Private Client

A Guide to Occupational and Personal Pensions

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Introduction

Unless you make provisions for your retirement, you may find that your only income will be your social welfare pension. This may not be sufficient to maintain your standard of living. Pension schemes provide for a tax effective means of saving for retirement. There are certain legal requirements in relation to the type of scheme which will be discussed, including the basic relationship of employer/employee.

The main advantages of a pension scheme are as follows:

1 Occupational Pension Schemes which qualify as "exempt approved schemes" under the Finance Act 1972 or Part 30 of the Taxes Consolidation Act 1997 have certain tax advantages, e.g. contributions to the scheme qualify for tax relief subject to limits;

2 No tax is paid on the income or gains of the scheme.

The combination of the above means that you can accumulate more substantial savings during your working life by using a pension scheme than you may achieve by investing elsewhere.

There are Three Sources of Pensions:

1 Occupational pensions: provided through employers' sponsored pension schemes.

2 State pensions: contributory and non-contributory old age pensions.

3 Personal pensions: designed for the self-employed and for those in non-pensionable employment.

This article discusses occupational pension schemes and personal pensions

Occupational Pensions

Benefits on Retirement

During his/her working life, an employee will usually pay a certain percentage of their salary into a pension fund. This is known as a contributory scheme. When the employee pays no contributions, it is called a non-contributory scheme. If your Occupational Pension Scheme is approved by the Revenue Commissioners, there is tax relief on contributions of up to 30 per cent of gross salary depending on your age and circumstances applying. The most common benefit coming from occupational schemes is a pension payable by regular instalments after an individual's retirement. Pensions are paid under the PAYE system and taxed accordingly. Frequently, a portion of pension entitlement can be exchanged at retirement for a lump sum, which is not subject to tax. In the public sector, occupational pension schemes provide a separate lump sum (or gratuity) and pension benefits. The rules of schemes generally provide for pensions to be paid from a specified date, generally known as "normal pensionable age". In most occupations this can be any age between 60 and 70, the most common being age 65. Pension scheme rules may also provide for reduced pensions to be paid at an earlier date, and they make a special provision for early payment if retirement takes place due to ill health. The rules may also provide for "late" retirement, i.e. if retirement is deferred beyond the normal pensionable age specified in the rules.

Contributions and Benefits that Apply to Occupational Schemes

Both the employer and the employee can contribute to a pension scheme, within limits:

- The employer's ordinary annual contributions are allowed as an expense and are not taxable as a benefit in kind to the employee.
- Employees can claim tax relief on personal contributions to the scheme subject to certain limits.
- To obtain approval of a scheme, the employer must be a contributor to the scheme.

The scheme can provide for:

- a pension of up to two-thirds of final remuneration at normal retirement age for a member who has completed ten or more years of service either with that employer or with some employer. Generally, 40 years of service is needed before a pension of 66.67 per cent is earned by most employees;
- an option to take a tax-free lump sum on retirement of one and a half times the final remuneration (The maximum allowed is 150 per cent of final remuneration, provided that twenty years of service with that employer has been completed by retirement age);
- a life cover of up to four times remuneration;
- a spouse's pension of up to 100 per cent of the member's pension;
- children's pensions payable until the youngest child reaches eighteen years of age or ceases full-time education;
- the indexation of both the employee's pension and the spouse's pension;
- early retirement.

Funded Occupational Schemes

Pension schemes in private firms and in commercial semi-State bodies are usually financed by setting aside funds during the working lifetime of the employees. These funds are (normally) placed in the control of trustees who hold and invest the funds under the terms of a trust deed. One of the conditions of obtaining Revenue approval for a scheme is that the scheme is established under irrevocable trusts. A trust means that property is held by one or more persons (the trustees) for the benefit of others (the beneficiaries) and for a specific purpose. In pension trusts, the purpose is to provide benefits for retirement and other purposes for employees of particular employers.

By creating a trust fund, the pension scheme becomes legally separate from the employer's business. Schemes set up in this way are usually exempt from income tax and capital gains tax.

Trustees of pension schemes are usually appointed by the employer who sets up the scheme. They are often directors or senior managers of the company. Sometimes a member of the scheme is appointed as trustee to represent the other members.

In addition to the trust deed there are rules, and these contain the essential details of the scheme as it affects members, i.e. the contributions and the benefits.

