PENSIONS
INVESTMENTS
LIFE INSURANCE

AN ADVISER'S GUIDE TO PENSIONS

UPDATED FOR FINANCE ACT 2014

This is a technical guide for financial advisers only and is not intended as an advertisement.

AN ADVISER'S GUIDE TO PENSIONS

CONTENTS

Pensions are long term savings plans that can only be taken at retirement.

SECTION 1

PERSONAL PENSIONS

1.1 ELIGIBILITY

Only certain individuals are eligible to contribute to a personal pension.

Contributions can only be made to a personal pension in the current tax year if the individual

1) has earnings from a self employed trade or profession taxed under Schedule D Case I or II,

or

2) has earnings from a non-pensionable employment taxed under Schedule E.

An individual in non-pensionable employment is: an employee in paid employment but is not included by his/ her employer in an occupational pension scheme for retirement benefits.

1.2 MAXIMUM BENEFITS

There are no limits on the size of the fund that can be built up in a personal pension plan. There are limits on the amount of income tax relief available on contributions as shown overleaf.

The maximum fund an individual is allowed at retirement for tax purposes is €2m. This is a lifetime limit and includes all pension benefits from all sources taken since 7 December 2005.

1.3 CONTRIBUTIONS & INCOME TAX RELIEF

An individual will get income tax relief on their pension contributions up to an annual limit related to their age and net relevant earnings subject to an earnings cap of €115,000

Age	% of net relevant earnings
Under 30	15%
30 – 39	20%
40 – 49	25%
50 – 54	30%
55 – 59	35%
60 and over	40%

Income tax relief is given at the individual's marginal rate. There is no relief against PRSI or the USC.

If the individual is self employed they must include their pension contributions in their self assessment tax returns in order to get income tax relief. Employees can apply to their local Inspector of Taxes to have their tax credits adjusted to reflect their pension contributions if income tax relief is being claimed in the year of payment.

BACKDATING INCOME TAX RELIEF

An individual who had relevant earnings in the previous tax year can make a personal pension contribution before 31st October and elect to backdate the tax relief to the previous tax year.

Where the individual both pays and files their tax returns online they have until mid November to pay their pension contribution and backdate to the previous tax year. Self assessed individuals must file their tax return online in order to get tax relief on their pension contributions.

A self assessment tax return must be completed in order to claim income tax relief in the previous tax year.

CARRYING FORWARD TAX RELIEF

If an individual pays more than the income tax relief limit into a personal pension then they can carry forward the unused relief to future tax years and offset it against relevant earnings for those years.

Relevant earnings are:

- non-pensionable earnings taxed under Schedule E, or
- income from a trade or profession taxed under Schedule D (Case I or II)

Net relevant earnings are:

The individual's relevant earnings reduced by

- Any charges to income, such as tax deductible covenant payments and maintenance payments which are deductible for income tax,
- Any losses or capital allowances related to an individual's relevant earnings for example in relation to plant and machinery used in the trade or occupation.

1.4 DEATH BENEFITS

PERSONAL PENSION PLANS

On death before retirement benefits are taken, the full value of the plan is paid gross to the individual's estate.

The beneficiaries will be liable to inheritance tax. There is no inheritance tax between legal spouses or between registered civil partners.

PERSONAL PENSION TERM ASSURANCE PLANS

Personal Pension Term Assurance plans can be taken out by anyone eligible for a personal pension – see Section 1.1. There is no restriction on the amount of cover that can be provided (subject to underwriting).

The restrictions are on the amount of tax relief available on the contributions. The individual's personal pension term assurance contributions must be within the limits shown in Section 1.3. These limits will include any other pension contribution the individual may be paying.

Where an individual becomes ineligible to claim tax relief on the personal pension term assurance contributions they can continue to pay the premium in order to keep the life cover, however they will not be able to claim income tax relief.

On death, benefits are paid gross to the individual's estate.

The beneficiaries will be liable to inheritance tax. There is no inheritance tax between legal spouses or between registered civil partners. See section 7.6 for more information on inheritance tax.

1.5 RETIREMENT BENEFITS

RETIREMENT AGE

Retirement benefits can be taken at any stage from age 60. Benefits must be taken by age 75.

Benefits can be taken at any stage due to ill health if the individual can show that they are **permanently** incapable physically or mentally of carrying out their own occupation or any other occupation of a similar nature for which they are trained or fitted.

RETIREMENT OPTIONS

The benefits provided will depend on the size of the fund when the individual retires. If the individual has more than one personal pension, retirement benefits can be taken from each plan at different times.

RETIREMENT LUMP SUM OPTION

25% of the value of the fund can be taken as a retirement lump sum

BALANCE OF THE FUND

With the balance of the fund the individual has the following options:

- Purchase an annuity
- Invest in an ARF*
- Take as taxable cash*

* In order to avail of these options the client must either have

- a guaranteed pension income for life of €12,700 a year, or
- used €63,500 to purchase an annuity, or
- invested €63,500 in an AMRF

The guaranteed pension income can be made up of the State Pension personal rate and other pension income.

TRIVIAL PENSION

Where individuals have very small pension funds at retirement they may be able to take their fund as a once off taxable lump sum. This is subject to the limits set out below.

Trivial Pension Limits:

There are two ways a trivial pension can be provided.

Option A:

Where the value of **all** the individual's pension funds after payment of the retirement lump sum is less than **€20,000** then they can take the balance of the fund as a once off taxable payment subject to marginal rate income tax and the universal social charge.

Option B:

If the annuity available from **all** personal pensions relating to the same period of employment or self-employment does not exceed **€330** per annum then the fund can be paid out as a taxable lump sum. In this case the calculation should be done before the retirement lump sum is taken and should be based on a single life annuity rate with no escalation.

Under Option B the balance of the fund after the retirement lump sum will be subject to income tax at 10%.

TAXATION TREATMENT

RETIREMENT LUMP SUM

Lump Sum	Income Tax
First €200,000	Exempt
Next €300,000	20% income tax
Balance	Marginal rate income tax, plus PRSI & USC

These limits include all retirement lump sums received since 7 December 2005.

ANNUITY INCOME

- **Income Tax:** An individual in receipt of income from an annuity will pay income tax at their marginal rate.
- **PRSI:** There is no PRSI liability – Class M.
- **Universal Social Charge:** The USC will be due at the rates below depending on the individual's circumstances

Income Amount	USC Rate
Income up to €12,012	1.5%
Between €12,013 and €17,576	3.5%
Between €17,577 and €70,044	7%
Income in excess of €70,045	8%

Full medical card holders and those over age 70 pay USC at the following reduced rates unless they have earnings greater than €60,000.

Income Amount	USC Rate
Income up to €12,012	1.5%
Income in excess of €12,013	3.5%

WITHDRAWALS FROM ARFS AND AMRFS

- **Income Tax:** Income tax is due on all withdrawals at the individual's marginal rate.
- **PRSI:** PRSI is due at the following rates depending on the individual's age

  4% PRSI is due on all withdrawals before age 66 – Class S

  There is no PRSI liability from age 66 – Class M
- **Universal Social Charge:** The USC will be due at the rates below depending on the individual's circumstances

Income Amount	USC Rate
Income up to €12,012	1.5%
Between €12,013 and €17,576	3.5%
Between €17,577 and €70,044	7%
Income in excess of €70,045	8%

Full medical card holders and those over age 70 pay USC at the following reduced rates unless they have earnings greater than €60,000.

Income Amount	USC Rate
Income up to €12,012	1.5%
Income in excess of €12,013	3.5%

SECTION 2

PRSAS

2.1 ELIGIBILITY

Anyone who is resident in the Republic of Ireland with a PPS Number can take out a PRSA.

However only those with relevant earnings will be able to claim income tax relief on their PRSA contributions.

An employee who is a member of a company pension scheme can take out a PRSA AVC. The benefits from a PRSA AVC will be paid out under occupational pension rules, see section 3.

Relevant earnings are:

- non-pensionable earnings taxed under Schedule E, or
- income from a trade or profession taxed under Schedule D (Case I or II).

An individual in non-pensionable employment is: An employee in paid employment but is not included by his/her employer in an occupational pension scheme for retirement benefits.

2.2 MAXIMUM BENEFITS

There are no limits on the size of the fund that can be built up in a PRSA. There are limits on the amount of income tax relief available on contributions as shown overleaf.

The maximum fund an individual is allowed at retirement for tax purposes is €2m. This is a lifetime limit and includes all pension benefits from all sources taken since 7 December 2005.

2.3 CONTRIBUTIONS & INCOME TAX RELIEF

An individual will get income tax relief on their PRSA contribution up to an annual limit related to their age and net relevant earnings subject to an earnings cap of €115,000

Age	% of net relevant earnings
Under 30	15%
30 – 39	20%
40 – 49	25%
50 – 54	30%
55 – 59	35%
60 and over	40%

These limits also include any employer PRSA contributions. Income tax relief is given at the individual's marginal rate. There is no relief against PRSI or the USC.

If the individual is self employed they must include their pension contributions in their self assessment tax returns in order to obtain income tax relief. Employees can apply to their local Inspector of Taxes to have their tax credits adjusted to reflect their pension contributions if income tax relief is being claimed in the year of payment. Contributions deducted from salary will receive immediate income tax relief.

BACKDATING INCOME TAX RELIEF:

An individual who had relevant earnings in the previous tax year can make a PRSA contribution before 31st October and elect to backdate the tax relief to the previous tax year.

Where the individual both pays and files their tax returns online they have until mid November to pay their PRSA contribution and backdate to the previous tax year. Self assessed individuals must file their tax returns online in order to get tax relief on their pension contributions.

For a PRSA AVC, contributions can only be backdated if the employee is still in the same employment. See section 3.4 for more information.

A self assessment tax return must be completed in order to claim income tax relief in the previous tax year..

CARRYING FORWARD TAX RELIEF:

If an individual pays more than the income tax relief limit into a PRSA then they can carry forward the unused relief to future tax years and offset it against relevant earnings for those years.

EMPLOYERS PRSA CONTRIBUTIONS:

Employers can make PRSA contributions for their employees. Employer PRSA contributions will receive corporation tax relief in the year of payment. See section 3.10 for a comparison between PRSAs and Company Pensions.

Income tax implications: If the employer and employee contributions exceed the above limits, the employee is liable for income tax on the excess paid.

USC implications: The employee is liable for USC on any employer contributions.

2.4 DEATH BENEFITS

On death before retirement benefits are taken the full value of the PRSA is paid gross to the individual's estate.

The beneficiaries will be liable to inheritance tax. There is no inheritance tax between legal spouses or registered civil partners. See section 7.6 for more information on inheritance tax. For information on death benefits from a vested PRSA see section 7.5.

2.5 RETIREMENT BENEFITS

RETIREMENT AGE:

Retirement benefits can be taken at any stage from age 60. Benefits must commence by age 75.

Employees who leave employment can take early retirement from age 50. 20% directors must also sell their shareholding if taking early retirement.

