

Pension Charges Checklist

Questions to ask about how charges can affect your pension

Whether you are planning to start a pension, are a member of an occupational pension scheme or have a personal pension you should understand how your pension works and the costs involved.

The questions posed in this checklist are to help and prompt you to seek out more information where you do not understand things about your pension.

Just like any other service, the service you receive for managing and administering your pension comes with a cost in the form of charges. You should always be aware of the charges applying to your pension and have them clearly explained to you by the trustees of your pension scheme or your pension provider.

This checklist highlights the type of charges that might apply to your pension so that you can ask those responsible such as the trustees, financial advisors or pension providers about the charges on your pension and about getting value for money.

Pension charges vary depending on the type of pension arrangement you have.



An tÚdarás Pinsean
The Pensions Authority

www.pensionsauthority.ie

Company/Occupational Pension Schemes

Members of an occupational pension scheme need to understand which type of scheme they belong to and there are two types:

- A defined benefit scheme provides a specified level of pension benefit at retirement usually based on your years of service and your earnings at retirement. The charges on a scheme may reduce the amount in the fund and benefits can be affected if your scheme is not fully funded.
- In a defined contribution scheme the value on retirement is based on the level of contributions paid, the investment return achieved less the charges on the fund.

Sample questions to ask your trustees about charges if you're in an occupational pension scheme include:

- How are the charges affecting the overall value of the fund?
- Which of the following charges apply to the scheme?
 - initial charges for joining the scheme/starting or setting up the pension
 - contribution charges
 - investment charges
 - fund management charges
 - charges for encashing, cancelling or switching units or funds
 - administration charges
 - monthly policy charges.

Personal Retirement Savings Accounts (PRSAs)

A Personal Retirement Savings Account (PRSA) is a pension which is set up between you and an authorised PRSA provider. PRSAs are a type of defined contribution scheme, the value of which on retirement is determined by the level of contributions paid, the investment return achieved, less the charges applied. Charges on PRSAs can only be described and deducted as a percentage of contributions and/or as a percentage of assets and can not be described or deducted in cash terms.

You should be aware that charges differ across the two types of PRSAs:

- In a Standard PRSA the charges are capped at 5% on each contribution and 1% per year on the fund value
- In a non Standard PRSA the charges aren't capped.

Sample Questions to ask your PRSA provider about the charges on your PRSA:

- What charges are being deducted from my PRSA?
- How much are those charges costing my fund and affecting the overall value?

Did you know that if you have a PRSA you cannot be charged for the following?

- transfers to or from another pension arrangement
- setting up or closing a PRSA
- increasing your contributions
- decreasing your contributions (however, this may depend on the charging structure of your PRSA)
- stopping your contributions.
- recommencing your contributions.

Personal Pension Plans or Retirement Annuity Contracts (RACs)

Personal Pension Plans or Retirement Annuity Contracts (RACs) as they are sometimes referred to are set up between you and the pension provider. RACs are a type of defined contribution scheme, the value of which on retirement is determined by the level of contributions paid, the investment return achieved, less the charges applied. Charges on RACs are not capped and a variety of charges may apply.

Those contributing to RACs should ask all of the same questions as defined contribution occupational pension scheme members detailed above including:

- How the charges are affecting the overall value of the fund and the fund performance?
- Whether charges are imposed for:
 - stopping or suspending contributions
 - on transfers received in to the Plan
 - or on termination?

Next steps

The Authority recommends that when you request information on your pension do so in writing and keep a copy of the correspondence for your own records.

To get specific information about your:

- **Defined benefit, defined contribution scheme or AVCs** – consult the explanatory booklet you should have received from your scheme, then contact your employer and/or your trustees.
- **PRSA** – contact your PRSA provider.
- **Retirement Annuity Contracts (RAC)** – RACs are administered by the Insurance Industry so you should contact your RAC provider.



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