Unfunded Occupational Schemes

Some schemes, such as non-commercial public service schemes, operate on a pay-as-you go basis. In other words, the cost of paying the benefits to workers who have retired is paid out of revenue coming into the scheme in much the same way as salaries and wages of employees are paid. These schemes are known as unfunded schemes

Defined Benefit Schemes and Defined Contribution Schemes

There are two basic types of occupational schemes: defined benefit schemes and defined contribution schemes.

Defined Benefit Schemes

These Schemes clearly set out in their rules the members' entitlements on retirement. It is common for the scheme to grant one-sixtieth of the pre-retirement earnings for each year of service subject to a maximum of two-thirds of pre-retirement earnings. Defined benefit schemes often deduct the member's state social welfare pension entitlement when calculating the pension due to a member on retirement, and this will be stated in the rules of the scheme.

The funding of defined benefit schemes is determined by actuaries who estimate the contribution rate needed to secure the pension promised and advise the trustees and the employer accordingly.

Defined Contribution Schemes

These are schemes in which the employer and the members contribute to the scheme at an agreed fixed rate. In these schemes the members' benefits on retirement will depend on the total amount contributed to the fund and the investment returns earned.

Defined contribution schemes often give members a quotation, which has a "target pension". This is to give members an idea of what pensions they can expect on retirement. It is based on achieving a certain growth rate per year (normally 10 per cent) and it is only by monitoring fund performance on a yearly basis that you will be able to see if you are on target for these figures. In the case of a defined contribution scheme, the money you have built up at retirement purchases your pension, but there can often be a significant difference between the pension different life offices will give you for the same money.

Additional Voluntary Contributions (AVCs)

Most pension schemes will allow employees to improve their retirement benefits by making additional voluntary contributions (AVCs). AVCs may be invested in the main scheme or in a separate scheme.

Limits on AVCs for Occupational Pensions

The total employee contributions allowed for tax purposes is up to 30 per cent of gross pay, depending on age and other circumstances, in any year. This is inclusive of any ordinary contributions made, subject to the following conditions:

- the additional benefits secured by AVCs, when added to the benefits of the main scheme, must be within the approval limit set by the Revenue Commissioners;

- no more than five-sixths of the members' total benefits from all pension schemes with the employer may have been paid for by the member.

Death

Occupational pension schemes usually pay some benefits to your survivors if you die before retirement, most commonly as a lump sum. This could be up to four times your salary on top of your contributions, plus interest. Many schemes also provide pensions for dependants in addition to lump sum benefits. If you die after retirement, payments to you and your family will stop unless your pension is guaranteed payable for a certain minimum time, such as five years. If death occurs before this time-scale is up, payment can be received by your survivors in a tax-free lump sum.

Sometimes the scheme rules provide for a specific dependant's pension to be paid on your death after retirement. These benefits may be payable immediately on your death, even though a five year guarantee may still be in force or payment may begin after the five year guarantee expires.

What Information must Trustees Give?

Pension scheme trustees must account to the members for how the scheme is run. Under the Pensions Act 1990 and Regulations made under the Act, trustees must give members, employees likely to become members, their spouses, other scheme beneficiaries and trade unions the following information:

- details about the documents constituting the scheme, i.e. the legal documents that govern it;

- basic information about the scheme, which is usually contained in an explanatory booklet or document;

- details of personal benefit entitlements under the scheme, usually given in the form of a benefit statement.

Scheme Reports

Depending on the size of the scheme, there is a wide range of reports that trustees may also have to make available, some automatically and some on request.

You are entitled to a regular flow of information on the performance and management of the fund. This includes the scheme's annual report, which details investment performance, the names of trustees and other people who provide services relating to the scheme.

Members of larger defined benefit schemes can ask for yearly audited accounts. Employees of defined benefit schemes can also get access to the actuary's report on the scheme. New members must be given basic information about the scheme within two months of joining. They can request information in writing about their own personal benefits.

Personal Pensions

For many self-employed people in contracted work, personal pension plans are the only alternative to provide a pension.

Personal pension funds on retirement depend on the number and the amount of contributions made, as well as profits from the investment. Most people pay a set amount each month, but, if you have any regular income, you could choose to pay a series of once-off single premiums or a lump sum investment.

It is up to you how your contributions are invested. You can choose between a wide range of unit-linked funds covering equities, property, gifts and cash. Managed funds are unit-linked funds that have a mix of these assets.