Self employed individuals cannot take benefits before age 60.

Benefits can be taken at any stage due to ill health if the individual can show that they are **permanently** incapable physically or mentally of carrying out their own occupation.

RETIREMENT OPTIONS:

The benefits provided will depend on the size of the fund when the individual retires. If the individual has more than one PRSA plan, retirement benefits can be taken from each plan at different times.

Where individuals have used their PRSA to make additional voluntary contributions (AVCs) their retirement benefits will be paid under company pension /AVC rules and in line with their main scheme. See Section 3.7 for more information.

LUMP SUM OPTIONS:

25% of the value of the fund can be taken as a retirement lump sum

BALANCE OF THE FUND:

With the balance of the fund the individual has the following options:

- Purchase an annuity
- Leave in the PRSA – Vested PRSA
- Invest in a separate ARF*
- Take as taxable cash*

* In order to avail of these options the client must either have

- a guaranteed pension income for life of €12,700 a year, or
- used €63,500 to purchase an annuity, or
- invested €63,500 in an AMRF

The guaranteed pension income can be made up of the State Pension personal rate and other pension income.

OPTION TO LEAVE IN THE PRSA

A vested PRSA is the term used to describe the PRSA once the individual takes their retirement lump sum and leaves the balance invested in the PRSA. Vested PRSAs are treated in a similar manner to AMRFs / ARFs. See Section 7.3 for more information.

TRIVIAL PENSION

Where individuals have very small pension funds at retirement they may be able to take their fund as a once off taxable lump sum. This is subject to the limits set out below.

Trivial Pension Limits:

There are two ways a trivial pension can be provided.

Option A:

Where the value of **all** the individual's pension funds after payment of the retirement lump sum is less than **€20,000** then they can take the balance of the fund as a once off taxable payment subject to marginal rate income tax and the universal social charge.

Option B:

If the annuity available from **all** PRSAs relating to the same period of employment or self-employment does not exceed **€330** per annum then the fund can be paid out as a taxable lump sum. In this case the calculation should be done before the retirement lump sum is taken and should be based on a single life annuity rate with no escalation.

Under Option B the balance of the fund after the retirement lump sum will be subject to income tax at 10%.

TAXATION TREATMENT

RETIREMENT LUMP SUM

Lump Sum	Income Tax
First €200,000	Exempt
Next €300,000	20% income tax
Balance	Marginal rate income tax, plus PRSI & USC

These limits include all retirement lump sums received since 7 December 2005.

ANNUITY INCOME

- **Income Tax:** An individual in receipt of income from an annuity will pay income tax at their marginal rate.
- **PRSI:** There is no PRSI liability – Class M.
- **Universal Social Charge:** The USC will be due at the rates below depending on the individual's circumstances

Income Amount	USC Rate
Income up to €12,012	1.5%
Between €12,013 and €17,576	3.5%
Between €17,577 and €70,044	7%
Income in excess of €70,045	8%

Full medical card holders and those over age 70 pay USC at the following reduced rates unless they have earnings greater than €60,000.

Income Amount	USC Rate
Income up to €12,012	1.5%
Income in excess of €12,013	3.5%

WITHDRAWALS FROM ARFS, AMRFS AND VESTED PRSAS

- **Income Tax:** Income tax is due on all withdrawals at the individual's marginal rate.
- **PRSI:** PRSI is due at the following rates depending on the individual's age

  4% PRSI is due on all withdrawals before age 66 – Class S

  There is no PRSI liability from age 66 – Class M
- **Universal Social Charge:** The USC will be due at the rates below depending on the individual's circumstances

Income Amount	USC Rate
Income up to €12,012	1.5%
Between €12,013 and €17,576	3.5%
Between €17,577 and €70,044	7%
Income in excess of €70,045	8%

Full medical card holders and those over age 70 pay USC at the following reduced rates unless they have earnings greater than €60,000.

Income Amount	USC Rate
Income up to €12,012	1.5%
Income in excess of €12,013	3.5%

SECTION 3

COMPANY PENSIONS

3.1 ELIGIBILITY

In order to be eligible to take out a company pension plan the employee must be in receipt of Schedule E (PAYE) remuneration.

Their employer must be willing to set up and contribute to the company pension plan.

A company director is only eligible to take out a company pension if they are set up as an employee of the company and are in receipt of schedule E income from the company.

20% directors of investment companies cannot be included in a company pension scheme in respect of income from that company.

Remuneration would include

- Salary or wages
- Bonuses and commission payments
- Holiday and overtime pay
- Benefit in Kind

3.2 TYPES OF COMPANY PENSIONS

DEFINED CONTRIBUTIONS SCHEMES

Defined Contribution (DC) schemes are where the employer and employee pay a fixed level of contribution usually as a percentage of salary. The contributions are invested in a fund for the employee in order to provide retirement benefits.

DC schemes do not provide any guarantee to the employee, the benefits available at retirement will depend on a number of different factors including contribution levels, fund performance, plan charges and annuity rates at the employee's retirement age.

DEFINED BENEFIT SCHEMES

Defined Benefit (DB) schemes aim to provide a set level of pension and/or lump sum at retirement. The level of benefits depends on the employee's service in the scheme and salary at retirement.

Where employees are required to contribute to DB schemes they usually pay a percentage of salary. The employer contribution will be set by the scheme actuaries at the level required to ensure the scheme can meet its obligations.

Generally DB schemes in the private sector aim to provide employees a pension of 1/60th of salary for every year of service to a maximum of 40/60ths. The employee may have the option to take a retirement lump sum and a reduced pension.

Public sector schemes tend to provide lump sums of 3/80ths of salary and a pension of 1/80th of salary for every year of service to a maximum of 40 years service.

DB schemes in the public and private sectors are often integrated with Social Welfare, where the pension entitlement from the DB scheme makes allowance for the State Pension (Contributory). This is often done by calculating the employee's entitlement based on their salary less 1.5 times the State Pension (Contributory) personal rate.

3.3 MAXIMUM BENEFITS

The maximum fund that can be built up in a company pension scheme is the amount required to purchase the employee's maximum pension entitlement at normal retirement age.

The maximum pension that can be provided is a pension of 2/3rds final salary after 10 years service with the employer, including retained benefits. This is reduced for service less than ten years as shown by the table below:

Service at normal retirement age	Max. as fraction of Final Salary
1yr	4/60ths
2yrs	8/60ths
3yrs	12/60ths
4yrs	16/60ths
5yrs	20/60ths
6yrs	24/60ths
7yrs	28/60ths
8yrs	32/60ths
9yrs	36/60ths
10yrs	40/60ths

Where the employee leaves service with the employer or takes benefits before their normal retirement age the maximum benefits as shown above are reduced by their actual service divided by their potential service had they remained until normal retirement age.

The maximum fund an individual is allowed at retirement for tax purposes is €2m. This is a lifetime limit and includes all pension benefits from all sources taken since 7 December 2005.

3.4 CONTRIBUTIONS AND TAX RELIEF

MAXIMUM CONTRIBUTIONS:

REGULAR CONTRIBUTIONS

The maximum regular contribution that can be paid to a company pension scheme is calculated by the formula below

$$\frac{\textbf{B x CF – (value of assets plus retained benefits)}}{\textbf{Term to normal retirement age}}$$

B = the maximum pension based on current salary and service at retirement age

CF = the capitalisation factor shown in the Capitalisation Factors table across the page

SAMPLE REGULAR CONTRIBUTION RATES

Below are some sample maximum contribution rates as a percentage of salary that can be paid to a company pension.

Male	Retirement Age	
Current Age	60	65
30	72%	54%
35	86%	63%
40	108%	76%
45	144%	95%
50	216%	126%
55	432%	189%

Female	Retirement Age	
Current Age	60	65
30	67%	49%
35	80%	58%
40	100%	69%
45	133%	86%
50	200%	115%
55	400%	173%

These tables assume that the employee is married and will have at least 10 years service at normal retirement age. Existing benefits are not included in the above rates. These are calculated using the current capitalisation factors published by the Revenue Commissioners.

SINGLE CONTRIBUTIONS

Single contributions can only be paid in respect of back service. The formula for calculating the maximum single contribution is as follows

[N / NS x (B x CF)] – value of assets plus retained benefits

N = number of years service completed

NS = number of years service the employee will have at NRA

B = the maximum pension based on current salary and service at retirement age

CF = the capitalisation factor shown in the Capitalisation Factors table across the page

Funding quotes can be run using the Rev Max Calculator on bline.ie

CAPITALISATION FACTORS

The capitalisation factors to be used are as follows:

Normal Retirement Age	Female no spouse / civil partner	Female with spouse / civil partner	Male no / civil partner	Male with spouse / civil partner
60	27.5	30.0	24.4	32.4
61	26.8	29.2	23.6	31.6
62	26.0	28.4	22.8	30.8
63	25.3	27.5	22.0	30.0
64	24.6	26.7	21.2	29.2
65	23.8	25.9	20.4	28.4
66	23.1	25.1	19.6	27.6
67	22.4	24.3	18.9	26.8
68	21.6	23.5	18.1	26.0
69	20.9	22.6	17.4	25.2
70	20.2	21.8	16.7	24.4

EMPLOYER CONTRIBUTIONS:

REGULAR CONTRIBUTIONS

Regular employer contributions will receive corporation tax relief in the year of payment.

The Revenue Commissioners will only consider a contribution to be a regular contribution if it is paid for at least three consecutive years.

SINGLE CONTRIBUTIONS

Where an employer pays single premium contributions corporation tax relief will only be given in the year of payment where the total single premium amount is equal to or less than the total employer regular contribution paid in respect of all employees.

If the single premium is greater than the regular premium contributions relief will be spread forward to a maximum of five years.

In order to determine the number of year's corporation tax relief must be spread forward the single premium is divided by the regular contribution.

This is rounded up to two years if greater than one but less than two otherwise rounded to the nearer number of years (to a maximum of five).

EMPLOYEE AND AVC CONTRIBUTIONS

As well as paying employee contributions, employees can also pay AVCs or PRSA AVCs to supplement their retirement benefits from the company pension.

Employers who do not provide the facility to contribute AVCs to the main company pension scheme or to a group AVC scheme must give employees the opportunity to contribute AVCs to a Standard PRSA by way of salary deduction.

The total of the employee, AVC and employer contributions must be within the maximum allowed by the Revenue Commissioners.

Employees will get income tax relief on their employee and AVC contributions up to an annual limit related to their age and earnings subject to an earnings cap of €115,000.

Income tax relief is given at the individual's marginal rate. There is no relief against PRSI or the USC. To claim income tax relief an individual must apply to their Inspector of Taxes to adjust their tax credits. Contributions deducted from salary will receive immediate income tax relief.

REGULAR CONTRIBUTIONS

In practice most employee and AVC regular contributions are deducted by their employer from salary under the 'net pay' arrangement. In such cases income tax relief is given at source and the total of the employee and AVC contribution cannot exceed the tax relief limits shown below.

