

QROPS



**Synergy International  
Personal Pension (SIPP)**



**Boal & Co**

Actuaries & Consultants

# Synergy. We're all individual.

And more and more of us understand the use of self-invested pension plans (*SIPPs*) to create an individual retirement fund and plan for an individually-tailored retirement.

If you have built up a UK pension fund and now are no longer UK-resident, you may not realise that your pension is still subject to UK taxation rules. You might have moved abroad to escape the UK, but if your pension has not, it is still subject to UK taxation rules and annuity restrictions.

## There is an alternative.

Imagine a *SIPP*:

- which operates under an altogether friendlier set of rules
- whose benefits can be taken through flexible drawdown, with no annuity requirement - ever
- which pays 25% of the fund to you at retirement as a tax-free lump sum
- which is especially designed to accept pension transfers from UK schemes
- which offers you the widest possible investment choice, both before and after retirement
- with potential tax savings in retirement
- and with no tax on death, enabling funds to be paid out to your nominated beneficiaries or applied for the benefit of family members.

Imagine no longer. Welcome to the world of **SYNERGY**.



## What is Synergy?

The Synergy International Personal Pension (SIPP) - "SYNERGY" - is a pension scheme established under trust in Guernsey, and tax-approved in Guernsey under the Income Tax (Guernsey) Law 1975.

SYNERGY is registered with the UK tax authority HM Revenue & Customs (HMRC) as a *Qualifying Recognised Overseas Pension Scheme* ("QROPS"). This means that pension transfers made from UK pension schemes to SYNERGY are termed *recognised transfers* and so are permitted transfers under the UK pension legislation introduced by the Finance Act 2004. Provided the transfer value of your UK pension is less than the UK *lifetime allowance* (currently £1.75 million, 2009/10), there is no tax payable when you transfer your UK pension into SYNERGY.

## What is a QROPS?

Qualifying Recognised Overseas Pension Schemes (QROPS) are special overseas pension schemes which satisfy rules and regulations laid down by UK legislation: the Finance Act 2004 made it possible, from April 2006, for UK pensions to be transferred to any overseas pension scheme which is registered with HMRC as a QROPS.

Before 2006, it was generally only possible for a person to transfer his or her UK pension to an overseas pension scheme located in the person's new country of residence. Modernisation and simplification of UK pensions legislation in 2006 removed this restriction. This not only enables an individual to freely transfer a UK pension overseas, it also therefore gives choice over where to transfer a UK pension. SYNERGY has been designed specifically to optimise this choice.





## What are the key features of Synergy?

If you have a UK pension scheme or a UK pension policy, and you have been (or will be) UK non-resident for at least 5 years, there are several possible reasons to consider transferring your UK pension to SYNERGY:

### 1. No Annuity Requirement

If you have a UK *personal pension* or other *defined contribution* pension scheme, your UK pension fund will normally have to purchase a pension annuity in retirement. This means that you exchange your accumulated pension fund for an annual pension which ceases on your death (or in some cases on the death of your spouse). Annuity rates are based on *gilt* yields, which are historically low at present (2009). SYNERGY in contrast has no annuity requirement. If you transfer your UK pension to SYNERGY, your fund before and after retirement remains invested exactly the way you (and your investment adviser) want it. Pension is payable to you by annual drawdown of income and capital from your pension fund. You never, ever have to buy an annuity. And unlike with an annuity, your pension fund does not die with you.

### 2. Tax-free Lump Sum

If you transfer your UK pension into SYNERGY, at retirement - which is when you decide (between the ages of 50<sup>1</sup> and 75) - you can take a tax-free lump sum of up to 25% of your fund.

### 3. Pensions Paid Free of Tax

If you are no longer UK-resident for tax purposes, you will certainly not wish for UK or other tax to be deducted at source from your pension.

SYNERGY meets this requirement: provided you are not Channel Island-resident, your SYNERGY pension is paid to you free of tax, in accordance with the exemption under section 40(ee) of the Income Tax (Guernsey) Law 1975.

