SOVEREIGN

PENSIONS NEWSLETTER

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Sovereign launches Occupational Pension & Savings Service

Sovereign is pleased to announce the delivery of its new state-of-the-art occupational pension and savings service to the market. This exciting new business stream provides 'straight-through' processing capabilities to deliver efficiencies to employers and to empower employees.

The service complements Sovereign's global footprint and will deliver international and local pension solutions, where appropriate, to a wide range of sectors and to employers of varying size and with varying needs. Sovereign has the capacity and expertise to listen, understand, plan and deliver an appropriate solution.

Jo Smeed, a specialist with 20 years within the international occupational pension and savings market with a global insurer, has joined the Sovereign Group to develop and grow this new core business strategy.

"I'm excited to join Sovereign, which is well positioned globally to provide a superior service and deliver good value via economies of scale and harmonisation of benefits. We are the first significant new entrant into this market for many years and, with the increasing need for international pension and savings products that is being driven by globalisation and powered by technology, our arrival comes at a good time.

"As part of our international service, we offer a comprehensive 'financial wellness' portal, available in 60 languages, that allows employers to support employees to learn more about their benefits through gamification, inter-active tools and online courses. It covers a wide variety of issues such as dealing with financial stress, how to budget and explaining about their financial profile. We believe that delivering this level of additional service will be a major draw in the market."

For further information, please contact Jo on **jsmeed@SovereignGroup.com**

Brian McPhail appointed to lead SIPP service transition

Sovereign Pension Services (UK) Limited (SPS) is pleased to announce the appointment of Brian McPhail to its Wirral office. Brian has over 30 years of industry experience and was most recently interim Operations Director for James Hay. Prior to that he served as Chief Operating Officer at Now Pensions and Customer Services Director at Admin Re.

Brian's remit is to oversee the implementation of SPS's service transition plan, which is aimed at creating a top quality service experience for pension scheme members and their advisers. Brian will also shepherd the migration of the existing SIPP book onto a new state-of-the-art administration platform.

To ensure the success of the project, Brian has already made some additional experienced hires and we look forward to reporting on progress in future editions.

UK Chancellor freezes Lifetime Allowance

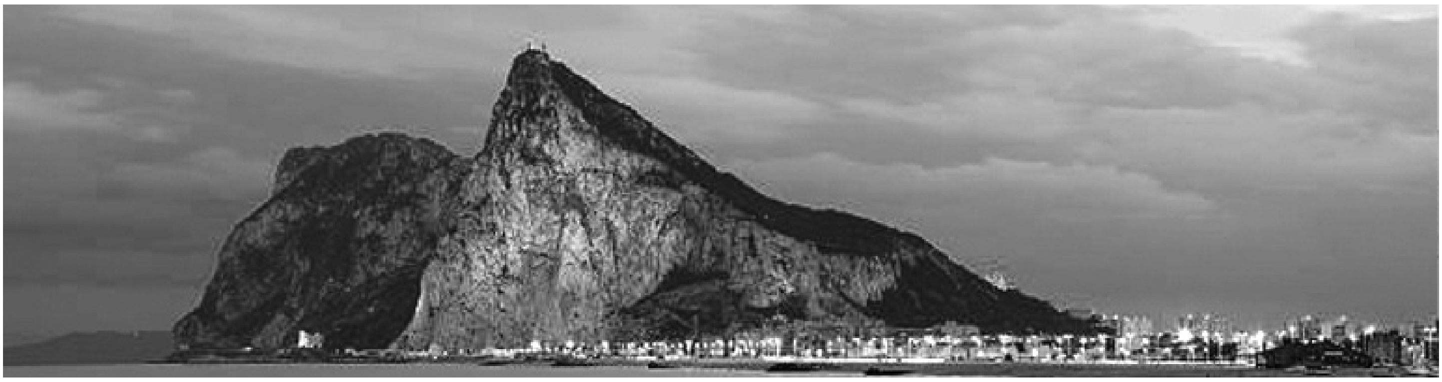
The UK's pension Lifetime Allowance (LTA) has been frozen at £1,073,100 until April 2026, as Chancellor Rishi Sunak seeks to balance the need to support the economy while the coronavirus pandemic endures with efforts to begin reigning in the deficit.

The LTA sets a limit on UK tax-relieved pension savings over an individual's lifetime. Where savings exceed this level at crystallisation, the excess is taxed at either 25% or 55% depending on whether the balance is taken as income or as a lump sum.

The announcement came as part of Sunak's second UK budget and sits alongside a number of other frozen tax thresholds. The LTA was due to be increased by Consumer Prices Index (CPI) inflation and the removal of this uplift is estimated to raise almost £1 billion over the next five years.

Savers can still take steps to mitigate LTA tax charges and financial advice can add significant value in this complex area.

