

# Personal Retirement Savings Accounts (PRSAs)

## A consumer guide



An Bord Pinsean -  
**The Pensions Board**

Authority for Pensions

[www.pensionsboard.ie](http://www.pensionsboard.ie)



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## 1. Introduction

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

This booklet is a consumer guide to PRSAs. It shows you how to research, apply for and monitor your PRSA. We hope it helps you to understand PRSAs and make informed choices about your pension options.

It has been produced by the Consumers' Association of Ireland (CAI) and The Pensions Board. The CAI is an independent, non-profit and non-government organisation working on behalf of Irish consumers to make sure that their needs are given higher priority. The Pensions Board monitors and supervises the operation of the Pensions Act, 1990, and oversees pension developments generally, including those related to PRSAs.

### **What does *that* mean?**

Don't be confused by pensions jargon.

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

Note: This booklet is based on the legislation, tax rules and limits that apply at the time of writing. You should be aware that these may change over time.

## 2. PRSA basics

### What is a PRSA?

A PRSA is a personal pension plan that you take out with an authorised PRSA provider. It is like an investment account that you use to save for your retirement.

PRSAs are a type of *defined contribution scheme*. You make regular contributions to your pension, and a proportion of these are tax deductible.

### What are the benefits of a PRSA?

- PRSAs are flexible, as you can increase, decrease or stop your contributions at any time without any charge or penalty.
- PRSAs are portable; you can carry your PRSA from job to job or transfer it to another PRSA provider without any charge or penalty.
- PRSAs give you more choices at retirement. For example, you can continue making contributions after you retire, while also receiving a pension income.
- As a PRSA holder, you will receive regular information to allow you to monitor its performance and its suitability to your needs.

### Who can take out a PRSA?

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

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

**What types of PRSAs are available?**

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

If you have a Standard PRSA, you:

- cannot be charged more than 5% on the contributions you pay and 1% a year on the managed funds
- can only invest in *pooled funds*, except for *temporary cash holdings*
- do not have to buy another product, such as life assurance, when you are applying for your Standard PRSA.

If you have a non-Standard PRSA, there is no limit on charges and you can invest in a range of funds, including (but not restricted to) *pooled funds*.

**Who contributes to my PRSA?**

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

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

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

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

**Who regulates PRSAs?**

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

The Board also maintains a public register of PRSA providers and their approved products on the Board's website [www.pensionsboard.ie](http://www.pensionsboard.ie).

### 3. Getting my PRSA

#### **Where can I get a PRSA?**

To get your PRSA, you must enter into a contract with an authorised PRSA provider. Authorised PRSA providers can include investment firms, insurance companies and credit institutions. There are currently 11 PRSA providers with 78 approved products.

PRSA's are also available indirectly through agents, typically insurance brokers or financial advisers authorised to sell PRSA products on behalf of the providers. You can get a list of approved PRSA products and the respective providers on The Pensions Board's website ([www.pensionsboard.ie](http://www.pensionsboard.ie))

#### **Where do I get my PRSA documents?**

Your PRSA provider provides you with your documents. If you do not receive all of the documents outlined below, you should contact your provider and request them.

### **What are the PRSA documents?**

#### **Application form**

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

#### **Contract**

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

### **Cooling off**

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

### **Preliminary disclosure certificate (PDC)**

The PDC outlines the sample benefits that can be reasonably expected from a PRSA, based on a number of assumptions. It outlines the PRSAs investment strategy, charges, tax relief arrangements, cooling-off period, risk factors and expected benefits. You should receive this before you apply for a PRSA as it may form part of the contract (see Appendix 1).

### **Statement of Reasonable Projection (SRP)**

The SRP outlines the benefits that you can reasonably expect from your PRSA, based on certain assumptions. You should receive it within seven days after you sign a PRSA contract and once a year after this. If your provider is increasing its charges (only if the contract allows this and having given you two months' notice of this), you will receive an updated SRP, within seven days, outlining these charges. You may also receive such a statement on request. (See Appendix 2.)

