40 YEARS ANNIVERSARY 1979 - 2019

Bandwagon

The BWCI Group Newsletter

BWCI

Quarter 1 - 2019

Inside this issue:

Blue Riband+

Positive Retirement Solutions

International Savings Plan

New Product launched

We're Celebrating!

40 YEARS
ANNIVERSARY
1979 - 2019

This first 2019 issue of Bandwagon marks the start of BWCI's 40th Anniversary year and we are planning various events and initiatives over the coming year to celebrate this significant milestone.

"mighty oaks from little acorns grow"

This seems like a good analogy to describe our growth over four decades. We will be reflecting on BWCI's journey in the next few issues of Bandwagon. In this edition we look back at our key development milestones.

How it all began

What is now the BWCI Group grew out of an international conference in Guernsey in 1978, organised by the London-based firm of consulting actuaries, Bacon &Woodrow.

The success of the conference on offshore pensions and captive insurance led Bacon & Woodrow to open its first overseas office in Guernsey on 3rd September 1979. The office was led by Stephen Ainsworth (now BWCI's senior partner) and the late Miss Pat Merriman. They were supported by a team of five staff, including two trainee actuaries. Initially on the fifth floor of Albert House in St Peter Port, our head office has expanded over the years and we now occupy the majority of the building.

While the original plan was to focus on international arrangements, there was also demand from the Channel Islands' developing finance centres for consultancy advice for local pension schemes and insurance companies. We went on to establish our pension trustee company, now known as BWCI Pension Trustees Limited in 1980, to provide practical assistance with establishing and managing local and international pension arrangements.

As demand for services broadened, we expanded beyond the traditional actuarial funding and reserving services into wider consultancy areas, such as investment consultancy.

A New Partnership

Towards the end of our first decade, it had become apparent that the original Guernsey Branch of the London Bacon & Woodrow Partnership had become so well established that it merited being a partnership in its own right. Consequently the local branch became a separate partnership.

We were also very proud to have, in Diana Simon, Guernsey's first ever totally "home grown" actuary. This demonstrated the success of our strategy, ever since establishment, to increase actuarial knowledge in the Islands and to support all our staff in their professional development.

An Independent Business

As we approached the end of our second decade we completed a "management buyout" of the Channel Islands Partnership. To reinforce our independent existence we rebranded and became BWCI.

In 2003 we opened a fully staffed Jersey office at Kingsgate House in St Helier, to provide a more local service to our Jersey-based clients.

In 2015 we extended our consultancy services by launching Island Global Research Limited ("IGR") as part of the BWCI Group. IGR has a particular focus on market research, monitoring and benchmarking services with a special emphasis on island communities. This has been a valuable extension to our services and has enabled our actuaries to work with IGR on joint projects, including economic impact assessments.

Looking ahead

As we enter our 40th anniversary year we recognise that change is constant and that our ongoing growth must be based on our commitment to satisfying the changing needs of our clients. As actuaries we are trained to plan for the future and we look forward to the challenges of the next 40 years!

GDPR Alert - Individual Trustees

GDPR

Under new Guernsey and Jersey data protection laws that came into effect last May, there is a requirement for data controllers and processors to register locally. Many trustee entities will have already been registered as data controllers under the 2001 law and these previous registrations should carry forward to the new regime.

However, certain entities that were exempt under the old rules (for example, pension plans with a group of individual trustees) are now expected to be required to register. We anticipate more guidance on registering (and paying any associated fees) becoming available before the end of the transition period on 25 May 2019 and we will provide further details when they become known.

BWCI Milestones

2019 40th Anniversary

BWCI celebrates 40 years of providing actuarial, consultancy and administration services to our clients from our Channel Islands base.

Island Global Research 2015

BWCI expands into market research, data analysis and economic impact assessment services with the launch of Island Global Research.

2003 Jersey Office Opens

We set up our Jersey pensions administration team to provide a personal service to our Jersey client base.

Management Buyout 1998

We gained local autonomy to enable us to develop the business more rapidly under the direction of the local partners.

1991 First Local Partner

Diana Simon, who was the first locally trained and qualified actuary, becomes the first local Partner. Today 6 of BWCI's partners are locally trained actuaries.

Local Partnership 1988

Bacon & Woodrow's Channel Islands Partnership is created. First locally trained actuary qualifies.

1979 Guernsey Office Opens

London - based Bacon & Woodrow opens its first overseas office in Guernsey with a team of 7 to advise international pension schemes and insurance companies.

Withdrawal of Guernsey's Personal Allowances

"tax relief on pension contributions for very high earners is all but removed."

