

Eagle Star Personal Retirement Savings Accounts (PRSAs)

A technical guide for Financial Advisors and Employers
July 2008



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Introduction

“Anyone can get old. All you have to do is live long enough.” - Groucho Marx

Not very many people relish the prospect of working on a full-time basis all the way through to age 65 or beyond. Retirement or the scaling down of work activity at age 60 and even earlier has now become the choice of many.

In addition, improved life expectancy – due mainly to better lifestyles and medical advances means that the average 65 year old man can expect to live for another 15.4 years, while the average 65 year old woman can expect to live another 18.7 years (Source: Central Statistics Office 2002).

This is why the presence of sufficient funds to provide financial independence and to maintain lifestyle standards in later years is of utmost importance. Otherwise employees may have to rely solely on the State Pension to provide them with an income in retirement. And, while sufficient to keep one above the breadline, the State Pension may prove to be inadequate to cover the needs of many, particularly for those who will need medical care. In addition, the State Pension does not become available for employees until age 65. In a 2006 Central Statistics Office survey 29.5% of persons aged 65 and over indicated they had a long term disability compared to 9.3% of all persons surveyed. This indicates that a large proportion of the population will need funds in retirement to provide for nursing home costs, etc.

Through legislative changes and other initiatives the Government has endeavoured to increase the level of retirement planning in Ireland. The Pensions (Amendment) Act 2002 introduced Personal Retirement Savings Accounts (PRSAs) to the market, with effect from February 24th 2003.

This guide explains the technical details of PRSAs through the ‘frequently asked questions’ section. It also shows how PRSAs compare with the other types of retirement savings products available.

Note: This guide is based on Eagle Star’s understanding of PRSA and pensions legislation at the time of writing and how it is likely to apply in the future. Where words relating to the male gender are used they apply equally to the female gender.

Executive Summary

- PRSAs are portable retirement savings plans introduced by the Pensions (Amendment) Act 2002.
- There are two types of PRSA: Standard PRSA and Non-standard PRSA.
- Under legislation, charges on Standard PRSAs are restricted to a maximum of 5% of contributions and 1% per annum of the accumulated fund. No such restriction applies to Non-standard PRSAs.
- Since September 15th 2003 employers are obliged to provide a payroll deduction facility on a 'net pay' basis in respect of at least one Standard PRSA for 'excluded employees'.
- Employers can contribute to employees' PRSA plans. Employers are entitled to relief on their contributions against corporation tax if a limited company, and against income tax if a sole trader or partnership.
- Employer's PRSI is not payable on employee contributions deducted at source and employers are not liable to pay PRSI on their contributions to employees' PRSAs.
- If the employer already has an occupational pension scheme in place, employees can contribute to PRSA AVCs to boost their retirement benefits.



Frequently Asked Questions

The Basics!

Q.
A.

What is a PRSA?

A PRSA is a tax-efficient, easily accessible, low cost, flexible and portable retirement savings plan. At all times the beneficial owner of the PRSA plan is the individual person in whose name the plan has been taken out (referred to as 'The Contributor' in the legislation). The individual's employer **may** contribute to the employee's plan.

PRSA products are available from life assurance companies, banks and other investment firms. They have to be approved by both The Pensions Board and the Revenue Commissioners before they can be sold.

PRSAs are arranged on a 'money purchase' basis. That is, the eventual level of benefits available are based on the number and level of contributions made over the years, the entry charge deducted from contributions, the returns achieved by the investment fund(s) used, the term over which the retirement fund accumulates and the charges deducted from the retirement fund. The greater the value of contributions made, the greater the investment returns achieved, the longer the term over which the fund accumulates, and the lower the charges deducted, the larger the eventual benefits are likely to be.

$$\begin{array}{r} \text{Contributions} \\ \text{(Individual's and/or} \\ \text{Employer's)} \end{array} + \begin{array}{r} \text{Investment} \\ \text{Growth} \end{array} - \text{Charges} = \begin{array}{r} \text{Accumulated} \\ \text{Retirement} \\ \text{Fund} \end{array}$$

As with all pension contracts there is an index-linked limit on the amount of capital that can be accumulated under a PRSA. This limit is €5,418,085 in 2008.





Q. Who can take out a PRSA?

A. Employees, self-employed individuals, homemakers, carers, unemployed and any other category of person who wish to save for their retirement, are eligible to take out a PRSA. However, an individual can only avail of the tax and PRSI relief available on PRSAs in respect of contributions to his own individual PRSA plan. They are not as attractive for those who are not liable to pay Income Tax and PRSI therefore, and depending on the individual circumstances, a savings policy may be a more attractive proposition.

Members of employer-sponsored pension schemes can use PRSAs to make Additional Voluntary Contributions (PRSA AVCs) to boost the retirement benefits provided by their employer's scheme.

Q. In what way are PRSAs portable?

A. Once an individual takes out a PRSA plan he can continue to contribute to that plan irrespective of his employment situation. For example, an employee who leaves employment to become self-employed can continue with his contributions. Likewise, if he re-enters employment he may continue to contribute and his employer may contribute also, and so on. It is possible to move PRSA plans from one PRSA provider to another without charge, and to hold PRSA plans with more than one provider.

