This includes details of Sanlam Investments and Pensions' requirements regarding the management of the property, the factors which may prompt a sale of the property, the circumstances which may affect the investment return, how payment of benefits may be affected, and the way in which decisions are to be made, to which all the members must agree. The members must also agree to establish an investment strategy, to set up a voting procedure to reach decisions on the property investment, and to keep Sanlam Investments and Pensions informed of all material events that may affect the property and/or the fund.
- Each member has one vote. Decisions must be made within six months and determined by a majority vote. If a decision is not made by the given expiry date, each member's vote will be weighted in accordance with their proportionate notional share of the property as determined by their unit holding in the fund at the time of the vote. If a majority decision still cannot be reached, Sanlam Investments and Pensions will appoint an independent arbitrator to recommend the appropriate action. The cost will be met from the SIPP fund.
- One member must be appointed as the co-ordinator for the other Investors and give instructions on their behalf. Instructions from the co-ordinator should be given in writing.
- The members must have a written strategy between themselves to govern certain aspects. Sanlam Investments and Pensions does not need to see the strategy agreement between the members. The agreement should include:
 - Confirmation on how all aspects of the property purchase and ongoing management will be handled;
 - Arrangements for the property investment to be regularly reviewed;
 - How future contributions/transfers are treated;
 - Strategy for the timing and payment of benefits; and
 - Timing and terms of the sale of the property.
- The member with the smallest unit holding will be required to acknowledge their minority status and the risks of being a minority member.

Other considerations

- It is the members' responsibility to ensure that sufficient funds are available to cover ongoing expenses.
- Membership will be held under a single MMS unless we are instructed otherwise. The members' MMS accounts are allocated units in the fund in accordance with the MMS amount each member has invested. All assets and liabilities will be apportioned within the fund in accordance with the unit holding unless the property is held as a trustee asset or the members have their own self-invested fund. The following factors may affect whether the members each have individual funds rather than one combined self-invested fund:
 - Sanlam Investments and Pensions must be advised if the members require a specific notional share of the property.
 - Sanlam Investments and Pensions must be advised if the members require different levels of lending to apply to their investment.
- A property can be held in shared ownership and our shared ownership criteria would also apply in this instance. Please refer to *Commercial Property Shared Ownership SIPP Key features*.
- An MMS will be set up purely for investment in commercial property. Should the members wish to invest in other allowable assets these will be held separately.

MMS (Unconnected) criteria

The MMS (Unconnected) has been designed to enable individuals who do not meet the requirements for an MMS (Connected) to collectively invest in commercial property subject to meeting certain requirements:

- Membership is limited to a maximum of six members.
- Members should be known to one another and be comfortable with the prospect of entering into a long-term investment where they are dependent on other members to make the arrangement viable.

Requirements

- All members will be required to sign a Multiple Member Risk Deed and Property Agreement (the 'Risk Deed') and members must seek legal advice before signing, such advice to be at the member's own cost. The person who provides such legal advice must also sign the Risk Deed. The Agreement includes details of Sanlam Investments and Pensions' requirements regarding the management of the property, the factors which may prompt a sale of the property, the circumstances which may affect the investment return, how payment of benefits may be affected, and the way in which decisions are made, to which all the members must agree. The members must also agree to establish an investment strategy, set up a voting procedure to reach decisions on the property investment, and keep Sanlam Investments and Pensions informed of all material events that may affect the property and/or the fund.
- The requirements relating to MMS (Connected) also apply.

Other considerations

- A managing agent must be appointed in all cases. This cost will be met from the fund.
- The 'Other Considerations' relating to an MMS (Connected) will also apply with the exception of shared ownership.
- Shared ownership is not permitted for MMS (Unconnected) due to the lack of connection between the members.
- Due to there being less connection, care must be taken to ensure compliance with Treating Customers Fairly (TCF) and potential conflicts of interest between members. Financial advisers are required to comply with regulatory requirements for managing conflicts of interest.

Details of minima and charges

Minima

MMS (Connected): Minimum membership is two people; maximum membership would not be expected to exceed 10.

MMS (Unconnected): Minimum membership is two people; maximum membership is six.

Property charges (both options)

Please refer to the *Guide to Charges* for full details of applicable charges.

Time cost charges may apply for any additional time-consuming work.

Exiting a Multiple Member SIPP

- A property valuation fee may need to be paid by a member who elects to leave the MMS, or where a member is a party to a divorce or dissolution of a civil partnership and benefits are required to be provided under a pension sharing order.
- Should a member leave the MMS due to a transfer out, retirement, death, divorce or dissolution where benefits are to be provided for the spouse/civil partner under a pension sharing order, the following requirements must be met:
 - There must be sufficient cash in the fund to pay benefits. The members will be given six weeks to raise the required funding. If after six weeks there is insufficient cash to pay benefits the property may have to be sold.
 - Members must accept that payment of benefits could be delayed if insufficient cash is available to meet the payment required.
 - Further cash may be generated by further borrowing, additional contributions from other member(s) or further members joining.
 - Any borrowing must be retested against the 50% authorised borrowing limit and reduced if necessary.

- Members may elect to take a drawdown pension while retaining the property as an asset of the fund if cash levels permit. Any Pension Commencement Lump Sum (PCLS) may be restricted if insufficient cash is in the fund. Any members wishing to take a drawdown pension must have their assets transferred to another self-invested fund or our normal range of insured funds.
- In the event of a death claim, part or all of the property may be transferred in-specie to the beneficiary in settlement, subject to our shared ownership criteria.



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