### **PRSA certificate**

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

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

**Investment report**

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

**Statement of account**

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

**Certificate of comparison**

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

A certificate is not required where the transfer from the *occupational pension scheme* is in respect of a deferred member and the value is less than €10,000, if you were in the scheme for less than two years and do not have any preserved benefits in it or if your *occupational pension scheme* is in wind up.

**Disclosure declaration**

If your new PRSA will replace an existing PRSA contract or a retirement annuity contract (RAC), you must be given a declaration before the initial Statement of Reasonable Projection (SRP) is issued. The declaration gives additional information, including the financial consequences of taking out the new PRSA.

### **Non-Standard PRSA declaration**

You should read this document before you buy a non-Standard PRSA. Your provider should give it to you, but it is also available directly from the Financial Regulator ([www.financialregulator.ie](http://www.financialregulator.ie)). You must sign this declaration if you choose to invest in a non-Standard PRSA. You should also keep a copy of it.

### **Do I need to hold on to my PRSA documents?**

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

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

### **What are my employer's obligations in relation to PRSAs?**

Since 2003, all employers must enter a contract with a PRSA provider so that all 'excluded employees' have access to at least one Standard PRSA.

You are an 'excluded employee' if:

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

If you are a contractor, self-employed or unemployed, you can approach a PRSA provider directly to organise a PRSA. You can research the PRSA products available by consulting this guide, checking The Pensions Board website ([www.pensionsboard.ie](http://www.pensionsboard.ie)) and requesting the relevant brochures from the various PRSA providers. Alternatively, you can seek independent financial advice. There is no charge for signing up with a PRSA provider.

### **What other responsibilities has my employer?**

Your employer must:

- notify 'excluded employees' of their rights to contribute to a Standard PRSA
- provide 'excluded employees' with access to at least one Standard PRSA
- allow PRSA providers or intermediaries to have reasonable access to 'excluded employees' at their workplace so that PRSAs can be arranged
- allow reasonable paid leave of absence, subject to work requirements, to 'excluded employees' so they can set up a Standard PRSA
- take PRSA contributions from your wages at your request and promptly forward these contributions to your PRSA provider (your employer cannot charge you for deducting contributions from your wages)
- advise you in writing (normally on your payslip) at least once a month of your total contribution and their contribution, if any.

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

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

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

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

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

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

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

**Can PRSA products be suspended or withdrawn?**

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

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

**What happens if my PRSA product is suspended or withdrawn?**

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

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

#### 4. Contributing to my PRSA

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

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

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

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

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

**How much tax relief do I get on my contributions?**

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

Age	Limit of <i>net relevant earnings</i>
Under 30	15%
30-39	20%
40-49	25%
50-54	30%
55-59	35%
60 or over	40%

If you are a sports person or a professional who usually retires at an earlier age than the norm (such as an athlete or jockey), you can get tax relief on 30% of your *net relevant earnings* regardless of your age. Relief is given at your marginal (higher) tax rate.

For everyone, there is a maximum annual amount of earnings for which tax relief is given. In 2009, this was €150,000. This figure is adjusted by the Minister of Finance each year.

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

You may also be able to get *pay-related social insurance (PRSI)* relief on PRSA contributions.

You can get more information on PRSA-related tax rules from the Revenue Commissioners' leaflet 'Personal Retirement Savings Accounts (PRSAs) – IT14A', which is available on Revenue's website ([www.revenue.ie](http://www.revenue.ie)).

### **Must I make regular contributions?**

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

### **How flexible can my contributions be?**

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

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

**How can I pay my contributions?**

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

**What happens if I don't pay my contributions?**

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

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

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

**What happens if I change jobs?**

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

**Can my employer contribute to my PRSA?**

Yes, your employer can contribute to your PRSA but is not obliged to do so.

