

WHAT IS THE MENHIR RAT (THE PLAN)?

It is a Defined Contribution Retirement Benefit Plan written under trust which has been approved by both the Guernsey Income Tax Authority under sections 150 (Occupational Pension Schemes) and 157A (Personal Pensions) and by HM Revenue and Customs as a Qualifying Recognised Overseas Pension Scheme (QROPS). The Trustees of the Plan are Guernsey Trust Company Limited, a company which is licensed and regulated by the Guernsey Financial Services Commission to undertake fiduciary business including the provision of trustee services to pension schemes.

In addition to being able to admit individual members who are resident in Guernsey and individuals who are not resident in Guernsey, the Trustees are able to admit employers and their employees as members.

WHAT IS A DEFINED CONTRIBUTION RETIREMENT BENEFIT PLAN?

Also called a money purchase arrangement, this type of scheme means that all the contributions paid into the Plan are allocated to individual members and are credited to an account for each member. The money allocated to each member's account is invested by the Trustee on behalf of the member and will, for example, purchase units in the funds on offer. When units are sold, the proceeds of the sale of those units (including any gains or losses) are either paid into the member's account or re-invested. When a member retires, the value of the funds held in this account will form the basis for calculation of his pension.

WHY HAS THE MENHIR RAT BEEN ESTABLISHED?

Demographic changes mean that providing a source of income at retirement independent of a State funded scheme is becoming a necessity rather than simply being desirable, and as individuals we are becoming aware of the need to make financial provision for our own retirement in addition to anything we might expect from the State. As an approved pension scheme the Plan is a tax efficient way to save for your retirement.

WHAT IS THE PURPOSE OF THIS BOOKLET?

This booklet has been designed as an aid to understanding your pension scheme. It covers the questions which are frequently asked by members and gives you some information to help you with your pension planning.

HOW DOES THE PLAN WORK?

Once you have been accepted as a member of the Plan your monthly contributions into the Plan can commence. The Trustees of the Plan have selected the investments to be offered and into which your contributions will be invested. The Trustees will provide you with separate information about the investment options and as a member you will be able to select the offering which is most appropriate for you.

Every month the contributions made by you will be pooled with the contributions from all the other Plan members and invested accordingly. All contributions made by you or on your behalf are credited to an account designated for you within the Plan, and are used to purchase investments. These, or the proceeds of them, are used to fund your retirement.

HOW DO I JOIN?

Upon completion and acceptance of the application documentation, the Trustees will enrol you as a member of the Plan.

HOW MUCH CAN BE CONTRIBUTED EACH YEAR?

From 1 January 2011 there is no restriction on the amount which you can contribute to a pension scheme.

WHAT ABOUT TAX RELIEF?

From 1 January 2011 tax relief is available on contributions up to a maximum of £50,000 per annum and is granted against all sources of assessable income not just net relevant earnings. You may be able to carry forward any unused tax relief for up to 6 years.

The rules regarding contributions and tax relief prior to 1 January 2011 are more complex and if you have any queries regarding this you should contact the States of Guernsey Income Tax Authority.

ARE TRANSFERS FROM OTHER SCHEMES ACCEPTED?

Yes. Providing the existing scheme allows a transfer to be made to another approved scheme then there are unlikely to be any problems and you will be able to transfer funds held in another scheme to the Plan. Transfers from Schemes outside the Bailiwick, or which are unapproved, may require the prior approval of the Administrator of Income Tax. Transfers of this type do not form part of your annual personal contributions.

WHEN CAN I RETIRE?

Normal retirement date under Guernsey law is any age between 50 and 75. However, although the rules allow you to retire from age 50 (or earlier in the case of ill health), your accumulated fund may be smaller than if you had continued to contribute until for example age 65 and as such may provide a smaller pension than if you had remained employed and contributing.

WHAT BENEFITS DO I RECEIVE?

