

# 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.

### Discretionary payment pitfalls

#### Issue

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.

#### Solution

Our professional independent trustees act as trustee for your policy under the PSGS Excepted Life 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.



## Case study

# The difficulty with discretionary decisions: 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, ie 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.

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## Ensuring compliance.

### Issues

#### 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.

### Solution

Stringent internal controls mean we close the PSGS 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.**

### Issue

#### 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.

### Solution

The PSGS 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.



Speak with us to find out how our Excepted Life Master Trust can help you manage the risks of providing death benefits.

## Set up is simple.

Your policy under the PSGS Excepted Life Master Trust can usually be **set up in just a few days.**

A **fixed annual fee** delivers cost certainty. Only complex discretionary cases may incur an extra charge.

To learn more, contact:

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