## 5. Investing my PRSA

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

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

### **In what types of assets will my PRSA invest?**

Typically shares, bonds and cash. Your PRSA provider must give you information in relation to the types of assets in which your PRSA is invested.

### **What is a default investment strategy?**

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

### **Who decides how I invest my PRSA?**

You do. It is your PRSA and you choose the type of funds to be invested in and the strategy to be followed. All PRSAs must have a *default investment strategy*. Your provider will also give you a choice of investment funds outside this strategy and you can choose to invest in any of those instead.

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

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

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

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

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

Every six months, your provider must send you an investment report (see section 3) that outlines the performance of the funds in your PRSA.

**What level of risk is associated with my PRSA?**

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

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

## 6. Getting my PRSA benefits

### **When can I take an income from my PRSA?**

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

### **What documentation do I need to get my PRSA benefits?**

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

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

No, you can take gradual benefits from your PRSA and continue to make PRSA contributions. However, you must take your PRSA benefits at age 75 and stop any contributions before that age. You can get more information from the Revenue Commissioners' leaflet 'Personal Retirement Savings Accounts (PRSAs) – IT14A', which is available on [www.revenue.ie](http://www.revenue.ie).

### **What will my PRSA benefits consist of?**

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

### **Am I taxed on the investment return earned on my PRSA?**

No, you are not taxed for capital gains on the investment return you get on your PRSA. You may, however, have to pay income tax on the pension income you receive from your PRSA.

### **What options do I have at retirement?**

You can take a tax-free lump sum at retirement of 25% of your PRSA fund's value, subject to a maximum. With the remainder of your PRSA fund, you can:

- use the balance to buy an *annuity*, or
- leave the funds in your PRSA and withdraw from them at any time, subject to the Revenue requirements for AMRF/ARFs, or
- transfer the balance to an *approved retirement fund (ARF)*.

You can get more information from Revenue's leaflet 'Personal Retirement Savings Accounts (PRSAs) – IT14A', which is available on [www.revenue.ie](http://www.revenue.ie).

### **What happens if I die before I retire?**

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

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

This depends on the pension option you choose at retirement. You can get more information from Revenue's leaflet 'Personal Retirement Savings Accounts (PRSAs) – IT14A', which is available on [www.revenue.ie](http://www.revenue.ie).

### **Can I transfer my PRSA benefits to another pension if I change jobs?**

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

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

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

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

## 7. PRSA charges

### **What are the charges for Standard PRSAs?**

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

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

### **What are the charges for non-Standard PRSAs?**

Charges on non-Standard PRSAs are not capped and vary among providers. The Pensions Board keeps an up-to-date list of the charges on all PRSA products (Standard and non-Standard) on its website ([www.pensionsboard.ie](http://www.pensionsboard.ie)).

### **Can my PRSA provider change its charges?**

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

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

**What services do not incur charges?**

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

- setting up or closing a PRSA
- cancelling your PRSA within the cooling-off period (a charge may apply if your provider is a life company and if you made single contributions)
- transferring other pension benefits to your PRSA (if a certificate of comparison [see section 3] is required, a fee may be charged)
- transferring your PRSA to another provider
- increasing your contributions
- decreasing your contributions (although this may depend on the charging structure of your PRSA)
- starting, stopping or restarting contributions.

## 8. Complaints

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

Depending on the type of complaint you have, a number of authorities can help. You can contact the PRSA provider, The Pensions Board, the Office of the Pensions Ombudsman, the Financial Services Ombudsman's Bureau, or the Financial Regulator (see section 12 for contact details).

### **How do I know who to contact?**

#### **PRSA provider**

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

#### **The Pensions Board**

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

#### **The Pensions Ombudsman**

The Pensions Ombudsman can investigate and determine:

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

### **Financial Services Ombudsman's Bureau**

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

### **The Financial Regulator**

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

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

## 9. Quick tips on PRSAs

By law, your PRSA provider must give you detailed information in relation to your PRSA. If there is something that you are unsure of, contact your provider and ask them to clarify.