Debra Smith
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The Quarter 4 - 2018 edition of Bandwagon provided a high level overview of the 2019 budget changes and illustrated the impact, for different levels of taxable income, of the changes in the phasing out of personal allowances between 2018 and 2019. These changes come into effect from the 2019 tax year and anyone with taxable income of £100,000 pa or more will be affected, to some extent, by the tapering of the tax relief.

In this article we take a more detailed look at the interaction of the withdrawal of tax relief on pension contributions and the carry forward provisions in Guernsey. The actual impact on an individual will depend on their personal circumstances. However, in the worst case scenario (ie no other allowances other than the £11,000 personal allowance), someone with taxable income over £155,000 pa will begin to see their tax relief on pension contributions eroded, potentially down to relief limited to contributions of just £1,000pa.

Carry forward provisions

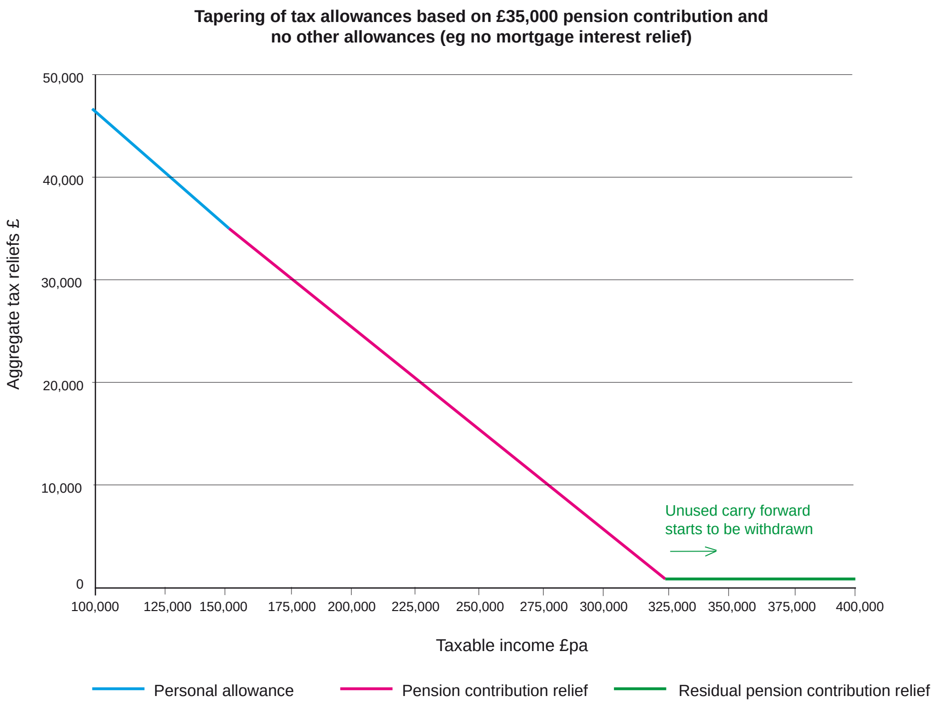
Since 2011, individuals have been able to carry forward any unused pension tax relief, for up to 6 years, if they have made a pension contribution which had not utilised their full tax-free allowance in any particular tax year. The tax-free allowance is 100% of taxable income, subject to a monetary cap. This cap was £50,000 up until 31 December 2017, but reduced to £35,000 from 1 January 2018.

Interaction of carry forward and withdrawal of allowances

The Income Tax Office has clarified that it is the **total pension contribution paid** that is subject to the withdrawal of allowances.

The practical application of this is quite complicated and we have illustrated this with some examples. However, in summary, it means that:

- an individual who is subject to tapering on pension contributions (ie taxable income of at least £155,000 pa in 2019, but possibly more depending on circumstances) will never be able to receive the full 20% tax relief on their pension contributions. This is because the first contributions paid are deemed to be those which are not tax relieved. In order to benefit from any tax relief an individual would need to make contributions over and above those which do not qualify for any relief.
- unused carry forward relief from the previous six tax years cannot be used to offset the withdrawal of tax relief on the current year's pension contributions; and
- unused carry forward is also withdrawn for very high earners (ie potentially those with taxable income in excess of £330,000 pa in 2019, but possibly higher depending on their circumstances). In 2018 a contribution needed to be made (and the individual's taxable earnings sufficiently high) for the carry forward to be withdrawn. From 2019 onwards carry forward will be withdrawn, regardless of whether a contribution is made, if the individual's taxable earnings are sufficiently high that the carry forward would have been withdrawn had a contribution been made.



