Isle of Man Government

Reiltys Ellan Vannin

A Consultation Response Document

Proposed New Pension Scheme to Provide Greater Pension Freedoms

Issued by:

Income Tax Division
The Treasury
Government Offices
Bucks Road
Douglas
IM1 3TX

20 February 2018

Index **Page**

Proposed New Pension Scheme to Provide Greater Pension Freedoms

Consultation Response Document

1. Introduction

In July 2015, Tynwald approved a motion in relation to Isle of Man pension schemes. The motion read as follows:

"That Tynwald supports the concept of pension freedom; and is of the opinion that Treasury should bring forward by October 2015 proposals to allow Manx residents pension freedoms equal to or better than those currently available in the UK".

In the 2016 Budget, some measures of pension freedom were introduced. These increased the trivial commutation limit to £50,000 and reduced the age at which it may be paid to 55 as well as also reducing the age at which a fund remnant can be paid to 55.

Subsequently, at the July 2017 sitting of Tynwald, the Treasury Minister announced the launch of a public consultation concerning the proposed introduction of a new pension scheme to extend pension freedoms. The consultation document set out the main features of the proposed new scheme and also posed a number of questions and invited feedback and suggestions on the proposals.

2. Executive summary

The consultation ran for just over eight weeks, from 18 July 2017 to 15 September 2017, and generated a good level of public interest. A total of 68 responses were received and Treasury would like to take this opportunity to thank those respondents for taking the time to reply.

The consultation document contained five questions which some respondents chose to answer whilst others chose to comment more generally on the proposals. A summary of the responses made to each of the questions is set out below in section 3 but the comments and suggestions made by other respondents were quite varied and not easily summarised. However, a full copy of all of the responses can be found in the Appendix (subject to the removal of personal details such as certain names, email addresses, etc as well as anything that a respondent asked to be kept confidential).

Following the consultation period, the responses were reviewed and the proposals were further considered. Subsequently, certain aspects of the proposed pension scheme were revised and the main features of the amended proposals are contained in section 4 below.

3. Summary of responses

Of the 68 responses received, 40 were from individuals while 28 were from a variety of bodies including pension administrators, employers, local authorities, and a Statutory Board, (hereinafter collectively referred to as "non-individuals").

Of the 40 individuals, 32 addressed the questions raised in the consultation, with some also including additional observations on the subject in their response, while the remaining eight commented more generally on the consultation. However, it was noted that over half of the responses from individuals could largely be divided into two different styles of reply.

Of the 28 responses from non-individuals, two advised that they would make no comment, with one stating the assumption they had used to reach that view. As a result, these two responses will not be referred to below. Of the 26 remaining submissions, 18 responded to the questions raised in the consultation, with some also making additional observations, while seven commented more generally. The remaining respondent said that they had included the proposals on their website and had asked clients to either respond to the Government consultation or to their own survey. The respondent advised that they received submissions from 11 clients and submitted these in a tabulated form. As some of the questions in the survey were not identical to those in the consultation the responses were reviewed and considered separately and are not included in the summaries below. However, the full submission from the respondent is included in the Appendix.

3.1 Summary of responses made to each question

Question 1

Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?

Summary of comments received:

<u>Individuals</u>

Seventeen of the 32 individuals replied that they agreed, many just saying "Yes", another agreed with reservations, while a further agreed but would be happier with some limitations or penalties for larger pension pots. Eight individuals responded that a pension should provide an income in retirement, although a number of these also said that the treatment of small pension pots under the existing triviality and remnant rules should continue. A further two respondents did not agree for other reasons. One respondent said that the answer to the question is not a simple yes or no and went on to set out their thoughts, while another said that they did not necessarily agree and that we seem to be simply copying the UK "and they introduced freedoms to produce a short term tax take". The remaining respondent said that in principle, someone who has saved during their working life should be allowed to access this money in retirement but that allowing access to the entire pot made a mockery of the concept of pensions.

Non-individuals

Of the 18 non-individuals, eight agreed with the question, while a further five agreed, or agreed in principle, subject to various conditions. Four respondents were in favour of pension freedoms and flexible access to funds while the remaining respondent said that the question can only be answered after undertaking an impact analysis.

Question 2

Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?

Summary of comments received:

Individuals

Twenty three of the 32 individuals who responded to this question agreed with the proposed basic structure of the new scheme. Of the remaining respondents, some thought the annual contribution was too low, with suggestions of £10,000, £12,000 or a doubling or tripling of the amount, while one respondent commented that the proposed structure could be more generous. Two respondents did not agree with the structure, one on the basis that it would encourage people to withdraw their entire pension and the other on the basis that they did not see the point of it, the only purpose seeming to be to enable people to transfer money into it from one scheme and then on to themselves. The remaining response said that the structure should be agreed with industry experts.

Non-individuals

Of the 18 non-individuals, seven agreed with the proposed basic structure while one agreed subject to a higher maximum contribution rate of £12,000 per annum. Another respondent said it did not seem inappropriate but questioned the need to transfer out of the approved scheme into this one before accessing the flexibilities. Five of the respondents did not agree for various reasons, one of whom put forward an alternative proposal. One said it was unnecessarily complicated while another said it should complement existing options and that the annual contribution limit needs to be well in excess of £40,000 and even higher for employers, also that consideration should be given to a higher level of tax relief on contributions. One welcomed the Minister's observations on the wider implications of introducing the proposal and also suggested there should be no restrictions on the number of schemes a member can have or contribute to. The remaining respondent said that it is not possible to answer the question in an informed manner as there is no rationale or methodology given for the main characteristics.

Question 3

Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?

Summary of comments received:

Individuals

Of the 32 individuals, 22 said no, three agreed with the conditions listed or said they had nothing to add to them, one said that if the scheme is run under similar conditions to existing pension schemes that would be sufficient, one agreed with the conditions listed but proposed adding more, another said there should be consultation with industry experts, two stated a requirement for financial advice, one specifying it for over £30,000, one made no response to this question, and one said that the question is not appropriate for public consultation.

Non-individuals

Of the 18 non-individuals, five said no, one said yes, three agreed with the proposals, one said they had nothing to add, another said no other than having to have it signed off by an IFA, and one agreed with the conditions but proposed some additional conditions including a requirement for the employer to at least match the employee's contribution up to a maximum of 3%. Five non-individuals made other comments while the remaining response said "No comments".

Question 4

Do you agree that the proposed scheme could include an occupational pension scheme?

Summary of comments received:

Individuals

Of the 32 individuals, 29 agreed, some adding further comments, two did not include a response to this question and one referred back to their answer to question 3, which began by saying that the question is not appropriate for public consultation.

Non-individuals

Of the 18 non-individuals, 16 agreed with this proposal, some adding further comments, one made no comment, while the remaining response, which had already said it did not agree with the structure of the proposed new scheme, said that, in principle, if the new scheme is implemented as proposed, they had no objection to it taking the form of an occupational pension scheme.

Question 5

Do you agree with the level of the proposed transfer fee? If not, what would you suggest?

Summary of comments received:

Individuals

Of the 32 individuals, 25 said they believed the transfer fee should be higher, many adding other comments and some suggesting rates of 20% or more. Of the remainder, one agreed with the level proposed while another thought 15% is the absolute minimum that should be considered, and a third agreed there should be a transfer fee but was not sure of the amount. Three individuals disagreed, two of them saying it should be 10%, with the third saying it would discourage any transfers in. The remaining respondent said that it should not be set at a level that makes it tax efficient to transfer.

Non-individuals

Of the 18 non-individuals, 11 did not agree with the proposed transfer fee level, more than half of them thinking the transfer fee was too low while others thought it added to the complication. Another respondent who questioned the need for a new scheme said that if the new structure goes ahead they thought the 15% is probably too low. Of the remaining six responses, one thought 15% is the absolute minimum, another thought 15% is too high, and the other four made a variety of comments regarding some or all of the proposals.

4. Conclusions

Following the consultation period, the responses were reviewed and the proposals were further considered in light of the comments received.

The majority of the responses were in favour of a fully flexible scheme or a degree of pension freedom. However, as a result of the review, certain features of the proposals were amended while others were retained.

The elements of the proposed basic structure that are being retained

These are:

- a minimum retirement age of 55;
- no maximum retirement age;
- pension growth builds up tax-free;
- full access on reaching the scheme retirement age, including the ability to take the whole of the pension pot in one withdrawal or to make smaller withdrawals as and when required by the member;

- 40% tax-free lump sum;
- no tax on death.

The elements of the proposed basic structure that are being amended

These are:

- tax relief on contributions:
  - up to an annual contribution limit of £50,000 – this is an increase on the proposed annual contribution limit of £5,000 and reflects the comments made by a number of respondents that the proposed level was too low;
  - allowed at the member's normal rate of income tax – this is an increase on the proposed flat rate of 10% relief and has been made as a result of the change in tax treatment of chargeable funds set out in the next bullet point;
- taxable funds paid out during the life of the member will be subject to income tax at the member's normal rate, rather than at the proposed flat rate of 10% – increasing the rate of tax enables the annual contribution limit to be increased from £5,000 to £50,000 and the rate of tax relief on contributions to be increased to a maximum of 20%, whilst at the same time allowing ease of administration by not introducing a new contribution relief treatment;
- transfer fee of 10% - this is the fee that will be charged before an existing approved pension scheme can be transferred into the new scheme and is lower than the proposed figure of 15% which many respondents thought should be the minimum or was, in fact, too low. However, by increasing the rate of tax on taxable funds to 20% Treasury considers that a transfer fee of 10%, when combined with the 20% rate, is equivalent to a transfer fee of slightly more than 15% combined with the original proposed rate of 10% tax.

Other considerations

Many respondents expressed concerned about the possible long-term effects that introducing pension freedoms might have on public finances in the future. However, Treasury believes that individuals who have chosen to save for their own pension are unlikely to spend all those funds and to then require Government support and assistance in their old age.

A number of respondents thought that appropriate advice should be sought, or be available for, those considering whether to use the new scheme to access some or all of their pension funds. Treasury has noted this concern and has been working with the Financial Services Authority who will be issuing appropriate guidance to pension providers if the legislation enabling provision of the new scheme is approved by Tynwald.

Related pension changes

Two related changes to existing approved pension schemes also form part of the 2018 Budget and are therefore subject to Tynwald approval. These are:

- an increase in the triviality and fund remnant limits from £50,000 to £100,000 – Treasury considers that those with smaller pension pots should not be subject to the transfer fee in order to access their funds but should remain subject to their current level of liability. Therefore, in order to introduce pension freedoms for these individuals, Treasury will, subject to Tynwald approval, increase the triviality and fund remnant limits with effect from 6 April 2018. In practice, this would allow a pension pot of just over £142,000 to be paid out without any additional fee or charge and this applies to the majority of schemes in the Island;
- a decrease in the annual contribution limit for any pension scheme approved under the Income Tax (Retirement Benefit Schemes) Act 1978 and the Income Tax Act 1989 from £300,000 to £50,000 with effect from 6 April 2018 to bring the annual limit for all approved schemes into line. In practice, very few individuals pay more than £50,000 per year in pension contributions.

5. Next steps

Legislation enabling pension providers on the Island to offer the new pension scheme forms part of the 2018 Budget and, if approved by Tynwald at the February sitting, providers can introduce the new type of scheme from 6 April 2018.

Practice Note PN 201/18 - Pension Changes – provides further details of the operation of the new scheme together with the other pension changes that form part of the 2018 Budget.

6. Appendix

The Appendix contains a full copy of all of the responses submitted to the consultation subject to the removal of personal details such as certain names, email addresses, telephone numbers, and home addresses, where necessary.

In addition, one respondent requested, at the time of their submission, that their response remain confidential, while another respondent requested that their answer to one question remain confidential. As a result, these items are not included in the Appendix.

(1)

[redacted]

From: [redacted]
Sent: 24 July 2017 08:21
To: ITD, Consultation
Subject: Pension Consultation

As both myself and my Civil Partner are over 65 the main interest in this Consultation is whether or not we can access our total pension pots or not. We both feel very strongly that we should be able to withdraw the total amount we have saved in our personal pensions if we want to. There should also be an increase in the Tax Free amount, perhaps increase it to 40% tax free.

[redacted]

(2)

[redacted]

From: [redacted]
Sent: 25 July 2017 14:45
To: ITD, Consultation
Subject: Pension Proposals

Dear Treasury Minister,
Totally approve but I have some major concerns.
Do not think / feel equitable there should be transfer fee though as in my case I would lose £50K of my fund.
Currently I wouldn't pay tax on it at all as the payments would be drawn down after the initial lump tax free on the IOM Gilt rate etc tables basis at less than my and my wife's combined tax allowance. So a transfer tax is totally inequitable as it would increase the tax burden and reduce the amount someone in total may receive. You will not get support for this unless they have huge pots. Whilst I would get my funds quicker – I'd get less!
Worth noting that most people will naturally draw it down quicker at a greater level than their tax allowances so will incur tax and revenue would come in that way.
With the greatest respect to the Treasury any proposal should be for the benefit of the pension holder not the Treasury – I resent the suggestion that any element of a pension should be subject to any transfer tax other than that applied as normal income tax after the provision of normal tax allowances.
I think that the 40% tax free element clouds the issue. And complicates it as it means that the treasury is concerned at revenue
All anyone here is asking is for parity with UK - not something more complicated and what is perceived as better.
All I have ever sought is:-

- Tax free lump sum – same as UK i.e. 25%
- Remainder to be drawn as when seen fit by the individual subject to income tax

The proposals to me as I can see just complicate the whole issue and will cause loads of different views and take an eternity to legislate
I am meeting with Rob for lunch on Friday as my local MHK to discuss
Rob – I'll be interested to know your views – this is a great step in the right direction but I really think it's too complicated
Regards

[redacted]

2a

[redacted]

From: [redacted]
Sent: 26 July 2017 10:56
To: Dean, Anita
Subject: Pension Proposals

[redacted]

Sorry Anita
One further aspect I negated to include with my feedback yesterday

The proposals mention the Treasury's concern over revenues. I actually find this abhorrent personally as the funds are the individuals and not the Governments, irrespective of any tax relief provided
Anyway the whole point of amending legislation is to allow access to the funds quicker as many people may pass away without using their full pots
Access to the full pots will encourage spending and VAT and money in to the economy – has this been taken in to consideration?
Thanks

[redacted]

3

[redacted]

From: [redacted]
Sent: 31 July 2017 18:30
To: Martin, Paul
Subject: Re: Pension reform question?
Hi Paul,

[redacted]

Regards [redacted]

On 31/07/2017 13:42, Martin, Paul wrote:

> Dear [redacted]
> Thank you for your frank and honest response. Many of your suggestions are outside the scope of the current consultation but definitely something to be considered in the future. Would you be happy for me to include your email as a response to the consultation or would you like time to write a separate response.
> Kind regards
> Paul
> Paul Martin CTA
> Deputy Assessor
> The Treasury
> Income Tax Division
> Government Office
> Douglas
> Isle of Man
> IM1 3TX
> Telephone; 01624 685321
> E-mail; paul.martin@itd.treasury.gov.im
>
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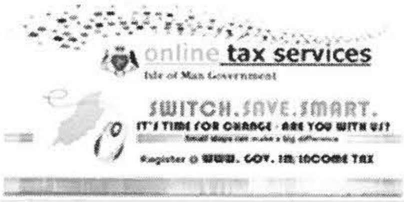
> 
>
>
> **From:** [redacted]
> **Sent:** 28 July 2017 17:57
> **To:** Martin, Paul
> **Subject:** Re: Pension reform question?
>
> Thank you Paul,
>
> Don't worry I am going to look at it but I must say it looks a nice piece of work. I have been campaigning for this for a while, as we have sent out (as a Island) mixed messages to people looking to relocate (vital to us going forward as an island). "where you can" well you cant, but you can if you go back to the UK, Malta, Jersey (looking at it like us)
>
> The sooner the better we get this done, as a former director of [redacted] we have lost 4 couples people going back to the UK over this issue. When I was in London trying to attract people here I get *" would love to but cant use my pension"*

One thing missing that would be lovely very very smart for you guys is at the moment with the old system I could (if I could convince the trustees) invest in commercial property ONLY !! (if it makes a return on profit) and then it has to go back to the fund. yawn, just a moment I'll wake up Oh yes.......

I would like to see in this document a tax strategy of say "Tax tapering" such as you get on UK CGT "IF" you invest in a company on/in the IOM only. I admire our Treasury department as you have to get it, but the others have to spend it. So helping you to get it even from me is a great thing to support your Government, as it a nice place to live nobody stops to think of that.

So as I have had many successful companies or been the MD of them a very thought out retention process to keep this cash in the Island would fantastic for us all.

I have worked in the Telecom and Internet world, and lets say I was wanting at 55 to go into a new start up with an Idea? I have useless small private pensions that will make no difference to my life, BUT lets say I wanted to invest 100k in a new software company solely based in/on the IOM.

What could you come up with to make me do that ! this is very important Paul, would you taper or write down your fee if this cash was put into new IOM company ? Would you give more to certain sectors you want to promote? (I would) Say x percent to property, xxx percent to tec start ups say no tax at all if you keep it in the company for 5 years or 7 ?

I have rushed this email as I have to go out but please tell me if you think this is a goer as this will "pull" new people into the Island who don't want to retire at 55 and could invest here. I'm 61 I would! This from your point of view is a once in a life time situation build in a system where you get taxed if (I) just take it fine.....

Build in a system where I have to open a IOM company *(reversing the decline of the registry saving jobs getting more fees for you boys and girls)* even in the buy to let market of housing then you boost the construction market in a blink, well boost everything and its not your money, its not your risk, you might have to wait but unlike the free for all in the UK you have focused it. My Government as you are, has a business focus on rewarding people who invest there private pension back into the IOM as a tasty option. (no we don't want fast cars or home abroad we want to keep it here)

Wow you people would look very very smart on pushing me into more investment in the IOM......I want pushing push me.......this should be a no brainier the Tax people want us to do this in these areas, If I want to not do that I PAY FOR IT NOW! YOU GET PAID!

I just happen to think this government is the best we have had in a long time particularly the Treasury minister who has font line business experience so what a feather in the cap for all of you if you go with this idea, any crap about letting some people have some access is well offset by *"look at where we incentivise with this new option back in the IOM and jobs"*

one word BOOM!

Regards to you, [redacted]

On 28/07/2017 15:42, Martin, Paul wrote:

> Dear [redacted]
> Thank you for your email regarding the pension consultation.
> You are correct regarding the movement of a pension scheme from the UK to the Island has not been dealt with specifically within the proposal document.
> However if a person moved several private pensions from the UK, amalgamated them into an IOM approved SIPP on set up and then took (on set up) the 30% tax free sum, if they then wanted to move to the new

scheme and take the whole fund, I see no reason at this stage to treat it differently.

I would be interested to know your thoughts or suggestions as part of the consultation.

I hope this helps

Regards

Paul

Paul Martin CTA
Deputy Assessor
The Treasury
Income Tax Division
Government Office
Douglas
Isle of Man
IM1 3TX
Telephone; 01624 685321
E-mail; paul.martin@itd.treasury.gov.im

Isle of Man. Giving you freedom to flourish

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3a

[redacted]

From: [redacted]
Sent: 28 July 2017 11:54
To: ITD, Consultation
Subject: Pension reform question?

Dear Paul,

Alf Cannan sent me the consultation pdf on pension reform and put your email address on the pdf.

Could I ask a question please.

If you moved several private pensions from the UK, amalgamated them into a IOM SIPP on set up as many Island residents have done and then took (on set up) the 30% tax free sum on the way through is there are different set of proposals for these people as it is not laid out in the PDF.....? or is it something silly I have missed?

Best Regards [redacted]

[redacted]

4

[redacted]

From: [redacted]
Sent: 04 August 2017 12:57
To: ITD, Consultation
Cc: [redacted]
Subject: Proposed New Pension Scheme to Provide Greater Pension Freedoms

Dear Paul

First of all, thank you for affording the Isle of Man Office of Fair Trading ('the OFT') the opportunity to comment on the proposed new pension scheme. I am responding on behalf of the OFT but can confirm that the content of this message has been approved by the Board.

Due to a lack of technical knowledge with respect to pension schemes, the OFT wishes to limit itself to making the following general comments.

In principle, it is very difficult to argue that individuals should not have access to their own pension pots and make their own financial decisions, however, in practice, the OFT sees through the Financial Services Ombudsman Scheme ('the FSOS') and its Debt Counselling Service that they often struggle with the concept of risk.

There is no doubt that individuals with money to invest, e.g. from their pension schemes or though equity release on their homes, are prime targets for 'get rich quick' scammers promising "high returns" on "low risk" investments.

The FSOS often deals with cases where the complainant resides in another jurisdiction and has been persuaded, against his/her better judgement, by an unregulated independent financial adviser (IFA) in the jurisdiction concerned to invest in a totally inappropriate IOM investment product. Whilst IFAs are regulated in the Island, providing greater pension freedoms could still lead to an increase in the number of Island residents investing in totally inappropriate investment products, whether they are IOM investment products or not.

In summary, the OFT would urge a cautionary approach to providing greater pension freedoms for the reasons outlined above, i.e. misconceptions surrounding risk and potential exposure to 'get rich quick' scammers.

Regards
[redacted]

[redacted]
Isle of Man Office of Fair Trading
Thie Slieau Whallian
Foxdale Road
St. John's
Isle of Man
IM4 3AS
British Isles
[redacted]

5

[redacted]

From: Martin, Paul
Sent: 11 August 2017 09:02
To: [redacted]
Subject: RE: Pension Freedoms - Isle of Man

Dear [redacted]

Thank you for your response, I will add your proposal to the consultation responses.

Regards

Paul

Paul Martin CTA
Deputy Assessor
The Treasury
Income Tax Division
Government Office
Douglas
Isle of Man
IM1 3TX

Telephone; 01624 685321
E-mail; paul.martin@itd.treasury.gov.im

From: [redacted]
Sent: 10 August 2017 19:23
To: Martin, Paul
Subject: Re: Pension Freedoms - Isle of Man

Dear Mr Martin,

Thank you again for your reply to my previous correspondence.

I believe the legislation which you refer only allows a person aged 55 to drawdown their pot in full if it is under £50,000.
You are , however , able to access the same pension at age 50.

I would propose that anyone aged 50 should be able to have the right to full access to their pension funds with no £50,000 limit.

I am trying to convince my children to invest for their future.The ability to access your savings at 50 should be a choice available to everyone who has saved and invested for their future.

Kind regards,

[redacted]

On 10 August 2017 at 09:14, Martin, Paul <Paul.Martin@itd.treasury.gov.im> wrote:

Dear [redacted]

It is already possible to draw down a pot of £50,000 all at once. Legislation was introduces recently to allow this to happen.

The current proposal is that freedoms will be introduced by next April .

I hope that helps

Regards

Paul

Paul Martin CTA

Deputy Assessor

The Treasury

Income Tax Division

Government Office

Douglas

Isle of Man

IM1 3TX

Telephone; 01624 685321

E-mail; paul.martin@itd.treasury.gov.im

Warning; If you are not the intended addressee of this e-mail, you must not copy or deliver it to anyone else or use it in any unauthorised manner.

From: [redacted]
Sent: 09 August 2017 21:47
To: Martin, Paul
Subject: Re: Pension Freedoms - Isle of Man

Dear Mr Martin,

Thank you for replying to my correspondence.

May I enquire how a capital pot of £50,000 ,and already in drawdown ,would be treated under the new proposals.

Also, do you have a timeline when the pension freedom proposals would become effective ?

Thanks and regards,

[redacted]

Virus-free. www.avg.com

On 9 August 2017 at 16:01, Martin, Paul <Paul.Martin@itd.treasury.gov.im> wrote:

Dear [redacted]

Thank you for your response to the consultation on pension freedoms.

I can confirm that it is currently proposed that any pension already in drawdown will still be able to transfer to the new flexible access scheme and therefore have access to the remaining funds. However I cannot envisage it extending to anyone who already has an annuity.(I believe the UK Treasury did a U-turn on annuities and scrapped the whole idea of allowing pension annuities to be cashed).

However if you have any particular thoughts on this that you would like included in the consultation please let me know.

Kind regards

Paul

Paul Martin CTA

Deputy Assessor

The Treasury

Income Tax Division

Government Office

Douglas

Isle of Man

IM1 3TX

Telephone; 01624 685321

E-mail; paul.martin@itd.treasury.gov.im

[redacted]

From: [redacted]
Sent: 06 August 2017 19:22
To: ITD, Consultation
Cc: Cannan, Alfred (MHK)
Subject: Pension Freedoms - Isle of Man

Dear Sirs,

With respect to the current consultation regarding pension freedoms.

Please confirm that people currently trapped in a annuity, or already in drawdown ,will be able to enjoy flexibility to access their remaining capital funds.

Consideration should also be made to ensure the pension provider or trustees are not allowed to charge excessive fees.

I believe the UK have made such provision for the above circumstances.

Yours faithfully,
[redacted]

6

[redacted]

From: [redacted]
Sent: 07 August 2017 23:22
To: ITD, Consultation
Subject: pension reform

Dear sir
I have just reached state pension age with a private pension taken out many years ago with the promise of a big fat pension at 65
My pension provider who is based in the UK has given me various options in taking out an annuity with them ,however if I lived in the UK I would be able to take advantage of other providers who offer much better annuity rates giving me a more comfortable financial retirement so not needing government handouts

All I can take out on our Island is a S I P no options to compare the market as in the UK

Also in the UK the government have Pension Wise to help in making decisions that will affect the rest of your life ,there is nothing offered by the Manx Government to advise the options available maybe its because there are none

I cannot understand just why this Government is more concerned about protecting pension industry making money rather than looking after their residents by severely restricting the options available to manx voters in not following the lead set by the UK government ,who it would appear care more for their citizens than the Isle of Man does

This Government is very quick to follow the UK when it suits them if it rakes in more money but if it benefits the consumer they need to consult, then consult on the consultation then pass it on to a committee & by then its election time so decide to wait till after this ,then the wheel turns again etc etc

Why has the Government been dragging their feet in doing very little to insure at least parity with the adjacent Isle
Kind regards
[redacted]

7

WILTON

Paul Martin, Deputy Assessor
Income Tax Division
2nd Floor, Government Offices
Bucks Road
Douglas IM1 3TX

11 August 2017

[redacted]

Via email to: (consultation@itd.treasury.gov.im)

Dear Paul,

Proposed New Pension Scheme to Provide Greater Pension Freedoms

Wilton Pensions (IOM) Limited is an administrator registered pursuant to s.36 of the Retirement Benefits Schemes Act 2000. We are part of the Wilton Group of companies who operate multi-jurisdictionally to provide solutions to clients worldwide. We thank you for providing an opportunity to respond to the consultation.

Question 1
We believe that a modern framework for pensions is needed & we welcome both the timing and the broad thrust of the proposal. Our team at Wilton have a vested interest in a framework that enables the provision of consumer choice, allows space for entrepreneurs to generate wealth for the economy and supports the growth of business on Island.

We understand that the Financial Services Authority is charged with consumer protection. We would welcome any steer from the Authority in terms of the framework currently in place for securing consumer protection, whether they anticipate a strain on the availability of suitable independent financial advice, and what measures are being taken or are proposed to further protect consumers given the proposal.

Question 2
I had the pleasure of being a member of the Department of Economic Development Working Group cited in the proposal. As I recall the Group was keenly interested in Treasury modelling the effects of any proposal so that the Minister and indeed other stakeholders might understand the possible impact, including, in particular on whether individuals would be more or less likely to save sufficiently for their retirement, whether there would be a detrimental impact on the cost of welfare provision in the longer term and whether there might be any other economic impact that should be considered by Government.

You may recall that the Working Group commissioned a paper to assist the Minister in understanding that there could be significant implications with regard to securing existing government policy, in particular welfare policy, also for consumers and for the pensions industry. We note that there is no reference with regards the wider implications of introducing the proposal and we would welcome the Ministers observations on those wider implications.

With respect to the number of schemes a member may have under this proposal, we note that members are restricted to one each. It is likely that product choice will evolve and fee structures differ between products and provider. Members will want to switch from time to time and employers will want the opportunity for employees to contribute to an arrangement that they are sponsoring which will in some circumstances differ from a person's previous choice. We would ask that the Minister provides flexibility as this is in consumer interests and suits a free market economy. Our suggestion is that there should be no restrictions on the number of schemes a member can have or contribute to.

Question 3

We think it likely that under the proposal as it stands, members of defined benefit schemes might transfer their arrangements to a personal pension scheme as a stepping stone to the new scheme. Can the Minister set out in more detail to what extent measures will be put in place to both protect the interests of those members who wish to safeguard their defined benefit accrual in the event that their scheme is prospectively destabilised through other members migrating to the new scheme. In addition what measures will be put in place to ensure that members do not step through a personal pension scheme to take advantage of the flexibilities contained in the proposal?

We believe that one of the possible impacts of the proposal is that existing members of both statutory and defined benefit schemes may choose to place "new" money into the proposed scheme. In some cases members will opt out of their existing schemes to do so, particularly where the member values the flexibility on offer more highly than any employer's contribution and indeed any other benefits available from their existing arrangements.

Can the Minister confirm that when he refers to transfers being prohibited from defined benefit schemes, the prohibition extends to transfers from all statutory schemes? Can the Minister also confirm that he has given due consideration to the possible impact on public revenues and in addition the sustainability of statutory schemes given that some members of statutory schemes will decide to place new money into the new scheme and may choose to opt out of their existing arrangements to do so?

Can the Minister set out the guidance, if any, that he anticipates that trustees of defined benefit schemes should seek and in addition what information is to be made available to members concerned as to the possible impact of increased numbers of opt outs on the viability of defined benefit and statutory schemes. From the industries perspective whether the Minister has any plans to bring forward legislation dealing with information flows to members and in respect of scheme valuations.

Question 4

We believe that the new scheme should have the flexibility to encourage employers to participate and the option of providing an occupational scheme will provide employers with a prospective option to sponsor flexible arrangements for their employees. This is a forward thinking move and we would argue is an essential element of the package given the Islands demographic.

Question 5
Taking the consumers perspective we anticipate that there will be pressure to reduce the transfer charge below the 15% proposed. We believe that if the Minister reduces the transfer charge there will be an increased movement of members away from existing pension arrangements.

A lower transfer charge will increase the numbers of individuals transferring so as to cash out. Whilst we welcome the choice individuals will have with regard to their use of personal savings as we believe in the principle of freedom of choice, we also note the statements of behavioural economists that individuals do not always act in their own interests & so we are concerned as taxpayers that we will be obliged to meet the shortfall that the Government will be under pressure to provide for as increasing numbers of savers find themselves in poverty in later life.

We would encourage the Minister to go wider than a consideration of protecting revenues as he reflects on any pressure brought to bear to reduce the transfer charge and we ask that irrespective of whether he is minded to reduce the charge, that he simultaneously introduces measures to both inform individuals of the risks they face & the decisions they must contemplate as well as takes steps to ensure that the Government's ability to deliver its welfare policy is protected.

We consider that where a member has not yet transferred their assets from an overseas arrangement into an existing arrangement that they may now choose to transfer directly into the new scheme instead. No transfer charge will be deductible in such cases and indeed the argument that such a charge, even if it could be made, would protect revenues wouldn't stand as those funds have not been tax relieved in the Isle of Man.

Members who have already transferred into a domestic scheme from overseas will be placed at a disadvantage compared to new transfers as a consequence of the transfer charge being applied to existing domestic schemes.

We would ask the Minister to consider reducing the transfer charge in respect of funds attributable to overseas inward transfers in recognition of the fact that such a charge does not protect revenue it simply builds it. This would also provide greater equity between those already transferred into existing arrangements who will be met with a transfer charge on movement to the new scheme and those yet to transfer from overseas arrangements that will not be charged.

On other matters
The level of the flat rate of income tax is welcome in respect of individuals who would otherwise be subject to tax at a higher marginal rate. It is also helpful from an administrative perspective. However we believe that if a target market for the new scheme is low to middle income earners that a deduction for tax will act as a disincentive to save, as such earners may be eligible, or perceive that they may be eligible for lower rates of income tax on other forms of income in retirement. We would ask that the Minister considers how such individuals may have tax deducted which more closely aligns with their marginal rate, where this would be less than 10%, perhaps by assessment in the annual tax return.

When contrasting the proposal with arrangements approved under section 50B ITA1970, we consider that a deduction of 10% in cases where an international arrangement is otherwise zero rated, places the new scheme at a disadvantage & thus makes it prospectively unattractive to non-residents. We would ask the Minister to consider how the taxation for non-residents could be made more competitive as this could become a critical factor affecting the longer term interests of consumers & industry, in particular the pension sector & those peripheral financial services enterprises whose existence it helps to support.

Contrasting with the UK
As the motion passed by Tynwald sought to introduce arrangements better than those which exist in the UK we have looked at some of the characteristics of comparable schemes in the UK and would ask that the Minister incorporate the following so as to improve quality for the consumer, competitiveness for providers & reduce running costs, thereby increasing accessibility :

1. The tax relief granted could be rolled up by Treasury & remitted to the scheme to top up the member contribution, which would leave the member contribution at £5,000 maximum but increase the contribution made into the scheme to a maximum £5,500.