Age	% of earnings
Under 30	15%
30 – 39	20%
40 – 49	25%
50 – 54	30%
55 – 59	35%
60 and over	40%

SINGLE CONTRIBUTIONS

An employee can make a single premium contribution to a company pension scheme. Income tax relief can be claimed in the year of payment if the total of the regular and single premium contributions are within the employee's tax relief limits. If contributions exceed the income tax relief limits the excess can be carried forward to future tax years once the employee remains in the same employment.

An employee can backdate their single contribution to the previous tax year if they are still in the same employment and the contribution is paid before 31st October. They must complete a self assessment tax return in order to claim the income tax relief.

3.5 AVC WITHDRAWAL OPTION

This option is open to those who have paid AVCs into their

- company pension scheme,
- AVC scheme,
- PRSA AVC or
- Personal Retirement Bond

The maximum withdrawal that can be taken is 30% of the value of the employee's AVCs. This is a once off option, so only one withdrawal can be made.

All AVC withdrawals will be subject to income tax at the employee's marginal rate. Life offices will be obliged to deduct income tax at the higher rate unless they receive a tax credit before the withdrawal is paid.

The AVC withdrawal option is available for a period of three years until 26th March 2016.

3.6 DEATH BENEFITS

DEATH IN SERVICE BENEFITS

The maximum benefits that can be provided on the death in service is as follows

- A death in service lump sum for dependents, plus
- Refund of any employee or AVC contributions, plus
- A pension for the spouse, registered civil partner and dependents of the deceased.

The trustees of the Company Pension Scheme will determine who the death benefits are payable to in line with the scheme rules.

DEATH IN SERVICE LUMP SUM

The maximum lump sum that can be provided is 4 times final salary at the date of death. This includes any death benefits from company pension schemes in respect of earlier employment. Death benefits from personal pensions or PRSAs are not included.

Alternatively if the death in service lump sum is calculated as twice final salary death benefits from previous employments are not taken into account.

The beneficiary will be liable to inheritance tax. There is no inheritance tax between legal spouses or registered civil partners. See section 7.6 for more information on inheritance tax.

DEPENDENTS PENSION

A company pension scheme can provide a pension for a spouse or registered civil partner or dependent on the death of the employee.

The maximum pension that can be provided on death is the maximum pension that the employee would have been entitled to at their normal retirement age.

Pension income is subject to income tax and Universal Social Charge in the hands of the recipient. See Section 3.7 for more information.

PRESERVED BENEFITS ON DEATH

If the employee had left service and had a preserved benefit under the Pensions Act then the full value of the plan is paid gross to the estate on death.

The beneficiaries will be liable to inheritance tax. There is no inheritance tax between legal spouses or registered civil partners.

See section 7.6 for more information on inheritance tax.

3.7 RETIREMENT BENEFITS

RETIREMENT AGE

NORMAL RETIREMENT AGE

The normal retirement age can be set be between ages 60 and 70.

All company pension, AVC schemes and PRSA AVC plans for the same employment must be set up with the same normal retirement age.

When taking retirement benefits an employee must take all benefits relating to that employment at the same time.

EARLY RETIREMENT

An employee can take early retirement from a company pension scheme from age 50 onwards with the consent of the employer and trustee. In order to take early retirement, an employee must leave service with no expectation of returning. 20% directors must also sell their shareholding.

Where benefits are taken before the normal retirement age of the company pension scheme the maximum benefits are reduced by the employee's actual service divided by their potential service had they remained until normal retirement age.

ILL HEALTH EARLY RETIREMENT

An employee can take early retirement due to ill health at any stage. Employee must be **permanently** incapable to carry on their occupation.

The maximum benefits allowed on leaving service due to ill health are those that would have been available had the employee remained in service until normal retirement age.

RETIREMENT OPTIONS

The options available on retirement will depend on whether the company pension is a defined contribution or a defined benefit scheme and whether or not the employee is a proprietary director.

Pension Type	Option 1: Salary & Service	Option 2: ARF Options
DC Pension Scheme*	✓	✓
DB Pension Scheme - Employee	✓	✗
DB Pension Scheme - Proprietary Director	✓	✓

* Scheme rules must have been updated to allow employee's ARF options.

Benefits must be taken at the same time from all company pension and AVC plans relating to the same employment and under the same route.

Where an employee has company pension plans relating to different employments they do not have to be taken at the same time or under the same route.

A proprietary director is a director who either alone or together with his/her spouse or civil partner and minor children controls more than 5% of the voting rights in the company at any time within 3 years of retirement or leaving service.

OPTION 1: SALARY AND SERVICE ROUTE

Retirement Lump Sum:

The retirement lump sum available under this option will be calculated in relation to the employee's salary and service in the company.

The maximum retirement lump sum is 150% of final salary after 20 years service in the company, including any retained lump sum benefits. This is reduced for service less than 20 years as shown by the table below.

Service at normal retirement age	Max. as fraction of Final Salary
1–8 yrs	3/80ths each year
9yrs	30/80ths
10yrs	36/80ths
11yrs	42/80ths
12yrs	48/80ths
13yrs	54/80ths
14yrs	63/80ths
15yrs	72/80ths
16yrs	81/80ths
17yrs	90/80ths
18yrs	99/80ths
19yrs	108/80ths
20yrs	120/80ths

For more information on how to calculate the maximum retirement lump sum see our Adviser's Guide to Company Pension Retirement Options.

Balance of the Fund

The balance of the company pension fund must be used to purchase an annuity.

AVC Funds

If the employee has funds built up by AVCs they can be used to bring their retirement lump sum from the company pension up to the maximum allowed by the Revenue Commissioners as shown above.

The balance of the AVC can then be used to

- purchase an annuity
- transfer to an ARF *
- take as taxable cash *

* In order to avail of these options the client must either have

- a guaranteed pension income for life of €12,700 a year, or
- used €63,500 to purchase an annuity, or
- invested €63,500 in an AMRF

The guaranteed pension income can be made up of the State Pension personal rate and other pension income.

PRSA AVCs

If the employee paid AVCs into a PRSA they have the additional options of leaving the balance of the fund in the PRSA as a vested PRSA. See Section 7.3 for more information on vested PRSAs.

OPTION 2: ARF OPTIONS ROUTE

Retirement Lump Sum:

The individual can take a retirement lump sum of up to 25% of company pension plan and any AVC and PRSA AVC plans.

Balance of the Fund

With the balance of the fund can be used to

- purchase an annuity
- transfer to an ARF *
- take as taxable cash *

* In order to avail of these options the client must either have

- a guaranteed pension income of €12,700 a year, or
- used €63,500 to purchase an annuity, or
- invested €63,500 in an AMRF

The guaranteed pension income can be made up of the State Pension and other annuity income.

PRSA AVCs

If the employee paid AVCs into a PRSA they have the additional options of leaving the balance of the fund in the PRSA as a vested PRSA. See Section 7.3 for more information on vested PRSAs.

TRIVIAL PENSION

Where individuals have very small pension funds at retirement they may be able to take their fund as a once off taxable lump sum. This is subject to the limits set out below.

Trivial Pension Limits:

There are two ways a trivial pension can be provided

Option A:

Where the value of **all** the individual's pension funds after the payment of the retirement lump sum is less than **€20,000** then they can take the balance of the fund as a once off taxable payment subject to marginal rate income tax and the Universal Social Charge.

Option B:

If the benefits payable from the pension scheme and any other scheme relating to the same emloyment do not exceed **€330** per annum then the fund can be paid out as a taxable lump sum. In this case the calculation should be done before the retirement lump sum is taken and should be based on a single life annuity rate with no escalation.

Under this option the balance of the fund after the retirement lump sum will be subject income tax at a rate of 10%.

TAXATION TREATMENT

RETIREMENT LUMP SUM

Lump Sum	Income Tax
First €200,000	Exempt
Next €300,000	20% income tax
Balance	Marginal rate income tax, plus PRSI & USC

These limits include all retirement lump sums received since 7 December 2005.

ANNUITY INCOME

- **Income Tax:** An individual in receipt of income from an annuity will pay income tax at their marginal rate.
- **PRSI:** There is no PRSI liability – Class M.
- **Universal Social Charge:** The USC will be due at the rates below depending on the individual's circumstances

Income Amount	USC Rate
Income up to €12,012	1.5%
Between €12,013 and €17,576	3.5%
Between €17,577 and €70,044	7%
Income in excess of €70,045	8%

Full medical card holders and those over age 70 pay USC at the following reduced rates unless they have earnings greater than €60,000.

Income Amount	USC Rate
Income up to €12,012	1.5%
Income in excess of €12,013	3.5%

WITHDRAWALS FROM ARFS, AMRFS AND VESTED PRSAS

- **Income Tax:** Income tax is due on all withdrawals at the individual's marginal rate.
- **PRSI:** PRSI is due at the following rates depending on the individual's age

  4% PRSI is due on all withdrawals before age 66 – Class S

  There is no PRSI liability from age 66 – Class M
- **Universal Social Charge:** The USC will be due at the rates below depending on the individual's circumstances

Income Amount	USC Rate
Income up to €12,012	1.5%
Between €12,013 and €17,576	3.5%
Between €17,577 and €70,044	7%
Income in excess of €70,045	8%

Full medical card holders and those over age 70 pay USC at the following reduced rates unless they have earnings greater than €60,000.

Income Amount	USC Rate
Income up to €12,012	1.5%
Income in excess of €12,013	3.5%

3.8 OPTIONS ON LEAVING SERVICE OR SCHEME WIND UP

On scheme wind up or where an employee leaves service before reaching the normal retirement age of the scheme the options available will depend on the length of service they have completed in the pension scheme.

Employees with more than two years qualifying service in the scheme on leaving service are entitled to a preserved benefit under the Pensions Act 1990 and have the options below.

Employees with less then two years qualifying service may also have these options depending on the rules of the pension scheme.

Qualifying Service is where

- the member has completed at least two years service in the pension scheme or any pension scheme with this employer, or
- the member has at least two years service when combining the service in the pension scheme with service relating to any transfer value paid into the scheme

1. PRESERVED BENEFIT IN THE PENSION SCHEME (NOT AVAILABLE ON SCHEME WIND UP):

Assuming the company pension scheme is not being wound up the member may be able to leave their pension benefits in the scheme until they reach their normal retirement age.

Defined Contribution Schemes: For DC Schemes the preserved benefit will be based on the value of the contributions paid to the scheme by the employee and employer on behalf of that member.

Defined Benefit Schemes: For DB Schemes the employee's entitlement will be based on the scheme rules.

2. TRANSFER TO A PERSONAL RETIREMENT BOND (PRB):

The value of the company pension may be transferred to a PRB in the employee's own name.

The options available at retirement will be the options available under the company pension scheme. For more information on PRBs see Section 4.

3. TRANSFER TO A PRSA

If the employee has less than 15 years service in the company pension scheme with his employer (including service in any other pension scheme relating to that employer or an associated employer) then he can transfer to a PRSA.

