What are my pension options?

A guide on pension provision and the types of pension plans you can use to save for your retirement

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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.

Contents

1. Introduction

Why do I need a pension?

Saving for retirement is important. People are living longer and leading more active lives in retirement. As a result it is more important than ever for you to think about where your income will come from when you retire.

> **What does that mean?**
>
> Don't be confused by pensions jargon. See the Glossary for definitions of terms in italics.

Will the State not provide for my retirement?

Your State pension will provide you with a basic level of retirement income, provided you qualify. The full single person's State pension is currently (2012) €230.30 per week, or approximately €12,000 per annum.

When planning for retirement you will need to decide whether this is enough to live on in retirement, and if not, where your additional income will come from. Most people's pensions come from one or more of the following sources:

- State pension
- an *occupational pension scheme*
- a *personal pension plan* in the form of a *Personal Retirement Savings Account* or *Retirement Annuity Contract*.

This booklet sets out an overview of the various pension arrangements that are available in Ireland and are additional to the State pension. It also sets out in general terms what pension options might suit particular circumstances and requirements.

It is important for you to take control of your retirement planning and make decisions regarding your pension. It is often not appreciated that membership of a pension scheme can be an extremely valuable asset. For example, if you were to buy a pension from an insurance company at retirement of €10,000 per annum, you could need a pension fund of €200,000 or more. So if your employer sponsors a pension scheme, it may be very worthwhile to become a member. And the sooner you start saving for your retirement the better.

What options do I have?

The three options that you may be able to use to save for retirement and which are covered in this booklet are:

- *Occupational pension schemes*
- *Personal Retirement Savings Accounts (PRSAs)*
- *Retirement Annuity Contracts (RACs)*

What are *occupational pension schemes*?

Also known as company pension plans, these are set up by employers and can provide a tax free lump sum within certain limits, and pension income in retirement. These benefits will be based either on your final or career earnings or on the value of your retirement fund. The advantage of these schemes is that your employer helps pay towards the cost of the benefits. You should check and see if your employer has such a scheme and whether you are eligible to join.

What are *Personal Retirement Savings Accounts (PRSAs)* and *Retirement Annuity Contracts (RACs)*?

These are *personal pension plans*, normally paid for by personal contributions although employers can pay contributions to these plans. These can be obtained from financial services companies such as insurance companies and banks, and through *financial advisers*. These plans also provide a tax-free lump sum, within certain limits, and a pension or other benefits at retirement.

What should I consider?

Both occupational and *personal pension plans* can provide benefits on death before retirement and death in retirement.

Pension benefits are also portable and need not be “frozen” when your employment status changes.

All three types of plans are generally tax approved by the Revenue Commissioners. The advantages of approval are:

- you will receive tax relief on your own contributions
- you are not taxable on your employer’s contributions if any (effectively this is tax-free pay), although for *RACs* and *PRSAs* you may be liable for the Universal Social Charge on any contributions your employer pays
- your investments roll up tax-free
- the lump sum you can take at retirement is also tax-free up to certain limits.

The Revenue Commissioners place limits on the relief available on contributions and on benefits. These limits are, however, more than enough for most people to enjoy a reasonable level of pension. Taking your own circumstances into account, the key decisions you need to make are:

- What type of pension plan can I use?
- What type of pension plan would be most suitable?
- How much should I save?

This guide sets out details of the types of pension plans available and who can use them.

If you are an employee and you do not have access to an *occupational pension scheme*, or if you wish to enhance your benefits, then the earlier you start to save for your retirement the better.

You should note that if your employer does not provide access to an employer sponsored pension arrangement within six months of joining service, then you must be provided with access to a *PRSA* facility. That is, your employer must provide a payroll deduction facility to at least one chosen *PRSA* provider.

Ultimately you are responsible for your own retirement planning and it is up to you to sow the seeds today that will bear the fruits of a comfortable retirement in later years.

Set out at the back of this booklet, in a question and answer format, is a flow chart that aims to help you with this decision (see Appendix A). This is, by its nature, general in its approach. If you are not sure what to do in your own circumstances you should take advice from a *financial adviser*.

2. State pension

What State pensions are payable in retirement?

The State provides three types of pension:

- State Pension (Transition) which is payable to people who reach age 65 (before 1 January 2014) and who have retired and satisfied certain *PRSI* conditions

- State Pension (Contributory) which is payable at age 66 (age 67 from 2021, age 68 from 2028) to people who have satisfied certain *PRSI* conditions

- State Pension (Non-Contributory). This is a means tested pension for those who do not qualify for the State Pension (Contributory) based on their *PRSI* contribution record. To satisfy the means test, your income, as assessed in accordance with certain rules, must be below a certain level.

The State pensions are intended to ensure that people receive a basic standard of living in retirement. For example the full State Pension (Contributory) currently (2012) is €230.30 per week or approximately €12,000 per annum. Some people do not receive a full State pension because they have not been credited with enough *PRSI* contribution payments. In these cases lower levels of State pension may be paid.

In addition to your pension from the State, there may also be a Qualified Adult's allowance and/or a Qualified Child's allowance payable, if the conditions for their payment are met. The State also pays Widow's or Widower's pension, again subject to certain conditions being met.

If you want to find out more about State pensions you should obtain a copy of a booklet issued by the Department of Social Protection called "A Guide to Social Welfare Services" ref SW4.

How do I become entitled to a State pension?

You will be entitled to a contributory State pension if you pay sufficient *PRSI* contributions at the appropriate rate while in paid employment. Credits received by you while in receipt of certain social welfare payments or allowances can also help you to qualify for social welfare payments. If you do not qualify for a contributory State pension and your income is below a certain level, you may be entitled to a non-contributory State pension.

What *PRSI* contributions do I have to pay and to what Social Welfare Benefits am I entitled?

There are a variety of *PRSI* classes which determine the contribution payable by you and the benefits available to you. Most people pay class A *PRSI* contributions and may be entitled to all the main social welfare benefits, including State pensions.

Generally, if you commenced work in the public service after 6th April 1995, then you will also pay class A *PRSI*. If you commenced work in the public service prior to 6th April 1995, and you are a permanent and pensionable employee (in an established capacity in the Civil Service or an equivalent position in the Public Service), then you will pay a modified rate of *PRSI* and may be entitled to only some of the main social insurance benefits.

If you are self-employed, then you may be liable to pay *PRSI* at Class S for the self-employed. This also qualifies for pensions. More information on *PRSI* for the self-employed is contained in the booklet SW 74 available from the Department of Social Protection.

What happens if I am not paying *PRSI* contributions?

During any period in which you are not in paid employment or in self-employment, you will not be paying *PRSI* contributions and so your benefit entitlements may be reduced. In certain circumstances, however, you may receive *PRSI* credits. These credits ensure that your social insurance contribution record remains unbroken and may help you to qualify for State pensions.

Are there other State benefits?

In addition to State pensions, there are a number of additional benefits payable to retired people. These include free travel, and a household package for people aged over 70 that includes help with electricity, gas, TV licence and telephone costs. There are a number of conditions that need to be met in order to receive these benefits and you will need to check these conditions at the time you retire.

3. *Occupational pension schemes*

Who provides *occupational pension schemes*?

