Personal Retirement Savings Accounts (PRSAs) – A Consumer Guide

An Bord Pinsean -
The Pensions Board

Authority for Pensions
www.pensionsboard.ie

Consumers' Association of Ireland
Registered as a charitable organisation

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1. Introduction

This booklet is a consumer guide to Personal Retirement Savings Accounts (PRSAs). It shows you how to approach, search and apply for, and monitor your PRSA. In doing so, we hope it helps you to understand and make informed choices about PRSAs.

The legislation behind PRSAs is the Pensions (Amendment) Act, 2002. This Act was made law on 13 April 2002. It introduced the framework for PRSAs and their relevant arrangements, rules and tax reliefs.

The Act also allowed for the establishment of a Pensions Ombudsman. The Pensions Ombudsman has the power to investigate and resolve complaints about PRSAs and *occupational pension scheme*s. Mr Paul Kenny was appointed as the Pensions Ombudsman on 6 March 2003 (see *Part 11*).

PRSAs are generally low cost, easy-access private pension savings accounts. They are designed to allow people save for retirement flexibly, to be owned by individuals (regardless of employment status), transferable from job to job, and available from a variety of providers.

This booklet is produced by the Consumers' Association of Ireland (CAI) and the Pensions Board. CAI is an independent, non-profit and non-government organisation working on behalf of Irish consumers. Its aim is to represent consumers and make sure their needs as consumers of goods and services are given higher priority. The Pensions Board was established by the Minister for Social Welfare under the terms of the Pensions Act, 1990. Its main function as set out in that Act and amending legislation includes monitoring and supervising 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.

The Pensions Board and the Revenue Commissioners are jointly responsible for approving PRSA products. The Pensions Board supervises the activities of PRSA providers in respect of their approved products and monitors compliance with the PRSA legislation. Since February 2003, the Board has approved 62 products from 10 providers: 27 of these are Standard PRSAs and 35 are non-Standard. A list of PRSA providers and their approved products is available on the Board's website on www.pensionsboard.ie.

This booklet contains a list of Frequently Asked Questions (FAQs) for consumers who are considering buying a PRSA. Throughout the booklet, you will find terms printed in *italics*. These are explained in the Glossary (see *Part 12*).

2. PRSA Basics

■ What is a PRSA?

A PRSA is:

- A personal pension plan that you take out with an authorised PRSA provider,
- like an investment account used to save for your retirement,
- a type of *defined contribution scheme* where you make regular contributions to your pension, which are tax deductible, depending on your age,
- a flexible pension that allows you to increase, decrease or stop your contributions at any time without any charge or penalty for doing so,
- a portable pension that can be carried from job to job or transferred to another PRSA provider, without any charge or penalty for doing so,
- a personal pension plan that gives you flexibility in drawing down benefits at retirement age including the facility to continue contributions while drawing benefits,
- a personal pension plan providing you with regular information to allow you monitor its performance and suitability to your needs.

■ Who can take out a PRSA?

PRSAs are available to you regardless of your job or employment status. Therefore, you can get a PRSA if you are a part-time or casual employee, a highly-paid professional, self-employed, a homemaker, a carer, a contractor, an employer, an employee, a partner in a partnership, or a jobseeker.

You can continue to contribute to a PRSA after your retirement, as long as you are not aged 75 and over.

What types of PRSAs are available?

There are two types of PRSA: a Standard PRSA and a non-Standard PRSA. The main differences between both types are the charges and investment options.

If you have a Standard PRSA, you:

- cannot be charged more than 5% on the contributions you pay and 1% a year on the managed funds. (Your PRSA provider can charge as little or as much as it likes, up to these maximum levels.),
- can only invest in *pooled funds*, except for *temporary cash holdings*, and
- do not have to buy another product, such as life assurance, when you are applying for your Standard PRSA. (A Standard PRSA may not be marketed or sold if the purchase of the product is conditional on some other product being purchased).

If you have a non-Standard PRSA, there is no limit on charges and you can invest in a range of funds including (but not restricted to) *pooled funds*.

■ Who contributes to my PRSA?

You contribute to your PRSA. If you are an employee, your employer may contribute but is not obliged to do so.

■ Is my PRSA risk-free or backed by any Government guarantee?

No, your PRSA is **not** risk-free or backed by any Government guarantee. Like other personal pensions and *defined contribution scheme*s, your PRSA is an investment account that provides for your retirement. This means that the value of your PRSA can increase or decrease, depending on the performance of your PRSA's investment funds.