2. Additional employer contributions up to a maximum of £5,000 per year could be provided for thus increasing interest in the scheme from prospective employers.

3. We would also suggest that £5,000 per year maximum is not sufficient to fund a decent level of retirement income and should be increased in particular for people nearing retirement.

4. Can we ask that fees be tax deductible?

5. Carry forward of unused contribution, thus if a member pays less than the maximum in any given year they can carry forward the unused balance to the next year. This will assist those people who are obliged to make lifestyle choices preventing their use of income to fund savings to the maximum in a given year.

6. The member to be able to pay in more than the maximum on the understanding that the excess contribution is not tax relieved. This is common in the UK as the UK Government wish to restrict tax relief whilst at the same time individuals wish to provide additional savings nonetheless.

7. Where a lump sum is taken of less than 40% of available funds, the scheme is allowed to split into vested and unvested arrangements such that the lump sum taken will be 40% of vested funds. This will leave scope for a further lump sum to be taken as remaining funds vest.
    a. As a supplementary we would ask that unvested funds should be allowed to co-mingle and vested funds be allowed to co-mingle, but to be clear we are not requesting that vested and unvested funds be allowed to co-mingle.

8. The pension year for contribution purposes to be established by the member. The cap on contributions would orientate around pension year. This provides flexibility so that members can take full account of their personal circumstances.

9. The remittance of drawdown to be undertaken without reference to an Isle of Man payroll. As the tax is fixed the administrator should be able to deduct tax & report on a more flexible basis than would be required through use of a payroll facility. This may reduce the operating costs for suppliers which should result in lower charges to members.

10. An exemption from CRS reporting to be sought.

11. A return of funds should be permitted where membership terminates prior to age 55. We would suggest that there should be no tax free lump sum in these circumstances. Restrictions would continue to apply on transfers received. This provision would reinstate and extend the old refund of contributions provisions that existed historically & at no detriment to the taxpayer. We also believe this measure would increase the attractiveness of this form of saving & accompanied by appropriate messaging should increase the numbers of members with viable funds at retirement.

12. If a return of funds before age 55 is not accepted or is offered on a limited basis we would ask that a right to cancel be permitted as we note under UK law that this provides a useful safeguard for consumers.

13. The option to transfer out to other approved arrangements either in part or in full.

14. Requirement to audit the accounts be left to trustees discretion. Thus reducing running costs. Trustees will remain accountable to the Regulator for decision making.

15. Financial reporting to the Regulator to be limited to its UK equivalent. Thus reducing the costs of administration and thereby prospectively fees. We believe that UK accounting standards allow differentiation between schemes & that between the FCA Handbook & SORP there is sufficient recognition of the risks to allow for proportionate reporting in a manner not currently catered for by legislation in the Island.

We will be happy to discuss any of our thoughts in more detail should you wish it.

Once again, we look forward to the passage of these proposals, to your response on the various points raised & Paul, thank you for providing the opportunity for us to input.

Kind regards.

Yours sincerely,

[redacted]

(8)

PATRICK PARISH COMMISSIONERS

Barrantee Skyll Pherick

CLERK OF COMMISSIONERS
[redacted]

[redacted]
patrickcommissioners@manx.net

HALL CAINE PAVILION
OLD CHURCH ROAD
CROSBY IM4 2HA
ISLE OF MAN

For the attention of Paul Martin, Deputy Assessor
Isle of Man Government,
Treasury: Income Tax Division
2nd Floor, Government Office,
Buck's Road,
DOUGLAS,
Isle of Man

August 16, 2017

Dear Sir,

NEW PENSION SCHEME TO PROVIDE GREATER FREEDOM

The Commissioners considered the above at their meeting on Monday before last when it was resolved to make No Comment. In reaching this view, it is assumed that the tax relief on contributions would apply only to this scheme and be in addition to any tax relief allowable on current schemes. If not, a total sum of £5000 would be wholly contradictory to the idea of encouraging saving for retirement.

The Commissioners hope this is helpful.

Yours Faithfully

[redacted]

(9)

MAROWN PARISH COMMISSIONERS

Clerk to the Commissioners
[redacted]
Email: marown.comm@manx.net

HALL CAINE PAVILION
OLD CHURCH ROAD
CROSBY
ISLE OF MAN
IM4 2HA

For the attention of Paul Martin, Deputy Assessor
Isle of Man Government
The Treasury,
Second Floor,
Government Office,
Buck's Road,
Douglas
Isle of Man

17 August 2017

Dear Sir,

CONSULTATION – NEW PENSION SCHEME

The above was discussed by the Commissioners at their meeting on Wednesday last. The Commissioners have resolved to make no comment.

Thank you for consulting this authority

Yours Faithfully

[redacted]

(10)

[redacted]

From: [redacted]
Sent: 21 August 2017 15:42
To: ITD, Consultation
Subject: Greater Pension Freedoms

Dear Paul,

With reference to the consultation paper, I would like to provide my responses to the specific questions as follows:-

1. Yes, I agree that individuals should be able to access their entire pension pots. Anybody who has put the effort into acquiring a pension pot of any decent size is clearly concerned about providing themselves with an income in retirement and is therefore unlikely to use the opportunity to blow the accumulated income on something frivolous. Having the ability to be flexible however is comforting, especially from a financial planning perspective.
2. No, I do not agree with the proposed basic structure. Reducing the tax take from pensions does not make economic sense (although from a personal selfish perspective is desirable!) and I do not see any need for this to be incentivised – the flexibility is incentive enough. Essentially I am advocating retaining the current pension arrangements with the removal of drawdown restrictions.
3. I would consider a requirement for anybody wishing to access more than a given percentage of their fund (subject to the de minimis limits applicable to remnants / triviality) to show that they have taken advice as to the appropriateness – this should not necessarily be an approval / decline mechanism but something to ensure that clients are not sleepwalking into running out of funds. Ultimately however an insistent client is an insistent client and should be allowed to accept the responsibility that comes with the freedom.
4. Yes – if we introduce the concept of pension freedom it should apply to all pensions, again subject to the need to show that the proposed action has been the subject of advice, whether or not that advice has been followed.
5. If you do not reduce the tax arrangements there is no need for a fee. I subscribe to the adage of "keep it simple" and so taxing pensions in exactly the same way as we do currently causes the least disruption and potential confusion.

My general comments are that I am generally in favour of flexibility. The UK experience to date does not suggest that there has been a huge rush to cash in pensions. Arguably this is because the taxation effects are more punitive in the UK but I would to a reasonably large extent disagree. The comments that I hear from the financial planning community are that for most people the concept of a pension is central to their retirement planning and therefore they are not in a hurry to lose the capital. Having the flexibility to draw funds as required however adds a lot to the financial planning possibilities.

The flexibility would also give the ability for clients to dispense with pots whose income generating capacities are limited. The spending of the capital would boost the economy without damaging the long term income of the individuals and give a tax boost in the short term.

I believe that there should not be any additional incentives or indeed penalties for using the flexibility and that recovering tax from tax relieved funds is important. An alternative if needed however would be to scrap tax relief altogether and permit all pension payments to be paid gross. I don't know what the tax differential would be overall but I guess this will determine the viability of this.

Please let me know if you have any queries with regards to my comments.

Kind regards,

[redacted]

For and on behalf of MitonOptimal Portfolio Management (IOM) Limited

MitonOptimal

Contact Details

[redacted]

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11

[redacted]

From: [redacted]
Sent: 04 September 2017 14:47
To: ITD, Consultation
Subject: Pension Freedoms Consultation

Question 1

Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?

Yes

Question 2

Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?

Yes

Question 3

Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?

No

Question 4

Do you agree that the proposed scheme could include an occupational pension scheme?

Yes

Question 5

Do you agree with the level of the proposed transfer fee? If not, what would you suggest?

No - the rate of 15% to transfer existing pensions to the new scheme is probably too low. Those in the fortunate position of having large pension funds have received substantial tax reliefs to enable them to accumulate these funds. If they are allowed to 'empty out' these funds now at a minimal tax charge, I am concerned that they will ultimately need greater state assistance in their old age and this can only come from additional taxes and National Insurance contributions that I do not wish to pay for.

12

[redacted]

From: [redacted]
Sent: 04 September 2017 14:07
To: ITD, Consultation
Subject: Pension Freedoms – Consultation Response

Question 1
Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?
Yes
Question 2
Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?
Yes
Question 3
Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?
No
Question 4
Do you agree that the proposed scheme could include an occupational pension scheme?
Yes
Question 5
Do you agree with the level of the proposed transfer fee? If not, what would you suggest?
No – the rate of 15% to transfer existing pensions to the new scheme is probably too low. Those in the fortunate position of having large pension funds have received substantial tax reliefs to enable them to accumulate these funds. If they are allowed to 'empty out' these funds now at a minimal tax charge, I am concerned that they will ultimately need greater state assistance in their old age and this can only come from additional taxes and National Insurance contributions that I do not wish to pay for.

[redacted]

From: [redacted]
Sent: 04 September 2017 16:29
To: ITD, Consultation
Subject: Pensions Freedom Consultation

Dear Paul

I know you are fully aware of our views but please see below the formal response of Fedelta Pensions Limited to the consultation.

Question 1
We agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement but there has to be an acknowledgement of the substantial tax relief that has been received and access therefore has to be given with suitable controls.
Question 2
We agree with the proposed basic structure of the new scheme.
Question 3
We can see no point in prohibiting the receipt of transfers from DB schemes. Individuals will simply pass through a 1989 personal pension and then transfer on to the new style scheme. Consideration should, however, be given to whether financial advice is required for anyone accessing their whole fund.
Question 4
We agree that the proposed scheme could include an occupational pension scheme.
Question 5
A charge of 15% to transfer existing pensions to the new scheme is the absolute minimum that should be charged. The examples of 10% and 0% are clearly designed to lead respondents to suggest a lower figure but we hope the public will see the bigger picture and realise that a great tax giveaway will only benefit a wealthy few to the cost of the majority. The examples of tax payable in certain scenarios are highly misleading – someone with a £500,000 pension fund will not have unused personal allowances and in pretty much all cases tax would be lower if a lump sum was taken from the 1989 or 1978 scheme prior to transfer. The flexibilities in the UK come at a very high tax cost and it has been reported that HMRC expect to receive up to 68% of higher value pension funds that are cashed in. A total cost in the IOM of 25% is therefore extremely low. The transfer charge certainly shouldn't therefore be any less than 15% and we believe that the Treasury Minister's desire to introduce a lower charge is reckless and would have catastrophic consequences for the Isle of Man.
Additional Comments
It has to be pointed out that the final paragraph of the 'Introduction' is misleading to the public. A more accurate statement would have been 'the DED were removed from the process and all concerns raised by industry were ignored and excluded from this consultation'. The public would then have been able to consider the document in the knowledge that it DID NOT have the support of industry.

Kind regards

[redacted]

For and on behalf of **Fedelta Pensions Limited**
[redacted]
29/31 Athol Street, Douglas, Isle of Man, IM1 1LB, British Isles

14

[redacted]

From: [redacted]
Sent: 04 September 2017 17:40
To: ITD, Consultation
Subject: Pension Freedoms – Consultation Response

Question 1
Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?
Yes
Question 2
Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?
Yes
Question 3
Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?
No
Question 4
Do you agree that the proposed scheme could include an occupational pension scheme?
Yes. I cannot see how a transfer of defined benefits from an occupational scheme is any different to any other transfer, nor can I understand why these have been specifically excluded. Is this a government ploy to stop government employees from being permitted to transfer rather than putting a block on transfers out of the unfunded government scheme? There are lots of people currently transferring out of old occupational defined benefit schemes into IOM SIPPS with the understanding that they will provide benefits on a money purchase basis. Why should they be excluded from the new scheme?
Question 5
Do you agree with the level of the proposed transfer fee? If not, what would you suggest?
[redacted]

(15)

[redacted]

From: [redacted]
Sent: 04 September 2017 14:35
To: ITD, Consultation
Subject: Pension Freedoms – Consultation Response

Dear Sirs

In response to the Pension Freedoms Consultation, please find below my answers in relation to your questions:

Question 1
Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement? - Yes

Question 2
Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why? - Yes

Question 3
Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy? - No

Question 4
Do you agree that the proposed scheme could include an occupational pension scheme? - Yes

Question 5
Do you agree with the level of the proposed transfer fee? If not, what would you suggest?
No – I feel the rate of 15% to transfer existing pensions to the new scheme is too low. People who have built up large pension funds have received substantial tax reliefs to enable them to accumulate these funds. If they are able to transfer their funds to the new scheme at a minimal tax charge, I am concerned that this could result in taxes being largely underpaid as opposed to if they had to pay tax on their current pension scheme benefits. The ability to take all of the built up funds and spend a large portion of it on luxury items could ultimately result in them needing greater state assistance in their old age and this can only come from additional taxes and National Insurance contributions that would have adverse results on the current working population.

Many thanks

[redacted]

16

[redacted]

From: [redacted]
Sent: 04 September 2017 17:03
To: ITD, Consultation
Subject: Pension Freedoms – Consultation Response

Question 1
Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?
Yes
Question 2
Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?
Yes
Question 3
Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?
No
Question 4
Do you agree that the proposed scheme could include an occupational pension scheme?
Yes
Question 5
Do you agree with the level of the proposed transfer fee? If not, what would you suggest?
No – the rate of 15% to transfer existing pensions to the new scheme is probably too low. Those in the fortunate position of having large pension funds have received substantial tax reliefs to enable them to accumulate these funds. If they are allowed to 'empty out' these funds now at a minimal tax charge, I am concerned that they will ultimately need greater state assistance in their old age and this can only come from additional taxes and National Insurance contributions that I do not wish to pay for.

17

[redacted]

From: [redacted]
Sent: 04 September 2017 14:32
To: ITD, Consultation
Subject: Pension Freedoms – Consultation Response

Question 1

Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?

Yes

Question 2

Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?

Yes

Question 3

Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?

No

Question 4

Do you agree that the proposed scheme could include an occupational pension scheme?

Yes

Question 5

Do you agree with the level of the proposed transfer fee? If not, what would you suggest?

No - the rate of 15% to transfer existing pensions to the new scheme is probably too low. Those in the fortunate position of having large pension funds have received substantial tax reliefs to enable them to accumulate these funds. If they are allowed to 'empty out' these funds now at a minimal tax charge, I am concerned that they will ultimately need greater state assistance in their old age and this can only come from additional taxes and National Insurance contributions that I do not wish to pay for.

Kind regards

[redacted]

18

[redacted]

From: [redacted]
Sent: 04 September 2017 14:33
To: ITD, Consultation
Subject: Pension Freedoms – Consultation Response

Dear Sir,
In respect of your Pensions Freedom consultation document I now respond to your questions as follows:

Question 1
Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?
Yes

Question 2
Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?
Yes

Question 3
Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?
No

Question 4
Do you agree that the proposed scheme could include an occupational pension scheme?
Yes

Question 5
Do you agree with the level of the proposed transfer fee? If not, what would you suggest?
No – the rate of 15% to transfer existing pensions to the new scheme is probably too low. Those in the fortunate position of having large pension funds have received substantial tax reliefs to enable them to accumulate these funds. If they are allowed to 'empty out' these funds now at a minimal tax charge, I am concerned that they will ultimately need greater state assistance in their old age and this can only come from additional taxes and National Insurance contributions that I do not wish to pay for.

Regards

[redacted]

(19)

[redacted]

From: [redacted]
Sent: 04 September 2017 14:47
To: ITD, Consultation
Subject: Pension Freedoms - Consultation response

Dear Paul,

I set out below my thoughts on this matter. I am writing in my personal capacity and do not represent and firm, organisation or association.

With kind regards, [redacted]

[redacted]

1. Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement? No.

The whole point was that these arrangements were set up as a pension. People knew the deal when they went into it and they have been provided with massive tax benefits to ensure that they are less of a burden on the state when they get older. To allow them now to pull at all the money at a fairly low tax rate, blow the lot on fast living and then throw themselves on the mercy of the next generation of Tax and NI payers is the most irresponsible thing the Manx government could do.

If there is a good argument for setting up a new scheme that allows full withdrawal then this should only apply to contributions made after the new scheme is introduced. No transfers from existing schemes into new schemes should be allowed.

2. Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why? No.

I don't see the point in it. It's only purpose seems to be to enable people with old schemes to transfer the money in there through it and onto themselves. You don't need to create a whole new scheme to do that. If you really want to encourage middle aged people like me to do this (and I question why you would want to - see response to 1 above) all you need to do is to allow payments from an old scheme to be made in excess of the amounts currently allowed, to make such excess payments tax free in the hands of the recipient and to imposes an "excess payments charge" on the scheme making the payment of some percentage (e.g. 50%) of the payment made (i.e. 33.3% of the grossed up amount).

The reason why you need an excess payments charge rather than to tax the percipient is to stop people like me pushing off to the UK for a year, emptying out my pension scheme, claiming exemption from Manx tax under the DTT, avoiding UK tax by claiming the remittance basis and then returning to the Island having trousered the lot at almost no tax cost.

3. Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy? No.

4. Do you agree that the proposed scheme could include an occupational pension scheme? Yes.

5. Do you agree with the level of the proposed transfer fee? If not, what would you suggest? No.

The rate of 15% to transfer existing pensions to the new scheme is far too low. If the Manx government is absolutely determined to encourage middle aged people like me to blow their retirement savings on fast living and then throw themselves at the mercy of future generations to provide for them in their dotage then the least it could do is collect a reasonable tax charge in the process.

But surely our government has better things to do with its limited resources than this!

20

[redacted]

From: [redacted]
Sent: 04 September 2017 15:03
To: ITD, Consultation
Subject: Pensions

My answers to your questions are as follows

Question 1
Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?
Yes
Question 2
Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?
Yes
Question 3
Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?
No
Question 4
Do you agree that the proposed scheme could include an occupational pension scheme?
Yes
Question 5
Do you agree with the level of the proposed transfer fee? If not, what would you suggest?
No - the rate of 15% to transfer existing pensions to the new scheme is probably too low. Those in the fortunate position of having large pension funds have received substantial tax reliefs to enable them to accumulate these funds. If they are allowed to 'empty out' these funds now at a minimal tax charge, I am concerned that they will ultimately need greater state assistance in their old age and this can only come from additional taxes and National Insurance contributions that I do not wish to pay for.

Yours sincerely

[redacted]

21

[redacted]

From: [redacted]
Sent: 05 September 2017 12:18
To: ITD, Consultation
Subject: Pension Scheme Freedoms Consultation

Dear Sirs

I have read the Consultation document with interest and feel that the basic principle of allowing a pension to be transferred to the new type of scheme with a 40% Tax Free Lump Sum is sound.

The pension industry professionals are likely to prefer the highest transfer fee possible, as this will deter pensioners taking the full value of the pensions in cash, and ensure a continuity of work for such businesses.

I feel the assumption that there will be any Personal Allowance or balance of the lower 10% tax band available for use, if the existing rules are applied, or the use of the Personal Allowance, under the proposed rules is unlikely to apply to few if any. Those who have built up a pension pot are virtually certain to have already used up these long before their pension comes into consideration. This means the case studies in Examples 1 and 2 are not representative.

The new proposals will only be attractive to relatively small pension pots if a transfer fee of 15% is applied, for example under Example 1, if the Personal Allowances and balance of 10% tax band are removed, under existing rules, the Total Tax is £14,000 and under the proposed rules without the Personal Allowance the Total Tax is £6,000.

If a 10% transfer fee is applied, the total fee and tax rises to £15,400, a small price to pay for freedom. If the 15% transfer fee is applied, the total fee and tax is £20,100, i.e £6,100 more than under the existing provisions.

If this is applied as in Example 2 with a scheme value of £500,000, under the existing scheme the Total Tax is £70,000, and under the proposed new rules with no transfer fee £30,000.

With a 10% transfer fee the total fee and tax rises to £77,000, and with a 15% fee to a staggering £100,500 or 20.1% of the fund.

In summary, a nil transfer fee is in my opinion unrealistic, it would make taking the entire fund less costly under the proposed rules than the existing treatment. Similarly with a 15% transfer fee, I feel the total of the fee and 10% tax would make the new rules unattractive to all but the smallest pension schemes or those who are absolutely desperate to wind up their schemes.

Obviously the Government need to balance the future provision of state benefits, the tax take from transfers into the new scheme, and making the new provisions sufficiently attractive to ensure there is some take up. I believe that if a transfer fee in excess of 10% is applied the take up will be so small that the work and costs of setting up the new scheme will prove to be wasted.

A 10% transfer fee combined with 10% tax, would in my opinion make the proposed scheme attractive enough to ensure there is some take up and is a fair balance.

[redacted]

22

MOORE STEPHENS

Moore Stephens Retirement Solutions Limited
PO Box 25, 26–28 Athol Street
Douglas, Isle of Man IM99 1BD

T +44 (0)1624 697240
F +44 (0)1624 698280
E ClientSupport@msrs.im

www.msrs.im

Your reference:
Our reference:

Paul Martin
Deputy Assessor
Income Tax Division
2nd Floor Government Offices
Bucks Road
Douglas
IM1 3TX

6 September 2017

Dear Paul,

Proposed New Pension Scheme to Provide Greater Pension Freedoms

Further to the consultation document issued by the Income Tax Division on 18 July 2017 I provide the following responses on behalf of Moore Stephens Retirement Solutions Limited:

Generally the proposal to allow greater freedom over pensions is to be welcomed and we appreciate that the concerns of the Treasury must be weighed equally when determining the precise details of the final changes introduced.

In respect to the specific questions raised we have the following comments:

Q1: Yes we do, there are many reasons an individual might want early access to this/her pension which may in fact be more beneficial at that point in their life than simply an annual income once they have finished working. For example to pay off an existing mortgage or help a child with a deposit for a property or indeed to have more of their pension earlier in their retirement when their spending patterns may be higher. Of course each case will be different and we believe that anyone who has saved all of their working life to build a pension will be responsible in how they utilise that even if access becomes more flexible.

Q2: Yes we do, it is cleaner and easier to manage if the proposed new rules apply to a specific type of scheme and the control point is at the transfer stage rather than apply any new freedoms to all existing pensions which would require changes to all existing scheme documents etc.

Q3: We agree with the conditions outlined in the consultation document.

Q4: We agree that the proposed scheme could include an occupational scheme.

Q5: In principle we do agree with a proposed transfer fee, however we think the rate of 15% is too high. Looking at the examples given the 10% rate would seem to be more equitable, giving the Treasury protection in respect of expected tax revenues whilst also being an acceptable "premium" for those wishing to have early access to their funds.

Under 3.3 Nature of pension scheme, there is a specific prohibition on the new scheme being permitted to accept transfers from a defined benefits scheme. We are not clear on why such a restriction is required. If this is implemented will there be a restriction on these types of transfers going into another type of IOM pension and then transferring on to the new scheme, if so will any such restriction have a maximum time period e.g. say 5 years?

[redacted]

23

[redacted]

From: [redacted]
Sent: 06 September 2017 09:59
To: ITD, Consultation
Subject: Pension Freedoms – Consultation Response

Dear Sir/Madam

Further to your recent proposed new pension scheme to provide greater pension freedoms, please see below my responses to your questions:

Question 1

Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?

Yes

Question 2

Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?

Yes

Question 3

Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?

No

Question 4

Do you agree that the proposed scheme could include an occupational pension scheme?

Yes

Question 5

Do you agree with the level of the proposed transfer fee? If not, what would you suggest?

No – the rate of 15% to transfer existing pensions to the new scheme is probably too low. Those in the fortunate position of having large pension funds have received substantial tax reliefs to enable them to accumulate these funds. If they are allowed to 'empty out' these funds now at a minimal tax charge, I am concerned that they will ultimately need greater state assistance in their old age and this can only come from additional taxes and National Insurance contributions that I do not wish to pay for.

With kind regards

[redacted]

(24)

ILS WORLD BEYOND BORDERS

Income Tax Division
The Treasury
Government Offices
Bucks Road
Douglas

06 September 2017

Dear Sirs

Re: Response to New Pension Scheme to Provide Greater Pension Freedoms Proposal

I refer to the above-referenced Proposal Document. In response to the questions raised we would respond as follows:

Question 1

Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?

Yes

Question 2

Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?

We would agree the basic structure of the Scheme

Question 3

Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?

No

Question 4

Do you agree that the proposed scheme could include an occupational pension scheme?

Yes

Question 5

Do you agree with the level of the proposed transfer fee? If not, what would you suggest?

No – the rate of 15% to transfer existing pensions to the new scheme is probably too low. We believe there are many other issues surrounding the acceptance of the issue of pensions freedom which need detailed examination before this rate can be set.

Amongst others, additional deliberations are required to establish:

- what will be the effect on social care costs in the future?

First Floor, Millennium House, Victoria Road
Douglas, Isle of Man, IM2 4RW
t +44 1624 682500
f +44 1624 682555
e enquiry@ils-world.com
ils-world.com

- what will be the other long term social consequences?
- how the revenue gap caused by long term reduced tax revenues might be filled?
- if an independent advisory service can be made available to members of the public considering taking advantage of pension freedoms?
- what regulatory and advisory controls should be in place to stop the mis-selling of investments that was experienced in the UK by many of those taking advantage of the freedoms?
- what consideration needs to be given to a minimum income requirement so people do not fall back as a burden on the State?
- what the financial impact will be on nursing home income in the future and what impact is there for those who have withdrawn their pension and spent it or gifted it to their children?
- who will be the beneficiaries of the proposal?
- why in the UK there is now uncertainty about pension freedoms?
- why in Australia there are now attempts to reverse the decision to introduce it?

In the circumstances, we believe that the proposal should be considered in detail by a joint working party from Government and industry prior to any proposals being taken to Tynwald.

Yours faithfully

[redacted]

25

[redacted]

From: [redacted]
Sent: 06 September 2017 19:57
To: ITD, Consultation
Subject: Pensions consultation
Attachments: Treasury pension consultation 18July2017.pdf; ATT00001.txt

Dear sir,

It all looks good, but does not address the biggest issue. Once the 30% or possibly 40% is taken, and it is time to draw down your lump sum, the amount you can take is still linked to annuity rates, not reality. If the lump sum stayed the same, that would be fine. However, with interest rates and gilt rates so low, lump sums are increasing annually by 3-6% even after drawdown has been taken.

What this means is pensioners who have the means to support themselves without government support literally cannot, because they cannot access their own money.

A better way would be to allow drawdown up to, a pre-determined limit, say, 10%-20% (age related) annually on a reducing balance basis. At least this would potentially be drawdown rather than a rolling up lump sum balance, with ever decreasing ability to drawdown.

Regards,

[redacted]

Alexander Elliott

Paul Martin,
Deputy Assessor Income Tax Division
2nd Floor Government Offices
Bucks Road
Douglas
IM1 3TX

Sent by Email to: consultation@itd.treasury.gov.im

Dear Paul

Response to Pensions Freedom Consultation

Please find below the official response of the APSP to the above consultation.

Question 1

Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?

Yes

Question 2

Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?

We would agree the basic structure of the Scheme

Question 3

Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?

No

Question 4

Do you agree that the proposed scheme could include an occupational pension scheme?

Yes

Question 5

Do you agree with the level of the proposed transfer fee? If not, what would you suggest?

No – the rate of 15% to transfer existing pensions to the new scheme is too low. We believe there are many other issues surrounding the acceptance of the issue of pensions freedom which need detailed examination before this rate can be set.

Amongst others, additional deliberations are required to establish:

- **what will be the effect on social care costs in the future?**
- **what will be the other long term social consequences?**
- **how the revenue gap caused by long term reduced tax revenues might be filled?**
- **if an independent advisory service can be made available to members of the public considering taking advantage of pension freedoms?**
- **what regulatory and advisory controls should be in place to stop the mis-selling of investments that was experienced in the UK by many of those taking advantage of the freedoms?**
- **what consideration needs to be given to a minimum income requirement so people do not fall back as a burden on the State?**
- **what the financial impact will be on nursing home income in the future and what impact is there for those who have withdrawn their pension and spent it or gifted it to their children?**
- **who will be the beneficiaries of the proposal?**
- **why in the UK there is now uncertainty about pension freedoms?**
- **why in Australia there are now attempts to reverse the decision to introduce it?**

In the circumstances, we believe that the proposal should be considered in detail by a joint working party from Government and industry prior to any proposals being taken to Tynwald.

Yours Sincerely

[redacted]

27

Isle of Man
Association of Pension Scheme Providers
PO Box 95
2a Lord Street
Douglas
Isle of Man
T: +44 (0) 1624 693900
F: +44 (0) 1624 693901

Paul Martin,
Deputy Assessor Income Tax Division
2nd Floor Government Offices
Bucks Road
Douglas
IM1 3TX

Sent by Email to: consultation@itd.treasury.gov.im

Dear Paul

Response to Pensions Freedom Consultation

Please find below the official response of the APSP to the above consultation.

Question 1

Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?

Yes

Question 2

Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?

We would agree the basic structure of the Scheme

Question 3

Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?

No

Isle of Man
Association of Pension Scheme Providers
PO Box 95
2a Lord Street
Douglas
Isle of Man
T: +44 (0) 1624 693900
F: +44 (0) 1624 693901

Question 4

Do you agree that the proposed scheme could include an occupational pension scheme?

Yes

Question 5

Do you agree with the level of the proposed transfer fee? If not, what would you suggest?

No – the rate of 15% to transfer existing pensions to the new scheme is too low. We believe there are many other issues surrounding the acceptance of the issue of pensions freedom which need detailed examination before this rate can be set.

Amongst others, additional deliberations are required to establish:

- **what will be the effect on social care costs in the future?**
- **what will be the other long term social consequences?**
- **how the revenue gap caused by long term reduced tax revenues might be filled?**
- **if an independent advisory service can be made available to members of the public considering taking advantage of pension freedoms?**
- **what regulatory and advisory controls should be in place to stop the mis-selling of investments that was experienced in the UK by many of those taking advantage of the freedoms?**
- **what consideration needs to be given to a minimum income requirement so people do not fall back as a burden on the State?**
- **what the financial impact will be on nursing home income in the future and what impact is there for those who have withdrawn their pension and spent it or gifted it to their children?**
- **who will be the beneficiaries of the proposal?**
- **why in the UK there is now uncertainty about pension freedoms?**
- **why in Australia there are now attempts to reverse the decision to introduce it?**

In the circumstances, we believe that the proposal should be considered in detail by a joint working party from Government and industry prior to any proposals being taken to Tynwald.

Yours Sincerely

[redacted]

28

[redacted]

From: [redacted]
Sent: 07 September 2017 11:34
To: ITD, Consultation
Subject: Pension Freedoms – Consultation Response

Dear Sirs,

In response to your consultation documentation I list below my comments:

Question 1
Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?
Yes

Question 2
Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why? We would agree the basic structure of the Scheme

Question 3
Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?
No

Question 4
Do you agree that the proposed scheme could include an occupational pension scheme? Yes

Question 5
Do you agree with the level of the proposed transfer fee? If not, what would you suggest?
No - the rate of 15% to transfer existing pensions to the new scheme is probably to low. We believe there are many other issues surrounding the acceptance of the issue of pensions freedom which need detailed examination before this rate can be set.

Amongst others, additional deliberations are required to establish:
• what will be the effect on social care costs in the future?
• what will be the other long term social consequences?
• how the revenue gap caused by long term reduced tax revenues might be filled?
• if an independent advisory service can be made available to members of the public considering taking advantage of pension freedoms?
• what regulatory and advisory controls should be in place to stop the mis-selling of investments that was experienced in the UK by many of those taking advantage of the freedoms?
• what consideration needs to be given to a minimum income requirement so people do not fall back as a burden on the State?
• what the financial impact will be on nursing home income in the future and what impact is there for those who have withdrawn their pension and spent it or gifted it to their children?
• who will be the beneficiaries of the proposal?
• why in the UK there is now uncertainty about pension freedoms?
• why in Australia there are now attempts to reverse the decision to introduce it?

In the circumstances, we believe that the proposal should be considered in detail by a joint working party from
Government and industry prior to any proposals being taken to Tynwald.

Yours faithfully

[redacted]

29

[redacted]

From: [redacted]
Sent: 07 September 2017 11:37
To: ITD, Consultation
Subject: Pension Freedoms – Consultation Response

Dear Sirs,

In response to your consultation documentation I list below my comments:

Question 1
Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?
Yes

Question 2
Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why? We would agree the basic structure of the Scheme

Question 3
Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?
No

Question 4
Do you agree that the proposed scheme could include an occupational pension scheme? Yes

Question 5
Do you agree with the level of the proposed transfer fee? If not, what would you suggest?
No - the rate of 15% to transfer existing pensions to the new scheme is probably to low. We believe there are many other issues surrounding the acceptance of the issue of pensions freedom which need detailed examination before this rate can be set.