Personal Pension Plans: Changes Introduced in the Finance Act 1999

General Provisions

The Revenue Commissioners have produced a booklet entitled New Pension Options for the self-employed and directors of family companies. This explains the changes introduced in the Finance Act 1999. You can obtain copies of this booklet or further information by contacting your tax office or by telephoning the Central Telephone Information Office at 01-878-0000. Pension companies and fund managers should contact Retirement Benefits District at 01-6318920. The address is: Shelbourne House, Shelbourne Road, Dublin 4.

Until the Finance Act 1999 was passed, people retiring from personal pension plans were required to set aside 75 per cent of their pension fund to buy a fixed-rate annuity that would provide a guaranteed income until they died. However, low interest rates meant that the amount of pension income they could buy was much lower than it was even a year previously.

Since the Finance Act 1999 was passed, major changes to pensions for the self-employed took effect on 6 April 1999. In relation to contributions, people up to the age of 30 are able to make contributions of up to 15 per cent of the net relevant earnings to pension plans. Between the ages of 30 and 39, the limit is 20 per cent, from the age of 40 to 49 there is a 25 per cent limit and for those aged over 50, up to 30 per cent of income may be contributed to the pension fund.

The new rules are explained in detail in the Revenue booklet entitled New Pension Options for the Self-Employed and Directors of Family Companies Booklet IT14.

Specific Provisions

The following is a summary of specific new arrangements since 1999 for retirement provisions for the self-employed and others:

- Maximum contributions: an earnings cap of €254,000 a year applies to the contribution limits. Therefore, the maximum contribution for an individual of 50 years and over is €76,200 (30 per cent of €254,000).

- Transfer of funds during the pension accumulation period: individuals have the option of transferring their funds accumulated with one insurer to another fund with another insurer.

- Ownership of the fund on retirement: on retirement, the individual can opt for either the existing (annuity) arrangement or the alternative new option (set out below). Under the new option, the fund is the property of the individual and, on death, his/her estate. Income tax or inheritance tax can apply in the event of death and legal advice is required for more information.

- Triggering the pension: the old legislation provided that an individual must have exercised the option to take a pension between the ages of 60 and 70 years of age. The age limit of 70 years has been increased to 75.

- New options: 25 per cent of the accumulated pension fund is available as a tax-free lump sum. An individual can, however, opt for a lower entitlement than 25 per cent.

If the pensioner already has a guaranteed income for life of €12,700 through pension or annuity, his/her pension fund can be transferred to an approved retirement fund (ARF). This can be any fund operated by a bank, building society, credit union or insurance company. It will be up to the individual to choose his/her own investment.

The pensioner will also be able to withdraw money from this fund as and when he/she chooses and could even withdraw the whole amount. If, however, he/she does not have the minimum of €12,700 annual income, he/she will be required to place €63,500 of the pension fund into an approved minimum retirement fund (AMRF). The money in the AMRF cannot fall below €63,500 until he/she reaches the age of 75, after which it can be withdrawn.

Approved Retirement Fund

Prior to the 1999 Finance Act, people reaching retirement were obliged to use at least 75% of their pension fund to buy an annuity that would provide an income for the rest of their life. Now retired people only have to set aside sufficient funds to buy a minimum of €12,700 annual income.

As the Contributory Old Age Pension will provide a substantial part of this income threshold of €12,700, the fund only has to be provided to guarantee the balance of the annual income of €12,700. This can be provided from 25% of the accumulated pension fund which is available as a tax-free lump sum. The balance of the 75% of the accumulated pension fund can be taken in cash (less tax and subject to certain conditions) and invested in an A.R.F. This can be any fund operated by a bank, building society, credit union or insurance company. It would be up to the individual to choose his/her own investment. An individual can choose from the products of several companies and can choose from a wide range of investment vehicles, including equities. An A.R.F. doesn't provide an automatic income and an individual can either leave the fund grow or cash in all or part of the fund when required. An A.R.F. can be used to provide a regular income stream or withdrawals can be made from time to time. The two big advantages of an A.R.F. holding is that with them, people have control over their money once they have retired and that they offer greater flexibility, unlike annuities. The main disadvantage of an A.R.F. is that it doesn't guarantee the level of income that people will need for the rest of their lives after they retire. You can have as many ARFs as you like.