A Certificate of Comparison will be required where

- the transfer value is greater then €10,000, and
- the pension scheme is not being wound up.

See Section 2 for more information on PRSAs and the retirement options available.

NOTE:
If the employee has more than 15 years service in the pension scheme then he does not have the option to transfer to a PRSA.

4. TRANSFER TO A NEW EMPLOYER'S COMPANY PENSION SCHEME

If the employee has joined a company pension scheme with a new employer then they may have the option to transfer their benefits from their previous employer to the new scheme.

Alternatively if the company pension scheme with the previous employer is a one-member scheme the new employer can take over the scheme by completing a supplementary letter of exchange.

5. EARLY RETIREMENT

If the employee has reached age 50 then they may be able to avail of early retirement and take their benefits immediately with the agreement of the employer and scheme trustees. Benefits payable will be those available under the company pension scheme on early retirement.

LESS THAN 2 YEARS QUALIFYING SERVICE

REFUND OF CONTRIBUTIONS

Where the employee has less than two years qualifying service in the scheme for retirement benefits then on leaving service they may receive a refund of their own contributions. This refund will be subject to standard rate tax at 20%.

Under the standard Irish Life rules for one-member schemes, it is the employee who decides whether or not they want to take a refund.

It is not the employer's decision. Where this option is selected the employer contributions will be refunded to the company who should treat the refund as a trading receipt.

Qualifying Service is where

- the member has completed at least two years service in the pension scheme or any pension scheme with this employer, or
- the member has at least two years service when combining the service in the pension scheme with service relating to any transfer value paid into the scheme

NOTE:
this option is not available to 20% directors.

TRUSTEE OPTIONS

Where the employee has a preserved benefit the trustees can transfer that benefit without the employee's consent either after the employee left service or on wind up of the scheme. See section 4.2 for more information.

DB SCHEMES – DEFICIT OF ASSETS ON WIND UP

In the event that on wind up the assets available from the defined benefit scheme are not enough to secure the required benefits for all employees the Pensions Act sets out the priority order in which benefits must be secured.

For schemes which start to wind up on or after 25 December 2013 one of the following priority orders will apply

a) If the scheme's employer is solvent at the date of wind up then the single insolvency order will apply

b) If the scheme's employer is insolvent at the date of wind up then the double insolvency order will apply

SINGLE INSOLVENCY

Under a single insolvency the priority order for distribution of benefits are as follows:

1) AVCs and transfers in of AVCs; and DC benefits, including transfers in of DC benefits.
2) Pensions in payment (excluding post retirement increases) in accordance with the following limits
    a. 100% of the pension if €12,000 a year or less
    b. For pensions between €12,000 and €60,000 a year, the greater of €12,000 and 90% of the pension will be secured
    c. If the annual pension is greater than €60,000, the greater of €54,000 and 80% of the pension will be secured
3) 50% of active and deferred benefits (excluding post retirement increases)
4) Remaining pensions in payment will be secured (excluding post retirement increases)
5) Remaining active and deferred benefits (excluding post retirement increases)
6) Any remaining benefit, including post retirement increases

DOUBLE INSOLVENCY

Under a double insolvency the priority order for distribution of benefits are as follows:

1) AVCs and transfers in of AVCs; and DC benefits, including transfers in of DC benefits
2) 50% of pensioner benefits, including post-retirement increases
3) 50% of active and deferred benefits, including post-retirement increases
4) Pensioner benefits up to a maximum of €12,000 a year (excluding post retirement increases)
5) Remaining pensioner benefits (excluding post retirement increases)
6) Remaining active and deferred benefits (excluding post retirement increases)
7) Any remaining benefits, including post-retirement increases

The benefits which scheme members receive in a wind up will depend upon the scheme assets which are available for distribution.

However, in a double insolvency, if the scheme does not have enough assets to pay for the benefits under 2, 3, & 4 above the Government can provide the necessary money to make up the shortfall.

For more information see the Department of Social Protection's Guide to the Distribution of Pension Funds on Wind Up

3.9 SUMMARY COMPARISON COMPANY PENSION TRANSFER OPTIONS

	Staying in old employer's scheme	Transferring to new employer's scheme	Transfer to Personal Retirement Bond	Transferring to a PRSA
Retirement Lump sum calculation	(1) Lump sum based on salary and service with old employer. or (2) 25% of fund option available if old employer's scheme is DC or member was a 5% director.	(1) Lump sum based on salary and service with new employer, plus an additional lump sum calculation based on the salary and service with the old employer. This additional calculation should be no greater than if the member had remained in the original scheme. or (2) 25% of fund option available if new employer's scheme is DC or member was a 5% director.	(1) Lump sum based on salary and service with old employer. or (2) 25% of fund option available if transfer was from DC scheme or member was a 5% director.	(1) No option for lump sum to be based on salary and service with old employer. (2) Retirement lump sum is based on 25% of the fund.
Availability of ARF option	Yes - If scheme was a DC Scheme whose rules allow employees to avail of ARF options. Yes – If scheme was a DB scheme and member was a 5% director. No – If scheme was a DB scheme and member was not a 5% director.	Yes - If scheme is a DC Scheme whose rules allow employees to avail of ARF options. Yes – If scheme is a DB scheme and member is a 5% director. No – If scheme is a DB scheme and member is not a 5% director.	Yes- If transfer came from DC Scheme whose rules allow employees to avail of ARF options. Yes– If transfer came from DB scheme and member was a 5% director. No – if transfer came from DB scheme and member was not a 5% director.	Yes – ARF options available.
Option to take benefits at different times	Benefits from old employer's scheme could be taken at a separate time to benefits from new employer's company scheme (if any).	Combined benefits must be taken at the one time.	Benefits from PRB could be taken at a separate time to benefits from new employer's company scheme (if any).	Benefits from PRSA could be taken at a separate time to benefits from new employer's company scheme (if any).
Early Retirement Rules	Depends on scheme rules, however generally early retirement will be available from age 50.	Depends on scheme rules, however generally early retirement will be available from age 50 provided member is retiring from the new employer.	Generally early retirement will be available from age 50, unless trustees of old employer's scheme put a restriction on the PRB preventing early retirement before the old scheme NRA.	Available for employees from age 50 provided he is retiring from his current employment. No early retirement option before age 60 for the self-employed. Retirement benefits can be taken from age 60 without leaving employment.
Death Benefits	Full value of preserved benefit paid to estate (assuming over 2 years relevant service).	4 times salary with new employer, plus a return of value of employee contributions/ AVC. No additional allowance for value transferred from old employers scheme.	Full value of preserved benefit paid to estate (assuming over 2 years relevant service).	Full value paid to estate.
Trustee	The benefits remain held in trust under the old employer's scheme, and the trustees of the old scheme remain responsible for the benefits.	The benefits are held in trust under the new employer's scheme, and the trustees of the new scheme remain responsible for the benefits.	The benefits are held under a contract with the life office. The member is the policyholder.	The benefits are held under a contract with the PRSA provider. The member is the policyholder.
Preserved Benefit / Refund Option	If member had more than 2 years service then he qualifies for preserved benefits under the Pensions Act 1990 and no refund option is available.	If member had more than 2 years service with the old employer then he immediately qualifies for preserved benefits in respect of the new employer's scheme and no refund option is available.	Refunds are not permitted to either employer or member.	Refunds are generally not permitted. Refunds are only permitted where the value is less than €650 and no amount has been paid into the PRSA in the previous 2 years.

3.10 COMPARISON PRSAS VS. COMPANY PENSIONS

Contract Type	Salary Deducted PRSA	Company Pension Scheme (one-member DC arrangement)
Policy Owner	The client owns the policy.	Must be set up under trust for the benefit of the employee. The trustee owns the policy.
Retirement Age	Benefits can be taken between age 60 and 75. An employee who leaves **current** employment can take benefits from age 50.	Normal retirement age can be set between 60 and 70. An employee who leaves the **relevant** employment can take benefits from age 50.
Employer Contributions	The employer does not need to contribute. Any employer payments that bring the total contributions over the limits below will incur a BIK liability for the employee. The employee must pay the Universal Social Charge on any employer contribution to a PRSA.	The employer must make a "meaningful contribution". There is no BIK liability for the employee on employer contributions to a company pension scheme. The employer can contribute as much as is needed to provide the maximum benefits allowed by Revenue at retirement.
Employee Contributions	The employee and employer can contribute up to the limits below and claim tax relief, subject to a salary cap of €115,000. Age — % of salary Under 30 — 15% 30 – 39 — 20% 40 – 49 — 25% 50 – 54 — 30% 55 – 59 — 35% 60 and over — 40%	The employee can contribute up to the limits below and claim tax relief, subject to a salary cap of €115,000. Age — % of salary Under 30 — 15% 30 – 39 — 20% 40 – 49 — 25% 50 – 54 — 30% 55 – 59 — 35% 60 and over — 40%
Employee Tax Relief	Tax relief given at source where employer operates a net pay arrangement.	Tax relief given at source where employer operates a net pay arrangement.
Employer Tax Relief	The company gets corporation tax relief on contributions paid into the PRSA.	The company gets corporation tax relief on contributions paid into the Company Pension.
Retirement Benefits	The benefits provided will depend on the size of the fund with the employee retires. Lump Sum Option: 25% of the value of the PRSA fund Balance of Fund Options: • Purchase an annuity • Leave in the PRSA as a vested PRSA • Invest in an ARF* • Take as taxable lump sum** * This option is subject to meeting either the guaranteed income requirement of €12,700pa or the AMRF / annuity purchase price requirement of €63,500. ** This option is subject to meeting either the guaranteed income requirement of €12,700pa or the AMRF / annuity purchase price requirement of €63,500 or keeping a minimum of €63,500 in the vested PRSA. Annuity payments and withdrawals from ARFs, AMRFs and Vested PRSAs will be subject to income tax, USC and PRSI where applicable.	The benefits provided will depend on the size of the fund with the employee retires. **Option 1:** Lump Sum Option: Based on member's salary and service, to a maximum of 150% of final salary based on having 20 years service at Normal Retirement Age. Reduced lump sum available for shorter service and early retirement. **Balance of Fund Option** • Purchase an annuity • AVCs can be invested in an ARF or taken as taxable cash* **Option 2 (For DC schemes):** Lump Sum Option: 25% of the value of the pension fund Balance of Fund Options: • Purchase an annuity • Invest in an ARF* • Take as taxable lump sum* *These options are subject to meeting either the guaranteed income requirement of €12,700pa or the AMRF / annuity purchase price requirement of €63,500. Annuity payments and withdrawals from ARFs, AMRFs and Vested PRSAs will be subject to income tax, USC and PRSI where applicable.
Ill Health Early Retirement	Pension benefits can be taken at any age where the employee is permanently incapable of carrying out their own occupation.	Pension benefits can be taken at any age where the employee is permanently incapable of carrying out their own occupation.
Death Benefits	On death the value of the PRSA is paid to the deceased's estate. All death benefits are subject to inheritance tax, except where inherited by the deceased's legal spouse or registered civil partner. See section 7.6 for more information on inheritance tax.	**Death in Service**: where the employee dies while still in service with the employer benefits are as follows; • lump sum 4 x salary (taking lump sums from previous employments into account) • the value of any employee and AVC contributions • a spouse's / dependant's pension not greater than the employee's entitlement had he retired on ill health grounds. **Preserved Benefit**: if the employee left service with the employer before he died and had a preserved benefit then the full value of the employee's fund is paid to his estate. All lump sum death benefits are subject to inheritance tax, except where inherited by the deceased's legal spouse or registered civil partner. See section 7.6 for more information on inheritance tax.