Withdrawal of Personal Allowances	
Example 1 Partial withdrawal of tax-relief, carry forward unaffected	An individual has: ■ £100,000 unused carry forward from 2015 to 2017 inclusive ■ earnings in 2018 such that £15,000 of pension contribution tax relief is withdrawn (ie taxable income of at least £230,000) If this individual made a pension contribution of £80,000 in 2018 then that total contribution is subject to the withdrawal of allowances. Therefore the £80,000 is subject to the £15,000 withdrawal of allowances and the individual receives tax relief on £65,000 of their £80,000 contribution (£20,000* from 2019 relief and £45,000 from carry forward). * £35,000-£15,000
Example 2 Carry forward withdrawn by contribution	An individual has: ■ very high taxable income such that all allowances are always withdrawn, except for the £1,000 pension contribution allowance that can never be withdrawn ■ carry forward of £25,000 from unused allowances in 2016 If this individual made a pension contribution of £35,000 in 2018 then, due to the withdrawal of allowances they could only claim tax relief on £1,000 of this pension contribution. They would continue to retain their £25,000 carry forward. If the individual were to make a contribution of £80,000 in 2019 then the first step would be to assess the level of allowances before tapering. This would be £35,000 from the 2019 allowance plus the £25,000 carry forward leading to a total of £60,000. It is this £60,000 that is then subject to the withdrawal of allowances. Given this individual's very high earnings, all of the £60,000 would be tapered down to £1,000 and the individual would not have any residual carry forward.
Example 3 Carry forward withdrawn without contribution	An individual has: ■ very high taxable income in 2018 and 2019 such that all allowances are always withdrawn, except for the £1,000 pension contribution allowance that can never be withdrawn ■ £45,000 unused carry forward from unused allowances in 2015 and 2016 Given the level of this individual's taxable income, all of their carry forward would be withdrawn regardless of whether or not they were to make a pension contribution in 2019. They decide not to make a pension contribution in 2019 (since only £1,000 of it would benefit from any tax relief) and there is nothing to carry forward to 2020.

Conclusions

The examples highlight the degree of complexity that has been introduced to the taxation of pension contributions for higher earners. The way that the withdrawal of allowances is being phased for pension contributions means that the tax relief on pension contributions for very high earners is all but removed.

For those saving on an individual basis, either into a personal pension or a RATS, they will still benefit from the tax-free roll up of pension savings and potentially the tax-free element of the lump sum when they take their benefits (dependent on the level of pension savings to date since there is a monetary cap on the level of tax-free lump sum). However, those affected by the tapering will need to consider whether they are prepared to suffer tax on the contributions paid into the pension plan from 2019 onwards, as well as tax on the majority of the income it provides in retirement.

As well as the impact on individuals, employers may want to consider if a contributory pension scheme is an appropriate part of the remuneration package going forward for higher earners; a non- contributory scheme may be more attractive. However, individuals should be aware that the Guernsey Income Tax Office has highlighted that if individuals ask their employer to make additional contributions in lieu of a pay rise (to limit the withdrawal of their allowances) then the employer contributions may be considered part of their employment income and taxed accordingly.

Please note that we are not tax advisers. This article only provides our current understanding of the position. We recommend that pensions tax advice is sought by any high earners considering making substantial pension contributions.

Clarifying and Strengthening Trustees' Investment Duties

"the same considerations also apply to all long term investment decisions"

Carl Stanford
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ESG Definition

Environmental, Social and Governance ("ESG") is a measure of the sustainability and ethical impact of investment in a business. Examples of the aspects of the operation of a business that fall into each of these three categories include:

- Environmental
  Natural resource depletion, including water waste, pollution and deforestation
- Social
  Working conditions, including slavery and child labour; health and safety; employee relations and diversity; ageing populations and income equality
- Governance
  Executive pay; anti-bribery and corruption; board diversity and structure.

Background

The UK has recently introduced regulations requiring pension scheme trustees to set out how they take account of Environmental, Social and Governance ("ESG") factors, including climate change, in their investment decisions where these could affect investment performance. In addition, trustees will need to set out their policies on engagement and monitoring of companies in which they are invested.

The changes stem from a Law Commission report into the application of fiduciary duties to investment decisions. In particular, the report was responding to the Government's question about the extent to which trustees were required to maximise returns over a short timescale, disregarding longer term considerations that might impact on company performance. The Law Commission concluded that trustees should take account of factors which were financially material to the performance of an investment, whatever their source. It also concluded that there were circumstances when trustees could make investment decisions based on members' views.

What are the benefits of ESG investing?

Taking ESG factors into consideration and investing, for example, in companies that have strategies for dealing with climate change, uphold fair employment standards and have strong and transparent governance is expected to result in higher investment returns in the long run. With pension schemes now representing some of the largest and most influential investors in the UK, the Government's intention is that this shift towards responsible investment policies will, over the long term, also generate positive effects for the economy, society and the environment.

