

Connect

Issue 04 | July 2018

Welcome to Issue 04 of Connect, our periodic newsletter that provides updates on developments that may affect you, together with news, information and articles.

In this edition, we discuss a number of topics that we hope you will find helpful in your dealings with us.

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- 02-03** We have undertaken a number of initiatives to save you time and money, which includes some operational efficiencies, such as permitting digital correspondence and access to institutional rates of foreign exchange.
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- 03** We cover the new pension regulations in Guernsey, suffice it to say this new legislation brings with it a host of benefits and positive changes for our firm and our clients.
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- 04** You will also find a useful guide to the different options available to you when taking benefits from a retirement or pension plan.
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- 05** For those of you interested in the global economy, WH Ireland has contributed their thoughts on what the future holds for investors.
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- 06** We provide an update on our fees and charges for the year and are pleased to advise that our annual responsibility fees remain unchanged for the majority of members, we have even abolished some charges. Our aim is to always be competitive while ensuring that we can deliver the right quality of product and service to you and your adviser.

We hope you find this edition interesting and always welcome your feedback.

News and updates

SAVING YOU TIME AND MONEY

Sending us your documents digitally

As of January this year, we have changed our policy and now accept a wide range of requests, instructions and documents digitally i.e. a scanned copy of the original.

The advantages to you as a client is that you no longer have to wait days or weeks for the original document to make its way to Guernsey before we can process it. This provides for a significant saving in time and money as many of our clients use secure couriers when sending important financial documents.

We have a number of other planned technology driven enhancements, which will roll out over the next 18 months. These developments aim at improving security, enhancing efficiency and ensuring that we can continue to deliver value to our clients.

Below are the documents that can be signed and sent to us as a scanned copy:

- Change of Adviser Form
- Additional Contribution Form
- Benefit Application Form
- FATCA/CRS Declaration
- Nomination of Beneficiaries Form
- Investment Request Form
- ACCESS Transfer Request Application Form



YOUR SECURITY AND COMBATING FRAUD

Multi-level security

Financial crime such as identity theft and fraud are a reality and affects all financial services providers. We operate multiple levels of security within our business, however there is nothing more effective than phoning our clients to confirm a transaction or change of information. For example, a change of address, your banking details, beneficiaries or a request for a payment are some of the areas particularly susceptible to fraudulent activity.

It is therefore a routine procedure to contact you should we receive such a request. This contact will be made via telephone, and we will contact you on the number that we have on file. The number is the one you have provided to us. This process is undertaken irrespective of whether you have an appointed financial adviser or not, as the safety of our clients' funds is paramount to us.



FOR YOUR SECURITY PLEASE MAKE SURE YOUR CONTACT DETAILS ARE KEPT UP TO DATE

Maintaining your records

If you are unsure as to whether we have your latest contact details, including your e-mail address, residential and/or postal address together with telephone number, please do not hesitate to contact us and confirm the details or update them. If we have information on our system that is out-of-date, it could delay our ability to confirm a transaction, which is unnecessary, and we do require your support in maintaining up-to-date and accurate records.

Should you wish to contact us you do so through your financial adviser or use the contact details on **page 7** of this newsletter.

INSTITUTIONAL FOREIGN EXCHANGE AVAILABLE TO YOU

As an international financial services provider, we deal with clients from all over the world with different base currencies. Currencies come into play when we receive money or transfer funds back to you or have to acquire multiple currencies to make different investments into different investment vehicles.

A more competitive FX rate

The point is that each time we have to move from one currency to another, the transaction requires foreign exchange i.e. exchange of one currency for another. Where we have control over the exchange, we utilise an institutional foreign exchange provider who gives us very competitive and beneficial rates compared to what you would receive on the High Street.

We are very pleased that this service is now available to both our corporate and private clients alike. So whether we are sending you a benefit payment or if you are making an additional contribution to your plan, you can benefit from this value added service.