You may have a liability to tax on your pension in your own country of residence, depending upon your personal situation.

### 4. Pension Fund Inheritance on Death

Even if you have left the UK, your UK pension continues to be subject to UK tax laws and restrictions if it remains in the UK. In this respect, the UK Government "will not allow the pension tax rules to be used ... to allow the inheritance of ... pension savings". For this reason UK tax law bears heavily upon UK pension schemes: any attempt to hand a UK pension fund down to family or other beneficiaries on death can attract combined UK income tax and inheritance tax charges of up to 82%.

SYNERGY however is a non-UK pension scheme. Transfer of a non-resident member's pension fund on death to another family member does not attract the same penal UK tax charges applicable to UK pension schemes.

### 5. Investment Choice

SYNERGY offers the widest possible investment choice associated with a *SIPP*. Investment management can either be self-directed by the member or delegated to an investment manager appointed by the member. Please refer to page 5 for further information on investment choice.

## What pensions can be transferred into Synergy?

Pension transfers into SYNERGY can be made from most forms of UK tax-approved pension schemes, including:

- occupational pension schemes, both *defined contribution* and *defined benefit*
- *personal pension* schemes
- additional voluntary contribution (AVC) schemes
- retirement annuity policies
- contracted-out benefits eg. protected-rights, GMP rights<sup>1</sup>.

Transfers from a defined benefit pension scheme cannot be made if pension has already commenced from that scheme.

Please note that it is not possible to transfer State pensions such as the Basic State Pension or the State Earnings Related Pension / State Second Pension.

Just because it is possible to transfer a UK pension does not necessarily mean that it is advisable to do so. Independent financial advice should be taken by any individual in connection with any pension transfer, and special consideration should be given in particular when contemplating transfer of pensions from either a defined benefit scheme or from a pension policy with guaranteed annuity options, when pension transfer might be inadvisable. Please ask your independent financial adviser for advice.



## How is my Synergy pension fund invested?

Investment management can either be self-directed by the member or delegated to an investment manager. Investment can be made into any of the following asset classes:

- private portfolio bonds, investment bonds and other life assurance policies
- shares and other listed equity investments
- gilts, corporate bonds and other fixed-interest or index-linked securities
- bank and building society accounts
- commercial property
- collective investment funds investing in any of the above asset classes.

As SYNERGY is an "open-architecture" scheme, insurance policies and investment funds can generally be selected from any product provider.

The above list of investments is not exhaustive. Other forms of investment are permitted by agreement. Bespoke investment arrangements require the prior agreement of the Trustee and Administrator, and special charges may apply.

Please note that investment in residential property is not permitted in any circumstances because of HMRC regulations applicable to UK tax-relieved pension funds, including QROPS.

For avoidance of doubt, neither the Trustee nor the Scheme Administrator provide investment advice. Responsibility for investment decisions and investment performance rests with the member or the member's appointed investment adviser. The value of investments and the income from them can go down as well as up, and may be affected by fluctuations in exchange rates.

1. conditions apply.

## What benefits are paid at retirement?

SYNERGY is a *defined contribution* pension scheme, which means that the amount of benefits received by a member, in the form of pension and retirement lump sum, is entirely dependent on two things:

- the amount of money paid into the member's SYNERGY fund (generally by way of transfer values from UK pension arrangements), and
- the investment performance (which may be positive or negative) of the member's SYNERGY fund.

Therefore there are no guaranteed retirement benefits of any form.

Retirement benefits from SYNERGY can be taken by a member not earlier than age 50 (which increases to 55 from 6 April 2010) and not later than age 75. If however, the member is in ill health, benefits can be taken before age 50 (or age 55 from 2010).

The member's pension in retirement is provided via *drawdown*, which means that each year a proportion of the member's fund is drawn down and used to provide the pension. Pension payments will typically comprise the investment income on the member's fund together with a small return of capital. Therefore it is to be expected that a member's fund will gradually reduce after retirement, through the effect of pension payments to the member.