Likewise, if your employer provides you with access to a Standard PRSA, your employer is not responsible for the investment performance of your Standard PRSA. However, this may not be the case where the employer provides access to a non-Standard PRSA.

■ Who regulates PRSAs?

The Pensions Board and the Revenue Commissioners are jointly responsible for approving PRSA products. The Board supervises the activities of providers in relation to their approved products and monitors compliance with PRSA legislation. The Financial Regulator is responsible for prudential supervision of PRSA providers and the supervision of the sales process of approved products.

The Board also maintains a public register of PRSA providers and their approved products on the Board's website www.pensionsboard.ie.

3. Getting my PRSA

■ Where can I get a PRSA?

To get your PRSA, you must enter into a contract with an authorised PRSA provider. Authorised PRSA providers can include investment business firms, insurance companies and credit institutions. There are currently 10 PRSA providers with 62 approved products.

Approved PRSA products are available from:

- *Ark Life* – 1 Standard PRSA.
- *New Ireland/Bank of Ireland Life* – 3 Standard PRSAs and 3 non-Standard PRSAs.
- *Canada Life* – 4 Standard PRSAs and 4 non-Standard PRSAs.
- *Custom House Capital* – 2 non-Standard PRSAs.
- *Eagle Star Life* –6 Standard PRSAs and 11 non-Standard PRSAs.
- *EBS Building Society* – 2 Standard PRSAs.
- *Friends First Life* – 2 Standard PRSAs and 4 non-Standard PRSAs.
- *Hibernian Life* – 2 Standard PRSAs and 3 non-Standard PRSAs.
- *Irish Life* – 7 Standard PRSAs and 5 non-Standard PRSAs.
- *Standard Life* – 3 non-Standard PRSAs.

PRSAs are also available indirectly through agents authorised to sell PRSA products on the above providers' behalf.

You can get a list of approved PRSA products and the respective providers on the Pensions Board's website (www.pensionsboard.ie).

Where do I get my PRSA documents?

Your PRSA provider provides you with your documents. If you do not receive all of these documents (outlined below), you should contact your provider and request them directly.

What are the PRSA documents?

Application Form: To apply for a PRSA with the provider, you must complete, sign and return the application form. You need to provide proof of age and your Personal Public Service Number (PPSN) with your application form. You must request the application form from your chosen PRSA provider.

Contract: This outlines the Terms and Conditions of your PRSA contract. You can request a PRSA contract from a PRSA provider. You should read it before applying for a PRSA with that provider. You may need this document when applying for benefits.

Cancellation Notice: If you want to cancel your PRSA, you must sign this and return it with your original PRSA Certificate within the 30-day cooling-off period. The Cancellation Notice is usually enclosed with the Statement of Reasonable Projection.

Preliminary Disclosure Certificate (PDC): This outlines the benefits on a sample or personalised basis that can be reasonably expected from a PRSA after a certain period, based on a number of assumptions. It outlines the PRSA's investment strategy, charges, tax relief arrangements, cooling-off period, risk factors, and expected benefits. You should receive this before you apply for a PRSA. (It may form part of the contract - see *Appendix 1*).

Statement of Reasonable Projection (SRP): This outlines the benefits that can be reasonably expected for you from your PRSA based on certain assumptions. You should receive it within seven days after you sign a contract with your PRSA provider, and once a year after this. If your provider is increasing its charges (having given you two months' notice to this effect), you will receive an updated Statement of Reasonable Projection outlining these charges within seven days of its decision. You may also receive such a statement on request. (See *Appendix 2*).

PRSA Certificate: This outlines the contributions you have agreed to pay at the time of entering the contract and the contribution method you will use. You will receive it after you open your PRSA. If you are self-employed, you will need this Certificate to avail of tax relief. If you are an employee and your contributions are to be deducted from your pay, you should give this Certificate to your employer and keep a copy for yourself. All PRSA holders will need this Certificate to get their benefits.

Investment Report: This outlines the investment performance on the underlying funds in your PRSA. You should receive this every six months.

Statement of Account: This outlines the contributions paid into your PRSA by you (and your employer, where applicable), and the transfer value of your PRSA at the date of the statement. If you held another pension before you opened your PRSA and transferred its benefits into your PRSA, the statement also outlines the total transfer value as a contribution. You should receive a Statement of Account every six months. This document may be required by your local Inspector of Taxes.

