

# **THE MERGER OF THE FOOTBALL LEAGUE LIMITED PLAYERS' NON-CONTRIBUTORY CASH BENEFIT SCHEME AND THE FOOTBALL LEAGUE LIMITED PLAYERS' RETIREMENT INCOME SCHEME**

## **Update on Merger Proposed and Responses to Frequently Asked Questions regarding the Explanatory Report to Players' Independent Financial Advisers**

### **INTRODUCTION**

As with the explanatory report, this document has been produced on behalf of the trustees of the Cash Scheme and the Income Scheme. Its purpose is to provide an update on the merger proposal and to elaborate on the issues covered in the explanatory report, in order to resolve some of the queries that have been raised by Independent Financial Advisers. The trustees wish to reiterate that they are not in a position to provide advice to members on financial matters or on how the Revenue will interpret the new legislation and nothing in this document should be construed as providing such advice.

For ease of cross reference, the questions and answers have been categorised using similar headings to those that feature in the explanatory report. Terms used in this document have the same meaning as in the explanatory report.

### **UPDATE**

The trustees are conscious that the strict timetable within which the merger must be completed will put significant pressure on all parties involved. In order to relieve some of this pressure, the trustees have decided to stagger the introduction of one of the changes involved in the merger. The new investment arrangements and the default investment vehicle will come into effect on 5 April 2006 for new joiners to the Income Section. They will, however, only apply to pre A-Day joiners from 1 August 2006. As a result, pre A-Day joiners will have until 31 July 2006 to submit their investment choices. The below responses to frequently asked questions take account of this revision to the merger timetable.

The explanation of the reduced lifetime allowance in section 4.4 of the explanatory report may have been misleading. Reductions in the lifetime allowance are determined by reducing the lifetime allowance by 2.5% for each complete year between the date on which an individual's benefits are paid and the date on which he reaches the statutory normal minimum pension age. This is complicated by the fact that the statutory normal minimum pension age is moving from age 50 to 55 in April 2010. As a result, where a player retires at age 35 in 2006/2007 (when the lifetime allowance is £1.5 million and the statutory normal minimum pension age is 50) he will have a reduced lifetime allowance of £1.5 million –  $(15 \times 2.5\% \times £1.5 \text{ million}) = £937,500$ . A player retiring at age 35 in 2010/2011 (when the lifetime allowance is £1.8 million and the statutory normal minimum pension age is 55) would have a reduced lifetime allowance of £1.8 million –  $(20 \times 2.5\% \times £1.8 \text{ million}) = £900,000$ .

The reduced lifetime allowance also impacts upon the amount of tax-free cash that a player can take when his benefits come into payment. Unless a member has protected his pre-A-Day tax-free cash entitlement, his cash payment will be limited to 25% of the reduced lifetime allowance applicable to him.

The trustees have conducted further analysis in respect of the retirement age that is applicable to members who join or rejoin the Income Section after A-Day. Subject to any determination by the Revenue to the contrary, where a player has accrued benefits in either section of the merged scheme before A-Day he will be able to accrue further benefit in one or both sections of the Merged Scheme after A-Day with a retirement age of 35. Two examples are set out below to clarify this.

Example 1: a player who automatically joined the Cash Scheme on becoming a registered contract player before A-Day but elected not to join the Income Scheme at that time, can elect to join the Income Section after A-Day and accrue benefits through Income Section with a retirement age of 35.

Example 2: a player in the Conference League who was eligible to contribute to the Income Scheme but not to be a member of the Cash Scheme before A-Day, can begin accruing benefits in the Cash Section after A-Day by reference to a retirement age of 35 if his club is promoted from the Conference League or he joins a club in the Football League.

## RESPONSES TO QUERIES

### Contributions

Q. Is the requisite 3.75% contribution to the Income Section in order to receive benefit accrual though the Cash Section determined on a monthly or annual basis?

**A. Cash Section accrual is determined on a monthly basis by reference to whether, in each month, a member has contributed 3.75% of his monthly earnings to the Income Section. Accordingly, where a player contributes 3.75% of his monthly earnings to the Income Section for 8 months of the year and then takes a contribution holiday for the remaining 4 months, he will receive 8 months of accrual though the Cash Section.**

Q. If a member contributes 3.75% of (capped) salary to the Income Section does it mean that his club will match this contribution?