UNIVERSAL SOCIAL CHARGE IMPACT ON EMPLOYER PRSA CONTRIBUTIONS

PRSAS

The taxation treatment of an Employer contribution to a PRSA is that it is treated as Benefit-in-Kind for the Employee. This means the tax treatment of an employer contribution to a PRSA is as follows:

- Employer PRSA contributions are subject to income tax and the Universal Social Charge (USC).
- The individual employee will immediately receive relief on income tax within limits as if they had paid the contribution themselves. The net effect is that in most cases the employee will be in the same net position for income tax and if BIK did not apply.
- Employer PRSA contributions are not subject to PRSI.
- However, no relief is available in respect the USC, so the employee will pay the USC on the employer PRSA contribution.

COMPANY PENSIONS

Employer contributions to an exempt approved company pension arrangement are not a Benefit-In-Kind for the employee.

As a result employer contributions to a company pension do not result in an income tax, PRSI or USC liability for the employee.

EXAMPLE – EMPLOYEE UNIVERSAL SOCIAL CHARGE PAYABLE

The example below highlights the different tax treatment of employer contributions to company pensions and PRSAs.

	No Pension Contribution	With Employer Company Pension Contribution	With Employer PRSA Contribution of €1,000
Salary	€40,000	€40,000	€40,000
Employer Contribution	€0	€1,000	€1,000
Gross Taxable Earnings for USC	€40,000	€40,000	€41,000
Gross Taxable Earnings for PRSI and Income Tax	€40,000	€40,000	€40,000
PRSI Payable	€1,600	€1,600	€1,600
Universal Social Charge Payable (1.5% to €12,012 3.5% to €17,576 7% above €17,576)	€1,944.60	€1,944.60	€2,014.60
PRSI and Universal Social Charge Increase		**No Change**	**+ €70**

In the above example where the employer contributes €1,000 to a company pension arrangement, the employee pays income tax, PRSI and USC based on a Taxable Salary of €40,000. There is no increase in the gross taxable salary because the employer company pension contribution is not BIK for the employee.

In comparison looking at a PRSA, the employer's contribution is BIK for the employee and therefore increases their Gross Taxable Earnings for the USC. The income tax position will be the same as it is based on a taxable salary of €40,000. Employer PRSA contributions will not cause a PRSI liability for the employee. The USC however is charged against the increased Gross Taxable Earnings of €41,000 (employee's salary plus PRSA contribution).

SECTION 4

PERSONAL RETIREMENT BONDS

4.1 ELIGIBILITY

Personal Retirement Bonds (PRBs) also known as Buy Out Bonds are taken out by trustees of company pension schemes for former members. They are personal contracts taken out in the employee's own name and provides retirement benefits instead of the pension scheme.

PRBs can be taken out in the following situations

- when the employee leaves service, or
- when the employee leaves the pension scheme such as on wind up of the scheme

PRBs cannot be used to amalgamate retirement benefits from different employments.

4.2 COMPULSORY TRANSFERS

Trustees can transfer members' benefits to PRBs without their consent in certain situations such as on scheme wind up.

Where the transfer arises other than on wind up of the scheme trustees can only compulsory transfer if

- the transfer is less than €10,000, or if the transfer is more than €10,000 the Pensions Authority has approved an application from the trustees to make the transfer payment
- at least two years has passed since the member left employment
- the member has not already applied to the trustees to make a transfer payment
- If the scheme is defined benefit, there has been no reduction in the transfer value as a result of the scheme not meeting the funding standard at that time.

4.3 ALLOWED TRANSFERS INTO A PRB

PRBs can accept transfers from the following types of pension arrangements.

- from defined contribution pension schemes
- from defined benefit pension schemes
- from another PRB
- From UK pension schemes set up under trust. The PRB must have received QROPS status from HM Revenue & Customs (UK Revenue).

The Irish Life Retail PRB does not have QROPS approval.

SPLIT TRANSFERS

Company pension scheme benefits can be transferred to one or more than one PRB. However, where the transfer is split between a number of PRBs and the client takes their retirement lump sum under the salary and service route only one PRB can pay out the retirement lump sum. The trustees must elect when setting up the PRBs which one can pay out the lump sum.

Benefits from all PRBs relating to the same employment must be taken at the same time.

4.4 ALLOWED TRANSFERS OUT OF A PRB

PRBs can be transferred to the following types of pension arrangements

- a defined contribution pension scheme with a new employer
- a defined benefit pension scheme with a new employer
- another PRB
- may be able to transfer to an overseas pension scheme in the UK. All overseas transfers must be assessed on a case by case basis.

4.5 DEATH BENEFITS

On death before retirement benefits are taken the full value of the PRB is paid gross to the individual's estate.

The beneficiaries will be liable to inheritance tax. There is no inheritance tax between legal spouses or registered civil partners. See section 7.6 for more information on inheritance tax.

If the employee continues in the same employment and rejoins a company pension scheme then benefits are paid under company pension death in service rules. See section 3.6 for more information.

4.6 RETIREMENT BENEFITS

RETIREMENT AGE

NORMAL RETIREMENT AGE

This will be the retirement age of the original company pension scheme, between ages 60 and 70.

EARLY RETIREMENT

Can be taken from age 50 on leaving service with the employer, subject to no restrictions being placed on the PRB by the trustees when the contract was taken out. 20% directors must also sell their shareholding.

ILL HEALTH EARLY RETIREMENT

An employee can take early retirement due to ill health at any stage. Employee must be **permanently** incapable to carry on their occupation.

RETIREMENT OPTIONS

The retirement options available will depend on whether the transfer into the PRB came originally from a defined contribution or a defined benefit

Pension Type	Option 1: Salary & Service	Option 2: ARF Options
PRBs from DC Schemes	✓	✓
PRBs from DB Schemes	✓	X
Proprietary Directors	✓	✓

All benefits relating to the same employment must be taken at the same time and under the same route.

A proprietary director is a director who either alone or together with his/her spouse or civil partner and minor children controls more than 5% of the voting rights in the company at any time within 3 years of retirement or leaving service.

OPTION 1: SALARY AND SERVICE ROUTE

Retirement Lump Sum:

The retirement lump sum available under this option will be calculated in relation to the employee's salary and service in the employment. The trustees will confirm the maximum lump sum available when transferring benefits to the PRB.

Balance of the Fund

The balance of the company pension fund must be used to purchase an annuity.

AVC Funds

If the employee has funds built up by AVCs or PRSA AVCs they can be used to bring their retirement lump sum from the PRB up to the maximum allowed by the Revenue Commissioners under withdrawal from service rules.

The balance of the AVC can then be used to

- purchase an annuity
- transfer to an ARF *
- take as taxable cash *

* In order to avail of these options the client must either have

- a guaranteed pension income for life of €12,700 a year, or
- used €63,500 to purchase an annuity, or
- invested €63,500 in an AMRF

The guaranteed pension income can be made up of the State Pension personal rate and other pension income.

PRSA AVCs

If the employee paid AVCs into a PRSA they have the additional option of leaving the balance of the fund in the PRSA as a vested PRSA. See section 7.3 for more information on vested PRSAs.

OPTION 2: ARF ROUTE

Retirement Lump Sum:

The individual can take a retirement lump sum of up to 25% of PRB and any AVC and PRSA AVC plans relating to the same employment.

Balance of the Fund

With the balance of the fund can be used to

- purchase an annuity
- transfer to an ARF *
- take as taxable cash *

* In order to avail of these options the client must either have

- a guaranteed pension income of €12,700 a year, or
- used €63,500 to purchase an annuity, or
- invested €63,500 in an AMRF

The guaranteed pension income can be made up of the State Pension and other annuity income.

PRSA AVCs

If the employee paid AVCs into a PRSA they have the additional option of leaving the balance of the fund in the PRSA as a vested PRSA. See section 7.3 for more information on vested PRSAs.

TRIVIAL PENSION

Where individuals have very small pension funds at retirement they may be able to take their fund as a once off taxable lump sum. This is subject to the limits set out below.

Trivial Pension Limits:

There are two ways a trivial pension can be provided

Option A:

Where the value of **all** the individual's pension funds after the payment of the retirement lump sum is less than **€20,000** then they can take the balance of the fund as a once off taxable payment subject to marginal rate income tax and the Universal Social Charge.

Option B:

If the benefits payable from the pension scheme and any other scheme relating to the same employment do not exceed **€330** per annum then the fund can be paid out as a taxable lump sum. In this case the calculation should be done before the retirement lump sum is taken and should be based on a single life annuity rate with no escalation.

Under this option the balance of the fund after the retirement lump sum will be subject income tax at a rate of 10%.

TAXATION TREATMENT

RETIREMENT LUMP SUM

Lump Sum	Income Tax
First €200,000	Exempt
Next €300,000	20% income tax
Balance	Marginal rate income tax, plus PRSI & USC

These limits include all retirement lump sums received since 7 December 2005.

ANNUITY INCOME

- **Income Tax:** An individual in receipt of income from an annuity will pay income tax at their marginal rate.
- **PRSI:** There is no PRSI liability – Class M.
- **Universal Social Charge:** The USC will be due at the rates below depending on the individual's circumstances

Income Amount	USC Rate
Income up to €12,012	1.5%
Between €12,013 and €17,576	3.5%
Between €17,577 and €70,044	7%
Income in excess of €70,045	8%

Full medical card holders and those over age 70 pay USC at the following reduced rates unless they have earnings greater than €60,000.

Income Amount	USC Rate
Income up to €12,012	1.5%
Income in excess of €12,013	3.5%

WITHDRAWALS FROM ARFS, AMRFS AND VESTED PRSAS

- **Income Tax:** Income tax is due on all withdrawals at the individual's marginal rate.
- **PRSI:** PRSI is due at the following rates depending on the individual's age

  4% PRSI is due on all withdrawals before age 66 – Class S

  There is no PRSI liability from age 66 – Class M
- **Universal Social Charge:** The USC will be due at the rates below depending on the individual's circumstances

Income Amount	USC Rate
Income up to €12,012	1.5%
Between €12,013 and €17,576	3.5%
Between €17,577 and €70,044	7%
Income in excess of €70,045	8%

Full medical card holders and those over age 70 pay USC at the following reduced rates unless they have earnings greater than €60,000.