This greater emphasis on ESG issues recognises that investors are becoming increasingly aware of how and where they choose to invest could have an impact on the world; many saving for retirement will not want their pension contributions earning money at someone else's peril or harming the environment. This increasing focus on the ESG aspect of investment is expected to further drive the move towards responsible investment and the need for transparency on these policies.

Changes to Statement of Investment Principles

From 1 October 2019 UK Trustees will need to expand their Statement of Investment Principles ("SIP") to include their policies on:

- Financially material considerations over the period that the trustees consider is needed for the funding of scheme benefits. These considerations include, but are not limited to, climate change and other ESG factors that trustees consider to be financially material. The SIP will need to include an explanation of how these policies are taken into account, not just in the selection of investments, but also their retention and realisation. Trustees could, for example, allow for these factors in the selection of investments by excluding investments that do not meet specified criteria. However increasingly trustees are also making positive choices by selecting investments that already meet higher ESG standards.

- Non-financial matters where these are taken into account by the trustees. This could include the views of members. This might be ethical factors or views on the social and environmental impact on the quality of life. The Government has confirmed that trustees will not be required to seek or follow views of members; trustees retain primacy over investment decisions.

- Stewardship including the process for exercising voting rights, as well as when and how trustees would undertake company engagement activities. Trustees can promote an investment's long term success through monitoring, engagement and/or voting, either directly or through their investment managers. Investments include equities (shares) in a company but equally could also include bonds and alternative asset classes, such as infrastructure projects. Areas in which trustees may wish to engage include strategy, performance and corporate governance.

  The Government recognises that the very smallest schemes may expect to have limited leverage over the firms they hire to manage assets on their behalf, which is one of the reasons the Government is actively pursuing measures to remove barriers to consolidate both DC and DB schemes. However, such schemes can take into account the stewardship records of managers in the appointment or switching of asset managers and funds.

New Disclosure Requirements for DC Schemes

From 1 October 2019 UK DC schemes will have to:

- Include in their annual report their stated policy on financial material considerations, stewardship and where relevant, non-financial matters
- Make the SIP freely available online. (The Government hopes that schemes will compare their policies and drive up standards amongst schemes)
- Alert members to the availability of this information in their annual benefit statements

From 1 October 2020 trustees of DC schemes will also need to prepare and include in their annual report an Implementation Statement which must meet the following requirements:

- Set out the details of the extent to which and how, in the opinion of the trustees, they have followed their scheme's SIP
- Provide a description of any review of the SIP undertaken in the last year
- Include an explanation of changes to the SIP during the year and the reason for the changes
- Where no review has been undertaken in the last year, the date of the last review
- Make the Implementation Statement freely available online with members notified of its availability in their annual benefit statements.

These requirements generally apply to schemes with 100 or more members. However, smaller DC schemes are also required to produce SIPs in respect of their default arrangement. Additional disclosure requirements and changes will also apply to these SIPs and are illustrated below.

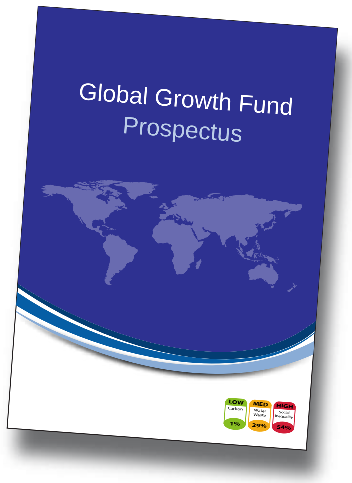
Conclusion

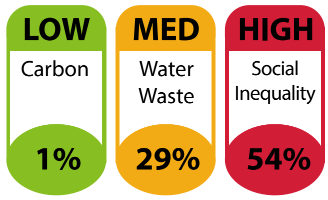
The pace of change of disclosure regulations, especially for DC schemes, has been rapid. Trustees will need to revisit their policies and update their SIPs to ensure they keep up with these changes.

There is a clear steer from the Government that pension schemes should not just be looking to maximise returns in the short term, but should also be taking into account long term ESG factors linked with long term risks or opportunities for pension schemes.

While these requirements specifically apply to UK pension schemes, the same considerations also apply to all long term investment decisions; this is likely to become an area of increasing focus and evolving best practice. Currently there is a lack of standardised measures and metrics for assessing the effectiveness of ESG integration. However this is likely to improve over time, enabling trustees, members and other investors alike to make clearer choices.

We are all familiar with the traffic light labelling which is now so prominent on food packaging, how long will it be until we see it on an ESG assessment of a particular investment?