If an individual joins an employer-sponsored pension scheme he will have to change his PRSA contributions to a PRSA AVC in order to be eligible for tax relief on his contributions.

Q. Is there more than one type of PRSA?

A. Yes. The legislation has established two types of PRSA contracts – Standard PRSAs and Non-standard PRSAs. There are strict rules applying to the way in which charges can be made on PRSA products and one of the main differences between both types is that there is a limit on the amount of charges that can be levied under a Standard PRSA.

Under either type of PRSA, charges can only be levied on the basis of:

- a percentage of the contribution entering the contract;
- a percentage of the accumulated fund; and
- a combination of entry and fund charges.

For Standard PRSAs, charges are restricted by law to a maximum of 5% of contributions and 1% per annum of the accumulated fund. No such restrictions apply to Non-standard PRSAs.

There is usually a greater fund choice under Non-standard PRSAs than under Standard PRSAs. Both types have to have a Default Investment Strategy (DIS) which applies unless the individual opts out in writing. The DIS is suitable for those individuals who do not wish to make a decision regarding the investment funds to be used. Under the legislation it must have “an investment profile consistent with fulfilling the reasonable expectations of a typical contributor for the purposes of making savings for retirement”.

Q. To what degree do PRSA contracts differ amongst PRSA providers?

A. Although there are rules laid down as to the type of investment funds allowed for PRSA investment, the actual funds available vary across providers. The different providers have different investment track records and the funds have different asset exposures. Charging structures can also differ from contract to contract and from provider to provider.

Q. How can contributions be made to PRSAs?

A. It is possible for the individual contributor to make contributions by three main methods:

- Cheque payments.
- Direct Debit from a Bank Account.
- Deduction by employer from salary/wages through the 'Net Pay Arrangement'.

Contributions can be stopped and re-started, or varied according to the client's requirements at any time, without penalty or charge.

Before operating the 'Net Pay Arrangement' the employer has to be satisfied that the PRSA is approved by the Revenue Commissioners – a PRSA (Net Pay) Certificate has to be obtained from the PRSA provider. (The 'Net Pay Arrangement' means that the employer deducts the PRSA contribution before calculating PAYE, PRSI and Health Contribution liabilities due on the employee's emoluments for the relevant pay period.)

The PRSA provider issues one of four types of certificate when the plan is being put in place:

- PRSA 1 Certificate** – This certificate is issued to individuals taking out a PRSA product not linked to an Occupational or Statutory Pension Scheme (e.g. self-employed individual), and where the contributions are paid other than by salary deduction. Once the certificate is sent to the Revenue Commissioners the individual's Tax Credits are adjusted accordingly.
- PRSA 1 (Net Pay) Certificate** – This certificate is issued when employees and directors are not members of Occupational or Statutory Pension Schemes and when contributions are to be paid under a 'Net Pay Arrangement'.
- PRSA 2 AVC Certificate** – This certificate is issued to employees and directors taking out PRSA AVC contracts payable other than by salary deduction.
- PRSA 2 AVC (Net Pay) Certificate** – This certificate is issued when employees and directors are taking out PRSA AVC contracts which are linked to an Occupational or Statutory Pension Scheme and where contributions are paid under a 'Net Pay Arrangement'.

The PRSA certificates must contain the employee's date of birth and PPS Number. The 'Net Pay Arrangement' can only be operated in respect of certificate types (b) and (d) above.

Q.
A.

When can benefits be drawn from a PRSA plan?

Normally PRSA plans can be matured at whatever stage the individual planholder wishes once he has reached age 60. However, benefits must be drawn before age 75. It is not necessary to stop working to draw benefits.

For certain occupations, from which it is customary to retire before attaining age 60, early retirement from age 50 is allowed. Also, where employees are retiring early from employment they are allowed to mature their PRSA plan(s), once they have attained age 50. If the planholder becomes seriously ill he can mature the PRSA plan immediately, regardless of age. The definition of seriously ill health is *“permanently incapable through infirmity of mind or body of carrying on his own occupation or any occupation of a similar nature for which he is trained or fitted”*.

PRSA AVCs can be matured at the same time as the individual is retiring from his main pension scheme.

Q.
A.

What retirement benefits are available from PRSAs?

It is normally possible to take up to 25% of the accumulated fund as a tax-free lump sum upon maturing the PRSA plan. **(Note: for those making contributions to a PRSA AVC arrangement the maximum allowable tax-free lump sum is subject to the legislation governing occupational pension schemes.)**

Once the tax-free lump sum has been taken, the planholder has a selection of options available regarding what can be done with the accumulated PRSA or PRSA AVC retirement fund. The planholder may choose any combination of the following options:

- (i) purchasing a pension (annuity) from a life assurance company;
- (ii) investing the accumulated capital in an Approved Retirement Fund (ARF) and the provision of an income by drawing down money from these funds; and
- (iii) taking the balance of the capital as a lump sum on a taxable basis.