Certificate of Comparison: You need this Certificate if you are a member of an *occupational pension scheme* and are transferring your benefits into a PRSA. This Certificate compares the benefits that may accrue from the transferring *occupational pension scheme* with the benefits that may accrue from the PRSA contract. You should get this Certificate before transferring your member's entitlement from an *occupational pension scheme* to a PRSA. You should also receive a written statement outlining reasons why such a transfer is in your best interests. There may be a charge for providing this Certificate.

A Certificate is not required where the transfer value from the *occupational pension scheme* is in respect of a deferred member and the value:

- is less than €10,000, **or**
- represents a refund of contributions, or the value of accrued benefits, to a member whose employment related to the *occupational pension scheme* is less than 2 years and who has no preserved benefit, **or**
- is taken from an *occupational pension scheme* the winding-up of which has been notified to the Pensions Board.

Disclosure Declaration: Where it is proposed to enter into a PRSA contract that replaces an existing PRSA contract or a Retirement *Annuity* Contract (RAC), a Declaration must be provided to you before the initial Statement of Reasonable Projection (SRP) is issued. The Declaration sets out additional information, including the financial consequences of the replacement contract.

Non-Standard PRSA Declaration: This document is issued by the Financial Regulator. You should read it before you buy a non-Standard PRSA. Your provider should provide you with this document but it is also available directly from the Financial Regulator (see *Part 11*). You must sign this Declaration if choosing to invest in a non-Standard PRSA. You should also keep a copy of the Declaration.

Do I need to hold onto my PRSA documents?

Yes, you should retain all PRSA documents for your own records and as evidence of contributions made. You will need certain documents to avail of your PRSA benefits (PRSA Certificate, Contract). If you are self-employed or paying contributions directly into your PRSA yourself, you will need certain documents to avail of tax relief (PRSA Certificate, Statement of Account).

You should also let a solicitor, friend or relative know where you keep your PRSA documents in case you die or become seriously ill, before or after you begin to receive your PRSA benefits.

What are my employer's obligations in relation to PRSAs?

Since **15 September 2003**, all employers are required to enter a contract with a PRSA provider so that access to at least one Standard PRSA is available for all "excluded employees".

In summary, you are an "excluded employee" if:

- your employer does not offer an *occupational pension scheme*, or
- you are included in an *occupational pension scheme* for death-in-service benefits only, or
- you are not eligible to join the *occupational pension scheme* in your company or will not become eligible to join the scheme within six months from the date you began work there, or
- you are included in an *occupational pension scheme* that does not permit the payment of *additional voluntary contributions* by the members.

If you are a contractor, self-employed or unemployed, you can approach a PRSA provider directly to organise signing a PRSA contract with them. You can research the PRSA products available by consulting this guide and requesting the relevant brochures from the various PRSA providers. Alternatively, you could seek independent financial advice. A list of approved products and the providers who sell them is available on the Pensions Board website: (www.pensionsboard.ie).

How does my employer provide access to a Standard PRSA?

To provide access to a Standard PRSA, an employer must:

- enter into a contract with a PRSA provider to provide at least one Standard PRSA to "excluded employees" (see definition above),
- notify "excluded employees" of their rights to contribute to a Standard PRSA,
- provide "excluded employees" with access to at least one Standard PRSA,
- allow PRSA providers or intermediaries to have reasonable access to "excluded employees" at their workplace so that PRSAs can be arranged,
- allow reasonable paid leave of absence, subject to work requirements, to "excluded employees" so they can set up a Standard PRSA,
- take PRSA contributions from your wages at your request and forward these contributions to your PRSA provider within 21 days of the end of the month in which deductions were made. Your employer cannot charge you for deducting contributions from your wages.

- advise you in writing (normally payslip) at least once a month of your total contribution and your employer's, if any.

Can I hold a separate Personal Pension and a PRSA at the same time?

Yes, but the contributions to both are added together when calculating your maximum tax relief (which is dependent on your age).

If I am a member of an Occupational Pension Scheme can I take out a PRSA?

Yes. A member of an employer sponsored OPS may also take out a tax relieved PRSA for *additional voluntary contributions*.

Can I cancel my PRSA after signing a contract with a provider?

