



An tÚdarás Pinsean
The Pensions Authority

How does my pension scheme work?

A guide for members of occupational pension schemes

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1. Introduction

The Pensions Authority (the Authority) is the statutory body that supervises compliance with the requirements of the Pensions Act, 1990, as amended, by trustees of occupational pension schemes and trust RACs, PRSA providers, registered administrators and employers. The Authority also provides guidance and information to these stakeholders on their duties and responsibilities and advises the Minister for Social Protection on pension matters.

This guide gives an overview of **occupational pension schemes**, how they work and the information that must be given to scheme **members**.

In this guide you will see certain terms in bold print. These are words or expressions commonly used in relation to pensions or which have a specific definition under the Pensions Act, 1990, as amended (the Act). You will find an explanation of any of these terms in the glossary of terms at the end of this guide.

If you join an **occupational pension scheme**, you are entitled to information about your pension benefits, how the scheme is run and how the pension fund is performing. The **trustees** of the scheme must give you this information. Your employer must also give you certain information.

While **trustees** must give you this minimum information by law, the Authority encourages them to give members as much information as possible and to do so in a way that is easy to read and understand.

2. The importance of pensions

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.

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 year, you could need a retirement 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 planning for your retirement the better.

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 contributory pension is currently €248.30 per week, or just under €13,000 per year.

The State provides two types of pension:

- State Pension (Contributory), payable at age 66 to people who have satisfied certain **PRSI** conditions; and
- State Pension (Non-Contributory), payable at age 66, 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.

Further information about State pensions is available on the Department of Social Protection's website www.welfare.ie.

This guide mainly provides information relating to **occupational pension schemes**. For more information on State pensions, **personal pension plans** and **PRSAs** see the guides 'What are my pension options?' and 'PRSAs – A consumer and employers' guide to PRSAs' available [here](#).

3. Occupational pension schemes

What are occupational pension schemes?

Also known as ‘company pension plans’, these are set up by employers and can provide benefits including a tax-free lump sum (within certain limits), and pension income in retirement. These benefits will generally be based on:

- your final earnings (final salary **defined benefit schemes** – see section 4), or
- your average earnings throughout your career (career average **defined benefit schemes** – see section 4), or
- the value of your pension fund at retirement (**defined contribution schemes** – see section 5).

Apart from benefits on retirement, **pension schemes** can provide benefits to **dependants** on death in service or death after retirement.

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

Who can join an occupational pension scheme?

There is no legal obligation on an employer to set up an **occupational pension scheme**, but if they don’t, they need to provide you with access to some form of pension arrangement, i.e. a **Personal Retirement Savings Account (PRSA)**. For more information on **PRSAs** see ‘PRSAs – A consumer and employers’ guide to PRSAs’, available [here](#).

If you are not already a **member** of an **occupational pension scheme** you should check and see if your employer has such a scheme and whether you are eligible to join.

How do I know if I am being treated equally with regard to my pension?

The principle of equal pension treatment is that there should be no discrimination on any of the nine discriminatory grounds, such as gender, civil status or disability, in

respect of any rule of a **pension 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, and
- **dependants'** benefits.

Further details are set out in the guide 'A Brief Guide to Equal Pension Treatment' available [here](#).

What if I am a part-time or fixed-term worker?

The Protection of Employees (Part-Time Work) Act 2001 and the Protection of Employees (Fixed-Term Work) Act 2003 require that there is no discrimination between part-time and fixed-term employees and their comparable full-time counterparts. This will mean that if an employer provides a **pension scheme** for its full-time and/or permanent workers, then access to the scheme must also be possible for comparable part-time and fixed-term workers, unless exclusion can be justified on objective grounds. An exception to this is possible if a part-time employee works less than 20% of the normal hours of the comparable full-time employee.

Further details are set out in the guide 'What are my pension options?', which is available [here](#).

How is my pension scheme established?

Occupational pension 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.

A **trust** is a legal arrangement used to establish a **pension scheme** under which **trustees** hold the **assets** of the **pension scheme** in a **trust fund** for the benefit of the **members** of the scheme and their **dependants**, and for the purpose of providing income in retirement.

Who looks after my pension?

Your rights as a **member** of an **occupational pension scheme** are valuable and important to you and your **dependants**. Where your scheme is set up under **trust**, the scheme's **assets** are looked after by **trustees** on behalf of **members**, their **dependants** and other beneficiaries.

There are three types of scheme **members**:

- **active members** – those who are currently in service,
- **deferred members** – those who were **members** of the scheme but who have left service, and
- pensioners – those who are retired and in receipt of a pension.

Pension schemes may also have other beneficiaries, such as **dependants** of **members**, who are entitled to benefits or would become entitled to benefits, for example on the death of a **member**.

As your pension may not start for many years and may continue long after you retire, your scheme must be managed properly so it is able to pay your benefits when they are due. Under **trust** law and the Act **pension scheme trustees** must ensure that schemes are run properly, and they must protect your rights as a scheme **member**.

In most **pension schemes**, **trustees** do not actually carry out the day-to-day running of the scheme. They usually appoint a pensions consultant, an insurance broker or a life assurance company to look after the scheme. Sometimes, they appoint a person within the company to run the scheme.

Trustees must appoint a **registered administrator** to carry out certain functions relating to the scheme, in particular to prepare the **trustees'** annual report and annual benefit statements for **members**. **Registered administrators** are regulated by the Authority and a list of **registered administrators** can be found [here](#).

No matter who looks after the day-to-day running of the scheme, **trustees** are still responsible for making sure that **members** can get full information about the scheme and their own entitlements.

They are also responsible for 'whistle-blowing' to the Authority if they think something is seriously wrong.

Where do I get more information on being a trustee?

The Authority's 'Trustee Handbook' provides guidance for **trustees** on their duties and responsibilities and is available [here](#).

In some schemes, **members** can nominate representatives to act as member nominated trustees. For more information see the Authority's guide 'Selecting member trustees' available [here](#).

What are the main types of occupational pension scheme?

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

- **Defined benefit scheme** (also known as '**final salary scheme**') which provides members with retirement and death benefits based on formulae set out in the rules of the scheme. Benefits are often based on a members' salary close to retirement (or earlier leaving service) and on their completed pensionable service. For this reason, these schemes are sometimes known as 'final salary' schemes. However defined benefit schemes may also be 'career average' schemes in which the pension calculation is typically based on the member's average earnings while a member of the scheme.
- **Defined contribution scheme** (also known as '**money purchase plan**') which provides retirement benefits based on the accumulated value of contributions paid to a pension scheme by or on behalf of a member, including the investment returns earned on those contributions less any charges. As such, it is the contributions that are 'defined' or known, as opposed to the benefits that the member will receive at retirement.

A hybrid **pension scheme** is one which is neither a full **defined benefit scheme** nor a full **defined contribution scheme** but has some of the characteristics of each. There are many possible types of hybrid schemes, and section 6 describes a number of different schemes in more detail.

What information should I be receiving about my pension?

No matter what type of **pension scheme** is provided, by law **trustees** must provide certain information about the operation of the scheme.

There are different types of information that **trustees** must provide, including:

- legal documents,
- basic scheme information,
- individual **member** information,
- details of your pension investment choices, if any, and
- reports on the running of the scheme and its financial position.

Throughout this guide we will provide further details of the information that you are entitled to receive in particular circumstances.

Legal documents

Every **pension scheme** is governed by a set of legal documents. These include:

- a **trust** deed or equivalent document, which sets out how the scheme is governed;
- the rules of the scheme, which defines the terms and conditions of the scheme, including eligibility conditions, the benefits payable from the scheme, and the contributions payable; and
- amendments or supplements to the **trust** deed or the rules.

Trustees must always make these documents available to:

- **members**,
- employees likely to become **members**,
- spouses/civil partners,
- beneficiaries, and
- trade unions.



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Once you request these documents, you must be able to inspect them or receive a copy of them within four weeks. The **trustees** are only obliged to show you the parts of the documents that relate to your own benefit entitlements. The **trustees** may charge you a reasonable fee to receive a copy of the documents, but there can be no charge for inspecting them.

4. Defined benefit schemes

A **defined benefit (DB) scheme** fixes the benefit in advance – usually as a proportion of the **member's** earnings when they retire. For instance, a **DB scheme** might provide at retirement a pension of 1/80th of final earnings for each year an employee was in the scheme. If an employee retired after 40 years, that employee would receive a pension of 40/80ths (50%) of their final earnings before retirement. Such schemes are also known as 'final salary' **defined benefit schemes**.

In a **DB scheme**, it is not possible to know in advance how much the scheme is going to cost. The benefits are fixed, and the contributions must be adjusted from time to time to make sure that the correct amount is being accumulated to provide for them. It is usual in a **DB scheme** for the **member's** contribution rate to be fixed (for example as a set percentage of salary) and for the employer rate to increase or reduce as needed, though in some **DB schemes** both employer and employee contribution rates change from time to time.

However, it is important to know that **DB scheme** benefits are not guaranteed. If the scheme's **assets** are not sufficient to pay the benefits, and the employer is not able to meet the shortfall, promised benefits may have to be reduced.

Main features of a final salary DB scheme

The following are the main features of a **DB pension scheme**:

- Contribution rates paid by employers vary, depending on the outcomes of the regular **actuarial valuations**.
- **Members** can predict the benefits they will receive as a proportion of their earnings just before retirement.
- The level of benefit payable to **members** often takes into account the level of State pension paid to the **member** (this is known as 'integration' and is explained further in section 7).
- The higher the investment return achieved by the scheme, the lower the contribution rate will be. On the other hand, if investment returns are poor, contribution rates may have to be increased to provide the promised benefits.
- The cost of buying a pension at retirement affects the contribution rate.

- To give some protection to the security of the pension promise, the Act requires that each **DB scheme** check each year that it has accumulated enough assets to meet its **liabilities** accrued to date. This is called meeting the **funding standard**, and if a scheme fails to meet this standard, steps must be taken to remedy the position. Each **DB scheme** must also hold a risk reserve to allow for adverse future experience relating to the scheme's assets and/or liabilities.
- Final salary **defined benefit schemes** are generally better suited to those who stay until retirement as all their benefits are then linked to their final salary. Those who leave before retirement often receive much lower benefits.