Amongst others, additional deliberations are required to establish:
• what will be the effect on social care costs in the future?
• what will be the other long term social consequences?
• how the revenue gap caused by long term reduced tax revenues might be filled?
• if an independent advisory service can be made available to members of the public considering taking advantage of pension freedoms?
• what regulatory and advisory controls should be in place to stop the mis-selling of investments that was experienced in the UK by many of those taking advantage of the freedoms?
• what consideration needs to be given to a minimum income requirement so people do not fall back as a burden on the State?
• what the financial impact will be on nursing home income in the future and what impact is there for those who have withdrawn their pension and spent it or gifted it to their children?
• who will be the beneficiaries of the proposal?
• why in the UK there is now uncertainty about pension freedoms?
• why in Australia there are now attempts to reverse the decision to introduce it?
In the circumstances, we believe that the proposal should be considered in detail by a joint working party from Government and industry prior to any proposals being taken to Tynwald.

Yours faithfully
[redacted]

30

[redacted]

From: [redacted]
Sent: 07 September 2017 17:17
To: ITD, Consultation; Martin, Paul
Cc: [redacted]
Subject: pensions consultation

Dear Paul

As a Board we have looked at the new pension freedom proposals offered up in the current pensions consultation document

Our views are:
1 Pension Freedoms are like smoking- bad for the long term financial health of participants but good for the exchequer in the short term at least.
2 It is positive that any pension freedom legislation should be added rather than produced as a replacement for current IOM pensions legislation
3 The long term consequences of foregoing future income tax payments arising from pension payments for early gain Must be looked and studied carefully.
4 There seems to be unequal treatment of private and public sector pensions. The private sector are being offered access to their funds for additional tax receipts and yet the Public Sector cannot even transfer their accrued rights to the private sector. Treasury tells us that these pension transfers are too expensive to be paid out of current tax receipts and there is a suspicion that this may be at least part of the underlying motivation behind these reforms.
5 Many over 55s may spend their newly released pensions unwisely leaving them 100% at the mercy of the state pension
6 Treasury have said in the past that the State pension is but a building brick for retirement and is not to be relied upon for 100% of pension income in retirement; thus encouraging saving for retirement.
7 How secure is the state pension given the likely state of the economy in the future to meet these payments?
8 If a tax raid on the private sector pensions regime is enacted and these additional early income flows are then used to prop up an unreformed public sector pension regime there could be real trouble!
9 The proposals don't seem to take into consideration the increasing longevity that will have a deleterious effect upon state pension funding.
10 We believe that the IOM needs better and more robust pension planning not a blatant raid on the tax reliefs embedded within private sector pensions.
George Osborne was delighted with the UK response of bribing pensioners with their own money raising £2.8bn in additional taxes these last 2 tax years and he has now left HMG he will be well gone when these particular chickens come home to try to roost in a roofless henhouse!.
According to the OBR the long term consequences of pension reforms in the UK could be devastating- whilst there is a net gain to Treasury (UK) in the early years peaking at £2.3bn in 2018/19 the situation turns negative from 2021/22 and the net costs continue to rise in cash terms reaching a deficit of £5bn by 2034/35. Cumulated over 50 years the report estimates that these reforms could add 3.7% of gross domestic product to public sector net debt.

That is a big number and likely to be replicated here if we adopt similar practices.

Kind Regards

[redacted]
Equilibrium Pensions Ltd Company Number: 106299C
New Address: Douglas Chambers North Quay Douglas Isle of Man IM1 4LA

Tel +44 (0) 1624 675955 Fax +44 (0) 1624 675956

Directors: Timothy C Boles Chartered FCSI (Managing), Nigel Bunting, Paul Crocker Chartered FCSI, Robert Currey.
Equilibrium Pensions Limited is registered with the Isle of Man Financial Services Authority as a professional benefits scheme administrator No RA012
http://www.equilibriumpensions.com
Registered Office: Douglas Chambers, North Quay, Douglas, Isle of Man IM1 4LA

[redacted]

From: [redacted]
Sent: 08 September 2017 09:01
To: ITD, Consultation
Subject: Pension Freedoms – Consultation Response

Dear Sir / Madam

Please see below responses to the above consultation.

Question 1 - Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?

Yes

Question 2 - Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?

Yes, although it requires further consideration and consultation with industry experts to address concerns such as appropriate regulation and how advice will be made available to those wishing to take advantage of the freedoms.

Question 3 - Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?

No

Question 4 - Do you agree that the proposed scheme could include an occupational pension scheme?

Yes

Question 5 - Do you agree with the level of the proposed transfer fee? If not, what would you suggest?

No – the rate of 15% to transfer existing pensions to the new scheme is too low. Those in the fortunate position of having large pension funds have received substantial tax reliefs to enable them to accumulate these funds. If they are allowed to 'empty out' these funds now at a minimal tax charge, I am concerned that they will ultimately need greater state assistance in their old age and this can only come from additional taxes and National Insurance contributions that I do not wish to pay for. I also do not wish for future generations to be burdened with the likely costs of these proposals that will be of no benefit to them.

Thank you.

[redacted]

(32)

[redacted]

From: [redacted]
Sent: 10 September 2017 15:56
To: ITD, Consultation
Subject: Proposed New Pension Scheme to Provide Greater Pension Freedoms

I write in my role as [redacted] of the AFD Group of companies, which employs around [redacted] people in the Isle of Man and around [redacted] in total, worldwide. I write also in my personal capacity.

Pensions on the IOM are already of extremely marginal benefit to most especially small to medium enterprises – with very limited choice, and high administrative expense disproportionate to the minimal tax benefit especially at the 10% rate. In my view, the main benefit arises from the discipline of saving – rather than the complexities of pensions, increasingly offset by over-regulation, lock-in and lack of flexibility.

I struggle to advise [redacted] employees to join our Pension Scheme – even on the discipline basis, since Governments have been repeatedly messing around with pensions for so long that there is enormous "risk" for the scheme member that the rules will change to their disadvantage whilst they are locked in and unable to respond.

By saving taxed income without these complexities, employees might well take a view that they are better off in the end free of other people telling them what they can and can't do with their savings.

I firmly believe that the Consultation Document is flawed and could indeed be catastrophic - causing irreparable damage to the Island's Social Security System in addition to its pensions industry. The cost of this will undoubtedly be borne by our current working population - especially those under 40 - and future generations.

Like most Government consultations of late the questions are badly worded and therefore leading. It does not contain any reference to the potential effects on the Island's tax revenue or Social Care system. It would therefore be foolhardy to introduce any further changes relating to pension freedoms without, at the very least, first considering in detail the following issues:

- The revenue gap caused by long term reduced tax revenues c/w increased social care costs.
- How advice will be made available to those wishing to take advantage of the proposed "freedoms".

I believe there are many other issues surrounding the acceptance of this proposal which require additional deliberations before detailed proposals are put to Tynwald. These include such things as regulatory controls, needed to avoid the investment miss-selling experienced in the UK, and detailed examination of who will benefit.

In the circumstances, I consider it is *essential* that further consideration by a working party that genuinely understand the effect on Employees, Employers, and Government - perhaps by a working party similar to that originally instigated by DED.

Regards

[redacted]
www.afd.co.uk

33

[redacted]

From: [redacted]
Sent: 11 September 2017 20:40
To: ITD, Consultation
Subject: Pension Freedoms Consultation

Dear Sir

Please find my response to your pension consultation below
Question 1.
Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?
Not necessarily, we seem to be simply copying the UK and they introduced freedoms to produce a short term tax take.
Question 2
Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?
The structure should be agreed with industry experts.
Question 3
Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?
Again, there should be consultation with industry experts.
Question 4
Do you agree that the proposed scheme could include an occupational pension scheme?
Yes
Question 5
Do you with the level of the proposed transfer fee? If not, what would you suggest?
15% is the absolute minimum that should be considered, anything less would encourage people to draw out all funds and they may then fall back on the State for nursing home costs etc. People understood the rules when they entered into a contract with Government, i.e. they received tax relief in return for agreeing to lock their funds into a pension for life. I do not want my daughter's generation to have to meet the cost for people of my age who choose to spend their pension funds and then claim off the State. It is clear that the misleading examples in the Consultation are intended to encourage people to ask for a lower tax rate and it is astonishing that the IOM Treasury would seek to do this.

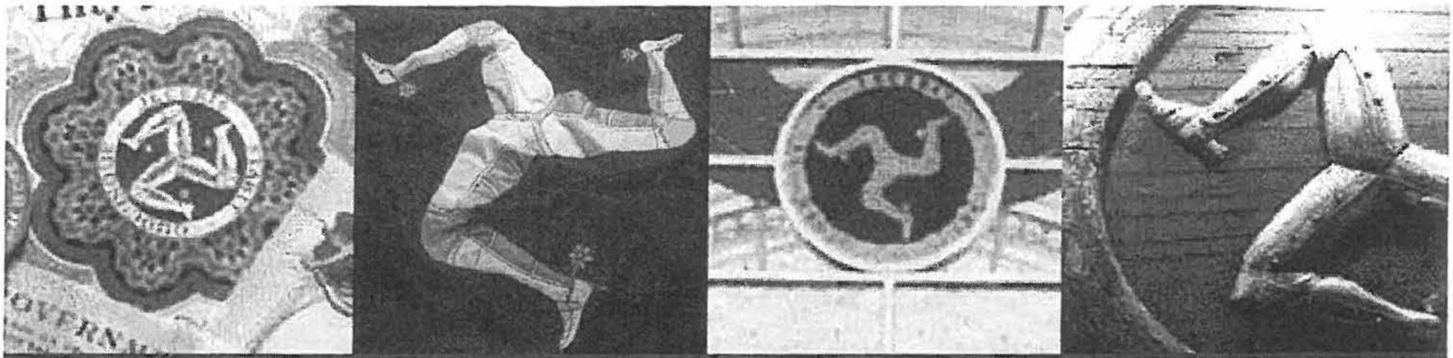
Regards
[redacted]

15th Sept

(34)

Isle of Man
Government
Reiltys Ellan Vannin

A Proposal Document



Proposed New Pension Scheme to Provide Greater Pension Freedoms

Issued by:

Income Tax Division
The Treasury
Government Offices
Bucks Road
Douglas
IM1 3TX

18 July 2017

Index **Page**

Proposed New Pension Scheme to Provide Greater Pension Freedoms

1. Introduction

In July 2015, Tynwald approved a motion in relation to Isle of Man pension schemes. The motion read as follows:

"That Tynwald supports the concept of pension freedom; and is of the opinion that Treasury should bring forward by October 2015 proposals to allow Manx residents pension freedoms equal to or better than those currently available in the UK".

In October 2015, the then Treasury Minister announced to Tynwald that it had not been possible to prepare a report to review options and proposals in the timescale. He did, however, advise that he had asked the Department of Economic Development to lead on the matter and that a working group, attended by a range of private sector and Government participants had met and was considering the relevant issues. Subsequently, in January 2016 he advised Tynwald that an additional technical group had recently been formed to consider the options available.

In the 2016 Budget, some measures of pension freedom were introduced:

- the trivial commutation limit was increased to £50,000 (this is the level up to which members of approved pension schemes can opt to convert one or more small, untouched pension funds into lump sum payments);
- the age at which a trivial commutation lump sum may be paid was reduced to 55; and
- the age at which a fund remnant may be paid was reduced to 55 (the fund remnant is the amount remaining following the withdrawal of funds from an approved pension scheme and it cannot exceed the value of the commutation limit).

Since that time Treasury and the Department of Economic Development have continued to work with the pensions industry and other interested parties to find the best way to introduce further pension freedoms in the Island whilst at the same time protecting the pensions industry as well as the general revenue.

2. Purpose of this document

The purpose of this document is to set out the basic details of a new pension product that would deliver pension freedoms in the Island and to seek responses to questions raised as well as general feedback and suggestions regarding what is being proposed.

3. Proposed new pension scheme

Following much consideration about how best to introduce pension freedoms in the Isle of Man, a new pension product is being proposed. This new product will essentially provide certain pension scheme members, who have pension pots which exceed the current trivial commutation and fund remnant thresholds, greater flexibility to access their pension pots, subject to the applicable rules and requirements, as well as providing a new retirement savings vehicle for individuals.

This will take the form of a new pension scheme that will be provided for in the Income Tax Act 1970. It will be available to both residents and non-residents and it will be possible to transfer funds from an existing approved scheme into the new product ("approved scheme" refers to a pension scheme approved by the Assessor of Income Tax under the Income Tax (Retirement Benefit Schemes) Act 1978, the Income Tax 1989 or the Income Tax Act 1970). The new scheme will, however, be limited to no more than one per person. The main features of the scheme are set out below.

3.1 Main features of the proposed pension scheme

The basic structure of the scheme being proposed is as follows:

- a minimum retirement age of 55;
- no maximum retirement age;
- tax relief on contributions:
    - up to an annual contribution limit of £5,000; and
    - allowed at the rate of 10%;
- pension growth builds up tax-free;
- full access on reaching the scheme retirement age, including the ability to take the whole of the pension pot in one withdrawal or to make smaller withdrawals as and when required by the member;
- X 40% tax-free lump sum; 10% OR
- remainder of funds are subject to income tax at a rate of only 10%; MAXIMUM OF 10%.
- no tax on death.

The proposals do not constitute views or recommendations about the suitability of the proposed new scheme for individuals, and the proposed new scheme may not be appropriate for every individual. If the proposals are enacted, prospective members should carefully consider all of the costs and benefits associated with the new scheme before making a decision about their pension savings and, if necessary, seek appropriate financial advice.

Question 1

Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement? Yes

Question 2

Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why? Could Be More Generous. X 50%.

Question 4

Do you agree that the proposed scheme could include an occupational pension scheme?

3.4 Transfer fee to protect revenue

Given the proposed reduction in the rate of income tax that the pension will be charged and the higher tax-free lump sum proposed, an appropriate fee will be charged for the transfer of a pension from an existing scheme in order to protect revenue, particularly as contributions to the scheme being transferred may have already received tax relief at up to 20%. The level of fee proposed is 15% of the sum to be transferred and the amount of fee charged will not be taken into account for the purposes of the income tax cap. The fee will be deducted before the transfer, by the administrator of the existing pension scheme, and paid to the Assessor.

Question 5 No — 10%

Do you agree with the level of the proposed transfer fee? If not, what would you suggest?

[redacted]

4. Comparison of existing schemes with the proposed new scheme

6/9/17

[redacted]

4.1 Example 1

a) In this example, the total value of the pension scheme at the time of [redacted] £100,000, there is no transfer fee and the member takes their whole pension pot in one withdrawal.

Tax treatment of existing scheme under existing rules:

Pension scheme value			£100,000
Tax-free pension commencement lump sum @ 30%			(£30,000)
Chargeable balance			£70,000
Less personal allowance			(£12,500)
Taxable balance			£57,500
Lower rate band	£6,500 @ 10% =	£650	
Higher rate band	£51,000 @ 20% =	£10,200	
Total tax payable			**£10,850**

Tax treatment of new scheme under proposed rules:

Pension scheme value (& value transferred)	£100,000
Tax-free pension commencement lump sum @ 40%	(£40,000)
Chargeable balance	£60,000
Less (balance of) personal allowance	(£12,500)
Taxable balance	£47,500
Total tax payable – 10% of remaining balance	**£4,750**

3.2 Approval by the Assessor

The proposed new pension scheme will need to be approved by the Assessor of Income Tax in order for contributions paid into the scheme to qualify for tax relief. Approval will require the scheme to satisfy certain conditions which are anticipated to be similar to some of those that need to be satisfied by current pension schemes when gaining approval. There are currently several different types of scheme that require approval and each has its own set conditions. In order to illustrate possible conditions, the following are examples taken from a selection of existing schemes and, as such, this is not a list of conditions that need to be satisfied by any one particular scheme.

The conditions for approval will include some of the following:

- that the scheme is properly established under irrevocable trusts governed by the laws of the Island (for a personal pension scheme) or under irrevocable trusts in relation to a trade or undertaking (for an occupational pension scheme);
- that the administrator (or the administrator and at least one trustee) of the scheme are resident in the Island;
- that the administrator has a fixed place of business in the Island from which the administrator's business is conducted;
- if an amendment is made to an approved scheme without being approved by the Assessor, her approval of the scheme shall cease to have effect;
- for an occupational pension scheme:
    - that the employer is a contributor to the scheme;
    - that the scheme is recognised by the employer and the employees to whom it relates, and that every employee who is, or has a right to be, a member of the scheme has been given written particulars of all essential features of the scheme which concern him.

Question 3

Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy? OVER £30,000 MUST HAVE FINANCIAL ADVICE

3.3 Nature of pension scheme

The proposed scheme can be either a personal pension scheme or an occupational pension scheme. It cannot, however, be a defined benefits pension scheme and the new scheme will not be permitted to accept transfers in from a defined benefits scheme.

4.2 Example 2

a) In this example, the total value of the pension scheme at the time of retirement is £500,000, there is no transfer fee and the member takes their whole pension pot in one withdrawal.

Tax treatment of existing scheme under existing rules:

Pension scheme value			£500,000
Tax-free pension commencement lump sum @ 30%			(£150,000)
Chargeable balance			£350,000
Less personal allowance			(£12,500)
Taxable balance			£337,500
Lower rate band	£6,500 @ 10% =	£650	
Higher rate band	£331,000 @ 20% =	£66,200	
Total tax payable			**£66,850**

Tax treatment of new scheme under proposed rules:

Pension scheme value (& value transferred)	£500,000
Tax-free pension commencement lump sum @ 40%	(£200,000)
Chargeable balance	£300,000
Less (balance of) personal allowance	(£12,500)
Taxable balance	£287,500
Total tax payable – 10% of remaining balance	**£28,750**

Difference between the existing scheme and the new scheme:

Existing scheme	£66,850
New scheme	£28,750
Difference	**- £38,100**

b) Effect of introducing a pension transfer fee of 10%:

Pension scheme value to be transferred	£500,000
Transfer fee @ 10%	(£50,000)
Balance transferred to new scheme	£450,000
Tax-free pension commencement lump sum @ 40%	(£180,000)
Chargeable balance	£270,000
Less (balance of) personal allowance	(£12,500)
Taxable balance	£257,500
Total tax payable – 10% of remaining balance	£25,750
Total fee & tax payable	**£75,750**

Difference between the existing scheme and the new scheme:

Existing scheme	£10,850
New scheme	£4,750
Difference	**- £6,100**

b) Effect of introducing a pension transfer fee of 10%:

Pension scheme value to be transferred	£100,000
Transfer fee @ 10%	(£10,000)
Balance transferred to new scheme	£90,000
Tax-free pension commencement lump sum @ 40%	(£36,000)
Chargeable balance	£54,000
Less (balance of) personal allowance	(£12,500)
Taxable balance	£41,500
Total tax payable – 10% of remaining balance	£4,150
Total fee & tax payable	**£14,150**

Difference if there is a 10% transfer fee payable:

New scheme	£14,150
Existing scheme	£10,850
Difference	**£3,300**

c) Effect of introducing a pension transfer fee of 15%:

Pension scheme value to be transferred	£100,000
Transfer fee @ 15%	(£15,000)
Balance transferred to new scheme	£85,000
Tax-free pension commencement lump sum @ 40%	(£34,000)
Chargeable balance	£51,000
Less (balance of) personal allowance	(£12,500)
Taxable balance	£38,500
Total tax payable – 10% of remaining balance	£3,850
Total fee & tax payable	**£18,850**

Difference if there is a 15% transfer fee payable:

New scheme	£18,850
Existing scheme	£10,850
Difference	**£8,000**

Difference if there is a 10% transfer fee payable:

New scheme	£75,750
Existing scheme	£66,850
Difference	**£8,900**

c) Effect of introducing a pension transfer fee of 15%:

Pension scheme value to be transferred	£500,000
Transfer fee @ 15%	(£75,000)
Balance transferred to new scheme	£425,000
Tax-free pension commencement lump sum @ 40%	(£170,000)
Chargeable balance	£255,000
Less (balance of) personal allowance	(£12,500)
Taxable balance	£242,500
Total tax payable – 10% of remaining balance	£24,250
Total fee & tax payable	**£99,250**

Difference if there is a 15% transfer fee payable:

New scheme	£99,250
Existing scheme	£66,850
Difference	**£32,400**

5. Submissions

Responses to the questions raised in this document, together with any comments or suggestions concerning the proposals, would be welcomed. Anyone wishing to submit a response to this proposal is invited to do so by Friday 15 September 2017. Responses should be sent to:

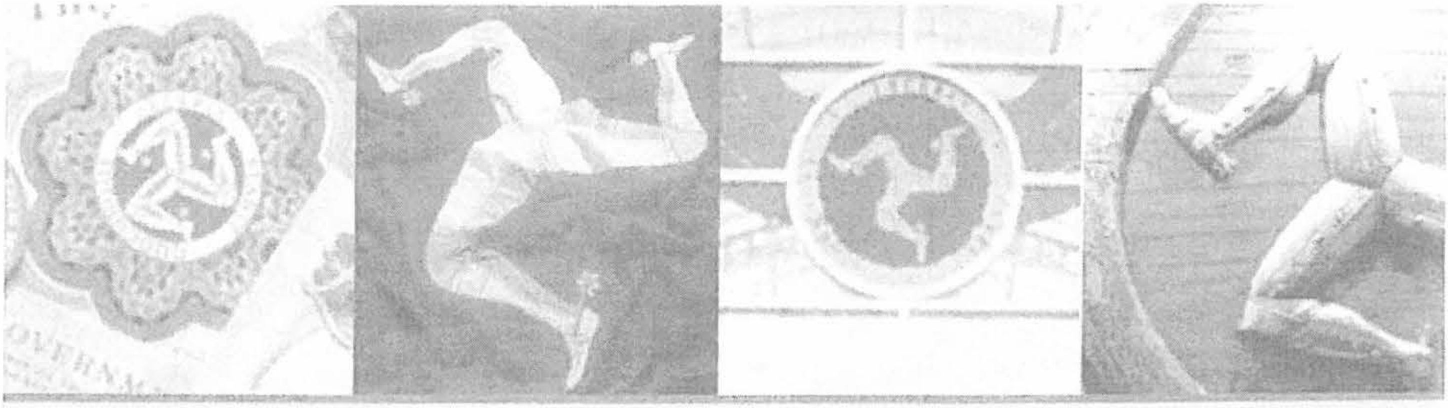
Paul Martin, Deputy Assessor
Income Tax Division
2nd Floor Government Offices
Bucks Road
Douglas IM1 3TX Email: consultation@itd.treasury.gov.im

In any consultation exercise the responses received do not guarantee that changes will be made to what has been proposed.

Confidentiality

The information you send may be published in full or in a summary of responses.

All information in responses, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2015 and the Data Protection Act 2002). If you want your response to remain confidential, you should explain why confidentiality is necessary and your request will be agreed to only if it is appropriate in the circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding.

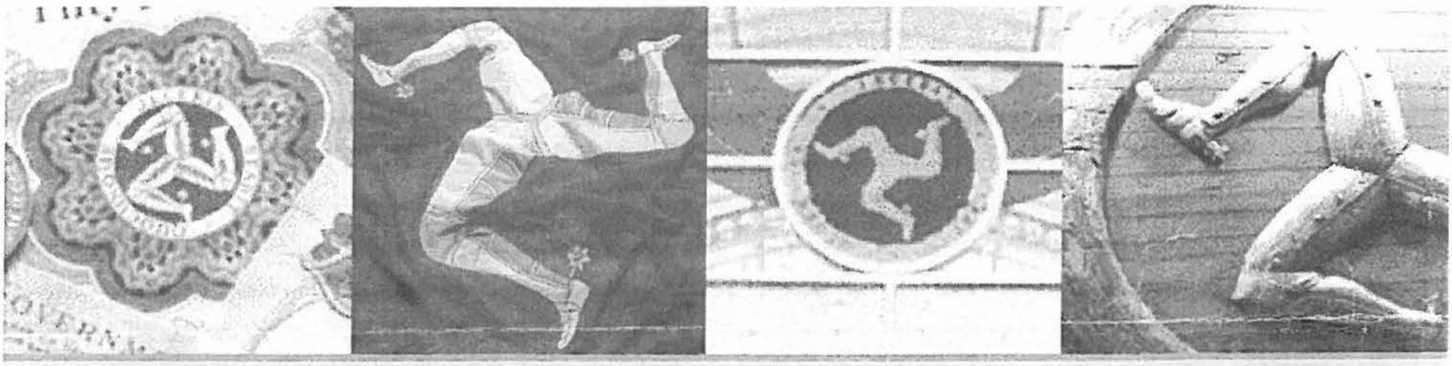


35

Isle of Man
Government

MR PAUL MARTIN
INCOME TAX
2ND FLOOR.

A Proposal Document



Proposed New Pension Scheme to Provide Greater Pension Freedoms

Issued by:

Income Tax Division
The Treasury
Government Offices
Bucks Road
Douglas
IM1 3TX

So

18 July 2017

Index **Page**

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6/9/17.

Proposed New Pension Scheme to Provide Greater Pension Freedoms

1. Introduction

In July 2015, Tynwald approved a motion in relation to Isle of Man pension schemes. The motion read as follows:

"That Tynwald supports the concept of pension freedom; and is of the opinion that Treasury should bring forward by October 2015 proposals to allow Manx residents pension freedoms equal to or better than those currently available in the UK".

In October 2015, the then Treasury Minister announced to Tynwald that it had not been possible to prepare a report to review options and proposals in the timescale. He did, however, advise that he had asked the Department of Economic Development to lead on the matter and that a working group, attended by a range of private sector and Government participants had met and was considering the relevant issues. Subsequently, in January 2016 he advised Tynwald that an additional technical group had recently been formed to consider the options available.

In the 2016 Budget, some measures of pension freedom were introduced:

- the trivial commutation limit was increased to £50,000 (this is the level up to which members of approved pension schemes can opt to convert one or more small, untouched pension funds into lump sum payments);
- the age at which a trivial commutation lump sum may be paid was reduced to 55; and
- the age at which a fund remnant may be paid was reduced to 55 (the fund remnant is the amount remaining following the withdrawal of funds from an approved pension scheme and it cannot exceed the value of the commutation limit).

Since that time Treasury and the Department of Economic Development have continued to work with the pensions industry and other interested parties to find the best way to introduce further pension freedoms in the Island whilst at the same time protecting the pensions industry as well as the general revenue.

2. Purpose of this document

The purpose of this document is to set out the basic details of a new pension product that would deliver pension freedoms in the Island and to seek responses to questions raised as well as general feedback and suggestions regarding what is being proposed.

3. Proposed new pension scheme

Following much consideration about how best to introduce pension freedoms in the Isle of Man, a new pension product is being proposed. This new product will essentially provide certain pension scheme members, who have pension pots which exceed the current trivial commutation and fund remnant thresholds, greater flexibility to access their pension pots, subject to the applicable rules and requirements, as well as providing a new retirement savings vehicle for individuals.

This will take the form of a new pension scheme that will be provided for in the Income Tax Act 1970. It will be available to both residents and non-residents and it will be possible to transfer funds from an existing approved scheme into the new product ("approved scheme" refers to a pension scheme approved by the Assessor of Income Tax under the Income Tax (Retirement Benefit Schemes) Act 1978, the Income Tax 1989 or the Income Tax Act 1970). The new scheme will, however, be limited to no more than one per person. The main features of the scheme are set out below.

3.1 Main features of the proposed pension scheme

The basic structure of the scheme being proposed is as follows:

- a minimum retirement age of 55;
- no maximum retirement age;
- tax relief on contributions:
    - up to an annual contribution limit of £5,000; and
    - allowed at the rate of 10%;
- pension growth builds up tax-free;
- full access on reaching the scheme retirement age, including the ability to take the whole of the pension pot in one withdrawal or to make smaller withdrawals as and when required by the member;
- 40% tax-free lump sum;
- remainder of funds are subject to income tax at a rate of only 10%;
- no tax on death.

The proposals do not constitute views or recommendations about the suitability of the proposed new scheme for individuals, and the proposed new scheme may not be appropriate for every individual. If the proposals are enacted, prospective members should carefully consider all of the costs and benefits associated with the new scheme before making a decision about their pension savings and, if necessary, seek appropriate financial advice.

Question 1 YES.

Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?

Question 2

Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why? YES

3.2 Approval by the Assessor

The proposed new pension scheme will need to be approved by the Assessor of Income Tax in order for contributions paid into the scheme to qualify for tax relief. Approval will require the scheme to satisfy certain conditions which are anticipated to be similar to some of those that need to be satisfied by current pension schemes when gaining approval. There are currently several different types of scheme that require approval and each has its own set conditions. In order to illustrate possible conditions, the following are examples taken from a selection of existing schemes and, as such, this is not a list of conditions that need to be satisfied by any one particular scheme.

The conditions for approval will include some of the following:

- that the scheme is properly established under irrevocable trusts governed by the laws of the Island (for a personal pension scheme) or under irrevocable trusts in relation to a trade or undertaking (for an occupational pension scheme);
- that the administrator (or the administrator and at least one trustee) of the scheme are resident in the Island;
- that the administrator has a fixed place of business in the Island from which the administrator's business is conducted;
- if an amendment is made to an approved scheme without being approved by the Assessor, her approval of the scheme shall cease to have effect;
- for an occupational pension scheme:
  - that the employer is a contributor to the scheme;
  - that the scheme is recognised by the employer and the employees to whom it relates, and that every employee who is, or has a right to be, a member of the scheme has been given written particulars of all essential features of the scheme which concern him.

Question 3

Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy? NEED TO SEEK FINACIAL ADVICE

3.3 Nature of pension scheme

The proposed scheme can be either a personal pension scheme or an occupational pension scheme. It cannot, however, be a defined benefits pension scheme and the new scheme will not be permitted to accept transfers in from a defined benefits scheme.

Question 4 YES.

Do you agree that the proposed scheme could include an occupational pension scheme?

3.4 Transfer fee to protect revenue

Given the proposed reduction in the rate of income tax that the pension will be charged and the higher tax-free lump sum proposed, an appropriate fee will be charged for the transfer of a pension from an existing scheme in order to protect revenue, particularly as contributions to the scheme being transferred may have already received tax relief at up to 20%. The level of fee proposed is 15% of the sum to be transferred and the amount of fee charged will not be taken into account for the purposes of the income tax cap. The fee will be deducted before the transfer, by the administrator of the existing pension scheme, and paid to the Assessor.

Question 5 NO SHOULD BE 10% MAX

Do you agree with the level of the proposed transfer fee? If not, what would you suggest?

4. Comparison of existing schemes with the proposed new scheme

4.1 Example 1

a) In this example, the total value of the pension scheme at the time of retirement is £100,000, there is no transfer fee and the member takes their whole pension pot in one withdrawal.

Tax treatment of existing scheme under existing rules:

Pension scheme value			£100,000
Tax-free pension commencement lump sum @ 30%			(£30,000)
Chargeable balance			£70,000
Less personal allowance			(£12,500)
Taxable balance			£57,500
Lower rate band	£6,500 @ 10% =	£650	
Higher rate band	£51,000 @ 20% =	£10,200	
Total tax payable			**£10,850**

Tax treatment of new scheme under proposed rules:

Pension scheme value (& value transferred)	£100,000
Tax-free pension commencement lump sum @ 40%	(£40,000)
Chargeable balance	£60,000
Less (balance of) personal allowance	(£12,500)
Taxable balance	£47,500
Total tax payable – 10% of remaining balance	**£4,750**

Difference between the existing scheme and the new scheme:

Existing scheme	£10,850
New scheme	£4,750
Difference	**- £6,100**

b) Effect of introducing a pension transfer fee of 10%:

Pension scheme value to be transferred	£100,000
Transfer fee @ 10%	(£10,000)
Balance transferred to new scheme	£90,000
Tax-free pension commencement lump sum @ 40%	(£36,000)
Chargeable balance	£54,000
Less (balance of) personal allowance	(£12,500)
Taxable balance	£41,500
Total tax payable – 10% of remaining balance	£4,150
Total fee & tax payable	**£14,150**

Difference if there is a 10% transfer fee payable:

New scheme	£14,150
Existing scheme	£10,850
Difference	**£3,300**

c) Effect of introducing a pension transfer fee of 15%:

Pension scheme value to be transferred	£100,000
Transfer fee @ 15%	(£15,000)
Balance transferred to new scheme	£85,000
Tax-free pension commencement lump sum @ 40%	(£34,000)
Chargeable balance	£51,000
Less (balance of) personal allowance	(£12,500)
Taxable balance	£38,500
Total tax payable – 10% of remaining balance	£3,850
Total fee & tax payable	**£18,850**

Difference if there is a 15% transfer fee payable:

New scheme	£18,850
Existing scheme	£10,850
Difference	**£8,000**

4.2 Example 2

a) In this example, the total value of the pension scheme at the time of retirement is £500,000, there is no transfer fee and the member takes their whole pension pot in one withdrawal.

