# Bandwagon

The BWCI Group Newsletter

BWCI

Quarter 2 - 2017

Inside this issue:



## New Guernsey Pension Regulations in June

STOP PRESS

# Captive Award Winners Again!

UK CAPTIVE
2013 2015 2017 2016 2014
SERVICES AWARDS

Actuarial Firm
BWCI

BWCI was absolutely delighted to be named the Actuarial Firm of the Year, for a record fifth consecutive year, at the prestigious UK Captive Awards in London recently.

The award is open to all actuarial advisers serving the UK captive market. The judges were looking for firms who were able to demonstrate excellent service and a high degree of client satisfaction.

The award criteria focus particularly on loss reserving, risk modelling, business planning, forecasting and development of early warning systems.

BWCI retained the accolade in the face of strong competition from two major UK-based consultancies who were also short-listed.

In receiving the award, BWCI Partner, Ian Morris, who heads up BWCI's Actuarial Insurance Team of ten, said:

*"Winning this award consistently over a period of 5 years recognises our sustained commitment to the provision of high quality good value actuarial services to captives."*

He went on to say:

*"Our success is a tribute to the consistent hard work of our specialist team in Guernsey. Our team have shown skill and enthusiasm to meet the technical requirements and deadlines set by our clients."*

The picture shows Ian Morris (left) with the other members of BWCI's Actuarial Insurance Team.


# IGR Strengthens Senior Management Team

*Lindsay Jefferies*

*Chris Brock*

Island Global Research Limited (IGR) is pleased to announce a strengthening of its leadership team from 1 May 2017.

Lindsay Jefferies becomes managing director, taking over from Chris Brock. Lindsay, who joined the business in 2016 as deputy managing director, has extensive economic research and policy experience. Her expertise includes economic analysis of public sector initiatives, survey design and data analysis.

Before joining IGR, Lindsay was an economist in the UK Civil Service, a Research Fellow at the University of Oxford and a Lecturer at the London School of Hygiene and Tropical Medicine.

Chris Brock, who has led IGR since it was established within the BWCI Group in 2015, will continue to develop the business and provide expertise in his new role as a non-executive director on IGR's Board.

Stephen Ainsworth, the Senior Partner of the BWCI Group, commented:

*"We are enormously grateful for the major contribution that Chris has made in developing this unique consultancy and benchmarking service within the BWCI Group. We are delighted that he will continue to be part of the Board in his new role and look forward to his continuing insights. In Lindsay we have a worthy successor who will be able to bring her own wealth of experience to the role."*

Lindsay Jefferies said:

*"I am delighted to take over the leadership of Island Global Research. It is an exciting opportunity and I have tremendous support from Chris and colleagues. As we continue to grow the business, I hope to expand the management consultancy and market research services we offer, drawing on my skills in economics, statistics, and policy research."*

# BWCI Innovation Award winners

*Stuart Moseley and his team from Galaxy Computers receiving the Innovation Award from BWCI's Stephen Ainsworth (second left)*

Galaxy Computers, Channel Island data destruction and hardware recycling specialists, beat off competition from the two other short-listed companies to win the 2016 BWCI Innovation Award.

The judges particularly highlighted how Galaxy Computers' entry illustrated the evolution of data destruction techniques over the years, as well as how the business expected to continue to develop in the future. In particular, they are expecting the forthcoming data protection legislation changes to provide an opportunity for further growth.

The judges also identified Galaxy's innovative business links with the Guernsey Prison, where they work with prisoners to break down equipment for recycling.

BWCI was represented on the judging panel by Senior Partner, Stephen Ainsworth. He said:

*"Each year the entries for our Innovation Award demonstrate the breadth of innovative ideas and approaches to doing business across a wide range of business sectors. Galaxy's innovative approach to business in a range of areas make them a very worthy winner".*

AWARDS FOR ACHIEVEMENT 2016

# Our New Managing Partner

*Diana Simon*

*Stephen Ainsworth*

The BWCI Group are pleased to announce the appointment of Diana Simon as our new Managing Partner with effect from 1 May 2017. With the continued growth of the firm, the Group has decided to divide the Senior Partner and Managing Partner roles, in order to spread the workload between two partners. Stephen Ainsworth, who has performed both roles until now, will continue as Senior Partner.

Diana Simon has been a partner of the firm since 1991 and has led the personnel activities of the Group as HR Partner. She is a pensions specialist and also leads the Pensions Consultancy team. She will combine her advisory role to clients in the Channel Islands, the Isle of Man, the UK and internationally with her new Managing Partner role.