Take the time to carefully read the information you are given. Don't be afraid to ask your provider to explain the material you have been given if you don't understand it.

When choosing your PRSA provider, shop around for rewards or bonuses for making contributions or retiring on the date initially specified on your contract.

Be wary of mis-selling. If you are getting a PRSA through a broker, intermediary or other salesperson, ensure they offer a Standard as well as a non-Standard PRSA. If they propose a non-Standard PRSA, make sure they give you clear reasons, as there is no cap on charges with non-Standard PRSAs. Seek independent financial advice if you are getting your PRSA directly rather than through an employer.

Be wary of substitution selling. If you are in long-term employment and already in an *occupational pension scheme*, you may not need a PRSA unless your employer is winding up the scheme or you are changing employment. PRSAs are aimed primarily at people who have not made any pension provision.

*Occupational pension schemes* may offer more benefits than PRSAs as your employer usually contributes to your scheme. Your employer can contribute to your PRSA but is not obliged to do so.

If you are opting for a non-Standard PRSA, remember that charges are not capped. Ask your provider for a list of the cost differences between the non-Standard and the Standard PRSA products. Read and sign the Financial Regulator's non-Standard PRSA declaration before buying a non-Standard PRSA and keep a copy of it.

Be wary of promises of better returns on non-Standard PRSAs. Past performance is never a guarantee of future returns and it is difficult, if not impossible, to predict how well an individual investment fund will perform.

You are free to stop your contributions at any time without being charged or penalised for doing so. If you do not pay contributions for two years or more and the value of your PRSA fund is €650 or less, your provider can terminate your PRSA and give you a refund of the value of your account. Your provider must give you three months' written notice before closing your PRSA.

Take note of the type of services for which you cannot be charged for (see section 7). If you find you are being incorrectly charged, contact your provider. If the outcome is unsatisfactory, contact The Pensions Board, the Pensions Ombudsman, the Financial Services Ombudsman's Bureau or the Financial Regulator, whichever is appropriate (see section 8).

For detailed information on tax relief and PRSAs, you should contact the Revenue Commissioners.

Keep all your PRSA documents safely and let a solicitor, friend or relative know where they are.

## 10. Examples

**Philomena McGovern, aged 28, is a freelance journalist** who earns €35,000 a year. Due to the nature of her job, she is not in pensionable employment and has not made any pension provision.

Philomena decides to apply for a Standard PRSA. She initially pays 15% of her salary (€5,250 for the first year) into her PRSA, which means she can avail of full tax relief for her age. Her contributions work out at about €437.50 a month for the first year. She also chooses the indexation option so that her contributions automatically increase by 5% each year. By doing so, she hopes that inflation will not decrease the value of her pension contributions that much.

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

**Stephen Smith, aged 35, is a self-employed IT consultant** who earns €110,000 a year. Stephen would like to start a pension that allows him to invest in high-risk funds.

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

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

Although Stephen can only get tax relief on 20% of his earnings because of his age, he contributes 25% of his earnings to his PRSA as he has not previously had a pension and wants to make up for lost time.

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

**Aisling O'Toole, aged 30, is a casual chef** who earns about €15,500 a year. She has worked with a number of catering companies on a part-time basis since the age of 18 but none has offered her a pension arrangement because of her casual status.

Aisling decides to take out a Standard PRSA. As she has never invested in the stock markets, she has no investment expertise so she chooses the *default investment strategy*.

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

## 11. The Pensions Board

### **What is it?**

The Pensions Board is a representative body composed of a chairperson and 16 ordinary members. The term of office for Board members is five years. The Pensions Board also has a chief executive and a team of staff in its office to take care of its day-to-day business.