Tax treatment of existing scheme under existing rules:

Pension scheme value			£500,000
Tax-free pension commencement lump sum @ 30%			(£150,000)
Chargeable balance			£350,000
Less personal allowance			(£12,500)
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Less (balance of) personal allowance	(£12,500)
Taxable balance	£257,500
Total tax payable – 10% of remaining balance	£25,750
Total fee & tax payable	**£75,750**

Difference if there is a 10% transfer fee payable:

New scheme	£75,750
Existing scheme	£66,850
Difference	**£8,900**

c) Effect of introducing a pension transfer fee of 15%:

Pension scheme value to be transferred	£500,000
Transfer fee @ 15%	(£75,000)
Balance transferred to new scheme	£425,000
Tax-free pension commencement lump sum @ 40%	(£170,000)
Chargeable balance	£255,000
Less (balance of) personal allowance	(£12,500)
Taxable balance	£242,500
Total tax payable – 10% of remaining balance	£24,250
Total fee & tax payable	**£99,250**

Difference if there is a 15% transfer fee payable:

New scheme	£99,250
Existing scheme	£66,850
Difference	**£32,400**

5. Submissions

Responses to the questions raised in this document, together with any comments or suggestions concerning the proposals, would be welcomed. Anyone wishing to submit a response to this proposal is invited to do so by Friday 15 September 2017. Responses should be sent to:

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Income Tax Division
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36

MB EXECUTIVE LIMITED

10 SOMERSET ROAD
DOUGLAS
ISLE OF MAN
IM2 5AD

[redacted]
info@mbexec.im
www.mbexec.im

12 September 2017

Paul Martin, Deputy Assessor
Income Tax Division
2nd Floor Government Offices
Bucks Road
Douglas
IM1 3TX

Dear Paul,

Response to the proposal document: "Proposed New Pension Scheme to Provide Greater Pension Freedoms" dated 18 July 2017

Please find my responses below:

QUESTION 1: DO YOU AGREE THAT INDIVIDUALS SHOULD BE ABLE TO ACCESS THEIR ENTIRE PENSION POT INSTEAD OF THE PENSION PROVIDING AN INCOME IN THEIR RETIREMENT?

Yes.

QUESTION 2: DO YOU AGREE WITH THE PROPOSED BASIC STRUCTURE OF THE SCHEME? IF NOT, WHAT WOULD YOU CHANGE AND WHY?

It is not possible to answer this question in an informed manner because there is no rationale or methodology given for the main characteristics. For example:

- Why is £5,000 considered the upper limit for annual tax-relieved contributions?
- Why is 10% considered to be an appropriate upper limit for tax relief?
- Why is the 40% tax free pension commencement lump sum ("PCLS") considered appropriate?
- Why are benefits exceeding the PCLS going to be taxed at 10%?

Examples are provided on a micro-level as to what the tax saving will be for individuals but there is no assessment, even using a range of assumptions, of what that might mean at the macro, long-term fiscal level for the Island. The UK government produced a Tax Information and Impact Note ("TIIN") to accompany its consultation on pension freedoms which covered:

- Expected take up of new pension freedoms
- Impact on the Exchequer from tax receipt
- Cost to HMRC of implementing the measure
- Social and business impact.

Furthermore, the UK's consultation document covered inter alia.

- The perceived need for change
- The position as regards Defined Benefit ("DB") Schemes
- The cost of implementing appropriate consumer guidance
- Interaction with existing state pension benefits
- Impact on product choice
- Impact on consumer protection and anti-scamming measures
- Impact on pension product providers.

The proposal document under review covers none of this. Whilst in principle I am in favour of a more flexible system of benefit access, part of the process should be to determine the extent to which the Island can afford to offer it if the take up is high, lump sums are spent quickly, individual longevity increases and the state pension system finds itself under strain (as is predicted by the expensively-assembled, government-commissioned Ci65 report). It would appear, therefore, that the limitations of the scheme have been somewhat randomly selected. If that is not the case, the balanced rationale should be set out fully in the consultation so that an informed answer to the question is possible.

I am also struggling to fully understand why, in order to achieve pension freedoms, there is a need for a completely new scheme at all. In the UK, the existing pension tax legislation was amended so that defined contribution ("DC") schemes could be accessed on a flexible basis so that, broadly, any amount taken over and above the 25% tax-free PCLS is taxed at the member's marginal rate. Why can't a similar approach be taken in the Isle of Man by amending the existing tax legislation? This may have been considered and dismissed but the workings are not in the consultation paper making it difficult to make an informed opinion on whether the proposed structure is the right one or not.

I do not understand (because it is not explained) why the scheme is limited to one per person. What will that mean for individuals who change employment several times during their career with each employer providing access, and contributing, to different occupational or group personal pension arrangements established under the new proposal? Presumably individuals could not retain deferred benefits in any former employer's chosen scheme approved under the new rules, and further, each employer may be forced, at a cost, to contribute to multiple schemes.

As it stands, members of Isle of Man approved schemes can already fully encash a pension at age 55 if its value is under circa £71,000. Although the consultation document does not provide any information on this, I would imagine that the average pension pot in the Isle of Man at retirement is well under that (it is circa £30,000 in the UK). The result is that the majority of pension members already have a form of flexi access. Why then is it necessary to introduce the additional complexity of a new scheme for a relatively small number of beneficiaries when it would be simpler to amend existing rules?

There was a concern within the original working party that amending existing rules could disturb compliance of IOM schemes with the Qualifying Recognised Overseas Pension Schemes ("QROPS") regulations (which allow the transfer of UK scheme benefits to the IOM). However, since the full working party last met around the start of 2016, the QROPS rules have changed such that this particular concern has now gone away, so again I would question why we need a completely new scheme. (Incidentally, the fact that the full working party has not met in such a long time does indicate that Treasury's collaboration with industry prior to this consultation has not been as full as the proposal suggests).

The new scheme will add complexity in itself but there is a strong likelihood that higher earners will use a mixture of the current approved schemes and the proposed new arrangement, further complicating matters. This is because it would seem sensible planning for many individuals to contribute up to the £5,000 per annum tax-relieved limit in the new scheme with any additional contributions being made to an existing approved scheme, potentially up to a tax-relieved limit of £300,000. At retirement the member could, if they wished, make a transfer from an existing approved scheme to the new scheme to achieve flexi access (and a 40% tax-free PCLS).

In short, it is impossible to agree or disagree with the structure as proposed because there is no analysis of its impact and because of this lack of analysis one cannot propose a reasonable alternative either. Therefore further a further detailed impact study is required.

ARE THERE ANY PARTICULAR CONDITIONS THAT YOU THINK THE NEW SCHEME SHOULD, OR SHOULD NOT, BE REQUIRED TO SATISFY?

No, it looks a sensible set of conditions and broadly consistent with existing approved schemes.

DO YOU AGREE THAT THE PROPOSED SCHEME COULD INCLUDE AN OCCUPATIONAL SCHEME?

Yes.

However, I do question why the new scheme cannot accept transfers from defined benefit ("DB") schemes. DC schemes which are subject to the new flexi-access rules in the UK can accept DB transfers (except from unfunded public sector schemes) under advice. Why would that not follow through in the Isle of Man if we are to achieve a system that is "equal to or better than" the UK's? Also, even if that restriction were to remain, what would stop a DB scheme member transferring benefits to an existing approved scheme and then making an onward transfer (having accepted the transfer charge) to the new scheme?

DO YOU AGREE WITH THE LEVEL OF THE PROPOSED TRANSFER FEE? IF NOT, WHAT WOULD YOU SUGGEST?

As set out above, I question why there is a need for a new scheme at all (and therefore, by extension, the need for a transfer). However, if the new structure goes ahead, I think the proposed transfer fee is probably too low at 15%. By transferring in to the new scheme a member can access tax-free PCLS at 40% whereas their original tax-relieved funds only entitle them to 30%. The new scheme proposes income tax over and above PCLS at 10% whereas approved schemes are taxed at 20% having received relief at the same rate. A 15% transfer fee is not sufficient to redress this balance fiscally in my view but, again, it would be better to see some analysis of this which is not currently available.

Also, I think there is a danger that the low tax rates in the Isle of Man will not result in the same disincentives to cashing in a pension as exist in the UK's higher taxed environment. If you fully encash your pension in the UK you get 25% of it tax free and the remainder is likely to push individuals into the higher tax brackets for the year and therefore could be taxed at 40% or 45%. The proposal under consideration gives a much higher tax free cash amount plus a much lower effective tax rate (25%) on the balance if taken in one lump sum. The UK's system provides naturally high barriers to a run on pension funds whereas the Isle of Man system does not. And, the UK government would be receiving tax on benefits at a higher rate than they relieved it on contributions which is fiscally positive. It is unclear whether the IOM coffers would gain the same advantage but it seems unlikely.

Proper analysis should determine what the rate of transfer fee should be but, intuitively, 15% seems insufficient.

If one were to take the alternative approach of amending the rules of existing approved schemes to allow flexi access, benefits could be taxed at the same rate as the tax-relief on contributions. A higher rate (or fee) could be applied to higher withdrawals if it is deemed necessary to dis-incentivise wholesale encashment. However, without the appropriate analysis, it is impossible to say whether this would be required or not.

CONCLUSION

It is a widely held view that the introduction of a form of pension freedoms to Isle of Man residents will be a positive move for those individuals with accumulated pensions. I concur with that view and with the sentiment that an appropriate solution should be found. However, there is almost certainly a price to pay for that change and to date we have received no analysis of its quantum. Given the difficulties faced by the public sector pension fund and a pessimistic independent review of the sustainability of the national insurance fund, I would suggest that this move is not undertaken until the likely impact is fully tested.

Yours sincerely,

[redacted]
For MB Executive

[redacted]

From: [redacted]
Sent: 12 September 2017 20:42
To: ITD, Consultation
Subject: Pension Freedoms Consultation Paper Response

Dear Sirs

Please find below my response in respect of the questions posed in the recent consultation paper in respect of pension freedoms:

Question 1 - Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?
Yes

Question 2 - Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?
Yes, I agree with the proposed basic structure.

Question 3 - Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?
There are no particular conditions that I think the new scheme should satisfy.

Question 4 - Do you agree that the proposed scheme could include an occupational pension scheme?
Yes I agree; there should be no differentiation made between occupational and personal pensions schemes in regard to the proposed scheme.

Question 5 - Do you agree with the level of the proposed transfer fee? If not, what would you suggest?
No, I do not agree with the level of the proposed transfer fee; 15% is too low in my opinion. Substantial tax relief has been received already by those with medium-to-large pension pots, and there is a very real concern that if said people are allowed to empty out their pension pots now, with only a minimal tax charge such as the one being proposed, they may well need greater state assistance in future years due to their funds having been near exhausted. Said assistance will have to be made from additional taxes (and presumably National Insurance contributions), which I don't believe is remotely fair on all of the other tax payers who are not participating in the scheme.

Kind regards

[redacted]

LMS Partners
Investments & Retirement Planning

Paul Martin
Deputy Assessor
Income Tax Division
2nd Floor Government Offices
Bucks Road
Douglas
IM1 3TX

13 September 2017

Dear Mr Martin,

In response to the Proposal Document dated 18 July 2017, please find below our response.

Question 1

In general, we agree that individuals should have more flexibility in accessing funds held within pension schemes. The recent FCA Retirement Outcomes Review has not identified any major concerns having researched the two year period since Pension Freedom was introduced in April 2015. Our own experience of clients wanting to encash Final Salary (DB) schemes has been that individuals are very sensible in their approach and future planning requirements.

Question 2

The proposed structure is unnecessarily complicated. The new scheme shouldn't be competing with existing pension solutions, it should complement them whilst providing the extra flexibility. Offering different levels of tax relief, tax paid on income and tax free sums adds further complication to a market that needs simplification and more transparency.

Question 3

Nothing to add.

Question 4

Yes, it is important that employers can fully support any new initiative.

Question 5

No. This is an additional complication brought about by the differing tax treatment and tax free cash availability. If the new product was harmonised with existing schemes there would be no need for a transfer fee.

14 Athol Street, Douglas, Isle of Man, IM1 1JA
T: 01624 666888 E: enquiries@lmspartners.co.im W: www.lmspartners.co.im

However, if there is a desire to create a barrier to individuals seeking a means to "cash out" of their pension schemes, maybe a 10% penalty could be imposed to deter such action. If this was combined with the need to take advice hopefully any irrational acts can be limited.

Additional Comments

This consultation and suggested new product appears to be aimed at tackling the island's lack of Pension Freedom, Auto-Enrolment and an approved local scheme for the masses. These are all very different problems. Pension Freedom could be achieved without the need for a new product. An approved local scheme that can also be used for a form of Auto-Enrolment could be achieved with this new suggested product, although simplified to offer a low cost general pension product that follows existing legislation.

Yours sincerely

[redacted]

14 Athol Street, Douglas, Isle of Man, IM1 1JA
T: 01624 666888 E: enquiries@lmspartners.co.im W: www.lmspartners.co.im

[redacted]

From: [redacted]
Sent: 13 September 2017 14:17
To: ITD, Consultation
Subject: Pension Freedoms Consultation

I refer to the above consultation and would like to provide my responses to the questions raised in the document.

Question 1 - I believe small pension pots should continue to be treated as they are currently (i.e. the existing triviality and remnant rules) as it does not make sense to take an income for life from small pots as the annual amount will be too small. But I feel the pots that fall outside of these rules should continue to be used to provide an income for life.

Question 2 - Yes, I like the basic concept of the new scheme. It will encourage people to save that may not have necessarily done so otherwise.

Question 3 - No

Question 4 - Yes

Question 5 - No, the transfer fee should be higher to take into account lost tax on death and also to act as an encouragement to use the pension fund as intended i.e. to provide an income in retirement.

General comments - has there not been any thought on IOM residents with UK schemes transferring to the proposed new scheme? If my interpretation is correct then it looks like they would not be subject to a transfer fee and so would only pay 6% tax effectively on the transfer. I could see a lot of people doing this, which would mean the IOM government would be losing a lot of future tax revenue.

It seems like the pension freedoms we have in place already with triviality and fund remnant are sufficient for our needs based on any stats you look at regarding the UK pension freedoms. It seems like the new proposal will only benefit the wealthiest people, to the detriment of the public purse in the future. It may increase the coffers initially, which is why the UK made the changes. But the UK were trying to plug a deficit, and you don't have this issue here. So I'm not really sure what you're trying to achieve. Do we really need a short term win more than planning for the future needs? I think the whole thing is very short sighted.

I think the proposed new savings plan is a good idea, but the rest of your proposal doesn't seem to have been thought through long term.

Kind regards
[redacted]

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[redacted]

From: [redacted]
Sent: 13 September 2017 14:26
To: ITD, Consultation
Subject: Proposed New Pension Scheme to Provide Greater Pension Freedom Response

Dear [redacted]

I chair the Chamber of Commerce, Financial and Professional Services Committee, and I submit this response in that capacity.

Question 1
Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?
Yes

Question 2
Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?
We would agree the basic structure of the Scheme

Question 3
Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?
No

Question 4
Do you agree that the proposed scheme could include an occupational pension scheme?
Yes

Question 5
Do you agree with the level of the proposed transfer fee? If not, what would you suggest?
No – the rate of 15% to transfer existing pensions to the new scheme is probably too low.
We believe there are many other issues surrounding the acceptance of the issue of pensions freedom which need detailed examination before this rate can be set.
Amongst others, additional deliberations are required to establish:

- What will be the effect on social care costs in the future?
- What will be the other long term social consequences?
- How the revenue gap caused by long term reduced tax revenues might be filled?
- If an independent advisory service can be made available to members of the public considering taking advantage of pension freedoms?
- What regulatory and advisory controls should be in place to stop the mis-selling of investments that was experienced in the UK by many of those taking advantage of the freedoms?
- What consideration needs to be given to a minimum income requirement so people do not fall back as a burden on the State?
- What the financial impact will be on nursing home income in the future and what impact is there for those who have withdrawn their pension and spent it or gifted it to their children?
- Who will be the beneficiaries of the proposal?
- Why in the UK there is now uncertainty about pension freedoms?
- Why in Australia there are now attempts to reverse the decision to introduce it?
- Should we look at the tax relief on contributions, as part of the overall considerations?

In the circumstances, we believe that the proposal should be considered in detail by a joint working party from Government and industry prior to any proposals being taken to Tynwald. I would be happy to contribute to this on behalf of the Chamber of Commerce.

Kind regards

[redacted]

[redacted]

[redacted]

(41)

[redacted]

From: [redacted]
Sent: 13 September 2017 15:44
To: ITD, Consultation
Subject: Pension Consultation

Pension Freedoms Consultation

It should be noted that the new pension scheme proposed appears to be very different from what has been discussed and is massively flawed

Question 1
Yes, in principle. However, this should only be allowable where the person in question has sought independent financial advice therefore you would want something similar to the UK perhaps at a level where pension plans are worth in excess of £75k. A regulated PTS/IFA can then provide advice based on each member's individual circumstances. It is important that IOM pension scheme members have similar flexibility to those in the UK in how they access their pension benefits at retirement. It is all very well trying to do something different but we don't want something to compete.

Question 2
The new pension should complement the existing options available whilst offering the additional flexibility needed to avoid an annuity purchase. This new product shouldn't compete with existing plans and create further confusion for clients, advisers and the tax authorities. By creating differing levels of tax relief on contributions and drawdown and increasing the level of tax free cash available unnecessarily complicates the process; Our industry is looking for transparency in new products. The annual contribution limit you have proposed is ludicrously low at £5,000 this needs to be well in excess of £40,000 and an even higher limit for employers
To incentivise contributions to the scheme, consideration should be given to offering a higher level of tax relief on contributions, for example 30%, whilst retaining 20% paid on drawdown.

Question 3
Agree with the conditions listed, but would propose to add:

- Some form a joint approval/accountability for the Assessor (if this does not exist already)
- Greater transparency
- Minimum requirement on the employer to at least match the employee's contribution up to a maximum of 3%

Question 4
Yes, possibly auto enrolment like the UK

Question 5
No. Referring to question 2 above, this complication is created by offering differing levels of tax relief and tax free cash for which there is no need. In order to create a "barrier" to individuals unnecessarily encashing their pensions by transferring into the new scheme, perhaps there should be a standard 10% transfer charge on all sums in excess of £75k transferred into the new scheme. Along with a requirement to take advice this should ensure that the matter is given proper consideration.

N.B The way your consultation reads is the IOM revenue will be worse off and because of the sever limits on contributions it will not even get off the ground. Please don't over complicate it insentivise it and make it fair for all.

[redacted]

James Osborne Financial Services Limited
Clearview
Shore Road
Ballaugh
Isle of Man
IM7 5AZ
Phone: 01624 897210

It might be worth considering that, when the UK brought in flexibility 2 years ago, it was accompanied by;

- a raft of legislation in terms of us having to give information designed to help folk make an informed decision, including issuing a questionnaire (for individual plans where we're not dealing through an adviser) for the plan holder to complete and return before we issue the claims pack.
- forcing folk to take advice if they're giving up certain types of benefits with guarantees worth a certain amount
- a free help line.
-

For your info, I attach a sample questionnaire (with covering letter) and a sample claims pack we issue (once the questionnaire has been returned) for a individual pension plan where the plan holder wants to take the UKs flexible lump sum option (called an UFPLS) and has guarantees worth more than £30,000. This is a 'defined contribution' plan. I've attached just the letter plus the word doc attachments but have a look at the enclosure list at the bottom of the letter ! - the other enclosures are PDFs and I can send you them if you need them.

One other thing re the UFPLS - we issue an 'impact' guide as the tax position will vary depending on the plan holder's individual circumstances. The taxable portion of the payment is subject to an emergency tax rate on a 'month 1' basis (with any overpayment of tax being claimed back at the end of the tax year) which generally favours HMRC - rather different to your proposals.

Kind regards,

[redacted]

Executive Benefits
Customer Operations
2nd floor, S08, The Grange, Cheltenham, GL52 8XX

Direct line: [redacted]
Team telephone number: 03457 234 087
Fax number: 03702 434 802
Team Email: executive.benefits@uk.zurich.com

PRIVATE & CONFIDENTIAL
NAMD AND ADDRESS

Your reference

Our reference

Date

[redacted]****
[redacted]

INDIVIDUAL PENSION ARRANGEMENT:
PLAN NUMBER:

DEAR MR ……..

THANK YOU FOR YOUR REQUEST TO TAKE YOUR RETIREMENT SAVINGS WHOLLY AS A LUMP SUM.
THIS LETTER AND THE OTHER DOCUMENTS ENCLOSED PROVIDE MORE INFORMATION ABOUT WHAT YOU NEED TO CONSIDER BEFORE MAKING ANY DECISION, ALONG WITH A CLAIM FORM AND SUPPLEMENTARY GUARANTEE DECLARATION FORM TO COMPLETE IF YOU DECIDE TO PROCEED. PLEASE SEE 'YOUR OPTION FOR TAKING A LUMP SUM' BELOW FOR FURTHER INFORMATION.

PLEASE NOTE - THE DECISION TO ACCESS YOUR PENSION SAVINGS IS AN EXTREMELY IMPORTANT ONE, AND WILL HAVE LASTING CONSEQUENCES FOR YOUR RETIREMENT.

WHERE TO LOOK FOR HELP
THERE'S LOTS OF INFORMATION AVAILABLE TO HELP YOU MAKE THE RIGHT DECISION ABOUT YOUR RETIREMENT OPTIONS. 'PENSION WISE' OFFERS A FREE, IMPARTIAL SERVICE TO HELP YOU UNDERSTAND YOUR CHOICES AT RETIREMENT. PLEASE SEE THE ENCLOSED 'PENSION WISE' LETTER FOR MORE INFORMATION.

A FINANCIAL ADVISER CAN ALSO HELP OR ADVISE. IF YOU DON'T CURRENTLY HAVE A FINANCIAL ADVISER, YOU CAN FIND ONE NEAR YOU AT UNBIASED.CO.UK OR YOU CAN FIND ONE AND GET A REVIEW AT VOUCHEDFOR.CO.UK.

WHAT TO DO NEXT
BEFORE YOU MAKE ANY DECISION YOU NEED TO READ AND CONSIDER:

- **DO I NEED HELP IN MAKING MY DECISION?** – THE 'PENSION WISE' LETTER EXPLAINS WHERE YOU CAN GET GUIDANCE TO HELP YOU DECIDE IF THIS IS SUITABLE FOR YOU.
- **DO I UNDERSTAND THE RISKS?** – 'RISKS AND IMPLICATIONS OF TAKING A LUMP SUM' PROVIDES RISK AND WARNING MESSAGES SPECIFIC TO YOUR PLAN AND THE DECISION YOU NEED TO MAKE. IF ANY OF THIS INFORMATION IS NOT CORRECT PLEASE LET US KNOW.
- **WHAT COULD MY PLAN PROVIDE ME WITH?** - 'YOUR PLAN SUMMARY' INCLUDES THE CURRENT VALUE OF YOUR RETIREMENT SAVINGS, YOUR RETIREMENT AGE AND OTHER INFORMATION SPECIFIC TO YOUR PLAN SUCH AS ANY GUARANTEES YOU'LL BE GIVING UP OR CHARGES WHICH WILL BE APPLIED.
- **WHAT TYPES OF LUMP SUMS ARE AVAILABLE TO ME?** - 'YOUR GUIDE TO TAKING A LUMP SUM' PROVIDES MORE INFORMATION ABOUT THE LUMP SUM OPTIONS YOU CAN CHOOSE FROM.
- **WILL I PAY MORE IN TAX OR LOSE STATE BENEFITS?** – 'RISKS AND IMPLICATIONS OF TAKING A LUMP SUM' EXPLAINS HOW TAKING A LUMP SUM COULD AFFECT YOUR TAX POSITION AND ANY STATE BENEFITS YOU MAY BE ENTITLED TO.
- **HOW MUCH WILL I GET?** THE 'IMPACT OF TAKING AN UNCRYSTALLISED FUNDS PENSION LUMP SUM PAYMENT FROM YOUR RETIREMENT FUND' WILL GIVE YOU AN INDICATION OF WHAT YOU'LL GET AFTER TAX HAS BEEN DEDUCTED.
- **HOW WILL TAKING A LUMP SUM AFFECT ME IN THE FUTURE?** - THE 'IMPACT OF TAKING AN UNCRYSTALLISED FUNDS PENSION LUMP SUM PAYMENT FROM YOUR RETIREMENT FUND' PROVIDES INFORMATION ABOUT THE IMPACT THIS MAY HAVE ON YOUR RETIREMENT SAVINGS.
- IF YOU TAKE AN UFPLS PAYMENT, AND YOU STILL WANT TO MAKE CONTRIBUTIONS TO ANY MONEY PURCHASE PENSION PLAN, THE TOTAL AMOUNT THAT CAN BE PAID INTO ALL YOUR MONEY PURCHASE PLANS WILL BE SUBJECT TO A LOWER ANNUAL ALLOWANCE. HMRC REFER TO THIS AS THE 'MONEY PURCHASE ANNUAL ALLOWANCE'. THIS ALLOWANCE IS CURRENTLY £10,000 A YEAR. MORE INFORMATION ON THIS IS AVAILABLE IN THE ENCLOSED GUIDE.
- **CAN I CHANGE MY MIND?** ONCE WE'VE PROCESSEDYOUR CLAIM YOU WILL NOT BE ABLE TO CANCEL THE LUMP SUM PAYMENT. THEREFORE IT'S IMPORTANT TO THINK CAREFULLY BEFORE MAKING YOUR DECISION.
- **ARE THERE OTHER THINGS I NEED TO CONSIDER?** – THE 'OTHER INFORMATION' DOCUMENT PROVIDES DETAILS OF OTHER THINGS YOU SHOULD CONSIDER BEFORE MAKING ANY DECISION.

- **DO I UNDERSTAND THE OTHER OPTIONS AVAILABLE?** - 'YOUR PENSION, IT'S TIME TO CHOOSE – THE MONEY ADVICE SERVICE GUIDE EXPLAINS MORE ABOUT RETIREMENT OPTIONS AND HOW YOU CAN SHOP AROUND. THE SECTION IN THIS LETTER HEADED 'ARE THERE OTHER OPTIONS AVAILABLE FOR TAKING YOUR RETIREMENT SAVINGS' EXPLAINS THE OTHER OPTIONS AVAILABLE UNDER THIS PLAN.
- **DO I WANT TO DELAY TAKING MY RETIREMENT BENEFITS?** THE 'OTHER INFORMATION' DOCUMENT PROVIDES CONFIRMATION YOU CAN CHOOSE TO DELAY TAKING YOUR BENEFITS UNTIL ANY TIME BEFORE YOU REACH AGE 75, UNDER THE TERMS OF YOUR PLAN, LEAVING YOUR PLAN INVESTED.

REMEMBER, THIS IS A REALLY IMPORTANT DECISION AND IF YOU'RE UNSURE, YOU SHOULD SEEK GUIDANCE OR ADVICE. THE MORE OF YOUR RETIREMENT SAVINGS YOU SPEND NOW, THE LESS YOU'LL HAVE TO CALL ON LATER IN YOUR RETIREMENT.

YOUR OPTION FOR TAKING A LUMP SUM

- **UNCRYSTALLISED FUNDS PENSION LUMP SUM (UFPLS)** YOU CAN WITHDRAW YOUR RETIREMENT SAVINGS AS A LUMP SUM BY TAKING WHAT HM REVENUE & CUSTOMS (HMRC) REFER TO AS AN UNCRYSTALLISED FUNDS PENSION LUMP SUM (UFPLS).THIS IS SUBJECT TO SOME CONDITIONS SET OUT BY HMRC. WITH THIS TYPE OF LUMP SUM YOU CAN TAKE ALL OF YOUR RETIREMENT SAVINGS OUT IN ONE LUMP SUM. OF ANY LUMP SUM TAKEN, 25% WILL BE TAX FREE WITH THE REST TAXED AS INCOME IN THE TAX YEAR YOU TAKE THE LUMP SUM. IF YOU WOULD LIKE TO USE THIS OPTION, PLEASE COMPLETE THE ENCLOSED UFPLS RETIREMENT CLAIM FORM AND SUPPLEMENTARY GUARANTEE DECLARATION FORM (SEE BELOW).

IT'S A GOVERNMENT REQUIREMENT THAT, WHERE YOU DON'T TAKE ALL YOUR BENEFITS AS TAX FREE CASH AND/OR PENSION FROM YOUR EXISTING PLAN, YOU MUST TAKE REGULATED ADVICE IF YOUR PLAN CONTAINS CERTAIN GUARANTEES THAT ARE VALUED AT MORE THAN £30,000. YOUR PLAN CONTAINS SUCH GUARANTEES, INCLUDING A GUARANTEED FUND ATYOUR PLAN NORMAL RETIREMENT DATE 20 NOVEMBER 2034. IF YOU GAVE UP THE GUARANTEE IT WOULD CURRENTLY REQUIRE A FUND OF OVER £30,000 TO PROVIDE REPLACEMENT BENEFITS ON OUR STANDARD RATES. SO YOU'LL NEED TO COMPLETE THE ENCLOSED SUPPLEMENTARY GUARANTEE DECLARATION WITH YOUR ADVISER BEFORE WE CAN PROCEED WITH YOUR CLAIM. IF WE'RE UNABLE TO VERIFY YOUR ADVISER, THE PROCESSING OF YOUR CLAIM MAY BE DELAYED. THE ENCLOSED GUARANTEED ANNUITY RATE INFORMATION FORM SHOWS

DETAILS OF THE GUARANTEED ANNUITY RATES THAT APPLY TO YOUR PLAN.

HMRC WILL TAKE ALL OF YOUR INCOME INTO ACCOUNT WHEN WORKING OUT HOW MUCH TAX YOU OWE. THIS INCLUDES ANY OTHER RETIREMENT BENEFITS YOU'VE TAKEN AND ANY OTHER INCOME YOU MIGHT RECEIVE.

REMEMBER, THE WAY THESE PAYMENTS ARE TAXED WILL BE DIFFERENT DEPENDING ON THE OPTION YOU CHOOSE, PLEASE SEE THE ATTACHED 'YOUR GUIDE TO TAKING A LUMP SUM' FOR MORE INFORMATION ON THE TAX IMPLICATIONS OF YOUR DECISION. BY ONLY TAKING LUMP SUMS WHEN YOU NEED THEM, YOU LEAVE THE REST OF YOUR RETIREMENT SAVINGS INVESTED WHERE THEY COULD GROW IN VALUE. REMEMBER THE VALUE OF INVESTMENTS COULD GO DOWN AS WELL AS UP WHICH MAY IMPACT ON THE BENEFITS YOU RECEIVE IN THE FUTURE.

WHAT ELSE DO YOU NEED TO THINK ABOUT?
THERE MAY BE FEATURES OF YOUR PLAN YOU NEED TO CONSIDER WHEN DECIDING IF TAKING A LUMP SUM IS THE BEST OPTION FOR YOU. THE ENCLOSED 'YOUR PLAN SUMMARY' DETAILS THE SPECIFIC FEATURES THAT APPLY TO YOUR PLAN.

IF YOU'RE UNSURE ABOUT ANY INVESTMENTS YOU'RE CONSIDERING, YOU SHOULD CONTACT YOU FINANCIAL ADVISER OR YOU CAN FIND FURTHER HELP ON THE MONEY ADVICE SERVICE WEBSITE. FRAUDSTERS ARE INCREASINGLY TARGETING PEOPLE WHO HAVE TAKEN, OR ARE CONSIDERING TAKING, FUNDS FROM THEIR PENSION SAVINGS.

ARE THERE OTHER OPTIONS AVAILABLE FOR TAKING YOUR RETIREMENT SAVINGS?
YOU DON'T HAVE TO TAKE A LUMP SUM FROM THIS PLAN. THERE ARE OTHER WAYS TO ACCESS SOME OF YOUR RETIREMENT SAVINGS AS LUMP SUMS. YOU CAN USUALLY TAKE UP TO 25% AS TAX-FREE CASH IF YOU MOVE YOUR RETIREMENT SAVINGS INTO DRAWDOWN OR BUY AN ANNUITY. YOU CAN'T TAKE DRAWDOWN UNDER THIS PLAN.

THERE ARE DIFFERENT WAYS TO TAKE YOUR RETIREMENT SAVINGS. YOU CAN FIND OUT MORE ABOUT ALL THE AVAILABLE OPTIONS ON OUR WEBSITE AT .... AND IN 'YOUR PENSION, IT'S TIME TO CHOOSE' ENCLOSED.

YOU MAY WISH TO CONSIDER TRANSFERRING YOUR RETIREMENT SAVINGS TO ONE OR MORE DIFFERENT PROVIDERS TO ACCESS DIFFERENT OPTIONS. OTHER PROVIDERS WILL OFFER DIFFERENT OPTIONS SO YOU SHOULD COMPARE THE FEATURES AND CHARGES OF EACH PRODUCT AND CONSIDER ANY TAX

IMPLICATIONS OF ACCESSING YOUR RETIREMENT SAVINGS IN A DIFFERENT WAY BEFORE MAKING YOUR DECISION. DIFFERENT OPTIONS HAVE DIFFERENT FEATURES, RATES OF PAYMENT, CHARGES AND TAX IMPLICATIONS.

WE RECOMMEND YOU USE THE GUIDANCE AVAILABLE FROM PENSION WISE AND CONSIDER TAKING FINANCIAL ADVICE FROM A REGULATED FINANCIAL ADVISER BEFORE MAKING A DECISION. A FINANCIAL ADVISER WILL CHARGE FOR ANY ADVICE YOU RECEIVE.