Career average schemes

Career average schemes are defined benefit in nature but are a variation of the traditional defined benefit design. The benefit offered is based not on the earnings close to retirement, but rather on the average earnings throughout the **member's** entire career. These earnings may be revalued up to the point of retirement in line with some index, for instance the Consumer Price Index (CPI). Such schemes are known as 'Career Average Revalued Earnings (CARE) schemes'.

An employee whose earnings grow by more than the revaluation rate (for example through promotional increases) will get lower retirement benefits from a career average scheme than from a comparable final salary scheme.

How do I know there is enough money in the scheme to provide my pension?

Employees and employers usually pay regular monthly payments into a **pension scheme** and the money gathered is set aside in the scheme's **trust fund**. This fund is kept separate from the employer's business accounts, ensuring that existing funds will be available to pay **members'** pensions even if the employer goes out of business.

At least every three years, the scheme's actuary values the **liabilities** of the scheme, compares this to the value of the scheme's **assets** and calculates the amount of money that must be contributed into the scheme in future years to meet the benefits that are payable.

The **actuarial valuation** is a report on the results of this review of the **assets** and **liabilities** of the scheme at a specified date. It must be made available on request within nine months of the date of the **actuarial valuation**.

A copy of an actuarial valuation report must be given to the following persons within four weeks of a request:

- **members,**
- employees likely to become **members,**
- spouses/civil partners,
- beneficiaries, and
- trade unions.

Trustees may charge you a reasonable fee to provide a copy of the report, but there can be no charge for inspecting it.

Does the Pensions Authority monitor the financial strength of DB pension schemes?

The Authority monitors the financial strength of **DB pension schemes** through the operation of the **funding standard** requirements under the Act.

The **funding standard** is a set of regulations that require **DB pension schemes** to build up and maintain enough funds to pay **members** their pension entitlements were the fund to be wound up.

At least every three years the actuary must prepare an **actuarial funding certificate (AFC)** and submit it to the Authority.

An **AFC** indicates whether or not a **pension scheme** can meet all **liabilities** that have been accrued by **members** to the effective date of the certificate, were it to wind up at that date. These **liabilities** include the pensions payable to existing pensioners, the benefits payable to **deferred members** when they reach retirement age, and the accrued benefits payable to **active members** assuming they left service at the effective date. The scheme also needs to hold a risk reserve to allow for adverse future experience relating to the scheme's **assets** and/or **liabilities**.

If the scheme would not meet its **liabilities** on wind-up, the **trustees** must submit a **funding proposal** to the Authority that explains how they propose to deal with the **funding standard** deficit over the following three years. In certain circumstances, the Authority can allow the **trustees** more time to rectify the scheme's funding.

The Authority has the power to direct **trustees** of **DB schemes** to reduce benefits under a scheme or wind up a scheme. These powers can be used by the Authority where a **DB scheme** fails to meet the statutory **funding standard** under the Act.

What other obligations do the trustees have with regard to the funding of a DB scheme?

The **trustees** have a number of additional obligations:

- The actuary must include an 'inter-valuation statement' in the **trustees'** annual report for each year. It must state whether, in the actuary's opinion, the scheme can meet the **funding standard** at the last day of the period to which the annual report relates. If the **trustees** have previously submitted a **funding proposal** to the Authority, the inter-valuation statement must state whether in the actuary's opinion, the scheme is 'on-track' to meet the **funding standard** by the end of the period of the **funding proposal**.
- The **trustees** must notify the Authority if no statement has been made or a negative statement is included in the **trustees'** annual report. The **trustees** must then have a full **AFC** prepared (and, if relevant, a **funding proposal**) with an effective date not earlier than the last day of the period to which the trustee annual report relates. The **trustees** must submit that **AFC** to the Authority within 12 months of the last day of the period to which the annual report relates.

5. Defined contribution schemes

A **defined contribution (DC) scheme** has a set contribution for the employee and a set contribution for the employer. For example, in many **DC schemes** the employer and the employee each contribute 5% of the **member's** earnings, or 10% in total. Some **DC schemes** allow **members** to choose the level of contribution they wish to pay, with a related employer contribution. The **trust deed and rules** of a **pension scheme** (or individual notifications to **members**) will set out the contribution rates payable by employees and the employer.

Contributions are invested on behalf of each scheme **member**. The retirement benefits for each **member** depend on how much money has been built up by the **member's** retirement date and so it is not possible to know in advance what pension benefits a **member** will receive.

Main features of a DC scheme

The following are the main features of a **DC scheme**:

- Contribution rates are fixed in advance – employees and employers know what they have committed to pay.
- **Members** will not normally know until very close to retirement what their benefits will be.
- The higher the investment return achieved by the scheme before retirement, the better the pension benefits will be. On the other hand, if investment returns are poor, especially in the years just before retirement, retirement benefits will be lower than expected.
- In a **DC scheme**, the **member** builds up a fund by retirement age, which is used to buy a retirement pension, i.e. an **annuity** or purchase an **Approved Retirement Fund**. The cost of an **annuity** is unknown in advance, and it is to the **member's** advantage if the cost is low, but detrimental if the cost of buying a pension at retirement is high.
- If a **member's** earnings increase rapidly throughout their working life, and especially towards the end, their DC benefits may be low relative to their earnings just before retirement.



- Contributions are usually allocated uniformly across all **members** as a percentage of **pensionable earnings** – there is no discrimination between those who stay until retirement and those who leave early.
- **DC schemes** may suit a more mobile worker, as the full value of accrued benefits can be more easily transferred between employers. In contrast, if a **DB scheme** is under-funded, the **trustees** may not permit the payment of the full value of accrued benefits to another scheme.

How is my retirement fund invested?

As a **member** of a **DC scheme** or if there is a **DC** element to your **DB scheme**, you may be entitled to make some decisions about how your retirement fund is invested. For example, you may be able to split your pension savings between low-risk, medium-risk and high-risk investment funds.

If you do not choose to allocate your savings to different funds, your retirement fund will be invested in line with the **pension scheme's default investment strategy**.

As you approach retirement age you should be careful to reassess your investment choices to ensure that your retirement fund is not invested in **assets** that are too high risk, particularly if you are planning to use your retirement fund to take some cash or purchase an **annuity** at retirement. High risk investments such as equities could incur a severe loss at a time when you can least afford it.

What information can I get about my investment choices?

If there are investment alternatives open to you, you are entitled to the following information within three months of requesting it:

- the investment alternatives available,
- the **default investment strategy**,
- the identity of the investment manager(s),
- the investment portfolio, risk exposures and the costs related to investments,
- the investment objectives, the likely risk and return, and the type and diversification of **assets** of each investment alternative,



- when you may change your investment choices (known as 'switching'),
- any fees and charges that effectively reduce your contributions and/or the rate of return,
- the contact name and address for enquiries about the investment alternatives, and
- if the scheme rules contain a **trustees'** disclaimer with regard to poor investment returns, a statement to that effect.

6. Hybrid pension schemes

In a **defined contribution scheme**, the **member** generally bears the full risk (of paying higher costs or receiving reduced benefits) if investment returns or pension costs are not as good as expected. In a **defined benefit scheme**, the employer usually takes that risk and pays higher contributions in order to maintain the agreed level of benefits. In hybrid schemes, the risk is shared between the employer and the employees. As a result, hybrid schemes may be provided where a **defined contribution scheme** is not considered suitable and a **defined benefit scheme** is not felt to be a feasible or affordable alternative.

This section looks at a number of different types of hybrid design, compares them with **defined benefit schemes** and **defined contribution schemes** and describes the main features and differences in each case. The schemes covered are combination hybrids, self-annuitising **DC schemes**, final salary lump sum schemes, underpin arrangements, cash balance schemes and fixed benefit/benefit unit schemes.

Combination schemes

In a combination scheme, a **member** may be accumulating two types of benefit simultaneously. This would typically be a defined benefit element for a portion of income and a defined contribution element on any earnings over that amount.

The experience of **members** of combination hybrid schemes will depend on what proportion of their earnings falls within the defined benefit rules, what proportion under the defined contribution rules and the rate of contribution for the defined contribution element.

Under combination schemes, **members** on lower earnings will generally be almost entirely in the defined benefit section and will have predictable retirement benefits. Those on higher earnings will have less predictable benefits and bear more investment and pension cost risk.

Self-annuitising DC schemes

These schemes operate identically to **defined contribution schemes** until a **member** retires. At that point, the accumulated fund is converted to pension income, not at the market rate for pension costs (**annuity rates**), but in accordance with a process which is set out in the rules of the scheme. The pension is then paid from the scheme.

The retirement benefits are more predictable, because the cost of converting the accumulated fund at retirement into pension is more predictable. However, the benefit will still depend on the investment return earned before retirement.

Final salary lump sum schemes

Under these types of schemes, the retirement benefit is expressed as a lump sum at retirement, rather than as a pension. For example, the rules of the scheme may provide a lump sum at retirement of 20% of final salary for each year of service. If a **member** retired with 40 years' service, a lump sum of 20% times 40, i.e. 800% of final earnings would be used to buy a pension for that **member** at the market cost at that date.

Members of these schemes can predict the lump sum they will be entitled to at retirement (as a percentage of final earnings) but will not know the pension benefit that this will purchase, which will depend on the cost of buying a pension at that time.

Underpin arrangements

In an underpin scheme, there is both a defined benefit and defined contribution basis for benefits. At retirement, the **member** receives a benefit based on whichever calculation provides the better result. For instance, a scheme may have an employer and employee contribution rate of 6% each, with a guarantee that at retirement, a pension of at least 1% of earnings for every year of service would be paid as a minimum.