While all its members are appointed by the Minister for Social and Family Affairs, The Pensions Board must comprise representatives of trade unions, employers, consumer interests, pensioner interests, the Government, the pensions industry, pension scheme trustees and professional groups involved with pension arrangements.

### **What does it do?**

Along with encouraging the take up of pensions so that all citizens will have an adequate retirement income, it also provides information and authoritative guidance to everyone with an interest in pensions: consumers, employers, trustees and the pensions industry. It also promotes the security and protection of pension scheme members and PRSA holders.

Its responsibilities include regulating and providing technical guidance on company pension plans, trust RACs and PRSAs. In addition, it advises the Minister for Social and Family Affairs on pension matters generally. It regulates *occupational pension schemes* and PRSAs in Ireland as part of its statutory role to monitor and supervise the operation of the Pensions Act.

### **How can it help you?**

The Pensions Board can provide you with general information on occupational pension schemes, PRSAs and trust RACs. It publishes a comprehensive range of free booklets that can assist you with pension-related matters (see below).

If you have a complaint relating to your pension, The Pensions Board can advise you of your rights and direct you to the appropriate person or organisation for help. In some circumstances, The Pensions Board can act on behalf of pension scheme members or PRSA contributors who have concerns about their pensions.

## Pensions Board booklets

### Further information

The following booklets are available free of charge from The Pensions Board, Tel: (01) 613 1900, Locall: 1890 65 65 65, or they can be downloaded from The Pensions Board website [www.pensionsboard.ie](http://www.pensionsboard.ie)

### A brief guide to equal pension treatment

As with all areas of working life, pensions are subject to equality rules and legislation. This guide explains the principles of equal pension treatment, discrimination and victimisation in relation to *occupational pension schemes*.

### A brief guide to the pension provisions of the Family Law Acts

Are you about to get a divorce or judicial separation or have you recently done so? You may need to obtain a pension adjustment order, as a dependent former spouse will still need an income in retirement. This guide answers common questions about pension adjustment orders.

### A guide to hybrid pension schemes

This booklet is intended to help employers, employees, union representatives and others involved with pensions to understand the different types of pension scheme designs. This is with a view to helping them to reach agreement about the most suitable type of pension scheme in a particular situation.

### **A guide to your scheme's annual report**

As a pension plan member, you are entitled to receive a copy of the plan's annual report. This booklet explains what the report should contain and why the information in it is significant.

### **Annuities – A brief guide**

Some pension plans require retiring members to buy an annuity, which is a product that pays you an annual income for the rest of your life. Find out more about annuities, including how they work and the choices you have.

### **Integration – A brief guide**

Benefits from occupational or company pension plans, particularly *defined benefit schemes*, are often co-ordinated or integrated with those paid by the social welfare system. Find out how the integration system works and what it means for your pension benefits.

### **Pension scheme funding and restructuring**

This booklet has been prepared to assist trustees and scheme members who may be involved in pension scheme funding or restructuring such as scheme wind-ups, mergers or acquisitions.

### **Pensions checklist**

Thinking about starting a pension? Get started with our questionnaire and checklist. Available in Arabic, Chinese, French, Polish, Russian and Spanish.

### **Personal Retirement Savings Accounts (PRSAs) – Employers' obligations**

Employers have certain legal obligations with regard to PRSAs. This booklet includes many frequently asked questions that should help employers to understand their responsibilities in this regard.

**Selecting member trustees**

This booklet provides information on how and why *occupational pension schemes* are set up as trusts, the role of trustees, eligibility to participate in their selection, the options for members and employers and the procedures involved.

**So you're a pension scheme trustee?**

As the trustee of a pension scheme, you have certain duties and responsibilities, which are explained in this booklet.

**Trustee and employer checklists: On-the-spot fines**

These checklists help trustees and employers to ensure that they do not incur any on-the-spot fines for contraventions of the Pensions Act.

**What are my pension options?**

Find out more about the different types of pensions you can use to save for retirement, such as company pensions, personal pensions, PRSAs and State retirement pensions.