PLAN GUARANTEES
AS YOUR PLAN DOES INCLUDE A VALUABLE GUARANTEE, YOU MUST TAKE FINANCIAL ADVICE BEFORE MAKING A DECISION TO TAKE A LUMP SUM PAYMENT OR TRANSFER YOUR RETIREMENT SAVINGS ELSEWHERE. THIS IS A GOVERNMENT REQUIREMENT AND WE'LL CHECK THIS IF YOU MAKE A CLAIM.

WHAT DO YOU NEED TO DO NEXT?
IF YOU DECIDE YOU WOULD LIKE TO TAKE A LUMP SUM, PLEASE FULLY COMPLETE AND RETURN THE APPROPRIATE CLAIM FORM(S) DETAILED IN THE ABOVE 'YOUR OPTION FOR TAKING A LUMP SUM'.

REMEMBER IT'S IMPORTANT TO GET THE RIGHT HELP WHEN MAKING THIS DECISION SO YOU SHOULD ACCESS THE GUIDANCE FROM PENSION WISE AND CONSIDER TAKING INDEPENDENT ADVICE TO HELP YOU DECIDE WHICH OPTION IS MOST SUITABLE FOR YOU. ALSO REMEMBER YOU MUST TAKE ADVICE TO TAKE THE ABOVE OPTION.

WHAT WILL HAPPEN NEXT?
ONCE WE'VE RECEIVED ALL THE CLAIM REQUIREMENTS WE'LL PAY THE TAX FREE CASH LUMP SUM PAYMENT, ALONG WITH THE REMAINDER AS A LUMP SUM MINUS TAX.

IF YOU'VE ANY QUESTIONS, PLEASE E-MAIL US AT ...., OR CALL US ON ...., QUOTING THE PLAN NUMBER. OUR LINES ARE OPEN FROM 9AM TO 5PM MONDAY TO FRIDAY - WE'LL BE HAPPY TO HELP. WE MAY RECORD OR MONITOR CALLS TO IMPROVE OUR SERVICE.

YOURS SINCERELY

NAME
TEAM

ENCLOSED:

'PENSION WISE' LETTER
THE 'RISKS AND IMPLICATIONS' SHEET
'YOUR PLAN SUMMARY'
'YOUR GUIDE TO TAKING A LUMP SUM'
'IMPACT OF TAKING AN UNCRYSTALLISED FUNDS PENSION LUMP SUM PAYMENT
'OTHER INFORMATION'
UNCRYSTALLISED FUNDS PENSION LUMP SUM CLAIM FORM
SUPPLEMENTARY GUARANTEE DECLARATION
GUARANTEED ANNUITY RATE INFORMATION
'YOUR PENSION, IT'S TIME TO CHOOSE' GUIDE

Your plan summary

YOU SHOULD HAVE YOUR PLAN SUMMARY TO HAND WHEN SEEKING GUIDANCE OR DISCUSSING YOUR RETIREMENT OPTIONS WITH A FINANCIAL ADVISER.

INDIVIDUAL PENSION ARRANGEMENT:

PLAN NUMBER:

NORMAL RETIREMENT DATE:

TRADITIONAL WITH-PROFITS FUND (TWP) £*****

THE FUND IS GUARANTEED FOR RETIREMENT AS AT .... INFORMATION ON HOW THE TRADITIONAL (CONVENTIONAL) WITH-PROFITS FUND WORKS CAN BE FOUND ON OUR WEBSITE ....

THE AGE AT WHICH YOU ACCESS YOUR BENEFITS MAY AFFECT THE VALUE OR THE RIGHTS OF THOSE BENEFITS.

PLAN GUARANTEES

GUARANTEED ANNUITY RATE

YOUR PLAN HAS A GUARANTEED ANNUITY RATE WHICH IS LIKELY TO PROVIDE A HIGHER RETIREMENT INCOME THAN IS AVAILABLE ON THE OPEN MARKET FOR A STANDARD ANNUITY, DEPENDING ON THE CHOICES YOU MAKE. YOU SHOULD COMPARE THIS RATE WITH OTHERS AS THE GUARANTEE MAY PROVIDE YOU WITH A HIGHER RETIREMENT INCOME THAN IS OFFERED BY OTHER PROVIDERS. PLEASE REFER TO THE GUARANTEED ANNUITY RATES INFORMATION ENCLOSURE OR CONTACT US FOR MORE INFORMATION ON YOUR GUARANTEED ANNUITY RATE BEFORE MAKING A DECISION. WHERE THE GUARANTEE APPLIES, WE'LL INCLUDE IT IN ANY ANNUITY ILLUSTRATIONS WE PRODUCE.

AS YOUR PLAN INCLUDES A VALUABLE GUARANTEE, YOU MUST TAKE FINANCIAL ADVICE BEFORE MAKING A DECISION TO TAKE THE OPTION SHOWN IN THE ACCOMPANYING LETTER.

PLAN FEATURES AND OTHER INFORMATION

LIFETIME ALLOWANCE

IF YOUR LIFETIME ALLOWANCE IS USED UP WHEN YOU TAKE YOUR BENEFITS THEN, IN LINE WITH HMRC RULES, WE'LL APPLY A LIFETIME ALLOWANCE CHARGE. THE STANDARD LIFETIME ALLOWANCE IS CURRENTLY £1,000,000. YOU SHOULD CONSIDER TAKING FINANCIAL ADVICE IF YOUR RETIREMENT SAVINGS ARE CLOSE TO, OR EXCEED, THAT AMOUNT.

WHEN YOU REACH AGE 75

WITH YOUR PLAN, ONCE YOU REACH AGE 75, YOU'LL NEED TO TAKE YOUR RETIREMENT SAVINGS OR TRANSFER TO ANOTHER PLAN.

Other information

DELAY TAKING YOUR PENSION INCOME UNTIL A LATER DATE
YOU CAN CHOOSE TO DELAY TAKING YOUR BENEFITS UNTIL ANY TIME BEFORE YOU REACH AGE 75, UNDER THE TERMS OF YOUR PLAN, LEAVING YOUR PLAN INVESTED. IF YOU WANT TO DELAY TAKING YOUR RETIREMENT INCOME, PLEASE TELL US YOUR NEW PLANNED RETIREMENT AGE.

RETIRING EARLY THROUGH ILL HEALTH / INCAPACITY
YOU MAY BE ABLE TO TAKE RETIREMENT SAVINGS EARLIER THAN AGE 55 IF YOU HAVE RETIRED FROM EMPLOYMENT DUE TO ILL HEALTH OR INCAPACITY. WE CAN PROVIDE FURTHER INFORMATION ON REQUEST.

SERIOUS ILLNESS
IF YOU HAVE A SERIOUS ILLNESS THAT MEANS YOU AREN'T EXPECTED TO LIVE FOR MORE THAN ONE YEAR, YOUR RETIREMENT SAVINGS CAN BE PAID OUT IN ONE, TAX FREE LUMP SUM SUBJECT TO SUITABLE MEDICAL EVIDENCE BEING PROVIDED.

BANKRUPTCY
IT IS IMPORTANT TO LET US KNOW IF YOU HAVE BEEN DECLARED BANKRUPT SINCE TAKING OUT THIS PENSION PLAN. WE HAVE A LEGAL OBLIGATION TO INFORM THE TRUSTEE IN BANKRUPTCY/OFFICIAL RECEIVER IF YOU ARE TAKING THE BENEFITS. PLEASE PROVIDE A COPY OF THE BANKRUPTCY ORDER AND THE DISCHARGE LETTER IF YOU HAVE SINCE BEEN DISCHARGED FROM BANKRUPTCY. IF YOU WERE MADE BANKRUPT BEFORE MAY 2000, WE WILL ALSO NEED A WRITTEN RELEASE FROM THE TRUSTEE IN BANKRUPTCY/OFFICIAL RECEIVER, CONFIRMING THEY HAVE NO FURTHER INTEREST IN YOUR PLAN.

DIVORCE
YOU MUST LET US KNOW IF YOUR PLAN IS PART OF A DIVORCE SETTLEMENT. IF THERE IS A COURT ORDER IN CONNECTION WITH SUCH A SETTLEMENT, THIS WILL AFFECT THE PENSION BENEFITS YOU ARE ENTITLED TO. THIS ALSO APPLIES WHERE A COURT ORDER IS ANTICIPATED BUT HAS NOT COME INTO EFFECT. WHERE ANY PAYMENT OF PENSION BENEFITS IS MADE, OTHER THAN IN ACCORDANCE WITH SUCH AN ORDER, WE MAY HAVE TO TRY AND CORRECT THE POSITION, SO THAT THE ORDER IS COMPLIED WITH, BY SEEKING TO RECOVER SOME OR ALL OF THE MONEY PAID.

IMPORTANT INFORMATION ABOUT THE LUMP SUM
THERE ARE HM REVENUE & CUSTOMS (HMRC) ANTI-AVOIDANCE RULES AROUND 'RECYCLING' TAX-FREE CASH. IF YOU USE THE TAX-FREE CASH SUM FROM THIS PLAN TO FUND PAYMENTS TO ANY OTHER REGISTERED PENSION SCHEME, THE TAX-FREE CASH SUM COULD BE TREATED AS AN UNAUTHORISED PAYMENT AND SUBJECT TO TAX OF AT LEAST 40%. ASK A FINANCIAL ADVISER IF YOU'RE CONCERNED THIS MIGHT AFFECT YOU.

GUARANTEED ANNUITY RATES INFORMATION

THE GUARANTEED ANNUITY RATE (GAR) FACTORS SHOWN BELOW ARE AVAILABLE ON TRADITIONAL (CONVENTIONAL) WITH PROFITS (TWP) FUNDS HELD IN THE ABOVE HOLDING. PLEASE SEE THE ATTACHED LETTER FOR CONFIRMATION OF THE TWP VALUE.

HOW TO CALCULATE THE GAR PENSION:
THE TWP FUND SHOULD BE DIVIDED BY THE APPROPRIATE FACTOR; £1,000.00 WILL PURCHASE A GAR PENSION AS FOLLOWS:

	MALE	**FEMALE**
AGE 60:	**£97.56** (£1,000 DIVIDED BY **10.25** = £97.56)	**£87.00** (£1,000 DIVIDED BY **11.50** = £87.00)
AGE 65:	**£111.12** (£1,000 DIVIDED BY **9.00** = £111.12)	**£97.56** (£1,000 DIVIDED BY **10.25** = £97.56)

GAR BASIS:
A SINGLE LIFE PENSION, PAYABLE MONTHLY, IN ADVANCE, GUARANTEED 5 YEARS AND WITHOUT ESCALATION.

A PARTNER'S ANNUITY CAN BE ADDED, IF REQUIRED, HOWEVER THE RATES WILL BE AMENDED DEPENDING ON THE AGE OF THE PARTNER AND THE PERCENTAGE REQUIRED. THE ABOVE AMOUNTS WILL CHANGE IF A PARTNER'S ANNUITY IS ELECTED.

ANY CHANGE IN THE BASIS (E.G. FROM ADVANCE TO ARREARS) WILL MEAN THAT THE ANNUITY WILL NOT BE CALCULATED ON OUR GAR'S, RATHER, ANY ILLUSTRATIONS WILL BE BASED ON OUR CURRENT RATES.

Male

Age	*GAR*	*Quarter Years Attained*		
		0.25	*0.50*	*0.75*
55	**11.50**	11.44	11.38	11.31
56	**11.25**	11.19	11.13	11.06
57	**11.00**	10.94	10.88	10.81
58	**10.75**	10.69	10.63	10.56
59	**10.50**	10.44	10.38	10.31
60	**10.25**	10.19	10.13	10.06
61	**10.00**	9.94	9.88	9.81
62	**9.75**	9.69	9.63	9.56
63	**9.50**	9.44	9.38	9.31
64	**9.25**	9.19	9.13	9.06
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71	**7.50**	7.44	7.38	7.31
72	**7.25**	7.19	7.13	7.06
73	**7.00**	6.95	6.90	6.85
74	**6.80**	6.75	6.70	6.65
75	**6.60**			

Female

Age	*GAR*	*Quarter Years Attained*		
		0.25	*0.50*	*0.75*
55	**12.75**	12.69	12.63	12.56
56	**12.50**	12.44	12.38	12.31
57	**12.25**	12.19	12.13	12.06
58	**12.00**	11.94	11.88	11.81
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72	**8.50**	8.44	8.38	8.31
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74	**8.00**	7.94	7.88	7.81
75	**7.75**			

RISKS AND IMPLICATIONS OF TAKING A LUMP SUM

(PLEASE ALSO SEE 'YOUR PENSION, IT'S TIME TO CHOOSE' FOR MORE INFORMATION)

THE INFORMATION BELOW IS PROVIDED TO HELP YOU UNDERSTAND THE IMPLICATIONS OF TAKING A LUMP SUM FROM YOUR PLAN.

WHAT TO DO WITH YOUR RETIREMENT SAVINGS IS AN IMPORTANT DECISION SO WE RECOMMEND YOU CONSIDER TAKING REGULATED FINANCIAL ADVICE OR USE THE GUIDANCE AVAILABLE FROM PENSION WISE BEFORE YOU MAKE A CLAIM. YOU MUST THINK ABOUT YOUR NEEDS IN RETIREMENT, HOW YOU CAN MEET THESE NEEDS WHEN YOU MAKE YOUR CHOICE AND THE ASSOCIATED TAX IMPLICATIONS. TAKING A LUMP SUM IS A DECISION WHICH CANNOT BE CHANGED ONCE YOUR RETIREMENT SAVINGS HAVE BEEN PAID OUT SO, THINK CAREFULLY, AND BE CERTAIN THAT IS WHAT YOU WANT TO DO BEFORE MAKING THAT CHOICE.

PLAN GUARANTEES
YOUR PLAN HAS A VALUABLE GUARANTEE WHICH IS LIKELY TO PROVIDE A HIGHER RETIREMENT INCOME THAN IS AVAILABLE ON THE OPEN MARKET FOR A STANDARD ANNUITY. BY TAKING A LUMP SUM YOU WILL LOSE THE BENEFIT OF THIS PLAN FEATURE.

IMPACT ON TAX ALLOWANCES AND BENEFITS
IF YOU TAKE YOUR RETIREMENT SAVINGS AS A LUMP SUM IT WILL BE ADDED TO ANY OTHER INCOME RECEIVED IN THE TAX YEAR IT WAS PAID. THIS COULD PUSH YOUR INCOME INTO A DIFFERENT TAX BAND AND AFFECT ANY TAX ALLOWANCES YOU'RE ENTITLED TO. WE ARE REQUIRED TO DEDUCT TAX FROM ANY LUMP SUM PAYMENT MADE TO YOU (PLEASE SEE THE ENCLOSED 'YOUR GUIDE TO TAKING A LUMP SUM'). DEPENDING ON YOUR TOTAL INCOME FROM ALL SOURCES, YOU MAY NEED TO PAY MORE TAX THAN WE DEDUCT OR YOU MAY BE ABLE TO CLAIM A REFUND FROM HMRC.

THE AMOUNT OF INCOME AND SAVINGS YOU HAVE CAN ALSO AFFECT ANY MEANS TESTED STATE BENEFITS YOU MAY HAVE FOR EXAMPLE INCOME SUPPORT, HOUSING BENEFIT, CHILD BENEFIT, (YOU CAN FIND OUT MORE ABOUT THIS BY VISITING PENSION WISE WEBSITE WWW.PENSIONWISE.GOV.UK).

TAX CONSIDERATIONS ON DEATH
IF YOU DIE HAVING TAKEN A LUMP SUM, THIS PAYMENT MAY BE ADDED TO YOUR ESTATE AND TAKEN INTO ACCOUNT FOR ANY CALCULATION OF INHERITANCE TAX (IHT). IF YOU THINK YOU MAY BE AFFECTED YOU SHOULD CONSULT A FINANCIAL ADVISER.

TAX ON LARGE FUNDS
IF THE VALUE OF YOUR RETIREMENT SAVINGS EXCEEDS £1 MILLION, YOU MAY BE LIABLE TO ADDITIONAL TAX BEFORE THE FINAL VALUE CAN BE PAID OUT. YOU MAY HAVE LIFETIME ALLOWANCE PROTECTION TO COVER SOME, OR ALL, OF THIS, IN WHICH CASE YOU'LL HAVE A PROTECTION CERTIFICATE OR REFERENCE NUMBER(S) GIVEN TO YOU BY HMRC. YOU'LL NEED TO SEND US A COPY OF THE CERTIFICATE OR CONFIRM THE REFERENCE NUMBER(S) BEFORE WE PAY OUT THE CLAIM.

HOW MUCH INCOME YOU'LL HAVE WHEN YOU STOP WORKING
BEFORE TAKING A LUMP SUM, MAKE SURE YOU'LL HAVE ENOUGH INCOME TO SUPPORT YOURSELF AND YOUR PARTNER (IF APPROPRIATE) WHEN YOU'RE NO LONGER WORKING. THE MORE OF YOUR RETIREMENT SAVINGS YOU TAKE AS A LUMP SUM AND SPEND, THE LESS YOU'LL HAVE LEFT TO PROVIDE AN INCOME WHEN YOU NEED IT. BY TAKING A LUMP SUM, YOU ARE MOVING FUNDS OUT OF A TAX EFFICIENT VEHICLE FOR PAYMENT OF BENEFITS ON DEATH.

IF YOU TAKE ALL YOUR RETIREMENT SAVINGS AS A LUMP SUM, YOU NEED TO THINK ABOUT WHAT OTHER INCOME YOU HAVE. WHEN YOUR RETIREMENT SAVINGS ARE GONE, THEY'RE GONE.

LEAVE YOUR OTHER RETIREMENT SAVINGS INVESTED
BY ONLY TAKING LUMP SUMS WHEN YOU NEED THEM, YOU LEAVE THE REST OF YOUR RETIREMENT SAVINGS INVESTED. THE VALUE OF INVESTMENTS COULD GO DOWN AS WELL AS UP, WHICH MAY IMPACT ON THE RETIREMENT INCOME YOU AND YOUR PARTNER (IF APPROPRIATE) RECEIVE IN THE FUTURE.

IMPACT ON OUTSTANDING DEBTS WHEN TAKING A LUMP SUM
WHILE YOUR MONEY HAS BEEN INVESTED IN YOUR PENSION, THIS HAS BEEN PROTECTED FROM CREDITORS. IF YOU TAKE YOUR RETIREMENT SAVINGS AS A LUMP SUM, THIS PROTECTION WILL BE LOST.

INVESTMENT SCAMS
FRAUDSTERS ARE INCREASINGLY TARGETING PEOPLE WHO HAVE TAKEN, OR ARE CONSIDERING TAKING, FUNDS FROM THEIR PENSION SAVINGS. IF YOU ARE UNSURE ABOUT THIS YOU SHOULD CHECK WITH A REGULATED FINANCIAL ADVISER OR FURTHER HELP CAN BE FOUND ON THE MONEY ADVICE SERVICE WEBSITE.

CHECK IF YOU HAVE PROTECTED TAX-FREE CASH OR LIFETIME ALLOWANCE PROTECTION
PROTECTED TAX-FREE CASH OR LIFETIME ALLOWANCE PROTECTION APPLIES TO SOME RETIREMENT SAVING PLANS PROVIDED BY EMPLOYERS THAT STARTED BEFORE 6 APRIL 2006. BY TAKING A LUMP SUM, YOU MAY LOSE THE PROTECTION ON YOUR PLAN. IF YOU THINK YOU HAVE ONE OF THESE ON YOUR PLAN, SPEAK TO US TO FIND OUT HOW THIS AFFECTS YOUR LUMP SUM OPTIONS.

CHARGES (IF YOU INTEND TO INVEST YOUR RETIREMENT SAVINGS)
IF YOU CHOOSE TO INVEST YOUR LUMP SUM IN ALTERNATIVE SAVINGS OR INVESTMENT PRODUCTS, THE CHARGES THAT MAY APPLY TO THAT ALTERNATIVE INVESTMENT MAY BE HIGHER THAN THOSE THAT APPLY TO YOUR EXISTING PLAN.

SMALL LUMP SUM PAYMENTS
IF YOU HAVE OTHER INDIVIDUAL PENSION PLANS WITH OTHER PROVIDERS THAT YOU ARE CONSIDERING TAKING LUMP SUM PAYMENTS FROM THEN YOU CAN ONLY TAKE A MAXIMUM OF THREE, SEPARATE, SMALL LUMP SUM PAYMENTS.

NAME AND ADDRESS

IMPORTANT INFORMATION

Your reference

Our reference

Date

[redacted]

[redacted]

INDIVIDUAL PENSION ARRANGEMENT:
PLAN NUMBER:

DEAR MR …………..

THANK YOU FOR YOUR REQUEST TO TAKE YOUR RETIREMENT SAVINGS WHOLLY AS A LUMP SUM PAYMENT FROM THIS PLAN. THERE CAN BE LOTS TO THINK ABOUT AND CHECK BEFORE FINALLY DECIDING THIS IS THE RIGHT OPTION FOR YOU. THIS LETTER INCLUDES IMPORTANT INFORMATION ABOUT YOUR LUMP SUM OPTIONS AND EXPLAINS WHAT THE NEXT STEPS ARE IF YOU DECIDE TO GO AHEAD.

PLEASE REMEMBER THERE ARE OTHER RETIREMENT OPTIONS AVAILABLE - YOU DON'T HAVE TO TAKE A LUMP SUM. THE ENCLOSED GUIDE 'YOUR PENSION, IT'S TIME TO CHOOSE' EXPLAINS MORE ABOUT THE RETIREMENT OPTIONS. YOU SHOULD ALSO SHOP AROUND TO FIND THE BEST RATES FOR THE RETIREMENT OPTIONS YOU CHOOSE.

WE DON'T OFFER ALL THE RETIREMENT OPTIONS UNDER THIS PLAN. IF YOU DECIDE ON AN OPTION WE CAN'T OFFER, YOU CAN TRANSFER TO A DIFFERENT PROVIDER.

WE'VE ALSO ENCLOSED 'YOUR PLAN SUMMARY' DOCUMENT THAT INCLUDES THE CURRENT VALUE OF YOUR RETIREMENT SAVINGS, YOUR RETIREMENT AGE AND OTHER INFORMATION SPECIFIC TO YOUR PLAN SUCH AS ANY GUARANTEES YOU'LL BE GIVING UP IF YOU TAKE A LUMP SUM, OR CHARGES THAT WILL BE APPLIED.

WHERE TO GET HELP
TO HELP YOU DECIDE, WE STRONGLY RECOMMEND YOU TAKE ADVANTAGE OF THE GOVERNMENT'S 'PENSION WISE' SERVICE

WHICH OFFERS FREE, IMPARTIAL GUIDANCE TO HELP YOU UNDERSTAND YOUR CHOICES AT RETIREMENT. PENSION WISE CAN PROVIDE YOU WITH GUIDANCE BY TELEPHONE ON 0800 280 8880, OVER THE INTERNET BY VISITING WWW.PENSIONWISE.GOV.UK OR FACE TO FACE. WE'VE INCLUDED A LETTER TO YOU FROM THE GOVERNMENT EXPLAINING WHAT THE SERVICE OFFERS.

YOUR FINANCIAL ADVISER CAN ALSO HELP OR ADVISE. IF YOU DON'T CURRENTLY HAVE A FINANCIAL ADVISER, YOU CAN FIND ONE NEAR YOU AT UNBIASED.CO.UK OR YOU CAN FIND ONE AND GET A REVIEW AT VOUCHEDFOR.CO.UK. THERE'S ALSO HELPFUL INFORMATION AND TOOLS ON OUR WEBSITE ....…

YOUR OPTIONS FOR TAKING LUMP SUM

- YOU CAN WITHDRAW ALL OF YOUR RETIREMENT SAVINGS AS A LUMP SUM TAKING WHAT HM REVENUE & CUSTOMS (HMRC) REFER TO AS AN 'UNCRYSTALLISED FUNDS PENSION LUMP SUM' (UFPLS). OF ANY LUMP SUM TAKEN 25% WILL BE TAX AND THE REST TAXED AS INCOME. FOR MANY PEOPLE THERE CAN BE FURTHER TAX CONSEQUENCES.

- YOU MAY BE ABLE TO TAKE MOST OF, OR THE WHOLE FUND AS A TAX FREE LUMP SUM SO PLEASE FULLY COMPLETE AND RETURN THE ENCLOSED TAX FREE CASH ENTITLEMENT FORM IF YOU WANT US TO CHECK THIS.

- PLEASE NOTE, THE PLAN HAS SOME SPECIAL GUARANTEED FEATURES WHICH CAN BE VERY VALUABLE. **YOU MUST TAKE FINANCIAL ADVICE BEFORE WE'LL BE ABLE TO MAKE ANY PAYMENTS.** WE'LL ASK YOU TO PROVIDE DETAILS OF THE ADVISER WHEN YOU MAKE A CLAIM AND ASK FOR AN EXTRA FORM TO BE COMPLETED.

NEXT STEPS
BEFORE WE CAN GO AHEAD, OUR REGULATOR, THE FINANCIAL CONDUCT AUTHORITY, REQUIRES US TO ENSURE THAT WE EXPLAIN HOW YOUR CHOICES COULD AFFECT YOUR RETIREMENT, HOW MUCH TAX YOU PAY AND ANY IMPACT ON STATE BENEFITS YOU MAY RECEIVE (SUCH AS CHILD BENEFIT) AS WELL AS RELEVANT RISKS OF TAKING A LUMP SUM.

WE'VE ENCLOSED A QUESTIONNAIRE FOR YOU TO COMPLETE. **UNFORTUNATELY, WE'LL NOT BE ABLE TO PROVIDE YOU WITH CLAIM DOCUMENTS UNTIL WE'VE RECEIVED YOUR ANSWERS.**

YOUR ANSWERS WILL ENABLE US TO PROVIDE THE INFORMATION AND POTENTIAL RISKS RELEVANT TO YOUR CIRCUMSTANCES WHEN WE SEND YOUR CLAIM DOCUMENTS.

PLEASE COMPLETE AND RETURN THE QUESTIONNAIRE IN THE PREPAID ENVELOPE PROVIDED.

IF YOU'VE ANY QUESTIONS PLEASE E-MAIL US AT ……………………..
OR CALL US ON ………………..QUOTING THE PLAN NUMBER. OUR LINES ARE OPEN FROM 9AM TO 5PM MONDAY TO FRIDAY - WE'LL BE HAPPY TO HELP. WE MAY RECORD OR MONITOR CALLS TO IMPROVE OUR SERVICE.

YOURS SINCERELY

NAME
TEAM

ENCLOSED:

'PENSION WISE' LETTER
'YOUR PLAN SUMMARY'
'LUMP SUM PAYMENT RISK WARNING QUESTIONNAIRE'
'YOUR PENSION, IT'S TIME TO CHOOSE' GUIDE
TAX FREE CASH ENTITLEMENT FORM
GUARANTEED ANNUITY RATES INFORMATION
PREPAID ENVELOPE

Your plan summary

YOU SHOULD HAVE YOUR PLAN SUMMARY TO HAND WHEN SEEKING GUIDANCE OR DISCUSSING YOUR RETIREMENT OPTIONS WITH A FINANCIAL ADVISER.

- **NAME OF PLANHOLDER:**
- **INDIVIDUAL PENSION ARRANGEMENT:**
- **NORMAL RETIREMENT DATE:**
- **TRADITIONAL WITH-PROFITS FUND (TWP) £*******

THE TWP FUND IS GUARANTEED FOR RETIREMENT AS AT 20 NOVEMBER 2034.

INFORMATION ON HOW THE TRADITIONAL (CONVENTIONAL) WITH-PROFITS FUND WORKS CAN BE FOUND ON OUR WEBSITE ....

THE AGE AT WHICH YOU ACCESS YOUR BENEFITS MAY AFFECT THE VALUE OR THE RIGHTS OF THOSE BENEFITS.

PLAN GUARANTEES

GUARANTEED ANNUITY RATE

YOUR PLAN HAS A GUARANTEED ANNUITY RATE WHICH IS LIKELY TO PROVIDE A HIGHER RETIREMENT INCOME THAN IS AVAILABLE ON THE OPEN MARKET FOR A STANDARD ANNUITY, DEPENDING ON THE CHOICES YOU MAKE. YOU SHOULD COMPARE THIS RATE WITH OTHERS AS THE GUARANTEE MAY PROVIDE YOU WITH A HIGHER RETIREMENT INCOME THAN IS OFFERED BY OTHER PROVIDERS. PLEASE REFER TO THE GUARANTEED ANNUITY RATES INFORMATION ENCLOSURE OR CONTACT US FOR MORE INFORMATION ON YOUR GUARANTEED ANNUITY RATE BEFORE MAKING A DECISION. WHERE THE GUARANTEE APPLIES, WE'LL INCLUDE IT IN ANY ANNUITY ILLUSTRATIONS WE PRODUCE.

PLAN FEATURES AND OTHER INFORMATION

TAX FREE CASH

YOU'RE ENTITLED TO TAKE 25% OF THE FUND AS A TAX FREE LUMP SUM. PLEASE COMPLETE AND RETURN THE TAX FREE CASH ENTITLEMENT FORM TO CHECK IF YOU'RE ENTITLED TO MORE THAN THIS.

LIFETIME ALLOWANCE

IF YOUR LIFETIME ALLOWANCE IS USED UP WHEN YOU TAKE YOUR BENEFITS THEN, IN LINE WITH HMRC RULES, WE'LL APPLY A LIFETIME ALLOWANCE CHARGE. THE STANDARD LIFETIME ALLOWANCE IS CURRENTLY £1 MILLION. YOU SHOULD CONSIDER TAKING FINANCIAL ADVICE IF YOUR RETIREMENT SAVINGS ARE CLOSE TO, OR EXCEED, THAT AMOUNT.

WHEN YOU REACH AGE 75

WITH YOUR PLAN, ONCE YOU REACH AGE 75, YOU'LL NEED TO TAKE YOUR RETIREMENT SAVINGS OR TRANSFER TO ANOTHER PLAN.

LUMP SUM PAYMENT RISK WARNING QUESTIONNAIRE

- **INDIVIDUAL PENSION ARRANGEMENT:**
- **PLAN NUMBER:**

THE DECISION TO ACCESS YOUR RETIREMENT SAVINGS IS AN IMPORTANT ONE SO WE RECOMMEND YOU SPEAK TO PENSION WISE OR SEEK FINANCIAL ADVICE FROM A REGULATED FINANCIAL ADVISER BEFORE MAKING YOUR CLAIM DECISION. THERE ARE IMPORTANT QUESTIONS FOR YOU TO CONSIDER BEFORE DECIDING WHETHER TO TAKE A LUMP SUM PAYMENT.

PLEASE ANSWER ALL QUESTIONS THEN SIGN AND DATE THE QUESTIONNAIRE. BASED ON YOUR ANSWERS, WE'LL PROVIDE YOU WITH FURTHER INFORMATION TO CONSIDER WHEN WE SEND YOUR CLAIM DOCUMENTS. WE'LL ALSO SEND YOU DETAILS OF THE POTENTIAL TAX CONSEQUENCES OF TAKING A LUMP SUM.

1) HAVE YOU USED THE GUIDANCE AVAILABLE FROM PENSION WISE?

   YES NO

2) HAVE YOU RECEIVED ADVICE FROM A REGULATED FINANCIAL ADVISER?

   YES NO

3) ARE YOU AWARE THAT ANY LUMP SUM PAYMENT WILL BE TAXED AS INCOME AND THAT, DEPENDING ON YOUR OTHER SOURCES OF INCOME AND YOUR TAX CODE, YOU MAY HAVE TO PAY MORE TAX; OR YOU MAY BE ELIGIBLE TO GET A REFUND?

   YES NO

4) A) ARE YOU AWARE THAT IF YOU TAKE A LUMP SUM PAYMENT THIS MAY BE ADDED TO THE VALUE OF YOUR ESTATE WHEN YOU DIE AND COULD BE SUBJECT TO INHERITANCE TAX?

   YES NO

   B) ARE YOU AWARE THAT IF YOU TAKE THE LUMP SUM PAYMENT THIS WILL BE ADDED TO ANY OTHER INCOME YOU RECEIVE AND MAY CAUSE YOU TO MOVE INTO A HIGHER TAX BRACKET SO YOU MAY BE SUBJECT TO MORE TAX?

   YES NO

5) THE STANDARD LIFETIME ALLOWANCE IS CURRENTLY £1 MILLION, DO YOU KNOW THAT IF THE TOTAL RETIREMENT SAVINGS YOU HAVE IN ALL YOUR PLANS EXCEEDS THIS VALUE YOU COULD BE LIABLE TO ADDITIONAL TAX?

YES

NO

6) A) ARE YOU PLANNING TO USE ANY LUMP SUM YOU TAKE FROM THIS PLAN TO HELP PROVIDE AN INCOME IN RETIREMENT FOR YOU, YOUR PARTNER OR A DEPENDANT?