If you're interested in using the service or simply want to get a quote to check the rates, please do not hesitate to contact us. To date, we have saved our clients many thousands of pounds in foreign exchange charges and now this option is available to all of our clients.

Forward pricing & currency swaps

In addition to the standard exchange, we are in the position to offer forward pricing and undertake currency swaps where these services are required, and we will discuss these options in more detail in our next newsletter.

Find out more

For a quote before sending us funds or before receiving your benefit payment call us on +27 (0) 21 851 5584 or email enquiries@trustandpension.com, with the subject line *Foreign Exchange Quote*.



A NEW ERA DAWNS IN PENSION REGULATION

The world over financial services regulation continues to evolve in order to protect clients and to ensure that the providers of financial services meet and maintain certain standards. Regulations come with defined codes of conduct and legislation, which are enforceable by law and set out the standards and controls required to deliver the respective services.

The new regulations explained

Last year saw the introduction of definitive and distinct pension regulation in Guernsey. Whilst Guernsey has been providing international pensions since 1971, the law pertaining to pensions was contained in Guernsey's Income Tax and Trust Law. These long-standing laws have now been joined by the Pension Licensees (Conduct of Business) & Domestic and International Pension Scheme and Gratuity Scheme Rules 2017, which came into operation on 30 June 2017.

NEW LEGISLATION SEES GUERNSEY REMAINING AT THE FOREFRONT OF INTERNATIONAL PENSION AND RETIREMENT PROVISION

This legislation brings with it many benefits for clients, which vary from greater transparency and disclosure requirements, minimum operational standards, frequent reporting and increased obligations in terms of record-keeping. There is also a greater emphasis on the kind of investments that can be held, defining the parties involved and the respective responsibilities for ongoing management of investments.

This regulation is welcome, but requires providers to adopt new systems and processes that will have associated costs. In the main we have been able to defray much of this cost. For an update on how latest charges please refer to the Fees and Charges article.



Strategic benefits

The legislation brings additional strategic benefits that sees Guernsey remaining at the forefront of international pension and retirement provision. This enables providers such as Overseas Trust and Pension to continue to innovate and deliver solutions that are internationally acceptable and recognised.

OTAP is in the process of adopting this legislation, along with other providers in Guernsey, and we will keep you informed of the progress.

ADDITIONAL CONTRIBUTIONS AND BENEFIT PAYMENTS

In order to process additional contributions or to pay a benefit, be it a regular or a single lump sum payment, there are a number of regulatory requirements that must be met before these can be processed.

When making additional contributions, clients are required to complete the following:

- You will need to complete an additional contribution form. The form requires you to confirm your personal details including employment, address etc. It is a regulatory requirement for us to make sure the information we hold is accurate and up to date even though some of the information may not have changed.
- You will be asked to confirm both the source of wealth and source of funds in respect of the contribution.

When requesting a benefit payment, you are required to complete the following:

A benefit request form will need to be completed and submitted to us. This form captures the nature, type of benefit required and currency, together with your preferred benefit date i.e. the date

from which benefit will be paid.

Regulations require us to ask you to confirm what purpose the benefit payment is for. This is part of the anti-money laundering requirements in Guernsey. For example: living expenses, buying a house, going on holiday etc.

We are also required to confirm the bank account to which funds are to be paid and we may require a copy of your bank statement or a confirmation letter from your bank for this purpose. As a reminder, we can only pay funds to you (the member) and we cannot pay to any 3rd party account.

Our last regulatory requirement is to ensure that we have up-to-date verification of your identity and your physical address, which you will need to provide, unless you provided this within the last 24 months.

Should you have any questions please speak to your financial adviser or contact us directly. Forms can be downloaded from the additional documents section of our website – www.trustandpension.com

TAKING BENEFITS FROM AN INTERNATIONAL PENSION PLAN

The benefits payable under an international pension will differ depending on the type of plan you have. However, in general most plans will facilitate benefits in line with the table below.