**What do you know about your pension scheme?**

Trustees and employers must provide you with certain information about your pension plan. Find out what you are entitled to know.

**What happens to my pension if I leave?**

Your pension isn't lost if you leave your job. Find out how to keep your benefits or transfer them to a new pension plan.

**Women and pensions**

Women need to pay special attention to pension planning. This booklet addresses issues such as maternity leave, career breaks and re-entering the workforce and how these events affect your pension.

## 12. Useful addresses

### **The Pensions Board**

Verschoyle House, 28/30 Lower Mount Street, Dublin 2

Tel: (01) 613 1900

Locall: 1890 65 65 65

Fax: (01) 631 8602

Email: [info@pensionsboard.ie](mailto:info@pensionsboard.ie)

Web: [www.pensionsboard.ie](http://www.pensionsboard.ie)

### **Office of the Pensions Ombudsman**

36 Upper Mount Street, Dublin 2

Tel: (01) 647 1650

Fax: (01) 676 9577

Email: [info@pensionsombudsman.ie](mailto:info@pensionsombudsman.ie)

Web: [www.pensionsombudsman.ie](http://www.pensionsombudsman.ie)

### **Financial Regulator**

PO Box 9138, College Green, Dublin 2

Locall: 1890 777 777

Email: [consumerinfo@financialregulator.ie](mailto:consumerinfo@financialregulator.ie)

Web: [www.financialregulator.ie](http://www.financialregulator.ie)

### **Financial Services Pensions**

Large Cases Division, 2nd Floor, Setanta Centre

Nassau Street, Dublin 2

Tel: (01) 647 0710

Email: [www.lcdretirebens@revenue.ie](mailto:www.lcdretirebens@revenue.ie)

Web: [www.revenue.ie](http://www.revenue.ie)

**Consumers' Association of Ireland**

44 Chelmsford Road, Ranelagh, Dublin 6

Tel: (01) 497 8600

Email: [cai@consumerassociation.ie](mailto:cai@consumerassociation.ie)

Web: [www.thecai.ie](http://www.thecai.ie)

**Department of Social and Family Affairs**

Pension Services Office, College Road, Sligo

Locall: 1890 500 000

Tel: (071) 915 7100

Web: [www.welfare.ie](http://www.welfare.ie)

For information on entitlements to State pension benefits.

## Glossary of terms

**Additional voluntary contributions (AVCs):** Voluntary pension contributions made by a member of a pension scheme over and above the minimum required level of contributions.

**Annuity:** A guaranteed income for life, normally purchased at retirement in return for a lump-sum payment.

**Approved retirement fund (ARF):** With an ARF, a PRSA holder can continue to invest their pension fund money after they retire. They can invest their money through a fund manager in any way they please and their investment returns will accumulate tax free. However, when they make withdrawals from the fund, they will have to pay income tax.

**Defined benefit scheme:** Provides members with retirement and death benefits based on certain formulae. The pension paid is usually based on your salary close to retirement and on your pensionable service.

**Defined contribution scheme:** Provides a pension based on the accumulated value of contributions paid to a pension scheme and the investment returns earned on those contributions.

**Default investment strategy:** An automatic investment strategy that is linked to general good practice for investments for retirement and is certified by a PRSA actuary. It usually provides for investment in pooled funds.

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

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

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

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

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

## Appendix 1

### Preliminary disclosure certificate for a Standard PRSA

**1. The certificate shall contain the following information:**

**(a) Benefits**

Under this heading, include a brief description of the benefits provided by the Standard PRSA and the manner in which those benefits may be taken by the contributor.

**(b) Investment strategy**

Under this heading, describe the *Default Investment Strategy* and any other investment strategy applicable to the Standard PRSA.

