

UPDATE

Repayment of member contributions: end of transitional provisions for Jersey pension schemes

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Transitional provisions concerning the repayment of member contributions are ending on 31 December 2019. This may require some action on the part of trustees of Jersey pension schemes approved before 31 December 2014, as explained in this briefing.

What is the current position on the repayment of member contributions?

Article 131(12) of the Income Tax (Jersey) Law 1961 (the Income Tax Law) provides that a person cannot request a repayment of their contributions to an occupational pension scheme where that person was a member of the relevant pension scheme for five or more years.

This rule was introduced on 1 January 2015. Any pension scheme seeking approval under Article 131 since then has been required to comply with this time limit.

What was the previous position on repayment?

Previously, there were no timing restrictions imposed on members wishing to seek a repayment of their contributions to a pension scheme (although schemes were permitted to set their own time-limit).

How did the transitional provisions work?

Where a pension scheme was:

- (a) approved by the Jersey Comptroller as at 31 December 2014; and
- (b) that scheme's rules permitted the repayment of contributions where the individual had been a member for five or more years,

it remained permissible to repay contributions to members in accordance with the relevant scheme's rules (rather than the Income Tax Law) whilst the transitional provisions were in effect.

What is the effect of the transitional provisions terminating?

From 1 January 2020 the Comptroller expects that all approved Jersey schemes to meet the five-year membership cap on repayments of member contributions.

A repayment of contributions to a person who has been a member of the scheme for five or more years after this date may, therefore, prejudice the approval of that scheme.

What actions are required?

All schemes approved since 1 January 2015 are required to include this time-cap on the repayment of member contributions. As such, no action is required for such schemes.

For pension schemes in respect of which the transitional provisions apply, many trustees have already elected to update the relevant repayment provision of their scheme's rules and, if they have done so, no further action will be required.

Where this is not the case, however, trustees should update their scheme's rules at the earliest opportunity.

Mourant Ozannes would be happy to assist trustees or employers in the review of their scheme's rules and to advise on the extent to which any amendments may be necessary.

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