

Pension Charges Checklist

Questions to ask about how charges can affect your pension

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

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

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

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

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



An tÚdarás Pinsean
The Pensions Authority

www.pensionsauthority.ie

Company/Occupational Pension Schemes

Members of occupational pension schemes should understand which type of scheme(s) they belong to. There are two types:

- A defined benefit scheme, the main benefit from which is a pension at retirement usually calculated based on your years of service and your salary at retirement. The charges on this type of pension scheme may be borne by your employer but otherwise may reduce the amount of funds available to pay the benefits promised under the scheme.
- A defined contribution scheme where the benefits you get at retirement depend on the amount of contributions you and your employer pay, the investment return achieved on those contributions less the charges deducted.

Trustees are people who oversee the management of a pension scheme. You may wish to ask the trustees of your scheme some questions about charges, particularly if you are a member of a defined contribution pension scheme. You may ask the trustees:

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

Personal Retirement Savings Accounts (PRSAs)

A Personal Retirement Savings Account (PRSA) is an individual account you can set up with an authorised PRSA provider. You can pay money into the account which you can access when you retire. You get tax relief on contributions paid to a PRSA within Revenue limits (the same applies for contributions paid to an occupational pension scheme). You can invest your PRSA in a range of investment funds offered by the PRSA provider. PRSAs are a type of defined contribution arrangement - the benefits you get at retirement depend on the amount of contributions paid in, the investment return achieved, less the charges deducted. Charges on PRSAs can only be described and deducted as a percentage of contributions and/or as a percentage of assets and cannot be described or deducted in cash terms.

You should be aware that charges differ across PRSAs, depending on the PRSA provider's fees and the investment management fees. Often the investment choice you make will have an impact on the charges deducted.

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

That is not to say that a Standard PRSA will necessarily be better

value than a non-Standard PRSA. There are many factors you should consider when assessing value for money and choosing a PRSA - you may wish to seek independent financial advice from a qualified financial advisor when doing so.

Please note that if you have a PRSA you cannot be charged for the following:

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

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

- What charges are being deducted from my PRSA?
- How much are those charges costing my fund and affecting the overall value?
- Can you offer me a lower charging structure?

Personal Pension Plans or Retirement Annuity Contracts (RACs)

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

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

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

Next steps

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

To get specific information about your:

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



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