

Personal Retirement Savings Accounts (PRSAs)

Employers' obligations



An Bord Pinsean -
The Pensions Board

Authority for Pensions

www.pensionsboard.ie



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The Pensions Board has prepared this booklet to assist employers in understanding their obligations to provide access to PRSAs for their employees. We have made every effort to ensure that it is correct, however no liability whatsoever is accepted by The Pensions Board, its servants or agents for any errors or omissions in the information contained in this booklet or for any loss occasioned to any person acting or refraining from acting as a result of any statement in this booklet.

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1. Introduction

This booklet is designed to give employers a guide to PRSAs. The Pensions Board has published a separate guide for consumers/employees, which is available free of charge. If employees are looking for further information in relation to PRSAs, they should contact the Board for a copy of 'PRSAs – A Consumer Guide' or download it from www.pensionsboard.ie.

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.

If employers do not operate an *occupational pension scheme* or if certain restrictions apply to their scheme, by law they must ensure that their employees have access to at least one Standard PRSA.

This booklet describes employers' legal obligations with regard to PRSAs. It includes many frequently asked questions that should help employers to understand their responsibilities in this regard.

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 1 May 2009. You should be aware that these may change over time.

2. PRSAs explained

What is a PRSA?

A PRSA is a personal pension plan taken out by an individual from an authorised PRSA provider. It is effectively an investment account used to save for retirement. It is a type of *defined contribution* pension.

There are two types of PRSA – a Standard PRSA and a non-Standard PRSA.

What is a Standard PRSA?

A Standard PRSA has maximum charges of 5% on the contributions paid and 1% a year on the managed funds. Apart from *temporary cash holdings*, Standard PRSAs can only be used to invest in *pooled funds*, also known as managed funds. A Standard PRSA may not be marketed or sold if purchasing it is conditional on also buying some other product, such as life assurance.

What is a non-Standard PRSA?

A non-Standard PRSA does not have maximum limits on charges and allows investments in funds other than *pooled funds*.

Which employers must offer PRSAs?

Since 2003, all employers are required to enter a contract with a PRSA provider to provide access to at least one Standard PRSA for all 'excluded employees'.

An employee is considered an 'excluded employee' if:

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

3. Employers' obligations to provide access to a PRSA

What must an employer do to provide access to a Standard PRSA?

An employer must:

- enter into a contract with a PRSA provider. There is no charge for doing this
- notify 'excluded employees' that they have a right to contribute to a Standard PRSA
- allow the PRSA provider or intermediary reasonable access to your 'excluded employees' at their workplace
- allow reasonable paid leave of absence, subject to work requirements, so that excluded employees can set up a Standard PRSA
- make deductions from payroll at their employees' request (see section 5)
- advise them in writing (normally on their payslip) at least once a month of their total contribution, including the employer's contribution, if any.

Does an employer have to give any advice to employees in relation to PRSAs?

No, but the employer must allow their PRSA provider or intermediary reasonable access to their employees to brief them on PRSAs.

If an employer has a small workforce of less than five employees is access to a Standard PRSA still necessary?

Yes. All employers, regardless of the size of their workforce, must provide access to a Standard PRSA if those employees fall into the category of 'excluded employees'.

If an employer has a number of part-time, fixed-term contract and seasonal employees is access to a Standard PRSA for these employees still necessary?

Yes. All employees, whatever their status, must be given access to a Standard PRSA if they fall into the category of 'excluded employees'.

Does an employer have to provide access to a PRSA even though there is an *occupational pension scheme* in place?

No, provided **all** employees – including full-time, part-time, seasonal, temporary, contract or casual employees – are eligible to join the scheme for pension benefits within six months of joining the company and the scheme permits the payment of *additional voluntary contributions (AVCs)*.

Even if there is only one excluded employee, the employer must provide him/her with access to a Standard PRSA.

What about *additional voluntary contributions (AVCs)*?

If an employer has an *occupational pension scheme* that does not allow employees to make AVCs, they must make a Standard PRSA available, either as part of the existing *occupational pension scheme* (this requires an amendment to the scheme rules) or as a separate AVC scheme.

Does an employer have to contribute to PRSAs on behalf of their employees?

Employers may contribute, but are not obliged to do so. If an employer decides to do so, their contributions must be paid to the PRSA provider within 21 days of the end of the month in which the employer's contributions are due. An employer cannot make any deductions from this payment.

Does an employer have any responsibility for the investment performance of PRSAs?

No. Employers that enable their employees to participate in a PRSA have no duty regarding the investment performance of that PRSA.

Does the on-the-spot fine regime apply to me as an employer?

Employers may be subject to an on-the-spot fine if (a) they fail to respond to a request by The Pensions Board to furnish information about their provision of access to a Standard PRSA for 'excluded employees' and (b) if an employer does not provide at least a monthly statement to employees showing contributions deducted and employer contributions paid in the previous month.

