Personal Retirement Savings Accounts (PRSAs) compared to Defined Contribution Plans

Irish Life
Corporate Business

Bigger thinking. Better futures.

	Standard PRSA	Defined Contribution (DC) plans
Structure	Individual contract that is set up between the employee and Irish Life, facilitated by the employer.	DC plans are company pension plans set up under Trust by the employer.
Eligibility	Employers must put a Standard PRSA in place for employees who don't have access to a company pension plan.	Entry restrictions due to waiting periods may apply.
Contributions	Employers are not required to make contributions to a PRSA, but can do so if desired.	The employer must contribute to the scheme (minimum of 1/10th of total annual contributions) or pay for the cost of setting up the scheme and cost of ongoing death benefits.
Taxation	Employer's contribution to a PRSA is a Benefit in Kind for employee for Income Tax purposes and subject to Universal Social Charge (7% on income above €16,016).	Employer's contributions are not regarded as Benefit in Kind and are therefore not subject to Universal Social Charge.
Maximum employee contributions	Combined contributions (both employer and employee) to PRSAs are subject to Revenue limits allowable for tax relief. Please see overleaf for more details	ONLY employee contributions are subject to Revenue limits allowable for tax relief. This means that more contributions can be made to DC plans than to PRSAs. Please see overleaf for more details.
Vested rights	Employers are not entitled to a refund of employer contributions if an employee leaves service.	Employees are entitled to a preserved benefit if they leave service after completing 2 years of service in the scheme for retirement benefits.
Fund choice	Standard PRSAs have a restricted fund choice. Investment is only allowed in 'pooled funds'.	Offer a wider fund choice than Standard PRSAs. Smoothed funds such as the Capital Protection Fund* are available.
Retirement options	PRSAs can: ◆ Pay a tax free lump sum** of 25% of the accumulated fund, regardless of service or final remuneration. For many employees this will be LOWER than DC tax free lump sum. The balance can: ◆ be used to buy an annuity. ◆ be transferred to an Approved Retirement Fund (subject to Revenue rules). ◆ remain in the PRSA and grow tax free but is subject to imputed distribution each year. ◆ be taken as taxed cash (subject to guaranteed income of €18,000 p.a.)***.	Since 2011 DC Plans have 2 options. The members can: ◆ go with the traditional route and take a maximum tax free lump sum** of up to 1.5 times salary, subject to 20 years of service at Normal Retirement Age. For many employees this will be HIGHER than PRSA tax free lump sum or the second DC option given below. The balance has to be used to buy an annuity. If they have chosen to contribute extra amounts into an AVC fund, they may also have the option to convert the AVC fund into an Approved Retirement Fund (ARF). OR ◆ choose to take a tax free lump sum of up to 25% of fund and use the balance to purchase an annuity, or transfer to Approved Retirement Fund, or take it as a taxable lump sum (both are subject to €18,000 p.a. of guaranteed income).

**Restrictions may apply to switches out of this fund.*

***The lifetime limit for tax free lump sum is €200,000 effective from December 2005.*

****These amounts may change (up or down) as specified by the Government. The amounts quoted are correct as at May 2012.*

Continued overleaf…

Warning: The value of your investment may go down as well as up.

	Standard PRSA	Defined Contribution (DC) plans
Charges	Maximum charges allowed of 5% of contributions and 1% p.a. of the fund.	No formal cap on charges. However, charges can be higher or lower than allowed in a Standard PRSA.
Risk benefits	A separate life assurance scheme needs to be established to meet the costs of risk benefits.	DC plans can provide retirement and death benefits in one package.
Trustee training	No trustees required.	Employer is required to organise training for all of the trustees within six months of appointment and every two years thereafter.
Employer/trustee responsibility	Employer is not responsible for the investment performance of the PRSA.	The trustees are responsible for investment decisions unless they have advised the members that the trustees are not responsible, that members can choose their own fund and they make information or guidance available to members to assist them with this choice.
Compliance requirements	Compliance burden falls mainly on the PRSA provider. The employer's involvement is limited to providing payroll deduction facility, remittance of deducted contributions and allowing PRSA providers reasonable access to excluded employees for the purpose of setting up PRSA contracts.	Substantial compliance requirements fall on the trustees amongst which are mandatory appointment of Registered Administrator and disclosure of information.More details are available on the Pension Board website www.pensionboard.ie

Warning: The value of your investment may go down as well as up.

Warning: If you invest in this product you will not have access to your money before you reach age 60 or until you retire. If you use your PRSA purely for Additional Voluntary Contributions you will not have access to your money until you retire.

Warning: If you invest in this product you will not have any access to your money until you retire.

Note: *Employees can get generous tax relief* on their own pension contributions. The percentage of the contributions that they can claim tax relief on are shown in the table opposite. In the case of DC Plans, this includes any contributions to their main scheme and Additional Voluntary Contributions.*

The maximum earnings limit for tax relief on pension contributions for 2013 is €115,000.

**The rates of 20% and 41% are the current tax rates and are subject to change. If an employee is a PAYE person these are the rates that apply to them.*

Tax relief is normally given at source through the Net Pay arrangement.

In the case of PRSAs the entitlement to tax relief is not automatically guaranteed.

Age	Maximum annual contributions as % of gross salary
<30	*15%*
30-39	*20%*
40-49	*25%*
50-54	*30%*
55-59	*35%*
Age 60 & Over	*40%*

Note: The complete terms and conditions of Corporate Business PRSAs and Defined Contribution plans are available in the relevant policy documents.

Contact us

phone: 01 704 2000
fax: 01 704 1905
e-mail: code@irishlife.ie
website: **www.irishlife.ie/corporatebusiness/**
write to: Irish Life Corporate Business, Lower Abbey Street, Dublin 1

Irish Life
Corporate Business

Bigger thinking. Better futures.

3779cb (rev 12-121)