

PENSIONS for Senior Executives :

Changes after A day

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Agenda

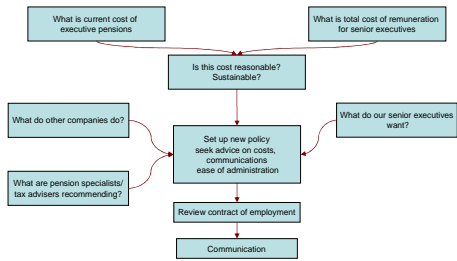
- Executives
- Developing a policy
- Some solutions
- More about a “new” solution

Executives



- Board members
- Decision makers
- Senior staff
- long serving staff
- Wealthy individuals

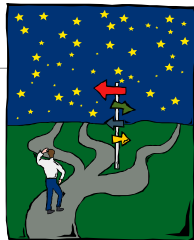
Developing a new policy



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Company Options

- Do nothing – [individuals may pay more tax]
- Do something but:
 - avoid increasing overall costs
 - give executives choice
 - meet existing promises
 - have a policy – rather than case by case
 - protect reputation



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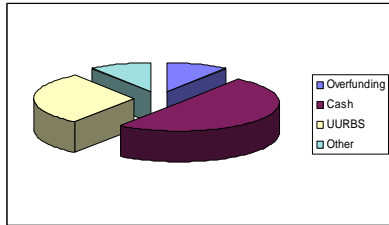
Executive solutions



- **Examples of solutions used**
 - Additional cash
 - EFRBS
 - Overfunding (and pay tax?)
 - Other solutions
 - Offering modelling tools
 - One:one guidance
 - Group sessions

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What some companies are proposing



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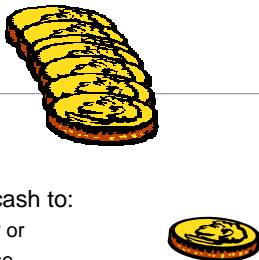
Solution 1 :Pay cash



- Pay cash?
 - How much?
 - Allowance for age/gender?
 - What about retained benefits?
- Many opt for flat rate
one example
 - 40% for CEO
 - 30% for other board members
 - 25% for other senior staff

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Solution 1 :Pay cash



- Admin – easy
- Communication – easy
- Some executives prefer cash to:
 - a) buying overseas property or
 - b) setting up SIPP for spousebut;
- Not a retention factor

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Solution 2 :EFRBS



- Useful for matching DB benefits
- DC possible
- No NIC payable
if benefits part cash (25%) and pension
but;
- Security?
- FDs view
don't like liabilities on Balance sheets

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Solution 2 : SEFRBS



- EFRBS with security,
separate trust set up and assets,
eg property, charged to trust
- not very common
- but market likely to grow after 2006
esp if set up for decision-makers

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EFRBS



- Continue in their current form
- Not counted against LTA/AA
- E'ers may insure EFRBs
- Premium to be taxable benefit in kind on e'ee

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EBT 1

- Deferred compensation to retain and motivate key employees.
- Conditions can be attached (eg “bad leaver” clause).
- Payments made to the trust by employer for the benefit of all employees.
- Trustees discretion on benefits

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EBT 2

- set up revocable sub-trust for employees (and their dependants)
- set up off-shore (e.g. Channel Islands) tax-free growth on investments
- Trustee can provide
 - trust deeds and other documentation
 - administration services
 - trustee services

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EBT 3 : Tax position

- Payment by employer does not give rise to tax & NIC liability to employee
- CT deduction is only available when that distribution is subject to tax and NIC
- Distribution subject to tax/NIC

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The future

- Registration for protection
 - If > £1.5 million
 - If cash > 25% LTA
- Annual review
- Advice on investing cash (must be Authorised by FSA)
- Review life cover (PTA available)
- Security on EFRBS
- Family Sipp / SSAS
- P2P

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making financial sense of the future

Questions?

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