

Personal Retirement Savings Accounts (PRSAs)

A consumer and employers' guide to PRSAs



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The Pensions Authority**

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An tÚdarás Pinsean
The Pensions Authority

The Pensions Authority is a statutory body set up under the Pensions Act, 1990.

The Authority regulates, *occupational pension schemes*, trust *RACs* and *Personal Retirement Savings Accounts* in Ireland.

The Pensions Authority's mission is to support a sustainable pensions system that will provide adequate and reliable pensions for retired and older people and that achieves wide coverage. We aim to achieve this by:

1. Safeguarding the interests of *occupational pension scheme* members and *Personal Retirement Savings Account (PRSA)* holders through effective regulation
2. Providing relevant information and guidance to the public and those involved with pensions
3. Developing policy proposals and supporting the Minister for and Department of Social Protection and other government departments through high quality policy advice and technical support.

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1. Introduction

This booklet is a guide on using *Personal Retirement Savings Accounts (PRSAs)* to save for retirement. The booklet provides useful information for consumers and employers.

Personal Retirement Savings Accounts (PRSAs) are generally low-cost, easy-access, private pension savings accounts. They are designed to give people a flexible way to save for retirement, to be owned by individuals (regardless of employment status) and to be transferable from job to job. They are available from a variety of providers.

What does that mean?

Don't be confused by pensions jargon.

See the Glossary for definitions of terms in *italics*.

If employers do not operate an *occupational pension scheme* or if certain restrictions apply to their scheme, by law they must ensure that their employees have access to at least one Standard PRSA.

This booklet shows you how to research, apply for and monitor your PRSA. We hope it helps you to understand PRSAs and make informed choices about your pension options. This booklet describes employers' legal obligations with regard to PRSAs. It includes many frequently asked questions that should help employers to understand their responsibilities in this regard.

2. PRSA basics

What is a PRSA?

A PRSA is a personal pension plan that you take out with an authorised PRSA provider.

It is like an investment account that you use to save for your retirement. You can make regular contributions to your PRSA, and these are tax deductible within certain limits.

A PRSA provides benefits at retirement based on the amount of contributions paid and the investment returns earned on those contributions.

What are the benefits of a PRSA?

PRSAs are flexible; you can increase, decrease or stop your contributions at any time without any charge or penalty.

PRSAs are portable; you can carry your PRSA from job to job or transfer it to another PRSA provider without any charge or penalty.

PRSAs give you more choices at retirement; for example, you can continue making contributions after you retire, while also receiving a pension income.

As a PRSA holder, you will receive regular information to allow you to monitor its performance and its suitability to your needs.

PRSA contributions are eligible for tax relief, within certain limits.

Who can take out a PRSA?

PRSAs are available to you regardless of your job or employment status. You can get a PRSA if you are a part-time or casual employee, a highly paid professional, self-employed, a homemaker, a carer, a jobseeker, a contractor, an employer, an employee or a partner in a partnership.

You can continue to contribute to a PRSA after you retire, as long as you are not aged 75 or over.

Can I hold a separate personal pension and a PRSA at the same time?

Yes, but the contributions to both are added together when calculating your maximum tax relief, which is dependent on your age.

If I am a member of an *occupational pension scheme*, can I take out a PRSA?

Yes, a member of an employer-sponsored pension scheme may also take out a PRSA.

Who contributes to my PRSA?

You contribute to your PRSA. If you are an employee, your employer may also contribute but is not obliged to do so.

Is my PRSA risk free or backed by any Government guarantee?

No, your PRSA is not risk free or backed by any Government guarantee. Like other personal pensions, your PRSA is an investment account that provides for your retirement. This means that the value of your PRSA can increase or decrease, depending on the performance of your PRSA's investment funds.

3. PRSA providers and products

What is a PRSA provider?

Investment firms, insurance companies and credit institutions may apply to the Pensions Authority to become an authorised PRSA provider.

Who regulates PRSAs?

The Pensions Authority and the Revenue Commissioners are jointly responsible for approving PRSA products. The Pensions Authority supervises the activities of PRSA providers in relation to their approved products and monitors compliance with PRSA legislation. The Central Bank of Ireland is responsible for the prudential supervision of PRSA providers and the supervision of the sales process of approved PRSA products.

Where can I find a list of authorised PRSA providers and approved PRSA products?

A list of authorised PRSA providers and approved PRSA products is available on the Pensions Authority website www.pensionsauthority.ie.

What types of PRSA are available?

There are two types of PRSA – a Standard PRSA and a non-Standard PRSA. The main differences between them are the charges and investment options.

Standard PRSA

A Standard PRSA has maximum charges of 5% on the contributions paid and 1% a year on your PRSA fund value. Apart from *temporary cash holdings*, Standard PRSAs can only be used to invest in *pooled funds*, also known as managed funds. A Standard PRSA may not be marketed or sold if purchasing it is conditional on also buying some other product, such as life assurance.