Diana said:

*"I am looking forward to taking on my new role and working with BWCI's experienced management team to continue to maintain the high level of service that we provide to our clients and to implement BWCI's plans for future growth".*

Stephen Ainsworth added:

*"It has been a privilege to have been Managing Partner ever since our Guernsey Office was established as a small branch of a London firm of consulting actuaries in 1979. Because of our talented team and the loyalty of our clients, BWCI has developed enormously over the years and I have every confidence that this will continue under Diana's leadership. We have been working closely together to transition responsibilities over the last year. Consequently, the changes should not have any impact upon our client services. I am pleased that my partners have asked me to continue as Senior Partner and to remain part of the management team."*

We wish Diana every success in her expanded role and thank Stephen for his major contribution in developing the Group to become the largest actuarial consultancy in any international finance centre globally.

# Guernsey's New Pensions Regulatory Framework

"the Commission would be appointed as the supervisory authority"
Michelle Galpin

In the Quarter 4 2016 edition of Bandwagon we highlighted the Guernsey Financial Services Commission's high level discussion paper on the possible introduction of pension regulations in Guernsey. The consultation process closed in early December 2016 and while there were no updates over the intervening 5 months, it is now evident that much work had been going on behind the scenes.

The first indication of what is planned came with the publication of a Policy Letter from the Policy & Resources Committee, on 27 April, outlining the high-level proposals for the introduction of a new pensions regulatory framework. These have been scheduled for consideration by the States at their meeting on 21 June. The Policy Letter is asking the States to:

1. Agree in principle to the development of primary legislation, which would create a new regulatory framework for pension schemes and their providers;
2. Direct the P&R Committee to come back to the States with the detailed requirements of the new legislation within 12 months;
3. Agree to the enactment of a new ordinance, under the existing income tax legislation, which would require consistent reporting of information by approved pension schemes.

## Key Issue

It is this third proposal which is time-critical, since in the words of the Policy Letter, the changes:

*"would also enable firms resident in Guernsey and Alderney potentially to benefit from relevant exemptions under the OECD Common Reporting Standard… thereby reducing firms' administrative burden and reflecting the fact that pension schemes approved in Guernsey and Alderney are considered at low risk of being used to evade tax".*

It is anticipated that the ordinance would be effective from 30 June 2017. This would then dovetail with the first reporting deadline on 30 June 2017, under the Common Reporting Standard ("CRS") relating to the 2016 calendar year. However, at the time of going to press, the draft ordinance had not been published, so we are unable to provide any further details at this stage.

## Summary of Proposals

Turning to the more general regulatory framework that is to be put in place, the Policy Letter confirms that the Commission would be appointed as the supervisory authority under the regulatory framework. As a first step towards this, the scope of the Commission's supervisory activity is be widened to include *"the formation, management and administration of pensions schemes"* on the list of regulated activities.

This will then enable the Commission to issue scheme rules, registration requirements and specific conduct rules for providers carrying out these newly regulated activities and servicing pension schemes.

In anticipation of its wider powers, on the 4 May the Commission published a draft of "The Pension Licensees (Conduct of Business) & Domestic and International Pension Scheme Rules 2017" for consultation. The document runs to 51 pages, including 6 pages of definitions!

## Scope

It is important to recognise that, unlike the CRS reporting requirements, which are expected to apply to all approved pension arrangements (although there will probably be some exemptions), the Commission's rules will only apply to regulated fiduciaries and the pension schemes they manage. Consequently, schemes with solely *"lay"* trustees would not be affected directly. However, these schemes may want to consider if they wish to adhere to the new framework as good practice.

The new regulatory framework will potentially apply to both domestic and international schemes. However, at this stage, it is not possible to provide a definitive list of requirements because the Commission's rules are only at the "consultation draft" stage. Consequently they could well change before they come into force on 30 June 2017. However we expect that the rules, when finalised, will cover:

- Governance and internal controls
- Record keeping
- Provision of information to members, including member-borne charges
- Procedures for pension transfers
- Statement of Investment Principles
- Limitation on employer-related investments
- Contribution schedule

## Transitional Arrangements

While the Commission's rules are expected to be in place by 30 June 2017, the consultation indicates that there will be a transitional period which has yet to be determined. We anticipate that this will be at least a year.

The draft rules also include 13 General Principles for licensees in relation to pensions. These are reproduced in the table.

### Action List

In the meantime, trustees and scheme sponsors need to start thinking about the following:

1. Is the scheme expected to be subject to the Commission's Rules?
2. Review existing governance and internal control procedures
3. Does the scheme have a Statement of Investment Principles?
4. Are there any employer-related investments?
5. Is there a contribution schedule?
6. Member communication processes.