For those who are likely to breach the LTA, a Qualifying Non-UK Pension Scheme (QNUPS) may provide a useful alternative to a UK-registered pension scheme. QNUPS are not subject to the LTA or the Annual Allowance and benefit from an Inheritance Tax exemption on death. Please contact your local Sovereign office for more information.



Gibraltar QROPS bounce back

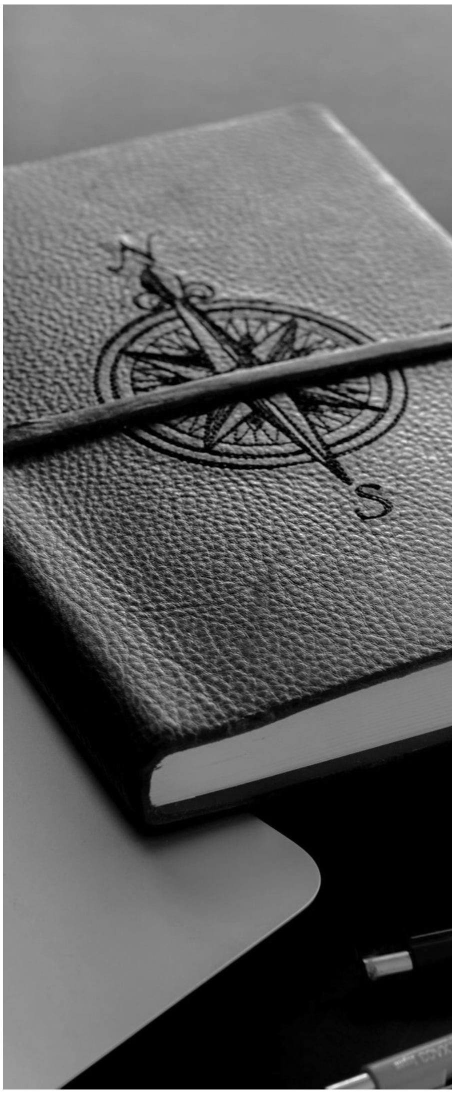
Gibraltar has often taken a back seat to Malta in recent years in respect of the provision of Qualifying Recognised Overseas Pension Schemes (QROPS), but Sovereign is now seeing a resurgence in Gibraltar QROPS business. With a robust but pragmatic regulator, Gibraltar offers a very useful alternative to Malta for advisers that are looking for a QROPS solution for their clients, or those seeking to transfer an existing QROPS from another jurisdiction.

Pensions paid from a Gibraltar QROPS are subject to a low income tax rate of 2.5% at source, which is highly beneficial because it removes concerns over penal levels of double taxation. If the pension member resides in a low or zero-tax jurisdiction, then Gibraltar can be especially attractive as a home for QROPS funds.

Darren Whitley, Managing Director of Sovereign Pensions Services in Gibraltar, said: "The secondary market for QROPS is very much alive in Gibraltar and we are seeing good numbers of transfers from other providers into both our Gibraltar QROPS and Gibraltar QROPS Lite retirement benefit schemes. Our decision to waive our entrance free for transfers in to these schemes has been well received by advisers. Very often the ceding scheme charges members a fee to transfer out, so Sovereign is effectively absorbing this for the scheme member."

For further information on Gibraltar QROPS, please contact Darren by email to **dwhitley@SovereignGroup.com**

FCA issues Finalised Guidance for defined benefit pension transfers



The UK Financial Conduct Authority (FCA) issued a Finalised Guidance (FG) in the complex area of defined benefit (DB) pension transfer advice on 30 March. It followed publication of a draft consultation document in June 2020. As the FG is based on existing rules, it has come into effect immediately.

The FCA's focus is to address patterns of inconsistent or unsuitable advice and the guidance provides useful practical examples of what constitutes poor practice and good practice.

For financial advisers working with non-UK resident clients, there is reference to the "2-adviser model" that has been widely adopted in the international market. In these cases, one firm gives the DB transfer advice and another firm, acting as an introducer, gives the investment advice on the proposed scheme, if a transfer was to proceed.

In some cases, the FCA said that firms giving the DB transfer advice rely entirely on introducers for business and never meet the end-client. They have no control over the volumes of business they receive. They have minimal oversight of how the introducers use the DB transfer advice firm's documents and present the advice to clients.

The DB transfer advice firms also collect limited management information (MI) on the outcomes of the advice process. This results in them having no oversight or controls around key parts of their advice process.

The guidance makes it clear that the firm writing the report must know and interact with the client and must also have some oversight or understanding of the outcome following the advice. The FCA has also flagged that the advisory firm should have control over its business volumes, particularly where clients are introduced from external sources.

Disclosure of charges is also included in the guidance and how best to illustrate this within the report.

The guidance is available via the following link https://www.fca.org.uk/publications/finalised-guidance/fg21-3-advising-pension-transfers and is important reading for advisers involved in this area.

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