

Background

With bank base rates having moved from zero to over 5% over the last six months or so, it is an opportune time to formulate a policy that allows our clients to benefit from interest that is being paid by the bank. Saying that, STM Fidecs Pension Trustees Limited ("the Company") client accounts are not intended to be a substitute for investment accounts, and customers seeking to earn interest from cash or cash equivalents as an investment class should work with their advisers to establish the appropriate investment structures.

The client account is primarily intended as a short term holding arrangement for funds pending transactions such as the payment of fees, benefits or onward investment.

Where volumes permit, the Company will seek to earn interest on client funds without putting capital at risk and without impacting the accessibility of funds.

It is proposed that this policy will allow pension members to benefit this interest in line with this policy.

Policy - General

The Company will retain funds on client account as a reserve for payment of fees or pension benefits or pending investment instructions from the client. Such an account is a pooled client account held with a reputable bank and the funds placed therein by the Company on behalf of the Client, or the Client Entity's behalf, and will remain the Client's property but subject to the Company's banking controls. Such funds will always be segregated from the Company's own money.

The client account is not intended to replace the customer's obligation to monitor and manage the returns on their investments in conjunction with their investment adviser. Taking into account the Company's fiduciary obligations, the costs of arranging and monitoring such a facility, and the costs of allocating in relation to a pooled account, if the Company is paid interest on client account, it will pay 50% of any interest above 1%, earned to clients in respect of balances which average over £10,000, \$10,000 or €10,000 (for GBP, USD and EUR accounts, respectively) during the quarter. The balance cannot fall below £10,000, \$10,000 or €10,000 (for GBP, USD and EUR accounts, respectively) at any time during the period.

Interest Allocation Calculation (IAC)

A member will be eligible for an interest allocation provided that they have held an average of £10,000, \$10,000 or €10,000 (for GBP, USD and EUR accounts, respectively) within the client designated bank account for the duration of the previous quarter.

The interest allocation will be 50% of the interest above 1% actually earned on that account, based on interest rates negotiated by the Company with the relevant bank counterparties. This means that the interest you receive is not guaranteed to stay the same and is likely to change if interest rates change. This interest rate can go up or down.

Interest will be allocated to the member for the previous quarter within five working days of the quarter end.

The quarter dates are 31 March, 30 June, 30 September and 31 December.

If the interest rates offered by the bank fall below 1%, no interest will be allocated.

The interest allocation policy is applicable to all current pension scheme members, unless otherwise agreed.

Based on the Interest rate provided by the Company's respective banking partners	Proportion of interest paid to your plan
1% or above	50% of the Actual Interest Rate achieved less 1%

An example of the calculation

For interest allocation for the period 1st January 2023 to 31 March 2023.

Assume for the purposes of the Interest Allocation Calculation that the Company obtained an average annualized interest rate of 3.5% for the period from 1st January 2023 until 31st March 2023 on the funds at a particular bank.

Then the interest allocated on 7th April 2023 for a balance of £ 10,000 that had been held in the bank account throughout the quarter would be as follows:

Actual Interest rate achieved at 3.5%	Proportion of interest paid to your plan	Interest rate allocation to your plan	Annual interest paid based on 3.5% actual interest earned for £10,000 held for one year
3.5%	$(3.5\% \text{ less } 1\%) \times 50\%$	$2.5\% \times 50\% = 1.25\%$	$1.25\% \times 10,000 = \text{£ } 125.00$

Please note that the 50/50 interest sharing principle as set by the Company is subject to change upon 30 days notice.

Interest is not paid to non-GBP, non-USD or non-EUR currency accounts.

This Interest allocation policy is applicable to all the current pension scheme members.



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