After you sign a contract with a provider, you have a "cooling-off" period of 30 days, from the date you are given the Statement of Reasonable Protection, during which you can cancel your PRSA. If you cancel within the "cooling-off" period, you normally get a full refund of all contributions and transfers paid to your PRSA (There may be a charge where your PRSA provider is a life company and where single contributions were used and a loss incurred as a result of market volatility during the "cooling-off" period).

Can PRSA products be suspended or withdrawn?

Yes, the Pensions Board, in consultation with the Revenue Commissioners, can suspend or withdraw a PRSA product if a PRSA provider:

- requests so,
- has stopped trading for more than 6 months,
- has failed to meet its statutory obligations.

What happens if my PRSA product is suspended or withdrawn?

Your PRSA provider must write to you informing you that its product is being suspended or withdrawn. Where the product is withdrawn, the provider must immediately arrange to transfer your PRSA assets to another provider. You therefore will continue to pay into your PRSA as normal, but through another provider. The Pensions Board must publish a notice of a product's withdrawal in at least one national newspaper within 28 days of the withdrawal.

4. Contributing to my PRSA

■ Is there a minimum amount that I must contribute to my PRSA?

Your PRSA provider cannot ask you to contribute more than €300 a year, €10 per electronic funds transfer (including direct debit), or €50 for other types of payment.

■ Is there a maximum amount that I can contribute to my PRSA?

You can contribute as much as you want to your PRSA, as long as you meet the minimum contribution levels as set out in the literature of each provider. However, the amount of tax relief you can get on contributions depends on your age.

■ How much tax relief do I get on my contributions?

The amount of tax relief you can get on contributions depends on your age as follows:

Age	Limit
Under 30	15%
30 – 39	20%
40 – 49	25%
50 – 54	30%
55 – 59	35%
60 or over	40%

If you are a sportsperson or professional who usually retires earlier than the norm (such as an athlete or jockey), you can get tax relief on 30% of your *net relevant earnings*, regardless of your age. Relief is given at your marginal (higher) tax rate. There is a maximum amount of earnings of €262,382 for 2007 (indexed in line with an earnings adjustment factor which is decided by the Minister of Finance each year) in a year for which tax relief will be given. If you make contributions but do not get tax relief on them because you exceeded your tax relief limits or are not working, you can apply for tax relief on these contributions in the future.

Certain people can also get Pay Related Social Insurance (*PRSI*) relief on PRSA contributions.

You can get more information on the tax rules relating to PRSAs from the Revenue Commissioners' *A Guide to Personal Retirement Savings Accounts (PRSAs)*. You can view this document on Revenue's website: (www.revenue.ie).

How regular must my contributions be?

If you are arranging your PRSA through an employer scheme, your payments will usually be made once a month. If you are paying into your PRSA directly, most providers allow you to pay monthly, quarterly, half-yearly and yearly though some providers of PRSAs allow you to pay weekly. You can also make additional top-up contributions to a PRSA at any time.

How flexible can my contributions be?

You are free to stop, start and increase your contributions at any time. You are also free to decrease your contributions at any time, as long as you meet the minimum annual contribution levels, if any, set out by your PRSA provider. You must usually give your provider advance notice if you are changing your contribution levels, restarting or stopping contributions. You cannot be charged for changing your contribution levels or stopping and restarting your contributions.

You can make additional top-up contributions to a PRSA at any time.

Most providers have an "indexation" option that allows you to increase your regular contributions in line with inflation each year.

How can I pay my contributions?

The acceptable payment method for contributions is at the discretion of your PRSA provider. Most providers currently accept regular contributions by direct debit, while lump-sum payments or transfers are accepted by cheque. If you are an employee, your employer may arrange to deduct your monthly contributions from your salary.

What happens if I don't pay my contributions?

You can stop your contributions at any time without being charged or penalised for doing so, but remember this will reduce the pension benefits you may expect at retirement.

If you do not pay contributions for two years or more and the value of your PRSA fund is €650 or less, your provider can terminate your PRSA and give you a refund of the value of your account. Your provider must give you three months' written notice before terminating your PRSA.

Are there any rewards or bonuses if I pay my contributions?

Some providers apply bonus units or lower charges if your contributions are over a certain level, you consistently meet your monthly contributions, or you retire at the date initially specified when you signed your contract. If you invest part or all of your PRSA in certain funds, you may also receive bonuses on and after retirement.

What happens if I change jobs?