The amount of pension, i.e. the rate of drawdown, is flexible within limits set by the Guernsey Income Tax authorities.

The Scheme Administrator will be able to advise you prior to retirement of the range of permitted pension drawdown in your individual situation.

The amount of pension payable to you is normally reviewed every 3 years in line with the investment return achieved by your SYNERGY fund. If your fund earns more than assumed, this can result in an increase to your pension; if your fund earns less than was assumed, this can result in a reduction to your pension. Failure by a member to implement the recommendations of any regular pension review, or sustained poor investment performance, could lead to a member's SYNERGY fund running out before their death.

In addition to a retirement pension, SYNERGY members can opt to exchange up to 25% of their SYNERGY fund for a retirement lump sum. The taking of a pension can be deferred at the member's choice until no later than the member's 75th birthday.



## What happens on my death?

On death before or after commencement of drawdown pension, the member's SYNERGY fund can be paid out as a lump sum to the beneficiaries nominated on the member's application form. Provided you are not Guernsey-resident, there is no Guernsey tax payable on this death benefit.

Alternatively, there is the ability for funds to be retained within SYNERGY and applied to provide an immediate drawdown pension to the member's spouse.

Members are able to indicate their preference in the Expression of Wish section of the SYNERGY application form.

## What is the taxation position?

In relation to taxation in the Channel Islands, the position is different for non-residents and Channel Island-residents, and is summarised below.

### Non-residents

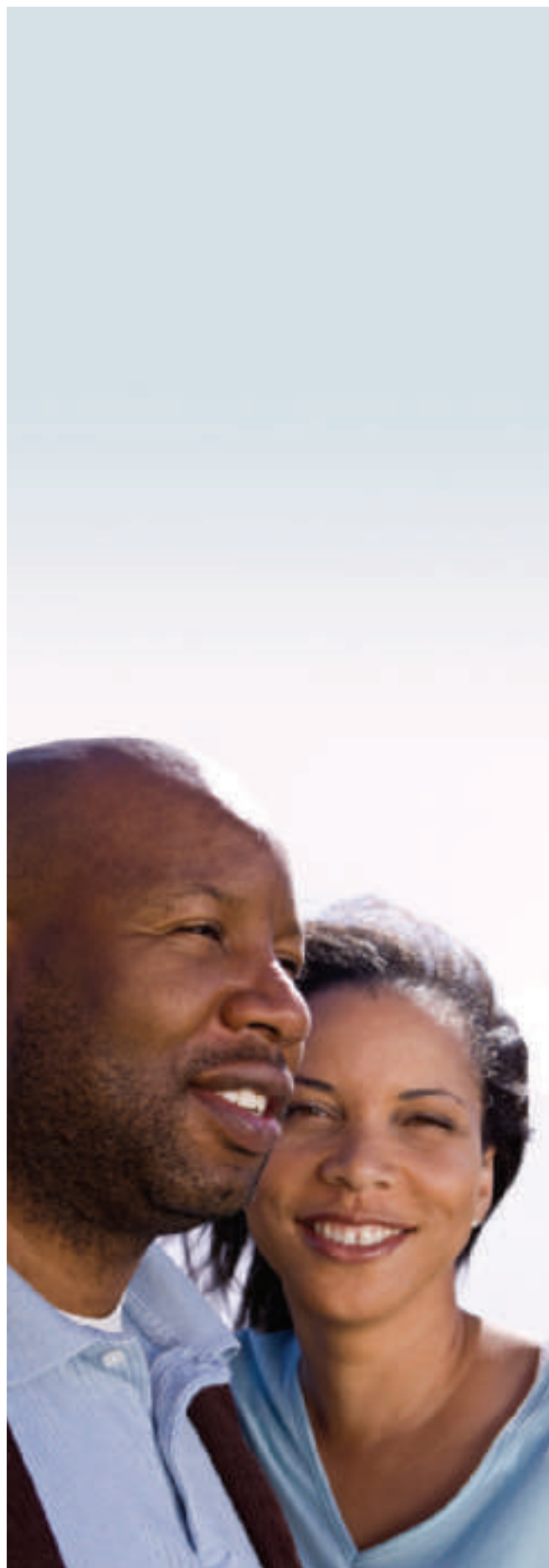
- Provided members are not resident in the Channel Islands, all retirement pension and lump sum benefits described above are exempt from Guernsey tax under section 40(ee) of the Income Tax (Guernsey) Law 1975.
- There is no taxation relief on contributions payable into SYNERGY.