Income Amount	USC Rate
Income up to €12,012	1.5%
Income in excess of €12,013	3.5%

SECTION 5

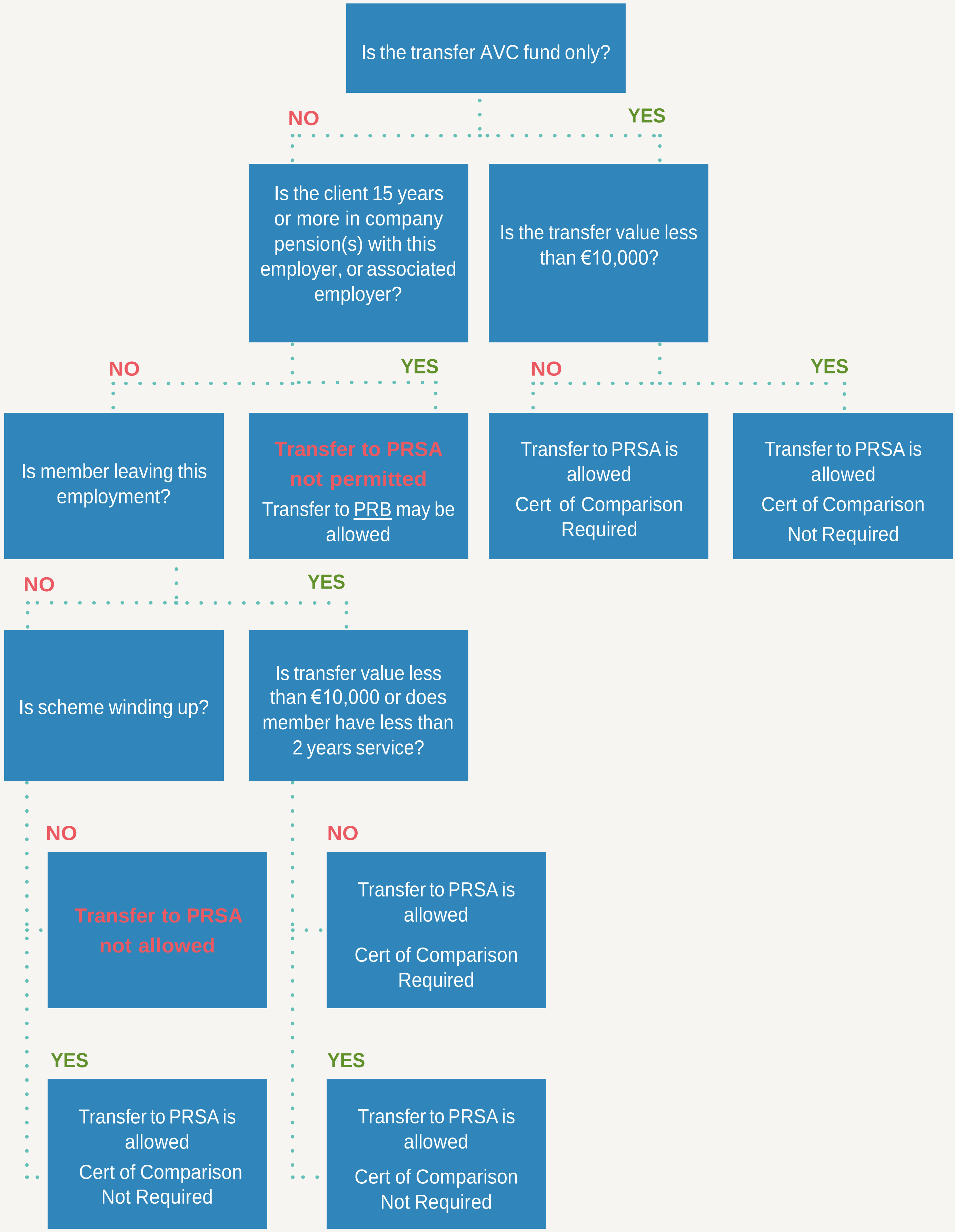
TRANSFERS

5.1 TRANSFERS ALLOWED

To: / From:	PRB	PRSA	Personal Pension	Company Pension	Overseas Pension
PRB	Yes	No	No	Yes	Yes (1)
PRSA	No	Yes	No	Yes	Yes (1)
Personal Pension	No	Yes	Yes	No (2)	No (3)
Company Pension	Yes	Yes (4)	No	Yes	Yes (1)
Overseas Pension	Yes	Yes	Yes	Yes	

(1) Provided receiving scheme meets certain requirements.
(2) Personal Pension can transfer to PRSA which can then transfer on to a company pension.
(3) Personal Pension can transfer to PRSA which can then transfer overseas, provided scheme meets certain requirements.
(4) Certain restrictions apply, see next page.

5.2 COMPANY PENSION TO PRSA FLOWCHART



SECTION 6

STANDARD FUND THRESHOLD

6.1 STANDARD FUND THRESHOLD

The Standard Fund Threshold (SFT) is the maximum pension fund an individual is allowed at retirement for tax purposes. This is a lifetime limit and includes all pension benefits taken since 7 December 2005.

The SFT is currently €2m.

At the point of taking retirement benefits any amount over the SFT is subject to tax at the higher rate of income tax. This tax will be taken before benefits are paid to the individual.

The individual cannot use any credits or allowances to reduce this tax liability and the tax deducted cannot be offset against any other tax liability.

The only exception to this rule is where the individual paid standard rate income tax on their retirement lump sum. The standard rate tax deducted from the retirement lump sum can be used to offset the tax due on any excess over the SFT, see example.

From the remaining fund the individual can then take their retirement lump sum and use the balance to purchase an annuity or go to an AMRF / ARF.

Annuity income and withdrawals from an AMRF / ARF are subject to PAYE and there is no allowance given for the 40% tax already deducted, so effectively the individual is taxed on the double on this amount over the SFT.

EXAMPLE

Company Pension Plan – Value	€2,200,000
Gross Retirement Lump Sum	€500,000
Standard Rate tax deducted from Lump Sum	€60,000
Standard Fund Threshold	€2,000,000
Excess over €2m SFT	€200,000
Gross Tax on excess over SFT at higher rate of income tax	€80,000
Less tax deducted from Lump Sum	- €60,000
Net Tax on excess over SFT	€20,000
Fund after tax on excess deducted	€2,180,000

6.2 PERSONAL FUND THRESHOLD

Those who had funds greater than €2m on 1 January 2014, greater than €2.3m on 7 December 2010 or greater than €5m on 7 December 2005 had the opportunity to apply to the Revenue Commissioners for a Personal Fund Threshold (PFT) based on the value of their pension benefits at that date.

The Revenue will have issued them with a PFT Certificate which replaces the SFT for that individual.

SECTION 7

POST-RETIREMENT OPTIONS

7.1 ANNUITIES

An annuity is a single premium insurance policy issued by a life assurance company where the life company guarantees to pay a specified level of income for the life of the individual in return for a lump sum payment now.

The annuity rate is the percentage of a lump sum which a life company will agree to pay annually for life in return for that lump sum.

FOR EXAMPLE

An annuity rate of 5% means that for a purchase price of €150,000 the life company will pay an annual pension of €150,000 x 5% = €7,500pa.

The annuity rate available at a particular time will depend on a number of factors, including

- the individual's age,
- the annuity options the individual chooses,
- the level of interest rates on long term fixed interest bonds.

ANNUITY OPTIONS

There are a number of different options that can be added to an annuity:

- Joint life annuity, where a spouse's or dependent's pension will become payable on the death of the annuitant. The maximum dependent's pension that can be included is 100% of the annuitants.
- A guaranteed period of up to 10 years. If the annuitant dies within the guaranteed period the annuity will continue to be paid to the annuitant's estate for the balance of the period.
- A level or escalating annuity.

TAXATION TREATMENT

All annuity income is subject to income tax in the hands of the individual. The life company operates PAYE on the annuity payment as if it were the individual's employer. Income tax will be deducted at the individual's marginal rate.

The Universal Social Charge will also be due at the rates below depending on the individual's circumstances.

Income Amount	USC Rate
Income up to €12,012	1.5%
Between €12,013 and €17,576	3.5%
Between €17,577 and €70,044	7%
Income in excess of €70,045	8%

Full medical card holders and those over age 70 pay USC at the following reduced rates unless they have earnings greater than €60,000.

Income Amount	USC Rate
Income up to €12,012	1.5%
Income in excess of €12,013	3.5%

7.2 AMRFS AND ARFS

An Approved Retirement Fund (ARF) is a post retirement investment contract between an individual and a Qualifying Fund Manager (QFM) for the proceeds of retirement benefits not taken in the form of a lump sum from eligible contracts.

The individual is the beneficial owner of the contract. The assets are invested in a tax exempt fund.

ARF ELIGIBILITY RULES

Before an individual can invest their retirement benefits in an ARF they must meet one of the following requirements:

1) Be in receipt of a guaranteed pension income for life of at least €12,700 a year, or

2) Have invested at least €63,500 in an Approved Minimum Retirement Fund (AMRF), or

3) Used €63,500 to purchase an annuity or a combination of annuity and AMRF, for example invested €30,000 in an AMRF and used €33,500 to purchase an annuity.

4) Individual met the requirements in full when previously taking retirement benefits from another pension arrangement.

APPROVED MINIMUM RETIREMENT FUNDS

An AMRF is treated almost the exact same as an ARF with a few exceptions:

- An individual can only have one AMRF at a time.
- The maximum amount that can be invested in an AMRF is €63,500.
- Only one withdrawal of up to a maximum of 4% of the value of the AMRF can be taken each tax year.
- The imputed distribution requirement does not apply to AMRFs. It will apply once the AMRF becomes an ARF.

An AMRF becomes an ARF on the earlier of::

- The AMRF holder reaching age 75,
- When the AMRF holder starts receiving a guaranteed pension income for €12,700 a year,
- The death of the AMRF holder.

ARF IMPUTED DISTRIBUTION

The imputed distribution requirement applies to all ARFs from the year the ARF holder turns 61. It will also apply to AMRFs once they become ARFs.

The current imputed distribution rate is 4%. This increases to 5% from the year the ARF holder turns 71. However, for individuals with ARFs and vested PRSAs (excluding the restricted fund) with a total value greater than €2,000,000 the imputed distribution rate is increased to 6%.

The imputed distribution amount will be reduced by the amount of any actual withdrawals taken during the year from their ARF, AMRF or vested PRSA.

See Section 7.3 for more information on imputed distribution and vested PRSAs.

How Irish Life operates the Imputed Distribution

In December each year Irish Life will review all ARFs and where the individual took no withdrawals or withdrawals less than the required minimum amount, a balancing withdrawal will be paid to them. Irish Life will pay the tax due to the Revenue Commissioners and the net amount will be paid to the individual.

Those who have ARFs and vested PRSAs (excluding the restricted fund) greater than €2,000,000 are required to appoint a nominee QFM.