Occupational pension schemes, or company pensions as they are sometimes known, are set up by employers to provide retirement and death benefits for their employees. There is no legal obligation on an employer to set up an *occupational pension scheme*. These schemes are normally set up either under trust or on a statutory basis. Statutory plans are set up by legislation and provide benefits for employees in the public sector or semi-state bodies.

If you work in the public service, you may receive a pension from the State under the relevant *occupational pension scheme* when you retire.

What are the main types of *occupational pension scheme*?

There are two main types of *occupational pension scheme*:

- *Defined benefit schemes* provide a set level of pension at retirement, the amount of which normally depends on your service and your earnings at retirement or during your career.

A significant number of *defined benefit schemes* make an allowance for the State pension when providing a pension from the scheme. This is known as integration in the private sector and coordination in the public sector. Typically this is achieved by using an offset from salary in respect of the State pension. Many plans that aim to provide 2/3rds of a member's basic salary after 40 years' pensionable service calculate the pension entitlement on the member's basic salary less 1½ times the State pension. See the Pensions Authority's information booklet "How does my pension scheme work?", which is available to download at www.pensionsauthority.ie.

- *Defined Contribution schemes*, where your own contributions and your employer's contributions are both invested and the proceeds used to buy a pension or other benefits at retirement. The level of your pension will depend on the amount invested, the return on your investments and the cost of your pension at retirement.

How do I join an *occupational pension scheme*?

If you haven't been provided with any information, you should ask your employer if there is an *occupational pension scheme*, what sort of scheme it is, and whether you can join.

Each *occupational pension scheme* has eligibility rules. These rules set out who can join the scheme, when they can join and the benefits available to them. Some employers make it a condition of employment that employees must join the scheme when eligible.

Many *occupational pension schemes* automatically include employees for a lump sum death-in-service benefit immediately on joining employment (even if the employee cannot join the scheme for pension benefits or can only join for pension benefits at a later date).

What contributions am I required to pay to an *occupational pension scheme*?

Members are often asked to contribute towards the cost of an *occupational pension scheme*. Contributions tend to be set as a percentage of salary. If you join the scheme, you will be required to pay the level of contribution set out in the scheme's rules.

What contributions does my employer pay?

In a *defined contribution scheme*, the employer's contribution is set out in the scheme's rules. In a *defined benefit scheme* the employer normally pays contributions at the level needed to fund the benefits promised.

Can I make *additional voluntary contributions "AVCs"*?

AVCs are contributions that you can make in addition to your normal contributions to increase your retirement benefits. *AVCs* are only permitted if the rules of the particular scheme permit *AVCs* to be made. If the rules do not permit *AVCs* to be made then a Standard *PRSA* must be offered by your employer for the purpose of making *AVCs*.

Civil and public servants can make additional contributions to purchase additional years of service under their public sector scheme. For more information, see the Pensions Authority's booklet "Purchase of Notional Service (PNS) and *additional voluntary contributions* (*AVCs*)", available on www.pensionsauthority.ie.

How are my contributions invested?

If you are a member of a *defined contribution scheme* or you are making *AVCs*, you may be provided with a range of investment options. You should carefully review the information provided on any option offered before making any decisions. It is important that you periodically review any investment decision taken, especially in the years running up to retirement as you may wish to protect any investment gains made. See the Pensions Authority's information booklet "How does my pension scheme work?" for further information on what must be disclosed to you when investment options are offered.

In a *defined benefit scheme*, your normal contributions are invested alongside the employer's contributions in the main fund supporting the scheme.

When and how can I receive benefits?

Normal retirement

Occupational pension schemes provide benefits at the scheme's normal retirement age, which is generally between 60 and 70.

In the case of a *defined benefit scheme*, your pension will typically be based on your years with the employer or as a member of the scheme and your earnings at retirement or during your career. In the case of a *defined contribution scheme*, your benefits will depend on the amount invested, the return on your investments and the cost of your pension at retirement.

If you work in the private sector your options at retirement would normally consist of

- a pension, or
- a tax-free lump sum and a reduced pension.

If you work in the public sector, your scheme would normally provide a fixed level of pension and an additional tax-free lump sum.

Depending on the rules of any particular scheme, your pension may or may not increase in payment.

A *defined benefit scheme* member with *AVCs* may, if the rules of the scheme permit, use their *AVCs* to provide:

- all or part of the lump sum
- additional pension
- a payment to an *Approved Retirement Fund "ARF"* or an *Approved Minimum Retirement Fund "AMRF"* (see Section 6)
- a taxable lump sum (see Section 6).

A company Director who controls more than 5% of the voting rights in their company, and all members of *defined contribution schemes* may use the ARF, AMRF or taxable lump sum options as a vehicle for all retirement benefits arising from the scheme (see Section 6).

Early retirement

Most *occupational pension schemes* in the private sector permit members to retire early with the employer's and/or trustees' consent from age 50 onwards. Many schemes allow members to retire due to ill-health at any age.

In a *defined benefit scheme*, early retirement benefits are normally lower to allow for the additional cost of paying benefits early and for a longer period. In a *defined contribution scheme*, the fund available to provide your benefits would be lower on early retirement (as fewer contributions will have been paid and those paid would have been invested for a shorter period). In addition, the cost of buying your pension would be more expensive.

Death in service

Occupational pension schemes typically provide benefits should you die in employment. The precise form of these benefits will depend on the rules of any particular scheme. These benefits may, however, include one or all of the following:

- a lump sum, often a multiple of your salary
- a refund of your contributions, including any *AVCs*
- a spouse's or partner's pension
- a child's or orphan's pension, normally ceasing at age 18 (later if in full-time education) and maybe limited to a maximum of 2 or 3 children.

Death in retirement

It is not unusual for a *defined benefit scheme* to provide some form of benefit in the event of your death in retirement. The types of benefit provided on death in retirement include:

- a widow/widower/civil partner's or dependant's pension, usually expressed as a percentage of your pension or salary
- a guaranteed minimum payment period, typically 5 years. This ensures that your pension will be paid for a minimum period even if you die shortly after your retirement.

The actual benefit payable depends on the rules of each scheme.

In the case of a *defined contribution scheme*, the benefit available on death in retirement will depend on decisions you make at retirement in relation to the options available.

Ill-health

Your employer's pension plan may provide a benefit in the event that you are unable to work due to a serious illness. Alternatively your employer may provide some form of insurance to cover such an event.

If the above benefits are not provided by your *occupational pension scheme* or by your employer's insurance, you may wish to consider taking out some form of personal disability insurance to ensure an income is available in the event of your disablement,

Leaving the employer

Membership of an *occupational pension scheme* ceases when you leave that employment. If you have more than two years' *Qualifying Service*, which normally means two years in the scheme as a member for pension purposes, you will be able to

- leave your benefit in the scheme until you retire (known as a deferred or *preserved benefit*), or
- move or transfer the value of your pension benefits to another pension arrangement.

If you leave a *defined benefit scheme* your *preserved benefit* is not frozen, it increases each year until your retirement by 4% or the annual increase in the Consumer Prices Index (CPI) if less. In a *defined contribution scheme*, your *preserved benefit* continues to be invested and benefits from future investment returns.