**General Principles in Commission's Rules**

| Principle | Requirement |
|---|---|
| Governance procedures | Adequate governance and internal controls should be operated in relation to each pension scheme |
| Notification to the Commission | The Commission must be notified of the establishment or approval of a pension scheme, or its recognition by the tax authorities |
| Reporting to the Commission | The licensee should ensure that it communicates material scheme information to the Commission to enable supervision to be effective |
| Documentation | Governing documentation and other key documentation should be stored safely and be readily available to members |
| Responsibilities | Licensees should have clear information of who the service providers are in relation to the pension scheme |
| Regulatory Self Assurance | The Commission has a policy of encouraging innovation and the proactive use of technology amongst licensees, which may enable them to operate in a more efficient and cost effective manner within their own organisation and with regard to their legal and regulatory obligations |
| Treatment of Members and Beneficiaries | Members and other beneficiaries should be treated fairly. Members should be provided with clear and transparent information on the pension scheme |
| Charges | Any charges deducted from funds held in respect of beneficiaries must be reasonable and transparent |
| Benefits | Members should be provided with regular clear and accurate information about their benefits |
| Contributions | Reasonable safeguards should be implemented to monitor the payment of contributions due from third parties. |
| Transfers | Transfer requests and information about transfer values should be processed promptly and accurately and should not be unreasonably delayed |
| Investment | Schemes should make a clear statement of investment principles to be applied to the pension scheme. Beneficiaries and all parties involved in the formation, management or administration of pension schemes should have clarity on who is responsible for reviewing and making investment decisions |
| Advertising | Advertisements issued by regulated financial services businesses in relation to pension schemes should be fair and not misleading |

# Finance Act 2017

"unexpected changes to the QROPS regulations"
Debra Smith

The UK's draft Finance Bill 2017 was initially published on 5 December 2016 and was open for technical consultation until 1 February 2017. Two further drafts were published during March and a final version was published on 25 April 2017. This received Royal Assent on 27 April 2017 is now the Finance Act 2017.

The "March drafts" introduced new and unexpected changes to the QROPS ("Qualifying Recognised Overseas Pension Scheme") regulations and these followed through into the Finance Act. This article summarises these developments, together with the key changes affecting other offshore pension arrangements.

## QROPS Overseas Transfer Charge

Since 2006 overseas pension transfers from UK Registered Pension Schemes have only been treated as "authorised payments" if the receiving scheme has registered with HMRC as a QROPS.

To date, such overseas transfers could generally be made tax-free. The only exception was large transfers which might have been subject to the UK's Lifetime Allowance[1] charge. However, from 9 March 2017, all QROPS transfers are potentially subject to HMRC's new Overseas Transfer Charge, at the rate of 25% of the amount transferred.

There are six situations in which transfers will be exempt from the charge. These are summarised in the table. Fortunately the first two ("occupational scheme" and "residency") are expected to exempt most transfers for Channel Island residents.

The occupational pension scheme exemption simply requires that the individual is employed by a participating employer of the occupational pension scheme at the time of the transfer. However, the residency exemption, which will be utilised by personal pension arrangements, is more restrictive and requires that the individual is resident in the same location as the QROPS, both at the time of the transfer and for the following five complete UK tax years. Therefore, if an individual makes a transfer to a local personal pension but subsequently moves location within 5 years, the overseas transfer charge could arise at that time.

Transferring members and their QROPS Scheme Managers will need to be aware of the changes in circumstances that could trigger the Overseas Transfer Charge.

Liability for the Overseas Transfer Charge is joint and several between the member and:

- the UK pension scheme administrator at the point of transfer; or
- the QROPS Scheme Manager if circumstances change subsequent to the transfer.

In view of this, all QROPS arrangements have had to complete an undertaking to HMRC confirming that they will apply the Overseas Transfer Charge where necessary. Any scheme where the Scheme Manager has not completed this undertaking will automatically have lost its QROPS status on 14 April 2017.

## Member Payment charges

Benefits in a QROPS also have the potential to be subject to UK "member payment charges" if payments are made which would be unauthorised in the UK.

Currently, these charges cease to apply if the member has been non-UK resident for five complete tax years at the time the QROPS payment is made. However, in respect of post 5 April 2017 transferred funds, member payment charges will now potentially apply until the later of:

- 5 years from the date of the UK transfer; and
- the member having been non-UK tax resident for ten complete tax years

## New QROPS Regulations

Alongside the Finance Bill changes, the QROPS Statutory Instrument was amended with effect from 6 April 2017.

The key change is that the requirement to provide an income for life from at least 70% of the funds has been removed and, for non-occupational pension schemes, has been replaced by a requirement that either the pension scheme is regulated or the pension scheme provider is regulated. QROPS Scheme Managers have until 1 June 2017 to complete HMRC's form to confirm that they meet the new requirements.

[1] The UK Lifetime Allowance is currently £1m and is the total pension savings that an individual can accumulate in the UK without suffering penal tax charges.

