International Plan *Membership*

Matt Stanbury
matt.stanbury@bwcigroup.com

> *"approval allows a plan to take full advantage of reporting exemptions"*

International Plans in a Nutshell

Essentially there are two types of employer plan:

- International pension plans (IPPs) - for retirement benefits from age 50
- International savings plans (ISPs) - for end of service payments at any age

In the Quarter 4 2020 edition of Bandwagon we looked at the particular features of different types of international plans best suited to address an employer's specific needs, depending on the nature and locations of their international workforce.

Most international plans are set up initially to cover the benefit provision for a specific group of employees. However, the needs of employers often evolve over time, reflecting both changes to the organisation's structure and external influences. Consequently, it is good practice for an employer to evaluate its international arrangements periodically, as a plan set up a few years ago might no longer be the optimal solution. Key questions to consider are whether any changes are needed to the plan's structure or the range of employees it covers.

Why use an International Plan?

An international plan serves as a centralised fund in a stable currency, regardless of where employees are based. Initially it might be set up to rationalise a collection of informal or less uniform pension promises in place for internationally mobile workers. In addition, many employers wish to prefund mandatory end-of-service payments in certain jurisdictions to better manage the risks associated with an ever expanding liability and to provide comfort to employees and shareholders. Since ISPs can pay benefits to employees on leaving service at any age, they can be used as a vehicle to fund these payments.

While an IPP or ISP typically is used as a way of providing benefits for internationally mobile workers, international plans can also be a good solution for some local workers of multinational employers; for example, those excluded from participating in local retirement plans due to their employment status or who only have limited local options. They can also be used to top up local end-of-service payments.

In Summary

An international plan can be an elegant and tax efficient way to provide longer term savings or retirement benefits for workers who might otherwise have little or no formal pension provision due to their working location or their mobile lifestyle. For some employees, IPPs or ISPs are the only viable solution to ensure adequate retirement income security. A periodic review ensures that employers are getting the most from their existing arrangements, while best meeting the needs of employees.

Case Study

Employer's requirements

Recently we have worked with a finance industry client wanting to provide retirement benefits for expatriate staff working in a number of countries. They already had an older IPP covering promises for a handful of executives while on overseas assignments. However, they now wanted to provide benefits to a wider group of staff.

Their existing IPP was denominated in Sterling, but they now needed the flexibility to pay contributions in a variety of local currencies. They also wanted benefit payments to be paid in a number of freely traded currencies to offer additional flexibility to members.

Options considered

After considering some other options, such as our standard Blue Riband International Retirement Plan, the client elected to expand their existing IPP to cover these additional employees. Fortunately the existing structure was flexible enough to allow for plan provisions to vary by location (or even by employee), as needed. As a result, the desired changes were easily achieved by making some minor modifications to the IPP's trust deed and rules. This update also provided an opportunity to ensure that the plan's documentation reflected the latest law changes.

Tax Approval

The revitalised plan was submitted to the Guernsey Revenue Service for formal approval under Section 154A of the Income Tax (Guernsey) Law, 1975. Securing this approval allows a plan to take full advantage of reporting exemptions available under FATCA and CRS[1], while also providing comfort that both the plan and its providers are fully regulated.

Review of Investments

Our investment consulting team helped to introduce an appropriate fund range for the new members. The employer is currently considering varying the fund range by location of the employees, to better target local needs.

Member communications

New member communication materials were created to cover the expanded membership. The employer worked with our communications team to customise the new materials and the member website by including their corporate logo and branding. To better meet the needs of the members, a further development under consideration is the introduction of communications in languages other than English.

[1] Foreign Account Tax Compliance Act and Common Reporting Standard