You may be obliged, if you have less than 2 years' *Qualifying Service* when you leave service to take a refund of the value of your own contributions less tax at the basic rate. Some schemes may permit you to leave your contributions in the plan, even though they are not required to do so by law. *AVCs* are treated in the same way as main scheme benefits.

Portability

If you leave an *occupational pension scheme* with a *preserved benefit* you are entitled to move the value of your benefit to

- your new employer's pension plan
- a *PRSA* if you have less than 15 years' service in the *occupational pension scheme* and subject to its acceptance by the *PRSA* provider

- a buy-out bond, which is a life assurance policy designed to receive transfer values from *occupational pension schemes*, or
- an overseas pension plan in certain circumstances.

In a *defined contribution scheme*, the value paid will be the encashment value of the investments held in your individual fund less any expenses authorised by the scheme rules.

In a *defined benefit scheme* a value is placed on the benefit payable from the *occupational pension scheme* using a standard basis of calculations. This value can, however, be reduced if the *occupational pension scheme* from which it is being paid does not meet the minimum funding standard set out in the Pensions Act.

4. *Retirement Annuity Contracts*

A *Retirement Annuity Contract "RAC"* is the formal name for what is commonly called a personal pension. An *RAC* is a particular type of insurance contract approved by the Revenue Commissioners.

An *RAC* is a *defined contribution* pension plan. The value of the ultimate benefits payable from the contract depends on the level of contributions paid, the investment return achieved and the cost of buying the benefits.

Who can take out an *RAC*?

You can take out an *RAC* if you have, or have had at some stage, Relevant Earnings. Broadly, Relevant Earnings are earnings from:

- Non-pensionable employment, i.e. earnings from a job that are not being pensioned in an *occupational pension scheme*, or
- a self-employed trade or profession, i.e. assessable under Case I or Case II of Schedule D, for example, the income of doctors, solicitors, farmers.

It is important to note that:

- if you are included in an *occupational pension scheme* only for a lump sum death-in-service benefit you are deemed to be in non-pensionable employment and to have Relevant Earnings for the purposes of an *RAC*
- if you have more than one source of earnings you can contribute to an *RAC* in respect of any source of income that is not pensioned in an *occupational pension scheme*. For example, if you have a full-time job that is being pensioned by your employer and a part-time job you can take out an *RAC* in respect of your earnings from the part-time job

- you can contribute to more than one *RAC* in any one tax-year
- you can contribute to an *RAC* and a *PRSA* in any one tax-year
- individuals who do not have taxable earnings cannot take out an *RAC*, but may take out a *PRSA*.

Self-employed individuals who are members of an association or group representing the majority of members of a particular occupation may be able to join a group *"RAC"* plan set up under trust for that association or group. The same limits and restrictions apply as for individual contracts.

Who can contribute to an *RAC*?

Normally it is the individual who takes out the *RAC* who contributes to the policy. Often this is by direct debit to the insurance company concerned. Each insurance company sets a minimum contribution and you need to contribute at least that amount in order to take out an *RAC*.

How are my contributions invested?

When you take out an *RAC* you will have a range of investment options. You should review the information provided on these options carefully before making any decisions. It is important that you periodically review any investment decision taken, especially in the years running up to retirement as you may wish to protect any investment gains made.

When and how can I receive benefits?

Retirement

You can take a benefit from an *RAC* as follows:

- at any time after age 60 but before age 75
- at any time in the event of serious ill-health.

You do not need to retire in order to draw a benefit. In the case of retirement due to serious ill-health, you will be deemed to be permanently unable to work.

There are a relatively small number of professions where the Revenue will permit retirement before age 60, such as certain sports people.

On retirement you can choose to take up to 25% of your retirement fund as a tax-free lump sum, within certain limits. The balance of the fund can be used to purchase an *annuity* (a pension). This *annuity* must be payable for the individual's life and could also include:

- a guarantee period of up to 10 years
- dependants' pensions, subject in total to a maximum of the individual's pension
- pension increases.

For *RACs* taken out after 6 April 1999, or for earlier contracts where the insurance company agrees, there are now two options at retirement in addition to purchasing an *annuity*. These are:

- transferring the balance of the retirement fund after any tax-free lump sum has been taken to an *Approved Retirement Fund "ARF"* or an *Approved Minimum Retirement Fund "AMRF"* (see Section 6), or
- taking the balance of the retirement fund after any tax-free lump sum as a taxable lump sum (see Section 6).

Ill-health

It is possible in some circumstances to draw a benefit early from an *RAC* in the event of serious illness. The benefit payable is often greatly reduced as contributions have been paid for a shorter time and the cost of buying a pension at a younger age is much higher than the cost at normal retirement age.

You may wish to consider taking out some form of disability insurance to ensure an income is available in the event of disability, as the *RAC* may provide no benefit or a benefit that would be insufficient in this event.

Death before retirement

Should you die before you have taken a benefit from your *RAC*, then the value of your retirement fund is payable to your estate. If you die within a few years of your *RAC* commencing the fund payable may be relatively small, due to the limited time over which contributions have been paid.

To provide a higher death benefit you may wish to take out additional life assurance. This can form part of your *RAC*.

Portability

All *RACs* taken out after 6 April 1999, or earlier contracts where the insurance company agrees, can be transferred to another *RAC*. This transfer value can also be paid to a *PRSA*, by mutual agreement between you and the insurance company concerned.

5. *Personal Retirement Savings Accounts (PRSAs)*

A *PRSA* is a contract between an individual and an authorised *PRSA* provider. There are two types of *PRSA* contract:

- A Standard *PRSA* is a contract that has a maximum charge of 5% on the contributions paid and 1% per annum on the *PRSA* funds under management. Investments are only allowed in *pooled funds* which include unit trusts and life company unit funds, and
- a non-Standard *PRSA* is a contract that does not have maximum limits on charges and/or allows investments in funds other than *pooled funds*.

Charges may not be expressed as flat amounts and can only be charged as a percentage of contributions or fund value. Charges cannot be applied to transfers to or from *PRSAs*. This is very important as it ensures that charges are not excessive compared to the level of contributions.

See the Pensions Authority information booklet *"Personal Retirement Savings Accounts (PRSAs) - A consumer and employer's guide"* for further information.

Who can take out a *PRSA*?

Employees, the self-employed, homemakers, carers and the unemployed – in fact every adult under age 75 may take out a *PRSA*. The relevant legislation does not state a minimum age, however, in practice, this may be imposed by contract law. Importantly, unlike *RACs*, there is no requirement to have taxable earnings in order to pay contributions. The law that introduced *PRSAs* gives all "excluded employees" the right to contribute via payroll to a Standard *PRSA* set up by their employer. In summary excluded employees are:

- employees who are not offered membership of an *occupational pension scheme*, or

- employees who are included in an *occupational pension scheme* for death-in-service benefits only, or
- employees who are ineligible to join an *occupational pension scheme* and who will not, under the rules, become eligible to join the scheme for pension benefits within six months from the date they commenced employment, or
- employees who do not have access to *AVCs* through their *occupational pension scheme*.

Who can contribute to a *PRSA*?

Contributions may be paid to a *PRSA* by both an individual and by an employer; however, an employer does not have to contribute.