Non-Standard PRSA

A non-Standard PRSA does not have maximum limits on charges and allows investments in funds other than *pooled funds*.

Can PRSA products be suspended or withdrawn?

Yes, the Pensions Authority, in consultation with the Revenue Commissioners, can suspend or withdraw a PRSA product if a PRSA provider

- requests it
- has stopped trading for more than six months, or
- has failed to meet its statutory obligations.

What happens if my PRSA product is suspended or withdrawn?

Your PRSA provider must write to you informing you that its product is being suspended or withdrawn. If the product is withdrawn, the PRSA provider must immediately arrange to transfer your PRSA assets to another provider. You will continue to pay into your PRSA as normal, but through the new provider.

The Pensions Authority must publish a notice of a product's withdrawal in at least one national newspaper within 28 days of the withdrawal.

4. Employers' obligations to provide access to a PRSA

Which employers must offer PRSAs?

Since 2003, all employers are required to enter a contract with a PRSA provider to provide access to at least one Standard PRSA for all 'excluded employees'.

An employee is considered an 'excluded employee' if

- their employer does not offer an *occupational pension scheme*, or
- they are included in an *occupational pension scheme* for death-in-service benefits only, or
- they are not eligible to join the company's *occupational pension scheme* or will not become eligible to join the scheme within six months from the date they began work there, or
- they are included in an *occupational pension scheme* that does not permit the payment of *additional voluntary contributions (AVCs)* by the members.

Does an employer have to contribute to PRSAs on behalf of their employees?

Employers may contribute to employees' PRSAs, but are not obliged to do so.

What must an employer do to provide access to a Standard PRSA?

An employer must

- enter into a contract with a PRSA provider. There is no charge for doing this

- notify 'excluded employees' that they have a right to contribute to a Standard PRSA
- allow the PRSA provider or intermediary reasonable access to 'excluded employees' at their workplace
- allow reasonable paid leave of absence, subject to work requirements, so that excluded employees can set up a Standard PRSA
- make deductions from payroll at the request of employees and remit these to the PRSA provider (employers cannot charge for deducting and remitting contributions)
- advise employees in writing (normally on their payslip) at least once a month of their total contribution including the employer's contribution, if any.

If an employer has a small workforce of less than five employees, is access to a Standard PRSA still necessary?

Yes, all employers, regardless of the size of their workforce, must provide access to a Standard PRSA if those employees fall into the category of 'excluded employees'.

If an employer has a number of part-time, fixed-term contract and seasonal employees, is access to a Standard PRSA for these employees still necessary?

Yes, all employees, whatever their status, must be given access to a Standard PRSA if they fall into the category of 'excluded employees'.

Does an employer have to provide access to a PRSA even though there is an *occupational pension scheme* in place?

No, provided all employees – including full-time, part-time, seasonal, temporary, contract or casual employees – are eligible to join the scheme for pension benefits within six months of joining employment and the scheme permits the payment of *additional voluntary contributions (AVCs)*.

Even if there is only one excluded employee, the employer must provide him or her with access to a Standard PRSA.

What about *additional voluntary contributions (AVCs)*?

If an employer has an *occupational pension scheme* that does not allow employees to make AVCs, they must make a Standard PRSA available, either as part of the existing *occupational pension scheme* (this requires an amendment to the scheme rules) or as a separate AVC scheme.

If an employer enters into a contract with a PRSA provider, must their employees who want a PRSA take it out with that provider?

No, an employee can go to any authorised PRSA provider, but an employer is not obliged to make deductions from payroll for that employee. If an employee goes to another provider, they make their PRSA contributions directly, by direct debit or cheque.

Does an employer have to give any advice to employees in relation to PRSAs?

No, but the employer must allow their PRSA provider or intermediary reasonable access to their employees to brief them on PRSAs.

Does an employer have any responsibility for the investment performance of PRSAs?

If your employer provides you with access to a Standard PRSA, your employer is not responsible for the investment performance of your PRSA.

Does the on-the-spot fine regime apply to employers?

Yes, employers may be subject to an on-the-spot fine if (a) they fail to respond to a request by the Pensions Authority to furnish information about their provision of access to a Standard PRSA for 'excluded employees' and (b) they do not provide at least a monthly statement to employees showing employee contributions deducted and employer contributions paid in the previous month.

The Pensions Authority has published an employer checklist to help employers ensure that they do not contravene any of the specified provisions subject to the fines regime. The Pensions Authority '*Trustee and Employer Checklists: On-the-spot fines*' is available on the Authority's website www.pensionsauthority.ie.

5. Getting my PRSA

Where can I get a PRSA?

To get your PRSA, you must enter into a contract with an authorised PRSA provider. Authorised PRSA providers can include investment firms, insurance companies and credit institutions. You can get a list of authorised PRSA providers and approved PRSA products on the Pensions Authority's website www.pensionsauthority.ie and request the relevant brochures from the various PRSA providers. There is no charge for signing up with a PRSA provider.

