

Investment risk, fees and charges checklist

Questions to ask about how investment
risk, fees and charges affect your pension



An tÚdarás Pinsean
The Pensions Authority

www.pensionsauthority.ie

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.

This checklist will help you engage with your pension. The questions posed here are to help and prompt you to seek out more information where you do not understand things about your pension.

The checklist will show you:

- how company pension schemes and personal plans operate
- how benefits are calculated on retirement
- where investment risk, fees and charges can affect your benefits on retirement.

What type of pension do you have?

1. Do you know what type of pension you have or are contributing to?

- are you a member of a defined benefit scheme?
- are you a member of a defined contribution scheme?
- are you a member of a hybrid scheme?
- do you have a Personal Retirement Savings Account (PRSA)?
- do you have a Retirement Annuity Contract (RAC)/Personal pension?
- are you a member of a Civil Service/Public Sector (defined benefit) pension scheme?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

Different types of pensions

- **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 his or her 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”). 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.
- **Public Sector Pension Schemes** are pension schemes available to civil servants and public sector workers. Benefits from these schemes are either paid directly from the state or are partly funded by the state and may require some level of contribution from the member. Benefits are determined by the amount of years’ service with the scheme and either the members’ final pensionable salary or the members’ career average salary, depending on which scheme they are a member of.
- **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 on the Pensions Authority website.

Further information

For further general information you should visit www.pensionsauthority.ie and read the guide ‘What are my pension options?’ which gives more details about company/occupational pension schemes, PRSAs and RACs. Civil and public servants should visit www.cspensions.gov.ie (if recruited before 1 January 2013) or www.singlepensionscheme.gov.ie, (if recruited on or after 1 January 2013).

Investment risk and funding questions for defined contribution schemes, PRSAs and RACs

- 2. Does your employer make a contribution on your behalf to your pension?
- 3. Do you know how much your employer contributes?
- 4. Do you know how your pension contributions are invested?
i.e. what fund(s) are your contributions invested in.
- 5. Do you understand that different investment performances can affect your final benefit on retirement?
- 6. Do you understand how the level of investment risk affects your pension?
The level of risk varies with the type of fund your contributions are invested in.
- 7. Have you asked your trustees or pension provider about the investment performance of your fund lately?
- 8. Have you asked your trustees or pension provider what the investment risk plan for your pension is as you near retirement?
In other words what plan is in place to start moving your investments to more secure funds (cash/bonds) as you near retirement (i.e. starting within 10 years of your retirement).

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

Investment risk and funding questions for defined benefit schemes

- 9. If you are a member of a defined benefit scheme do you know the funding position of your scheme?
The trustees of your scheme are required to periodically examine the funding status of the scheme. Further information on this requirement is outlined in the Pensions Authority guide 'How does my pension scheme work?' available [here](#)

<input type="checkbox"/>	<input type="checkbox"/>
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Information you should receive

- 10. If you are a member of your company's pension scheme were you notified about or did you get a copy of the scheme annual report?
Information that must be included in your pension scheme's annual report is outlined in the Pensions Authority guide 'How does my pension scheme work?' available [here](#).
- 11. Did you get an annual benefit statement from your pension scheme?
Active members of defined contribution pension schemes must be issued an annual Statement of Reasonable Projection (SRP) from the trustees of their pension scheme. An SRP must provide members of defined contribution schemes with estimates of what pension they may receive when they retire.
- 12. Did you get a statement of account, an investment report and an SRP from your PRSA provider?
Information that must be disclosed to you and outlined in your PRSA statement of account and Statement of Reasonable Projection is explained in the Pensions Authority guide 'Personal Retirement Savings Accounts (PRSAs) - A consumer and employers' guide' available [here](#).
- 13. Where you do not understand the annual benefit statement or SRP you received, have you asked your trustees or pension provider to explain it in more detail to you?

<input type="checkbox"/>	<input type="checkbox"/>

Questions to ask on fees and charges if you are a member of a defined contribution scheme or have a PRSA or an RAC

Yes

No

14. Have you asked your scheme trustees or pension provider to break down and total all the fees and charges that apply to your pension – such as the following?

- initial charges for joining the scheme/starting a pension
- contribution charges
- investment charges
- charges for switching funds
- monthly policy fees.

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

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

Questions on adequacy

16. Are you satisfied that the levels of contribution you are making to your pension are adequate to meet your future needs in retirement?

Visit the Pensions Calculator on www.pensionsauthority.ie to explore your contribution options.

17. Do you make Additional Voluntary Contributions (AVCs) to your pension?

18. If you are a civil or public servant, have you asked your superannuation department (or your HR department) about your pension and the options of buying additional or notional years' service (buying added years) or buying retirement benefits?

Next steps

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

To get specific information about your:

- **Defined benefit or 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 Contract (RAC)**
RACs are administered by the insurance industry so you should contact your RAC provider.
- **Civil/Public servants**
should contact the HR/Superannuation section of their relevant Department.
- **Pensions Authority guides**
pension guides are available to download [here](#).



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