Where you have more than one source of income you may take out a *PRSA* in respect of a source of income from self-employment or non-pensionable employment while being a member of an *occupational pension scheme*. If you have only one source of income and are a member of an *occupational pension scheme*, you may pay *AVCs* either within the *occupational pension scheme* or to a *PRSA*.

How are my contributions invested?

When you take out a *PRSA* you will have a range of investment options. All *PRSAs* must have a *default investment strategy*. This is an investment option that is based on general good investment practice that invests in funds expected to meet a typical contributor's retirement savings expectations.

Like most investment options there is a level of risk associated with the investments. You should carefully review the information provided on these options before making any decisions. It is important that you periodically review any investment decision taken, especially in the years running up to retirement as you may wish to protect any investment gains made.

When and how can I receive benefits?

Retirement

You can normally take a benefit from a *PRSA* when aged between 60 and 75. In certain circumstances you can take your benefits before then such as:

- on retirement from employment at age 50 or over, or
- at any time in the event of serious ill-health.

In the case of retirement due to serious ill-health you must be deemed to be permanently unable to work.

On retirement, you can choose to take up to 25% of your fund as a tax-free lump sum from a *PRSA*, within certain limits. The balance of the fund can be used to:

- purchase an *annuity* (a pension). This *annuity* must be payable for your lifetime and can include, a guarantee period of up to 10 years, dependants' pensions (subject to a maximum of the individual's pension) and/or pension increases, or
- transfer to an *Approved Retirement Fund "ARF"* or an *Approved Minimum Retirement Fund "AMRF"*, (see Section 6), or
- pay a taxable lump sum, (see Section 6), or
- take benefits from the *PRSA* and continue to make further contributions.

If you are a member of an *occupational pension scheme* and make *additional voluntary contributions* to a *PRSA*, then your benefits will be subject to the rules of the plan and the Revenue limits applying to *occupational pension schemes*.

Ill-health

It is possible in some circumstances to draw a benefit from a *PRSA* in the event of serious illness. The benefit payable is often greatly reduced as contributions have been paid for a short time and the cost of buying a pension at a younger age is much higher than at normal retirement age.

You may wish to consider taking out some form of disability insurance to ensure that an income is available in the event of disability, as the *PRSA* may provide no benefit or a benefit which would be insufficient in this event.

Death before retirement

Should you die before you have taken a benefit from your *PRSA*, then the value of your retirement fund is payable to your estate.

If you die within a few years of taking out your *PRSA*, the fund payable may be relatively small due to the limited time over which contributions have been paid.

To provide a higher death benefit you may wish to take out additional life assurance. This cannot be included in your *PRSA* and must be under a separate contract.

Portability

The value of your *PRSA* can be transferred to:

- another *PRSA*
- an *occupational pension scheme*, or
- an overseas pension plan in certain circumstances.

Your *PRSA* provider cannot charge you for transferring the value of your fund.

6. Retirement benefit options

At retirement you will have a number of options available to you.

These may include

- taking a tax-free lump sum, subject to limits set by the Revenue
- receiving a pension (sometimes provided by an *annuity*)
- transferring some or all of your retirement savings to an *Approved Retirement Fund (ARF)* or *Approved Minimum Retirement Fund (AMRF)*
- taking a taxable lump sum.

All pension plans allow you to take a tax-free lump sum within certain limits. With an *RAC* or *PRSA* the maximum you can take is 25% of your fund. With an *occupational pension scheme* the maximum you can take at normal retirement age with 20 or more years' service is 1½ times your final earnings. Lower amounts are payable if you retire early or have less service or have retained benefits from a previous scheme.

The amount of your pension will, if you have an *RAC*, *PRSA* or are a member of a company *defined contribution scheme*, depend on the amount of your retirement fund left after you have taken any lump sum and the cost of buying your pension.

If you are in a company *defined benefit scheme*, then your pension will typically be based on your service and earnings but will usually be reduced by the pension equivalent of any lump sum received. If you are in a public sector plan you may receive a tax-free lump sum in addition to your pension.

The last two options referred to above are available if you

- have a *PRSA*
- have an *RAC* set up after 6 April 1999, or an earlier contract where the insurance company permits these options
- have *AVCs* in an *occupational pension scheme* and the rules of the plan permit these options
- are a member of a *defined contribution scheme* and the rules of the plan permit these options, or
- are a company director who controls more than 5% of the voting rights in your company.

In order to introduce an element of security in retirement, minimum retirement income requirements exist for those who choose to 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 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.

You can get more information from Revenue's leaflet Tax relief for investment in a pension and *approved retirement fund* options – IT14', which is available on www.revenue.ie.

You should consider taking advice when considering your retirement options, especially where you are considering investing in an ARF/AMRF. In practice with an ARF/AMRF you may be giving up a guaranteed income for your life and replacing it with an investment policy which, if you draw a regular income from it, could run out of money before your death.

7. Pension tax reliefs

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

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

Age	Contribution Limits *% of Net Relevant Earnings*
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.

Tax relief is given at your marginal (highest) 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.

You can get more information on tax rules from the Revenue Commissioners' website www.revenue.ie.

What about *additional voluntary contributions*?

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

How does this work?

When an employer deducts qualifying pension 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 pension contributions.

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

Yes, contributions paid by employers are fully deductible for corporation tax purposes.

How are employer contributions to a *personal pension plan* treated?

Contributions paid by employers to *Personal Retirement Savings Accounts* and *Retirement Annuity Contracts* are treated as a benefit-in-kind. Employees are entitled to income tax relief relief on these contributions subject to the overall limits on the relief outlined above, but there is no relief in respect of PRSI or the Universal Social Charge.

How are employer contributions to an *occupational pension scheme* treated?

Contributions paid by employers to occupational pension plans are not treated as a benefit-in-kind and can be paid in addition to the contribution limits outlined above, subject to maximum benefit limits.

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

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

Are pension investments taxed?

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

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

Is there a limit on the benefits payable from an *occupational pension scheme*?

All benefits paid from an *occupational pension scheme* are subject to maximum limits set by the Revenue Commissioners or by the relevant Statute. In summary, these limits are:

- a pension on retirement from service at normal retirement age of 2/3rds of your Final Remuneration, if you have completed 10 years' service, or
- a tax-free lump sum on retirement from service at normal retirement age of up to 1½ times your Final Remuneration, if you have completed 20 years' service and a reduced pension, and
- a dependant's pension up to 100% of your own pension.

These limits are inclusive of any benefits from a previous scheme. Final Remuneration is defined by the Revenue Commissioners. In most cases it is based on your final basic salary plus a 3 years average of fluctuating emoluments (e.g. bonus or overtime).

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.

Are pensions taxed in payment?

All pensions (annuities) are taxable as income under the PAYE system and are also subject to the Universal Social Charge.

What tax is payable on lump sums?

The first €200,000 of any lump sum payable is currently (2012) tax-free. Lump sums between €200,001 and €575,000 are taxed at 20%, with any balance over this amount taxed at marginal rate and subject to the Universal Social Charge.

8. Is my benefit adequate?

In order to plan for retirement you will need to consider where your income will come from in retirement. You will also need to decide what level of income you will need in retirement. It is important to note that many people have unrealistic expectations as to the level of pension they will receive in retirement.

