

Part 1: An Introduction to Pensions on the Isle of Man – What is a Pension?

Why set up a Pension?

In the Isle of Man, based on the national insurance contributions made during a person's lifetime (in the Isle of Man, the UK and certain other countries which have a social security agreement with the UK), the Manx State Pension can be claimed at retirement age. The Manx State Pension may however not be sufficient to maintain particular lifestyles and pension schemes therefore become relevant solutions.

What is a Pension?

A pension, or retirement benefits scheme can be defined as long-term, regular, tax-efficient savings plan for retirement. Currently, the sole legal framework for pension schemes in the Isle of Man is a trust, set up under a trust deed.

The Retirement Benefits Schemes Act 2000 makes provision for two types of pension schemes, namely, authorised schemes and recognised schemes. A recognised scheme is a pension scheme which is managed and authorised under the law of a designated jurisdiction outside of the Isle of Man and which has been registered as a recognised scheme in the Isle of Man. The focus of this article will however be on authorised pension schemes.

Pension schemes in the Isle of Man can further be distinguished in terms of the following categories:

1. a personal pension scheme which is set up personally by individuals who become members of the scheme and which provides benefits to such individual and/or their family; or
2. an occupational pension scheme is linked to employment and set up by participating employers, who contribute to the scheme, for the sole purpose of providing benefits to employees or former employees, and/or their family, of the employer.

Where can a Pension be established?

Generally, pension schemes will be established by Isle of Man residents as domestic pension schemes in the Isle of Man. An international pension scheme (occupational or personal) could however also be established in the Isle of Man for Non-Isle of Man residents.

Who is involved in the establishment and administration of a Pension?

An individual or a company can establish a pension scheme and places pension assets into the hands of the trustees, for the benefit of the members of the scheme. A pension trustee may also create a scheme which individuals or companies can join. The trustees become the legal owners of the trust assets, held for the benefit of the members, and are responsible for applying for the registration of the pension scheme and for the day-to-day management of the scheme and its assets, in accordance with the trust documents. A pension scheme will also have a pension scheme administrator responsible for the day-to-day management of the scheme, and which must either be a registered schemes administrator or be exempt from registration.

Pension authorisation

The trustees will apply to the Isle of Man Financial Services Authority (the “**Authority**”) to register the scheme as an authorised scheme. The trust documents constituting the scheme must also be filed with the Authority. The scheme will also be [registered] with and obtain approval from the Isle of Man Income Tax Division.

In order for a pension scheme to qualify as an authorised pension scheme, the following requirements, amongst others, must be met:

- the trust documents must irrevocably provide for the trustees to hold all the property of the scheme in trust for the beneficiaries of the scheme (in other words, it must be a trust structure);
- the trustees must be fit and proper persons to undertake their functions as trustees;
- the trustees must not all be individuals or if they are, there must be more than two individual trustees;
- neither the trustees nor the administrator must be prohibited from acting as trustee or administrator of a scheme in the Isle of Man or elsewhere; and
- a majority of the trustees must carry on business in and from within the Isle of Man, unless a registered schemes administrator is responsible for the administration of the scheme.

Regulation of Pensions

The Authority is an independent regulatory body which is tasked with overseeing the operation and management of domestic and international pension schemes from the Isle of Man and is tasked with securing protection for pension scheme members, maintaining confidence in the Isle of Man’s pension industry, and reducing the extent that the pension industry can be used in connection with financial crime. The trustees of an authorised pension scheme are required to submit to the Authority a copy of the annual accounts of the scheme not later than 6 months after the close of the year to which the accounts relate.

In addition to pension schemes established under trust law in the Isle of Man being regulated, the trustees of pension schemes are also regulated in the Isle of Man in terms of the Retirement Benefits Schemes Act 2000. The Retirement Benefits Schemes Act 2000 is the primary legislation which confers on the Authority its powers and obligations. Secondary legislation made under the aforesaid Act further regulates domestic pension schemes or international pension schemes or is general in nature.

Further, the Isle of Man Pensions Ombudsman is an independent and impartial body which investigates complaints in respect of maladministration in the running of personal or occupational pension schemes administered in the Isle of Man, and also investigates and determines disputes of fact or law between trustees and members in relation to pension schemes.



If you would like further information on this subject please contact Annemarie Hughes or Rachel Winterbach.

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