Note: To avail of options (ii) or (iii) above the individual must satisfy at least one of the following requirements:

- a. have €63,500 invested in an Approved Minimum Retirement Fund (AMRF), or an annuity, or a combination of both AMRF and annuity;
- b. have a guaranteed lifetime pension income of at least €12,700 per annum;
- c. have reached age 75 years.

As an alternative to investing the accumulated fund in an ARF the planholder may opt to retain it within the PRSA and draw an income as he wishes. However, if this option is taken, a minimum of €63,500 must be used to purchase an annuity payable immediately or kept in the PRSA until age 75. This requirement does not apply if he has a guaranteed lifetime pension income of at least €12,700 p.a. On death the capital remaining within the PRSA will be treated as if it had been invested in an ARF for taxation purposes.

Note: For PRSA AVC contract holders the option to leave the accumulated fund within the PRSA does not apply.

The individual does not have to decide at the time the plan is taken out what way he will use the retirement capital. That decision may be left until the plan matures. However, setting a target now for a level of estimated income and committing to a reasonable level of contribution to provide this target is to be recommended.

For example, if an individual requires an income that increases each year and/or an income that continues for their spouse on death in retirement he will need a larger accumulation of capital than if taking a non-increasing income on an individual basis. This will require a higher contribution level.

In addition, if the individual is more likely to purchase an annuity on retirement, having his accumulated fund invested in a Fixed Interest/Bond Fund as retirement age approaches should be considered.

Q. How does the planholder know how the PRSA investments are performing and what the eventual retirement benefits are likely to be?

A. There are comprehensive PRSA disclosure obligations on PRSA providers, the main elements of which are:

Preliminary Disclosure Certificate which has to be issued to an individual before he signs up for a PRSA. This shows projected benefits on a generic basis.

A *Statement of Reasonable Projection (SRP)* has to be provided when the PRSA contract is taken out and every year thereafter. This is intended to illustrate on a client specific basis the ultimate retirement benefits based on certain assumptions and related to future contributions and investment returns. It must also show the current State Pension (Contribution) as a percentage of earnings of a typical employee.

An SRP must be provided:

- Within seven days of entry into a PRSA contract.
- Annually.
- At any time on request by the contributor – the PRSA provider can require no more than seven days notice to produce the SRP.
- Within seven days of an increase in the number or amount of charges under the PRSA contract.

A **Statement of Account** which has to be issued every six months detailing:

- Contributions paid (both the individual's and the employer's, if applicable) from inception.
- Contributions paid since the previous statement.
- The then current transfer value of the PRSA.

An **Investment Report** on the performance of the investment fund(s) chosen which, must also be issued on a six-monthly basis.

Q. What happens on death before the PRSA matures?

A. In the event of death before the maturity of the plan, the capital that has accumulated will be payable to the planholder's estate, with the normal rules regarding liability to Capital Acquisitions Tax arising on the distribution of the capital from the estate applying.

Q. In what way does the pension provisions of the Family Law Acts affect PRSAs?

A. The provisions relating to Pension Adjustment Orders in the Family Law Act, 1995 and the Family Law (Divorce) Act, 1996 apply to PRSAs, in the same way as they apply to other pension products.



Tax Treatment of PRSAs

Q. What tax reliefs are available on contributions made to PRSAs?

A. PRSA contributors who pay tax under Schedule E (PAYE) can claim Income Tax relief and PRSI/Health Contribution relief on their contributions up to the limits shown below.

PRSA contributors who pay tax under Schedule D can claim Income Tax relief up to the limits shown below but not PRSI/Health Contribution relief on their contributions.

Contribution Limits	
Age	% of Net Relevant Earnings
Up to 29 Years	15%
30 to 39 Years	20%
40 to 49 Years	25%
50 to 54 Years	30%
55 to 59 Years	35%
60 and over	40%

1. Age means age as at December 31st in the year to which the contributions apply.
2. An index-linked earnings cap of €275,239 per annum (2008) applies in respect of the above figures.
3. For some specific occupations the 30% limit applies irrespective of age (e.g. certain professional sports people).
4. Regardless of age and net relevant earnings, an annual contribution of €1,525 will attract tax relief, even if this exceeds the figures shown above. (Does not apply to PRSA AVCs.)
5. Relief on contributions paid before October 31st may be back-dated to the previous tax year upon application.
6. In years where contributions exceed the above limits relief can be carried forward to future years.
7. Where an individual does not receive tax relief because he is not working, he can apply for the tax relief to be carried forward to future years.

Q. How does an employer benefit by operating a 'Net Pay Arrangement' for employees?

A. As employee contributions are deducted from salary before the employee's PAYE, PRSI and Health Contribution liabilities are calculated, employer's PRSI is not payable on the employee contribution. **This can mean a saving of 10.75% on the contributions deducted** – a significant saving and a very good reason for employers to encourage employees to contribute (see example 1 below).

Something for employers to bear in mind when reviewing employees' pay packages is that it is cheaper for an employer to contribute €1 to an employee's PRSA rather than €1 into the employee's pay packet. Employers are not liable to Employer's PRSI on the contributions they make to PRSAs, whereas they are liable to it on salary increases. In addition, employers are entitled to tax relief on their PRSA contributions against Corporation Tax for limited companies and against Income Tax for sole traders/partnerships (see example 2 below).