Approved Minimum Retirement Fund

If the retired person does not have the minimum €12,700 annual income, he/she will be required to place €63,500 of the pension fund into an Approved Minimum Retirement Fund (AMRF). The money in the AMRF cannot fall below €63,500 until he/she reaches the age of 75 after which it can be withdrawn. An AMRF operates just like an ARF except that there is no access to capital before the age of 75, although the growth on capital can be withdrawn. You can only have one AMRF.

On a death, any funds left in an ARF or an AMRF forms a part of the deceased persons estate. Any funds which pass to a surviving spouse or children over 21, are exempt from Inheritance Tax but are liable to Income Tax at the standard rate.

Changes in Taxation of ARF's/AMRF's opened on or after 6th April 2000

In the case of existing ARF's/AMRF's, income and gains were taxable in the hands of ARF/AMRF holder as they arose. Distributions of the original pension fund were also chargeable to tax in the hands of the ARF's/AMRF's holder.

Where the ARF/AMRF is opened on or after 6th April 2000, a new scheme of taxation, known as gross roll-up applies. This means that as long as income or gains are allowed to remain in the ARF's/AMRF's, there is no tax liability. Where funds are withdrawn, whether these withdrawals come from income or gains or from the original pension fund, they are taxed under PAYE as the income of the ARF's/AMRF's holder for the year in which the withdrawal is made. Where the qualifying fund manager has not received a Tax Free Allowance certificate, tax must be deducted at the higher rate (currently 42%).

Advantages of ARFs

The advantage of transferring the assets to an ARF rather than taking them outside the pension code immediately is that the income tax charge on the initial capital sum transferred is deferred so that there is a much larger sum available to the contributor for investment.

Another advantage of an ARF is that it represents a fund that can be bequeathed as a capital sum on the death of the pensioner. It does not die with him in the way that (broadly speaking and subject to some exceptions) a purchased annuity pension does.

Withdrawals following death of the ARF/ARMF Holder

Special rules apply to withdrawals from an ARF/AMRF following the death of the holder.

- Generally the amount distributed is treated as the income of the deceased ARF/AMRF holder for the year of death.

- But where the distribution is made to an ARF/AMRF in the name of the ARF/AMRF holder's spouse or to a child of the ARF/AMRF holder who is under 21 at the date of death of the ARF/AMRF holder, no income tax liability will arise. (Note: Inheritance Tax liability may arise in the case of a distribution to a child under 21 at the date of the ARF holder's death as stated above).

Where the distribution is made from the ARF/AMRF following the death of the surviving spouse or to a child of the ARF/AMRF holder who is 21 or over at the date of death of the ARF/AMRF holder, tax will be deducted at the standard rate for the year in which the distribution is made. No further tax liability will arise in respect of such a payment.

Is it possible to backdate pension contributions?

The Revenue Commissioners will allow the spreading back of income tax relief for a period of up to a maximum of 10 years for special contributions in certain circumstances.

How does it work?

As prescribed by the Revenue Commissioners, the maximum pension benefit receivable would be two-thirds of final earnings, assuming one will have at least 10 years pensionable service on retirement.

Assuming this to be the case, the capital sum required to make up any shortfall of this maximum pension can be increased with the following additional income tax relief:

1 You may calculate up to 15 per cent of total income received for each year up to December 31st 2001 and up to 30 per cent (if over 50) from January 1 2002 to the date of the claim. This can include bonus payments and any amount for benefit-in-kind.

2 Calculate the total contributions actually made by the employee over the last 10 years to retirement.

3 The answer at (2) is deducted from (1) as above and the balance is the total amount for which one can make an application for income tax relief (subject to certain conditions)

Contact the Revenue Commissioners for more details.

Changes in Pension Rules for Employees by Finance Act 2002

In a press release dated February 7th 2002, the Department of Finance stated the following:-

"In order to encourage employees to increase their level of pension cover, it is proposed to introduce the following improvements in the pension rules for employees by way of Committee Stage Amendments to the Finance Bill 2002:-

1 The existing limit of 15% of qualifying annual earnings for tax relief for contributions, including Additional Voluntary Contributions (AVCs) by employees into Occupational Pension Schemes will be increased to the tax relieved limits at present applying, to contributions by those not in Occupational Pension Schemes to Retirement Annuity Contracts (RACs). These limits are:

Age	*Limits*
Up to 30 years of age	*15% of the net relevant earnings*
Under age 30 up to 40 years of age	*20% of the net relevant earnings*
40 up to 50 years of age	*25% of the net relevant earnings*
50 years plus	*30% of the net relevant earnings*

2 Where a self-employed person who is in an RAC Scheme joins an Occupational Pension Scheme, he/she will no longer be obliged to terminate his/her RAC Scheme but can continue contributing to the RAC or take out a further RAC but without any tax relief in respect of these continuing or further contributions and without notifying the employer as is required for an AVC.