Cash balance schemes

In a cash balance scheme, a **member's** benefit is an entitlement to a lump sum at retirement, in a similar fashion to a traditional **defined contribution scheme**, which is then converted into an **annuity**. The difference is that the amount in the **member's** account is not directly related to the returns achieved on the underlying investments. The returns may be guaranteed or smoothed (to offset any high or low peaks) or subject to some form of underwriting by the scheme. As a result, **member** benefits may be slightly more predictable.

The effect of this approach may be to make contributions less predictable. However, if the contribution rate is fixed, the result will be that investment gains and losses will be shared among **members**. Since the total amount of investment risk has not changed the mechanism for achieving an equitable sharing of this risk amongst **members** may be quite complex.



Fixed benefit/benefit unit schemes

These schemes are defined benefit in nature but without any link to earnings – a **member** usually accumulates a fixed monetary amount of annual pension every year. The amount of pension granted in any year depends on the amount of the contribution made, how long the **member** has until retirement and the actuarial factors being used by the scheme. At retirement, the **member** receives a pension equal to the total amount of the pension built up each year.

7. Integration with the State pension

A significant number of defined benefit schemes and some defined contribution 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.

What is an integrated pension scheme?

An integrated scheme is one where the pension payable, or the design of the benefit promise made, takes into account the State pension.

Some schemes take account of the State pension by making an adjustment directly to the member’s pension from the scheme. More commonly, an adjustment is made to a member’s salary in calculating his or her pensionable salary.

Where a scheme’s normal retirement age is lower than the State pension age, an additional temporary pension, sometimes called a ‘bridging pension’ may be provided until the pensioner becomes entitled to the State pension. However, it is now more common, as the State pension age has increased to age 66, for there to be a gap between the age that members retire and receive benefits from their pension scheme, and the age at which they become entitled to the State pension.

If State benefits increase after I retire, will the increases be offset against my scheme pension?

No, it is unlawful to reduce an occupational pension which is already in payment to reflect an increase in the State pension.

8. Membership of a pension scheme

How do I join an occupational pension scheme?

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

Where can I find out about my scheme's benefits?

Whether you are thinking of joining a **pension scheme** or are a long-standing **member** of a scheme, you are entitled to know all about the scheme and how it works. This basic information is usually contained in an explanatory booklet.

The booklet should contain the following basic scheme information:

- who is eligible to join the scheme,
- if membership is obligatory for employees,
- conditions of membership,
- whether the scheme is a **defined benefit scheme** or a **defined contribution scheme**,
- in a public sector scheme, the title of the legislation setting up that scheme,
- how contributions are calculated,
- arrangements (if any) for **additional voluntary contributions (AVCs)**,
- tax approval status,
- benefit details – type of benefits and how they are calculated,



- to whom benefits are payable,
- any conditions of benefits,
- an explanation of any guarantees of benefits,
- whether benefits are funded or are secured by insurance policies,
- any options open to **members** taking benefits,
- which benefits (if any) are discretionary,
- provision for pension increases,
- where a **pension scheme** provides for discretionary pension increases, a statement that details of any such increases paid will be set out in the **trustees'** annual report,
- an explanation of how the scheme's income continuance plan works, if it has one,
- a statement about financial, technical and other risks associated with the scheme (if this is not already set out in the **trustees'** annual report),
- address and contact name for enquiries,
- who may amend terms and significant conditions,
- confirmation of scheme registration with the Authority and the registration number,
- a statement about **pension adjustment orders**,
- a statement about integration with the State pension,
- if the employer has an obligation to pay the benefits if the scheme has insufficient **assets** to do so, details of that obligation, and

- for **defined benefit schemes**, a statement to the effect that there is no guarantee that the scheme will have sufficient funds to pay the benefits promised and that it is therefore possible that the benefits payable under the scheme may have to be reduced.

A copy of the basic scheme information must be given to new **members** of the scheme within two months of joining. It should also be given within four weeks of a request to the following persons:

- **members**,
- employees likely to become **members**,
- spouses/civil partners,
- beneficiaries, and
- trade unions.

If any of the basic scheme information changes, **members** must be informed within four weeks of the change being made.

What contributions am I required to pay to a pension scheme?

While some non-contributory schemes do not require **members** to pay contributions, **members** are often asked to contribute towards the cost of a **pension scheme**. Contributions tend to be set as a percentage of salary or **pensionable salary**. If you join the scheme, you will be required to pay the level of contribution set out in the scheme rules (or in your individual **member** notification).

What contribution does my employer pay?

In a **defined contribution scheme**, the employer's contribution is set out in the scheme rules (or in individual notifications to **members**). In a **defined benefit scheme**, the employer normally pays contributions at the level needed to fund the benefits promised in accordance with the advice of the scheme actuary.

How do I know if my contributions have been paid to the scheme?

Every month, your employer must provide a statement to its employees and the **trustees** or other persons to whom the employer sends contributions. This statement should specify:

- the amount deducted from your salary and sent to the **trustees** on your behalf; and
- in the case of a **defined contribution scheme**, the amount of employer contributions paid to the **trustees** on your behalf in the preceding month.

This statement to employees is often included in employee payslips.

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 or purchase retirement benefits under their public sector scheme. For more information, see the guide 'Purchase of Notional Service (PNS) and Additional Voluntary Contributions (AVCs)', available [here](#).

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.

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



Where can I find out about my pension on a regular basis?

If you are a **member** of a **pension scheme**, you are entitled to see those documents that relate specifically to you and your membership. For **active members** this includes a personal benefit statement, prepared annually – your ‘annual benefit statement’.

At least once in every scheme year, **trustees** must provide information to each **active member** of the scheme. The information must relate to a date not earlier than six months before the date the statement is issued.

The annual benefit statement must contain the following information about you and your pension:



	DB	DC
Your personal details and details relating to your membership of the plan	✓	✓
The benefits payable at your normal retirement age , based on your present salary, and how your benefits are calculated	✓	
Benefits payable from normal retirement age , if you left service on a stated date, and the method of calculation	✓	
The value of your retirement fund, the transfer value of your retirement fund and information about whether those values are guaranteed		✓
How your contributions are calculated, your contributions paid to date and the amounts of any transfers received	✓	✓
A statement of each contribution paid or credited, and transfers received since the previous statement and the net amount invested, if different		✓
Information on benefits from additional voluntary contributions (AVCs) or funds transferred from another pension scheme or PRSA	✓	✓
Information on any relevant pension adjustment orders	✓	✓
Benefits payable on your death in service	✓	✓
The names of the pension scheme trustees	✓	✓
A contact name and address for more information	✓	✓
Various regulatory statements	✓	✓

For **defined contribution schemes** a **statement of reasonable projection** must also be provided:

- once in each scheme year,
- within two months of becoming a **member**,
- within two months following a transfer being received in respect of a **member**,
- four weeks after a material alteration of scheme benefits, or
- not later than four weeks after a request (subject to a reasonable charge if the **trustees** so require).

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.

For many schemes, especially **defined contribution schemes**, **members** can access information relating to their pensions online. You should contact your scheme's **registered administrator** to find out if this facility is available to you.

Can I use an online pension calculator to estimate my pension?

The online pension calculator available on the Authority's website 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 pension calculator only gives a sample indication of the funding contributions required for your expected level of 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**.

What entitlements do I have to keep my pension scheme if I am on specified leave?

Maternity and adoptive leave

Your membership of the **pension scheme** must continue while on statutory maternity and adoptive leave. You will continue to accrue **pensionable service** during the period of statutory maternity or adoptive leave.

If you are paid by your employer during maternity or adoptive leave, you may be required to continue paying employee contributions to the scheme, if applicable.

If you take additional 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 are not paid by your employer during maternity or adoptive leave, whether or not your employer continues to pay contributions to a **defined contribution scheme** depends on the rules of your scheme and/or your employment contract.

If you take additional unpaid leave, then whether or not you continue to accrue retirement benefit depends on the rules of your scheme.

Further information on Maternity Benefit and Adoptive Benefit is available on the Department of Social Protection's website www.welfare.ie.

Parental and carer's leave

You are not entitled to continue to accrue retirement benefit during a period of parental or carer's leave. However, your service before and after leave must be treated as continuous, i.e. you cannot be treated as having left the **pension scheme**.

Do the trustees issue a report on the scheme?

The **trustees** issue a report each year on the running of the **pension scheme**. The information provided includes a commentary by the **trustees** on the main issues affecting the scheme, membership information, financial information and a commentary on the performance of the scheme's investments. Further details on the contents of the **trustees'** annual report is at Appendix A.

All of the information in your scheme's annual report and accounts is important, but there are a number of key questions you should ask yourself having read them. These could include the following:

- Who are the scheme **trustees** and how are they appointed?
- Have the contributions been paid by the employer on time, in accordance with the scheme rules and the actuary's recommendation (in the case of a **defined benefit scheme**)?
- Have pensions been increased and, if so, by how much?
- Is there a concentration of investments, posing the risk of 'too many eggs in one basket'?
- Is there self-investment? In other words, are any of the scheme's **assets** invested in the employer's company or an affiliated company, posing the risk of both your job and your pension being dependent on your employer's financial well-being in the future?
- In a **defined benefit scheme**, does the **actuarial funding certificate** and **funding standard reserve certificate** or the latest annual actuarial statement confirm the scheme meets the **funding standard** set out in the Act?
- Have there been changes in the basic information about the scheme and do they affect you?
- Is the auditor's report unqualified or did the auditor draw attention to any particular issues?
- Are the investments being managed by a reputable investment manager?
- How did the investments perform during the year?

9. Benefits payable on death

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/civil partner's pension,
- a child's or orphan's pension, normally ceasing at age 18 (later if in full-time education) and may be limited to a maximum of 2 or 3 children.

Where a scheme provides lump sum benefits on death in service, the **trustees** of the scheme must determine to whom these benefits are paid. On joining your **pension scheme** or at any time thereafter you may be asked to complete a nomination form to indicate to the **trustees** how your lump sum death benefit should be paid. The **trustees** are not obliged to pay the benefit in accordance with this nomination but will take it into account in making their decision. This form may also be referred to as a 'wishes letter' or 'expression of wishes'.