New Requirements

	<100 Members	100+ Members
DC	**DC Default SIP** ▪ Add policies on financially-material considerations and any non-financial matters	**DC Default SIP** ▪ Add policy on stewardship to default SIP **DC Disclosure** ▪ Publish scheme SIP on website[2] ▪ Include policies in annual report ▪ Publish implementation statement [2,3]
DB[1]	NONE	**Scheme SIP** ▪ Add policies on financially-material considerations, stewardship and any non-financial matters

[1] Includes DB schemes with money purchase AVC's
[2] Members' benefit statements to include a link to these documents
[3] From 1 October 2020 - on website and include in annual report

Isle of Man Pensions Survey

"some interesting insights into current attitudes"

Amber Buckingham
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Since the signing of the Paris climate change agreement in 2015 we have been encouraged to be more aware of the way we treat the environment and protect the world for future generations. Social investment is one way in which we may be able to make adequate retirement provision whilst also contributing to positive changes both in our community and throughout the world.

What is social investment?

Social investment is an investment that is intended to provide a positive social impact, as well as financial return. Examples include loans to charities and social impact bonds (where the level of return you receive depends on the positive social impact of investment in a particular cause).

Another article in this edition of Bandwagon has highlighted that the UK has recently introduced a regulatory requirement for pension scheme trustees to mention in their Statement of Investment Principles the extent to which they have taken ethical considerations into account in the selection, retention and realisation of investments.

What do the public think?

While trustees now have to consider socially responsible investment, what do pension scheme members think about it?

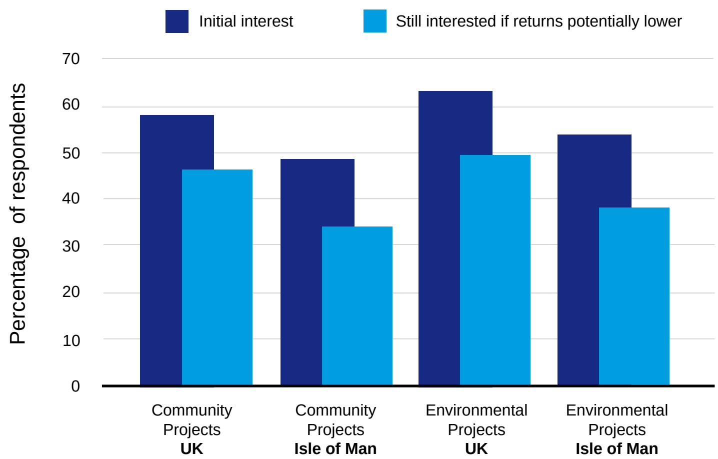
The Isle of Man Financial Services Authority has published the results of a survey into views around pension planning, as part of their "Pension Matters" campaign, to assess local residents' attitudes to, and knowledge of, pensions. The survey asked similar questions to a 2017 UK survey undertaken by the Chartered Institute for Securities and Investments. A comparison of the results of the two surveys provides some interesting insights into current attitudes.

Survey results

Most people surveyed felt they knew what a pension was (97% in both the UK and the Isle of Man). However, only 57% in the UK felt they knew how a pension worked, compared with 66% in the Isle of Man. Both surveys indicated that there was a significantly greater understanding of pensions amongst men than women.

Respondents to both surveys were asked for their views on whether they would be interested in investing their pension fund in social investments, such as community or environmental projects. They were also asked if the risk of a lower return would affect their views.

Overall, the surveys' results suggest that there was more interest in the UK in social investment than in the Isle of Man. There were also fewer respondents in the UK being discouraged by the possibility of lower returns. Interestingly, in both jurisdictions, environmental projects were slightly more popular than community projects.



Conclusion

While this analysis is based on the samples surveyed and is not necessarily representative of pension scheme members as a whole, the results do suggest that there is considerable interest in social investment, particularly environmental projects. Further details, including the full reports for the Isle of Man and UK surveys, can be found at:

https://www.iomfsa.im/fsa-news/2018/oct/isle-of-man-pension-matters-what-are-manx-attitudes-to-pension-planning/

https://www.cisi.org/cisiweb2/cisi-website/misc-pages/yougov-pensions

International Savings Plans

"expatriate assignments are becoming longer"

Carl Hansen
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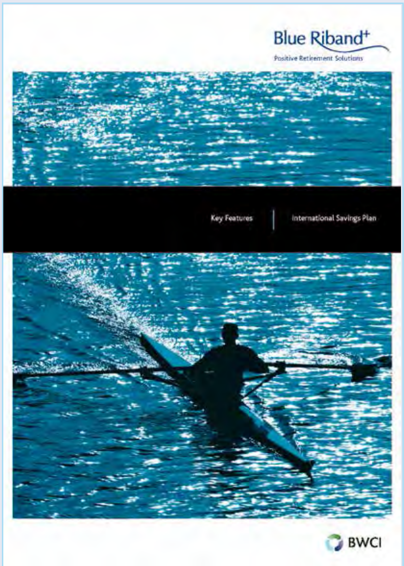

Various countries, but particularly those in the Gulf region and Latin America, require employers to pay end-of-service gratuities or termination indemnities, when an employee leaves employment. The amounts and conditions attached to these mandatory payments vary widely, with many jurisdictions using a defined benefit type formula reflecting the number of years of service and salary.

