

## What is an International Pension Plan?

International Pension Plans were developed to provide efficient pension arrangement for Companies with a mobile workforce operating across a number of different jurisdictions. It is often impossible for an international organisation to maintain its employees in one single pension plan for either legal or taxation reasons – the IPP is therefore an efficient and flexible pension solution.

Schemes are also available for individuals, transient expatriates will work in several jurisdictions throughout their career. Each country may not have a pension system that individuals can contribute to and there may be no state pension entitlements. Rather than start a pension in each country in which they live and work, they can use one pension fund based in a suitable jurisdiction, throughout their working life.

An IPP is established in a jurisdiction such as Guernsey which would be home to neither the employer nor the employees.

## Background

Guernsey enjoys a reputation within the global finance arena as a centre of excellence for the provision and management of pension schemes. International pensions have been managed in the island for over 30 years and local providers have accrued the highest level of knowledge and expertise.

Suitable for an internationally transient individual or Corporations with a presence in multiple jurisdictions, IPP's are defined by a Trust Deed and often a tax efficient, flexible alternative to onshore pension structuring.

Our individual and corporate schemes operate under section 40(ee) and 40(o) of the Guernsey Income tax regulations respectively and offer considerable levels of flexibility with regard to asset classes, investment options and structuring, often with fewer restrictions than alternative pension structures. The rules governing the administration of the schemes are straight forward in practice and can be tailored to suit individual requirements or circumstances.

IPP's allow members to build a pension fund in a tax efficient environment (neither investment made nor benefits drawn are subject to Guernsey income tax).

## Individuals

Transient expatriates will work in several jurisdictions throughout their career. These different countries may not have pension systems that they can contribute to and there may be no state pension entitlements. Often as non-UK Residents individuals cannot contribute to UK personal

pensions and will not be building up a UK State pension, so it is important that a retirement provision is maintained.

Rather than start a pension in each country in which the individual lives and works, they can use one pension fund based in a suitable jurisdiction, throughout their working life.

## Corporations

It is often not possible for an international employer to retain its employees within one scheme operated in the employers 'home' jurisdiction for legal or tax issues. Equally its employees may be based in jurisdictions where there is no pension legislation or where pension provisions are limited or non-existent.

An IPP is an ideal solution. (NB the company should not have either a base or employees located in Guernsey.)

## Summary Advantages of IPPs

- Investment flexibility – the trustees can tailor investments around requirements of individual employees;
- A number of employers can join the same IPP if they form part of the same multinational group;
- No obligation to purchase an annuity on retirement;
- The entire fund can be paid out as a lump sum;
- No restrictions on the contributions made by employer or employee;
- Flexibility in employer contribution rate;
- No limits to the value of the benefit/fund which can be accumulated for an individual member.

## Tax Advice/Fees

Full tax and structuring advice must be obtained for the establishment of an International Pension Plan. Imperium work with a number of leading advisory firms to assist with this advice and drafting of the pension deed, as well as assisting with appointing investment managers, lawyers and additional ancillary services.

The fees associated with setting up a Guernsey International Pension Plan would vary depending on the complexity of the pension deed and size & nature of the pension plan. Please note that third party tax and legal advice would be charged in addition to Imperium's fees.

**Please contact Euan Melrose or David Gilmour to discuss on 01481 728380 or email:**

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