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 five years, which 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 **defined benefit scheme**.



In the case of a **defined contribution scheme**, the benefit payable on death in retirement will depend on decisions made by you at retirement in relation to the options available to provide for **dependants'** pensions and/or a guaranteed minimum payment period.

What information should my dependants/beneficiaries receive if I die?

For both **defined benefit schemes** and **defined contribution schemes**, your **dependants** and beneficiaries are entitled to information on the benefits payable on your death, any options they may have regarding those benefits and any conditions attached. This information must be given to your **dependants** and beneficiaries within two months of your death.

10. Benefits payable on leaving service

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 benefit' or '**preserved benefit**'), or
- move or transfer the value of your pension benefits to another pension arrangement, i.e. your new employer's **pension scheme**, a **PRSA** (subject to certain conditions), a **buy-out bond** or an overseas pension plan.

If you leave a **defined benefit scheme** your **preserved benefit** is not frozen, it changes each year until your retirement by either 4% or the change in the Consumer Price Index (CPI) if it is less than 4% in that year. 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 two 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 on leaving.

Under the Act, your **pension scheme trustees** have an obligation to provide you with a detailed note of the full options available to you on leaving service.

How is my preserved benefit calculated?

In a **defined contribution scheme**, your **preserved benefit** will be the value of the investments held in your individual retirement account within the **defined contribution scheme**. If you leave your **preserved benefit** in the scheme it will continue to be invested on your behalf.

In a **defined benefit scheme** your **preserved benefit** will be the benefit you have earned, calculated as a proportion of the sum to which you would have been entitled if you had remained in your job until **normal retirement age**.

Your **preserved benefit** is calculated based on the uniform accrual method. This means that the benefits due to you at **normal retirement age** are assumed to build up evenly over your entire **reckonable service**.

You may be entitled to further **preserved benefit** if you have made **AVCs** to your **pension scheme** or if you have built up pension rights in another scheme.

How is my preserved benefit revalued?

Your **preserved benefit** from a **defined benefit scheme** is normally revalued at the end of every year, starting from 1996 or, if later, the year in which your employment terminated. Revaluation stops at the end of the year before your benefits become payable. Revaluation helps to maintain the purchasing power of your **preserved benefit** until you reach retirement age.

The rate of revaluation for any full year will broadly be either 4% or the change in the Consumer Price Index if it is less than 4% in that year. Where the period is less than a year, the rate of revaluation is reduced on a pro rata basis. The revaluation percentage for each year is set down by the Minister for Social Protection.

How is my preserved benefit paid?

Your **preserved benefit** is normally payable at your **normal retirement age** in accordance with the scheme rules that apply at the time your employment is terminated.

These rules also apply to:

- pension benefits paid to your surviving **dependants** if you die after **normal retirement age**, and
- benefit options – e.g. the reduction of pension rights in exchange for a lump sum or the allocation of part of your benefit to provide a **dependant's** pension.

Discretionary scheme rules do not necessarily apply – e.g. if your pension **trustees** award a discretionary benefit increase to employees leaving employment at **normal retirement age**, they do not have to award the same increase to recipients of **preserved benefit**.

Your benefits may be paid before **normal retirement age**, but this may be at the discretion of the employer and/or the **trustees**. In these circumstances the **preserved benefit** may be reduced to allow for early payment.

What happens if I die before my preserved benefits are payable?

Depending on the rules of your **pension scheme**, you may be able to allocate your **preserved benefit** to your surviving spouse/civil partner and/or other **dependants**, if you die before the **preserved benefit** is payable. The benefit is then used to pay a pension to your **dependant(s)**.

If you don't have this option, the **pension scheme** must pay the **actuarial value** of your **preserved benefit** to your estate.

Can I take my pension benefits with me when I leave?

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 **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 **pension schemes**, or
- an overseas pension plan in certain circumstances.

In a **defined benefit scheme**, a **transfer payment** is the current cash equivalent of the **preserved benefit** to which you would have been entitled to if you kept your benefits in your old scheme. The **trustees** of the **pension scheme** may also reduce your **transfer payment** on the advice of an actuary if the scheme does not satisfy the **funding standard** under the Act.

In a **defined contribution scheme**, the **transfer payment** is the accumulated value of your retirement fund. The value must be determined within three months of your transfer application being received by the **trustees**.

When can I apply for a transfer payment?

You can apply for a **transfer payment** within two years of terminating your employment, or later if your scheme allows.

If you want to apply for a **transfer payment**, you must do so before your **preserved benefit** becomes payable.

The **trustees** of your **pension scheme** must make your **transfer payment** within three months of receiving your application.

Once payment has been made, the **trustees** no longer have any obligation to provide benefits relating to your **preserved benefit**.

If transferring to another **occupational pension scheme**, the **trustees** of your new scheme must generally accept your **transfer payment** and must provide you with benefits equal to the amount transferred. Benefits under your new scheme can be determined on a defined benefit basis or a defined contribution basis, depending on the new scheme rules.

Can a transfer payment be made without my consent?

For smaller **preserved benefits**, the **trustees** of your scheme may opt to make a **transfer payment** into one or more insurance policies or contracts on your behalf.

If the **transfer payment** is less than €10,000, the **trustees** can do this without your consent. This is to reduce administration and cost for **pension scheme trustees**.

The **trustees** must fulfil the following conditions:

- the **transfer payment** may not be made until at least two years after the termination of your employment,
- you must receive 30 days' notice of the proposed transfer and you must be given details of the new policy or contract, and
- you must not have an outstanding request to transfer payment to another scheme or **PRSA**.

If the **transfer payment** exceeds €10,000, the **trustees** may apply in writing to the Authority for permission to make a **transfer payment** without your consent.

What information should I receive if I leave the pension scheme?

Depending on your scheme rules, you may have a choice to leave a **pension scheme** without leaving service of the employer. In this case your benefits will be retained for you in the scheme until you leave service, die or retire, or can be transferred to a new pension arrangement.

If you leave the **pension scheme** but stay working for the same employer, you must receive the following documents:

- a that your **reckonable service** (or the time you spent working that counts towards your pension) has ended and the date from which this takes effect;
- information on whether a **buy-out bond** has been bought or funds transferred out of the scheme; and
- details of a transfer to any such new scheme or **buy-out bond**.

If your benefits are still in the scheme six months later, you will be entitled to receive a **member** benefit statement.

What information should I receive if I leave my job?

With preserved benefit

You are entitled to the following information when you leave:

- details of your rights to benefits and how to claim them,
- the amount of **preserved benefit** to which you are entitled,
- the amount of any other benefits payable under the rules of their scheme,
- the date or dates when your benefits become payable,
- what your options are, if any, to have alternative benefits paid immediately,
- information about increases in your benefits and whether these increases are discretionary; if there is no provision for increases, this must be stated,

- details of your right to transfer funds to another scheme and how much can be transferred,
- details of any relevant **pension adjustment order**,
- the name of the scheme and the **trustees**, and the name and address of those responsible for paying benefits,
- the name and address of the new scheme or life assurance company to which any of your benefits have been transferred by the **trustees** without your consent,
- the method for calculating any **preserved benefit** and other benefits,
- adequate information to **members** when they move to another EU **member** state similar to the information given to **members** who remain in the State,
- whether it is possible to transfer moneys out of the scheme and, if so, an estimate of the amount available to transfer and details of the rights relating to such money,
- in a **defined benefit scheme**, if a transfer has been scaled back due to a fund deficit, a statement of that fact and the amount of the reduction,
- in a **defined contribution scheme**, a **statement of reasonable projection**, and
- procedures for claiming benefits.

This information should be issued automatically to leavers with **preserved benefits** within two months and to others, i.e. **deferred members**, within two months of a request.

Without preserved benefit

If you leave your job without having been a **member** of the **pension scheme** for two years, you are entitled to the following information within two months:

- details of any refund of your contributions available, how the refund is calculated and an estimate of the refund, and

- the name and address of the person from whom details of any other rights and options can be obtained on request.

This information should be issued to leavers automatically.

Can I forfeit my preserved benefits?

It is not normally possible for your **pension scheme** to force you to give up your **preserved benefit**, even where the scheme's rules have a general forfeiture clause. However, if you become bankrupt or attempt to assign or charge your pension benefit, the **trustees** of your scheme may instruct the benefit to be forfeited and be paid instead to another person specified in the scheme rules.

Your employer may not exercise any charge or lien on your **preserved benefit**, even if you owe a debt to your employer arising from a criminal, negligent or fraudulent act or omission.

11. Benefits payable on retirement

When 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.

Early retirement

Most **occupational pension schemes** permit **members** to retire early with the employer's and/or **trustees'** consent, generally from age 50 onwards or within 10 years of **normal retirement age**. Many schemes allow **members** to retire due to ill-health at any age.

In a **defined benefit scheme**, early retirement benefits are normally lower than they would be if they started to be paid at **normal retirement age**, to allow for the additional cost of paying benefits early and for a longer period. There may be restrictions on early retirement if a **defined benefit scheme** is in deficit. In such circumstances the **trustees** may decline to allow early retirements until such time as the funding of the scheme improves.

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 as it is payable from a younger age and for a longer period of time.

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 **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.

What benefits can I receive at retirement?

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 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, and
- providing for **dependants**.

The amount of your pension will, if you 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 **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. Depending on the rules of any particular scheme, your pension may or may not increase in payment and may or may not include a spouse/civil partner and/or dependant's pension on death after retirement.

Can I transfer to an ARF/AMRF or take a taxable lump sum?

An **ARF** is a tax-free investment held in your own name and administered by an approved provider. A wide range of investment options exists. Any monies drawn from the fund, either capital drawdown or income, are fully taxable. The funds in the **ARF** belong to the individual and form part of the person's estate.

These options are available if you:

- have **AVCs** in an **occupational pension scheme** and the rules of the plan permit these options; or
- are a **member** of a **defined contribution scheme**; or

- have a **buy-out bond** as a result of a transfer payment from a **defined benefit scheme**; or
- are a company director who controls more than 5% of the voting rights in your company.