3 The current rules provide that under an Occupational Pension Scheme, the maximum benefit that can be provided for a spouse or dependant, is two-thirds of the full pension, the pension scheme member could have obtained and the maximum for all dependants together with 100%. It is proposed that the tax relief rules will allow pension schemes to provide benefits if they wish, up to 100% of the members possible pension on retirement, to an individual spouse/dependant.

In addition, it is proposed to amend the proposed tax arrangements for the new personal retirement savings accounts (PRSAs) where they are used as an AVC in line with the change at (1) above. This means that where a PRSA holder joins an Occupational Pension Scheme and takes out an AVC-PRSA the annual limits of such AVC-PRSA Contributions for tax purposes, will no longer be limited to 15% but will be increased to 30% through age, progression as at (1) above."

These changes were implemented in the Finance Act 2002.

Commentary on Finance Act 2002 Changes

Membership of Retirement Annuity Contract:

In the past, when an employee joined an Occupational Pension Scheme and had previously been contributing to an RAC, he would have been obliged to terminate that contract. In some cases, this could lead to a significant loss to the employee, particularly if the contract was written on the basis of regular annual premiums and was subject to penalties for early termination of contributions. It is now proposed that an individual in these circumstances would be permitted to continue contributing to the RAC or take out a further RAC but without any tax relief in respect of these continuing or further contributions and without notifying the employer as is required for an AVC. Dependants' Pensions:

At present, the maximum benefit that can be provided under an occupational pension scheme for a spouse or dependant on the death of a member is two-thirds of the maximum pension the member could have received under Revenue limits. Where there are two or more beneficiaries, the maximum total amount that can be provided is 100% of the member's maximum pension.

It is proposed that the rules be amended to allow pension schemes to provide benefits of up to 100% of the member's maximum pension to an individual spouse or dependant.

This change will give greater scope for the payment of AVCs under many schemes and will also give greater scope for members to surrender part of their pension in favour of a dependant.

Changes Proposed by the Pensions (Amendment) Act 2002

At present, there are two basic forms of Pension Scheme open to people:

(a) An Occupational Scheme, and; b) A Personal Scheme

Occupational Schemes are for staff in employments with such schemes in place, while if a person is self employed or there is no Pension Scheme operating in their work place, it is open to them to take out a Personal Pension Plan of their own.

But if a self-employed person with such a Personal Scheme decides to take up a job where there is a scheme in operation, they cannot transfer their own scheme into that one, nor can they ask their employer to contribute to an existing scheme.

They end up having to freeze the existing scheme and to join the Occupational Scheme and end up maintaining not one but two pension plans.

If the individual chooses to change employment several times and opts to leave contributions behind them in some of the Occupational Schemes, such people could end up with three or four separate pension schemes by the time they retire.

The new Pensions Act will introduce a new form of pension product. This product will be a truly portable product which people can bring with them from job to job and from periods of self employment and unemployment to employment.

This new product, the Personal Retirement Savings Account (PRSA) will work in much the same fashion as a personal pension plan does at present. People will invest money in a particular pension product - rather like a unit-linked fund or a managed fund - which will grow over the years and eventually pay out an amount with which the individual will buy a pension.

Individuals will get tax relief for their contributions to the plan and the fund itself will grow free of tax. Tax is levied at the end of the life of the scheme in the form of normal Income Tax on pension income. The same basic rules which apply to existing schemes will more than likely apply to a PRSA, with one important difference: employers will be able to put money in as well but they won't be obliged to. In the event that the employer does not offer a pension scheme of their own, the act proposes regulations requiring them to afford employees the opportunity to contribute to at least one standard PRSA by deduction from salary. Employers of all sizes are now obliged to provide access to PRSAs where the employer does not currently operate an Occupational Pension Scheme or where the employer operates an Occupational Pension Scheme but:

- The eligibility for membership of the scheme for retirement benefits does not cover all employees
- Employees have to wait more than six months from joining the company to be included in the scheme for retirement benefits

- Scheme members are provided with death-in-service benefits only

With PRSAs, companies will no longer even have to set up a fund with all its attendant overheads, including trusts. They will be able to offer employees simple individual pensions which they will be able to bring with them from job to job and periods of self employment to unemployment and employment, with no difficulties and no loss of benefits. As low-cost, easy-access, portable and flexible long-term personal accounts in which people can save for retirement, PRSAs will give the holders ownership of their funds and they will not have to buy an annuity on retirement to provide their pensions.