If your new job allows you to become a member of an *occupational pension scheme*, you can transfer your PRSA benefits into your *occupational pension scheme*. Alternatively, if your new job is not pensionable or you become self-employed, you can normally continue to contribute to your PRSA.

Can my employer contribute to my PRSA?

Yes, your employer can contribute to your PRSA but is not obliged to do so.

5. Investing my PRSA

▪ What happens to my contributions once they are put into my PRSA?

Your PRSA contributions are invested in a range of funds and the value of your PRSA can increase or decrease, depending on the performance of these funds.

▪ In what types of asset will my PRSA invest?

Most PRSAs will invest in *pooled funds* that are managed by life assurance companies or other investment managers. Apart from *temporary cash holdings*, Standard PRSAs can only invest in *pooled funds*. There is usually a greater choice of funds to invest in with non-Standard PRSAs.

▪ What is a Default Investment Strategy?

A *Default Investment Strategy* is a collection of investment funds that is expected to meet your retirement savings expectations. The *Default Investment Strategy* for each individual PRSA product is based on general good investment practice in saving for retirement and approved by the provider's PRSA-appointed actuary. Although it is not a risk-free investment, it is designed to reduce the level of risk of the investments.

▪ Who decides how I invest my PRSA?

All PRSAs must have a *Default Investment Strategy*. This strategy is an automatic investment strategy to be applied unless you indicate otherwise in writing when you apply for your PRSA. In addition, your provider will give you a choice of investment funds outside the *Default Investment Strategy* which you may choose to invest in.

Should anything influence the choice of investment funds for my PRSA?

You (and possibly your investment advisor) should consider the number of years you have until retirement age and your expectation for retirement income when deciding your investment funds. Generally, as you approach retirement, investment in higher-risk funds should decrease.

Can I change or switch between investment funds after I sign the contract with my PRSA provider?

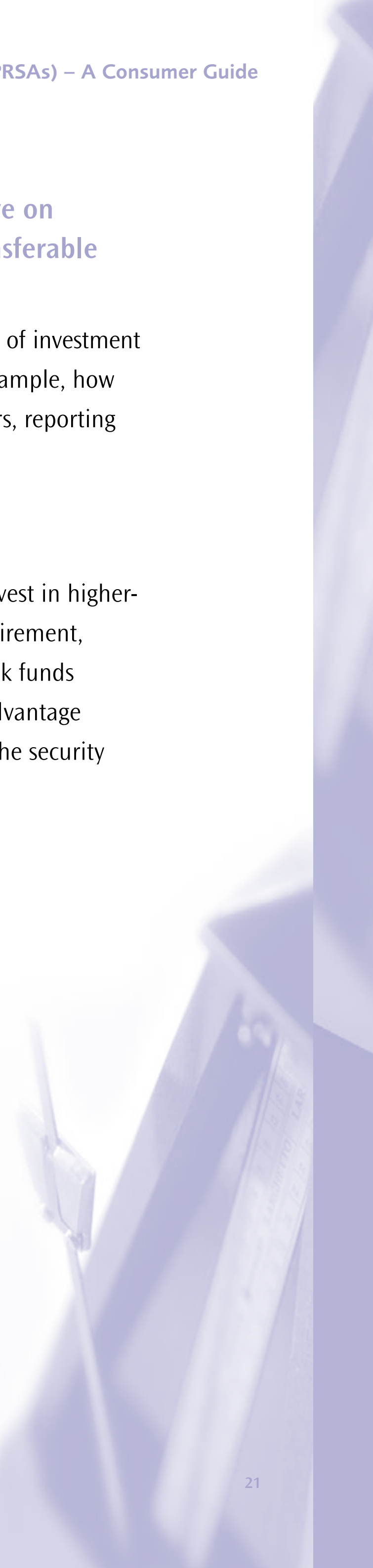
Yes, you can transfer between funds or move future contributions into a different fund. However, some providers require that you hold a minimum amount of money before you can transfer between funds. Also, some providers limit the number of times a year that you can switch between or change funds without charge.

How do I know how well my investment fund is performing?

Every six months, your provider must send you an Investment Report (see *Part 3*) that outlines the performance of the funds in your PRSA.

Should my PRSA investment fund meet any criteria?

Your PRSA investment fund must meet the requirements of the European Communities Directive on Undertakings for Collective Investment in Transferable Securities (UCITS), 1985, as amended. These regulations are designed to protect investor interests by requiring a spread of investments within any one fund. (This Directive was further amended in February 2002 to regulate management companies, simplified prospectuses, and the investment of UCITS.)



