

# **Pensions Training**

**Company Pensions & Trustee Obligations** 

# Agenda



- Company Pensions
- Trusts
- Trustees
- Trustee Obligations
- Trustee Training
- Irish Life Solution

# Trusts

- An arrangement where assets are controlled by a person (Trustee)
- For the benefit of others (beneficiary)



### **Pension Trusts**



- Company Pensions are required to be set up under irrevocable trust in order to gain tax benefits
- Benefits of Trusts
  - Keeps trust pension assets separate from the assets of the company
  - Pension scheme secure from creditors of the company in the event of liquidation

# **Pension Trusts**



# Different ways of setting up a pension trust

# **Letter of Exchange**

- One man Schemes
- One per member
- Part of application form
- Signed by Employer & Employee
- Retail Business

# Trust Deed / Declaration of Trust

- Group Schemes
- Master Trust
- Corporate Business

# Letter of Exchange



- The Letter of Exchange is part of the Executive Pension application form
- This is the legal document that sets up the trust
- It must be signed by both the employer and the employee

# 2007 Onwards-Changes to Letter of Exchange Irish Life

- Pre 2007
  - Trustee had power to make investment decisions for member
- Since 2007
  - Endorsement sent to Trustees
  - Allows member to make investment decision
  - Now applies on all new Executive plans set up with Irish Life

# **Company Pensions**

# **Benefits of Company Pensions**



### Generous tax reliefs available

- Relief on Employer & Employee Contributions
- No BIK on Employer Contribution
- Tax Free Growth On Fund
- > Tax Free Lump Sum

# Trustees

# Who can act as Trustee?



- The employer
- Individuals (min of 2 required)
  - need home addresses for Pensions Board
- Corporate trustees e.g. professional trustee company

# **Trustee Obligations**

### **Trust Duties**



- Trustees have general requirement to act prudently and in the best financial interest of the beneficiaries
- Trustees of Pension Schemes have duties under
  - Trust Law
  - The Pensions Act 1990
- In reality on one-member pension schemes the life office carries out most of the obligations that fall on trustees

# **Trustee Training**

# **Trustee Training**



### **Amendment in the Pensions Act**

- Who does this effect?
- When does requirement apply?
- What is covered by trustee training?
- Options

# Who does Trustee Training effect?



- Trustees of all Company Pension schemes
  - ➤ No exemption for one-member insured schemes
- Employer acts as trustee on most schemes
  - > Typical on one-member schemes set up by Letter of Exchange
- Where the employer as a corporate body is the trustee
  - > Training applies to 'All Directors'
- Where individuals have been appointed as Trustees
  - They will need to undertake training

# Trustee Training-Employer Obligations 1 Irish Life

- Where the employer is not trustee
  - Employer does not have to complete the training, but
  - Has to arrange training for the trustees

# Are there any exceptions?



- An employer is not required to arrange appropriate training for:
  - A pensioneer trustee (approved by Revenue)
  - A professional trustee (in business of providing trustee services)
- Such trustees must still undertake regular training but employer not responsible
- Where the employer is a joint trustee with a pensioneer or professional trustee, employer must still do trustee training
- Employer does not have to organise training for trustee of a death benefit only scheme

# When does this requirement apply?



- Legislation commenced 1st February 2010
- Existing Trustees
  - ➤ Must undertake training within **2** years
  - So they have until <u>31st January 2012</u>
- New Trustees
  - Must undertake training within **6** months of appointment
- Where Employer is Trustee and a new director is appointed
  - > Director will require trustee training within **6** months
- After initial training
  - Ongoing training required at least <u>every 2 years</u>

# **Potential Penalty**

- Where an employer does not provide regular training, it has breached the Pensions Act
- Where a trustee fails to undertake the required training the Pensions Board have the power to apply an on—thespot fine of €2,000

# What is 'appropriate' training?



- Training is not specified by legislation but should be 'appropriate'
- Pension Board FAQ says trustees to receive training on the duties and responsibilities of trustees generally including:
  - Pensions Act and associated Regulations
  - Taxes Consolidation Act and Revenue Practise
  - Pension provision of the Family Law Act
  - Employment Law
  - ➤ EU "IORPS" Directive

# **Pensions Board Trustee Training**



The Pensions Board e-learning system

(on-line and free of charge) (9 modules – 45 minutes a module)

# Is this 'appropriate' training for one man DC schemes?

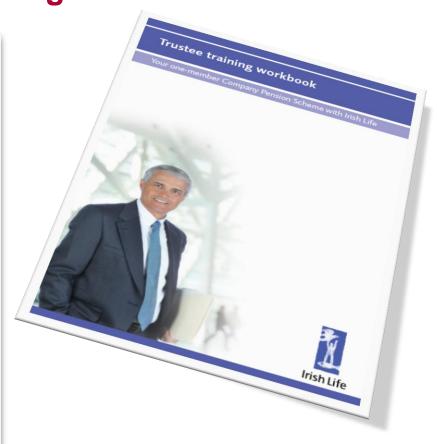
- 6. investing a scheme's assets
- administration and accounting
- 8. member communication
- 9. managing problems



# **Employer Remaining as Trustee**

# **Trustee Training Workbook**

- Appropriate for training for Irish Life 1 man DC scheme
- Short Booklet with important actions for Trustees
- Support from Irish Life





# **Employer Remaining as Trustee**

### **New Clients**

- Trustee Workbook issued with Welcome Pack
- Annual BenefitStatement will refer to ongoing training
- Workbook available online at www.irishlife.ie

# **Existing Clients**

- Annual Benefit Statement will inform existing trustees of obligations and refer to the booklet
- Workbook is available on line at www.irishlife.ie

# If the employer does not want to act as trustee

Irish Life have an option of two independent trustees

- Where an independent trustee is appointed
  - > The employer does not have to undergo trustee training
  - ➤ The employer is still responsible for paying contributions due to the pension scheme to Irish Life, including any contributions deducted from employees' salaries.

# Life Office as Trustee a solution?



Irish Life is Fund Manager and Registered Administrator

- Conflict of interest to also act as trustee
  - Administration Services
  - Investment Principles



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