**(c) Tax**

Under this heading, include information in relation to the tax issues relevant to the Standard PRSA, including tax relief available on contributions and the extent of such tax reliefs, the tax treatment of income and gains earned under the PRSA contract and the tax treatment of benefits taken from the PRSA.

**(d) Risk factors**

Under this heading, give a brief description of the factors which may have an adverse effect on performance or are otherwise material to the decision to invest, including investment risks, the restriction on taking benefits early and the consequences of not paying contributions.

**2. The projected level of benefits**

Subject to paragraph 3, the certificate shall contain the following information and table duly completed in the following form:

The benefits that will emerge from your Standard PRSA will depend, in particular, on the level of your contributions, how long you pay those contributions and the investment return achieved.

The table below illustrates the retirement income for life payable monthly from age 65 projected to be obtained from contributions of different amounts starting from different ages. This retirement income has been adjusted for inflation so that the amounts are shown in terms of current prices.

**Table of Benefit**

Amount of contribution paid per month	Retirement income payable for life from age 65 of contributions start from age:				
	20	30	40	50	60
€50	€ per month	€ per month	€ per month	€ per month	€ per month
€100	€ per month	€ per month	€ per month	€ per month	€ per month
€200	€ per month	€ per month	€ per month	€ per month	€ per month
€400	€ per month	€ per month	€ per month	€ per month	€ per month

*This table shows that if contributions of €100 per month are made for 35 years, from age 30 to 65, then the retirement income payable for life from age 65 is projected to be € per month.*

**IMPORTANT**

**THESE ILLUSTRATIONS ASSUME AN INVESTMENT RETURN BEFORE RETIREMENT OF (RATE)% PER ANNUM AND INFLATION OF (RATE)% PER ANNUM. THESE RATES ARE FOR ILLUSTRATION PURPOSES ONLY AND ARE NOT GUARANTEED.**

**ACTUAL INVESTMENT GROWTH WILL DEPEND ON THE PERFORMANCE OF THE UNDERLYING INVESTMENTS AND MAY BE MORE OR LESS THAN ILLUSTRATED.**

3. [The information in paragraph 2 is specified for a Standard PRSA and may differ for a non-Standard PRSA.]

4. Warnings

The certificate shall contain the following warning notices:

**“WARNINGS**

**It is important to make adequate provision for your retirement. At the date of this Certificate, the State Pension (Contributory) payable under the Social Welfare (Consolidation) Act 2005 to a single person who is qualified to receive the maximum rate amounts to €\_\_\_\_\_ and equates to [\_\_\_\_\_%] [\_\_\_\_\_] percentage of the latest yearly figure for gross average earnings as published by the Central Statistics Office for all industrial workers in all industries. The value of your assets and, accordingly, the level of your benefits will depend upon the value of the underlying investments of the Standard PRSA and the income which they earn. These values are not guaranteed and may fall from time to time, as well as rise. This Standard PRSA is intended to provide benefits over the duration of your life from retirement and it should be viewed as a long-term investment.”**

5. Information on charges

(a) In this section of the certificate, the PRSA provider shall describe in detail the charges levied under the Standard PRSA contract and include information on how those charges will operate and how they may change over time.

(b) The certificate, in this section, shall also state as follows:  
“The maximum permitted level of charges on a Standard PRSA such as this is limited by law to 5% of each contribution and 1% per annum of the assets in the Account.”

**6. Cooling-off period**

Under this heading, the certificate shall contain, in a prominent position, the following words:

“This contract is not enforceable until a period of 30 days has elapsed from the date on which you are given a Statement of Reasonable Projection and you may cancel this contract at any time during that period.”

