

Jobs Initiative 10th May 2011 – Pension Fund Levy

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Pensions Advisory Services – Irish Life

Key Points:

- Levy of 0.6% on the market value of assets under management, to raise €470 million per year
- First valuation date is 1 January 2011, but not clear when first payment is due
- Applies to pensions approved under Irish legislation
- Appears it will not apply to ARF/AMRF plans. Not clear if this will apply to vested PRSAs
- To apply for four years
- Further details to be included in Finance Bill (No. 2) 2011 which is expected 19th May 2011

What plans will this apply to?

The levy will apply to occupational pension schemes, Personal Pension plans and PRSAs. It appears that buy-out bonds are included, but this is to be confirmed. It appears that ARF / AMRF plans are not included, as announced on 12th May. It is not yet clear whether vested PRSAs will be included.

When and how will this be applied?

The initial levy will apply based on the market value of assets as at 1 January 2011. The levy will be payable in two tranches each year. However, full details of how this levy will be collected will need to be finalised and it is not yet clear when the first payment needs to be made to the exchequer.

There is further clarification needed on a number of issues, for example the treatment of those who have drawn or transferred funds since 1st January. The Minister for Finance committed to consulting with the pensions industry on the relevant legislation in order to “minimise, where possible, any unnecessary difficulties which this measure may give rise to”. We await the details of the legislation to be included in Finance Bill (No. 2) 2011 which is expected on Thursday 19th May 2011.

Has marginal rate income tax relief been changed?

No change has been made to marginal rate income tax relief for pension contributions. In his speech the Minister indicated he would review any proposal to cut income tax relief in the context of the formal review of government expenditure, which is due in September.

Irish Life has lobbied to have marginal rate income tax relief preserved, and we will continue to do so. It is important that those saving for retirement have clarity and reassurance on how their pension contributions will be treated.

It is important that support for private pension funding is maintained. As the Department of Finance said in last month's stability programme update; “Ireland's public finances – along with those of many other Member States – will face increasing pressure in the decades ahead as the composition of the population becomes older. The extra spending pressure associated with an ageing society will have major implications for the long-term sustainability of the public finances...”

Statement by Gerry Hassett, Chief Executive of Irish Life (Retail),

While we are all conscious of the critical challenges facing the country and the importance of job creation in particular, I am disappointed that ordinary workers trying to save for retirement are being targeted to help fund this jobs initiative. We would urge the Minister to offer clarity around future policy on pension taxation and to reassure the million plus workers who are saving in pensions that he will continue to support them in their efforts to save for their retirement.

Just a few years ago there was a broad consensus that we needed to plan now to avoid a pensions time bomb in this country. Unfortunately every policy announcement on pensions since that time has undermined confidence in retirement planning and has contributed to an escalating pensions problem

Clearly we have to deal with today's crisis in the public finances....but we must avoid creating an even bigger fiscal crisis for the next generation in the process.

Despite this announcement by the Government, and the recent Finance Act changes, it is important to remember that pensions are still offering valuable and tax efficient benefits for your clients. Clients continue to need advice in their pension planning in order to maximise the tax relief available on contributions and to make the most of their options at retirement.

We will continue to update you on this issue as further information become available.



Irish Life