If your employer provides access to a PRSA, you could contact your employer for more information.

PRSAs are also available indirectly through agents, typically insurance brokers or financial advisers authorised to sell PRSA products on behalf of the PRSA providers.

Where do I get my PRSA documents?

Your PRSA provider provides you with your documents. If you do not receive all of the documents outlined below, you should contact your provider and request them. The documents are listed below and described in more detail in Appendix 1.

- Application form – to apply for a PRSA
- Contract – outlines the terms and conditions of your PRSA
- Cooling off notice – cancellation within 30 days
- Preliminary disclosure certificate – sample benefits that can reasonably be expected from a PRSA
- Statement of Reasonable Projection – projection outlining the benefits that you can reasonably expect from your PRSA, based on certain assumptions

- PRSA certificate – outlines the contributions you have agreed to pay and the contribution method you will use
- Investment report – the investment performance of the funds in which your PRSA is invested
- Statement of account – outlines the contributions paid into your PRSA and the transfer value of your PRSA at the date of the statement
- Certificate of comparison – if you are a member of an *occupational pension scheme* and are transferring your benefits into a PRSA
- Disclosure declaration – if your new PRSA will replace an existing *PRSA contract* or a *Retirement Annuity Contract*
- Non-Standard PRSA declaration – if you are investing in a non-Standard PRSA

Do I need to hold on to my PRSA documents?

Yes, you should retain all PRSA documents for your own records and as evidence of your contributions. You will need the contract and the PRSA certificate to draw a pension income from your PRSA. If you are self-employed or paying contributions directly into your PRSA, you will need the PRSA certificate and a statement of account to avail of tax relief.

You should also let a solicitor, friend or relative know where you keep your PRSA documents in case you become seriously ill or die.

Can I cancel my PRSA after signing a contract with a provider?

After you sign a PRSA contract, you have a cooling-off period of 30 days from the date you are given the statement of reasonable protection. During this time, you can cancel your PRSA.

If you cancel within the cooling-off period, you normally get a full refund of contributions you made to your PRSA. You may be charged if you paid single contributions and a loss incurred as a result of investment market volatility during the cooling-off period.

6. Contributing to my PRSA

Is there a minimum amount that I must contribute to my PRSA?

Yes, but PRSA providers cannot impose a minimum contribution to your PRSA greater than:

- (a) €300 per annum, and
- (b) €10 per electronic transaction, or
- (c) €50 per transaction for other methods of payment.

Is there a maximum amount that I can contribute to my PRSA?

You can contribute as much as you like to your PRSA, as long as you meet the minimum contribution levels. However, the amount of tax relief you can get on contributions depends on your age and earnings.

Must I make regular contributions?

No, you do not have to make regular contributions to your PRSA. However, if you are arranging your PRSA through an employer's scheme, you will usually make monthly payments. If you are paying directly into your PRSA, most PRSA providers allow you to pay monthly, quarterly, half-yearly and yearly. Some PRSA providers allow you to pay weekly. You can also make additional top-up contributions to a PRSA at any time.

How can I pay my contributions?

This is at the discretion of your PRSA provider. Most PRSA providers accept regular contributions by direct debit, and lump-sum payments or transfers by cheque. If you are an employee, your employer may arrange to deduct your monthly contributions from your salary and remit these on your behalf.

How flexible can my contributions be?

You are free to stop, start, increase and decrease your contributions at any time, although your PRSA provider may require prior notice of a change. You cannot be charged for changing, stopping or restarting your contributions.

Most PRSA providers have an indexation option that allows you to increase your regular contributions in line with inflation each year.

What happens if I don't pay my contributions?

You can stop your contributions at any time without being charged or penalised for doing so. However, this will reduce the pension benefits you may expect at retirement. If you do not pay contributions for two years or more and the value of your PRSA fund is €650 or less, your PRSA provider can terminate your PRSA and give you a refund of the value of your account. Your PRSA provider must give you three months' written notice before terminating your PRSA.

Are there any rewards or bonuses if I pay my contributions?

Some PRSA providers apply bonus units or lower charges if your contributions are over a certain level, you consistently meet your monthly contributions, or you retire at the date initially specified when you signed your contract. If you invest part or all of your PRSA in certain funds, you may also receive bonuses on and after retirement.

What happens if I change jobs?

If your new job allows you to become a member of an *occupational pension scheme*, you may transfer your PRSA into that scheme. Alternatively, if your new job is not pensionable or you become self-employed, you can continue to contribute to your PRSA.

What must an employer do with their employees' PRSA contributions?

An employer must, if requested, deduct employees' contributions from payroll and send them, along with any employer contributions, to the PRSA provider within 21 days of the end of the month in which the contributions were deducted. An employer cannot make any deduction from this payment.