When you want to take a benefit, you should consult your adviser to find out which benefit option is appropriate for you considering your individual requirements and the potential tax implication.

LUMP SUM BENEFIT

Under a lump sum benefit option there are no limits as to the total value of the pension which can be paid in a single lump sum. This can be a useful option when one has accumulated funds for a very specific need post retirement, such as paying for an international holiday, support for the grandchildren's education or some other one-off capital requirement. This can be paid as one-off lump sum benefits as needed or a single lump sum of the total value of the pension.

REGULAR DRAWDOWN

Regular Drawdown is a programmed benefit payment, usually based upon a specific financial need. For example; a client may require \$10k per quarter to supplement their other retirement income and hence use a regular drawdown from the pension. There is no actuarial calculations but limits may apply. The benefit is raised by using cash or selling investments to meet the payment. Generally, such payments can be stopped or amended easily and provide for significant flexibility.

ANNUITIES

There are usually two types of annuities that are available: Annuity for Life and a Temporary Annuity. The level of benefit payment may be calculated using actuarial calculations which takes into account life expectancy and other factors. Temporary annuities will pay a fixed amount over a fixed period of time, typically three to five years. An Annuity for Life is a payment for the life of the member or the life of the assets in the plan, whichever ends first. Annuities may be subject to periodical reviews depending on the nature of the plan you are a member of. This is to establish if the level of payment remains in line with the actuarial calculations and is designed to ensure the pension provides a regular income but also preserves the pension for later years. Annuities are not guaranteed and are reliant on the capital in the member's plan, which will be subject to fluctuation depending on investment performance.

BENEFIT CERTIFICATES

If you have received a benefit payment and specifically require a certificate for tax purposes, please do not hesitate to contact us so that we can produce one for you. Please note that the production of a benefit certificate can take up to 4 weeks.

ASSET ALLOCATION BREAKDOWN

WH Ireland contribute their thoughts on what the future holds for investors



By Chris Bell
Senior Investment Manager at WH Ireland

“INFLATION OR THE LACK OF IT HAS CONTINUED TO SURPRISE INVESTORS”

Bond investors for the rest of 2018 will be fixated by the actions of the US Federal Reserve. The yield curve flattened during 2017 and some fear a curve inversion, a historical red flag for impending recession. Jay Powell, the new Fed Chair, has signalled the strength in the domestic economy will require at least three interest rate rises in each of 2018 and 2019. Any inflation shock would be a surprise, certainly in Europe there remains healthy spare capacity, but the US is probably the risk area. However, we do recognise that the terminal rate for the FOMC will not be as high as in prior cycles. Corporate bond spreads have remained extremely tight over the last few months, but it is still hard to see what will drive them substantially wider. The maturity of the cycle means that it will probably be prudent to trim risk and seek shelter in liquidity and keep the overall maturity at the short end.

Global Overview

Once again, the US equity markets broke through new highs in 2017, with economic growth continuing to surprise on the upside. Indeed, we have now entered the ninth consecutive year of growth. The tax reform measures have also added to the positivity and in a neutral scenario, US corporates can still deliver double digit earnings growth in 2018. The recent volatility does not represent a fundamental shift and for now should be viewed in the 'healthy correction' category.

Continental Europe has been a real bright spot and has now achieved a staggering 18 straight quarters

of growth. The region is seeing the benefits of the ECB's continued quantitative easing, albeit lower for longer and as such consumer confidence is improving as is business confidence across the region. As with other geographical areas, inflation or the lack of it has continued to surprise investors with only 1.5% predicted for the region in 2018, still short of the ECB target of 2%.

Valuations in Japan remain some of the cheapest among developed markets. Equities should benefit from loose monetary policy and corporate exposure to global trade.