The nominee QFM will be responsible for ensuring a withdrawal of at least 6% is deducted. Irish Life will pay a withdrawal of up to 4% or 5%, depending on age, unless we agree to act as nominee QFM.

The restricted fund is the amount an individual must set aside in their vested PRSA to meet the AMRF requirement, see Section 7.3 for more information.

TRANSFERS

An individual can at any time:

- Use their ARF or AMRF to purchase an annuity.
- Transfer their ARF to another ARF with the same or different QFM.
- Split their ARF into a number of different ARFs by way of a partial transfer.
- Transfer their AMRF to another AMRF with the same or different QFM. A partial transfer cannot be done from AMRFs as an individual can only have one AMRF at a time.

7.3 VESTED PRSAS

An individual with a PRSA can leave the balance invested in the plan after taking their retirement lump sum; their PRSA will then become a vested PRSA.

Depending on their circumstances at the time their retirement lump sum is taken they may be required to keep up to €63,500 untouched in their vested PRSA – this is referred to as their restricted fund and is the equivalent to the AMRF requirement. They will not be able to take withdrawals that will bring the value of their vested PRSA below the restricted fund.

The requirement to maintain a restricted fund will not apply if the individual meets one of the following:

- Are in receipt of a guaranteed pension income for life of €12,700 a year;
- Have invested €63,500 in an Approved Minimum Retirement Fund;
- Have €63,500 in a separate vested PRSA along with any amount they may have invested in an Approved Minimum Retirement Fund or used to purchase an annuity.
- Used at least €63,500 to purchase an annuity.
- Reaches age 75.
- Individual met the requirements in full when previously taking retirement benefits from another pension arrangement

The individual can take withdrawals from the amount over and above the restricted fund up to age 75 in the same way as an ARF. Tax is due on all withdrawals from a vested PRSA, see Section 7.4

VESTED PRSA IMPUTED DISTRIBUTION

The Finance Act 2012 extended the imputed distribution requirement to vested PRSAs. The current imputed distribution rate is 4% and will now apply to the value of vested PRSAs over the restricted fund from the year the individual turns 61. This increases to 5% from the year the individual turns 71.

However, for individuals where the value of their ARFs and vested PRSAs (excluding the restricted fund) is greater than €2,000,000 the imputed distribution rate is 6%.

The imputed distribution amount will be reduced by the amount of any actual withdrawals taken during the year from their ARF, AMRF or vested PRSA.

See Section 7.2 for more information on imputed distribution and ARFs.

How Irish Life operates the Imputed Distribution

In December each year Irish Life will review all vested PRSAs with values over the restricted fund and where the individual took no withdrawals or withdrawals less than the required minimum amount a balancing withdrawal will be paid to them. Irish Life will pay the tax due to the Revenue Commissioners and the net amount will be paid to the individual.

Those who have ARFs and vested PRSAs (excluding the restricted fund) greater than €2,000,000 are required to appoint a nominee QFM. The nominee QFM will be responsible for ensuring a withdrawal of at least 6% is deducted. Irish Life will pay a withdrawal of up to 4% or 5%, depending on age, unless we agree to act as nominee QFM.

The restricted fund is not subject to the imputed distribution. However, if at any stage in the future the requirement to hold a restricted fund ceases as set out above then the imputed distribution requirement will apply to the full value of the vested PRSA.

VESTED PRSAS FROM AGE 75

From age 75 the individual cannot take any further withdrawals from their vested PRSA. However the imputed distribution requirement as set out above will continue to apply. If the individual wishes to access their vested PRSA funds outside the imputed distribution then they will need to transfer to an ARF or use their vested PRSA to purchase an annuity.

7.4 TAXATION TREATMENT OF WITHDRAWALS FROM ARFS, AMRFS & VESTED PRSAS

Income Tax:

Income tax is due on all withdrawals from ARFs, AMRFs and vested PRSAs at the individual's marginal rate.

PRSI:

PRSI is due at the following rates depending on the individual's age.

4% PRSI is due on all withdrawals before age 66 (Class S PRSI). There is no PRSI liability from age 66 (Class M PRSI).

Universal Social Charge:

The USC will be due at the rates below depending on the individual's circumstances.

Income Amount	USC Rate
Income up to €12,012	1.5%
Between €12,013 and €17,576	3.5%
Between €17,577 and €70,044	7%
Income in excess of €70,045	8%

Full medical card holders and those over age 70 pay USC at the following reduced rates unless they have earnings greater than €60,000.

Income Amount	USC Rate
Income up to €12,012	1.5%
Income in excess of €12,013	3.5%

7.5 ARFS, AMRFS & VESTED PRSAS ON DEATH

On death an ARF, AMRF or Vested PRSA will form part of the deceased policyholder's estate. The taxation treatment on death depends on who inherits the fund.

TAXATION TREATMENT ON DEATH OF FIRST POLICYHOLDER

ARF, AMRF or vested PRSA inherited by	Income Tax	Capital Acquisitions Tax
If paid to ARF for surviving spouse or registered civil partner	None on the transfer but subsequent withdrawals will be subject to PAYE	No
Children 21 or over *	Income tax at 30%	No
Children under 21 *	No	Yes, taxable inheritance
If paid to spouse, registered civil partner or anyone else as a lump sum	Yes subject to tax at the deceased's marginal rate	Yes, taxable inheritance. Spouse and civil partners are exempt

*Age on policyholder's date of death.

TAXATION TREATMENT ON DEATH OF SECOND ARF HOLDER

ARF inherited by	Income Tax	Capital Acquisitions Tax
Children 21 or over *	Income tax at 30%	No
Children under 21 *	No	Yes, taxable inheritance
If paid to anyone else	Income tax at 30%	Yes, taxable inheritance

*Age on policyholder's date of death.

7.6 CAPITAL ACQUISITIONS TAX

Capital Acquisitions Tax (CAT) is the tax which is charged when you receive a gift or an inheritance. CAT comprises two separate taxes - a Gift Tax payable on lifetime gifts and an Inheritance Tax payable on inheritances received on a death.

For new gifts and inheritances received on or after 5th December 2001 tax is calculated according to the total of all gifts and inheritances received from all sources since 5th December, 1991. The following CAT rates currently apply:

Gift / Inheritance Received	Rate
Within Group Threshold	Nil
Balance	33%

The Group threshold amounts vary depending on the relationship between the beneficiary and the disponer, i.e. the person providing the gift or inheritance.

Gift / Inheritance Received	
Group A	€225,000 (Child)
Group B	€30,150 (Lineal ancestor/descendant, brother, sister or child of brother or sister)
Group C	€15,075 (Others)

For more information on Capital Acquisitions Tax see our CAT Advisers Guide

PAYMENT OF CAPITAL ACQUISITIONS TAX

The tax is due and payable on the valuation dates indicated below.

31 October 2015	Payment of CAT on gift / inheritance from 1 September 2014 to 31 August 2015.
12 November 2015	Extension where CAT return and payment made through ROS (Revenue Online Service).
31 October 2016	Payment of CAT on gift / inheritance from 1 September 2015 to 31 August 2016.

If tax is not paid by the relevant payment dates interest will be charged.

If an individual receives a gift or inheritance they may be obliged to file a return before the above dates even in circumstances where there is no liability to tax on the current benefit.

SECTION 72 LIFE ASSURANCE POLICIES:

As well as being used to fund for the payment of inheritance tax, Section 72 life assurance policies can be used to fund for the income tax arising on the transfer of ARF or Vested PRSA benefits to a child over 21 following the death of the plan holder. This means that by using Section 72 policies, assets held within an ARF or Vested PRSA can be protected and passed to children in a tax efficient manner.

For more information see our ARF succession planning flyer

7.7 SUMMARY COMPARISON ANNUITIES VS. ARFS

ANNUITIES	AMRFS AND ARFS
ADVANTAGES	
• Annuities provide certainty. • The individual is paid a known pension for the rest of their life. • The following options are available at an additional cost. i. The pension payment can have a guaranteed period for up to 10 years regardless of whether the individual dies within that period. ii. A spouse's, civil partner's or dependent's pension in the event of death and is paid for the life of the dependent. iii. Inflation protection. iv. Investment protection option can be purchased to provide for a payment to the estate in the event of death. This is an alternative to the guaranteed period. The payment available on death is a return of the initial investment less all annuity income that has been paid. This option is only for customers who have ARF / AMRF options.	• Gives the individual flexibility and control over their pension fund during retirement. • They can choose the level of income / withdrawals they want to take each year, however, depending on age, a minimum income of 4% or 5% of the value will be paid every year. Where individuals have funds over €2m a rate of 6% applies. This applies to ARF clients from the year they turn 61. It will also apply to AMRFs when they become ARFs. • ARFs can invest in a wide range of assets, with the potential for the fund to continue growing. • On death the fund value at that date passes to the estate. • AMRFs and ARFs can be used to purchase an annuity at any stage. It would be expected that the older the client the higher the annuity rate will be.
DISADVANTAGES	
• Annuity rates are linked to long term interest rates and life expectancy. When interest rates reduce and life expectancy increases then annuity rates would be expected to fall. • The annuity rate is fixed at the time the annuity is purchased and is not affected by later changes in interest rates or life expectancy. • The individual's pension fund no longer exists because you have changed it into an income for life. • Lack of flexibility, the options chosen under the annuity cannot be changed once its purchased. • The pension income will stop on death, unless the individual chose investment protection, a dependent's pension or guaranteed period. • The cost of all the options, i.e. inflation protection, dependent's pension, investment protection will reduce the annuity income that is payable. The amount of this reduction will depend on the individual's particular circumstances.	• If the individual takes an income from their fund there is a high risk that their fund may not provide an income for the rest of their lifetime and the fund may be depleted before they die. This may be due to poor fund performance and / or if they take excessive levels of income from the fund. • The individual is taking on investment risks. This means that the initial capital could go down as well as up. • The individual may have to put at least €63,500 in an AMRF if they do not have a guaranteed pension income of at least €12,700 a year currently in place. • From the year the individual turns 61 they must take a minimum level of income from the ARF every year. Currently this is 4% of the value of the fund. This rate increases to 5% from the year the individual turns 71. Where individuals have funds over €2m a rate of 6% applies. This will also apply to AMRFs once they become ARFs. These three rates may change in the future.

7.8 COMPARISON ANNUITIES VS. VESTED PRSAS

ADVANTAGES

ANNUITIES

- Annuities provide certainty.
- The individual is paid a known pension for the rest of their life.
- The following options are available at an additional cost.
  - i. The pension payment can have a guaranteed period for up to 10 years regardless of whether the individual dies within that period.
  - ii. A spouse’s, civil partner’s or dependent’s pension in the event of death and is paid for the life of the dependent.
  - iii. Inflation protection.
  - iv. Investment protection option can be purchased to provide for a payment to the estate in the event of death. This is an alternative to the guaranteed period. The payment available on death is a return of the initial investment less all annuity income that has been paid. This option is only for customers who have ARF / AMRF options.