While an employer's financial liability to provide end of service benefits is recognised under local and international accounting standards, historically the actual benefit payments have often been provided on a "pay-as-you-go" basis from the employer's cash flow. However, the risk with this approach is that the employer's liability potentially could grow to be substantial, due to the defined benefit nature of the commitment. Also, evidence suggests that expatriate assignments are becoming longer, or even permanent, making it increasingly likely that more individuals will satisfy the service qualification requirements for termination payments.

As a result of these risks, many employers are now considering prefunding termination payments to better manage the risks. In addition, prefunding provides a greater degree of security for employees, as well as some comfort to shareholders.

International pension or savings plans can be used to fund termination payments. Historically international plans were established, in a central international finance centre location, to provide benefits for internationally mobile staff. While this is still common, the inherent flexibility of international plans means that they are now employed more broadly, including providing retirement or savings benefits for staff where local infrastructure and practice may be less developed. A pre-funded employer plan can also be used to "top up" local end-of-service payments, providing an effective recruiting and retention tool in competitive employment markets.

New Rules for Jersey and Guernsey

With effect from from 1 January 2019 Jersey has introduced a new statutory end-of-service benefit savings plan, covering non-residents, with the approval regime being administered by the Jersey Taxes Office.

The Guernsey Income Tax legislation has also been amended, from the beginning of 2019, to include a new section specifically allowing local tax exemption for end-of-service plans.

This change means that the Guernsey income tax rules are now aligned with the pensions and gratuity plans regulatory regime that has been in place since 2017.

In both islands, the principal difference between traditional pension plans and the savings plans under the new rules is that these new savings plans allow payments to be made immediately when leaving service before age 50, while payments before age 50 are not generally permitted from pension plans. The concept of an international savings plan is not new for either island. Many already exist, especially in Guernsey. However, until now there has not been any statutory basis for exemption from local taxation. In practice there has been discretionary tax exemption, in the same way as for other private trusts. Some plans had also been successful in gaining recognition as a pension plan, despite paying benefits before age 50.

These developments mean that both islands can now promote a broader range of employee benefit arrangements to employers worldwide. Either island's savings plans can be structured flexibly to pay benefits when major life events occur. However, only Guernsey currently offers statutory tax exempt retirement and savings plans on a regulated basis. This allows Guernsey to build on its market leading international plan expertise, while staying at the forefront of international best practice. Jersey is currently consulting on the introduction of regulation of pension arrangements and so may be able to provide an equivalent solution in the future.

The BWCI Solution

As a result of the new Guernsey legislation on end-of-service benefit plans, we are delighted to be able to announce that the Blue Riband International Savings Plan is the latest addition to the Blue Riband family of pension and savings products, giving employers a flexible solution.

Blue Riband International Savings Plan

- bundled administration
- trusteeship
- wide range of investment funds
- simple to establish
- employer involvement minimised
- members' website

If you would like more details about establishing an International Savings Plan please contact:
Carl Hansen (chansen@bwcigroup.com)
or
John Martin (jmartin@bwcigroup.com)

Personal Injury Compensation – Reforms in Progress

"the full impact will still take time to emerge"

Clair Le Poidevin
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Whiplash Definition

…" a sprain, strain, tear, rupture or lesser damage of a muscle, tendon or ligament in the neck, back or shoulder " …

In the Quarter 4 2017 edition of Bandwagon we looked at the implications of the significant reduction in the discount rate used for damages claims in UK Courts, from 2.5%pa to -0.75%pa (a change of 3.25% which pushed up compensation claims substantially). The subsequent insurance industry challenge to this material change has resulted in reforms introduced by the Civil Liability Act 2018.

Civil Liability Act 2018 ("the Act")

The Act, which received Royal Assent on 20 December 2018, is to be implemented in stages. Key changes relate to the determination of the discount rate to be used in personal injury cases, as well as the approach to dealing with whiplash claims.

The Discount Rate

For many years the discount rate was determined by reference to yields on index-linked gilts. This was considered a "risk free" approach to investing. However, this has led to the rate being -0.75% pa since March 2017. Using a negative rate increased the value of compensation claims and was criticised as being unnecessarily severe. The impact was a particularly significant step-change, as the rate had not previously been reviewed since 2001.

The Act sets out a new approach which is based on a "low risk" investment portfolio, rather than index-linked gilts. It is forecast that this approach would currently result in a discount rate of between 0% and 1%pa. While this is still low, it would be materially higher than -0.75% pa.