YES NO

(ONLY ANSWER QUESTION 6B IF YOU ANSWER NO TO QUESTION 6A)

B) DO YOU HAVE SUFFICIENT OTHER INCOME TO PROVIDE AN INCOME IN RETIREMENT FOR YOU, YOUR PARTNER OR A DEPENDANT?

YES NO

7) WHILE YOUR MONEY HAS BEEN INVESTED IN YOUR PENSION, THIS HAS BEEN PROTECTED FROM CREDITORS; THIS PROTECTION WILL BE LOST FOR ANY RETIREMENT SAVINGS YOU TAKE OUT AS A LUMP SUM. COULD THIS IMPACT YOU?

YES NO

8) ARE YOU AWARE THAT TAKING MONEY FROM YOUR PENSION MAY IMPACT ON ANY MEANS TESTED BENEFITS YOU MAY RECEIVE, FOR EXAMPLE INCOME SUPPORT, HOUSING BENEFIT AND CHILD BENEFIT? YOU CAN FIND OUT MORE ABOUT THIS BY VISITING THE PENSION WISE WEBSITE, WWW.PENSIONWISE.GOV.UK.

YES NO

9) ARE YOU AWARE THAT INVESTMENT SCAMS EXIST, AND THAT YOU NEED TO BE CAREFUL WHERE YOU INVEST THE MONEY TAKEN FROM YOUR PENSION PLAN?

YES NO

10) HAVE YOU GOT ANY LIFETIME ALLOWANCE PROTECTION OR PROTECTED TAX FREE CASH?

YES NO DON'T KNOW

11) IF YOU INVEST YOUR LUMP SUM IN OTHER PRODUCTS, ARE YOU AWARE OF THE DIFFERENCES IN CHARGES COMPARED TO ANY THAT APPLY TO THE RETIREMENT SAVINGS IN YOUR PENSION PLAN?

YES NO

CUSTOMER'S SIGNATURE:

CUSTOMER'S FULL NAME:

DATE:

Guaranteed Annuity Rates Information

THE GUARANTEED ANNUITY RATE (GAR) FACTORS SHOWN BELOW ARE AVAILABLE ON TRADITIONAL (CONVENTIONAL) WITH PROFITS (TWP) FUNDS HELD IN THE ABOVE HOLDING. PLEASE SEE THE ATTACHED LETTER FOR CONFIRMATION OF THE TWP VALUE.

HOW TO CALCULATE THE GAR PENSION:
THE TWP FUND SHOULD BE DIVIDED BY THE APPROPRIATE FACTOR; £1,000.00 WILL PURCHASE A GAR PENSION AS FOLLOWS:

	Male	Female
AGE 60:	**£97.56** (£1,000 DIVIDED BY **10.25** = £97.56)	**£87.00** (£1,000 DIVIDED BY **11.50** = £87.00)
AGE 65:	**£111.12** (£1,000 DIVIDED BY **9.00** = £111.12)	**£97.56** (£1,000 DIVIDED BY **10.25** = £97.56)

GAR BASIS:
A SINGLE LIFE PENSION, PAYABLE MONTHLY, IN ADVANCE, GUARANTEED 5 YEARS AND WITHOUT ESCALATION.

A PARTNER'S ANNUITY CAN BE ADDED, IF REQUIRED, HOWEVER THE RATES WILL BE AMENDED DEPENDING ON THE AGE OF THE PARTNER AND THE PERCENTAGE REQUIRED. THE ABOVE AMOUNTS WILL CHANGE IF A PARTNER'S ANNUITY IS ELECTED.

ANY CHANGE IN THE BASIS (E.G. FROM ADVANCE TO ARREARS) WILL MEAN THAT THE ANNUITY WILL NOT BE CALCULATED ON OUR GAR'S, RATHER, ANY ILLUSTRATIONS WILL BE BASED ON OUR CURRENT RATES.

Male

Age	*GAR*	*Quarter Years Attained*		
		0.25	*0.50*	*0.75*
50	**12.50**	12.45	12.40	12.35
51	**12.30**	12.25	12.20	12.15
52	**12.10**	12.05	12.00	11.95
53	**11.90**	11.85	11.80	11.75
54	**11.70**	11.65	11.60	11.55
55	**11.50**	11.44	11.38	11.31
56	**11.25**	11.19	11.13	11.06
57	**11.00**	10.94	10.88	10.81
58	**10.75**	10.69	10.63	10.56
59	**10.50**	10.44	10.38	10.31
60	**10.25**	10.19	10.13	10.06
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71	**7.50**	7.44	7.38	7.31
72	**7.25**	7.19	7.13	7.06
73	**7.00**	6.95	6.90	6.85
74	**6.80**	6.75	6.70	6.65

Female

Age	*GAR*	*Quarter Years Attained*		
		0.25	*0.50*	*0.75*
50	**13.70**	13.66	13.63	13.59
51	**13.55**	13.50	13.45	13.40
52	**13.35**	13.30	13.25	13.20
53	**13.15**	13.10	13.05	13.00
54	**12.95**	12.90	12.85	12.80
55	**12.75**	12.69	12.63	12.56
56	**12.50**	12.44	12.38	12.31
57	**12.25**	12.19	12.13	12.06
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74	**8.00**	7.94	7.88	7.81

75	**6.60**

75	**7.75**

43

[redacted]

Paul Martin, Deputy Assessor

Income Tax Division

2nd Floor, Government Offices

Bucks Road

Douglas IM1 3TX

14 - 9 - 2017

Dear Mr Martin

Re: Pension Freedoms Consultation – 18th July 2017

I refer to the above consultation and would like to provide my responses to the questions raised in the document.

In general terms, much has been made of the UK pension freedoms and comparisons in the consultation allude to the "tax treatment of existing scheme under existing rules" as being available now. As you will be aware it is not possible to encash a pension scheme fully other than under the remnant or triviality rules, although these existing rules do seem to cover the vast majority of cases, based on UK experience.

In addition, the UK has a much higher tax rate than the Isle of Man and as such there is an inbuilt disincentive to fully encash a large pension fund, meaning that the majority of UK pension funds remain invested and used to provide an income in retirement as initially intended.

Question 1.

- A pension should be to provide an income for life, however I am in agreement that for small pension pots the option to take as a lump sum should be retained i.e. the existing triviality and remnant rules are fine

Question 2.

- Yes, it will help to encourage saving for retirement and also provides a savings vehicle for other purposes

Question 3

- No

Question 4

- Yes

Question 5

- No, the transfer fee should be higher to take into account lost tax on death and also to act as an encouragement to use the pension fund as intended i.e. to provide an income in retirement.

Additional Comments

As proposed, it seems that the transfer fee would only apply to transfers from IOM registered schemes. This would mean that IOM residents with a UK scheme could transfer to the new scheme, take 40% lump sum, and pay only 10% tax on the balance. This is an effective tax rate of 6% on the total pension. As there are many people on the IOM with UK pension funds this will lead to a large loss in future tax revenue. In addition it may invoke some unwanted interest from HMRC in respect of genuine transfers from UK to IOM schemes.

Pension freedoms introduced in the UK in April 2015 are naturally limited by the penal (marginal) tax rates. Members wishing to 'bust' their pension pots are taxed at their marginal income tax rate. Since the higher rate tax band in the UK is 40% over £45,000 (and 45% over £150,000), members would have to take a significant hit to take large amounts. Such higher rates of tax do not exist in the IOM. Furthermore, the new scheme outlined in the consultation document proposes that benefits are subject to an income tax of only 10% (as well as a 40% TFLS). The introduction of pension freedoms in the UK was largely motivated by the need to bring forward future tax revenues to the UK Treasury (and thus reduce the deficit). The proposed features of the IOM freedoms remove this benefit, to the detriment of the public purse.

Analysis of benefits taken in the UK since pension freedoms were introduced show that over 96% of pension pots fully withdrawn since the UK introduced pension freedoms were for amounts less than £50,000. These people would similarly be able to do so under existing triviality and remnant rules on the Isle of Man.

As you know, relative pension freedoms are already in place on the island through triviality and fund remnant. It is therefore only the wealthiest that will benefit from these new proposals, again to the detriment of the IOM public purse.

Yours Faithfully

[redacted]

44

[redacted]

From: [redacted]
Sent: 14 September 2017 10:17
To: ITD, Consultation
Subject: PENSIONS FREEDOM

With reference to the survey my response is as follows:

QUESTION 1

I agree that an individual should be able to access their entire pension pot subject only to having to having the case checked and signed off by an IFA.

QUESTION 2

No I do not agree with the basic structure of the scheme and running a separate contract for pensions freedom causes unnecessary confusion.

I feel it would be preferable to simply amend the exiting arrangement we have to include pensions freedom.

QUESTION3

No other than having to have it signed off by an IFA.

QUESTION 4

It should include occupational pensions.

QUESTION 5

No introducing different levels of tax charges and tax free cash makes it confusing. If you are able to implement the existing rules the tax treatment would be the same so there would be no need to have a transfer fee.

Whilst submitting this reply I would also want to raise the issue regarding taking tax free cash on UK personal pensions . Residents in the Isle of Man who move to the UK are allowed to take 25% tax free cash from these pensions so it's unfair that we tax the tax free cash from UK personal pensions. I realise that the benefits could be transferred to a Manx pension but as the only avenue is a SIPP this adds additional expense especially for clients who have smaller funds.

I also have a client who has a UK Sipp but is over the lifetime limit. He planned to retire to the Island and use his tax free cash to buy a property . Having now found he will have to pay 20% tax on a sum in excess of £250,000 he will now retire in the UK so we lose the other taxes that he would have paid if he continued to live here. We have an exemption for Occupational Schemes so this should be extended to all pension arrangement as any tax free cash taken would be spent or invested on the Island so we would have a tax take but in a different format.

[redacted]

[redacted]

Chase Wealth Solutions

Investments | Mortgages | Retirement
Insurance | Life Assurance | Relocation

[redacted]

Email: [redacted]
Web: www.chasewealth.im

Chase Financial Services Limited Trading as
Chase Wealth Solutions
10-12 Prospect Hill
Douglas
Isle of Man
IM1 1EJ

45

[redacted]

From: [redacted]
Sent: 14 September 2017 16:20
To: ITD, Consultation
Subject: Proposed pension freedoms document

Dear Sir`s,

I have read through briefly the new proposals being put forward in the online document and agree with most of what is being outlined.

The one point I would argue against is the transfer in amount of 15%. The island will need all the extra revenue it can muster over the coming years, I believe it would be far better to entice people to transfer their off island pensions here rather than scare them off with such a large transfer figure.

Surely it would be in the islands interest to have more individuals private pensions here rather than left in the rest of the UK.

I think a much more realistic and easier to swallow figure of say 7.5% to 8% would encourage more people to move their pension pots to the IOM.

Regards,

[redacted]

46

[redacted]

From: [redacted]
Sent: 14 September 2017 22:36
To: ITD, Consultation
Subject: Pension Freedoms – Consultation Response

Dear Sirs

I am writing in relation to the consultation document on a proposed new pension scheme to provide greater pension freedoms. My answers to the questions are as follows:

Question 1
Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?
Yes

Question 2
Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?
Yes

Question 3
Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?
No

Question 4
Do you agree that the proposed scheme could include an occupational pension scheme?
Yes

Question 5
Do you agree with the level of the proposed transfer fee? If not, what would you suggest?
No – the rate of 15% to transfer existing pensions to the new scheme is probably too low. Those in the fortunate position of having large pension funds have received substantial tax reliefs to enable them to accumulate these funds. If they are allowed to 'empty out' these funds now at a minimal tax charge, I am concerned that they will ultimately need greater state assistance in their old age and this can only come from additional taxes and National Insurance contributions that I do not wish younger members of my family to pay for. I feel that further consideration should be given to how the revenue gap caused by the long term reduced tax revenues and potentially increased social care costs will be met.

Yours faithfully

[redacted]

47

EDGEWATER

12th September 2017

Proposed New Pension Scheme to Provide Greater Pension Freedoms

Question 1: Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?

We agree that individuals should have the ability to access their defined contribution pension benefits in a manner which suits them: whether securing a fixed income for life with their pension fund or drawing a lump sum, or series of, from the funds available.

It would be impractical to suggest that a defined benefit scheme should be obliged to enable a scheme member to withdraw their pension 'value' in one lump sum.

We also agree with the recommendation in the proposal document that individuals seek appropriate financial advice prior to making a decision about their pension savings.

However, it is important to state that as financial advisers (and many of us being members of professional body The Personal Finance Society whose mission is to protect consumers and improve outcomes in the area of financial planning) we believe that a pension is a long-term savings commitment by an individual, and in many cases their employer, to ensure that they have sufficient income to meet their needs and objectives in retirement. It should not be viewed as a short-term cash benefit.

On a broader note, it is Government's primary responsibility to ensure that new legislation does not create a situation whereby excess strain could be placed on public finances in the future. By facilitating greater pension freedoms, those on lower incomes in particular (and consequently those who have the greatest need for security of income in retirement) may be more inclined to 'cash-in' their fund(s) to benefit in the short-term; jeopardising their long-term income position. This would increase the demand for a higher state pension where already there are concerns regarding the sustainability of this arrangement in light of an aging population.

We believe that any proposals to allow improved access to pensions should be paired with compulsory pension contributions: with greater rights should come the responsibility for individuals to take action and plan for their own retirement. In April 2015 then Treasury Minister Eddie Teare stated that greater emphasis should be placed on encouraging individuals to save for their retirement.

Question 2: Do you agree with the proposed basic structure of the new scheme? If not what would you change and why?

We do not agree with the proposed basic structure of the new scheme. Our objections to this new scheme are outlined below.

- The new scheme is too complicated. One of the significant impediments to pension saving is a lack of understanding and faith in pension products by the general public.

  A survey undertaken by consumer group Which? in August 2017 (as reported in the Financial Times) stated that only 23% of respondents had faith in pensions, compared with 40% in day-to-day banking. This is as a result of a lack of knowledge of the pension system and belief that scheme members will not get their money out when required.

  The proposed scheme would introduce a new level of complexity for consumers – different from any existing arrangements – incorporating: a lower contribution limit of £5,000, an initial transfer-in tax charge of 10-15%, a lower tax charge on withdrawal of 10%, a higher pension-commencement lump sum figure of 40% and lower charges on death in retirement.

  As financial advisers, we see regularly the confusion created by the manifold rules applicable to pensions and by introducing an additional set for this new product, it would adversely impact public confidence in pension saving.

- There would be little take-up of the new scheme. The proposal is aimed at facilitating access to pension savings but we believe that the take-up for the new product amongst Isle of Man residents would be very low.

  The complexity of the new scheme and high initial tax charge of 10-15% would deter many from proceeding with a transfer. Moreover, there would be additional charges to pay in the form of the pension trustee initial charge (as they would not receive any on-going fees all of their legal and administrative costs would be levied up-front) at a minimum of £1,000 + VAT and financial advice cost (as the individual would likely be referred by the trustee for advice prior to transfer) at a minimum cost of £500-£1,000. All of these costs would be borne by the individual; the latter two fees would likely be charged on a level basis rather than tiered.

  The vast majority of pension funds on the Isle of Man are below £71,428.57 (the upper limit for fund remnant assuming the maximum 30% PCLS is taken) and could be drawn under existing fund remnant legislation.

  Moreover, from extensive discussions with pension trustees based on the Isle of Man, many would be reluctant to offer the product at all to Isle of Man residents.

- The proposal is trying to target residents and non-residents of the Isle of Man which is impractical and should be considered separately.

  Edgewater's client base is overwhelmingly local, with few international clients. That said, we appreciate that the Isle of Man has lost ground in the QROPS market to Gibraltar and Malta and that one aim of this proposal is to make the Island more competitive. The new product may suit high-net worth, international individuals who would welcome the beneficial tax status but we believe that the priorities for Isle of Man residents and those based overseas will be very different.

We have received many enquiries from local residents asking if they can withdraw money from their pension fund(s) and know that there is an appetite for pension freedoms. Most have funds of less than £100,000 and in most cases do not want to withdraw the whole fund: perhaps £10,000-£20,000 at a time. These new proposals would not enable this to occur without significant initial expense.

It is our belief that a new pension scheme is not required and that pension freedoms could be introduced on a more consumer-friendly basis through an expansion of existing legislation.

Edgewater Proposal

We submit that the easiest way to introduce greater pension freedoms to Isle of Man residents would be via an embellishment to the current fund remnant rules.

These rules having been in place since April 2015 are familiar to pension advisers, trustees/administrators and the public alike – the latter following large, and in our view irresponsible, advertising campaigns by certain financial advice firms encouraging people to 'cash-in' their pension funds. As a result, it would not adversely impact public perceptions of pensions in general.

Our proposal would also close the loophole in the fund remnant rules where a scheme member can split their pension fund into several parts and take fund remnant under all at once. For example, a member with a crystallised pot of £200,000 can split the fund into four separate pots of £50,000, pay £35,850 in tax and withdraw the rest (an effective tax rate of 12.9% on the uncrystallised fund, assuming no other income for the tax year).

Lifetime Marginal Rate Pension Allowance

Under our submission, each individual would have a 'lifetime marginal rate pension allowance' (LMRPA) where the first £50,000 of benefit liable to income tax drawn from a pension over and above the 150% of the GAD rate would be taxed at 10% or 20%, depending on their personal tax position in any given year. This would be a fixed figure but would need to be reviewed on a periodic basis and increased to factor in inflation.

This would apply to all pensions held by the individual (rather than the existing fund remnant rules which apply per pension scheme), with records of any benefits drawn kept with the Isle of Man Government Income Tax Division (ITD). The pension trustee would seek clarification from the ITD prior to paying any benefits out as to the amount of LMRPA available in the same way as at present when requesting the relevant tax code to apply to pension payments.

Any amount drawn from a pension above the LMRPA would be liable to income tax at 40% of the value of the payment. This would act as a disincentive to individuals with larger pots to draw all in one lump sum and encourage greater planning.

Below are two illustrations as to how the system could work in practice – compared with the examples set out in the Isle of Man Income Tax Division proposal (based on a 15% initial tax charge)[1]:

Uncrystallised fund of £100,000

Pension Pot	£ 100,000.00	Transfer Fee	15%	Marginal rate allowance:	£ 50,000.00
				Excess Charged at:	40%
Existing Rules					
(Even though this is not possible)		Treasury Proposed Scheme		EAL Proposed Scheme	
Pension Pot	£ 100,000.00	Pension Pot	£ 100,000.00	Pension Pot	£ 100,000.00
PCLS @ 30%	-£ 30,000.00	Transfer Fee	-£ 15,000.00	PCLS @ 30%	-£ 30,000.00
Chargeable Balance	£ 70,000.00	Balance to new scheme	£ 85,000.00	Chargeable Balance	£ 70,000.00
Less Personal Allowance	-£ 12,500.00			Less Personal Allowance	-£ 12,500.00
Taxable Balance	£ 57,500.00	PCLS @ 40%	-£ 34,000.00	Taxable Balance	£ 57,500.00
		Chargeable Balance	£ 51,000.00		
		Less Personal Allowance	-£ 12,500.00	Lower Rate Band	£ 650.00
Lower Rate Band	£ 650.00	Taxable Balance	£ 38,500.00	Higher Rate Band	£ 8,700.00
Higher Rate Band	£ 10,200.00	10% Tax Charge	£ 3,850.00	Excess Charge	£ 3,000.00
Total Tax Charge	£ 10,850.00	Total Tax Charge	£ 18,850.00	Total Tax Charge	£ 12,350.00
Effective overall Rate	10.85%	Effective overall Rate	18.85%	Effective overall Rate	12.35%

Uncrystallised fund of £500,000

Pension Pot	£ 500,000.00	Transfer Fee	15%	Marginal rate allowance:	£ 50,000.00
				Excess Charged at:	40%
Existing Rules					
(Even though this is not possible)		Treasury Proposed Scheme		EAL Proposed Scheme	
Pension Pot	£ 500,000.00	Pension Pot	£ 500,000.00	Pension Pot	£ 500,000.00
PCLS @ 30%	-£ 150,000.00	Transfer Fee	-£ 75,000.00	PCLS @ 30%	-£ 150,000.00
Chargeable Balance	£ 350,000.00	Balance to new scheme	£ 425,000.00	Chargeable Balance	£ 350,000.00
Less Personal Allowance	-£ 12,500.00			Less Personal Allowance	-£ 12,500.00
Taxable Balance	£ 337,500.00	PCLS @ 40%	-£ 170,000.00	Taxable Balance	£ 337,500.00
		Chargeable Balance	£ 255,000.00		
		Less Personal Allowance	-£ 12,500.00	Lower Rate Band	£ 650.00
Lower Rate Band	£ 650.00	Taxable Balance	£ 242,500.00	Higher Rate Band	£ 8,700.00
Higher Rate Band	£ 66,200.00	10% Tax Charge	£ 24,250.00	Excess Charge	£ 115,000.00
Total Tax Charge	£ 66,850.00	Total Tax Charge	£ 99,250.00	Total Tax Charge	£ 124,350.00
Effective overall Rate	13.37%	Effective overall Rate	19.85%	Effective overall Rate	24.87%

Firstly, it is worth noting that the examples used in the proposal document are fallacious as they assume no income of any kind (which is highly unlikely) and compare it with a scenario which if effected would result in an unauthorised payment tax charge of 40% under current legislation. Therefore, it is excluded from our analysis.

[1] Please note these calculations do not factor in any GAD allowance for the year which would be drawn first at marginal rate; as this varies per individual, their pot value and depending on 15 year gilt yields.

Our suggestion would mean an individual would retain their existing pension arrangement and could continue to draw benefits in a structured manner: through drawdown as at present, as a series of larger lump sums, or as a one-off lump sum. It would reward individuals who act responsibly with their fund as if they were to draw up to 150% GAD each year there would be no adverse tax penalty.

From a tax perspective, any pension fund with an uncrystallised value higher than £182,278.56[2] would be taxed at a higher amount under our proposals than those of the ITD; generating increased revenue for the Government. That said, we would envisage that a client with a fund value of this amount, given the time taken to accrue this level of benefit, would be unlikely to want to encash the fund in one go.

We appreciate that introducing a new product would be clean from a regulatory perspective and that all new products offered by Isle of Man providers would need to be approved by the Assessor of Income Tax. However, we fundamentally disagree with the structure of the proposed product and argue that, as noted on page 2 of the proposal document, any approved pension scheme* will cease to be approved if actions are undertaken violate current law and this would continue to be the case if our submission is adopted as an alternative.

* Under the Income Tax (Retirement Benefit Schemes) Act 1978, the Income Tax Act 1989 or the Income Tax Act 1970.

<u>Question 3: Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?</u>

As noted above, we do not agree with the structure of the proposed new scheme.

The scheme should comply with existing legislation which is the case with all the conditions set out in the proposal document.

<u>Question 4: Do you agree that the proposed scheme could include an occupational pension scheme?</u>

As noted above, we do not agree with the structure of the proposed new scheme.

In principle, should the new scheme be implemented as proposed, we have no objection to this taking the form of an occupational pension scheme.

<u>Question 5: Do you agree with the level of the proposed transfer fee? If not what would you suggest?</u>

As noted above, we do not agree with the structure of the proposed new scheme.

---

[2] As per the calculations discussed on page 4 of this submission: without any allowance for GAD withdrawal.

It is appreciated that in the event of the new scheme being implemented a disincentive would be required to prevent mass withdrawal from pension funds, but we believe that the proposals are flawed.

Conclusion

We recommend strongly that the proposal is not implemented in its current form and that further consideration, including detailed and open discussions with stakeholders across professions, is given prior to implementation.

There are concerns from some industry stakeholders that pension freedoms in general would cause irreparable damage to the Isle of Man pension market. We are of the opinion that this would not be the case as responsible savers would continue to plan for their retirement using pensions as a vehicle.

We believe that proposals for pension freedoms should be introduced only in conjunction with a scheme mandating individuals to take responsibility to save for their retirement (through a compulsory private pension scheme covering employed and self-employed persons, separate from the State Pension), thereby reducing the future potential burden on Isle of Man taxpayers.

[redacted]

(48)

MAC | GROUP

CORPORATE BENEFITS • PRIVATE WEALTH • PROFESSIONAL RISKS • PENSION TRUSTEES

Paul Martin
Deputy Assessor Income Tax Division
2nd Floor Government Offices
Bucks Road
Douglas
IM1 3TX

[redacted]

Dear Paul,

<u>Response to Pensions Freedom Consultation</u>

Please find below MACs response to the above consultation.

Question 1
Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?

Yes, subject to appropriate regulated advice

Question 2
Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?

We would agree the basic structure of the Scheme

Question 3
Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?

No

MAC House, 64a/65 Athol Street, Douglas, Isle of Man T +44 (0)1624 639450 E mail@MACGroup.im

Question 4
Do you agree that the proposed scheme could include an occupational pension scheme?

Yes

Question 5
Do you agree with the level of the proposed transfer fee? If not, what would you suggest?

No – the rate of 15% to transfer existing pensions to the new scheme is too low. We believe there are many other issues surrounding the acceptance of the issue of pensions freedom which need detailed examination before this rate can be set.

Amongst others, additional deliberations are required to establish:

- **what will be the effect on social care costs in the future?**
- **what will be the other long term social consequences?**
- **how the revenue gap caused by long term reduced tax revenues might be filled?**
- **if an independent advisory service can be made available to members of the public considering taking advantage of pension freedoms?**
- **what regulatory and advisory controls should be i n place to stop the mis-selling of investments that was experienced in the UK by many of those taking advantage of the freedoms?**
- **what consideration needs to be given to a minimum income requirement so people do not fall back as a burden on the State?**
- **what the financial impact will be on nursing home income in the future and what impact is there for those who have withdrawn their pension and spent it or gifted it to their children?**
- **who will be the beneficiaries of the proposal?**
- **why in the UK there is now uncertainty about pension freedoms?**
- **why in Australia there are now attempts to reverse the decision to introduce it?**

In the circumstances, we believe that the proposal should be considered in detail by a joint working party from Government and industry prior to any proposals being taken to Tynwald.

Yours sincerely,
For and on behalf of **MAC** Financial Ltd,

[redacted]

MAC House, 64a/65 Athol Street, Douglas, Isle of Man T +44 (0)1624 639450 E mail@MACGroup.im

(49)

MANX INSURANCE ASSOCIATION

Paul Martin
Deputy Assessor
Income Tax Division
2nd Floor Government Offices
Bucks Road
Douglas IM1 3TX

Email: consultation@itd.treasury.gov.im

14 September 2017

Dear Mr Martin

Re: Pensions Freedom Consultation

I am writing on behalf of the Manx Insurance Association to respond to the recent Pensions Freedom Consultation Paper.

We are aware that the Association of Pension Scheme Providers has provided a detailed response to the paper. As the trade association for the Isle of Man pension industry they would appear to be best placed to comment on the specific proposals included in the paper.

The Manx Insurance Association would fully support a comprehensive review of the pension and saving environment for the domestic market and developments within the international pensions market. Such a review would allow for a full examination of the proposed new pensions vehicle as well as identifying other possible structures and opportunities.

Yours sincerely

[redacted]

50

APPLEBY

Income Tax Division
2nd Floor Government Offices
Bucks Road
Douglas
IM1 3TX

Email [redacted]

Direct Dial
Tel [redacted]

Your Ref

Appleby Ref [redacted]

Attention: Paul Martin, Deputy Assessor

15 September 2017

Isle of Man Office
Appleby (Isle of Man) LLC
33-37 Athol Street
Douglas
Isle of Man
IM1 1LB

Tel +44 (0)1624 647 647

applebyglobal.com

Dear Sirs

Proposed New Pension Scheme to Provide Greater Pension Freedoms: Consultation

We refer to the consultation document dated 18 July 2017.

In general terms, we support the introduction of greater pensions freedoms. However, our main observation is that there is very limited information in the consultation document concerning the scope and findings of the impact analysis which has been undertaken. In our view, it is important that a detailed analysis of the costs and benefits of the proposals is conducted, including the anticipated short and long term effects on both the general revenue of the Island and the pensions industry. That analysis could be undertaken or overseen by a further working group including representatives of industry outside the pensions sector and form the basis for a further consultation.

Yours faithfully

[redacted]

Appleby (Isle of Man) LLC

51

[redacted]

Paul Martin

Income Tax Division

2nd floor, Government Offices,

Bucks Road

Douglas

IM1 3TX

14th September 2017

Dear Mr Martin

Ref: Proposal document: proposed new pension scheme to provide greater pension freedoms

I am writing with reference to the above proposal document, published on 18th July 2017. I have answered the questions on the proposal:

1) **Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?**
   Yes, but I would be happier with some limitations or penalties for larger pension pots, by way of additional tax or something similar. If large numbers of pensions are fully encashed, people will not be able to supplement their state pension and provide for their own care as they get older. Therefore, in the future a greater financial burden on the government.

   In the UK, the higher rates of tax on enchasing large pension pot make it a very unattractive option and therefore, unless they want to lose up to 45% of their pension pot, people have no real option but to retain a pension for their retirement.

   The triviality and fund remnant options for pensions in the Isle of Man (up to £50k), are already a good option and would cover a large proportion of pension pots, whose values are under this threshold.

2) **Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?**
Yes I agree with the structure. It gives the Isle of Man a tax efficient savings vehicle similar to the ISA in the UK, and it would encourage people to plan for their future/retirement.

3) **Are there any particular conditions that you think the new scheme should, or should not be required to satisfy?**
No

4) **Do you agree that the proposed scheme could include an occupational pension scheme?**
Yes

5) **Do you agree with the level of the proposed transfer fee?**
Not sure of the amount, but I agree there should be a transfer fee. There is no mention of UK transfers in the document, so does this mean there would be a zero transfer fee for UK transfers? A very low or zero transfer fee could encourage lots of people to transfer their pension pots over from the UK as well as from the IOM, and fully encash them early. In effect, people would not be using their pension for its intended use, which is to provide for retirement, resulting in more strain on the public purse in future years.

Yours faithfully

[redacted]

52

[redacted]

Paul Martin, Deputy Assessor
Income Tax Division
2nd Floor, Government Offices
Bucks Road
Douglas IM1 3TX

13th September 2017

Dear Sirs,

Re: Pension Freedoms Consultation – 18th July 2017

I refer to the above consultation and would like to provide my responses to the questions raised in the document.

I understand that the driving force behind the consultation is the UK pension freedoms however, there are major differences that are not being considered in your paper.

1. Under UK rules prior to the introduction of the new freedom rules, you would not be able to access your pension fund as you can under Isle of Man rules through triviality or fund remnant rules. This is important as 96% of "pension busting" from UK schemes are for retirement pots under £ 50,000 and therefore if scheme had been in the Isle of Man, the member would have been able to access his pot.

2. The UK's tax regime in respect of higher tax rates, inheritance and capital gains tax automatically puts up barriers to encashing a large pension fund. As such the majority of UK pension funds remain in situ with funds being used to provide for retirement benefits as originally intended. The consultation does not provide the same barriers for Isle of Man and therefore the protection afforded by the UK's regime does not extend here and whilst we will see a spike in transfers from the UK the long term prospect for the Isle of Man in terms of tax revenue and funding of care services for the elderly is not positive,

Question 1.

- A pension should be to provide an income for life, however I am in agreement that for small pension pots the option to take as a lump sum should be retained i.e. the existing triviality and fund remnant rules work and ensure that individuals are not tied in to product or advisor charges unnecessarily.

Question 2.

- Yes, it will help to encourage saving for retirement and also provides a savings vehicle for other purposes on a tax efficient basis.

Question 3

- No

Question 4

- Yes

Question 5

- No, the transfer fee should be higher to ensure the pension scheme is used as intended, i.e. to fund retirement.

- Furthermore how is it intended to collect this from UK schemes?

I do have some further comments in respect of the consultation and proposed schemes.

It would appear that the transfer fee would only apply to transfers from Isle of Man registered schemes (comments in respect of Question 5) . Does this mean that Island residents with a UK scheme could transfer to the new scheme, take 40% lump sum, and pay only 10% tax on the balance, effectively applying an average tax rate of 6% on the total pension? This would result in a significant loss of income to Treasury, which to me would be madness. Separately, can HMRC not block such transfers and therefore preventing genuine transfers from UK to IOM for non-HNWIs?

It is my opinion that generous pension freedom provisions already exist in the Isle of Man and we are considering the transfer provision on the basis that it will benefit wealthy individuals located in the Isle of Man whilst reducing dramatically the funds payable to the Isle of Man Government through already reduced tax rates.

Yours Faithfully

[redacted]

53

[redacted]

From: [redacted]
Sent: 15 September 2017 09:06
To: ITD, Consultation
Subject: Proposed New Pension Scheme to provide greater Pension Freedoms - Consultation
Attachments: Pension Consultation.docx

Good Morning

Regarding the above consultation, please find attached associated comments regarding the same

Many thanks

[redacted]

HOCKNEY STEVENS INVESTMENT SERVICES

Hockney Stevens Investment Services Ltd
Chartered Financial Planners
PO Box 189
Douglas
Isle of Man
IM99 3DR

[redacted]

Email : [redacted] & Website : www.Hockney-Stevens.com

Licensed by the Isle of Man Financial Services Authority
Registered Office : Kerrowglass, Stockfield Road, Kirk Michael, Isle of Man, IM6 1HP

Pension Consultation

Question One

Yes, in principle however...