Potentially your income could come from the State pension, your *occupational pension scheme*, if you are in such a plan, your *RACs* or *PRSA*s if you have them, and any other non-pension based sources of income you may have.

Where can I find out about my pension?

You can find out the likely level of pension you may receive from your *occupational pension scheme* by asking the trustees or administrator for a statement. See the Pensions Authority's information booklet "How does my pension scheme work?", available at www.pensionsauthority.ie, for further information on what must be disclosed to members of *occupational pension schemes*. Equally, you can ask your *RAC* provider for a statement. Your *PRSA* provider must provide you with such a statement.

With *defined contribution schemes*, you may ask for a statement showing the likely level of benefit you would receive at retirement from your contract. It is often useful in these circumstances to ask for pension amounts to be expressed as a percentage of your final salary, as this gives you a feel for what proportion of your income you will be replacing at retirement.

For example you may want to retire on 60% of your salary (say because you will have finished paying your mortgage). If your current pension plan when taken with the State pension provides a total of 40% of your salary then you will need to plan how best to provide the other 20% of your income in retirement. You may, depending on your circumstances, be able to increase your normal contributions or *AVCs* to your existing pension plan or take out a new *PRSA* or *RAC*.

Defined benefit schemes

A *defined benefit scheme* provides a fixed level of pension, typically linked to a member's salary at retirement. If you are a member of such a scheme then you should be able to get a firm idea as to the level of pension you will receive from that scheme at retirement.

Defined contribution schemes

The benefits from a *defined contribution scheme* depend on the level of your fund and the cost of buying your pension at the time you retire. The level of your fund at retirement will in turn depend on the level of contributions paid in and the investment return achieved on your retirement savings.

In projecting the future value of your fund at retirement your pension plan administrator will have to make a number of economic assumptions regarding future investment returns, interest rates etc. It is important to note that any figures provided regarding your future benefit levels are only projections and you will only know the level of your retirement benefits shortly before you actually retire.

Can I use an online pensions calculator?

The online pensions calculator available at www.pensionsauthority.ie allows you to estimate the amount of money you would need to contribute to your pension in relation to your age and current yearly salary to end up with the level of pension you expect in retirement.

The online pensions calculator only gives a sample indication of the funding contributions for your pension. This calculator does not take into account any contributions an employer might make to your pension. For a full and accurate assessment of your personal finances and any tax relief you may be entitled to on your pension contributions, always consult with a professional *financial adviser*.

Take Action – visit the online pensions calculator at www.pensionsauthority.ie

Tax Relief: Do you know that contributions paid to a pension scheme will benefit from income tax relief at your highest rate of tax?

Tax Relief Example: If you contribute €100 per week to your pension and you pay tax at the higher rate (i.e. 41%), the net cost to you works out at €59 per week. Contributions may also be relieved from *PRSI*.

The next step is to talk to your employer, trade union, bank, insurance company, building society or *financial adviser* about starting your pension today.

See below for sample output from the online pensions calculator.

Your Details

Gender		  ○ Male ◉ Female
Current age		40
Current Annual Salary	€	40000
* Current Fund Value	€	25000
Intended retirement age		68
Allow for 50% spouse's pension on death?		◉ Yes ○ No
** Target Pension as % of Pre-Retirement Salary		50 %

CALCULATE

How your Pension is Made Up	
Estimate Private Pension	€8,024
Estimate State Pension	€11,976
Estimate Total Pension	€20,000

Note: *Your pension estimate is based in todays money terms. The calculations assume your private pension will start at age 68, and that you are eligible to receive the full contributory state social welfare pension from age 68.*

The Age You Start Your Contributions	Age 40	Age 45	Age 50	Age 55
Yearly as % of Salary:	9%	11%	15%	23%
Yearly contributions:	€3,600	€4,400	€6,000	€9,200
Gross per Month:	€300	€367	€500	€767
Less Tax Reliefs	(€123)	(€150)	(€205)	(€279)
Net Contributions Per Month:	€177	€216	€295	€487

The various assumptions underlying these projections are available on www.pensionsauthority.ie.

9. Equal pension treatment

Originally the Pensions Act applied only to equal treatment for men and women and prohibited discrimination in *occupational pension schemes* only on the grounds of gender. However, the Act has been amended to expand the grounds on which discrimination in an *occupational pension scheme* is prohibited in accordance with the principle of equal pension treatment.

On what grounds could a scheme be found to be discriminatory?

Discriminatory grounds are:

- gender
- marital status
- family status
- sexual orientation
- religious belief
- age
- disability
- race
- membership of the traveller community.

An allegation of breach of the principle of equal pension treatment must be based on one of the nine discriminatory grounds.

What are equal pension treatment requirements?

The principle of equal pension treatment is that there should be no discrimination on any of the discriminatory grounds in respect of any rule of a scheme. It applies in relation to rules governing such matters as:

- access to the scheme
- contribution arrangements
- entitlements to and calculation of benefits
- retirement ages
- survivors' benefits

However, it does not constitute a breach of equal pension treatment on the ground of age to fix ages for admission to the scheme or for entitlement to benefits under the scheme, including fixing different ages for employees or groups of categories of employees, provided that this does not result in discrimination on the gender ground.

How do I make a complaint on grounds of equal pension treatment?

You may seek redress by referring your complaint to the Director of the Equality Tribunal. See Appendix C for contact details.

Further details are set out in the booklet – "A Brief Guide to Equal Pension Treatment" available from the Pensions Authority at www.pensionsauthority.ie.

10. Part-time and fixed-term workers and pensions

Part time workers

The Protection of Employees (Part-Time Work) Act 2001 requires that part-time employees be treated no less favourably than their comparable full-time counterparts. This will mean that if an employer provides a pension scheme for its full-time workers, then access to the scheme must also be possible for comparable part-time workers, unless exclusion can be justified on objective grounds. An exception to this occurs if a part-time employee works less than 20% of the normal hours of the comparable employee. However, your employer's pension scheme may override this exception and treat all part-time employees in the same way as permanent employees

Fixed term workers

The purpose of the Protection of Employees (Fixed-Term Work) Act 2003 is to ensure that there is no discrimination between fixed-term workers and comparable permanent employees in respect of their conditions of employment. Conditions of employment include any pension benefits. A fixed-term worker must be granted the same access to an *occupational pension scheme* as a comparable permanent employee.

11. Maternity, adoptive, parental, carer's leave and re-entering the workforce

Maternity Leave

Under the Maternity Protection Acts, you may be entitled to statutory minimum maternity leave of 26 weeks. This section details your minimum entitlements with regard to pension benefits if you are a member of an *occupational pension scheme*.

Your membership of the pension scheme must continue while on statutory maternity leave. In other words, if you are a member of a *defined benefit scheme*, you will continue to accrue pensionable service during the period of statutory maternity leave. If you are paid by your employer during maternity leave, you may be required to continue paying employee contributions to the scheme, if any. If you take additional maternity leave above the statutory minimum and are paid by your employer during this period, your membership of the pension scheme will also continue. If you take additional unpaid maternity leave, then whether or not you continue to accrue retirement benefit depends on the rules of your scheme.