Example 1

PRSI Saving on Employee's PRSA Contributions		
	No employee PRSA Contribution (per month)	Employee PRSA Contribution of €100 (per month)
Employee's gross pay	€2,000	€2,000
Employee's pay after PRSA contribution	€2,000	€1,900
Employer's PRSI *	€215	€204.25

* A saving of €10.75 for each €100 the employee contributes!

Example 2

Salary Increase or PRSA Contribution: Limited Company Employer		
	Salary Increase (per month)	Employer PRSA Contribution (per month)
Salary increase / PRSA contribution	€100	€100
Employer's PRSI payable *	€10.75	Nil
Total gross cost	€110.75	€100
Corporation tax relief (12.5%)	€13.84	€12.50
Net cost to employer	€96.91	€87.50

* Assuming the employee is PRSI Class A1.

So, by combining the PRSI and tax saving available on both their own and their employees' contributions to PRSAs, employers can make some very attractive savings indeed. Example 3 below compares the net cost to an employer (limited company) of a salary increase of €100 per month; a PRSA contribution of €100 per month by the employer to an employee's PRSA; and a PRSA contribution of €100 per month each by the employer and the employee.

Example 3

Combined Savings: Limited Company Employer			
	Salary Increase Only	Employer PRSA Contribution Only	Employer & Employee PRSA Contributions
Salary increase / PRSA contribution	€100	€100	€100
Employer's PRSI relief on employee's PRSA contribution *	–	–	(€10.75)
Employer's PRSI on salary increase *	€10.75	–	–
	<u>€110.75</u>	<u>€100.00</u>	<u>€89.25</u>
Corporation tax relief	(€13.84)	(€12.50)	(€11.16)
Net cost to employer	<u>€96.91</u>	<u>€87.50</u>	<u>€78.09</u>

* Assuming the employee is PRSI Class A1.

Q. How are employer contributions to PRSAs treated for tax purposes with regard to employees?

A. Where an employer makes contributions on behalf of an employee (or director) to a PRSA, the employer's contributions are treated as a benefit-in-kind in the employee's hands. However, the employee is entitled to tax relief (subject to the overall relevant limits as detailed previously) in respect of such contributions.

In practice, this means that a benefit-in-kind charge will only arise where the combined contributions (employer's and employee's) exceed the relevant limits.

Employers are required, on request by the Revenue Commissioners, to return particulars of PRSA contributions made on behalf of employees on the form P11D (Return of Benefits-in-kind and Other Prerequisites). Employees are also obliged to make a return of such contributions on their own individual returns of income.

Examples of 'Net Pay Arrangement'

1. Employee's (aged between 30 and 39) monthly salary is €4,000. The employer makes a monthly contribution to the employee's PRSA of €500. The maximum amount of the employee's contribution to which the employer may apply the 'net pay arrangement' is calculated as follows:

Employee's monthly salary	€4,000	
Employer's monthly contribution	€500	
	<hr/>	
Total	€4,500 x 20% limit =	€900
Less employer's contribution		€500
		<hr/>
'Net Pay Arrangement' to apply to employee's contribution up to		€400
		<hr/>

2. Employee's monthly salary is €5,000. The employee is aged 45 and makes monthly PRSA contributions of €1,000. The employer makes a monthly contribution to the employee's PRSA of €500. The maximum amount of the employee's contribution to which the employer may apply the 'net pay arrangement' is calculated as follows:

Employee's monthly salary	€5,000	
Employer's monthly contribution	€500	
	<hr/>	
Total	€5,500 x 25% limit =	€1,375
Less employer's contribution		€500
		<hr/>
'Net Pay Arrangement' to apply to employee's contribution to		€875
		<hr/>

In this example the employee is exceeding his limit by €125 per month (i.e. €1,000 minus €875). He will not get tax relief on this €125 at the time of payment. He can carry the excess of €1,500 (i.e. €125 x 12) forward and get Income Tax relief through his credits in future years. The relief will be granted by the tax office on submission of a claim by the individual.

PRSAs and the Employer / Employee

Q. Under what circumstances are employers obliged to provide a PRSA salary deduction facility for employees?

A. Sections 121 and 123 of the Pensions Act, place obligations on employers to make PRSAs available to 'excluded employees'. These are any employees that are not members of a pension scheme or need to wait longer than six months from the date of commencing employment to be admitted as members of the scheme. If the employer does not operate a pension scheme, all of its employees are deemed to be 'excluded employees'. Any employees that do not have the facility to make AVCs to the employer's pension scheme are also deemed to be 'excluded employees'.

Employers with 'excluded employees' are obliged to provide a payroll deduction facility on a 'net pay' basis in respect of at least one Standard PRSA. If the employer wishes to give employees a choice of PRSA products, a deduction facility for more than one PRSA provider may be provided.