The first PRSAs are not expected to be on the market until early 2003.

PRSAs - An Overview:

The legislation provides for two types of PRSA - namely a standard PRSA and a non- standard PRSA. There is a maximum level of charges in relation to standard PRSAs i.e. standard PRSA providers will be prohibited from imposing charges in excess of 5% of contributions paid and 1% per annum of the PRSA assets. Charges for non-standard PRSAs may be discretionary and do not have a stated maximum level. The PRSA provider will be obliged to give prior notification of at least two months to the contributor in advance of any changes to the PRSA charging structure.

In terms of investment, a standard PRSA will only be permitted to invest, apart from temporary cash holdings, in pooled funds. PRSA providers will have to give full disclosure of all potential and actual commission and other charges payable by contributors. This information will have to be provided:

- To a person entering into a PRSA Contract, and;

- To a PRSA contributor other than a standard PRSA contributor.

The PRSA provider will have to report to PRSA contributors on the performance of the investment funds applicable to the contributor's PRSA Contract at intervals of not greater than six months.

A PRSA provider is an investment firm, a life office or a credit institution which produces, markets or sells PRSA products when appropriately authorised/licensed by the Central Bank of Ireland or the Department of Enterprise, Trade and Employment. A contributor to a PRSA may be an individual regardless of employment status and employers may contribute but are not obliged to do so.

However, following a late amendment to the Pensions (Amendment) Bill 2001, people leaving employment after fifteen years service, will not be able to transfer their pension benefits into the Personal Retirement Savings Accounts. There is now a restriction of the right to transfer pension benefits on leaving employment from occupational pension schemes, into PRSAs, to employees with less than 15 years service.

But the pension funds of employees in occupational schemes for 15 or more years, must still be used in retirement to buy an annuity to provide their pension income. The requirement to buy an annuity means that the retiree has no control over the funds built up and that annuity income largely dies with the retiree, leaving no assets to be passed to dependants. This is in sharp contrast to retirement rights available to the self-employed, proprietorial directors, AVC holders and soon PRSA holders and workers with less than 15 years' pensionable service. Could this anomaly be challenged in the Courts?

The Pensions Ombudsman

The legislation provides for the establishment of an office of Pensions Ombudsman who would have power to investigate and determine:-

- A complaint made by or on behalf of an "actual or potential beneficiary" of an occupational pension scheme or a PRSA who alleges that he or she has sustained financial loss occasioned by an act of maladministration done by or on behalf of "a person responsible for the management of" the scheme or a PRSA.

- Any dispute of fact or law that arises in relation to an act done or on behalf of a person responsible for the management of a scheme or PRSA and that is referred to the ombudsman by or on behalf of an actual or potential beneficiary.

The Ombudsman will be able to give such directions as the Ombudsman considers necessary or expedient for the satisfaction of the complaint/resolution of the dispute. This can include financial redress. However, any financial redress cannot exceed the actual loss of benefit under the Occupational Pension Scheme or PRSA. The decisions of the Ombudsman will be binding, subject to a right of appeal to the High Court.

Preservation of Benefits for Early Leavers

Q. What difference will the act make for people leaving service early?

A. If you had left your employment last year (2001), you would have needed five years of service after 1991, in your scheme, to avail of preserved benefits under the Pensions Act 1990. Now, if you leave service after 1st June 2002, only two years' scheme service will be required to have your benefits preserved.

Q. To what period of service will preservation of benefits apply?

A. If you left service last year (2001) with five years' scheme service, only the value of the your post 1991 service would be preserved for pension purposes. Now, if you leave after 1st June 2002, with two years' scheme service, you will get the value of your pre 1991 service also.