If you have a *personal pension plan*, you may be able to continue contributions, provided your total contributions for the tax year are within the limits permitted by the Revenue Commissioners.

For further details of the Maternity Benefit Scheme, see information booklet SW11 which is available from the Department of Social Protection.

Adoptive Leave

Under the Adoptive Leave Acts 1995 and 2005, you may be entitled to 24 weeks' paid adoptive leave, or 16 weeks' unpaid adoptive leave if you are adopting a child. The entitlements with regard to pensions while on adoptive leave are similar to those while on maternity leave.

For further details of the Adoptive Benefit Scheme, see information booklet SW37 which is available from the Department of Social Protection.

Parental Leave

The Parental Leave (Amendment) Act 2006 may entitle an employee to 18 weeks unpaid leave to care for a child under the age of 8 years. You are not entitled to continue to accrue retirement benefit during a period of parental leave. However, your service before and after parental leave must be treated as continuous, i.e. you cannot be treated as having left the pension scheme.

Carer's Leave

The Carer's Leave Act, 2001, entitles an employee to avail of unpaid leave to provide full-time care and attention for a person who is in need of such care. Such leave may extend from a statutory minimum of 13 weeks to a maximum of 104 weeks. You must have completed at least 12 months' continuous service with your employer before commencing on carer's leave. The entitlements with regard to pensions while on carer's leave are similar to those while on parental leave.

What are the considerations if I re-enter the workforce in later years?

Many people who have given up work to raise a family re-enter the workforce in later years and join a pension scheme at that stage. Questions that arise in such cases are considered below.

There are two main considerations with regard to rejoining the workforce in later years. Firstly, your period of service up to retirement age will be relatively short. This shorter period during which you earn retirement benefits may result in benefits at retirement which are fairly low in relation to your earnings in the period prior to your retirement. Secondly, you may have been in pensionable employment earlier in your working life. If this is the case, you may have benefit entitlements from that period of service or you may be able to have a prior period of pensionable service reinstated.

With the introduction of *PRSA*s, you may now continue to save for your retirement while out of the paid workforce.

Can I join my employer's pension scheme if I recommence work after raising a family?

This will depend on the eligibility provisions of your employer's pension scheme. Some schemes have upper age limits for entry which may prevent you from rejoining the scheme. In this event, you should consider taking out a *personal pension plan* in order to make provision for your retirement. The position of part-time workers is discussed earlier.

What do I do with pension entitlements earned before I left work to raise a family?

If you have deferred pension entitlements in a previous employer's scheme, it may be possible to transfer these to your new employer's scheme, and this is discussed in the section on occupational pension provision earlier. If you are rejoining the same pension scheme, it may be possible for your previous service to count in calculation of your benefits on retirement, but this will depend on the rules of the particular scheme.

What if I took a refund of my contributions when I previously left service?

Taking a refund of contributions extinguishes your right to pension benefits from your previous period of service. If the refund was from the scheme which you have now rejoined, it may be possible for you to repay the refund of contributions and be credited with the previous service in the scheme, but this will depend on the rules of the scheme and will often require the consent of your employer. You may also be required to repay interest on the refund of contributions.

How can I increase my benefits from the pension scheme?

If you are rejoining the workforce at an older age, and do not have any benefits from previous service, your pension on retirement may be well below the maximum permitted by the Revenue Commissioners, and you will therefore be able to make *additional voluntary contributions* (*AVCs*) to the scheme to provide increased benefits. These are discussed in the section on *occupational pension schemes* earlier.

What is the position if I work in the public service?

If you worked previously in the public service, then you may be able to have that period of service reinstated for pension purposes. If you received either a refund of contributions or a marriage gratuity on leaving service, you will be required to repay these amounts together with interest if you wish to have your previous service reinstated.

12. Pensions on separation or divorce

The pension entitlements of you and your spouse arising from occupational or personal pension arrangements may be affected by separation or divorce.

The Family Law Act, 1995, sets out the treatment of pensions in cases of judicial separation, and the Family Law (Divorce) Act, 1996 makes similar provisions in relation to divorce proceedings. These requirements apply also to civil partners and cohabiting couples.

The Pensions Authority has produced a booklet "A brief guide to the pension provisions of the Family Law Acts" and for more detailed information you should refer to this guide and to the 'Pensions on Separation and Divorce checklist', both available on www.pensionsauthority.ie.

Set out below are some questions and answers regarding pension entitlements following separation or divorce.

You should bear in mind that you and your dependants may have benefit entitlements from both (a) your own arrangement, and (b) your spouse's arrangement.

What entitlements can the Family Law Acts confer on me?

The Family Law Acts require pension benefits to be taken into account in arriving at a financial settlement in the case of a judicial separation or divorce. Allowance can be made in one of two ways:

(i) by a *pension adjustment order*, or

(ii) by making orders in relation to some other assets, e.g. family home, savings, which the court considers provides a fair distribution of the total assets overall.

Do the Family Law Acts have any effect on the State pensions of either party?

No.

How do I get information on my spouse's pension scheme?

As a contingent beneficiary under your spouse's pension scheme, you are entitled to certain information under the provisions of the Pensions Act, and this may be obtained from the trustees or administrator of the scheme. In particular, you can obtain a copy of the scheme booklet, and the trust deed and rules, which will specify in detail the provisions of the scheme. You are not entitled to receive personal information on your spouse's pension benefits, although this will be provided to you if he or she consents. If consent is not forthcoming, you may apply to the court for a court order directing that the information be provided to you. Your solicitor will be able to advise you further on this.

Your spouse has similar rights in relation to information regarding your own pension entitlements.

What is a *Pension Adjustment Order (PAO)*?

A *pension adjustment order* is an order served on the trustees of the scheme and is binding on the trustees. It overrides any provisions in the trust deed and rules of the scheme. A PAO can be made with regard to either (a) retirement benefits, and/or (b) contingent benefits.

A PAO "designates" part of the benefits which will be paid from the scheme to a non-member spouse or person representing a dependent child. The part of the pension that is so designated is determined by the court. For example, if the court decided that 50% of the pension which had been earned by the spouse at the date of the decree should be designated to the non-member spouse, the trustees of the scheme would be required to pay this pension direct to the non-member spouse when the spouse's pension commences.

Retirement benefits refers to all benefits payable to the member of the pension scheme and includes retirement pensions, retirement lump sums or gratuities, benefits payable following the member's death in retirement and periodic increases on pensions in payment.

Contingent benefits refers to benefits that are payable under the rules of the pension scheme in the event of the death of the member during the period of employment to which the scheme relates. Benefits include lump sum benefits and pensions payable to dependants. A PAO with regard to contingent benefits would cease once the member spouse leaves the employment to which the scheme on which the order has been made relates. An application for an order in relation to contingent benefits must be made within 12 months of the granting of the decree of judicial separation or divorce.

Can I transfer my benefits out of my spouse's pension scheme?

Yes, you are entitled to request that a transfer payment equal to the value of the designated benefit be made to a separate approved pension arrangement in your own name. However you should take financial advice before doing so.

What happens if I remarry?