The duties of employers with 'excluded employees' are as follows. They must:

1. Enter into a contractual arrangement with at least one PRSA provider to enable the employees to participate in at least one Standard PRSA;
2. Deduct such sums of money as are requested by each employee from his wages or salary and remit them, without deduction, to the appropriate PRSA provider within 21 days of the end of the month in which the deduction is made;
3. Notify the employees of their right to contribute to a Standard PRSA in the manner described above;
4. Pay to the appropriate PRSA provider, without deduction, within 21 days of the end of every month, any sum expressed as a cash amount or proportion of an employee's wages or salary that the employer has agreed to contribute to the employee's PRSA provider;

5. Ensure that each employee to whom 2. or 4. (above) applies, is given a statement at least once a month that specifies the total amount deducted from his wages or salary and remitted to the appropriate PRSA provider, or the total amount paid to the appropriate PRSA provider on his behalf in the previous month or period since the last statement was given;
(Note: the employer will be deemed to have carried out this duty, if it includes the relevant details in the employee's payslip.)
6. Allow PRSA providers or Financial Advisor reasonable access to the employees at their workplace for the purposes of concluding PRSA contracts; and
7. Allow the employees reasonable paid leave of absence, subject to work requirements, to enable them to make arrangements to establish Standard PRSA contracts.

The employer must ensure that the Standard PRSA made available is from an approved PRSA provider, but it will not be responsible for the investment performance of the PRSA.

Q. Who makes the decision regarding which PRSA provider(s) to choose for the salary deduction arrangement?

A. Basically the decision is that of the employer. The legislation requires the employer to come to a contractual arrangement with at least one PRSA provider, but it may choose more than one if it so wishes. If individual employees are not happy with the employer's choice(s) they are entitled to make contributions by methods other than salary deduction to their chosen provider(s).

Q. Does the employer have to choose which funds the PRSA contributions are to be invested in on behalf of employees?

A. No, this decision is left up to the individual employee when the plan is being put in place. For those who do not wish to make such a choice the Default Investment Strategy will apply.

Also, an employer who enables his employees to participate in a Standard PRSA bears no responsibility in relation to the investment performance of the Standard PRSA chosen by an employee.

Q. What options are available with regard to AVCs for employees where the employer has an occupational pension scheme in force?

A. If the employer has an occupational pension scheme in place it must make an AVC salary deduction facility available to employees. This can be done on a group basis either under the trust and rules of the scheme or through a separate group trust. Employees can also make AVCs on an individual basis through standalone PRSA AVCs, or as a result of the group scheme rules being changed to allow individual PRSA AVCs.

Although the employer must provide employees with an AVC salary deduction facility on one of the above bases, in recent times many employees have been making PRSA AVCs on a standalone basis through their personal bank accounts. This enables them to keep their AVCs private from their employers and gives them a choice with regard to PRSA AVC providers and investment funds.

Q. When putting a PRSA deduction facility in place what does an employer need to do?

A. The following are the required steps when putting in place a salary deduction facility:

1. Appoint a PRSA provider by completing a Letter of Appointment. The Letter of Appointment includes details such as the categories of employee covered, employer contribution levels (if any) and methods of payment.
2. On receipt of the Letter of Appointment, the PRSA provider will issue the employer with a PRSA Salary Deduction Facility Employer Certificate, confirming the establishment of the PRSA arrangement. The employer displays this on its premises as evidence of the PRSA arrangement.
3. The employer needs to review the payroll system, and make arrangements to adjust it:
 - to accommodate PRSA deductions on a 'net pay arrangement' and remittance of same to the PRSA provider; and
 - to include notice of contributions on payslips.

4. The employer needs to make arrangements for notifying 'excluded employees' (and other employees, if included) of the PRSA arrangement. For example:
 - notification with payslips;
 - leaflet for noticeboard;
 - presentation(s) by Financial Advisor and/or PRSA provider;
 - individual employee meetings with intermediary.
5. Once an employee has completed a PRSA application form the PRSA contract [including the PRSA (Net Pay) Certificate] will be issued by the PRSA provider. On receipt of the PRSA (Net Pay) Certificate the employer can start deducting the PRSA contributions from the employee's gross pay (up to the limits imposed by the Revenue Commissioners) and remitting the PRSA contributions to the PRSA provider.
6. The employer obligations to remit contributions are as follows:
 - All PRSA contributions deducted from employee pay must be remitted within 21 days of the end of the month in which the deduction is made.
 - All employer contributions payable in respect of a PRSA arrangement must also be remitted within 21 days of the end of the month.

Example

PRSA contribution is deducted on 25th July



Must be remitted by 21st August

7. As new employees join the company, the employer must notify all new 'excluded employees' of the availability of the PRSA arrangement.

Q. What options does Eagle Star offer with regard to the collection of PRSA contributions through salary deduction?

A. We offer a variety of options for PRSA contribution collection through salary deduction arrangements. To demonstrate how it can work, we outline the steps involved in collecting fixed and variable PRSA contributions below.

Fixed Contributions

The employer can forward fixed monthly PRSA contributions to us if:

- the employee wishes to pay a fixed amount and is paid on a monthly basis;

or

- the employee wishes to pay a fixed amount and is paid weekly, fortnightly or four-weekly and the employer is prepared to average the contributions out over the year;

or

- where the employee wishes to pay a percentage of salary and the employer is prepared to estimate the average monthly contribution over the year.