Q. What is meant by preserved benefit?

A. Prior to the Pensions Act 1990, Occupational Pension Schemes were not obliged to preserve benefits when leaving service; often, the only benefit paid was a refund of members' contributions. The Pensions Act 1990 required schemes to provide a minimum preserved benefit on leaving service after 1st January 1993, provided five years scheme membership had been completed, of which at least two must be completed after 1st January 1991. Now under the Pensions (Amendment) Act 2002, only two years scheme membership is required for those members leaving service after 1st June 2002. In the case of a Defined Benefit Scheme the preserved benefit means a deferred pension, deferred retirement gratuity and benefits in the event of death before pension commences. In the case of Defined Contribution Scheme, preserved benefit refers to the accumulation of employer and employee contributions. Members leaving Occupational Pension Schemes can also transfer their personal benefits to their new employer's scheme or to a policy or contract with an insurance company. Subject to certain Revenue conditions, preserved benefits can be transferred to PRSAs when those products become unavailable.

Time is Running Out: An ageing world needs grown up Pensions

The economist in a survey of pensions on February 16th 2002, stated the following:

"Present pension structures no longer work. They were established in a more youthful era with relatively few older people who were often poor and ill and typically spent only a short time in retirement. In rich countries today, older people are often well off and in good health and are spending around 20 years in retirement. Hence the need for reform.

This survey has presented the arguments for more private funding and for actuarial fairer pensions. Such changes will create incentives for individuals to take charge of their own retirement needs rather than leaving the task to the State. This, in turn, will make the provision of public pensions more affordable.

Governments also have to create a suitable framework for effective private pensions. Administrative costs have to be tightly controlled and appropriate tax incentives have to be offered to encourage voluntary pension saving. Where the State provides a generous safety net, private pension saving may have to be made mandatory, otherwise many people will not bother."

Pensions Board

The Pensions Board was established by the Minister for Social Welfare under the terms of the Pensions Act 1990. Its main functions are:

- to monitor and supervise the operation of the Pensions Act and pension developments generally, including the activities of PRSA providers, the provision of PRSA products and the operation of PRSAs;
- to issue guidelines on the duties and responsibilities of the trustees of schemes and codes of practice on specific aspects of the irresponsibilities;
- to issue guidelines or guidance notes on the duties and responsibilities of PRSA providers in relation to PRSA products to encourage the provision of appropriate training for trustees of schemes and to advise the Minister on standards for trustees;
- to advise the Minister on the operation of the Pensions Act and on pension matters generally.

Pension schemes must register with the Pensions Board and most schemes must pay an annual fee to meet the Board's administrative costs. The Board can act on behalf of pension scheme members who are concerned about their scheme, it can investigate the operation of pension schemes, it has the power to prosecute for breaches of the Pensions Act and to take court actions against trustees for the protection of members and their rights.

The Pensions Board includes representatives of trade unions, employers, government, pension scheme trustees, pensions industry, consumer interest, pensioners interest and the various professional groups involved with occupational pension schemes.

Further Information

The following booklets are available free of charge from the Pensions Board:

1. What do you know about your Pension Scheme?: an overview of the information which trustees of occupational pension schemes must give.
2. Is my Pension Secure?: a guide to the protections provided by the Pensions Act, designed specifically for members.
3. Selecting Member Trustees: a guide to the participation by members in the selection of the trustees of occupational pension schemes.
4. So you are a Pension Scheme Trustee: a brief guide to the duties and responsibilities of trustees of occupational pension schemes.
5. The Pensions Board: an introduction to the board, its functions and its membership.
6. What happens to my Pension if I leave?: a guide to the preservation and transfer of benefits for early leavers under the Pensions Act.
7. A Brief Guide to the Pension Provisions of the Family Law Acts: guidance on the pension provisions of the Family Law Act 1995 and the Family Law Divorce Act 1996.

8 What Happens when your Pension Scheme is Wound Up or a Merger/Acquisition Takes Place?: a guide to trustees and pension scheme members on the winding up of a pensions scheme and on the effects of mergers/acquisitions on pension schemes.

9 A Guide to your Schemes Annual Report: a guide to pension scheme members to assist them in reading and understanding their scheme's annual report.

10 A Brief Guide to Pensions: a guide to help you understand your pension scheme and benefits.

11 Securing Retirement Income - National Pensions Policy Initiative: a brief guide to the report of the Pensions Board.

12 Women and Pensions - A Guide on Pension Provision for Women.

13 A Brief Guide to Annuities.

14 The Euro and Your Pension Scheme - information for members in employment.

15 The Euro & your Pension Scheme - information for pensioners.

16 The Euro and your Pension Scheme - information for trustees.

17 Pensions (Amendment) Act 2002 - Frequently asked questions.

18 A brief Guide to Integration - a guide to explain integration of pensions with the social welfare system

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