**A. There is no obligation on clubs to contribute to the Income Section. If a member contributes 3.75% of (capped) salary to the Income Section, a contribution of a similar amount will be paid into the Cash Section using funds from the transfer levy.**

Q. Can a member maintain his existing level of contributions to the Income Section and ask for them to be invested with his existing insurer (assuming not Standard Life)? Can the member make increased contributions to this existing arrangement or only up to the current level? What about single/lump sum payments?

**A. A post A-Day joiner must invest with Standard Life. A pre A-Day joiner can continue to invest his contributions at the pre A-Day level with his existing insurer provided he notifies the trustees and completes a disclaimer before 31 July 2006. He should review his current arrangements and consult his IFA to determine whether any penalties will apply if he ceases contributions. Re-directed, increased or one-off contributions after 31 July 2006 must be invested with Standard Life. If he selects a non-core investment for these Standard Life contributions a disclaimer will also be required.**

Q. Is a member's contribution to the Merged Scheme capped at £215,000 (the annual allowance) or his earnings?

**A. The Cash Section will remain non-contributory for members. A member can pay contributions of up to 100% of earnings into the Income Section, subject to his benefits in all arrangements not increasing in value in any one year by more than the Revenue's annual allowance for that year (£215,000 for 2006/2007). However, he will need to pay contributions of at least 3.75% of earnings (subject to the scheme's earnings cap for capped players) to the Income Section in order to gain further benefit accrual through the Cash Section.**

Q. Will the trustees be providing 'end of scheme' statements for the current Cash Scheme showing tax free cash accrued up to 5 April 2006?

**A. Annual benefits statements will be provided as usual but they will not be available until August /September 2006 as they are reliant on the provision of P60 information from clubs.**

Q. Is the contribution of 3.75% of (capped) basic earnings to the Income Section a gross or net amount?

**A. Gross.**

Q. Will the salary sacrifice option still be available for member contributions?

**A. Salary sacrifice will no longer impact on the amount of contributions that can be paid. However, it could still be negotiated as a means of saving National Insurance contributions. The Cash Section will remain non-contributory.**

Q. Can a player who has previously contributed to the Income Scheme but has stopped paying contributions contribute to another personal pension arrangement? If so, can he do so without transferring his Income Scheme benefits to another arrangement?

**A. Subject to the annual allowance and the lifetime allowance, players can contribute to as many pension arrangements as they wish from 6 April 2006. A member who has ceased paying contributions to the Income Section can either leave his benefits in the Income Section until retirement (possibly supplementing them with further contributions at a later date) or take a transfer to another arrangement.**

#### **Investment**

Q. Why has the number of available investment funds been reduced in number?

**A. The whole approach to investment has changed. The number of funds available has been reduced to assist the trustees in monitoring their performance and so that the Merged Scheme is more appropriate for the new pensions environment.**

Q. Will the new investments pay any commission at all? This may mean that advisers will need to consider charging fees for advice in this area. As a result players may be encouraged to come out of the Merged Scheme.

**A. No commission will be payable under the new arrangements with Standard Life. Members and their advisors will need to come to an arrangement with regard to advisor fees. Clearly, issues regarding adviser remuneration should not distract IFAs from their duty to give best advice.**

Q. Is the new Merged Scheme going to allow for any 'Self Investment' facility?

**A. No.**

Q. Assets and liabilities will be "allocated" and "transferred" to the Income Section and Cash Section respectively. Will this be penalty free?

**A. Yes – they will be “in specie” transfers so no disinvestment will be necessary.**

#### **Retirement Benefits**

Q. The report states that a member will be able to access as cash 25% of his benefits accrued after A-day in addition to his pre A-day entitlement. Does this mean that he could take more than 25% in total as a cash lump sum?

**A. Yes. Subject to the overall limit on tax free cash of 25% of the member's reduced lifetime allowance a member will be able to take 100% of his pre A-day cash entitlement and 25% of their total benefit post A-day – there is an example of this in the explanatory report.**

Q. Will a member's unused lifetime allowance be available if the member contributes to another scheme at a later date? Does a transfer to a SIPP also result in a reduced lifetime allowance?