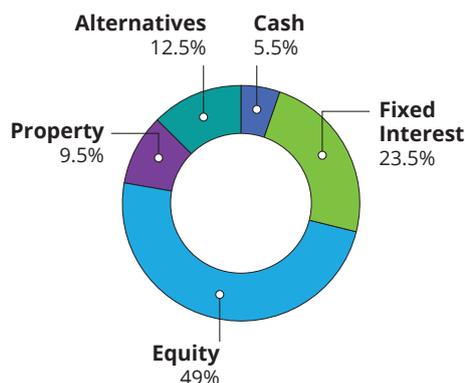
Economic growth in China is expected to slow further in 2018 as the rising interest rates and curbs on credit expansion slow activity further. As always there is concern that the government tightens financial sector regulation too aggressively and creates a 'hard landing'. The IMF remain concerned with current estimates suggesting that total debt represents 230% of GDP and if left unchecked could rise to breach the 300% level by 2022. In the housing market, mortgage lending growth has declined recently, and local authorities have also been taking measures to slow down activity.

Looking forward

As a house we continue to see positive global GDP growth which is supported by strong underlying corporate earnings in most of the major developed markets. Some areas show signs of strain, quite typical of a late cycle bull market, however the UK remains our most prominent concern as 'real' inflation appears anaemic and Brexit uncertainties over hang an indecisive Conservative Government.

High Level Strategic Allocation – Balanced Mandates

Specific asset allocation for GBP, USD and EURO balanced portfolios



	£ Balanced	\$ Balanced	€ Balanced
Cash	5.50	5.50	5.50
Fixed Interest	23.50	23.50	23.50
<i>Sovereigns</i>	-	-	-
<i>Corporates</i>	18.50	18.50	18.50
<i>I-L Sovereigns</i>	5.50	5.00	5.00
Equity	49.00	49.00	49.00
<i>UK</i>	27.50	3.00	3.00
<i>N. America</i>	8.50	27.50	8.50
<i>Japan</i>	4.00	4.00	4.00
<i>Em. Markets</i>	2.50	6.00	4.50
<i>Europe</i>	5.00	6.75	27.50
<i>Far East</i>	1.50	1.75	1.50
Property	9.50	9.50	9.50
Alternatives	12.50	12.50	12.50

The above models represent WH Ireland's approach to portfolio construction, which is subject to change, and should not be seen as a recommendation to trade, an investment recommendation or investment advice. Clients should seek independent advice in relation to any investment decisions.

FEES AND CHARGES

Annual Fees

We are pleased to announce that the annual fee in respect of Standard, Access, Advanced and Advanced Plus product options under the OPES Retirement Plan, COPIA International Pension Plan, Sentinel Preservation Fund and Portfolio Trust will be unchanged from 2017. We endeavour to balance the cost of delivering robust and well managed products against the affect fees have on overall returns and appreciate the positive feedback from clients in this respect.

AS WITH OUR ANNUAL FEES WE ARE PLEASED TO ANNOUNCE THAT OUR ACTIVITY FEES ARE BEING HELD UNCHANGED FOR 2018.

Activity Fees

As with our Annual Fees we are pleased to announce that our Activity Fees are being held unchanged for 2018. This is the 3rd consecutive year we have been able to do this despite the impact of inflation on operating costs.

Whilst most clients will not be affected, we have however introduced a new fee in respect of Corporate Activities under our Advanced Plus product option. We will now charge £500 or time costs for undertaking activities in respect to private equity or private debt instruments which includes: dealing with company resolutions, annual and special meetings, proxy's, wind ups, share transfers and other statutory or legal matters.

Compliance Charge

We are renaming this charge to "Compliance and Regulatory Responsibility Charge" so it is more representative of what it's for. Under this charge we are changing how we bill clients with portfolios over £1 million in so far as the fee associated with the additional responsibility for administering portfolios over £1 million will now be billed at 0.06% on the value of the portfolio. This is a change from £250 per every £500,000 or part thereof over £1 million and is a fairer approach as the charge is now proportionate to the fund value.