### Channel Island-residents

- If a member is Channel Island-resident, then taxation on pension benefits will apply, as will tax relief on contributions. Please contact the Scheme Administrator for details.

Even if benefits are paid to you free of Guernsey tax, you may have a liability to tax in your country of residence. Tax rates vary widely from one country to another, and you are advised to take local tax advice and to declare SYNERGY pension income on your annual return.

It is a legal requirement and obligation of any QROPS, including SYNERGY, that the Scheme Administrator reports to HMRC in certain situations when a member benefit begins to be paid. The reporting obligation does not apply unless a member is UK-resident at the time of payment, or has been UK-resident in any of the preceding 5 tax years. The reporting obligation applies only to the first such payment, and extends to the date, amount and nature of that payment, together with the name and address of the member. Note that the 5-year period is measured from when you left the UK, not from when your pension transfers into SYNERGY.



## Who offers Synergy?

All assets within SYNERGY are held under trust for members by the scheme trustee, BWCI Pension Trustees Ltd. BWCI [www.bwcigroup.com](http://www.bwcigroup.com) is a leading firm of consulting actuaries, based in Guernsey. BWCI Pension Trustees Ltd is a licensed fiduciary under the Regulation of Fiduciaries (Guernsey) Law 2000.

SYNERGY is administered by Boal & Co (Pensions) Ltd. Boal & Co [www.boal.co.uk](http://www.boal.co.uk) is a leading firm of consulting actuaries, based in the Isle of Man. Boal & Co (Pensions) Ltd is regulated as a Professional Schemes Administrator under the Isle of Man Retirement Benefits Schemes Act 2000.

Both BWCI and Boal & Co are members of Abelica Global [www.abelicaglobal.com](http://www.abelicaglobal.com), a leading organisation of actuarial consultancy firms. Between them, BWCI and Boal & Co have over 50 years' professional experience of designing, administering and running international pension schemes.

## What are the costs of Synergy?

The charges for SYNERGY take the form of an initial fee, when you transfer into the scheme, and an annual fee for ongoing membership. Both fees are taken from your SYNERGY fund. The applicable fee scales are set out in the separate Fee Schedule. The combined fee scale includes the services of both the Trustee and the Scheme Administrator.

Investment management charges are agreed between you and your appointed financial adviser or investment manager, and are also paid for out of your SYNERGY fund.

Normal underlying charges, if any, associated with the investments in a member's SYNERGY fund will apply in the usual way, subject to any discounts that are obtained. All such discounts will be used to enhance the member's SYNERGY fund, and are not retained by the Trustee or the Scheme Administrator.

In some cases, a financial adviser may charge clients an initial transfer fee in lieu of commission from the underlying investments. In this case, the amount of the adviser's transfer fee must be agreed by the financial adviser with you in writing.



## Am I eligible for Synergy?

SYNERGY is an overseas pension scheme designed for individuals who currently have UK pension arrangements but are no longer UK-resident for tax purposes. If you are UK-resident and remain so, you are ineligible for SYNERGY. This is because you will still be subject to UK tax rules and so will be unable to benefit from the key features described in this brochure.

SYNERGY is only available to individual persons who are currently UK non-resident for tax purposes and who have been, or will be, UK non-resident for a continuous period of at least 5 complete tax years.