What information must an employer give regarding PRSA contributions?

An employer must advise their employees and the PRSA provider in writing at least once per month of the total amount deducted from the employee's salary and, if appropriate, the total amount paid by the employer on behalf of their employees in the preceding month. An employer can do this using whatever salary documentation is normally provided to their employees (for example, a payroll slip).

Can I transfer *occupational pension scheme* benefits to a PRSA?

You can only transfer your *occupational pension scheme* benefits to a PRSA if you have been a member of the scheme for 15 years or less, and the scheme is being wound up or you are changing job. You cannot transfer your *occupational pension scheme* benefits to a PRSA if you have been a member of the scheme for more than 15 years.

If you have paid AVCs to an *occupational pension scheme*, those may be transferred to a PRSA and the above rules do not apply.

Are there disclosure requirements concerning transfers from *occupational pension schemes* to PRSAs?

Yes, transfers cannot be accepted by PRSA providers unless the member has been given a certificate comparing potential benefits from the *occupational pension scheme* and the PRSA, and a written statement as to why a transfer to a PRSA would or would not be in their interest.

There is no discretion in the legislation to waive this requirement for a certificate of comparison. However, it is exempted in the following cases:

- where the transfer value is under €10,000, or
- represents a refund of contributions, or
- the accrued benefits to a member whose employment related to the *occupational pension scheme* is less than 2 years and who has no preserved benefit, or
- where the scheme is in wind up.

The above requirement also applies to transfers from AVCs to PRSAs.

Can refunds from *occupational pension schemes* be transferred to PRSAs?

Employees who are entitled to a refund of contributions on leaving a job can transfer the contributions to a PRSA without a tax charge instead of taking the refund.

7. PRSA tax reliefs

How much tax relief do I get on my contributions to a PRSA?

The amount of tax relief you can get depends on your age.

Age	Contribution Limits <i>% of Net Relevant Earnings</i>
Under 30	15%
30-39	20%
40-49	25%
50-54	30%
55-59	35%
60 or over	40%

If you are a sports person or a professional who usually retires at an earlier age than the norm, you can get tax relief on 30% of your *net relevant earnings* regardless of your age. Relief is given at your marginal (higher) tax rate, but there is no relief in respect of PRSI and the Universal Social Charge.

For everyone, there is a maximum annual amount of earnings for which tax relief is given. In 2012, this was €115,000. This figure is adjusted from time to time by the Minister for Finance.

If you make contributions, but do not get tax relief on them because you exceed the tax relief limits or are not working, you can apply for tax relief on these contributions in the future.

A taxpayer is entitled to tax relief on a contribution of €1,525 even if this exceeds the normal income-based limit.

Can employees claim tax relief on their PRSA contributions?

Yes, employee contributions paid to a PRSA are subject to tax relief on the same basis as outlined above.

What about *additional voluntary contributions* paid to a PRSA?

Employees in *occupational pension schemes* may pay AVCs into a PRSA. The normal limits for tax relief purposes, as described above, apply to the total employee contribution. Any contributions an employee pays to an *occupational pension scheme* need to be taken into account when determining the amount of PRSA contributions eligible for tax relief.

How does this work?

When an employer deducts qualifying PRSA contributions from employees, the net-pay arrangement will apply. This means that tax and *PRSI* will be calculated on employees' wages or salaries net of PRSA contributions. An employer will be able to operate the net-pay basis as long as they hold a PRSA net-pay certificate.

Does an employer get tax relief on any contributions they make to an employee's PRSA?

Yes, contributions paid by employers are fully deductible for corporation tax purposes. Contributions paid by the employer are treated as a benefit-in-kind. Employees are entitled to income tax relief on these contributions subject to the limits on the relief outlined above, but there is no relief in respect of *PRSI* and the Universal Social Charge.

Does an employer get *PRSI* relief on any contributions an employee makes to a PRSA?

No, contributions paid by employees are not deductible for employer *PRSI* purposes.

Are PRSA investments taxed?

No, tax is not charged on the investment income or capital gains earned by PRSAs. However, income tax may be levied on pension benefits taken from a PRSA after retirement.

The Minister for Finance introduced a temporary Pensions Levy of 0.6% of non-vested PRSA fund assets, payable for each of the 4 years 2011-2014.

Is there a maximum amount of pension fund that can be built up?

Individuals have a maximum lifetime limit on the amount of their retirement benefits from all sources (except State pensions).

The limit (known as the Standard Fund Threshold (SFT)) is currently (2012) €2,300,000, 25% of which (i.e. €575,000) is the maximum amount an individual can take in cash lump sums.

If an individual exceeds the lifetime limit on the amount of their retirement benefit (and had not previously applied to Revenue for a higher personal limit), the excess value is taxed up-front at the top rate of income tax and may, in addition, be subject to income tax in payment.