The Pensions Board has published an employer checklist to help you to ensure that you do not contravene any of the specified provisions subject to the fines regime. The 'Pensions Board Trustee and Employer Checklists: On-the-spot fines' is available on the Board's website www.pensionsboard.ie.

4. PRSA providers

What is a PRSA provider?

Investment firms, insurance companies and credit institutions may be authorised PRSA providers. There are currently 11 PRSA providers with 78 approved products. PRSA products are approved jointly by the Revenue Commissioners and The Pensions Board.

Where can an employer find a list of approved PRSA products?

A list of approved PRSA products and providers is available on The Pensions Board website www.pensionsboard.ie.

If an employer enters into a contract with a PRSA provider, must their employees who want a PRSA take it out with that provider?

No. An employee can go to any authorised PRSA provider, but an employer is not obliged to make deductions from payroll for that employee. If an employee goes to another provider, they make their PRSA contributions directly, by direct debit or cheque.

5. PRSA contributions

What must an employer do with their employees'

PRSA contributions?

An employer must, if requested, deduct employees' contributions from payroll and send them, along with any employer contributions, to the PRSA provider within 21 days of the end of the month in which the contributions were deducted. An employer cannot make any deduction from this payment.

What information must an employer give regarding

PRSA contributions?

An employer must advise their employees and the PRSA provider in writing at least once a month of the total amount deducted from the employee's salary and, if appropriate, the total amount paid by the employer on behalf of their employees in the preceding month. An employer can do this using whatever salary documentation is normally provided to their employees (for example, a payroll slip).

6. Disclosure, refunds and transfers

Are there disclosure requirements concerning transfers from *occupational pension schemes* to PRSAs?

Yes. Transfers cannot be accepted by PRSA providers unless the member has been given a certificate comparing potential benefits from the *occupational pension scheme* and the PRSA, and a written statement as to why a transfer to a PRSA would or would not be in their interest.

There is no discretion in the legislation to waive this requirement, however, it is exempted in the following cases:

- where the transfer value is under €10,000, or
- represents a refund of contributions, or
- the accrued benefits to a member whose employment related to the *occupational pension scheme* is less than 2 years and who has no preserved benefit, or
- where the scheme is in wind up.

Can refunds from *occupational pension schemes* be transferred to PRSAs?

Employees who are entitled to a refund of contributions on leaving a job can transfer the refund to a PRSA instead of taking it (less tax at the standard rate).

Do *occupational pension schemes* have to accept transfers from PRSAs?

PRSA assets can be transferred to:

- a *defined benefit* or *defined contribution scheme*
- a pension arrangement outside the State to the same extent that transfers are permitted from a scheme.

7. PRSA tax reliefs

Can employees claim tax relief on their PRSA contributions?

Yes. Contributions paid to a PRSA are subject to tax relief at an individual's marginal rate. The maximum relief in any one year is expressed as a percentage of net relevant earnings (earnings from a trade or professional employment less certain allowable expenses). There is a maximum annual amount of earnings for which tax relief is given. In 2009, this was €150,000. This figure is adjusted each year by the Minister of Finance.

The maximum allowable contributions for tax purposes in any year are as follows:

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

Note: In most cases, contributions will also be exempt from PRSI and health levy payments. Self-employed contributors outside the PAYE system do not qualify for tax relief on PRSI and health levy charges.

How does this work?

When an employer deducts qualifying PRSA contributions from employees, the net-pay arrangement will apply. This means that PAYE, PRSI and health levy deductions will be calculated on employees' wages or salaries net of PRSA contributions. Employer PRSI will also be calculated on the lower net figure. An employer will be able to operate the net-pay basis as long as they hold a PRSA net-pay certificate.

What about contributions to an AVC PRSA?

Employees in *occupational pension schemes* may pay AVCs into a PRSA. The normal limits for tax relief purposes, as described above, apply to the total employee contribution.

Does an employer get tax relief on any contributions made to an employee's PRSA?

Yes. Contributions paid by employers are fully deductible for corporation tax purposes. Contributions paid by the employer are treated as a benefit-in-kind. Employees are entitled to tax relief on these contributions subject to the limits on the relief. In practice, it's likely that a benefit-in-kind charge will only arise where the total contributions in a year exceed the annual limit.

Are PRSA investments taxed?

No tax is charged on the investment income earned by PRSAs. However, income tax may be levied on pension benefits taken from a PRSA after retirement.

More information on the tax rules relating to PRSAs is available on the Revenue website (www.revenue.ie).

8. 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

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.

PRSAs – A consumer guide

Everything you ever wanted to know about PRSAs – this booklet shows you how to approach, search, apply for and monitor your PRSA. It also answers the most frequently asked questions on PRSAs. It is a joint publication by the Consumers' Association of Ireland and The Pensions Board.

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.

9. Useful addresses

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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.

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 investment for retirement and is certified by a PRSA actuary. It usually provides for investment in pooled funds.

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.

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



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