

Balley Chashtal Personal Pension Schemes

Questions & Answers

What are the Key Features of the schemes?

- the schemes are formed by a IoM personal pension master trust, under which there are individual arrangements for each member
- the schemes are administered and designed by Boal & Co – a firm of Isle of Man-based actuaries and consultants, active in the world of offshore pensions since 1995
- Boal & Co are registered as a professional schemes administrator with the IPA – the pensions regulator in IoM, and already administer in excess of £200m of IoM pension schemes
- investment advice is provided by the individual member's IFA
- there are initially two schemes: one invests in pooled funds via insurance bonds (typically offshore bonds, which provide gross roll-up); the other invests in high interest bank accounts selected by the member/IFA; a 3rd scheme with additional investment options is already in the pipeline
- the schemes are tax-approved personal pensions under IoM income tax legislation
- they are registered and regulated by the Insurance and Pensions Authority (IPA), under the IoM Retirement Benefits Schemes Act 2000, so these are bona fide pension schemes in a regulated environment
- they are registered as QROPS with HMRC
- they hold appropriate personal pension scheme certificates from DHSS (IoM) and so can accept UK protected rights transfers
- the schemes are designed for transfer-in of suitable UK pension funds for UK non-resident individuals
- they also work locally for IoM residents (a market we have served since 1995)

Why have these pension schemes been developed?

- for individuals who have built up UK pensions and then moved abroad, to work or retire, do not need to leave their pensions behind in the UK – there are better alternatives
- the changes brought about by A-day have opened up a new range of transfer possibilities for such people
- prior to A-day, pension transfers to non-UK schemes relied on reciprocal Inland Revenue agreements which generally meant that a UK pension could only transfer overseas if it was to a scheme in the person's new country of residence
- after A-day however, UK transfers can be made to any overseas pension scheme, provided that overseas scheme is registered with HMRC as a Qualifying Overseas Recognised Pension Scheme
- key benefits of an IoM personal pension, compared to a UK personal pension, are:
 - no need to buy an annuity – ever (there is instead a much more flexible drawdown environment, with individual actuarial calculation of drawdown in retirement; we thankfully do not have alternatively secured pensions – just drawdown)
 - ability to pass on remaining funds to family/estate on death, less only a small 7.5% tax
 - a 30% tax-free retirement lump sum, compared with UK's 25% (the 30% is the maximum allowed for a QROPS scheme)
 - possible tax savings when pensions come into payment
 - monies are outside the very changeable UK tax net, and transferred to an AAA-rated stable, secure international finance centre, in a regulated pension environment

Questions & Answers - continued

What investment options are available under the schemes?

- access to thousands of funds (accessed via portfolio bonds and other single premium insurance bonds)
- for the conservative investor, and also for the personal pension in drawdown, we also have a scheme which invests in high-interest bank accounts, with availability of preferential interest rates (£1m interest rates for as little as £15,000 investment)

Who are the schemes designed for?

- individuals who have in the past built up UK pensions but are no longer UK-resident
 - eg British expatriates
 - eg non-doms (in the City and elsewhere) who have worked in UK in the past and accumulated UK pension funds
- also our local IoM market, including wealthy individuals who physically relocate from the UK (though NB the key thing is this is no longer a pre-requisite for an IoM transfer)

What benefits do the schemes offer over other schemes?

- they take UK pensions out of the UK system of pension rules
- they enable such pension funds to be passed down a generation – unlike the harsh regime in place in the UK, with only a 7.5% tax on eventual wind-up (after the member's death)
- they permit a higher 30% tax-free lump sum
- they enable pensions in payment to be fully revalued in line with the performance of the member's fund
- we have "appropriate" schemes and so can also accept transfers of UK protected rights and GMPs, and bring these into a more flexible drawdown regime

Why aren't these schemes available to UK residents?

- there is nothing to prevent us from taking transfers from UK residents into our schemes
- however – HMRC rules and "member payment charges" continue to apply to QROPS schemes - the link is only broken after a 5-year period of UK non-residence
- hence, virtually none of the advantages discussed above can be obtained by UK-residents (who remain UK-resident); to get the benefit the individual needs to be non-resident
- on a "reasons why" basis, there is therefore no legitimate reason to recommend overseas pension transfer for a UK-resident
- for commercial and professional reasons, therefore, our schemes are not available to UK-residents

Why Balley Chashtal? What does it mean?

- Balley Chashtal is Manx Gaelic for Castletown (where our head office is based). Castletown is the ancient capital of the Isle of Man, and is home to a number of leading international financial companies



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