### Section 615 Plans

"Section 615" plans are UK arrangements which provide benefits for overseas workers. To date, these schemes have benefited from an exemption from UK tax on investment income and pensions paid to non-UK residents. Their name comes from the section of the UK's Income and Corporation Taxes Act 1988 that provides the tax exemption.

The Finance Act 2017 amends the tax treatment of section 615 plans, with effect from 6 April 2017, such that no further contributions or benefit accrual can be made under the existing regime. If further benefits accrue or contributions are made then these will be deemed to arise under a "shadow fund" to which section 615 does not apply. However, there are "grandfathering" provisions which mean that pre April 2017 benefits in a section 615 scheme retain their previous tax treatment.

HMRC guidance explains that it is intended that any new contributions will be "treated as contributions to an employer-financed retirement benefits scheme (EFRBS) and will be subject to the tax rules on EFRBS and disguised remuneration". In view of this, employers with a section 615 scheme may wish to consider establishing an International Pension Plan to provide future benefits for their internationally mobile workforce.

### Offshore EFRBS

To date some offshore employer sponsored pension arrangements (known as "EFRBS") have benefited from tax relief on lump sums paid to UK residents where the benefits were derived from non-UK service. This exemption was removed on 6 April 2017 and, after some confusion in the earlier drafts, pre 6 April 2017 rights have now been grandfathered in the Finance Act 2017 and retain their previous tax treatment.

### Foreign Pensions

To date, UK residents have benefited from a 90% multiplier to the amount of foreign pension income that is liable to UK tax. HMRC guidance explains that this concession was originally introduced in the early 1970s to reflect the additional expenses incurred in earning a foreign pension. However the government is not convinced that this is now justified. The Finance Act therefore removes this tax concession with effect from 6 April 2017.

**Exemptions from the Overseas Transfer Charge**

| Area | Detail of exemption |
|---|---|
| Occupational Scheme | The QROPS is an occupational pension scheme and, at the time of the transfer, the member is employed by an employer that participates in the scheme. |
| Residency | The member is resident in same the country as the QROPS at the time of the transfer and for the following five complete UK tax years. |
| European | The member is resident in a European Economic Area (EEA) country and the QROPS is also in an EEA country (not necessarily the same one). This must apply at the time of the transfer and for the following five complete tax years. |
| Public Service Scheme | The QROPS is an overseas public service scheme and, at the time of the transfer, the member is employed by an employer that participates in the scheme. |
| International Organisation | The QROPS is the pension scheme of an international organisation and, at the time of the transfer, the member is employed by that international organisation. |
| Pre 9 March 2017 request | QROPS transfers requested before 9 March 2017 are exempt under the transitional provisions. |

# 2017 BWCI Mini Soccer Festival

BWCI MINI SOCCER FEST

**Saturday and Sunday 22/23 July 2017**

Preparations are well underway for this year's BWCI Mini Soccer Festival. 2017 will see the 16th staging of an event which has become a focal point of the junior inter insular football calendar.

BWCI is delighted to be able to support this sporting highlight again this year, having extended the agreement to sponsor the event for a further three years in 2016. BWCI Managing Partner, Diana Simon, said:

*"The BWCI Festival is an important aspect of the football development of Guernsey's young players".*

Festival Chairman, Martyn Banton, commented :

*"We are delighted to have 21 teams registered for the Festival. I would also like to place on record the Guernsey Football Association's gratitude to BWCI for this continued generous sponsorship. The 2017 Festival will be the 10th consecutive year that BWCI have been the Festival's headline sponsor. This a great commitment on their part."*

He went on to say:

*"The reputation of the Festival continues to grow and it attracts interest from outside of the Island, with the attendance of the professional academy teams highlighting the profile of the Festival.*

*We are looking forward to again working with BWCI to deliver what we anticipate will be another fantastic football experience for hundreds of children and their families in July".*

Following confirmation of the number of entries, the 2017 Festival will continue in the same format as last year; it will involve two groups playing on a round-robin basis. The first group will have 11 teams with 10 teams in the second group. The top four teams from each group will progress to the quarter-finals of the BWCI Shield, with the teams placed fifth to eighth progressing to the BWCI Plate quarter-finals.

The teams participating this year include a total of five professional UK academy teams; two from each of Bristol City and Southampton, together with Festival stalwarts, Everton. In addition, there will be a further six teams from outside of Guernsey, including five teams from Jersey and the return of Braunton FC.

*Action from the BWCI Mini Soccer Festival*



Guernsey | PO Box 68, Albert House, South Esplanade, St Peter Port, Guernsey, GY1 3BY
Tel +44 (0)1481 728432
Fax +44 (0)1481 724082
Web www.bwcigroup.com

Jersey | Kingsgate House, 55 Esplanade, St Helier, Jersey, JE2 3QB
Tel +44 (0)1534 880112
Fax +44 (0)1534 880113
Web www.bwcigroup.com