Example of Averaging

An employee who is paid weekly agrees to pay €50 per week into his PRSA. This equates to €2,600 per annum. The employer agrees to pay €216.67 per month (i.e. €2,600/12) to Eagle Star. Note the employer must ensure that all contributions deducted from the employee's salary are paid to Eagle Star over the contract year via the fixed monthly contribution payments.

- Step 1:** On a monthly basis, Eagle Star will **automatically debit** the employer bank account with the fixed contribution amount (for employee and/or employer contributions where relevant).
- Step 2:** Where **indexation** of contributions applies, we will increase the fixed contribution at the contract renewal date and collect the increased contribution from that date forward. The employee will be notified of this increase and the employer will be advised in advance to revise the salary deductions accordingly.
- Step 3:** It is a **legal requirement that the employer notifies both Eagle Star and the employee** at least once a month of the total contributions deducted from the employee's salary and if appropriate, the total contributions paid by the employer on behalf of the employee. It is the responsibility of the employer to reconcile deductions from salary with contribution payments to us. We send out monthly listings of contributions paid to us, to assist employers in this regard.
- Step 4:** We will write to the employer and the employee if we **fail to receive the contributions** by the 21st of the month following the month of salary deduction or salary payment. This is in line with our legal requirements.

Variable Contributions

The employer can forward variable monthly PRSA contributions to Eagle Star if:

- the employee is paid weekly, fortnightly or four-weekly and the employer pays the contributions actually deducted in the month;
- or
- the employee pays PRSA contributions that are based on a percentage of earnings that are likely to vary from month to month.

Example of Variable Contributions

An employer who is paid weekly agrees to pay €50 per week into his PRSA. In some months, the amount paid to Eagle Star will be based on four-weekly payments i.e. €200, and in other months the amount paid to us will be based on five weekly payments, i.e. €250.

Step 1: The **employer will electronically submit the previous month's PRSA contribution details for his employees by the 5th of each month.** These details will include the contribution payment reference (as per the Net Pay Certificate); employee name; employee contribution amounts; and employer contribution amounts, if any.

To facilitate electronic submission, we will supply an **electronic file** (e.g. excel spreadsheet), which the employer must complete each month and return to us by e-mail to **prsaupportteam@zurich.ie**

Step 2: We will collect contributions directly from the employer's bank account by **direct debit** on a monthly basis. The amount debited from the employer's bank account is the total amount based on the PRSA contribution details submitted electronically to us by the employer.

Step 3: Where **indexation** of contributions applies, we will notify the employee of the increase and advise the employer to revise the salary deductions at the contract renewal date.

Step 4: It is a **legal requirement that the employer notifies us and the employee** at least once a month of the total contributions deducted from the employee's salary and, if appropriate, the total contributions paid by the employer on behalf of the employee. It is the responsibility of the employer to reconcile deductions from salary with payments of contributions to Eagle Star.

Step 5: If **we fail to receive the contributions** by the 21st of the month following the month of salary deduction or salary payment we will write to the employer and the employee. This is in line with our legal requirements.

Individuals who take out PRSAs with us can access the contribution details, current transfer value and performance information through registering for the online services provided for clients by us at **www.zurich.ie**, a secure password protected site. The information is accessed by using the secure password supplied by us.

PRSAs and Alternative Pension Plans

Q. Is it possible to change from contributing to a Personal Pension to contributing to a PRSA?

A. Yes, it is. It is also possible to transfer the value of a Personal Pension to a PRSA. However, depending on the type of policy and the charging structure involved it may not be in the client's best interest to change from a Personal Pension to a PRSA.

Q. Under what circumstances can an employee transfer money from an Occupational Pension Scheme to a PRSA and vice versa?

A. Under certain circumstances it is possible to transfer the monies accumulated in an Occupational Pension Scheme to a PRSA, provided the rules of the Occupational Scheme allow it. These circumstances are where:

1. The individual is changing employment, the scheme benefits have not yet become payable, and the individual has been a member of an Occupational Scheme with the employer, or any person connected with the employer, for less than 15 years. The transfer can only be paid to a PRSA effected by the individual scheme member.
2. The scheme is being wound up, benefits have not become payable, and the individual has been a member of an Occupational Scheme with the employer, or any person connected with the employer, for less than 15 years. The transfer value can be paid to a PRSA effected by the individual scheme member or the scheme trustees on his behalf.
3. The transfer value relates to AVCs.

A disclosure requirement applies where a client wishes to change from an Occupational Pension scheme to a PRSA except in any of the following situations:

1. The transfer value is less than €10,000;
2. The transfer value is in respect of a refund of member's contributions;
3. The employee does not have a statutory entitlement to a preserved benefit (i.e. the employee has less than two years' qualifying service);
4. The Pensions Board has been notified that the scheme is being wound up.

Where disclosure is required the PRSA provider, or a Financial Advisor acting on its behalf, must provide the scheme member with:

1. A certificate setting out a comparison of the benefits which may accrue from the scheme and which may accrue from the PRSA, and
2. A written statement of the reasons why such a transfer is or is not in the interest of the scheme member.

