

Collas Crill advises on pension for large Middle Eastern airline

June 2016

Angela Calnan, Head of our Middle Eastern Practice has, this month, advised one of MENA's fastest growing airlines to launch a \$20m pension for 3,400 employees.

The airline is one of a growing trend of Middle Eastern companies who have undertaken proper planning to fund their end of service gratuity liability.

Instead of a pension, local laws require companies to make a severance payment when employees leave the business. This can be a significant liability to fund and can often come at the most unwelcome of times such as during an economic downturn.

Companies who have failed to set money aside to meet these payments have historically been unable to afford to reduce headcount as they have not planned or budgeted for severance payments.

Although it is difficult for some smaller firms to set money aside to fund their entire historic liability, it is never too late to start setting aside at least some provision for this potentially large liability. Our current client has injected \$20m to fund previous liabilities with further contributions being injected going forward. Some firms may choose, or only be able to, fund future liabilities.

If done well, these end of service schemes can be self-funding and can also achieve a company's CSR aims by impact investing in very worthy causes both within the region and more widely.

The schemes can also be drafted to include additional savings or matching elements in order to incentivise staff to stay loyal to the business.

For more information about establishing or administering end of service gratuity schemes (also known as "terminal gratuity trusts") for Middle Eastern companies, please contact Angela Calnan – our pan-Island Head of Fiduciary."

For more information please contact:



Angela Calnan

Partner // Guernsey

t:+44 (0) 1481 734233 // **e:**angela.calnan@collascrill.com

WE ARE OFFSHORE LAW

BVI | Cayman | Guernsey | Jersey | London

This note is a summary of the subject and is provided for information only. It does not purport to give specific legal advice, and before acting, further advice should always be sought. Whilst every care has been taken in producing this note neither the author nor Collas Crill shall be liable for any errors, misprint or misinterpretation of any of the matters set out in it. All copyright in this material belongs to Collas Crill.