**A. Subject to certain adjustments the unused allowance will be available at a later date. Where a member transfers his benefits to a SIPP with a retirement age of 35 he will still be subject to the reduced lifetime allowance.**

Q. What forms of benefit will the Merged Scheme allow?

**A. The Scheme will provide for annuity purchase only. If income drawdown is required, the member will need to transfer his benefits to another arrangement (on advice from his IFA).**

Q. Is a player's account within the Income Section of the Merged Scheme going to be set up on a "clustered policy basis" (several separate registered schemes) or a "segmented basis" (several policies within the one registered scheme)?

**A. Neither – one pot for each member within a single registered scheme.**

Q. Which FTSE index will be used for the FTSE (UK Equity) Tracker?

**A. FTSE All Share index. This and other details relating to the Standard Life Funds will be confirmed in the Investment Appendix to the Member Booklet.**

Q. How much will Standard Life charge for additional switches?

**A. There will be no charge from Standard Life as they do not administer the Scheme. Members can have one free switch per scheme year. If more are required they will be a charged by the administrators a reasonable amount to be determined from time to time.**

Q. If a member has Income Scheme investments with insurers other than Standard Life can he transfer those funds to Standard Life and benefit from the new charging structure?

**A. Yes.**

### **Death Benefits**

Q. Will the life assurance cover still be maintained for a period of six months after a member ceases to be a registered contract player?

**A. Yes – subject to the terms of the insurance policy in place from time to time.**

Q. Is a member entitled to four times death in service cover whether or not he contributes to the Income Section?

**A. Yes – if he contributes less than 3.75% of salary (capped) to the Income Section he will only get minimum benefits through the Cash Section but will still be covered for death in service benefits.**

Q. If a player opts out of the Income Section and transfers his benefits elsewhere will he lose the four times salary death benefits?

**A. Provided he is still a registered contract player and has not opted out of the Cash Section he will remain covered for death in service benefits.**

### **Transfers**

Q. For players that request a transfer of benefits the report states that trustees are obliged to pay a transfer within 3 months. Does this mean the actual discharge form has to be with the scheme administrators by the 5th January 2006?

**A. No – the administrators will attempt to process as many forms as possible before 5 April 2006. However, members and their advisers are encouraged to submit their requests as soon as possible to avoid disappointment.**

Q. Will the trustees agree to “buddy transfers” after A-Day?

**A. It appears that whilst transfers to alternative arrangements on an individual basis before A-Day may result in the low normal retirement age being protected, this will only be effective on or after A-Day where the transfer takes place on a "block" or “buddy” basis. The trustees have power to make:**

- individual transfers - at a member's request, or
- bulk transfers - without member consent subject to certain requirements.

**It is likely that the trustees would deal with an application for a "buddy" transfer as group of individual transfers. Although they are not in a position to pre-judge this, they see no reason why they would not agree to such an application and complete the necessary paperwork.**

Q. On what criteria would the trustees base their decision as to whether to allow a player to re-join the Income Section after previously transferring his benefits away.

**A. As with all trustee discretions, the decision whether to re-admit a player must be reasonable (taking into account all relevant factors and ignoring all irrelevant factors) and in the best interests of the members as a whole. Whilst they are not in a position to pre-judge any applications to re-join, the trustees cannot foresee circumstances in which such an application would be refused.**

### **General**

Q. When will the players' communication be sent and will this also be accessible via the website?

**A. The trustees will shortly be sending a copy of the Member Booklet for the Merged Scheme to all active members. A formal notification of the merger will then be issued to all active and deferred members of the Cash Section in early March. The aim is for all general communications to be posted on the FLPRIS and PFA websites.**

Q. Will the scheme administrators be sending details to the members of what tax free cash entitlement players they had accrued at A-Day?

**A. Subject to the overall limit on tax-free cash of 25% of the members reduced lifetime allowance, the cash entitlement at 6 April 2006 is automatically protected.**

Q. The report states that in order for them to retain their retirement age of 35 existing members will automatically join the new Merged Scheme on 6 April 2006. This seems to contradict paragraph 4.1 whereby it states that members who join on or after 6th April will not be allowed to draw benefits until age 55. Please clarify.

**A. The merger and bulk transfer will happen on 5 April 2006.**

Q. If a Conference League player is currently paying into the Income Scheme and becomes a Football League player after A-Day, will he then accrue benefits in the Cash Section with a retirement age of 35 or 55?

**A. We understand that where a player has accrued benefits in either section of the Merged Scheme before A-Day, he will be able to accrue further benefits in one or both sections after A-Day with a retirement age of 35.**