It is not a question of 'accessing pension pot **instead** of the pension providing an income...' more a question of providing pension income flexibilities in retirement through a combination of both income and access to capital to match the clients individual needs and requirements

Also see comments in question five regarding guidance, sign-posting and specialist advice

Question Two

No

In my view, the potential 'new' scheme neither addresses the perceived need for Pension Freedoms for Isle of Man tax relieved Pension contributions (and or IOM QROPS) or addresses the 'saving gap' for private sector workers and in particular the associated financial planning arrangements to assist with a smooth transition from working life to retired life.

With reference to the UK and associated financial planning vehicles to assist individuals, I think a selection of the following type of products would be a good starting point

- Auto-enrolment / work based pension schemes (and separately);
- Pension Freedoms (via amendment of existing scheme rules rather than new products)
- Lifetime ISA (or similar IOM product to assist with the 'savings gap')

Question Three

Yes

Question Four

Yes, as a separate option

Question Five

No

Simply Pension Freedoms, should not be about complicated procedures and transfer of any IOM tax relieved funds (and or IOM QROPS) to another arrangement, this will leave clients open to poor outcomes, onerous charges and taxation implications.

Would any proposed new contract allow transfer from IOM Tax relieved Funds or to include QROPS as well?

Would the clients be required to take appropriate Financial advice before being allowed to transfer, should that advice be provided by a recognised Pension Transfer Specialist (PTS) rather than just a IFA who may not have the required key competencies to adequately advise clients, and at the very least there should be some safeguards in places, where perhaps a cost benefit analysis comparison should be undertaken?

Would the scheme administrators be required to establish that appropriate financial advice has been taken?

ADDITIONAL INFORMATION REGARDING PENSION FREEDOMS IN THE UK
The FCA's 122-page Retirement Outcomes Review (interim report published on 12th July) makes some interesting observations as follows:-

The FCA found consumers have welcomed the pension freedoms with more than one million defined contribution (DC) pension pots accessed since the reforms
In most cases DC pots accessed were small (64% were less than £30,000) compared with the value of the state pension (worth about £200,000).

The pension freedoms were found to have changed the way consumers access their pots. Accessing pots early has become 'the new norm' with 72% of pots since pension freedoms accessed by consumers aged less than 65, most of whom have taken lump sums.

More than half (53%) of pots accessed have been fully withdrawn.

Nine out of 10 of these were smaller than £30,000 (60% were less than £10,000) and 94% of consumers making full withdrawals had other sources of retirement income in addition to the state pension.

The regulator said it does not therefore see this as evidence of people "squandering" their pension savings, though the watchdog does have concerns about why people are shifting savings out of pensions.

Drawdown has become much more popular: twice as many pots are moving into drawdown than annuities. Before the pension freedoms, more than 90% of pots were used to buy annuities.

Thus, perhaps a better option would be to adopt pension freedoms and afford clients access IOM Tax Relieved pension funds (& IOM QROPS?) through a simple option, whilst continuing to develop products to fill the savings gap and encourage people to save for the longer term as mentioned in point 2 above:-:-

If amendments cannot be made to existing approved pension schemes in the isle of Man and a new arrangement needs to be established I believe it should offer the following contract terms:-

- Tax relief at marginal rate up to say an annual limit of £40,000
- Access to pension fund from age 55 and before age 75, based on current requirements
- Tax Free cash retained at 30% of accrued fund value
- Access to residual pension value at marginal tax rates.
- Financial Advice required by PTS if transfer in (not just an IFA)
- At retirement, wake up letter by Scheme administrator providing 'sign-post guidance' note : NOT ADVICE
- At retirement if Pension fully withdrawn financial advice required

54

[redacted]

From: [redacted]
Sent: 15 September 2017 11:19
To: ITD, Consultation
Subject: Pension Freedoms Consultation

Dear Mr Martin

In relation to the above consultation I would like to record my views as follows:

1. The current rules allowing the withdrawal of small pension pots are sufficient in my view. The purpose of pension funds were that they would provide people with an income in retirement and they would be less reliant on the state.
2. Yes, this sounds like a good tax efficient way of saving.
3. I have nothing to add to the conditions listed.
4. Yes, that sounds fine.
5. No, I think the transfer fee should be higher to act as an encouragement to use the pension fund for it's intended purpose of providing an income in retirement and thereby ensure a more steady stream of income to the Government.

Regards

[redacted]

55

[redacted]

From: [redacted]
Sent: 15 September 2017 11:16
To: ITD, Consultation
Subject: Proposed New Pension Scheme to Provide Greater Pension Freedoms

Dear Paul

In reference to the above consultation I would like to provide the following responses:

1. The whole idea of a pension fund is that it is there to provide an income during retirement for the remainder of a person's lifetime. Under current rules small pension funds can be encashed and I believe that the present levels are sufficient.
2. Yes, this sounds like a good way to encourage savings and gives the Isle of Man a similar product to the ISA's available in the UK.
3. I think if the scheme is run under similar conditions to existing pension schemes that would be sufficient.
4. Yes, that sounds reasonable especially for small employers.
5. No, I think the transfer fee should be higher, particularly for larger funds due to the loss of future tax income. I believe the minimum should be 20% to ensure that any previous tax benefit received is claimed back via the transfer fee. The IOM Government funds are already severely stretched and whilst in the short term the proposed pension freedoms may result in an increase in income this will be temporary and my concern is with an ageing population how they will be provided for in the future.

Kind regards

[redacted]

56

[redacted]

Subject: FW: PENSIONS FREEDOM
Attachments: Pension Questionnaire1.docx; Hon. A L Cannan MHK.docx

From: [redacted]
Sent: 15 September 2017 11:39
To: [redacted]
Subject: PENSIONS FREEDOM

Dear [redacted]

As a company we publicised the survey on our website and asked clients to either respond directly to yourselves or to us.

11 clients e mailed their responses to us and I have attached the responses in a tabulated form.

These have been dropped off together with a covering letter to Hon. A L Cannan MHK but as the closing date for the survey is today we thought we should e mail the responses to you as well to ensure they are included before the cut-off date.

If you need nay further information please let me know.

Regards

[redacted]

Chase Wealth Solutions

Chase Wealth Solutions

Investments | Mortgages | Retirement
Insurance | Life Assurance | Relocation

[redacted]

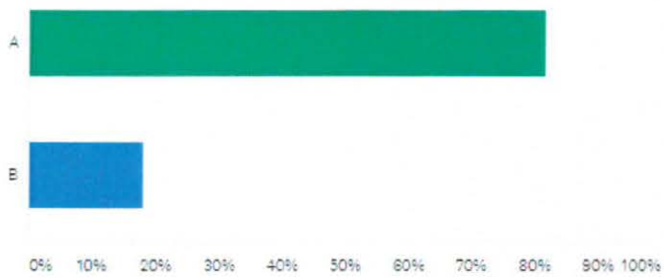
Chase Financial Services Limited Trading as
Chase Wealth Solutions
10-12 Prospect Hill
Douglas
Isle of Man
IM1 1EJ

Q1

Customize Export

Do you a) agree that individuals should be able to access their entire pension pot when they wish and to invest it as they see fit and then draw income at a time and rate determined by themselves or b) Individuals should be subject to limited withdraws, spread out throughout their lifetime dependent on their age

Answered: 11 Skipped: 0



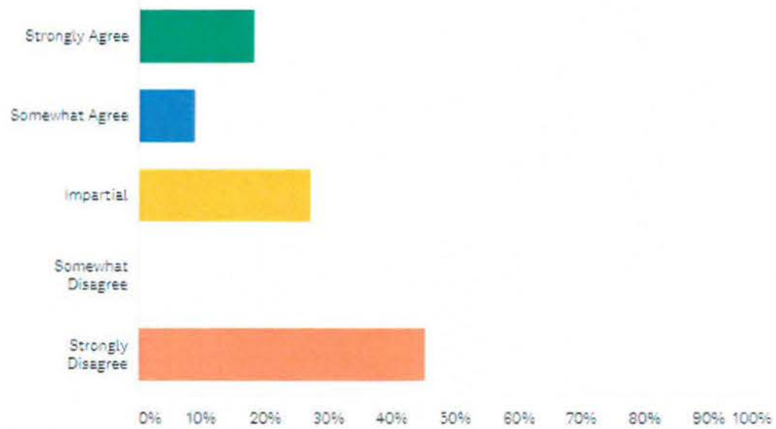
ANSWER CHOICES	RESPONSES	
A	81.82%	9
B	18.18%	2
TOTAL		11

Q2

Show Benchmark ▾ Customize Export ▾

Do you agree with the proposed basic structure of the new style pension for new pension contributions

Answered: 11 Skipped: 0



ANSWER CHOICES	RESPONSES	
Strongly Agree	18.18%	2
Somewhat Agree	9.09%	1
Impartial	27.27%	3
Somewhat Disagree	0.00%	0
Strongly Disagree	45.45%	5
TOTAL		11

Q3

Export ▾

If not what would you change and why?

Answered: 7 Skipped: 4

RESPONSES (7) TEXT ANALYSIS MY CATEGORIES

Categorize as... ▾ Filter by Category ▾ Search responses

Showing 7 responses

The £5000 is far too low a figure. It should be increased substantially or removed all together. The tax relief figure of 10% again should be increased or at the least left as it is. For a government who is actively attempting to attract new businesses and their workforce to the island this shortsighted attempt to alter the pension schemes will not be looked upon favourably by any educated pension holder.

9/14/2017 5:07 PM View respondent's answers

Pension limit not enough - £5000 per year does not make sense as too little will be saved. The tax incentive is also insufficient

9/14/2017 8:26 AM View respondent's answers

Nothing

9/13/2017 2:38 PM View respondent's answers

Why is there a charge for transferring in. And then tax again when paying out. Is this double taxation?

9/13/2017 5:50 AM View respondent's answers

£5000 p.a. limit is quite inadequate to build up a reasonable fund, especially as most people are unable to start pension saving until they have paid off mortgages etc. A much higher annual level, perhaps £50,000 is needed, with a machanism to carry forward unused allowances to future years.

Q4

Export ▾

Do you think there are any particular conditions that the new scheme should, or should not, be required to satisfy?

Answered: 8 Skipped: 3

RESPONSES (8) TEXT ANALYSIS MY CATEGORIES

Categorize as... ▾ Filter by Category ▾ Search responses

Showing 8 responses

I am in favour of any scheme being scrutinised to ensure that it complies with current and any new legislation.

9/14/2017 5:07 PM View respondent's answers

No room for comment in section 7. Taxing a personal pension tax-free lump sum is completely discriminatory. in many cases the individual has had to contribute everything without the luxury of company contributions, the Manx tax authorities have given no tax concession, it is the UK tax authorities which have given relief. The holder of a UK personal pension will be forced to take out an Isle of man Sipp to get tax-free cash, which might cost them 1% per year for 20 years or more - a significant disadvantage. This issue should be addressed immediately to end this discrimination and inequality.

9/14/2017 8:26 AM View respondent's answers

Longevity into retirement

9/13/2017 2:38 PM View respondent's answers

Flexible to invest in any recognized funds. Flexible withdrawal. No annuity requirement.

9/13/2017 5:50 AM View respondent's answers

No

Minimum age should be 60, not 55, except in cases of disability or hardship through redundancy, unemployment or in early retirement jobs - sportsmen, army etc. There should be an option to 'live off income' rather than take a fixed percentage of the remaining fund. For example, £500,000 yielding £20,000 annual income should permit the £20K to be taken and the rest of the fund preserved, either for later use by the pensioner or spouse (e.g. for care), or for descendents.

9/6/2017 2:52 PM View respondent's answers

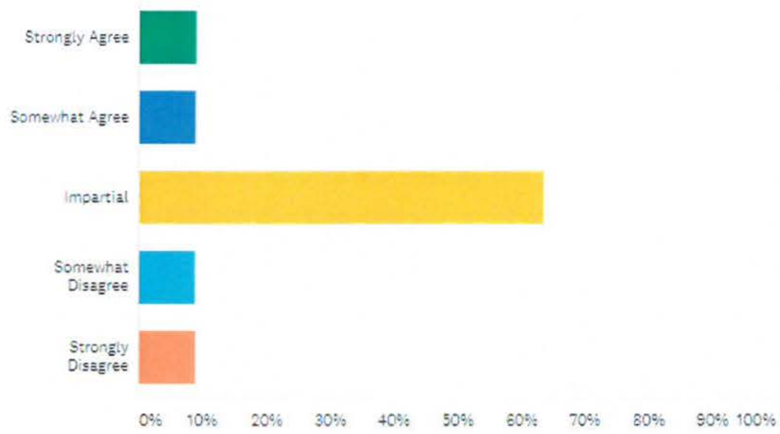
N/A

8/25/2017 10:43 AM View respondent's answers

Q5 Show Benchmark Customize Export

Do you agree that the proposed scheme could also be used for an occupational pension scheme?

Answered: 11 Skipped: 0



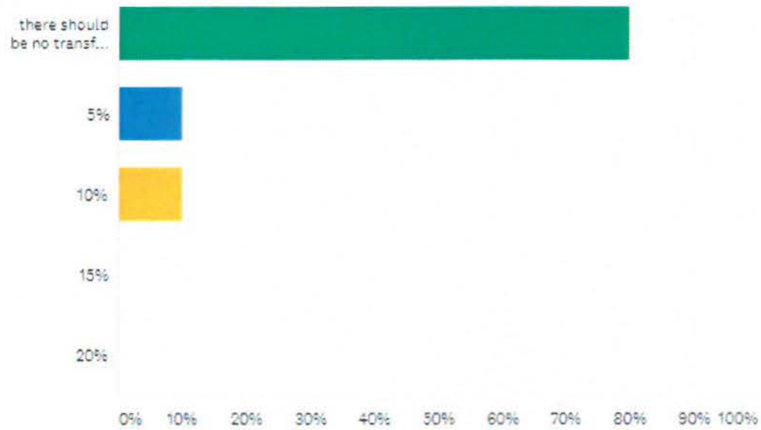
ANSWER CHOICES	RESPONSES	
Strongly Agree	9.09%	1
Somewhat Agree	9.09%	1
Impartial	63.64%	7
Somewhat Disagree	9.09%	1
Strongly Disagree	9.09%	1
TOTAL		11

Q6

Show Benchmark | Customize | Export

Do you agree there should be a transfer fee? if so what % should it be?

Answered: 10   Skipped: 1



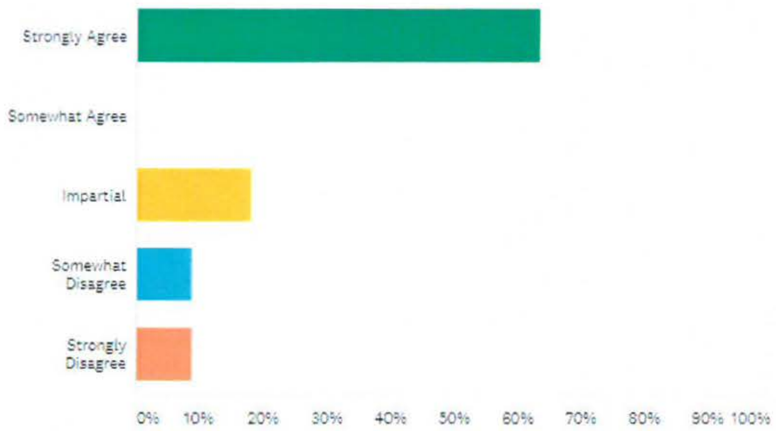
ANSWER CHOICES	RESPONSES	
there should be no transfer fee	80.00%	8
5%	10.00%	1
10%	10.00%	1
15%	0.00%	0
20%	0.00%	0
TOTAL		10

Q7

Show Benchmark ▾ Customize Export ▾

Do you feel individuals with UK Personal Pension schemes should be treated in the same way as those in Occupational Pension schemes? i.e also receive 25% tax-free cash and not be taxed on it by the Isle of Man Government.

Answered: 11 Skipped: 0



ANSWER CHOICES	RESPONSES	
Strongly Agree	63.64%	7
Somewhat Agree	0.00%	0
Impartial	18.18%	2
Somewhat Disagree	9.09%	1
Strongly Disagree	9.09%	1
TOTAL		11

Hon. A L Cannan MHK
Minister for the Treasury
Isle of Man Government Offices
Bucks Road
Douglas
IM1 3PN

15th September 2017

Dear Mr Cannan,

I write regarding two issues,

Taxation of UK pension lump sums

Further to your letter of the 15th of May 2017 in response to our letter 3rd of May 2017. As the consultation on pensions freedom is open until the 15th of September, we feel that's this is an opportune time to highlight again what we feel is the inequality in the tax treatment on pension commencement lump sums (PCLS) under occupational schemes and personal pensions.

We understand that retirees who have a Manx Personal Pension and take these benefits in the UK enjoy tax free cash of 25%, (less than the 30% that they would have enjoyed in the Isle of Man), but nevertheless they would receive the same benefits as a UK resident. A UK Personal Pension Plan holder retiring to the Isle of Man does not enjoy these benefits which is both inequitable and unfair vis-à-vis Occupational schemes. It's often the case with personal pensions that there have been no employer contributions made, whereas Occupational Pensions usually enjoy the benefit or employer contributions and are allowed tax free cash.

We realise that clients could transfer their benefits to an Isle of Man arrangement to avoid tax on the PCLS. To give you two actual examples of how this impacts upon our clients it may help highlight the issues.

We have a vulnerable client who has a pension in the UK worth about £150,000. Aside from Isle of Man disability benefits, the pension is their only source of income.

Presently they can take an income from the UK pension of £15,400, of which £3850 is a tax-free cash component. This takes into account the disabled persons allowance. Beyond this drawing she will have to pay tax in the Isle of Man on the total income, with no allowance for the tax-free cash.

The lady could transfer to a Manx Pension but since the only option would be to a SIPP, this would involve an initial fee for the SIPP provider of £1000 together with an ongoing fee of at least £350pa plus VAT and a triennial fee of £150 plus VAT.

Its therefore going to cost more to set an arrangement than paying tax on the PCLS.

Our client is facing financial hardship at this time combined with having serious health concerns. A transfer to an Isle of Man SIPP would not only constrain her ability to draw funds when most needed, but also impose yet another burden of cost upon her at a time when she can least afford it.

The other client has a UK SIPP which is currently valued at more than the UK Lifetime Allowance and was planning to use the tax-free cash up to 25% of the lifetime allowance to purchase a property on the Island.

We have informed him that as it's a UK Pension he would be liable to Manx Tax. Obviously, he is not willing to pay 20% tax on £250,000 so the purchase will not proceed.

He cannot transfer via QROPs to an Isle of Man Sipp as this would trigger a lifetime allowance charge in the UK.

Our client will therefore retire in the UK and the Island lose the tax he would have paid on the income should he stay on the Island.

We feel that the only residents who would have to pay tax on the PCLS are clients who inadvertently assume that as its tax-free cash and they do not have to declare this as income on their tax return, maybe through not consulting an IFA, or residents with smaller funds who have no choice but to take the tax hit.

We wonder how much Revenue you would lose by extending the concession contained in the Income Tax Act 1970 to include Personal Pensions. Even if there was a loss initially this would be made up by future taxes they would pay.

We hope that the contents of this this will enable you to reconsider extending the concession.

Pensions Consultation

With regard to the survey on pensions freedom we felt that this was so important we included the proposals on our website and asked our clients to respond to us. Clients were given the option to respond to the Government survey or our own.

We received 11 responses to our own questionnaire and the results of the questionnaire have been tabulated and attached.

Yours sincerely,

[redacted]

For Chase Financial Services Limited

[redacted] 57

14th September 2017

Paul Martin, Deputy Assessor
Income Tax Division
2nd Floor, Government Offices
Bucks Road
Douglas

Emailed to: consultation@itd.treasury.gov.im

Dear Mr Martin

Pension Freedoms Consultation

I refer to the above consultation and would like to provide my responses to the questions raised in the document.

Firstly, I support the introduction of a new scheme that will promote the saving for retirement.

Whilst the UK has introduced pension freedoms, the tax rates and the economies of the island and the UK are very different and whilst pension freedoms may work in the UK this does not mean it will work in the island and therefore comparisons should be avoided.

Question 1.

A pension should be there to provide an income in retirement, however I am in agreement that for small pension pots the option to take as a lump sum should be continued i.e. the existing triviality and remnant rules.

Question 2.

Yes, it will help to encourage saving for retirement.

Question 3

No

Question 4

Yes

Question 5

If an individual wishes to "break" their pension the amount of tax paid should be penal. I believe a much higher transfer rate should be imposed.

Additional Comments

As proposed, it seems that the transfer fee would only apply to transfers from IOM registered schemes. This would mean that IOM residents with a UK scheme could transfer to the new scheme, without the transfer fee being deducted from their pension pot, (unless agreement from HMRC is obtained). This would result in a further reduction of the income tax receipts for the island.

Due to the marginal tax rates in the UK, individuals wishing to "break" their pension are taxed at their highest rate often leading to penal results. The statistics from the UK have shown that over

[redacted]

96% of pension pots fully withdrawn since the UK introduced pension freedoms were for amounts less than £50,000. This statistic shows that UK resident are not breaking their pension due to the tax consequences, including those tax consequences of Capital Gains Tax and Inheritance Tax. In the Isle of Man if no transfer tax was imposed and there being no other tax consequences to restrict exiting I believe this rate would be significantly increased.

I believe very much these proposals are there to only make the wealthy in our society wealthier and would have a significant impact on the islands tax receipt. Although tax receipts would probably increase over the next 2 or 3 years they would be dramatically reduced after. In a time when we are already having trouble balancing our books and monies are being taken from reserves a further reduction is our income is a stupid move.

Yours Faithfully

[redacted]

(58)

Paul Martin
Deputy Assessor
Income Tax Division
2nd Floor Government Offices
Bucks Road
Douglas
IM1 3TX
consultation@itd.treasury.gov.im

15th September 2017

Dear Paul

Pension Freedoms Consultation Response

<u>Introduction</u>

I read with interest the Government's proposal document in relation to providing greater pension freedoms for Isle of Man based pension schemes, something which has been trialled previously by larger countries with greater financial potential to be able to underpin such arrangements if future generations are required to generate greater revenues to support the initiatives introduced by previous politicians.

One such country to implement pension freedoms was Australia. Whilst pension freedoms have been available in Australia for a number of years, Australian's are being too frugal in retirement and are running out of money with more than a decade of retirement still left. Couple this with the fact that people are living longer (evidenced by the fact that the state pension age keeps increasing to offset increased longevity) and it is easy to see why this is happening. Australia is therefore currently working on a project to return to an income requirement during retirement so that retirees do not run out of money and become a burden on the State. There are many articles available on the internet which detail the issues.

The UK has only recently introduced such freedoms to the UK pension industry. Many individuals will consider that the UK Government did this to provide greater freedom to retirees. Cynics might consider the real reason that the UK Government introduced freedoms to raise tax revenues, especially as it is estimated that HM Treasury could receive as much as 60% tax if somebody elects to 'cash in' their pension fund. On the basis that pension freedoms are only being utilised for small pension pots in the UK it would appear that those with larger pots are not willing to pay the penal taxes that would apply if they did cash in their pension funds.

My comments in the response are from a taxpayer perspective, as well as an individual who has spent the last 20+ years advising individuals, multi-national companies (locally and internationally) and other jurisdictions in relation to their pension arrangements.

<u>Consultation Response Answers</u>

Question 1

The answer to question 1 is not a simple yes or no answer.

It should be noted that people with circa £75,000 of pension fund at retirement can already take **all** of their pension fund as a lump sum after the age of 55 (using the fund remnant regulations). Based on UK figures for the average size of a retiree's pension pot, it would mean that in excess of 90% of people retiring on the Isle of Man already have pension freedoms.

Pension freedoms could be supported as long as it does not cause further financial stress for future generations. We have seen decisions made by previous political generations already create significant financial distress for both current and future generations. The Isle of Man Government Pension Scheme is a perfect example. This scheme has a multi-billion pound deficit/liability (and growing) which it is assumed will be dealt with by future generations.

Pension freedoms could therefore be supported if there is a benefit to Isle of Man Treasury similar to that gained by the HM Treasury when it introduced pension freedoms. The current consultation document though does not evidence this. It doesn't detail what financial implications of the decision have been considered. It also doesn't detail, or advise that long-term social studies have been undertaken to evidence whether freedoms are financially viable long-term so that future generations don't have to 'mop up' again after political decisions made by their predecessors. If the consultation provided evidence of the various studies which presumably have been undertaken then it would be easier to make a definitive informed decision as to whether freedoms could be supported.

Question 2

In terms of question 2 (subject to previous comment made in 1), I would broadly agree with the proposal with the exception of the annual contribution rate, which is too low. Such a low contribution rate would not allow a large enough cross-section of society to enrol in the new pension regime. The annual contribution limit should be set to at least £12,000, with an annual review of the limit conducted by Treasury.

Question 3

There are no additional conditions of tax approval that should apply to the proposed new scheme.

Question 4

Occupational pension schemes should be allowed on the same basis as personal pension schemes.

In addition, I disagree that transfers into the new arrangement should be prohibited for Defined Benefit pension schemes. There is no sound basis which the Government should disallow such transfers, as a transfer could be in both the interests of the member and the defined benefit pension scheme trustee. I would propose that the Government removes its intention to prohibit transfers from such schemes.

Question 5

Firstly, the figures provided in Example 1 under the heading 'Tax treatment of existing scheme under existing rules:' are incorrect. Any income taken in excess of that allowable under Isle of Man regulations is subject to an unauthorised payment charge of 40%. The 'Total tax payable' under Example 1 a) will vary by age, but it would be in the region of £25,000, not £10,850 as detailed in the consultation. This means that the comparison figures to the new regime are incorrect and misleading, as all examples displayed for the new proposed regime would provide significant tax savings to individuals (and therefore tax losses to Treasury).

I disagree with the proposed level of the transfer fee of 15%, it is simply not enough. A transfer fee of this magnitude would provide little benefit to the Treasury, especially given my earlier comments re frugal retirees as experienced in the Australian experiment.

I also questions the use of the 10% transfer rate used alongside the 15% rate in the consultation document. It would seem a little reckless to allow individuals to cash in their pension funds for less than the current tax rates. Surely this is not the intent of Treasury? If it is, I would have to question the motives of the Government individuals driving this initiative.

All members of current pension schemes joined their scheme on the basis that they must take their benefits in the form of an income at retirement. If members at retirement now wish to take all their benefits as a lump sum, or take them in a manner which would deplete their pension fund prior to death then they should pay for the privilege of changing the original contract made by them to take an income at retirement (although note my comments in 1 above re fund remnant regulations).

It would have been useful if the Government as part of the consultation had informed potential respondents of the long-term financial impact that various transfer tax rates would have on Government revenues. If the transfer tax is too low, I expect that there would be a large revenue increase for Treasury in the first year, followed by a significant drop off in revenues from years 2 onwards. This means that the Treasury would exchange its steady increasing pension tax revenues for a one-off hit in year 1 and sporadic volatile income in the future. It is difficult to understand why the Government would wish to exchange a predictable increasing revenue stream for a volatile unknown revenue stream in the future, especially given the weak financial position of the Government.

The minimum transfer fee to protect Government revenues should be <u>at least</u> 20%.

<u>Additional Comments</u>

If the appropriate tax rates for allowing pension freedoms are not introduced I see the following issues:

- Reduced revenues for IOM plc long-term
- Increased social care costs for IOM plc in the long-term
- The placing of undue burden on future generations to try and fund revenue deficits created by previous politicians, with potential tax rate increases
- Loss of jobs within the pension, insurance, banking and investment sectors within the island.

I also have the following questions/comments in relation to the project that the Government has undertaken:

- How has the financial implication of the decision to introduce pension freedoms been considered by the Government?
- Has a longer term social study been undertaken? The current proposal would mean that the Government would be required to fund higher social care costs in old age due to the removal of pension assets from the potential funding pool.
- Who did the cost benefit analysis for the pension freedom initiative and who has reviewed and signed it off?
- Have the considerations of the UK and Australia's implementations of pension freedoms been considered by Treasury, especially the apparent u-turn made by the Australian policy makers?

- In the UK there is now uncertainty about pension freedoms, who in Treasury has considered this?
- What consideration has been given to a minimum income requirement in retirement so people do not fall back as a burden on the State later in life?
- What financial impact is envisaged on nursing home expenditure in the future and what impact is there for those who have withdrawn their pension and spent it, or passed it to their heirs?

It is disappointing that the Treasury hasn't provided the public with important key information in the consultation to allow them to make an informed decision on what will have long-term ramifications for future generations if the decision to introduce freedoms is done so on a basis which is not sustainable long-term.

I have mentioned the phrases 'long-term' and 'future generations' a considerable number of times in this response. However, I do not see why future generations should pay for the mistakes of the current politicians, just like they are doing now for historic decisions made in relation the Government's own pension scheme. A wrong decision here would bring into question the ability of some of the current MHKs abilities to perform their duties, especially those in Treasury whose role it is to look after the financial interests of the island's residents.

At this point I must also point out that it was the current Treasury Minister who brought the original motion to introduce freedoms to Tynwald. It is my opinion (and indeed the opinion of many others outside of Government) that the Treasury Minister has a clear conflict of interest in this regard and the implementation of such a change should be performed by another Government department, such as the Department of Economic Development. The previous Treasury Minister Mr Teare recognised this conflict when the motion was originally tabled by Mr Cannan, I would therefore have expected the current Treasury Minister to do the same and remove himself and his department from the process until a much later stage.

I look forward to seeing the Treasury's response in this regard in due course.

Yours sincerely

[redacted]

59

Boal & Co
Actuaries & Consultants

Paul Martin, Deputy Assessor
Income Tax Division
2nd Floor, Government Offices
Bucks Road
Douglas IM1 3TX

15 September 2017

Dear Mr Martin,

Pension Freedoms Consultation – 18th July 2017

I refer to the above consultation and provide our responses to the questions raised in the document.

Analysis of benefits taken in the UK since pension freedoms were introduced show that over 96% of pension pots fully withdrawn since the UK introduced pension freedoms were for amounts less than £50,000. These people would similarly be able to do so under existing triviality and remnant rules on the Isle of Man.

Question 1

We are supportive of the introduction of pension freedoms subject to ensuring that there is a tax benefit to the Treasury. The UK Government introduced pension freedoms on this basis, as individuals are worse off if they take their benefits in lump sum form at retirement.

Question 2

We would agree with the proposed new pension structure, subject to a sensible maximum contribution rate, as the proposed rate of £5,000 it too low. We would propose a maximum contribution rate of £12,000 per annum.

Question 3

We agree with the Government's proposal in this regard.

Question 4

Occupational pension schemes should be able to participate in the new proposed arrangement.

Location Marquis House, Isle of Man Business Park
Douglas, Isle of Man, IM2 2QZ
Tel +44 (0) 1624 606606
Fax +44 (0) 1624 606607
Web www.boal.co.uk

We do though disagree with the Government's recommendation to prohibit transfers from defined benefit pension schemes, as it makes no sense. Defined benefit members should be afforded the same flexibilities as defined contribution members, as that is the current way of operation.

Question 5

No, the transfer fee should be higher to take into account lost tax on death and also to act as an encouragement to use the pension fund as intended i.e. to provide an income in retirement. There is mention that the transfer fee would not be taken into account for the tax cap. This infers that the income tax charged on encashment would be included in the tax cap, meaning that potentially no additional tax (other than the transfer charge) would be collected. This would seem to have a huge impact on future tax revenues.

We suggest a minimum transfer tax of 20% be charged, otherwise Treasury will lose tax revenues.

Additional Comments

1 Examples

1.1 We object to the accuracy and relevance of the examples given in section 4 of the consultation for the following reasons:

(a) The "tax treatment of existing scheme under existing rules" is not complete. If a member was to receive an unauthorised payment, such as these payments are, then they would be subject to a 40% charge. This drastically changes the message being portrayed by the examples.

(b) Under the new scheme, the examples given are not the most tax efficient way for a member to take their pension and so give an inaccurate view of the tax collected. An example of an alternative, more efficient way, would be to take the 30% lump sum in the existing scheme before the transfer.

(c) We cannot see how these examples are relevant to the consultation. They seem to have been formed to demonstrate that a 10% transfer tax to the new scheme would collect more tax than the existing arrangement. This is simply not true in the examples given, which do not fall under the fund remnant rules. In those examples, it would not be possible to avoid the unauthorised payment charge.

2 Comparison with the UK pension freedoms

2.1 The general intent of the proposal was to bring in the concept of "Pension Freedom" and to allow Manx residents pension freedoms equal to or better than those currently available in the UK. It is currently possible, under existing legislation, to fully encash an Isle of Man pension, something which is not mentioned in the consultation document. For pension funds of circa £75,000 the existing fund remnant rules allow full encashment, with 30% lump sum and the balance taxed at marginal rate.

