



Isle of Man Pension Location

"Why more Individuals and International Companies should consider the advantages of what the Isle of Man has to offer when planning their pension provision and administration"

There is an overriding requirement for the public to address their retirement planning needs. The population is living longer, retiring earlier, and the State is no longer willing or able to provide adequately for pensioners' needs. Increasing globalisation has meant that large multinational companies now span the world, and ever increasing numbers of professionals find themselves working away from their home country.

At stake are the retirement funds of many of the highest paid itinerant professionals who often are required to change their country of residence every few years in order to complete another assignment in another country. These people are often highly remunerated and enjoy the job benefits that come with senior management positions such as corporate pension fund contributions. It is clearly a highly complex process administering diverse pension schemes in different jurisdictions involving heavy compliance and reporting responsibilities for the companies concerned.

The Isle of Man recently introduced the Retirement Benefits Schemes Act 2000 and the Retirement Benefit International Regulations, which came into force in January 2002. The Act aims at providing tax neutral (that is to say that the Isle of Man authorities receive no tax revenue from these schemes) international pensions in a regulated environment for individuals or corporations who are resident in any jurisdiction outside the Isle of Man.

As such, an opportunity has arisen to provide offshore pensions for selected individuals from the UK and elsewhere who are employed by multinational companies around the world.

Simcocks Pensions has been set up by Simcocks Advocates, a pre-eminent law firm based on the Isle of Man with origins dating back to the 19th century. Simcocks Pensions has launched two innovative pension scheme products:

The International Corporate Pension (ICP)

The Domestic Corporate Pension (DCP)

International Corporate Pensions (ICPs) are designed to ensure that members' benefits are adequately secured and properly administered by appropriately skilled and qualified individuals, with an additional emphasis on scheme flexibility to enable an employer to tailor schemes to suit diverse market situations in a tax neutral environment.

The International Scheme Regulations achieve this by keeping restrictions on contributions, investments and benefits to an absolute minimum.

The key characteristics of the ICP:

- There is no mandatory requirement for the pension managers to purchase an annuity
- The fund becomes part of deceased estate
- There is no upper limit to the size of the fund
- There is considerable flexibility as to eligible assets/investments (in accordance with the Statement of Investment Principles)
- The entire fund will benefit from the gross roll up of assets
- It is well regulated, being the only offshore centre to have a dedicated pension regulator
- It is situated in a stable country with over 1000 years of continuous democratic government, and has been awarded a "AAA" rating by both Standard and Poors and Moody's.
- It is simple in operation
- The executive can decide where he is to retire without prejudicing his final retirement location, by his choice of pension
- It is completely free from Isle of Man tax
- The executive does not suffer additional tax charges beyond whatever is the norm in his choice of retirement country
- Retirement age is not prescribed

These advantages make the scheme attractive for senior directors, and for the Companies seeking to secure the services of such executives over long periods. But there are other direct advantages to the Companies taking out such schemes:

- There are administrative cost savings in holding offshore pensions from many jurisdictions in one place, and for long periods by one well regarded and independent provider and administrator
- There is no need for pension plans to follow the executive as he pursues his career in differing overseas localities for the same employer
- Following the demise of ENRON in the US and the earlier Maxwell saga in the UK-there is greater argument for third party oversight and stable long-term independent management
- The IOM Government is prepared to assist companies in setting up their International Pensions if liaison between Countries' Treasuries is required.

In addition to International Pension Schemes UK residents who have decided to emigrate, are permitted to transfer their pensions to Isle of Man pension schemes and avoid many of the constraints imposed by the UK legislation (as proposed). This is referred to as a Domestic Corporate Pension ("DCP").

UK residents will shortly have to contend with a proposed radical upheaval of existing UK pension legislation which will have a material effect upon their existing arrangements.

The new proposed legislation will cap the tax-free element of pensions to £1.4 million during the life of the pension. Many individuals have already provided more for their retirement than this new lifetime limit, indeed it has been estimated that the top executive directors of the FTSE 100 hold pensions that could be worth as much as £2 billion.

UK Nationals, who have decided to leave the UK for whatever reason, would be well advised to consider the Isle of Man as a destination for residence enabling them to escape such limiting constraints on their retirement provisions.

The key characteristics of the DCP:

- There is no mandatory requirement for the pension managers to purchase an annuity
- The fund becomes part of deceased estate
- There is no upper limit to the size of the pension
- UK pension fund(s) in its (their) entirety may be transferred to the Isle of Man
- There is considerable flexibility as to eligible assets/investments (in accordance with the Statement of Investment Principles)
- The entire fund will benefit from the gross roll up of assets
- Benefits may be taken at any age between 50 and 75
- A double taxation agreement exists between UK and the Isle of Man thereby permitting retirement to be taken in the UK
- It is well regulated, being the only offshore centre to have a dedicated pensions regulator
- It is situated in a stable country with over 1000 years of continuous democratic Government, and has been awarded a "AAA" rating by both Standard and Poors and Moody's.

In order for a person to be able to obtain a DCP offered by Simcocks Pensions they would need to be:

- An Isle of Man resident
- A holder of an Isle of Man work permit
- Employed by an Isle of Man resident Company
- No older than 72 years of age, and
- A member of a scheme approved by the Isle of Man Income Tax Assessor.

It is worth mentioning that there are presently no restrictions to individuals becoming Isle of Man residents.

Pensions have long been the "Cinderella" of the UK Financial Services Industry-an arcane set of bolted on regulations which have gathered momentum and incoherence not to say complexity as regulations were added to regulations already in existence. Ron Sandler's

proposals swept all this away when the Green Paper was produced last year. The proposals change at a stroke the existing rules and propose that they be replaced by a simple and easily understood set of coherent regulations.

The problem with clarity is that it has highlighted the fundamental financial provision weaknesses for many workers in retirement. They will not remain silent now that the inherent future problems have been brought to their attention.

Similarly, the pension schemes of large International Companies have become potential liabilities following the FRS17 regulations and the Sarbanes-Oxley legislation in the UK and the US respectively. Companies seek secure well run schemes with no potential financial impact upon their balance sheets and their employees wish to see the benefits of a long working life reflected in their retirement provisions.

For both employer and employee in many different jurisdictions, the Isle of Man is setting itself up as a secure and stable home for pensions with some pretty imaginative legislative solutions to safeguard pensioners' rights. Simcocks Pensions is at the forefront in developing these imaginative pension solutions on behalf of suitable clients.

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