More information on the tax rules relating to PRSAs is available on the Revenue website www.revenue.ie.

8. Investing my PRSA

What happens to my contributions once they are put into my PRSA?

Your PRSA contributions are invested in a range of funds. The value of your PRSA can increase or decrease, depending on the performance of these funds.

In what types of assets will my PRSA invest?

Your PRSA fund is typically invested in company shares (equities), bonds issued by governments (sovereign bonds), bonds issued by companies (corporate bonds), property and cash. Your PRSA provider must give you information in relation to the types of assets in which your PRSA is invested.

Who decides how I invest my PRSA?

You do. It is your PRSA fund and you choose the type of funds to be invested in and the strategy to be followed. All PRSAs must have a *default investment strategy*. If you choose not to make an active investment decision your PRSA fund will be invested in accordance with the *default investment strategy*. Your PRSA provider will also give you a choice of investment funds outside this strategy and you can choose to invest in any of those instead.

What is a *default investment strategy*?

A *default investment strategy* is the automatic strategy that is applied to your PRSA unless you specify otherwise in writing. It involves investing in a collection of investment funds that is expected to meet your retirement savings expectations. The *default investment strategy* for each individual PRSA is based on general good investment practice in saving for retirement. Although it is not risk free, it is designed to reduce the level of risk of your investments.

Should anything influence the choice of investment funds for my PRSA?

You (and your investment adviser, if applicable) should consider how long it will be until you retire, how much you expect in pension income and how much risk you are prepared to take in relation to your investment. Generally, as you approach retirement, your investment in higher-risk funds should decrease.

What level of risk is associated with my PRSA?

The level of risk associated with your PRSA will depend on the type of investment strategy you choose. This is why it is important to decide on the level of risk you are comfortable with when taking out your PRSA.

In the *default investment strategy*, most of your PRSA fund is likely to be invested in higher-risk funds in the early-to-mid years of your working life, moving to middle-risk funds in later years and lower-risk funds as you near retirement.

Can I change or switch between investment funds after I sign the contract with my PRSA provider?

Yes, you can transfer between funds or move future contributions into a different fund. Some PRSA providers require a minimum balance in your PRSA before you can transfer between funds. There may also be a limit on the number of times a year you can switch between funds without charge.

How do I know how well my investment fund is performing?

Every six months, your PRSA provider must send you an investment report that outlines the performance of the funds in your PRSA.

9. Getting my PRSA benefits

When can I take an income from my PRSA?

You can normally start taking your benefits when you are aged between 60 and 75. You may be able to take your benefits earlier, for example, if you retire from employment at age 50 or over, or if you can no longer work because of a serious illness or disability. However, you cannot use your PRSA as security for a loan or assign it to someone else.

What documentation do I need to get my PRSA benefits?

You will need your PRSA certificate and contract, your birth certificate and Personal Public Service Number (PPSN). You may also need to provide evidence of ill-health if you are retiring earlier than normal for medical reasons.

What will my PRSA fund consist of at retirement?

Your PRSA fund at retirement will consist of the total contributions paid by you (and your employer, if any) and the investment return earned on those contributions, less the PRSA provider's charges.

What options do I have at retirement?

You can take a lump sum at retirement of 25% of your PRSA fund's value. This lump sum is currently (2012) tax free up to €200,000, and taxed at 20% between €200,001 and €575,000.

With the remainder of your PRSA fund, you can:

- use the balance to buy an *annuity*, or
- leave the remaining funds in your PRSA and withdraw from them at any time, subject to Revenue requirements (this is called a vested PRSA), or

- transfer the balance to an *approved retirement fund (ARF)*, subject to Revenue requirements.

In order to introduce an element of security in retirement, minimum retirement income requirements exist for those who choose to withdraw from a PRSA from time to time or transfer to an *ARF*. If you are under 75, you are required to demonstrate a guaranteed income of one-and-a-half times the State pension (currently around €18,000) per annum. This amount can include State pensions. If you are unable to meet this minimum, you must either transfer ten times the State pension (currently around €120,000) of your PRSA fund to an *Approved Minimum Retirement Fund (AMRF)*, or purchase an *annuity* which will bring up the level of guaranteed income to the minimum amount.

Do I have to take all my PRSA benefits at retirement?

No, you can take gradual benefits from your PRSA and continue to make PRSA contributions. However, you must take your PRSA benefits at age 75 and stop any contributions before that age.

What happens if I die before I retire?

If you die before you retire, your PRSA fund will be transferred to your estate, but your heir(s) may have to pay inheritance tax before receiving it.

What happens if I die after I start to take my PRSA benefits?

This depends on the pension option you choose at retirement. You can get more information from the Revenue website on www.revenue.ie.

Can I transfer my PRSA fund to another pension arrangement if I change jobs?

As a PRSA is essentially your personal pension plan, you can normally bring it from job to job and from employment to self-employment or vice versa. You can transfer your PRSA benefits to an *occupational pension scheme* or another PRSA without charge.