If you remarry before a PAO is granted, then an order cannot be granted. In other words, you would have no entitlements to benefits from your ex-spouse's pension scheme and vice-versa. Remarriage does not affect a PAO granted in respect of retirement benefits. However, a PAO granted in respect of contingent benefits ceases on the remarriage of the spouse in whose favour it was granted.

What happens if either my spouse or I have a personal pension or *PRSA* and we legally separate or divorce?

In this case the court may make a PAO with regard to the *personal pension plan* or *PRSA* held by either spouse. The order will be served on the insurance company which administers the personal pension or the *PRSA* provider as the case may be.

In what cases would the Family Law Acts not apply?

There are a number of cases where the provisions of the Family Law Acts do not apply as follows:

(i) for judicial separations granted before 1st August 1996.

(ii) for foreign divorces granted before 1st August 1996.

(iii) for Irish divorces granted before 27th February 1997.

(vi) for separations which are not judicial i.e. separation by agreement.

What are my rights if the Family Law Acts do not apply?

In situations where you are separated or divorced and the provisions of the Family Law Acts do not apply to you, then your benefit entitlements are as described below.

(a) My own retirement pension and my spouse's retirement pension.

Entitlement to benefit would depend on the rules of the particular scheme. Your spouse would not be entitled to any portion of your personal retirement benefit (and vice versa) unless an order of attachment applies in either case.

(b) Entitlement to spouses'/children's pensions in the event of death.

With regard to payment of spouses' pensions on the death of the member, this depends very much on the rules of the particular scheme. For example, the trustees may be required to pay a pension to the legal spouse of the member on his or her death, or the trustees might have discretion to pay the spouse's pension to someone other than the legal spouse. You should contact the trustees of the scheme to see precisely who is entitled to what benefit.

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 for the proceeds of any AVCs, or in the case of a 5% Director, *defined contribution scheme* member, RAC or PRSA holder other retirement benefits that are not taken in the form of a lump sum or pension on retirement. 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.

Approved Minimum Retirement Fund (AMRF): Approved minimum retirement funds are post retirement investment accounts which allow the member on retirement to re-invest their pension until he/she reaches 75 years in exchange for additional tax reliefs and potentially greater investment returns. They are similar to an ARF, except that the original investment may not be withdrawn until age 75. Only the investment income and gains may be withdrawn prior to that age.

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. Trustees of a *defined contribution scheme* may specify a particular strategy as a default if they are offering members a choice of alternative strategies.

Defined benefit scheme: Defined benefit schemes provide members with retirement and death benefits based on formulae set out in the rules of the scheme. Benefits are often based on a member's salary close to retirement and on his or her pensionable service. For this reason these schemes are sometimes known as "final salary" schemes.

Defined contribution scheme (also known as "money purchase" plan): Provides a pension based on the accumulated value of contributions paid to a pension scheme and the investment returns earned on those contributions.

Financial Adviser: A financial advisor is someone who is regulated by the Central Bank of Ireland to give advice to individual members of the public. Advisors can either be "tied" and only able to advise on products of the product producer or can be "independent" and able to advise on a range of providers and products. It is important when selecting an advisor that you understand how they are being paid for the advice that is being given and what impact any commission being paid will have on your pension or 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 (PAO): 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.

Personal pension plans: A policy taken out with an insurance company in order to provide benefits in retirement. These may be taken out by those who are self-employed or who are in non-pensionable employment. There are two forms of personal pension plans, a Retirement Annuity Contract (RAC) and a Personal Retirement Savings Account (PRSA).

Personal Retirement Savings Account (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. PRSAs are a type of defined contribution scheme. You make regular contributions to your pension, and a proportion of these are tax deductible.

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.

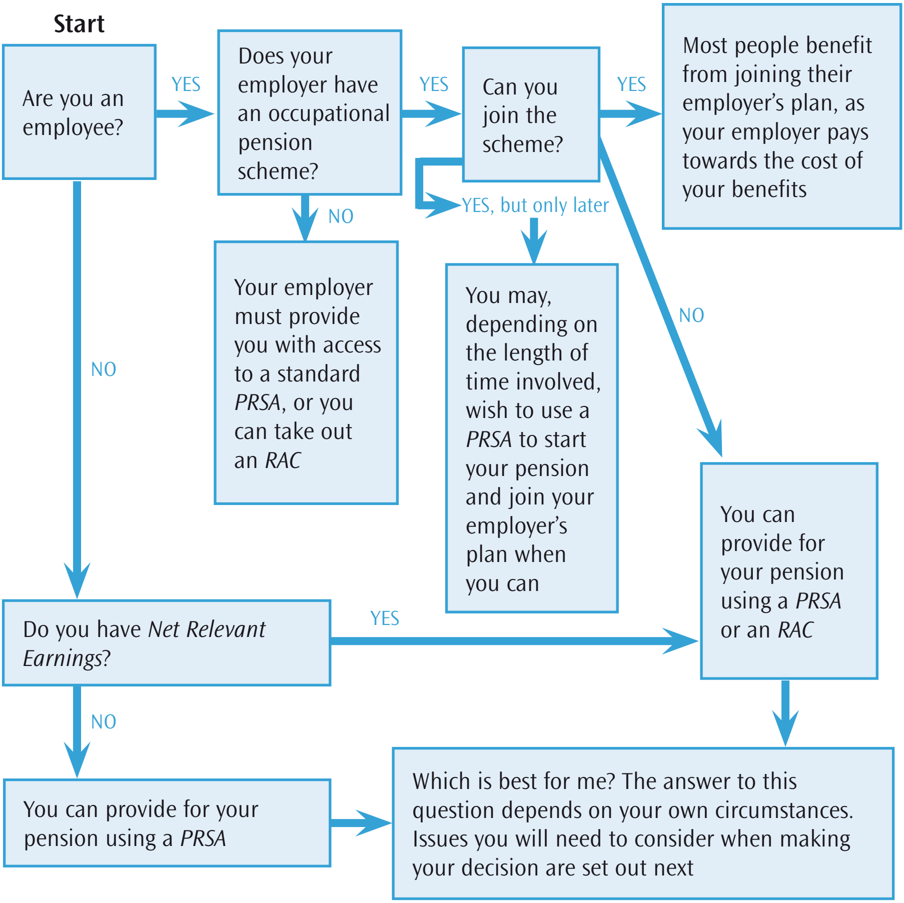
Preserved benefits: These are the retirement benefits that a scheme member retains when they have completed two years' qualifying service since 1 January 1991 and finished their employment after 1 June 2002 or completed at least five years' qualifying service (two since 1991) and finished their employment before 1 June 2002.

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.

Qualifying service: A term defined in the Pensions Act as the service which a pension scheme member must complete before becoming entitled to a preserved benefit on leaving service. Currently, it is two years service including any period in a previous scheme from which a transfer value was received.

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.

Appendix A – How do I choose which pension is best for me?



Planning considerations

- Standard *PRSAs* have fixed charges and may offer better value for money
- Standard *PRSAs* can only invest in *pooled funds* – these are likely to be more than adequate for most people
- Non-standard *PRSAs* and *RACs* offer the widest range of investment options, but may have higher charges
- The tax treatment of employer contributions to *PRSAs* is more straightforward than those to *RACs*

Appendix B – Complaints

What if I have a complaint about my pension?