VESTED PRSA

- An individual with a PRSA can continue to use it in a similar manner as an ARF/AMRF after taking their retirement lump sum.
- Gives the individual flexibility and control over their pension fund during retirement.
- Withdrawals can be taken from the value of the vested PRSA over the restricted fund (if any). However, depending on age, a minimum income of 4% or 5% of the value will be paid every year. Where individuals have funds over €2m a rate of 6% applies. This applies to Vested PRSA clients with values over the restriction fund from the year they turn 61.
- Vested PRSAs can invest in a wide range of assets, with the potential for the fund to continue growing.
- On death the fund value at that date passes to the estate in the same way as an ARF or AMRF.
- A vested PRSA can be used to purchase an annuity at any stage. It would be expected that the older the client the higher the annuity rate will be.

DISADVANTAGES

ANNUITIES

- Annuity rates are linked to long term interest rates and life expectancy. When interest rates reduce and life expectancy increases then annuity rates would be expected to fall.
- The annuity rate is fixed at the time the annuity is purchased and is not affected by later changes in interest rates or life expectancy.
- The individual’s pension fund no longer exists because you have changed it into an income for life.
- Lack of flexibility, the options chosen under the annuity cannot be changed once its purchased.
- The pension income will stop on death, unless the individual chose investment protection, a dependent’s pension or guaranteed period.
- The cost of all the options, i.e. inflation protection, dependent’s pension, investment protection will reduce the annuity income that is payable. The amount of this reduction will depend on the individual’s particular circumstances.

VESTED PRSA

- If the individual takes an income from their fund there is a high risk that their fund may not provide an income for the rest of their lifetime and the fund may be depleted before they die. This may be due to poor fund performance and / or if they take excessive levels of income from the fund.
- The individual is taking on investment risks. This means that the initial capital could go down as well as up.
- The individual may have to put at least €63,500 in an AMRF or leave untouched in their vested PRSA if they do not have a guaranteed pension income of at least €12,700 a year currently in place.
- From the year the individual turns 61 they must take a minimum level of income from the vested PRSA over the restricted fund every year. Currently this is 4% of the value of the fund. This rate increases to 5% from the year the individual turns 71. Where individuals have funds over €2m a rate of 6% applies. These three rates may change in the future.
- No further withdrawals can be taken from a vested PRSA after age 75, however the imputed distribution requirement will continue to apply.

7.9 SUMMARY COMPARISON ARFS VS. VESTED PRSAS

	ARFs	Vested PRSAs
Potential Disadvantages	New plan required. There will be an immediate cost to the client if ARF/AMRF does not give 100% allocation. Exit charges may apply depending on the ARF/AMRF.	May have limited investment options. No withdrawals can be made from age 75 onwards.
Imputed Distribution	Applies to all ARFs from the year the individual turns 61. Applies to AMRFs once the individual meets the specified income requirement or reaches age 75.	Applies to vested PRSAs over the restricted fund from the year the individual turns 61. Once requirement to keep a restricted fund ceases, imputed distribution will apply to the full value of the vested PRSA.
Guaranteed Income amount	Before the client can transfer their retirement benefits to an ARF they must meet the guaranteed income requirement.	Before taking withdrawals from a vested PRSA the client must meet the guaranteed income requirement.
AMRF Requirement	If the client does not meet the income amount then they must set aside €63,500 in an AMRF. Any amount over this can be transferred to an ARF.	If the client does not meet the income limit then they must set aside €63,500 in an AMRF and/or vested PRSA. Only funds over this amount can be withdrawn.
Applicable Limits: when taking further retirement benefits at a later date	The limits that apply are those in place on the day the client takes their retirement lump sum. If the individual met the limits in full when they took their benefits previously then they are considered to still meet the requirements. However, if the individual did not meet the requirements in full previously then they will have to meet the limits in place at the time they take their subsequent benefits.	The limits that apply are those in place on the day the client takes their retirement lump sum. If the individual met the limits in full when they took their benefits previously then they are considered to still meet the requirements. However, if the individual did not meet the requirements in full previously then they will have to meet the limits in place at the time they take their subsequent benefits.
Tax Due	All withdrawals are subject to Income Tax and the Universal Social Charge. There is also a PRSI liability until age 66.	All withdrawals are subject to Income Tax and the Universal Social Charge. There is also a PRSI liability until age 66.
Transfer Out Options	An ARF can transfer to another ARF or be used to purchase an annuity at any time. An AMRF can transfer to another AMRF or be used to purchase an annuity at any time. An ARF or AMRF cannot transfer to a vested PRSA.	Fund can be transferred to an ARF/AMRF or used to purchase an annuity. In order to transfer to an ARF the client will have to meet either the AMRF or guaranteed income requirement. A vested PRSA can transfer to another vested PRSA.
Transfer in Options	The following can be transferred to an ARF/AMRF at retirement: - Personal Pension - PRSA - Company Pension where the member has ARF options - AVCs An ARF can accept transfers from other ARFs. An ARF can also accept transfers from vested PRSAs, the client will have to have satisfied the AMRF / guaranteed income requirement beforehand.	A vested PRSA can only accept transfers from other vested PRSAs.
Ability to take withdrawals after age 75	Yes.	No, from age 75 no further withdrawals can be taken from a vested PRSA. The individual can, - purchase an annuity - transfer to an ARF - leave in the vested PRSA to be passed to their estate on death However the imputed distribution requirement will continue to apply.

7.10 STATE PENSION AGE SUMMARY

Year	State Pension Age	Year of birth of those at State Pension Age
2014 to 2020	The State Transition Pension was abolished 1 January 2014, thereby increasing pension age to 66.	1948* to 1954.
2021 to 2027	Increase to 67.	1955 to 1960.
2028 onwards	Increase to 68.	1961 or later.

* Some people born in 1948 may have qualified for the State Pension at 65 in 2013.

For more information on the State Pension please see the Department of Social Protection or the Citizens Information websites

Department of Social Protection: www.welfare.ie

Citizens Information: www.citizensinformation.ie

Irish Life Assurance plc. takes no responsibility for the content or availability of these websites.

SECTION 8

MAJOR PENSION CHANGES SINCE 1999

8.1 PENSION LEGISLATION – MAJOR CHANGES

Below is a list of the major changes in pension legislation since 1999.

6 APRIL 1999

- Introduction of 'net' ARFs for self employed and 20% Directors.
- Increase in tax relief limits for individual contributions for those over age 30.
- 30 to 39 – 20%,
- 40 to 49 – 25%,
- 50+ – 30%.
- Also certain sports people – 30%.

6 APRIL 2000

- Gross roll up ARF Regime and extension to 5% Directors and AVCs.

2002

- Personal Pensions can be continued even if relevant earnings cease.

25 MARCH 2002

- Maximum spouse's pension for company pensions increased from 2/3rds to 100%.

7 NOVEMBER 2002

- Introduction of PRSAs, PRSA AVC and Vested PRSAs, and
- Removal of new one-member AVC plans.

4 DECEMBER 2002

- Introduction of earnings limit of €254,000 for tax relief on contributions by an individual.

6 FEBRUARY 2003

- Investment restrictions on non-arm's length transactions for ARF and AMRF.

25 MARCH 2004

- Borrowing permitted by company pension schemes.

7 DECEMBER 2005

- Introduction of Standard Fund Threshold of €5,000,000, and
- Introduction of Maximum Tax Free Lump Sum of €1,250,000 (25% of €5,000,000).
- There was an option for these to index which was frozen in 2009.

2006

- Increase in tax relief limits for individual contributions for those over age 55.
- 55 to 59 – 35%.
- 60+ – 40%.
- Imputed Drawdown for ARFs. 1% in 2007, 2% in 2008, 3% in 2009.

2 FEBRUARY 2006

- Investment restrictions on non-arm's length transactions for company pensions.

1 JANUARY 2009

- Earnings limit for tax relief on contributions by an individual reduced to €150,000.
- Income Levy introduced. Pension contributions did not receive relief against the income levy. This meant employees had an Income Levy BIK liability on employer PRSA contributions.

7 DECEMBER 2010

- Standard Fund Threshold reduced to €2,300,000.
- ARF imputed drawdown increased to 5% with effect in 2010.

1 JANUARY 2011

- Maximum Tax Free Lump Sum reduced to €200,000. Lump sum taxed at 20% between €200,000 and €575,000.
- Earnings limit for tax relief on contributions by an individual reduced to €115,000.
- Health Levy and Income Levy removed and replaced with the Universal

SOCIAL CHARGE

- Pension contributions do not receive relief against the Universal Social Charge. This means employees have a Universal Social Charge liability on employer PRSA contributions.
- PRSI relief removed for employees in respect of their own individual contributions.
- Employer PRSI relief for employee contributions reduced to 50%.

6 FEBRUARY 2011

- Extension of ARF options to all members of Defined Contribution schemes. Revenue clarified that all PRBs set up from DC schemes had ARF options on 26 May 2014.
- AMRF requirement increased to €119,800 and guaranteed income requirement increased to €18,000. Both linked to Social Welfare State Pension (Contributory).
- AMRF will become ARF if individual meets guaranteed income requirement.

30 JUNE 2011

- Pension Levy of 0.6% of the value of pre-retirement pensions to apply for 4 years from 2011 to 2014.

1 JANUARY 2012

- Imputed drawdown extended to vested PRSAs and increased to 6% for vested PRSAs and ARFs over €2 million.
- Relief of 50% of employer PRSI for employee contributions via payroll to occupational pension and other pension arrangements is removed.

27 MARCH 2013

- AMRF and guaranteed requirement reduced back down to €63,500 and €12,700 respectively.
- The reduction of the AMRF limit also applied retrospectively to AMRFs set up since February 2011 under the higher €119,800 limit.
- Early access withdrawal of 30% of AVCs allowed for a period of three years until 26 March 2016.

15 OCTOBER 2013

- Pension levy to increase to 0.75% for 30 June 2014 and then reduce to 0.15% for 30 June 2015.

25 DECEMBER 2013

- Change to the priority order on wind up of DB schemes.

1 JANUARY 2014

- Standard Fund Threshold reduced to €2,000,000.
- Lump sum taxed at 20% between €200,000 and €500,000 (reduced from €575,000).
- State Pension (Transition) abolished.

7 MARCH 2014

- The Pensions Board renamed The Pensions Authority.

1 JANUARY 2015

- ARF / Vested PRSA imputed distribution reduced from 5% to 4% for those between ages 61 and 70. A rate of 5% applies from year individual turns 71.
- The option to withdraw growth from AMRFs was removed. This was replaced with an option to take one withdrawal of up to 4% of the value of the AMRF in each tax year. The 4% withdrawal option was not extended to vested PRSAs with restricted funds.
- The tax on the excess over the SFT was changed from a specified rate of 41% to the “higher rate of tax”.

notes:

PENSIONS
INVESTMENTS
LIFE INSURANCE

Irish Life

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