10. PRSA charges

What are the charges for Standard PRSAs?

The charges for Standard PRSAs are capped. They cannot be increased above the upper limits throughout the lifetime of your PRSA contract. The maximum charges are:

- a 5% charge on each contribution you pay, and
- a 1% annual fund management charge, based on your PRSA fund value.

What are the charges for non-Standard PRSAs?

Charges on non-Standard PRSAs are not capped and vary among providers. The Pensions Authority has developed an '*Investment risk, fees and charges checklist*' which is available on its website www.pensionsauthority.ie.

Can my PRSA provider change its charges?

Yes, a PRSA provider can change its charges provided it is allowed for in its PRSA contract. The PRSA provider must give two months' notice of any increase in charges and must also provide you with an updated Statement of Reasonable Projection outlining these charges within seven days of the changes coming into effect.

Some PRSA providers reduce your contribution charge if your contributions are above a certain level. The annual fund management charge may also be reduced if the value of your fund exceeds a certain level or you retire on the retirement date initially specified in your PRSA contract.

What services do not incur charges?

Some of the services for which you cannot be charged include:

- setting up or closing a PRSA
- cancelling your PRSA within the cooling-off period (a reduction in value may apply if you made single contributions and these incurred an investment loss)
- transferring other pension benefits to your PRSA (if a certificate of comparison is required, a fee may be charged)
- transferring your PRSA to another provider or to an *occupational pension scheme*
- increasing your contributions
- decreasing your contributions (although this may depend on the charging structure of your PRSA)
- starting, stopping or restarting contributions.

11. Complaints

What if I have a complaint about my PRSA?

Depending on the type of complaint you have, a number of authorities can help. You can contact the PRSA provider, the Pensions Authority, the Office of the Pensions Ombudsman, the Financial Services Ombudsman's Bureau, or the Central Bank of Ireland (see Appendix 2 for contact details).

How do I know who to contact?

PRSA provider

If you have a complaint about the management of your PRSA, you should initially contact the PRSA provider and try to resolve it directly.

The Pensions Authority

If you are unable to resolve the issue with your PRSA provider, you should contact the Pensions Authority, which can assist you in resolving the complaint.

The Pensions Ombudsman

The Pensions Ombudsman can investigate and determine:

- a complaint made by or on behalf of an 'actual or potential beneficiary' of a PRSA who alleges that he/she has made a financial loss because of action taken by or on behalf of 'a person responsible for the management of a PRSA'
- any dispute of fact or law that arises concerning action taken by or on behalf of a person responsible for the management of a PRSA.

Financial Services Ombudsman's Bureau

If you have followed the internal complaints procedure of your financial services provider and you are still not satisfied, the Financial Services Ombudsman may be able to help you.

Central Bank of Ireland

The Central Bank of Ireland is responsible for the regulation of all financial services firms in Ireland. The Central Bank's role is to protect consumers, to help people make efficient and effective use of complaint procedures, and to assist and inform consumers where necessary.

If you are unsure of where to go, any of the above organisations will point you in the right direction.

12. Quick tips on PRSAs

- By law, your PRSA provider must give you detailed information in relation to your PRSA. If there is something about which you are unsure, contact your PRSA provider and ask them to clarify.
- Take the time to carefully read the information you are given. Don't be afraid to ask your PRSA provider to explain the material you have been given if you don't understand it.
- When choosing your PRSA provider, shop around for rewards or bonuses for making contributions or retiring on the date initially specified in your contract.
- Be wary of mis-selling. If you are getting a PRSA through a broker, intermediary or other salesperson, ensure they offer a Standard as well as a non-Standard PRSA. If they propose a non-Standard PRSA, make sure they give you clear reasons, as there is no cap on charges with non-Standard PRSAs. Seek independent financial advice if you are getting your PRSA directly rather than through an employer.
- If you are opting for a non-Standard PRSA, ask your PRSA provider for a list of the cost differences between their non-Standard and Standard PRSA products. Read and sign the Central Bank of Ireland's non-Standard PRSA declaration before buying a non-Standard PRSA, and keep a copy of it.
- Be wary of promises of better returns on non-Standard PRSAs. Past performance is never a guarantee of future returns and it is difficult, if not impossible, to predict how well an individual investment fund will perform.