Example: a portfolio of £1,000,001 and a portfolio of £1,499,000 would have both incurred a £250 charge under the Responsibility Fee. Now these portfolios will only be subject to the 0.06% charge on the amount in excess of £1 million.

In addition to the above there has been significant changes to the global compliance, reporting and the regulatory environment most notably in recent years. These changes bring with them improvements that safeguard and protect pension plans but unfortunately the associated costs are substantial.

As such, we will be aligning all our products and applying a £25 pa charge specifically to contribute towards the cost of meeting these obligations and forms part of the revised charge.

Currency

For simplicity we will now change fees in the base currency of your plan on an equivalent basis.

THE VALUE OF ADVICE

It is important to review your investment performance on a regular basis irrespective of the product you have with us, be it a Trust, Retirement, Pension or Savings Plan.

We encourage all our clients to meet with their Financial Adviser or Investment Manager appointed to their Plan at least once a year. This will help ensure that their portfolio is managed in a way that is relevant to their individual objectives, attitudes and circumstances.

If you no longer have a Financial Adviser appointed to your Plan, or if you have lost contact with them, please contact us as a matter of urgency, as this means that your investments do not have independent oversight from a regulated investment professional.

This could result in investment losses or your Plan/Trust carrying more investment risk than you would appreciate or expect. Our full contact details are in the Points of Contact Page opposite.

OTAP ACTIVITIES

OTAP turned pink for charity in 2017.

In Guernsey several of the team completed the bi-annual Guernsey Sunset Walk in aid of breast cancer and raised a significant amount for this worthy charity whilst navigating the coastal paths into the evening.

Demonstrating that nothing can get in their way, the South Africa office also supported breast cancer in 2017 by participating in the Muddy Princess, a 5-kilometre obstacle fun-run in Cape Town.



Image courtesy of the Pink Ladies

POINTS OF CONTACT

In order to deal with your enquiry efficiently, please use the appropriate email contact below. If you are unsure of which area you should be dealing with, please contact us on: **+44 (0) 1481 723030**

Overseas Trust and Pension, 2nd Floor, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW.

PRIVATE CLIENTS

ENQUIRIES

All enquiries or actions relating to existing individual plans or trusts need to be directed to our administration department using the details below.

- This includes upgrades, valuations, loans, updating client details, benefit payments, distributions, withdrawals etc.
- Any amendments or change of appointed advisor are also dealt with in this area.

 enquiries@trustandpension.com

INVESTMENT REQUESTS

All requests relating to investments, including in-specie transfers, switches, purchases and sales need to be sent to the dealing area using the details below.

 dealing@trustandpension.com

For more information regarding investment requests, please refer to our Private Client Investment Request Policy on our website.

APPLICATIONS AND ADDITIONAL CONTRIBUTIONS

All new applications, and top-ups should be submitted to our new business department using the details below:

 applications@trustandpension.com

CORPORATE CLIENTS

All enquiries or actions relating to international Company Pensions, Local Company Pensions and Share Option Schemes should be sent to the email below:

 operations@trustandpension.com

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Overseas Trust and Pension Limited is an authorised financial services provider with the Financial Sector Conduct Authority ("FSCA") – FSP number 47261.

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We endeavour to make sure the information is accurate and up-to-date however, no warranty is given as to the accuracy or completeness of any information and no liability is accepted for any errors or omissions in such information.

We strongly recommend that clients take regulated financial and investment advice relevant to their individual circumstances. It is the responsibility of clients and their advisers to review the advice and investments at least annually. The product terms, risks and charges (including: initial, annual and exit) should be considered, understood and agreed with your Financial/Investment Adviser.

Past performance is not a reliable indicator of future results. Investment values and the income from them can go down as well as up and may be affected by changes in rates of exchange. An investor may not receive back the amount initially invested.

Data Privacy Statement: Please refer to our Data Privacy Policy published on the Overseas Trust and Pension website: www.trustandpension.com/legal-and-regulatory