

2. Why DC Company Pensions

Problem:

1. Members of company pensions until recently have only been able to access their pension fund by way of a lump sum (up to 1.5 x final salary) and an annuity for the rest of their lives.
2. Employers have also been questioning whether they should remain acting as Trustee for their scheme after the recent introduction of Trustee Training requirements.
3. Employers have also been looking to review their existing scheme to see if it provides the optimum retirement solution for their staff i.e. looking at the key differences between a PRSA scheme and a Company pension scheme

Solution:

1. All members of defined contribution company pension schemes now have access to all retirement options including the old salary and service and the ARF options routes.
2. In the last 12 months, most life offices have delivered a tailored trustee solution for employers. Irish life can provide employers with two options on one-member company pension plans – either a free trustee training workbook or free independent trustee service.
3. Company pensions now provide a better package for many employees due to recent legislative changes including greater funding opportunities and options in retirement.

What are the key benefits of Defined Contribution (DC) company pensions?

Free Trusteeship

- Trustee Handbook or Independent Trustee Services
- Dedicated Trustee Services and Independent Trustee Company

Full Retirement Options

- Members of DC pensions continue to have the old retirement options available to them (1.5 x final salary & Annuity), however crucially they now have the option to take 25% of the fund as a lump sum and invest the balance into an AMRF / ARF.

Wide range of Investment choice

- Clients can avail of the many different styles and types of investment funds from the worlds leading fund managers including ILIM, Fidelity, Bloxham. Irish Life's Self Invested Fund also provides access to over 2,000 funds, ETFs, trackers and the only online trading platform in a pension in Ireland.

**WHAT'S
THE BIG
IDEA?**



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Why DC Company Pensions

Comparison of salary deduction PRSA vs. Company Pension

Feature	PRSA Salary Deducted	Company Pension
BIK Liability (11%)	PRSI & USC	None ✓
Funding Potential	15% to 40% (including employer)	Revenue Maximum (SFT) ✓
Funds	May be Limited	Full Suite ✓
Trusteeship	N/A	Free ✓
Retirement Options	25% Lump Sum ARF Options	Old Rules OR 25% & ARF Options ✓
Commission	Less Flexibility New Deal up to 46%	Wider Choice, New Deal Up to 70% ✓

What does this mean for your client?

The larger the pension fund the more choices

The more clients top up, the bigger the benefit

Pension Fund €200,000			→	Pension Fund €600,000		
Benefits	Option 1	Option 2		Benefits	Option 1	Option 2
Lump Sum	€90,000	€50,000		Lump Sum	€90,000	€150,000
Annuity	€4,953 pa	N/A		Annuity	€22,965pa	N/A
A(M)RF	N/A	€150,000		A(M)RF	N/A	€450,000

In the example above, the client who can grow their pension fund to €600,000 at retirement age would now have the benefit of:

1. A bigger lump sum than before i.e. €150,000 versus €90,000
2. More investment control with the balance of their funds in the A(M)RF i.e. € 450,000

Assumptions:

Final salary of €60,000 and 20+ years service at NRA 65 Assumed annuity rate 4.5%

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What does this mean for you?

If your client can afford to start contributing to a pension or increase their existing pension contribution, this will result in increased income potential for you.

Charging Structure	98% & 1.25% (option 1)	98% & 1% (option 2)
Income payable by month 1	€2,100	€1,500
Income payable by month 73	€6,300	€4,500
TOTAL	€8,400	€6,000

The table above shows how your income can increase, using two of Irish Life's New Deal commission profiles. The figures assume that your client pays a monthly contribution of €1,000 per month over 20 years.

Option 1:

Would pay you 4 bullet payments of 17.5% in years 1, 3, 5 & 7 and would total €8,400 by month 73 of the contract. Your client would receive 98% allocation with a yearly management charge of 1.25% (assuming investment in Consensus Fund).

Option 2:

Would pay you 4 bullet payments of 12.5% in years 1, 3, 5 & 7 and would total €6,000 by month 73 of the contract. Your client would receive 98% allocation with a yearly management charge of 1% (assuming investment in Consensus Fund).

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Why DC Company Pensions

Target Market:

Market 1:

Your existing PRSA schemes (there are 170,000 PRSA plans in Ireland)

Market 2:

Your existing DC clients (there are 200,000 existing DC clients in Ireland)

What you should do next?

Market 1

- Step 1:** Review your existing PRSA schemes to see if they are still the optimum solution for these clients.
- Step 2:** Where it is appropriate for the PRSA plan(s) to transfer to a DC pension, your client will need to complete an Irish Life Company Pension Application form.
- Step 3:** To facilitate the PRSA fund transferring to the new Irish Life Company Pension plan, we will also require a Company Pension Transfer-in form.

Market 2

- Step 1:** Pull a list of your existing Defined Contribution clients who now all have ARF retirement options available to them.
- Step 2:** Perform a Revenue maximum funding calculation (subject to €2.3M Standard Fund Threshold) to establish what additional funding scope each client has.
- Step 3:** If setting up a new plan, your client will need to complete an Irish Life Company Pension Application form. If your client is topping up their existing pension arrangement, then all that is required is a letter on company-headed paper confirming the new contribution level.

Irish Life Support:

- You can use our EasyQuotes system to run a Revenue maximum funding quote or you can ask your sales support / Account Manager to calculate the potential for you
- Broker mail letter available on b-line or via your Account Manager

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