- Be wary of substitution selling. If you are in long-term employment and already in an *occupational pension scheme*, you may not need a PRSA unless your employer is winding up the scheme or you are changing employment. PRSAs are aimed primarily at people who have not made any pension provision.
- *Occupational pension schemes* may offer more benefits than PRSAs as your employer usually contributes to your scheme. Your employer can contribute to your PRSA but is not obliged to do so.
- You are free to stop your contributions at any time without being charged or penalised for doing so. If you do not pay contributions for two years or more and the value of your PRSA fund is €650 or less, your PRSA provider can terminate your PRSA and give you a refund of the value of your account. Your PRSA provider must give you three months' written notice before closing your PRSA.
- Take note of the types of services for which you cannot be charged. If you find you are being incorrectly charged, contact your PRSA provider. If the outcome is unsatisfactory, contact the Pensions Authority, the Pensions Ombudsman, the Financial Services Ombudsman's Bureau or the Central Bank of Ireland, whichever is appropriate.
- For detailed information on tax relief and PRSAs, you should contact the Revenue Commissioners.
- Keep all your PRSA documents safely and let a solicitor, friend or relative know where they are.

13. Examples

Philomena, aged 28, freelance

Philomena McGovern, aged 28, is a freelance journalist who earns €40,000 a year. Due to the nature of her job, she is not in pensionable employment and has not made any pension provision.

Philomena decides to apply for a Standard PRSA. She initially pays 15% of her salary (€6,000 for the first year) into her PRSA, which means she can avail of full tax relief for her age. Her contributions work out at €500 a month for the first year. She also chooses the indexation option so that her contributions automatically increase by 5% each year. By doing so, she hopes that inflation will not decrease the real value of her pension contributions.

Philomena does not always have a steady income but, with her PRSA, she can stop, restart and change her contributions at any time. If she decides to stop freelancing and work with a company, she can transfer her PRSA into that company's *occupational pension scheme* (if it has one). If the company does not provide a pension scheme, she can continue to contribute as normal to her PRSA.

Stephen, aged 45, self-employed

Stephen Smith, aged 45, is a self-employed IT consultant who earns €110,000 a year. Stephen would like to start a pension that allows him to invest in high-risk funds.

He opts for a non-Standard PRSA as this offers him a greater choice of funds. He does not choose the *default investment strategy*. Instead, he gets independent financial advice and chooses the funds in which he would like to invest.

Before getting the non-Standard PRSA, Stephen asks his PRSA provider for a list of cost differences between it and the Standard PRSA product. He also reads and signs the non-Standard PRSA declaration.

Although Stephen can only get tax relief on 25% of his earnings because of his age, he contributes 30% of his earnings to his PRSA as he has not previously had a pension and wants to make up for lost time.

He invests his contributions in a number of high-risk funds, but intends to change to low-risk funds about five years before he retires. He hopes that, by doing so, his PRSA funds will enjoy the growth that higher-risk funds have the potential to deliver, but he has the comfort of knowing his funds will be more secure in lower-risk funds as he nears retirement.

Aisling, aged 30, casual worker

Aisling O'Toole, aged 30, is a casual chef who earns about €16,000 a year. Aisling decides to take out a Standard PRSA. As she has never invested in the stock markets, she has no investment expertise so she chooses the *default investment strategy*.

She pays €100 a month into her PRSA and chooses the indexation option. Her PRSA provider estimates that, after 35 years, this will give Aisling a retirement income of about €263 a month (in today's prices) from the age of 65. Aisling intends to increase her contributions further from the age of 35.

Glossary of terms

Additional voluntary contributions (AVCs): Additional contributions paid by a member of an occupational pension scheme in order to secure benefits over and above those set out in the rules of the Scheme. Where an occupational pension scheme does not provide access to an AVC facility, a standard PRSA must be offered for this purpose.

Annuity: A guaranteed retirement income for life paid at stated intervals until a particular event (usually the death of the person receiving the annuity). Annuities are normally purchased from a life assurance company at retirement in return for a lump-sum payment (from your pension fund).

Approved retirement fund (ARF): An ARF is an investment contract which allows a PRSA holder to continue to invest their pension fund money after they retire. Certain qualifying conditions must be met to be eligible to take out an ARF. Money is invested with a qualified fund manager and may be invested in any manner you wish and will accumulate tax-free. Income tax is payable on any withdrawals from the fund. A minimum withdrawal is assumed for tax purposes even if no withdrawal is made.

Default investment strategy: An automatic investment strategy required by law to be applied under a PRSA contract unless the contributor indicates otherwise. The default investment strategy for each individual PRSA product is based on general good investment practice in saving for retirement and approved by the PRSA actuary. Although it is not a risk-free investment, it is designed to reduce the level of risk of the investments.

Net relevant earnings: These are broadly defined as earnings from a trade or professional employment, less certain allowable expenses.

Occupational pension scheme: A pension scheme set up by an employer to provide retirement and/or other benefits for employees. It is sometimes called a 'company pension scheme'.

Pension adjustment order: An order made following a decree of judicial separation or divorce whereby the court adjusts a members pension rights in favour of his/her spouse or a dependent child.

Pooled funds: Also known as managed funds, these are collective investment schemes in which investors money is pooled to buy a portfolio of assets, including government bonds, deposits, property and stocks.

PRSI: A shortened name for Pay-Related Social Insurance, whereby workers earning an income pay contributions to the Social Insurance Fund. In return, they are covered for certain benefits, such as a State pension.