The minimum investment into SYNERGY (by transfer value from existing UK pension schemes) is £100,000.

### Service Assurance

If at any time you believe that the service of either the Trustee or Scheme Administrator could be improved, or if you are dissatisfied with any aspect of their services, you should ask for a copy of the firm's Complaints Procedure which explains how they deal with any issues, or alternatively write to the managing director of the relevant firm at the following address:

#### Trustee

BWCI Pension Trustees Ltd  
Albert House  
South Esplanade  
St Peter Port  
Guernsey  
GY1 1AW

#### Scheme Administrator

Boal and Co  
Marquis House  
Isle of Man Business Park  
Douglas  
Isle of Man  
IM2 2QZ

In this way, the Trustee and the Scheme Administrator are able to ensure that any concerns are dealt with carefully and promptly.

The Trustee and the Scheme Administrator are regulated by the Guernsey Financial Services Commission [www.gfsc.gg](http://www.gfsc.gg) and the Isle of Man Insurance and Pensions Authority [www.gov.im/ipa](http://www.gov.im/ipa) respectively.

Any matters relating to the investments in your SYNERGY fund should be raised with your financial adviser or investment manager.

## How do I add Synergy to my pension?

If you have read the SYNERGY brochure and accompanying material, and decided that you would like to add SYNERGY to your pension, you should apply for membership using the Application Form. The information collected in the application form will enable the Scheme Administrator to contact your UK pension company and authorise them to arrange for transfer of the value of that pension into SYNERGY.

The Application Form also enables you to tell the Trustee and the Scheme Administrator who your financial adviser is, and the rate of investment management and/or transfer fees applicable.

Once completed, the Application Form should be sent by post to the Scheme Administrator.





## GLOSSARY

**Defined Benefit** pension scheme (also known as a final salary pension scheme) means a scheme where pension is calculated by reference to salary and length of pensionable service.

**Defined Contribution** pension scheme means a scheme where the benefits are dependent entirely on the amount of contributions paid into the scheme and the investment return achieved on them.

**Drawdown** means the regular withdrawal of money from a member's SYNERGY fund in order to provide the member with a pension in retirement. The funds paid out in drawdown will typically include a return of both capital and interest.

**Gilt** means a UK government fixed-interest security.

**Lifetime Allowance** is an overall ceiling set under UK legislation to limit the amount of an individual's UK pension fund. The lifetime allowance is £1,750,000 for the 2009/10 tax year and £1,800,000 for 2010/11. When you initially transfer UK pensions into SYNERGY, their value is tested against the lifetime allowance and, if it exceeds the lifetime allowance, a UK tax charge will arise unless you have registered your UK scheme for protection.

**Personal Pension scheme** means a UK pension approved under s631 Income and Corporation Taxes Act 1988.

**QROPS** or **Qualifying Recognised Overseas Pension Scheme** is a non-UK pension scheme which satisfies certain HMRC requirements as to benefits and reporting, and which is registered with HMRC. A list of QROPS schemes is available on-line at [www.hmrc.gov.uk/pensionschemes/qrops.pdf](http://www.hmrc.gov.uk/pensionschemes/qrops.pdf)

**Recognised Transfer** means the transfer of a UK pension to another UK-approved pension scheme or to a QROPS. A recognised transfer is an authorised member payment and so does not incur a tax charge. (Note, see separate reference to Lifetime Allowance.)

**Scheme** in this brochure refers to the Synergy International Personal Pension (SIPP).

**Scheme Administrator** means Boal & Co (Pensions) Ltd.

**SIPP** or **Self-Invested Pension Plan** is a form of personal pension arrangement with the widest possible investment choice.

**SYNERGY** is the Synergy International Personal Pension (SIPP), which is a Guernsey tax-approved overseas pension scheme.

**Trustee** means BWCI Pension Trustees Ltd.

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Boal & Co (Pensions) Ltd is registered with the Isle of Man Insurance and Pensions Authority as a Professional Retirement Benefits Schemes Administrator.



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