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 €12,700 per year. This amount can include State pensions. If you are unable to meet this minimum, you must either transfer an amount to an **AMRF**, or purchase an **annuity** which will bring up your level of guaranteed income to the minimum amount.

You can get more information from Revenue's website 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.

What information should I receive when I retire?

For both **defined benefit schemes** and **defined contribution schemes**, you are entitled to information on the benefits payable, any options you may have regarding those benefits and any conditions attached. For **defined contribution schemes**, this includes details of the option to take a fixed pension that doesn't increase in the future, or a lower initial pension with future pension increases.

This information must be given to you within two months of retirement.

What is an annuity?

The term '**annuity**' means a series of pension payments made at stated intervals, normally monthly, until a particular event occurs. Usually, an **annuity** ends with the death of the holder, but annuities can be bought that continue to be paid during the lives of more than one person. Annuities are normally purchased at retirement by payment of a single premium to a life assurance company.

How are my pension benefits provided?

In a **defined benefit scheme**, your pension will normally be paid directly from the pension fund or the **trustees** will buy an **annuity** with a life assurance company to reflect the benefits to which you are entitled. For example, if the scheme rules include an entitlement to a spouse/civil partner pension on death after retirement, the **trustees** would buy an **annuity** that includes a spouse/civil partner pension.

If the **trustees** buy an **annuity** in your name, they will be deemed to have discharged their obligation to pay your benefit by transferring the obligation to a life assurance company.

In a **defined contribution scheme**, the onus is normally on the **member** to choose the type of **annuity** that best suits their personal circumstances and pension income needs in retirement.

What do I need to consider when buying an annuity?

The purchase of an **annuity** may be one of the most important financial transactions in your life – certainly it is one with very long-term consequences. It is therefore important to understand how annuities work and the various options that may be available in the **annuity** market.

Open-market option

When the time comes to purchase an **annuity**, many pension arrangements, particularly those that invest in insurance contracts, allow an ‘open market option’. This means that you may have a choice of going to any life assurance company operating in the market, regardless of where the pension fund itself was invested. This is important as some providers of annuities are more expensive than others from time to time.

Generally, the **trustees** will be looking for the best value for money that they can get – the rate that is available on the date your **annuity** is bought will remain in place for life. However, the **trustees** must also take other considerations into account, such as the standard of service that you can expect from a life assurance company, as you will expect your pension to be paid on time.

The **trustees** may very well consult you on the choice of **annuity** provider. However, the eventual responsibility for buying the **annuity** remains with the **trustees**.

Making allowance for dependants

It is possible to buy an **annuity** that is paid simply for your own lifetime. It is also possible to incorporate a minimum guaranteed period of payment, so that the **annuity** continues to be payable for a fixed period, whether you live or die. Should you survive longer than the fixed period, the **annuity** would continue to be paid. It is also possible to buy an **annuity** which continues to be paid to a **dependant** after your death.

Fixed payments or increasing payments

You can buy an **annuity** which is payable as a level amount throughout your lifetime, one which increases during payment at a fixed percentage (e.g. 3%p.a.), or one which includes some inflation protection.

Guaranteed annuity option

In the past, it was quite common for pension savings policies, particularly 'with-profits' policies, to guarantee the **annuity** rates at which the pension savings could be applied to buy a pension at retirement. When interest rates are very low (and the cost of purchasing annuities therefore relatively expensive), some of these guarantees will be extremely attractive. Before you, or your **pension scheme trustees**, come to any conclusions as to where a pension will be bought, it is advisable to check the wording of each policy document, to see if there are any guarantees attaching in terms of **annuity** rates. If there are, it might be best to purchase the pension from the holding insurance company. This is an area in which professional advice should be obtained.

Impaired life annuity

If an individual is not in normal health for a person of their age and gender, some insurance companies may be prepared to offer a better **annuity** rate, simply because there is the possibility that they might not have to pay out the **annuity** for the 'average' expected lifetime. There is a limited market in this type of **annuity**. However, if you are not in good health at the time your **annuity** is being bought, it is advisable to have this option investigated.

Sovereign annuity

A sovereign **annuity** is an **annuity** generally backed by Irish government bonds. Sovereign annuities are less expensive than traditional annuities but carry a risk that **annuity** payments can be reduced or suspended in the event of a default on the underlying bonds.

Professional advice should be sought before considering the purchase of a sovereign **annuity**. Sovereign annuities are not currently available for purchase by individuals, but they can be used by **trustees** to buy annuities in relation to current pensions in payment in **defined benefit schemes** and **defined contribution schemes**.

Cost

If you are a **member** of a **defined contribution scheme**, you will be able to decide for how long the **annuity** payments will be guaranteed, whether they revert to a **dependant** after your death, whether they remain level or increase during payment. However, the important thing to remember is that each different variation has a cost attached and this means that your own pension income will change, according to the options that you select.



12. Pension tax reliefs

Occupational pension schemes are generally tax approved by Revenue. 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),
- investments held within a **pension scheme** roll up tax free, and
- the lump sum you can take at retirement is also tax free up to certain limits.

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

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

Age	Contribution limit % 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.

There is a maximum annual amount of **net relevant earnings** for which tax relief is given. This is currently €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, you may be able to apply for tax relief on these contributions in future years.

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

What about additional voluntary contributions (AVCs)?

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 a **pension scheme** need to be taken into account when determining the amount of **AVCs** eligible for tax relief.

How does tax relief work?

When an employer deducts qualifying pension contributions from employees, the net-pay arrangement will apply. This means that tax will be calculated on employees' wages or salaries net of pension contributions.

How are employer contributions to a pension scheme treated?

Contributions paid by employers to **pension schemes** 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.

Are pension investments taxed?

No, tax is not charged on the investment income or capital gains earned by pension funds.

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

All benefits paid from **occupational pension schemes** are subject to maximum limits set by Revenue 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 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; or
- a lump sum on retirement of 25% of the pension fund if you are taking the **ARF/AMRF** option; and
- a **dependant's** pension up to 100% of your own pension.

Lower amounts are payable if you retire early or have less service or have retained benefits from a previous scheme.

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

Is there a maximum amount of retirement 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 €2m, 25% of which (i.e. €500,000) is the maximum amount an individual can take in the form of a cash lump sum. Individuals with retirement benefits worth more than this at 7 December 2010 could apply to retain the higher amount as their personal lifetime limit (known as the 'Personal Fund Threshold (PFT)').

A factor of 20 is used to convert pension amounts from **defined benefit schemes** to capital values to compare with the maximum lifetime limit. Therefore, an SFT of €2,000,000 equates to a pension of €100,000.

If an individual exceeds the maximum lifetime limit, the excess value is taxed up-front at the top rate of income tax and may, in addition, be subject to income tax and the Universal Social Charge in payment.

Are pensions in payment taxed?

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



Does the receipt of the State pension affect the tax on my occupational pension?

Yes. State pensions are taxable, although they are paid without tax being deducted. If you have an occupational pension, your tax-free allowance will be reduced when a State pension is being paid. This means that you will pay somewhat more tax on your occupational pension, to account for the tax that is due on the State pension.

What tax is payable on lump sums?

A maximum of €200,000 of any lump sum payable is currently tax free. Lump sums between €200,001 and €500,000 are taxed at 20%, with any balance over this amount taxed at the marginal rate and subject to the Universal Social Charge.



13. Fees and charges

Pension arrangements are financial services products, and as such are subject to fees and charges. It is important for you to understand these fees and charges and who is paying them as they can have a significant impact on the amount of your pension fund over a long period of time.

In **defined benefit schemes** the fees and charges associated with the management and administration of the **pension scheme** are generally paid for by the employer.

For pension arrangements such as **defined contribution schemes** and individual pension arrangements (including **additional voluntary contributions**) the fees and charges are generally taken directly from the **member's** pension account. The value of the pension account at retirement is reduced by the fees and charges deducted over the years.

How do I know the effect of fees and charges that I am paying?

For **defined contribution schemes** you should be notified of the effect of charges on your pension each time you receive a **statement of reasonable projection**.

14. Pension scheme changes and wind-up

Can my pension scheme be amended?

In most cases, the terms of a **pension scheme** may be amended. Details regarding the power of the employers and **trustees** to amend a scheme are generally specified in the scheme's **trust deed and rules**. Often, an employer has the power to amend a scheme, but the consent of the **trustees** may be required to exercise this power.

A scheme may be amended because an employer wishes to change the benefits provided. An employer may in certain cases wish to improve the benefits provided by the scheme, however scheme amendments often reflect difficulties in maintaining the level of funding required to support the existing benefits provided by the scheme, and result in a reduction to benefits.

Can my accrued benefits be affected by a change to the scheme?

In most cases, it is possible to amend benefits in respect of future service only, and accrued benefits cannot be reduced.

However, in a **defined benefit scheme**, if the funding of the scheme is not sufficient to satisfy the **funding standard**, the **trustees** may apply to the Authority for what is referred to as a 'section 50 order'. Under such an order, accrued benefits relating to **members'** past service can be reduced.

In order for the Authority to grant a section 50 order, there are a number of requirements which must be met, including:

- The **trustees** must have conducted a full review of the scheme's stability and sustainability.
- The **trustees** must have asked the employer for the contributions necessary to sustain the scheme without benefit reductions, and the employer must have declined to pay those contributions.
- Prudent assumptions must be made in calculating the future contribution rate proposed to be paid to the scheme in respect of the reduced benefits.

- **Trustees** must notify all **members** (active, deferred and pensioners) and all authorised trade unions of the proposed reductions. This notification must include the circumstances of the application, and the proposed reductions, including general illustrations of their effect.
- **Members** must be allowed one month to make written observations on the proposed reductions, and the **trustees** must consider these observations before making an application to the Authority.
- **Trustees** must get legal and actuarial advice in preparing their application.
- The Authority has the power to direct **trustees** of **defined benefit schemes** to reduce benefits under a scheme. This power can be used by the Authority where a **defined benefit scheme** fails to meet the statutory **funding standard** under the Act.