Retirement Annuity Contract (RAC): An individual pension policy which can only be effected by individuals who are in non pensionable employment or who have taxable earnings from a self-employed trade or profession. Also known as personal pension plans.

Temporary cash holdings: Short-term deposits that provide a secure income.

Appendix 1 – PRSA documents

Application form

To apply for a PRSA, request an application form from your chosen PRSA provider. Complete, sign and return it, remembering to provide proof of age and your Personal Public Service Number (PPSN) with your application form.

Contract

The contract outlines the terms and conditions of your PRSA. You can request a PRSA contract from a PRSA provider. You should read it before applying for a PRSA with that PRSA provider. You may need this document when applying for benefits.

Cooling off notice

If within 30 days you want to cancel your PRSA, you must sign a cancellation notice and return it with your original PRSA certificate. The cancellation notice is usually enclosed with the Statement of Reasonable Projection.

Preliminary disclosure certificate

The preliminary disclosure certificate outlines the sample benefits that can reasonably be expected from a PRSA, based on a number of assumptions. It outlines the PRSA's investment strategy, charges, tax relief arrangements, cooling-off period, risk factors and expected benefits. You should receive this before you apply for a PRSA as it may form part of the contract.

Statement of Reasonable Projection

The statement of reasonable projection outlines the projected benefits at retirement that you can reasonably expect from your PRSA, based on certain assumptions. You should receive it within seven days after you sign a PRSA contract and once a year after this. You may also receive a statement on request.

PRSA certificate

This certificate outlines the contributions you have agreed to pay and the contribution method you will use. You will receive it after you open your PRSA.

If you are self-employed, you will need this certificate to avail of tax relief. If you are an employee and your contributions are to be deducted from your pay, you should give this certificate to your employer and keep a copy for yourself. All PRSA contributors will need this certificate to get their benefits.

Investment report

This report outlines the investment performance of the funds in which your PRSA is invested. You should receive an investment report every six months.

Statement of account

This statement outlines the contributions paid into your PRSA by you (and your employer, where applicable) and the transfer value of your PRSA at the date of the statement. You should receive a statement of account every six months. This document may be required by your local Inspector of Taxes.

Certificate of comparison

You need a certificate of comparison if you are a member of an *occupational pension scheme* and are transferring your benefits into a PRSA. This certificate compares the possible benefits of your *occupational pension scheme* with the possible benefits from the PRSA. You should get this certificate before transferring from an *occupational pension scheme* to a PRSA. You should also receive a written statement outlining the reasons why such a transfer is in your best interests. There may be a charge for providing this certificate.

Disclosure declaration

If your new *PRSA* will replace an existing *PRSA* contract or a *Retirement Annuity Contract*, you must be given a declaration before the initial statement of reasonable projection is issued. The declaration gives additional information, including the financial consequences of taking out the new *PRSA*.

Non-Standard *PRSA* declaration

You should read this document before you buy a non-Standard *PRSA*. Your *PRSA* provider should give it to you, but it is also available directly from the Central Bank of Ireland (www.centralbank.ie). You must sign this declaration if you choose to invest in a non-Standard *PRSA*. You should also keep a copy of it.

Appendix 2 – Useful addresses

The Pensions Authority

Verschoyle House
28/30 Lower Mount Street
Dublin 2
Tel: (01) 613 1900
Locall: 1890 65 65 65
Fax: (01) 631 8602
Email: info@pensionsauthority.ie
Web: www.pensionsauthority.ie

Office of the Pensions

Ombudsman

36 Upper Mount Street
Dublin 2
Tel: (01) 647 1650
Fax: (01) 676 9577
Email:
info@pensionsombudsman.ie
Web: www.pensionsombudsman.ie

Department of Social Protection

Social Welfare Services
College Road
Sligo
Tel: (071) 915 7100
Locall: 1890 500 000
Web: www.welfare.ie

Financial Services Ombudsman

3rd Floor, Lincoln House
Lincoln Place
Dublin 2
Tel: (01) 662 0899
Locall: 1890 88 20 90
Fax: (01) 662 0890
Email:
enquiries@financialombudsman.ie
Web: www.financialsombudsman.ie

Central Bank of Ireland

PO Box 559
College Green
Dublin 2
Tel: (01) 224 6000
Locall: 1890 777 777
Fax: (01) 671 6561
Email: enquiries@centralbank.ie
Web: www.centralbank.ie

Office of the Revenue

Commissioners

Financial Services Pensions District
Ballaugh House
73-79 Lower Mount Street
Dublin 2
Tel: (01) 613 1800
(ask for Pensions Unit)
Fax: (01) 647 4212
Email: lcdretirebens@revenue.ie
Web: www.revenue.ie





An tÚdarás Pinsean
The Pensions Authority

www.pensionsauthority.ie