The person preparing the certificate and/or statement must have professional indemnity insurance cover of €1 million per case.

Overall, the requirements detailed above may deter transfers from Occupational Pension Schemes to PRSAs.

It is also possible to transfer monies accrued within a PRSA to an Occupational Scheme, on joining that scheme, and provided the scheme rules allow transfers in. However, the benefits may then be locked into the Occupational Pension Scheme arena and as a result the member may lose the ARF/AMRF and/or taxable cash retirement options.



PRSAs vs Personal Pensions

Note: Personal Pensions are not normally arranged for employees on a salary deduction basis although this is allowed.

	Standard / Non-standard PRSAs	Personal Pension Plans																												
Eligibility	<p>All individuals.</p> <p>Only those with 'Relevant Earnings' will qualify for tax relief on contributions.</p> <p>Employees who are members of employer-sponsored arrangements may make AVCs through PRSAs (PRSA AVCs).</p>	<p>Sole-traders taxed under Schedule D.</p> <p>Employees taxed under PAYE system (Schedule E) in non-pensionable employment</p>																												
Charges	<p>Maximum charges of 5% entry charge and 1% of fund apply to Standard PRSAs.</p> <p>Non-standard PRSAs are allowed to have charges greater than the maxima applying to Standard PRSAs.</p>	No maximum charges apply.																												
Contribution limits	<table border="0"> <thead> <tr> <th></th> <th>% of Earnings</th> </tr> </thead> <tbody> <tr> <td>Up to age 29:</td> <td>15%</td> </tr> <tr> <td>30 to age 39:</td> <td>20%</td> </tr> <tr> <td>40 to age 49:</td> <td>25%</td> </tr> <tr> <td>50 to age 54:</td> <td>30%</td> </tr> <tr> <td>55 to age 59:</td> <td>35%</td> </tr> <tr> <td>60 and over:</td> <td>40%</td> </tr> </tbody> </table>		% of Earnings	Up to age 29:	15%	30 to age 39:	20%	40 to age 49:	25%	50 to age 54:	30%	55 to age 59:	35%	60 and over:	40%	<table border="0"> <thead> <tr> <th></th> <th>% of Earnings</th> </tr> </thead> <tbody> <tr> <td>Up to age 29:</td> <td>15%</td> </tr> <tr> <td>30 to age 39:</td> <td>20%</td> </tr> <tr> <td>40 to age 49:</td> <td>25%</td> </tr> <tr> <td>50 to age 54:</td> <td>30%</td> </tr> <tr> <td>55 to age 59:</td> <td>35%</td> </tr> <tr> <td>60 and over:</td> <td>40%</td> </tr> </tbody> </table>		% of Earnings	Up to age 29:	15%	30 to age 39:	20%	40 to age 49:	25%	50 to age 54:	30%	55 to age 59:	35%	60 and over:	40%
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Earnings cap	Index-linked earnings cap of €275,239 (2008) applies to contribution limits.	Index-linked earnings cap of €275,239 (2008) applies to contribution limits.																												
Retirement age	Normally age 60 to 75. Early from age 50 for employees. Anytime in ill-health.	Normally age 60 to 75. Anytime in ill-health.																												
Retirement benefits	Dependent on Accumulated Fund. After tax-free cash is taken balance can avail of retirement options (i.e. leave in PRSA, ARF / AMRF, taxable cash or annuity).	Dependent on Accumulated Fund. After tax-free cash is taken balance can avail of retirement options (i.e. ARF / AMRF, taxable cash or annuity).																												
Tax-free cash at retirement	25% of Accumulated Fund (except for PRSA AVCs where rules governing employer-sponsored pension arrangements apply).	25% of Accumulated Fund.																												
Life cover	Cannot be attached to PRSAs. Can be arranged on separate policy basis with tax relief (subject to overall limits above).	Costs can be deducted from Personal Pension plan contributions. Can also be organised on separate policy basis with tax relief (subject to overall limits above).																												
Waiver of contribution	Cannot be attached to PRSAs.	Allowed as a policy feature.																												