2.2 Pension funds larger than this can be fully encashed, but the excess of the 30% lump sum will have an additional unauthorised payment charge of 40%.

2.3 Pension freedoms introduced in the UK in April 2015 are naturally limited by the penal (marginal) tax rates. Members wishing to 'bust' their pension pots are taxed at their marginal income tax rate. Since the higher rate tax band in the UK is 40% over £45,000 (and 45% over £150,000), members would have to take a significant hit to take large amounts. In addition, funds encashed are removed from the CGT and IHT free environment within a pension, and placed in the member's ownership and subject to both these taxes.

2.4 Such higher rates of tax, nor CGT or IHT do not exist in the IOM, and so there is no natural barrier to pension freedoms as there is in the UK.

3 Inconsistent application of the transfer fee

3.1 As proposed, it seems that the transfer fee would only apply to transfers from IOM registered schemes. This would mean that IOM residents with a UK scheme could transfer to the new scheme, take 40% lump sum, and pay only 10% tax on the balance. This is an effective tax rate of 6% on the total pension. Should the person encashing his pension be "tax capped" then effectively zero tax would be due on full encashment.

3.2 This would be penalising IOM residents who have saved into an IOM pension scheme when compared with those who have a UK pension scheme.

3.3 As there are many people on the IOM with UK pension funds this will lead to a large loss in future tax revenue.

3.4 In addition it may invoke some unwanted interest from HMRC in respect of genuine transfers from UK to IOM schemes.

3.5 Furthermore, the new scheme outlined in the consultation document proposes that benefits are subject to an income tax of only 10% (as well as a 40% TFLS). The introduction of pension freedoms in the UK was largely motivated by the need to bring forward future tax revenues to the UK Treasury (and thus reduce the deficit). The proposed features of the IOM freedoms remove this benefit, to the detriment of the public purse.

4 Revenue and Social Security

4.1 Revenues though are just one concern. The bigger concern that we have is the long-term impact on things like social care.

4.2 For example, pension funds will no longer fund care homes, and as such the state will have to fund these to a greater extent.

4.3 This problem becomes bigger with an ageing population and adds to the problems we already have with the Government pension scheme and the funding of old age pensions.

5 Summary

5.1 In short, we see the following issues:

(a) Reduced revenues for IOM plc in the long term

(b) Increased social care costs in the long term

(c) The placing of burden on future generations to try and fund revenue deficits

(d) The fact that the proposal looks like a sop to wealthy individuals who would benefit more than other classes.

5.2 We have a number of other questions also in relation to the project, as follows:

(a) How has the financial implication of the decision to introduce pension freedoms been considered?

(b) Has a longer term social study been undertaken by the Government?

(c) Have the considerations of the UK and Australia's implementations of pension freedoms been considered, especially given the recent negative media comment about these regimes?

(d) In the UK there is now uncertainty about pension freedoms (and Australia are trying to reverse the decision to introduce it), has this been considered by Government?

(e) What provisions have been made to ensure that there is an independent advisory service available to members of the public considering taking advantage of pension freedoms?

(f) What regulatory and advisory controls are in place to stop pension mis-selling?

(g) What consideration has been given to a minimum income requirement so people do not fall back as a burden on the State later in life if their money is exhausted?

(h) What financial impact is envisaged on nursing home expenditure in the future and what impact is there for those who have withdrawn their pension and spent it or gifted it to their children?

We are of the opinion that the additional questions we have posed are important enough that they should be fully explored and a subsequent consultation issued so that the public have the full picture in relation to the introduction of pension freedoms.

Yours sincerely

[redacted] on behalf of Boal & Co
[redacted]
Boal & Co Ltd
[redacted]

60

[redacted]

From: [redacted]
Sent: 15 September 2017 14:27
To: ITD, Consultation
Subject: Pension Freedoms Consultation - 18th July 2017

Dear Sir
Pension Freedoms Consultation - 18th July 2017
We write in response to the Pension Freedoms Consultation dated the 18th July 2017.
Question 1 - Although in general, our view is that a pension should be to provide an income for life, we are in agreement that the option to take small pension pots as a lump sum should be retained ie. existing triviality and remnant rules. Our reasoning for this is that sometimes the on-going pension scheme costs to the member, may out-weigh the benefits received.
Question 2 - we agree that this is a good tax efficient way of saving and this would hopefully encourage the public to save for retirement.
Question 3 - we agree to the conditions listed.
Question 4 - Yes, for small businesses for example.
Question 5 - No, we think that the transfer fee should be higher than quoted, to encourage the public to hopefully think more carefully about the implications of taking all their benefits at once and potentially burden the state in the future. We must remember that a pension should be to provide an income for life. The IOM Government coffers are already severely stretched and although this may come as a short term quick fix in terms of income received; our concern is how the ageing population will be provided for in the future.
Yours faithfully
[redacted]

61

[redacted]

Subject: FW: Consultation on Proposed Pension Freedoms

From: [redacted]
Sent: 15 September 2017 15:41
To: ITD, General Enquiries
Subject: Consultation on Proposed Pension Freedoms

Dear Mrs Guffogg,

Thank you for your email dated 18 July 2017 containing your consultation document on your proposals to give greater pension freedoms. This document was considered by Peel Town Commissioners at their last Board meeting and they agreed by a majority decision to make representations to you recommending a 40% cap should be put in place on the lump sum amount a member can take from their pension when they reach retirement age. The Commissioners believe a measure of this nature will protect the viability of the pension scheme in the long term and ensure sufficient funding is remains available to members of the scheme who have yet to retire.

Thank you for considering the Commissioners' comments and should require any further information please do not hesitate to contact me.

Yours sincerely

[redacted]
Peel Town Commissioners

62

[redacted]

From: [redacted]
Sent: 15 September 2017 16:44
To: ITD, Consultation
Cc: [redacted]
Subject: Proposed New Pension Scheme to Provide Greater Pension Freedoms - Response to Consultation
Attachments: Response to pension flexibility consultation 150917 v2.docx

Dear Paul

I attach Barclays response to the Proposal Document headed "Proposed New Pension Scheme to Provide Greater Pension Freedoms". You will see from our response that we have a number of concerns with the proposal, and with the current position in the Isle of Man where pension members are unable to access pension flexibility.

We would be delighted to discuss any aspect of our response further with you if you wish.

Kind regards
[redacted]

[redacted]

Barclays, 4th Floor, Barclays House, Victoria Street, Douglas, Isle of Man, British Isles, IM99 1AJ
www.barclays.com

[redacted]

Respect | Integrity | Service | Excellence | Stewardship
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Question	Our response
General	**Our current concerns and issues** The main retirement issues for members of Barclays approved pension scheme, and we suspect members of many other Isle of Man approved pension schemes are: • There appears to be no annuity providers willing to offer lifetime annuities for members who have an accrued balance at retirement (e.g. for defined contribution schemes or for cash balance schemes). • These members are unable to take their benefits at all, or become subject to disproportionate adviser fees or scheme charges post retirement. • These members' face complicated retirement decisions, with no simple, cost-effective solution. We support providing pension flexibilities equal to the UK, certainly whilst no annuity providers are operating in the Isle of Man. **Our overall view of the new proposed pension product** The new pension product does provide the flexibility sufficient to access the member's pension benefits. However we do not believe that the new pension product is overall beneficial to members of pension schemes in the Isle of Man, and are not convinced that such a product would be a success. We would instead support greater flexibility being offered to existing approved pension schemes, instead of introducing the new pension product. **Our main concerns are:** • The new scheme appears to penalise members, as in most scenarios the net of tax benefit is reduced from current expected levels. • What are the proposals around advice for the new scheme? Will members also have to pay for advice on transfer, and advice when accessing the benefits. This will further reduce the net of tax benefits versus the current position. • If the main purpose of the new pension product is to facilitate access to benefits, then we question whether providers will enter the market to support the new pension product. If funds are invested only for a short period before being accessed as a lump sum then few business models would support such a product, or would have disproportionate administration or investment management fees. We would propose providing greater access and flexibility direct from the member's existing approved scheme, in line with the original motion approved by Tynwald in July 2015. Revenue will be maintained, as tax will be payable on benefits, and also accessed funds will be re-invested elsewhere. There will be limited change to the pension industry, as annuities are not currently provided in the Isle of Man for these members anyway.
1	We agree that members should be able to access their entire pension pot rather than taking an income at retirement, particularly those who currently cannot take an income as no annuity provider exists in the Isle of Man. For Barclays these are members of our

	defined contribution scheme, and also our cash balance scheme. These members should be able to do this based on cost effective generic advice, rather than current levels of advice cost which can be disproportionate to many employees' pension balances. In principle we also believe that defined benefit pension members (mainly final salary type-benefits) should be given the same freedoms, however these should only be allowed to do so after taking more formal advice. Our rationale on level of advice requirement is that the members in the first paragraph are converting cash (or investments) into cash (or investments), whereas the members in the second paragraph are converting defined pension benefits into cash (or investments). Advice is needed for the latter group to ensure they fully understand the complete change in underlying benefit, versus the former group needing less advice as the fundamental aspect of their benefit is not changing as much.
2	The general structure does not seem inappropriate. If the proposed pension scheme was to go ahead it would only be of use to Barclays pension scheme members if it was able to obtain QROPS status. However we would question why the need to transfer out of the approved scheme into this scheme, before accessing the flexibilities? Can these not be provided direct from the member's existing scheme as is allowed in the UK? This would potentially be in the best interests of the member, avoiding additional taxation, and additional charges – the transfer fee, adviser fees on transfer, adviser fees on exit etc. If overall fees and charges are minimal then our concerns reduce.
3	No comments
4	No comments
5	Apart from providing some additional flexibility we do not believe that the new pension product is beneficial to members of pension schemes in the Isle of Man, as in almost all scenarios their net of tax benefits are reduced from current expected levels. We would support greater flexibility being offered to existing approved pension schemes instead. The transfer fee examples support our concerns over fees. The examples provided also take no account of any adviser fees that may be incurred in setting up the transfer to the new product, or upon accessing the benefits. We suspect this would worsen the net of tax position further.

63

[redacted]

From: [redacted]
Sent: 15 September 2017 17:05
To: ITD, Consultation
Subject: Pension Freedoms Consultation
Attachments: Pension Freedoms Consultation.pdf; ATT00001.txt

Dear Deputy Assessor,

Please see attached my response to the questions asked in the public consultation for Pension Freedoms.

Kind regards
[redacted]

Q1

In principle, an individual that has saved during their working life should be allowed to access this money in retirement. However, allowing an individual to access their entire pot, and make it tax efficient to do so (which the proposed product does), makes a mockery of the concept of pensions.

The State has a duty to encourage and promote saving for retirement. Failure to do so applies pressures on public services and spending when individuals cannot afford their own care sufficiently. Encouraging individuals to withdraw their entire pension savings is reckless, with the cost ultimately paid by the public purse and therefore future tax payers.

Simple analysis of the UK pension freedoms, and how they have played out, shows that almost all pots being enchased in their entirety were under £50,000. Higher encasements are discouraged naturally by the increasing marginal tax rates in the UK. I point out the following simple facts:

- The IOM already has 'pension freedoms' for pots with an effective size less than around £70,000 under current tax-free lump sum, triviality and fund remnant rules.
- The IOM does not have a higher marginal rate of income tax to act as a natural discouragement to larger encashments.

The motivation for these proposals by the Treasury Minister must surely be questioned and scrutinised. There is little to no need for these reforms, and those that will benefit will be the wealthiest in society, all to the detriment of the ordinary tax payer.

Q2

No. The higher rate of tax-free lump and lower rate of tax actively encourages people to withdraw their entire pension pots.

Q3

This is not a question appropriate for public consultation. The example conditions outlined in the consultation document are clearly technical aspects of pension schemes. It should not be asked of the public to comment without specialist knowledge of how these conditions do and don't affect a pension scheme.

Q4

I refer to my answer to Question 3.

Q5

Any tax to transfer existing schemes should not set at a level that makes it tax efficient to transfer. This results in lost revenue to the public purse in the long term.

From the very simple details given in paragraph 3.4, it is implied that a transfer fee would be applied to funds transferring from IOM schemes but not from UK schemes. The Assessor does not have jurisdiction to apply a tax to funds held in the UK.

I also note the examples given in section 4 of the consultation document. These examples compare a tax treatment which is not currently possible with a tax treatment under the new scheme. The examples are therefore incorrect, irrelevant and ultimately misleading to the public.

[redacted]

64

[redacted]

From: [redacted]
Sent: 15 September 2017 17:34
To: ITD, Consultation
Subject: Pension Freedom

Dear Mr Martin

I write in regard to the consultation document regarding pensions freedom and would advise that my comments are as follows:-

1. I do not agree that people should be able to access their full pension pot as I believe this would put considerable strain on the government in future years due to people having insufficient funds to support them through their retirement and therefore increased amounts being required from Government to subsidise health and nursing home costs in years to come.

2. I do believe there is a requirement for a retirement savings scheme for Isle of Man residents, however I would like to see the maximum contribution amount to be raised to at least £10,000.00 per annum as I think this would encourage more people to contribute.

3. No

4. Yes, I agree there should be an option to include an occupational scheme.

5. I believe the transfer fee should be higher, perhaps 20% as it would appear that this is aimed at attracting larger pension amounts and therefore once these amounts are removed, further pressures would be put upon government to meet ever increasing costs.

I believe the whole idea of pension freedom is very short sighted with the additional tax revenues providing only a 'quick fix' solution with no regard whatsoever to meeting pension provision for future generations.

Yours sincerely

[redacted]

(65)

[redacted]

Mr Paul Martin

Deputy Assessor

Income Tax Division

2nd Floor Government Offices

Bucks Road

Douglas

IM1 3TX

Dear Mr Martin,

Re: Isle of Man Pension Freedoms Consultation

I write to share my personal views and submit my responses to the "Proposed New Pension Scheme to Provide Greater Pension Freedoms" consultation which was released on 18th July 2017.

As a starter, I must be honest in saying that I have some concerns regarding the new proposed Manx retirement product and the layout of the consultation document in general. I realise that the Isle of Man government have come under pressure more recently to offer greater flexibility within the pensions regime on the island given the changes that took effect to UK pensions on 6th April 2015. Many regarded the introduction of flexi-access on defined contribution pension pots as a measure to bring forward taxes in the short term by the then Chancellor of the Exchequer, George Osborne, and, whilst this may have been the case, as far as I'm aware the statistics coming out of the UK have indicated that the up-take of individuals' cashing out their pension pots in full has not been to the level that was expected, but this is due to the UK progressive rate tax system making this option prohibitive for average to high pension pot sizes (with a top rate of obviously 45%). If this product is introduced in its current proposed form, I believe there are potentially serious longer term implications for the island in terms of the following:

- Increased Social Care costs - if people are abusing this facility and busting their pension pots without proper care or first seeking independent advice then there is a risk of individuals running out of money prior to their death and relying more heavily upon the state
- Economic impact – possible loss of jobs
- Reduced Revenues for IOM plc over longer term
- Nursing Home Expenditure – less potential to fund from pension pots in future
- Impact on future generations

Taking each question in turn, the following are my responses:

Question 1

Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?

Response:

No, I believe the traditional concept of a pension (i.e. a regular payment in retirement to provide an income for life) should be maintained, and so the existing regime in my opinion is satisfactory, but

unfortunately it seems that this is gradually being lost. However, I do feel that there is scope for further flexibility in certain instances, for example if the individual is capable of meeting certain criteria e.g. a minimum income requirement whereby they can evidence that they have sufficient income from other sources and therefore are not completely reliant on their pension pot to fund their retirement, or in other circumstances such as where they have small pension pots where it is more cost effective/efficient to cash them in (as is possible under the current triviality/fund remnant rules). In respect of the latter, we already have pension freedoms of a form (for pension pots up to around £71,400 under the current fund remnant regulations) and my understanding is that the experience in the UK has been that the vast majority of individuals who have used the flexibilities to cash-out their pension pots in full have done so with pots of a size that would qualify under the fund remnant rules. An idea may be to simply extend the fund remnant provisions a little further.

Question 2

Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?

Response:

If a new Manx Retirement Product to allow individuals' full access to their pension pots is to come into force then, whilst I'm not necessarily in favour of the idea as a whole, I agree in general with the proposed basic structure that has been set out for this new scheme in terms of its usage as a retirement savings or other savings vehicle.

Question 3

Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?

Response:

No

Question 4

Do you agree that the proposed scheme could include an occupational pension scheme?

Response:

Yes

Question 5

Do you agree with the level of the proposed transfer fee? If not, what would you suggest?

Response:

No, I do not agree with the level of the proposed transfer fee. This is one of the main concerns I have regarding the proposed new Manx Retirement Product as I believe the proposed transfer fee of 15% is too low. It should be higher to encourage individuals to continue to drawdown their pension pot at a sensible rate in retirement and, whilst the aspect of 20% tax relief already having been granted from the existing scheme (before transfer) has been taken account of in the 15% fee proposed (as referenced by the document), the loss of 7.5% tax on death should also be taken into consideration. As such, I think a transfer fee of 20% or above would be more appropriate. Ultimately, if people want additional flexibility over and above that which already exists under the current regime (via triviality/fund remnant) then there should be a cost to obtain this. At present, I don't feel the proposed 15% rate achieves this in full.

Other Points:

- The consultation document is clear that a transfer will be possible from an existing approved IOM pension scheme (and subject to whatever transfer fee is agreed), but it is silent on whether pension pots from other jurisdictions will be able to be transferred into this new product. I'm assuming that a transfer out of a UK pension scheme into this new product will be possible (on the basis that it can meet the QROPS criteria) given that many IOM residents will hold UK pension plans either from having lived/worked in the UK in the past or due to how their IOM employer pension plan has been structured (I'm aware that many, especially the larger banks, are UK registered schemes). However, given there will be no IOM transfer fee imposed for a transfer out of a UK pension scheme into this new product (if QROPS compliant) then it would be quite possible for someone with a UK pension scheme to transfer into this new product for no transfer fee, take a 40% max tax-free lump sum, and then cash the remaining balance out at 10% i.e. an effective tax rate on the total fund transferred of only 6%! This would obviously be extremely attractive to many local resident individuals in this position, but unfair to others who will pay more for the same process. It is of course important to be able to encourage individuals to transfer their UK pension savings to our island, but not to the extent that they can take their entire pot out for a very low rate of tax. This is an area where there is potential growth for future tax revenues, but not if the above will be possible.

- Whilst the document states that the new proposed scheme will not be able accept transfers in from a defined benefit pension scheme, thinking of the scenario illustrated above, this would be easy to mitigate by transferring first from a UK defined benefit scheme into a UK SIPP and then subsequently transferring into the new IOM retirement product to avail of the huge tax advantages of a full cash-out, and without any transfer fee being imposed.

- Whilst the illustrations within the consultation document have been provided in an attempt to help the general public in understanding how the new product would work in practice and the potential tax that would be incurred in different scenarios, I believe they could actually be a little misleading. In each of the examples of "Tax treatment of existing scheme under existing rules", it is based on the member taking their whole pension pot in one withdrawal. As I understand it, this is not possible under the existing regime without incurring an unauthorised payment surcharge of 20% and this has not been factored into the examples, which would of course increase the total tax payable amounts significantly.

- As mentioned at the outset of this letter, my concern is for individuals who will bust their pension pots without proper consideration and will possibly then pay the consequences of this decision later in life, as will the IOM public purse ultimately. In the UK, the top rate of tax of 45% makes this less attractive and there is a disincentive to take this course of action. With the proposed tax rate of 10% on the withdrawal of the balance (after the 40% tax-free element has been taken) the same barriers (as in the UK) do not exist under this proposed new product.

As I'm sure is evident from the above, this is a topic that I feel strongly about and I would encourage that further consideration and analysis is undertaken, especially in respect to the potential longer term effect on future generations and IOM tax revenues, before a decision is arrived at on this proposed new Manx retirement product. This is definitely something that should not be entered into lightly and so all aspects should be fully explored before coming to a conclusion.

I appreciate the opportunity to be able to respond on this matter, and will be very interested to learn how this materialises after the consultation responses are reviewed in full.

Thank you for your time and attention to this letter.

Yours Sincerely,

[redacted]

66

pwc

Paul Martin
Deputy Assessor
Income Tax Division
Bucks Road
Douglas
IM1 3TX

19 September 2017

Reference: [redacted]

Dear Paul

Re Consultation: Proposed New Pension Scheme to Provide Greater Pension Freedoms

On 18 July 2017 the Income Tax Division (ITD) issued a consultation document ('the condoc') concerning the proposal to introduce a new pension vehicle in the IoM. The stated intention in introducing such a vehicle would be to facilitate the introduction of 'pension freedoms' to Manx residents; the Government's desire to do this was confirmed in a motion approved by Tynwald in July 2015.

The condoc seeks a response on a number of specific areas relating to the proposed new pension vehicle. Our comments on these questions can be found in the Appendix to this letter. However, before responding to these specific points, it is important to consider the wider issue of whether the introduction of pension freedoms is something which is advisable from an IoM perspective.

The Danger of Pension Freedoms

The notion of pension freedom is a contentious area and one where opinions are often dividend. The libertarian notion of allowing individuals the freedom to spend their own savings as they choose seems appealing. There is also a competitive angle to consider; the IoM has thrived in recent years by virtue of its ability to react quickly to market change and to innovate in areas of legislation and service offering. In matching the UK's offering in respect of pension freedoms, the IoM should ensure that potential wealth generators are not deterred from moving to the IoM on the basis that they can get a better 'pension deal' in the UK.

Finally, there is a cash flow consideration. If a number of individuals proceed with a transfer of funds to the new scheme and withdraw those funds, there will be a short-term cash flow benefit to Government.

However, the delivery of genuine pension freedoms would bring potential longer term pressures on the Island's finances as the impact on the social care system in the Island is realised. Reforms similar to those recently introduced in the UK, reforms which the IoM now seeks to match or 'better', were introduced in Australia some 20 years ago. Similar to the UK and the IoM, Australia faces the challenge of an aging population, with a growing number of pensioners compared to workers. It is relevant then to consider the Australian experience further.

pwc

A review carried out in Australia in 2014 (the Murray Review) confirmed that as a result of the introduction of pension freedoms, around 50 per cent of eligible Australian residents took their money out as a lump sum at retirement age with a quarter of that group exhausting their funds by the age of just 70. Further anecdotal evidence suggests that those over 80 are fast running out of cash and as a result, the burden on the state is rapidly rising.

As a result of this, the Australian Government has recently been forced to review its national pension arrangements and introduce rules to effectively increase the tax take from Australia's superannuation scheme. An example perhaps of a benefit for the few resulting in a tax cost for the majority.

The IoM's own difficult financial position, and in particular the funding issues associated with the IoM's national pension arrangements, are well known. Alongside this, the other major issue facing the IoM is the challenge of attracting economically active individuals to the IoM to reduce the ever-increasing ratio of pensioners to workers. Against this backdrop, the introduction of a measure which may be considered as likely to increase future pensioner dependency on the state is dangerous. The counter to this is, of course, that monies withdrawn from pensions might be used in some cases to stimulate additional economic activity to the benefit of the Island. Given the relatively young age at which the proposed freedoms can be enjoyed (55), this may sometimes be the case. However, the experience of Australia suggests that this might be of limited relevance.

Assuming that a new pension vehicle is the best way to proceed, then this could be a chance to more radically transform the IoM's pension system. One such possibility would be a 'Pension ISA'.

With its low rate personal tax regime, the IoM has not felt it necessary to introduce an income tax free savings vehicle such as the UK's Individual Savings Account (ISA). The UK ISA has been a hugely successful savings vehicle in the UK with very significant levels of usage. This vehicle allows for an amount of money to be invested each year and for that money to grow in a tax free wrapper. Withdrawal of funds at the end of the life of the vehicle is similarly tax free. The benefits to the IoM in introducing such a vehicle would be several-fold:

- As no tax relief would be granted on contributions made to the Pension ISA, this would provide an immediate and annual tax boost to Government;
- Overall tax revenues on savings income can be protected via the introduction of an annual limit for contributions into the Pension ISA;
- It is possible to introduce whatever restrictions Government deems necessary on the withdrawal of funds. So, for example, withdrawals could be prohibited until the investor reached a certain age, or they could be restricted so that withdrawal could only take place over a number of years (as required);
- IoM tax legislation could be amended to confirm that for UK ISAs imported into the IoM, the tax free status would continue to apply;
- IoM legislation could be introduced to facilitate the transfer of an existing personal pension into a Pension ISA (at an appropriate tax cost); and
- The move would likely be viewed as 'progressive' as the IoM seeks to lead the field in pension innovation.

In general terms, the decision as to whether or not to exercise pension freedoms should be one which, in the mind of the decision maker, should be at best, tax neutral. It seems to us that the proposed new vehicle offers individuals a tax advantageous means to reduce the overall IoM tax liability associated with a fund (detailed comments below). The motives for doing this are unclear.

Overall

Our view is that the IoM should only proceed with the introduction of pension freedoms after focussed consideration of the likely impact. In particular, looking through the potential short term cash flow boost for Government, the revenue gap caused by long term reduced tax revenues but increased social care costs needs to be understood/estimated as far as it possibly can. The condoc does not give any indication that such consideration has been undertaken or that a genuine impact assessment has been carried out. Continuing with such a potentially far-reaching change without doing this would be a seemingly unnecessary gamble.

The condoc does not set out the rationale for the introduction of a new vehicle in order to introduce the freedoms or the possible alternatives. For example, it would seem that a simple change of legislation to allow additional pension withdrawals could achieve Government's stated objective. Our comments on the proposed new pension vehicle are set out below as part of our response on the specific condoc questions. However, if a new pension vehicle is considered the best way forward, consideration should be given to the possibilities this presents. A Pension ISA, as described above, would seem like a flexible and radical way to improve the IoM's pension offering.

Yours Sincerely

[redacted]

For and on behalf of PricewaterhouseCoopers LLC

pwc

Appendix

Question 1 Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?

Response: This question can only be answered after undertaking an impact analysis for the IoM covering the economic, social and regulatory perspectives. This assessment does not appear to have been carried out. If a decision is made to proceed with the introduction of pension freedoms, the mechanism to do so should be such that in accessing their funds, IoM residents should not be at a tax advantage to those who choose not to.

Question 2 Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?

Response: No. The restrictive terms of the new scheme are such that very few would choose to open such a scheme as a genuine retirement savings option. For example, the significant restriction on annual contributions and the restricted tax relief available on those contributions would be very unattractive to a younger saver, when compared to a SIPP. In practice, if the new scheme is introduced in its current form, it is likely to be used simply as an 'exit vehicle' for those wishing to drain their existing pension pot.

See comments above regarding the introduction of a Pension ISA.

Question 3 Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?

Response: Any new scheme should be designed to operate effectively as a stand-alone savings option. See response to question 2.

Question 4 Do you agree that the proposed scheme could include an occupational pension scheme?

Response: Yes

Question 5 Do you agree with the level of the proposed transfer fee? If not, what would you suggest?

Response: No. The rate of 15% to transfer existing pensions to the new scheme seems too low for the reason now set out.

The document does not make clear whether or not the option to transfer funds to the new scheme will be available to those who have already drawn some element of their existing pension. We presume that it must be, otherwise this would not be equitable. For such individuals, the option to transfer seems 'too good to be true'. For example, consider Mr X who had a £1 million pension pot but has already drawn his 30% tax free lump sum and now has funds of £700,000 remaining. A transfer fee of £105,000 would apply on the transfer of these funds to the new scheme and these funds can be entirely withdrawn at a further tax cost of £35,700. In total, Mr X will have been able to withdraw all of his £1 million fund at a cost (fee plus tax) of £140,700, an effective rate of only 14.07%. This is a very generous proposition.

In our view, the level of transfer fee should be set so that there is no tax advantage to be gained in withdrawing funds in excess of the current tax free available amount.

(67)

[redacted]

From: [redacted]
Sent: 21 September 2017 11:42
To: ITD, Consultation
Cc: [redacted]
Subject: Re: Pension consultation

Hello [redacted] don't know if treasury has read this.
The U.K. Followed Australia and the Isle of Man wants to follow the UK, if the Australian experience is anything to go by, it will be a disaster!
See

http://citywire.co.uk/money/australias-change-signals-pension-freedom-danger/a907168
Kind Regards
[redacted]

On 11 Sep 2017, at 16:29, ITD, Consultation <Consultation.ITD@itd.treasury.gov.im> wrote:

> Dear [redacted]
> Thank you for your submission below.
> I would like to take this opportunity to thank you for taking the time to respond to the consultation and can assure you that your comments will be fully considered.
> I have also passed your comments directly onto Paul.
> Kind regards,
> [redacted]
> Income Tax Division,
> Government Office,
> Bucks Road,
> Douglas,
> Isle of Man IM1 3TX.
> Telephone: [redacted]
> Fax: +44 1624 685351
> E-mail: [redacted]
> Website: www.gov.im/incometax
>
> **From:** [redacted]
> **Sent:** 11 September 2017 16:20
> **To:** ITD, Consultation
> **Cc:** [redacted]
> **Subject:** Pension consultation
> Good afternoon Paul.
> Please see my response (kept as simple as possible), if I can be of any further help please feel free to let me know. The problem as I see it is that most people have no idea about the last 50 years of changes in pension legislation, after Robbie Kennaugh unfortunately passed away who did understand the taxation and technical aspects of IOM pension there are few who could take his place. I worked with Robbie in 2003/5 in putting together what was needed to increase the domestic pensions provision and increase jobs on the Island, which has been decimated.
> I have personally returned [redacted] LICENCE and passed the [redacted] work to [redacted]

Politicians, however seem to think they understand enough to make legislation without understanding the full ramifications of their actions. Between the Uk DWP, HMRC and banks that have taken over the main assurance companies on the IOM, the domestic market and much of the QROPS market has been destroyed by inappropriate short term thinking, to try to increase revenues.
My response.

<u>Isle of Man Pensions Freedom Consultation</u>

Question 1

Do you agree that individuals should be able to access their entire pension pot instead of the pension providing an income in their retirement?

Yes, with reservations. However this should only be allowable where the person in question has sought appropriate advice, therefore we would need to implement a regimesimilar to the UK requirement for an individual to seek advice from a regulated PTS.A regulated PTS/IFA would consult each member with consideration of their own individual circumstances. This should increase the quality of scheme members' financial decisions (the trade off between investing for income or paying a mortgage off for example), ensuring that members are still encouraged to cater for their retirement, as those who are unable to provide for their own retirement will ultimately increase the burden on the State one way or another. If an individual chooses to withdraw their full pension pot and then subsequently reinvest it, the income provided from that reinvestment should not be taxed again (although tax on any gains then made would be fair, but that should also be at 10%).

Question 2

Do you agree with the proposed basic structure of the new scheme? If not, what would you change and why?

The annual contribution tax free limit should be increased, maybe doubled or tripled.Ultimately, the more money that the State can encourage an individual to save during their working lives, the lower the burden on the State itself and the State effectively benefits from the gross roll up effect experienced by the scheme member. Where the State receives 10% tax on eventual income, this tax should be 10% of a larger amount, as the Scheme member will have invested a larger amount during their working lives. Although it would likely lead to lower revenues for the Treasury, the Treasury needs to ensure that it is not short-sighted and instead creates a proposal that is hopefully permanently viable.

Question 3

Are there any particular conditions that you think the new scheme should, or should not, be required to satisfy?

Agree with all of the conditions listed, but would propose to add:

1. Some form a joint approval/accountability for the Assessor (if this does not exist already)
2. Greater transparency (i.e. quarterly reporting to members) on key metrics such as:
    a. what the scheme is invested into
    b. how it is performing
    c. number of members / joiners / leavers
    d. expected liabilities and forecasting
3. Minimum requirement on the employer to at least match the employee's contribution

Question 4

Do you agree that the proposed scheme could include an occupational pension scheme?

I cannot see any issues to this and I would imagine that this option would be beneficial considering the tax breaks proposed. Presumably the Occupational and Personal schemes will have the same terms and conditions but will remain separate (if an individual wanted to hold both for example)? The consultation paper states that "the new scheme will, however, be limited to no more than one per person"unless the £5000 limit of premiums, also stops a company from having an upper limit of £300,000

Question 5

Do you agree with the level of the proposed transfer fee? If not, what would you suggest?

No. It will completely discourage any transfers in, which would ultimately be beneficial to the State. The idea makes sense in terms of attempting to balance the books, but it won't generate any additional income if no one chooses to utilise it! At a compounded growth rate of 5% and a transfer fee of 15%, it would take the scheme member 3.4 years to return their transferred pension to its original position pre-transfer fee.

The State needs to recognise that encouraging as much money as possible to enter the scheme should be the primary objective, as enabling individual scheme members to provide for themselves in retirement will have a positive impact on all aspects of Island life. The Island already has issues with its aging population and this will only increase with greater longevity etc. The State will reduce the future burden on itself by encouraging greater self sufficiency amongst island residents. Those with more money in retirement are more likely to pay for private healthcare, for example.

Kind Regards

[redacted]

[redacted]

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