

# PRSA<sub>s</sub>

A summary for employers



**Irish Life**

more options for your future

## PRSAs - a summary for employers

Personal Retirement Savings Accounts (PRSAs) were introduced by the government in 2003 to encourage more people to save for their retirement. PRSAs are designed to provide a clear, flexible and straightforward way of saving for retirement.

As a part of the aim to encourage more people to save for their retirement a number of legal obligations were introduced for employers to ensure that employees who fall into certain categories have access to a standard PRSA.

Although PRSAs were introduced in 2003 some employers have not yet designated a PRSA provider and the Pensions Board (joint regulator of PRSAs) is continuing to prosecute businesses for failure to comply. Many employers also mistakenly believe that by simply designating a PRSA provider they have fulfilled all their legal obligations. This is not the case as employers have a number of other legal requirements to meet.

### What do I have to do?

As an employer you have a number of obligations based on the legislation. It is important to note that you are not obliged to contribute to a PRSA or give your staff advice but you must provide access to at least one standard PRSA for your employees if you:

- do not currently have an occupational pension scheme in place; or
- have employees who are not included in that pension scheme; or
- have imposed a waiting period for membership of the pension scheme of more than six months;
- do not allow employees to take out an AVC plan (within the scheme rules).

### If you have employees who fall into any of the above categories you must:

- appoint a PRSA provider who can provide at least a standard PRSA.
- inform your staff of the PRSA provider you have chosen and how the PRSA facility will work.
- write to your employees offering the option to deduct regular PRSA payments directly from their pay. If your employees choose this method of payment, income and PRSI tax relief will be immediate.
- allow the adviser time to talk to your employees about their options.

### *Did you know?*

Research conducted by the Pensions Board has shown that 51% of people surveyed had not been offered access to a pension by their employer.

Source: Pensions Board, 2007

### *Did you know?*

A standard PRSA is a contract that has maximum charges of 5% on the contributions paid and 1% per annum on the assets under management.

When the PRSA facility is up and running you must:

- send any payments deducted from the employees' salaries to the PRSA provider within 21 days from the end of the month in which they were deducted. The employee may opt to pay personal contributions from his own bank account, in which case this requirement does not apply.
- give the PRSA provider a monthly statement of contributions, detailing the amount deducted from each employee and, where appropriate, the amount of employer contributions. You must also notify the employee monthly of the deductions made. This is usually highlighted on the employees payroll slip.

It is important to note that you do not have to:

- make contributions to your employees PRSAs.
- provide advice to your employees on PRSAs.
- take any responsibility regarding the investment performance of your employees PRSAs.

How can Irish Life help me?

As you are busy running your business Irish Life can help you fulfil your obligations with as little hassle, cost and disruption as possible. We can help you by:

- identifying where you stand in relation to your legal obligations.
- arranging for a financial adviser to meet with your employees to explain how PRSAs work and offer them one to one advice.
- giving you advice on setting up a payroll deduction system for PRSAs
- keeping in touch with you regularly to provide any further help you may need.

By choosing Irish Life as your designated PRSA provider you are in safe hands. We are Ireland's leading pension provider. Every year we pay out more pension benefits to people in Ireland than anyone else (apart from the State). We manage over €24 billion worth of pension funds. We have an experienced team of financial advisers who can work closely with you and your employees to insure your obligations are met as quickly and smoothly as possible.

What do I do now?

If you haven't already set up an appointment to talk to us call **1850 356 200** and we will arrange to meet you.

Did you know?

Although you do not have to make contributions to your employees PRSAs it can be a very inexpensive way of providing a valued benefit to your employees.

Contributions you make can be very cost effective as you can claim corporation tax relief on your contributions and PRSI relief on your employee's contributions, as the examples below show:

	You	Employee
Contribution	€30	€200
Tax relief *	€3.75 (12.5% of €30)	€82
PRSI relief **	€21.50 (10.75% of €200)	€12
Net cost	€4.75	€106

\* Assumes a personal tax rate of 41% and a corporation tax rate of 12.5%.

\*\* Assumes employer's PRSI relief of 10.75% and employee's PRSI rate of 6%.

Tax rates are current as at November 2007. Any employer contribution will receive tax relief in the year the contribution was made.

## Contact us

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Irish Life Assurance plc is regulated by the Financial Regulator. PRSAs are long term savings plans that can only be taken at retirement. PRSAs can fall as well as rise in value. We will record or monitor calls to help improve customer service.  
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