What information am I entitled to receive on any changes?

Members must be notified of any material change to the terms of the scheme, within four weeks of such change.

Can my pension scheme be wound up?

A **pension scheme** may be wound up if the employer:

- goes into liquidation,
- is bought by another company that decides not to continue the scheme,
- fails to make contributions to the scheme within a set period, or
- notifies the **trustees** that it intends to stop contributing to the scheme.

The Authority has the power to direct **trustees** of **defined benefit schemes** to wind up a scheme. This power can be used by the Authority where a **defined benefit scheme** fails to meet the statutory **funding standard** under the Act.

What are the trustees' responsibilities on wind-up?

All **pension schemes** have a set of guidelines included within the **trust deed and rules** that govern how the scheme is operated. These guidelines will usually set out how the scheme can be wound up.

The Act requires **trustees** to wind up a scheme without undue delay. The Act also sets out wind up priority orders which depend on whether the scheme's employer is solvent or insolvent at the date of the wind-up. Further information regarding the priority order of pension benefits is available on the Authority's website.

The Act supersedes any attempt by a **pension scheme's trust deed and rules** to override the order of payments. The only exception relates to scheme expenses and costs. If the scheme rules allow costs to be paid before pension benefits, this is permitted by the Act.

How do trustees pay benefits on wind-up?

When a scheme is wound up, **trustees** must:

- transfer each **member's** benefits into a new **pension scheme**; or
- purchase an approved assurance policy with a life assurance company on behalf of each **member** (a **buy-out bond** for **active members** and **deferred members** or an **annuity** for pensioners); or
- transfer each **member's** benefits into a **PRSA**, subject to certain conditions.

How do trustees calculate transfer payments?

In a **defined benefit scheme**, **trustees** must follow guidelines issued by the Society of Actuaries in Ireland and specified in regulations made under the Act, when calculating **transfer payments**.

In a **defined contribution scheme**, the **transfer payment** is based on the accumulated value of the **members'** contributions less any expenses allowed in the scheme rules.

What if there is a surplus in the scheme?

If there are **assets** remaining once the **trustees** have paid all benefits and **liabilities** of a scheme, these funds are distributed according to the scheme's **trust deed and rules**.

There are four common scenarios.

- The **trust deed and rules** specify whether benefits to **members** should be increased or whether funds should be repaid to the employer. The **trustees** must obey this rule.
- The **trustees** have discretion to increase benefits to **members** or repay funds to the employer. The decision is usually made in consultation with the employer but, ultimately, it is the **trustees'** responsibility.
- The **trustees** have discretion to increase benefits but only if the employer agrees.
- The employer has discretion to instruct the **trustees** to increase benefits.

What happens if there is a deficit?

When a scheme is wound up, the **trustees** must ensure that all **assets** of the scheme are under their control. They must pursue any outstanding contributions.

If a **pension scheme** does not have enough funds to pay **members** their benefit entitlements, some benefits must be reduced. The order of priority on wind up determines how **trustees** reduce the benefits. The **trustees** must follow the order when paying benefits until all funds are used.

If the employer is insolvent, the Protection of Employees (Employer's Insolvency) Act 1984 allows **trustees** to recover the previous 12 months' unpaid contributions from a statutory fund under certain circumstances.

What information are members entitled to on wind-up?

Trustees must notify **members** as soon as possible that their scheme is being wound up and it must be no later than 12 weeks after the **trustees** become aware of the decision to wind up the scheme. **Trustees** must also notify the Authority and any authorised trade union that represents the scheme **members**.

During the wind-up process, regulations require **trustees** to provide **members** with:

- information about their rights and options regarding their benefit entitlements,
- an explanation of how a scheme surplus or deficit is handled,
- the information provided to **members** when leaving service (see section 10),
- details of who pays **member** benefits after the scheme is wound up, including an address for enquiries.

What happens if my employer buys or sells a business?

Mergers and acquisitions are a regular feature of business life. One company may acquire another, two companies may merge, or business may be transferred from one company to another.

In many cases, this kind of activity affects the **pension schemes** operated by the companies involved.

When a merger or acquisition is about to take place, an employer normally notifies employees to explain how their contracts of employment are affected. Since pension benefits are part of an employee's conditions of employment, the employer should also inform employees of how the merger or acquisition affects pension arrangements. Where pension arrangements are affected, there is normally a consultation process between the representatives of the **pension scheme members** and the employer.

In many cases, a merger or acquisition has no effect on the **pension scheme**. For example, if a new owner acquires all the shares in a company, the change in ownership does not affect the way the company operates, and the **pension scheme** probably remains unchanged.

However, when employees are transferred between employers, pension arrangements are usually affected. In this case, employees usually transfer to the new employer's **pension scheme**, if one is available, or to another arrangement depending on the situation that arises.

A change of **pension scheme** may or may not involve a change in benefits. In many cases, benefits don't change or may even improve, and scheme **members** have nothing to worry about.



However, if benefits decrease, **members** may wish to raise the issue through normal negotiation channels.

On the transfer of **pension scheme** membership, **members** often have the option of leaving their pension entitlements in their old scheme. You should consider the funding position of both schemes when making this decision.

15. Pensions on separation or divorce

The pension entitlements of you and your spouse/civil partner/qualified cohabitant arising from an **occupational pension scheme** 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 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 (PAO)**, or
- (ii) by making orders in relation to some other family **assets**, e.g. family home, savings etc., which the court considers provides a fair distribution of the total overall **assets** of the couple.

A **PAO** 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 payable to **dependants** in the event of the **member's** death.

The Authority has produced a guide '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 [here](#).



16. Glossary of terms

Active member: A member of a pension scheme who is in 'reckonable service', i.e. currently in the employment to which the scheme relates, and who is included in the scheme for a pension benefit.

Actuarial funding certificate (AFC): A certificate that trustees of a defined benefit scheme must submit to the Pensions Authority at least every three years. It is prepared and signed by an actuary. The certificate shows whether or not a scheme holds sufficient assets at a particular date to provide for the liabilities of the scheme in respect of accrued pensions, had the scheme wound up (terminated) on the date of the certificate. The liabilities must be calculated in accordance with the funding standard provisions of the Pensions Act, 1990.

Actuarial valuation: An assessment by an actuary of the ability of a defined pension scheme to meet its benefit obligations or benefit promises. An actuarial valuation may be carried out for the purposes of:

- determining the future contributions required in order to pay the benefits promised and to prepare the actuarial valuation report required under section 56 of the Pensions Act, 1990 (the 'ongoing' valuation);
- assessing compliance with the statutory funding standard and preparing an actuarial funding certificate (the 'funding standard valuation'); or
- reporting the pension scheme asset (surplus) or liability (deficit) in the company accounts of the scheme sponsor (the 'accounting valuation').

Actuarial value: Putting an actuarial value on pension scheme benefits involves mathematical calculations carried out by an actuary. The financial condition of a defined benefit pension scheme is assessed based on actuarial values of the likely future benefit payments under the scheme and of the scheme's assets. It includes the computation of the present monetary value of pensions payable to pension scheme members, factoring in assumptions about future salary increases, future inflation, future ill-health and mortality of members, as well as the expected return on pension scheme assets.

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 Minimum Retirement Fund (AMRF): An Approved Minimum Retirement Fund (AMRF) is a post retirement investment fund for individuals under age 75 who do not meet the specified income amount (currently €12,700 per year) and wish for their residual retirement funds, after taking a retirement lump sum, to remain invested after retirement. In this case, the lesser of the residual retirement fund or €63,500 can be invested in an AMRF. An AMRF can accumulate tax free. A maximum of 4% of the AMRF value may be withdrawn annually and withdrawals are subject to tax. An AMRF automatically becomes an ARF (see below) when an individual reaches age 75 or meets the specified income requirement, if earlier.

Approved retirement fund (ARF): An Approved Retirement Fund (ARF) is a post-retirement investment fund for the proceeds of any:

- defined contribution scheme,
- additional voluntary contributions,
- Personal Retirement Savings Account,
- Retirement Annuity Contract,
- buy-out bond (where the benefits from a defined benefit or defined contribution scheme were transferred into a buy-out bond), or
- in the case of a 5% Director other retirement benefits that are not taken in the form of a lump sum or pension on retirement.

Certain qualifying conditions must be met in order for you to be eligible to transfer your retirement funds to an ARF. You must have a guaranteed income of at least €12,700 per year or you must have set aside at least €63,500 in an Approved Minimum

Retirement Fund (see above). Money is invested with a qualifying fund manager and may be invested in any manner you choose. ARF funds accumulate tax free. Income tax is payable on any withdrawals from the ARF. A minimum withdrawal is assumed for tax purposes even if no withdrawal is made in any given year.

Assets: The property, investments, cash and other items of which the trustees of a pension scheme are the legal owners.

Beneficiary: A person who is entitled to benefits under a pension scheme or who will become entitled on the happening of a specified event (e.g. on the death of a member).

Buy-out bond: The purchase by the trustees of a pension scheme of an insurance policy or bond in the name of a member or other beneficiaries following termination of service, retirement, or on winding-up of a scheme. The bond is bought in substitution of the members rights under the pension scheme. Under the Pensions Act, 1990, purchase of such a bond on leaving service may be at the option of the member or, in certain circumstances, at the option of the trustees.

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

Deferred member: A person entitled to a pension payment at a future date. Normally this would be an early leaver, but the term is sometimes used to describe someone whose retirement is being postponed.

Defined benefit scheme (also known as ‘final salary 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 members' salary close to retirement (or earlier leaving service) and on their completed pensionable service. For this reason, these schemes are sometimes known as ‘final salary’ schemes. However defined benefit schemes may also be ‘career average’ schemes in which the pension calculation is typically based on the member’s average earnings while a member of the scheme.

Defined contribution scheme (also known as ‘money purchase plan’): Defined contribution schemes provide retirement benefits based on the accumulated value of contributions paid to a pension scheme by or on behalf of a member, including the

investment returns earned on those contributions less any charges. As such, it is the contributions that are 'defined' or known, as opposed to the benefits that the member will receive at retirement.