Set out below is a summary of the action you can take should you have a complaint about your pension. Any action that you may take depends on whether your complaint is about the State pension, an *occupational pension scheme*, an *RAC*, a *PRSA* or an ARF/AMRF.

What if I have a complaint about my State pension?

Should you have a complaint or problem in respect of your State pension entitlement or any other social welfare entitlement there are a number of bodies you can contact. You can contact the Social Welfare Office dealing with your benefits, the Social Welfare Appeals Office or the Ombudsman's Office.

How do I know who to contact?

Social Welfare Office: You should initially contact the Social Welfare Office dealing with your benefits to try and resolve any complaint directly. The staff there will try and resolve your complaint. However, if you are still not satisfied with the response you can have your complaint referred to the Local Manager/Section Manager/Officer designated to handle complaints. Details of how to complain are set out in leaflet SW104.

Social Welfare Appeals Office "SWAO": If you disagree with the decision of your local Social Welfare Office regarding your claim, you should contact the section involved to have it reviewed. Subsequently if you are still unhappy with the outcome, you have a right of appeal to the SWAO. The SWAO operates independently of the Department of Social Protection and is headed by the Chief Appeals Officer. Details of the SWAO and the appeals process are set out in leaflet SW56.

The Ombudsman's Office: If you are not satisfied with the outcome of your complaint or the manner in which it was handled, you may bring the matter to the attention of the Ombudsman who will conduct an investigation. Before the Ombudsman can examine your complaint you must avail of any right of appeal open to you, for example the SWAO.

What if I have a complaint about my *occupational pension scheme*?

Should you have a complaint about your *occupational pension scheme* you can contact your employer, the administrator of the plan, the trustees of the plan, the Pensions Authority and the Office of The Pensions Ombusdman.

How do I know who to contact?

Your employer: Initially you should contact the person in your organisation that deals with the pension scheme. This may be a contact in your Personnel or Human Resources Department who can try and resolve your complaint on your behalf.

The administrator: You can contact the administrator of the *occupational pension scheme* directly. This may be an insurance company or a separate company that administers the plan on behalf of your employer and the trustees. You can find out who the administrator is by asking your employer or getting a copy of the Trustees' Annual Report from your employer (as the administrator will be listed in this report).

The Trustees: If you are unhappy with the response to your complaint, you can contact the trustees of your plan. Details of the trustees will be set out in the Trustees' Annual Report which you can request from your employer. You should note, however, that the trustees may refer your complaint back to the employer and/or administrator to resolve.

The Pensions Authority: If you fail to resolve your complaint with your employer or the administrator/trustees of the plan, you can contact the Pensions Authority. The Authority can act on behalf of pension plan members who are concerned about their plan; it can investigate alleged breaches of the Pensions Act; it has the power to prosecute for breaches of the Pensions Act and to take court action against trustees for the protection of members and their rights.

Office of the Pensions Ombudsman: You can also refer your case to the Pensions Ombudsman who investigates and decides complaints and disputes concerning *occupational pension schemes*. The Pensions Ombudsman is completely independent and acts as an impartial adjudicator.

The Pensions Ombudsman investigates complaints that allege financial loss as a result of maladministration by those responsible for the management of *occupational pension schemes*. The complaint may be against trustees, managers, employers, former employers and administrators. The Pensions Ombudsman also investigates disputes of fact or law with trustees or managers or employers concerning *occupational pension schemes*.

What if I have a complaint about my *retirement annuity contract*?

You can contact your *RAC* provider, the Financial Services Ombudsman's Bureau or the Central Bank of Ireland.

How do I know who to contact?

RAC Provider: If you have a complaint about the management of your *RAC* you should initially contact the *RAC* provider and try and resolve it directly between you.

Financial Services Ombudsman's Bureau: If you have followed the internal complaints procedure of your financial service provider and you are still not satisfied the Financial Services Ombudsman may investigate a complaint about the provision of a financial service, an offer to provide a financial service or failure to provide a particular financial service that has been requested.

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

What if I have a complaint about my *PRSA*?

Depending on the type of complaint you have there are a number of authorities available to 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.

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 and resolve it directly between you.

The Pensions Authority: As the Regulator of all approved *PRSA* products if you are unsuccessful or unable to resolve the issue with your *PRSA* provider you should contact the Pensions Authority who can assist you further in resolving the complaint.

Office of the Pensions Ombudsman: The Pensions Ombudsman has powers in relation to a *PRSA* to investigate and determine:

- A complaint made by or on behalf of an "actual or potential beneficiary" of a *PRSA* who alleges that he or she has sustained a financial loss occasioned by an act of maladministration done by or on behalf of "a person responsible for the management of a *PRSA*", and

- any dispute of fact or law that arises in relation to an act done by or on behalf of a person responsible for the management of a *PRSA* and that is referred to the Pensions Ombudsman by or on behalf of an actual or potential beneficiary.

Financial Services Ombudsman's Bureau: If you have followed the internal complaints procedure of your financial service provider and you are still not satisfied the Financial Services Ombudsman may investigate a complaint about the provision of a financial service, an offer to provide a financial service or a failure to provide a particular financial service that has been requested.

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

What if I have a complaint about my ARF/AMRF?

You can contact your ARF/AMRF provider, the Financial Services Ombudsman's Bureau or the Central Bank of Ireland.

How do I know who to contact?

ARF/AMRF Provider: If you have a complaint about the management of your ARF/AMRF you should initially contact the ARF/AMRF provider and try and resolve it directly between you.

Financial Services Ombudsman's Bureau: If you have followed the internal complaints procedure of your financial service provider and you are still not satisfied, the Financial Services Ombudsman may investigate a complaint about the provision of a financial service, an offer to provide a financial service or failure to provide a particular financial service that has been requested.

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

Appendix C – 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

Social Welfare Appeals Office
D'Olier House
D'Olier Street
Dublin 2
Locall: 1890 74 74 34
Fax: (01) 671 8391
Email: swappeals@welfare.ie
Web: www.socialwelfareappeals.ie

Office of the Ombudsman
18 Lower Leeson Street
Dublin 2
Tel: (01) 639 5600
Locall: 1890 223 030
Fax: 639 5674
Email:
ombudsman@ombudsman.gov.ie
Web: www.ombudsman.gov.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

The Equality Authority
2 Clonmel Street
Dublin 2.
Tel: (01) 417 3336
Locall: 1890 245 545
Email: info@equality.ie
Web: www.equality.ie

The Equality Tribunal
3 Clonmel Street
Dublin 2
Tel: (01) 477 4100
Locall: 1890 34 44 24
Fax: (01) 477 4141
Email: info@equalitytribunal.ie
Web: www.equalitytribunal.ie

Family Law Office
(District Court)
Dolphin House
East Essex Street
Dublin 2
Tel: (01) 888 6349
Fax: (01) 671 7903
Email: districtfamilylaw@courts.ie

Family Law Office
(Dublin Circuit Court)
Phoenix House
15/24 Phoenix Street North
Smithfield
Dublin 7
Tel: (01) 888 6806
Fax: (01) 888 6823

An tÚdarás Pinsean
The Pensions Authority

www.pensionsauthority.ie