



Independent Trustees



Excepted life assurance master trust

Removing your compliance and trusteeship burden

Many employers use an excepted life scheme to provide death in service benefits for employees affected by the pension lifetime allowance. These come with compliance and governance issues that can lead to tax charges and Financial Ombudsman complaints if not handled correctly.

Managing your excepted life scheme has just got much simpler.

Managing improper decision risk

Issue

Discretionary payment pitfalls

For most excepted life schemes, the employer acts as trustee and is responsible for exercising discretion on the appropriate beneficiary for death benefits.

This can be fraught with danger opening the trustee to complaints and potential Financial Ombudsman cases. You can't simply rely on the expression of wish form.



PSIT's solution

Professional independent trustees from PSIT act as trustee for your policy under the PSIT Master Trust.

We take away the responsibility for all discretionary decisions, removing the risk, administration and hassle from you.

This is our day job and we know how to avoid the pitfalls associated with death benefit payments.





The difficulty with discretionary decisions – a case study: Mrs S Earle v Michelin Pension

Background

This case arose from the death of Mr Earle, an active member of the Michelin Pension and Life Assurance Plan. It centred on Mr Earle's expression of wish form, which had been made some time before his death and before his personal circumstances had changed.

The trustees decided to pay Mr Earle's lump sum death benefit to his daughters from a previous marriage in accordance with his expression of wish form. However, Mr Earle had met and married his current wife since completing this form.

The complaint

Mrs Earle was concerned that, as she had not been listed on the expression of wish form, the trustees had not considered her as a possible dependant. The Pensions Ombudsman upheld her complaint, determined there had been maladministration and referred the matter back to the trustees.

The trustees went away to seek additional information and eventually concluded their original decision was correct. They felt, as Mrs Earle was receiving a spouse's pension and Mr Earle's estate would be passed to her, Mr Earle might have wanted the lump sum to be paid to his daughters. Believing it would be an invasion of personal privacy, the trustees did not actually investigate the financial situation and the extent of the dependency of any of Mr Earle's potential beneficiaries.

Mrs Earle went back to the Ombudsman who, in his second ruling, stated:

“ In reaching their decision, the Trustee Board needed to ask the right questions, construe the rules correctly and take into account all relevant matters but no irrelevant matters. They were required not to come to a perverse decision, i.e. a decision which no other reasonable decision maker faced with the same evidence would come to. ”

The Ombudsman felt it was wrong for the trustees to try and guess what Mr Earle's wishes would have been and did not agree that investigating the financial circumstances of potential beneficiaries would have been an invasion of privacy.

This is a clear example of where things can go wrong if the correct procedure is not followed and trustees rely solely on the wishes expressed in a member's expression of wish form.



Ensuring compliance

Issue

Periodic tax charge

Liability incurred on 10 year anniversary of your excepted life trust.



Exit tax charge

Additional charge on payments from your trust that can be levied after 10 year anniversary.



Re-establishing your trust every time you change insurer

To avoid the legal costs associated with drafting a bespoke trust deed, most employers use their insurer's off the shelf documents to establish their excepted life scheme. This means a new trust needs to be set up each time you change insurer following a market review and makes switching administratively complex.



PSIT's solution

Stringent internal controls mean we close the PSIT Excepted Life Master Trust ahead of the 10 year anniversary and automatically establish a new trust to ensure continuation without the risk of tax charges.

PSIT's Excepted Life Master Trust enables an employer to contract with any insurer for life cover and switch at any time without the need to execute new trust documents.

Set up is simple

Your policy under the PSIT Excepted Life Master Trust can usually be **set up in just a few days**. To deliver cost certainty, there is a **fixed annual fee**. Only particularly complex discretionary death cases may incur an extra charge.

To learn how the PSIT Excepted Life Master Trust could **help you manage the risks** and complexities of providing death benefits to some of your most valuable employees, please contact:



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About us

PS Independent Trustees is a leading professional trustee and scheme secretarial services business.

We provide:

- trusteehip for pension and group life schemes
- professional trustee secretarial services
- outsourced pensions management
- trustee board effectiveness reviews
- risk reviews and governance checks
- member communications
- project support