Dependant: A person who depends financially on a scheme member or pensioner. Children are generally regarded as dependants until they reach the age of 18 or leave full-time education or vocational training, if later. A spouse/civil partner is always regarded as a dependant and a cohabiting partner is generally considered a dependant also. The definition of a dependant for any particular scheme is typically set out in the rules of the scheme, available from the trustees.

Financial adviser (qualified): A qualified financial adviser is regulated by the Central Bank of Ireland to give advice to individual members of the public on pensions, life assurance, loans and investments. Advisers can 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 adviser that you understand whether or not they are independent, how they are being paid for the advice that is being given, what products and services they are qualified to advise on and what impact any commission being paid will have on your pension or investments. In the context of occupational pension schemes and personal pension products, you should seek to know the adviser's experience of relevant issues, particularly in relation to defined benefit scheme funding (if applicable to you).

Funded schemes: Occupational pension schemes set up by most companies and by commercial semi-state bodies are usually financed by setting aside money in a trust fund, which is separate from the employer's business, to finance the payment of pensions. Separating the scheme's assets from the employer's business should ensure that these assets will be available to pay members' pensions, whether or not the employer stays in business.

Funding proposal: If a defined benefit scheme does not meet the funding standard requirements set out in the Pensions Act, 1990, the scheme trustees must submit a funding proposal to the Pensions Authority setting out how the scheme's funding level will be restored by a future date. A funding proposal will include details of the proposed rates of contributions from the employer and members, as well as plans for the investment of the scheme's assets.

Funding standard: The Pensions Act, 1990, sets out a funding standard for funded defined benefit pension schemes. The funding standard provisions of this Act set out the minimum assets that a scheme must hold and the rules that apply if a scheme falls short. The funding standard is designed to provide a level of protection for scheme

members of the pensions they have already built up or 'accrued' in a defined benefit scheme.

Funding Standard Reserve Certificate (FSRC): A certificate prepared by the actuary and submitted to the Pensions Authority which indicates whether or not the scheme can meet an additional risk reserve known as the 'funding standard reserve'. A scheme needs to hold a risk reserve to allow for adverse future experience relating to the scheme's assets and/or liabilities. This is submitted to the Authority at least once every three years along with the AFC.

Internal dispute resolution (IDR): An arrangement for resolving a complaint or dispute which is subjected to a resolution process within the pension scheme or PRSA in which it arises, before it can be submitted to the Financial Services and Pensions Ombudsman.

Large scheme: A scheme with 100 or more active and deferred members.

Liabilities: The obligations of a scheme to pay amounts of money either immediately or in the future. Liabilities whose payment is dependent on unpredictable future events (such as the death of a member) are called 'contingent liabilities'.

Long service benefit: The benefits that would be payable to a member of a scheme on the assumption that they remain in relevant employment until normal pensionable age (NPA). Long service benefit may take the form of regular pension payments and/or a lump sum and includes any benefits payable on the death of a member after NPA to the member's spouse/civil partner or dependants.

Member: A person who has been admitted to membership of a pension scheme and who is entitled to benefits under the scheme. This includes active members, pensioners and deferred pensioners.

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

Normal pensionable age/normal retirement age: Normal pensionable age means the earliest age at which a pension scheme member is entitled to receive immediate retirement benefits from a scheme in normal circumstances, or age 60, whichever is later. Normal pensionable age usually coincides with normal retirement age, i.e. the age at which retirement benefits normally become payable under a scheme. Normal retirement age will typically be defined in the member's booklet and the governing documents of a pension scheme.

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'.

One-member arrangement: A scheme which is established for one person only and that one person will always be the only member, and that member has discretion as to how the resources of the scheme are invested unless the scheme is subject to a pension adjustment order, in which case it may also include the person(s) referred to in that order.

Pension Adjustment Order (PAO): An order made following a decree of judicial separation or divorce whereby the court adjusts a member's pension rights in favour of their spouse/civil partner/qualified cohabitant or a dependent child.

Pension scheme: An arrangement to provide pension and/or lump sum benefits for members at retirement and for their dependants in the event of death.

Pensionable earnings/pensionable salary: The earnings or salary on which contributions, pensions and lump sum benefits are typically calculated in a pension scheme.

Personal pension contract: A retirement savings contract, usually with an insurance company, providing benefits at retirement. Personal pension contracts may be taken out by those who are self-employed or who are in non-pensionable employment. There are two forms of personal pension contracts: Personal Retirement Savings Accounts (PRSAs) and Retirement Annuity Contracts (RACs). PRSAs can also be used by people in pensionable employment who wish to make additional voluntary contributions (AVCs). The tax treatment of contributions, maximum benefits and drawdown options for RACs are broadly the same as for PRSAs.

Personal Retirement Savings Account (PRSA): A PRSA is a personal pension contract that you take out with an authorised PRSA provider. It is an investment account that you use to save for your retirement. Your savings can be accessed at retirement. PRSAs are a type of defined contribution arrangement. You get tax relief on your contributions to your account within Revenue limits. A register of authorised PRSA providers and their approved PRSA products is available [here](#).

Preserved benefits: These are the retirement benefits that a scheme member retains when they have completed at least two years' qualifying service. The qualifying period for a preserved benefit was previously five years and was reduced to two years for those who finished their employment since 1 June 2002. Different rules apply for

members of a scheme whose employment terminated before 1 June 2002. Please refer to the Pensions Authority's 'Preservation of Benefits and Minimum Value of Contributory Retirement Benefits' guidance, which can be found [here](#).

Prospective member: An employee who is or will be eligible to join the scheme.

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.

Qualified auditor: A person appointed to act as auditor who must not be:

- a member or trustee of the pension scheme,
- a person employed by any of the trustees,
- an employer of any member of the pension scheme, or
- a director of the employer or a participating employer.

Qualifying service: A term defined in the Pensions Act, 1990, 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.

Reckonable service: A term defined in the Pensions Act, 1990, as the period of a person's scheme membership, not necessarily the whole period of employment, and excluding any time when covered for death benefits only.

Registered administrator: Trustees of every scheme (including large trust RACs) must appoint a registered administrator to provide various services to the scheme known as 'core administration functions'. The 'core administration functions' are the preparation of annual reports and annual benefit statements for the trustees, the maintenance of sufficient and accurate records of members and their entitlements to discharge the above functions and the submission of Annual Scheme Information (ASI) to the Pensions Authority.

Relevant employment: Any employment where you are making contributions to a pension scheme.

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’ or ‘personal pension contracts’.

Small scheme: A scheme with less than 100 active and deferred members (not including pensioners).

Statement of investment policy principles: A written statement prepared at least every three years by the trustees that includes:

- the investment objectives of the trustees,
- the investment risk measurement methods,
- the risk management processes to be used, and
- the strategic asset allocation.

Statement of reasonable projection (SORP): A statement projecting the likely future worth of a defined contribution retirement fund, which is based on assumptions about future contributions paid in, investment returns on those contributions as well as existing monies, and the cost of buying an annuity (pension) when a member retires. SORPs are issued to members of defined contribution schemes and PRSA contributors at least annually. They should be used as a guide in assessing whether or not you are on track to meet your retirement savings goals.

Transfer payment (also known as ‘transfer value’): A member of a pension scheme who is entitled to a preserved benefit is entitled to take a transfer payment from that pension scheme to:

- (a) another pension scheme of which they are a member or prospective member,
- (b) a buy-out bond (BoB), also known as a ‘personal retirement bond (PRB)’, with an insurance company, or
- (c) a Personal Retirement Savings Account (PRSA) with a PRSA provider (subject to certain restrictions),

in lieu of the benefits payable to the member from the scheme from which the transfer payment relates.

In the case of a defined benefit scheme, the transfer payment will be the actuarial value of the deferred pension (preserved benefit). This may be reduced to reflect the funding position of the scheme. In the case of a defined contribution scheme, the transfer payment will be the accumulated value of contributions paid by or in respect of the member.

Trust: An arrangement under which a person or a group of people (trustees) hold and look after property on behalf of others. In the case of a pension scheme, the assets are held by the pension scheme trustees for the benefit of the members of the pension scheme and their dependants, and for the purpose of providing income in retirement.

Trust deed and rules: Occupational pension schemes are set up under trust. The trust deed and rules govern how the scheme is managed and sets out how the benefits are determined and to whom they are payable.

Trust fund: In a company pension scheme the trust fund is the monies and assets held by the trustees, subject to the trusts of the scheme.

Trustee: An individual or a company which alone or jointly becomes the legal owner of assets to be administered for the benefit of someone else (the beneficiaries), in accordance with the provisions of the document creating the trust and the provisions of trust law generally and the Pensions Act, 1990.

Unfunded schemes: Schemes in the non-commercial sector, such as the civil service, local government, education and health services, are financed on a pay-as-you-go basis. This means that the cost of pensions is met from current exchequer expenditure in much the same way as the salaries and wages of employees of this sector.

Appendix A – Trustees’ annual report

The **trustees** of all **occupational pension schemes** (other than **one-member arrangements**) must either prepare an annual report or have one prepared by someone else.

The information that must be included in the annual report depends on the type of scheme.

Large funded **defined benefit schemes** and large funded **defined contribution schemes** must provide audited accounts as well as an annual report. A **large scheme** is a scheme with 100 or more **active** and **deferred members**.

If your scheme is a small funded **defined benefit scheme** or a small **defined contribution scheme**, the **trustees** may opt to have an alternative annual report prepared. If so, the report must be prepared by a **qualified auditor** or, if all the benefits are being provided under one or more policies with a life assurance company or companies, by a person designated by that company or one of those companies.

A **small scheme** is a scheme with less than 100 **active** and **deferred members**.

You or your spouse/civil partner may request a copy of the latest report and/or accounts at any time. It must be given to you, free of charge, within four weeks of a written request. The **trustees** may accept a less formal approach, such as a telephone call.