The Act requires the discount rate to be reviewed within 90 days of Royal Assent and the Lord Chancellor has a further 140 days to determine the rate. This means that the new rate should be effective no later than 6 August 2019.

The Act permits different rates to be set for different classes of cases (for example, the type of loss or length of time over which it is paid). However, this discretion is not expected to be applied immediately. As always, the Court retains the power to set a different rate, althought this power is not expected to be widely used.

Whiplash

Whiplash compensation has become a controversial issue; individually claims are usually fairly modest. However as medical evidence can be inconclusive, it can be difficult to refute them, resulting in insurers paying out large amounts in aggregate claims.

Under the Act, whiplash injury compensation will be set by a tariff determined by the Lord Chancellor. The tariff will cover cases where there is also "minor psychological damage", which is not further defined. The tariff does not apply to claims by motorcyclists, cyclists or pedestrians. The Lord Chancellor will have the power to amend the definition of whiplash, but not until three years have passed.

The regulations setting the tariff, which have yet to be published, will have to be reviewed at least every three years. In addition, settlements prior to obtaining appropriate medical evidence will be constrained by regulation. Claims will be processed via a portal system which is intended to be simple and user friendly for claimants.

It is unclear when the new process will be introduced. A target date of April 2020 has been discussed, but the implementation will depend on having the regulations published and the portal functioning well.

Small Claim Track Limit

Cases which are defended are allocated to one of three tracks. Claims under a certain monetary limit are allocated to the Small Claims Track. While not strictly part of the changes being introduced by the Act, an increase in some of the small track claims limits is expected at the same time as the other reforms are introduced. Currently personal injury claims above £1,000 do not form part of the Small Claims Track. It is expected that this limit will be increased to £2,000 generally, with a higher limit of £5,000 for road traffic accidents.

Summary

The Act represents a significant step in introducing further legal reforms to try to manage increases in claims' costs. However, the full impact will still take time to emerge. The impact is likely to be limited for existing claims, but it has been suggested that it could reduce motor premiums by an average of £35 pa.

Jersey Pension Regulation Consultation

"It is important to avoid an excessive regulatory burden"

Michelle Galpin
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If you are a trustee of a Jersey approved pension scheme then you will probably have received a letter recently from the Jersey Income Tax office, providing notification of the consultation on proposals to regulate the administration and management of pension schemes. Currently Jersey is the only Crown Dependency not to have any form of pension regulation, but probably not for much longer.

The consultation document, which was published in November 2018, identifies three key objectives for the regulatory framework:

- Protects the rights and interests of pension scheme members and beneficiaries using Jersey-based pension products and services;
- Ensures that the framework is proportionate
- Helps support business growth in the pension sector

We welcome the consultation and have submitted our comments, based on our practical experience of advising schemes operating within the regulatory frameworks in the Isle of Man and Guernsey. If introduced as indicated, both pension schemes and pension scheme providers in Jersey are likely to fall within the regulatory scope. Rather than providing very detailed information about what is likely to be required of pension arrangements, the consultation's seven questions focus on how the regulatory framework should be introduced and structured.

One area which needs careful consideration is how schemes which have members in more than one jurisdiction may be affected. It is important to avoid an excessive regulatory burden as a result of having to comply with two (or more!) different regulatory regimes.

Isle of Man

The Isle of Man has been regulating both domestic and international schemes for over 15 years. Their regulatory regime was introduced by primary legislation; the Retirement Benefit Schemes Act 2000. The detailed requirements are covered by a number of regulations. The regime is regulated by the Isle of Man's Financial Services Authority (originally the Insurance & Pensions Authority).

The Isle of Man has adopted a proportionate approach with three categories of scheme; authorised, recognised and permitted. Recognised or permitted schemes benefit from much reduced compliance requirements in the Isle of Man.

Interestingly, the Isle of Man is currently in the process of considering whether to extend its regulation to include pension providers, as well as schemes. This was put out for consultation in March 2018, with feedback published in August 2018; the formal proposals are expected during the first quarter of 2019.

Guernsey

Guernsey introduced pension regulation in June 2017, by extending the scope of the existing rules for licensed fiduciaries to cover the "formation, management and administration" of pension and gratuity schemes by a regulated entity. In practice, this means that if a scheme has a trustee or administrator which is a Guernsey licensed fiduciary then it falls within the scope of the regulation. Guernsey's regulator is the Guernsey Financial Services Commission.

The Isle of Man and Guernsey have adopted different approaches to introduce pension regulation. The route chosen by Guernsey means that the regime was able to be up and running quickly. However, the trade-off is the regulatory scope. In particular, those schemes where there are individual lay trustees and the administration is not carried out by a regulated entity fall outside of the scope of Guernsey's regulation. Arguably, it is some of these schemes where there may be a greater risk of members' benefits not being paid, or incorrect benefits being paid and where regulation could improve outcomes for members.