PRSAs vs Occupational / Executive Pensions

	Standard / Non-standard PRSAs	Occupational / Executive Pension Arrangements (Defined Contribution)
Contract basis	Individual contracts.	Group or individual contracts.
Trust requirement	None.	Must be established under trust. Employer very often acts as trustee.
Employer control	As the contract is with the employee, the employer may have difficulty in dismissing the PRSA provider, although he is allowed to do so once he provides a deduction facility for an alternative provider. Employees have the right to start / stop, increase / decrease contributions at any time.	If acting as trustee the employer may replace the scheme provider at any time. Employer can decide when to allow contribution amounts to be altered.
Scheme audits	Where an Employer provides a PRSA Deduction Facility Arrangement for Employees, there is no requirement for arrangement to be audited.	Where there are 100 or more scheme members (including active and deferred pension members) annual audited accounts in respect of the scheme are required to be produced. The Pensions Board is entitled to audit a scheme at any time irrespective of the number of members.
Charges	Maximum charges of 5% entry charge and 1% of fund apply to Standard PRSAs. Non-standard PRSAs are allowed to have charges greater than the maximum applying to Standard PRSAs.	No maximum charges apply.
Employer contributions	Employer need not contribute. In effect, if employer contributions drive overall contributions above the contribution limits shown below, excess contributions are treated as a benefit-in-kind.	Employer must at least make 'reasonable contributions' (10% of overall costs). No benefit-in-kind implications.
Contribution limits	<p style="text-align: right;">% of Earnings</p> <p>Up to age 29: 15%</p> <p>30 to age 39: 20%</p> <p>40 to age 49: 25%</p> <p>50 to age 54: 30%</p> <p>55 to age 59: 35%</p> <p>60 and over: 40%</p> <p>(Inclusive of employer and employee contributions.) Tax relief at source if deducted under 'Net Pay Arrangement'.</p>	No overall limits provided maximum allowable benefits are not potentially exceeded. The same contribution limits apply to employees' personal contributions as apply to PRSAs. Tax relief at source on employee contributions if deducted under 'Net Pay Arrangement'.
Earnings cap	Index-linked earnings cap of €275,239 (2008) applies to contribution limits.	Index-linked earnings cap of €275,239 (2008) applies only to employee's personal contribution limits.

	Standard / Non-standard PRSAs	Occupational / Executive Pension Arrangements (Defined Contribution)
Retirement age	Normally age 60 to 75. Early from age 50 for employees. Anytime in ill-health.	Normally age 60 to 70. Early from age 50 for employees. Anytime in ill-health.
Retirement benefits	<p>Dependent on Accumulated Fund.</p> <p>25% can be taken tax-free. After tax-free cash is taken balance can avail of retirement options (i.e. leave in PRSA ARF / AMRF, taxable cash or annuity).</p> <p>For AVC PRSAs the tax-free cash entitlement is subject to the maximum overall tax-free lump sum allowable under Occupational Pension Schemes.</p>	<p>Dependent on Accumulated Fund. (Maximum tax-free cash of 150% of 'final remuneration' if 20 years' service with employer. Reduced percentages for shorter service or on early retirement.) Balance after tax-free cash is taken must be used to buy an annuity, although fund accumulated through AVCs or AVC PRSAs can avail of same retirement options as available under PRSAs (except leaving the fund in PRSA).</p> <p>5% Directors are allowed, as an alternative, to take 25% tax-free and avail of retirement options with regard to the balance.</p>
Maximum benefits	No limits apply to contributor's retirement benefits. Where a joint-life annuity is purchased the spouse's pension cannot exceed 100% of contributor's pension. Benefits arising from AVC PRSAs are subject to the maximum overall benefits allowable under Occupational Pension Schemes.	Maximum pension of 2/3rds of final salary, spouse's pension of 100% of member's pension etc. at Normal Retirement Age. Reduced maximum on early retirement.
Life cover	Cannot be attached to PRSAs. May be arranged on separate policy basis.	Costs can be deducted from pension scheme contributions. Can also be arranged on separate policy basis.
Waiver of contribution	Cannot be attached to PRSAs.	Allowed as a policy feature.
Preserved benefit	Employee entitled to bring full value of PRSA with him on leaving employment, including value of employer's contributions.	Statutory Benefit gives employee entitlement to full value of his account on leaving employment after two years' qualifying service. Value can only be taken as a transfer value or left within the scheme. A refund of the value of personal contributions less tax may be available if leaving employment prior to two years' qualifying service. (Not applicable to 20% Directors.) Scheme rules may allow full value to employee prior to two years.

PRSA AVCs vs Group AVCs

	PRSA AVCs	Group AVCs																												
Eligibility	All members of occupational and statutory pension schemes.	Individual members of their own employers' pension schemes.																												
Contract basis	Individual contracts.	Group contracts.																												
Trust requirement	None.	Must be established under trust. Employer very often acts as trustee.																												
Charges	Maximum charges of 5% entry charge and 1% of fund applies to Standard PRSAs. Non-standard PRSAs are allowed to have charges greater than the maxima applying to Standard PRSAs.	No maximum charges apply.																												
Benefit basis	Defined Contribution basis only.	May be either Defined Contribution or Defined Benefit ('added years').																												
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Retirement age	Plan must be matured on retirement from main scheme.	Plan must be matured on retirement from main scheme.																												
Retirement benefits	Tax-free cash can be taken from main scheme or PRSA AVC or a mix of both. Balance can avail of retirement options.	Tax-free cash can be taken from main scheme or AVC fund or a mix of both. Balance can avail of retirement options (does not always apply under "added years" AVCs).																												
Maximum benefits (including tax-free cash)	Cannot provide benefits in excess of maximum allowed under Revenue rules for Occupational Pension Schemes.	Cannot provide benefits in excess of maximum allowed under Revenue rules for Occupational Pension Schemes.																												
Risk benefits	Cannot be attached to PRSAs.	Can be arranged if trust of main scheme or group AVC scheme allows.																												



**For More
Information**

Contact your
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