At retirement the accumulated value of the investments in your account within the Plan will be used to provide your retirement benefits. Guernsey legislation currently allows you to elect to take part of your pension as a tax free lump sum and to use the remaining value to provide a regular income, often called an annuity, either immediately or at some time in the future. You may elect to draw an income from the funds in your account (often called draw-down) or use the money in your account to purchase an annuity from an insurance company.

In the event that you elect to receive a pension by draw-down you should be aware that there is no guarantee that the funds in your account will be sufficient to pay an annuity until your death. However, any residual balance will remain within your estate. In the case of an annuity purchased from an insurance company the insurer will guarantee to pay the pension on the agreed terms until your death (or that of your spouse). However, in return for this they will retain any funds not used by them to fund the annuity.

Apart from the tax free lump sum, all other payments made by way of a pension are subject to Guernsey income tax at the rate applicable

at the time of payment. You will be required to provide a coding notice and will receive your income after the deduction of tax.

Further information will be made available to you just prior to your proposed retirement date.

WHAT HAPPENS TO MY PENSION IF I DIE BEFORE TAKING BENEFITS?

In the event that you die before you retire your fund will be applied to provide your dependants or nominated beneficiaries either with a lump sum or an annuity. We will ask you to complete a form nominating your dependants/beneficiaries. In the case of payment of a lump sum this is not subject to income tax; however if payment is in the form of a regular pension for example to a surviving spouse this will be subject to income tax in the normal way.

WHAT HAPPENS TO MY PENSION IF I DIE WHILST TAKING BENEFITS?

This will depend on the decisions you made at the time of your retirement, however, in general terms if you have elected to use your account to provide a pension for a surviving spouse or dependants this will continue to be paid to them. Alternatively you may elect for them to receive any funds left in your account as a lump sum. In either case payment will be subject to income tax at current rates. If you have elected to purchase an annuity from an insurer you will usually have the option of selecting either an annuity which ceases on death or for payment to continue to a surviving spouse/dependant. In either case any funds remaining after the death of the member or his nominated beneficiary will revert to the insurer.

CAN I TRANSFER MY RAT INTO ANOTHER PLAN?

Yes. Subject to approval, you can transfer your accumulated pension contributions into an alternative approved scheme.

HOW ARE THE ASSETS IN THE PLAN MANAGED?

The assets of the Plan are owned by and registered in the name of the Trustees. The Trustees have selected the investments held within the Investment Strategies.

HOW DO I KNOW WHICH INVESTMENTS TO CHOOSE?

The Trustees will provide you with a summary of the investment options offered which have been categorised into Low (Cautious), Medium (Balanced) and Higher (Dynamic) Risk for ease of selection.

NB Investments can go down as well as up and any gain will accrue to the member's account while any loss made by an investment will be borne by the account of the member investing.

HOW DO I ACCESS INFORMATION ABOUT THE PLAN?

The Plan will be administered using a pension administration system which will provide members with a comprehensive level of information regarding the investment of contributions, and access to up-to-date information in relation to performance and current values.

As a member, you will be provided with on-line access to your information via a secure website.

All members will be provided with a unique member number and password at the time they enrol as a member of the Plan. The information contained within the website includes: contact information, the member booklet and scheme rules, all forms required to administer the plan, contribution history, details of the investment options, including links to the individual fund fact sheets and fund managers' sites, valuation page (which will be updated monthly) and a member statement showing details of units held and purchases/sales. If you lose your password you will need to contact Guernsey Trust Company. In addition to on-line access you will receive an annual member statement in hard copy.

WHAT WILL IT COST TO JOIN THE PLAN?

The establishment fee is £250 and the annual cost is £175 which covers all Trustee, Administration and Investment charges. Each member benefits from 100% investment of each contribution. The underlying investment managers apply an annual management charge of 0.75% - 1.5% to manage their Funds and may rebate a proportion of this fee to the Trustees.

IMPORTANT NOTE

The lifespan of a member of a RAT and the investment performance of the assets held in a RAT are impossible to predict. As a result, once a member has started to draw down benefits from a RAT, and depending on the level of benefits paid, the assets may be exhausted before the death of the member.



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