Prospective members, their spouses/civil partners and other beneficiaries under the scheme are also entitled to receive a copy free of charge.

When must annual reports be made available?

The Act lays down a number of reporting deadlines. Failure by **trustees** to meet these deadlines is a breach of the Act.

- The annual report and audited accounts (where applicable) must be prepared for each scheme year as soon as is reasonably practical.
- The **trustees** must make them available within nine months after the end of the scheme year.

- The **trustees** must advise **active members** that the documents are available within four weeks after the nine-month deadline (for example, through an announcement on your staff notice board or in a staff circular).
- A copy of the annual report and accounts (where applicable) must be given by the **trustees** to any authorised trade union that represents **members** of the scheme within nine months of the end of the scheme year.

What information must be included in the annual report?

Annual report

The annual report must include:

- the investment manager name(s) and an explanation of their costs,
- an investment report,
- a review of financial developments,
- details of pension increases,
- an inter-valuation statement for any **defined benefit scheme**,
- a full copy of the audited accounts,
- information about any significant changes to the scheme that occurred after the year end, if noted in the accounts,
- an auditor's report,
- the latest **actuarial funding certificate (AFC)** and funding standard reserve certificate – only for **defined benefit schemes** and some **defined contribution schemes** – and a statement explaining the latest **AFC**,
- details of any **funding proposal**,
- the names of the **trustees** and information about **member** trusteeship,

- a statement as to whether the **trustees** have access to appropriate training on their duties and responsibilities as **trustees**, and the cost of training where this was paid out of the **assets** of the scheme,
- confirmation of **trustee** access to the Pensions Authority's Trustee Handbook and Guidance Notes,
- a list of employers at the end of the scheme year,
- a list of all the **trustees'** advisors,
- a contact name and address for enquiries,
- the number of **members**, including **deferred members**, **active members**, pensioners and death in service only **members**,
- an explanation of any material change in membership numbers from the previous year,
- information about any significant changes to the scheme since the previous scheme year and confirmation that **members** have been advised of any changes to the basic scheme information,
- details of any benefits being paid for which the scheme has no liability on wind-up and whether persons in receipt have been notified,
- confirmation of the scheme registration with the Pensions Authority and the registration number,
- whether the scheme is **defined benefit** or **defined contribution**,
- a valuation report for any **defined contribution scheme**,
- a **statement of investment policy principles** (not needed for **small schemes**),
- a statement concerning financial, technical and other risks (unless disclosed in the basic information about the scheme),
- a statement on **internal dispute resolution** procedures (if not disclosed elsewhere),

- the number of employed **members** that are entitled to pension benefits and the number that are only entitled to death in service benefit,
- a statement that the **trustees** have appropriate procedures for the payment and receipt of contributions.

Accounts

The accounts must contain:

- the financial transactions during the scheme year,
- a statement of **assets** and **liabilities**,
- the previous year's figures, if any,
- an analysis of the scheme's investments,
- a statement declaring if the accounts were prepared in accordance with the Statement of Recommended Practice,
- an auditor's report and statement whether the accounts contain all the required information, show a true and fair view of the scheme's **assets**, **liabilities** and financial transactions, contributions have been received by the **trustees** within 30 days of the end of the scheme year and in accordance with the rules of the scheme and, in a **defined benefit scheme**, with the actuary's recommendation, and
- a risk statement declaring that the benefits are not guaranteed.

Alternative annual report

Small **defined benefit schemes** and **defined contribution schemes** are those with less than 100 **members** (including **deferred members**). They do not need to provide a full annual report but can compile a document called an alternative annual report.

It must contain:

- an investment report,
- details of increases,

- the latest **actuarial funding certificate (AFC)** and funding standard reserve certificate – only for **defined benefit schemes** and some **defined contribution schemes** – and a statement explaining the latest **AFC**,
- the total amount of contributions received during the scheme year,
- an inter-valuation statement for any **defined benefit scheme**,
- a valuation report for any **defined contribution scheme**,
- details of any **funding proposal**,
- the names of the **trustees** and information about **member** trusteeship,
- a statement as to whether the **trustees** have access to appropriate training on their duties and responsibilities as **trustees**, and the cost of training where this was paid out of the **assets** of the scheme,
- confirmation of **trustee** access to the Pensions Authority's Trustee Handbook and Guidance Notes,
- a list of employers at the end of the scheme year,
- a list of all the **trustees'** advisors,
- a contact name and address for enquiries,
- the number of **members**, including **deferred members**, **active members**, pensioners and death in service only **members**,
- an explanation of any change in membership numbers from the previous scheme year's figures,
- information about any significant changes to the scheme since the previous scheme year and confirmation that **members** have been advised of any changes to the basic scheme information,
- a statement concerning financial, technical and other risks (unless disclosed in basic information about the scheme),

- a statement on **internal dispute resolution** procedures (if not disclosed elsewhere),
- a statement that contributions payable have been received within 30 days of the end of the scheme year and in accordance with the rules of the scheme and, if relevant, with the actuary's recommendation,
- a statement regarding the manner in which scheme **assets** are invested, including details of self-investment at any time during the scheme year,
- details of any benefits being paid for which the scheme has no liability on wind-up and whether persons in receipt have been notified,
- confirmation of the scheme registration with the Pensions Authority and the registration number,
- a statement that **trustees** have appropriate procedures for the receipt of contributions within statutory deadlines and in accordance with scheme rules and, in the case of **defined benefit schemes**, the recommendation of the actuary,
- a statement that the scheme has not been audited by an auditor,
- a statement setting out any material transactions with related parties during the scheme year within the meaning of Financial Reporting Standard 8 'Related Party Disclosures', and
- whether the scheme is **defined benefit** or **defined contribution**.

One-member pension schemes

If you have an individual pension plan or **one-member arrangement**, your pension provider does not need to prepare an annual report, alternative annual report, audited accounts or valuation reports. However, you must receive other information such as an annual benefit statement and, if it is a **defined contribution scheme**, a **statement of reasonable projection**.



Unfunded schemes

Certain public service schemes are unfunded, which means that no funds are being set aside to pay for future pension benefits. As a result, audited accounts and investment reports do not need to be prepared.

Other exceptions

Small frozen schemes, **small schemes** in wind-up and death benefit only schemes may not have to provide all the documents listed.



Appendix B – Complaints

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 annuity 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 Office of the Ombudsman.

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 on the Department of Social Protection's website www.welfare.ie.

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 on the Department of Social Protection's website www.welfare.ie.

Office of the Ombudsman: 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 Financial Services and Pensions Ombudsman.

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. The **trustees** have an **internal dispute resolution** procedure in place to deal with such issues.

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, 1990; it has the power to prosecute for breaches of the Pensions Act, 1990, and to take Court action against **trustees** for the protection of **members** and their rights.

The Financial Services and Pensions Ombudsman: If you have followed the internal complaints procedure of your occupational pension scheme and you are still not satisfied, the Financial Services and Pensions Ombudsman may investigate your complaint.



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

You can contact your **annuity** or **ARF/AMRF** provider, the Financial Services and Pensions Ombudsman or the Central Bank of Ireland.

How do I know who to contact?

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

The Financial Services and Pensions Ombudsman: If you have followed the internal complaints procedure of your financial service provider and you are still not satisfied, the Financial Services and Pensions Ombudsman may investigate your complaint.

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

Central Bank of Ireland

PO Box 559
New Wapping Street
North Wall Quay
Dublin 1
D01 F7X3
Tel: (01) 224 6000
LoCall: 1890 77 77 77
Fax: (01) 224 5550
Email: enquiries@centralbank.ie
Web: www.centralbank.ie

Department of Social Protection

Social Welfare Services
College Road
Sligo
F91 T384
Tel: (071) 915 7100
LoCall: 1890 50 00 00
Email: info@welfare.ie
Web: www.welfare.ie

Family Law Office (District Court)

Dolphin House
East Essex Street
Dublin 2
D02 RR76
Tel: (01) 888 6349/6344/6347
Email: districtfamilylaw@courts.ie

Family Law Office (Dublin Circuit Court)

Phoenix House
15/24 Phoenix Street North
Smithfield
Dublin 7
D07 X028
Tel: (01) 888 6806/6812/6818
Email: dublincircuitfamilylaw@courts.ie
Web: www.courts.ie



An tÚdarás Pinsean
The Pensions Authority

Financial Services and Pensions Ombudsman

Lincoln House
Lincoln Place
Dublin 2
D02 VH29
Tel: (01) 567 7000
Email: info@fspo.ie
Web: www.fspo.ie

Financial Services (Pensions) Business

Large Cases Division
Office of the Revenue Commissioners
Ballaugh House
73-79 Lower Mount Street
Dublin 2
D02 PX37
Tel: (01) 738 3637
Email: lcdretirebens@revenue.ie
Web: www.revenue.ie

Irish Human Rights & Equality Commission

16-22 Green Street
Dublin 7
D07 CR20
Tel: (01) 858 9601
LoCall: 1890 24 55 45
Email: info@ihrec.ie
Web: www.ihrec.ie

Office of the Ombudsman

6 Earlsfort Terrace
Dublin 2
D02 W773
Tel: (01) 639 5600
Email: info@ombudsman.ie
Web: www.ombudsman.ie



An tÚdarás Pinsean
The Pensions Authority

Social Welfare Appeals Office

D'Olier House
D'Olier Street
Dublin 2
D02 XY31
LoCall: 1890 74 74 34
Email: swappeals@welfare.ie
Web: www.socialwelfareappeals.ie

The Pensions Authority

Verschoyle House
28/30 Lower Mount Street
Dublin 2
D02 KX27
Tel: (01) 613 1900
LoCall: 1890 65 65 65
Fax: (01) 631 8602
Email: info@pensionsauthority.ie
Web: www.pensionsauthority.ie

Workplace Relations Commission

Lansdowne House
Lansdowne Road
Ballsbridge
Dublin 4
D04 A3A8
Tel: (059) 917 8990
LoCall: 1890 80 80 90
Web: www.workplacerelations.ie