**7. Certificate**

The Preliminary Disclosure Certificate shall contain the following words at the end of the certificate:

“This Preliminary Disclosure Certificate has been prepared under the provisions of section 111 of the Pensions Act, 1990 for disclosure in connection with this Standard PRSA on the [date]:

Signed:

---

*(Name of Director)*

---

*(Name of provider and address of registered office)*

Date:

”

---

## Appendix 2

### Statement of Reasonable Projection for a PRSA

**1. A Statement of Reasonable Projection shall contain the following information in the following form:**

“(a) (i) Name of Contributor:

---

(ii) Date of Birth:

---

(iii) Sex:

---

(b) Name of PRSA:

---

(c) Name of PRSA Provider:

---

(d) Date of signature of PRSA contract:

---

(e) Projected retirement date of contributor:

---

(f) Value of your PRSA assets as at date of statement:

---

(g) The level of benefits to be reasonably expected:

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- i. The value of your PRSA assets as shown above if no further contributions are made could be expected under current circumstances to produce an income for life commencing at age [65] of [€] per month in terms of current prices.
- ii. The value of your PRSA assets as shown above, together with future contributions which it is assumed you will pay, will produce the following benefit:

Year	€	€	€	€
	Total amount of contributions paid in the future into the PRSA contract up to the relevant date	Projected investment growth to date	Projected PRSA contract value if no account is taken of applicable charges to date	Projected PRSA contract value if account is taken of applicable charges to date
1				
2				
3				
4				
5				
10				
15				
20				
Maturity				

Note: The projections shown above make no allowance for the affect of inflation, which will reduce the value of the projected benefits. The projected maturity value of [€\_\_\_\_\_] shown in the table is worth [€\_\_\_\_\_] in terms of CURRENT PRICES. This maturity value could purchase a retirement income for the rest of your life starting from that date of [€\_\_\_\_\_] per month in terms of current prices.

**IMPORTANT**

**THESE ILLUSTRATIONS ASSUME AN INVESTMENT RETURN BEFORE RETIREMENT OF (RATE)% PER ANNUM AND INFLATION OF (RATE)% PER ANNUM. THESE RATES ARE FOR ILLUSTRATION PURPOSES ONLY AND ARE NOT GUARANTEED.**

**ACTUAL INVESTMENT GROWTH WILL DEPEND ON THE PERFORMANCE OF THE UNDERLYING INVESTMENTS AND MAY BE MORE OR LESS THAN ILLUSTRATED.”**

2. **The table set out at paragraph 1(g) shall be in annual steps for the first five years and every five years subsequently. The year of maturity shall be shown in a separate line.**

3. **Information on charges**

In the statement, the PRSA provider shall describe in detail the charges levied under the PRSA contract and include information on how those charges will operate and how they may change over time.

4. **Warnings**

- (a) The statement shall contain the following warning notices:

**“WARNINGS**

**The value of your assets and, accordingly, the level of your benefits will depend upon the value of the underlying investments of the PRSA and the income which they earn. These values are not guaranteed and may fall from time to time, as well as rise.**

**It is important to make adequate provision for retirement. This PRSA is intended to provide benefits over the duration of your life from retirement and it should be viewed as a long-term investment.”**

- (b) The statement for a PRSA other than a Standard PRSA shall contain the following additional warning notice:

“It is recommended that you seek professional financial advice about the nature of this PRSA contract.”

**5. Social Welfare pension**

The statement shall contain the following paragraph completed appropriately:

**“At the date of this Statement, the State Pension (Contributory) payable under the Social Welfare (Consolidation) Act 2005 to a single person who is qualified to receive the maximum rate amounts to €\_\_\_\_\_ and equates to [\_\_\_\_\_] % [\_\_\_\_\_] percentage of the latest yearly figure for gross average earnings as published by the Central Statistics Office for all industrial workers in all industries.”**

**6. Certificate**

The Statement of Reasonable Projection shall contain the following words at the end of the statement:

“This Statement of Reasonable Projection has been prepared under the provisions of sections 112 and 116 of the Pensions Act, 1990 on the [date]:

Signed:

\_\_\_\_\_

*(Name of Director)*

\_\_\_\_\_

*(Name of provider and address of registered office)*

Date:

\_\_\_\_\_”







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