Comments

It will be interesting to see which way Jersey decides to go. Will they opt to follow the Isle of Man or Guernsey route? The consultation runs until 31 January and full details can be found at https://www.gov.je/News/2018/Pages/pensionsandconsumerlendingconsultations.aspx

At this stage there is no indication of when the results of the consultation are expected, or when we might expect to see draft regulations. However, we would hope that the new regulatory framework would not lead to significant additional costs for existing well-run schemes. Nevertheless, there is likely to be some form of regulatory return to be submitted to the newly appointed regulator in due course.

Categories of Isle of Man Schemes

Authorised schemes are those which must comply fully with the regulatory requirements.

Recognised schemes are those which are already deemed to be adequately regulated in another jurisdiction recognised by the Isle of Man's regulator.

Permitted schemes are those without an Isle of Man-based employer and have no more than 5 Isle of Man members (or 10% of the membership if less).

Promotions

Left to right: Luke Berry, Kayley Konken and Kevin Butchers

We are delighted to announce three promotions with effect from 1 January 2019, the start of our 40th Anniversary year.

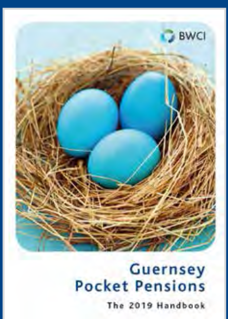
Kevin Butchers becomes an Assistant Manager, On boarding and Implementation, within our Pensions Administration team. Kevin joined us almost three years ago, bringing with him 10 years' experience in the pensions and insurance arena. His wealth of knowledge and specific understanding of our own bespoke pension solutions makes him ideally placed to take on the this key role supporting new clients.

Luke Berry becomes a Senior Actuarial Trainee in our Actuarial Insurance team, where he is key in developing the work of the actuarial team and supporting new students.

Luke joined us in September 2016, having previously spent some time teaching Maths in the UK. Luke has made excellent progress with the actuarial exams along his new career path towards qualification as an actuary.

Kayley Konken joined us in August 2017 having had a period gaining experience in other related roles after leaving school. Having now completed the CIPD Level 3 Certificate in Human Resource Practice, and with 18 months under her belt with BWCI in a generalist role, Kayley now becomes a fully-fledged HR Administrator and is well on the way to developing her HR career.

Guernsey Pocket Pensions Handbook

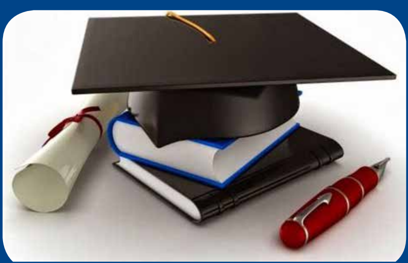


The second edition of BWCI's Guernsey Pocket Pensions - The 2019 Handbook has been released. We hope that you will find it a useful source of information and answer many of the general questions you have about pensions. This year's edition has been expanded to cover the changes in the income tax law that have had an impact on pensions, as well as the inclusion of a section on pension regulation in Guernsey.

It also includes information about Guernsey's old age pension, the proposals for a secondary pension scheme, as well as a pensions jargon buster and contact details for our subject specialists if you need more information.

https://www.bwcigroup.com/downloads/pocket-pensions/Guernsey-pocket-pensions-2019.pdf

40th Anniversary Bursaries



Closing Date
28 February 2019

2019 is a very special year for the BWCI Group as it marks our 40th Anniversary in the Channel Islands. As part of a year of celebrations, we are delighted to be offering an additional student bursary.

BWCI has already supported 12 local students since the bursary scheme was launched back in 2007. As well as financial support of £1,800 pa throughout the duration of the student's course, the bursary also provides a structured programme of 8 weeks' paid work experience each summer.

The bursary is open to all locally qualified students who have or who are predicted to achieve at least 2 A grades at A level, one of which must be Maths.

BWCI's Senior HR Manager said:
"Bursaries are a great way to provide practical support to local students. Several of our bursary students went on to join us permanently after graduating, including our very first bursary student, Jenny Martel who is now an assistant manager in our Pensions Administration team."

Students studying for degrees in Maths or Economics, or degrees with some Maths content will be given preference. The closing date for applications is Thursday 28 February.

Application forms are available from BWCI's website at https://www.bwcigroup.com/Careers/Bursary.

Readers are reminded that nothing stated in the newsletter should be treated as an authoritative statement of the law on any aspect, or in any specific case and action should not be taken as a result of the newsletter. We will be pleased to answer questions on its contents.

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