What does the European Communities Directive on Undertakings for Collective Investment in Transferable Securities (UCITS), 1985 do?

The Directive lays down common standards for a number of investment areas in the EU, including investment restrictions (for example, how much you can invest in certain stocks), borrowing powers, reporting arrangements, prospectuses, and marketing.

What level of risk is associated with my PRSA?

Generally, it is likely that most of your PRSA fund will invest in higher-risk funds in the early-to-mid years of your period to retirement, moving to middle-risk funds in later years, and lower-risk funds as you near retirement. This should allow you to take advantage of the growth of aggressive higher-risk funds and have the security of lower-risk funds as you near retirement.

6. Getting my PRSA Benefits

When can I take my PRSA benefits?

You can normally take your benefits when aged between 60 and 75. In certain circumstances, you can take your benefits before then, such as if you retire from employment at age 50 or over, or if you can no longer work because of a serious illness or disability.

However, it is not usually possible to cash in your PRSA before you reach 60 years of age (or retirement). Likewise, you cannot use your PRSA as security for a loan or assign it to someone else.

What documentation do I need to get my PRSA benefits?

You will need your PRSA Certificate and Contract, your birth certificate and Personal Public Service Number (PPSN). You may also need to provide evidence of health if you are retiring earlier than normal for medical reasons.

Do I have to take all my PRSA benefits at retirement?

No, you can take gradual benefits from your PRSA and continue to make PRSA contributions. However, you must take your PRSA benefits at age 75 and stop any contributions before that age. There is a condition for this option. You can get more information from the Revenue Commissioner's *A Guide to Personal Retirement Savings Accounts (PRSAs)* which is available on the Revenue's website (www.revenue.ie).

What will my PRSA benefits consist of?

Your PRSA benefits will consist of the total contributions paid by yourself and your employer, where applicable, the investment earned on those contributions, less charges (Your employer can contribute to your PRSA, but is not obliged to do so).

Am I taxed on the investment return earned on my PRSA?

No, you are not taxed for capital gains on the investment return you get on your PRSA.

What options do I have at retirement?

You can also take a tax-free cash lump sum at retirement of 25% of your PRSA fund's value subject to a maximum, and

- use the balance to buy an *annuity*, **or**
- leave the funds in your PRSA and withdraw from them at any time, **or**
- transfer the balance to an Approved Retirement Fund (ARF).

There are conditions for each of the above options. You can get more information from the Revenue Commissioners' *A Guide to Personal Retirement Savings Accounts (PRSAs)* which is available on Revenue's website (www.revenue.ie).

What happens if I die before taking my PRSA benefits?

If you die before taking your benefits, your PRSA fund will be transferred to your estate. The fund will be free of income tax, but could be subject to inheritance tax in the hands of the recipient.

What happens if I die after I start to take my PRSA benefits?

This depends on the pension option you choose at retirement. You can get more information on PRSA benefits from the Revenue Commissioners' *A Guide to Personal Retirement Savings Accounts (PRSAs)*. You can view this document on the Revenue's website (www.revenue.ie).

■ Can I transfer my PRSA benefits to another pension arrangement if I change jobs?

As a PRSA is essentially your personal pension plan, you can normally bring it from job to job, and from employment to self-employment or vice versa. You can transfer your PRSA benefits to an *occupational pension scheme* or another PRSA without charge.

■ Can I transfer occupational pension scheme benefits to a PRSA?

You can only transfer your *occupational pension scheme* benefits to a PRSA if you have been a member of the scheme for 15 years or less, and the scheme is being wound up or you are changing job. You cannot transfer your *occupational pension scheme* benefits to a PRSA if you have been a member of the scheme for more than 15 years. However, the value of *Additional Voluntary Contributions* to an *occupational pension scheme* may be transferred to a PRSA, and the above restrictions do not apply.

7. PRSA Charges

What are the charges for Standard PRSAs?

The charges for Standard PRSAs are capped and cannot be increased above the upper limits throughout the lifetime of your PRSA contract. The maximum charges are:

- a 5% charge on each contribution you pay, and
- a 1% annual fund management charge, based on your fund value.

Most of the providers of Standard PRSAs listed on page 7 have a 5% contribution charge and 1% annual fund management charge. However, these charges may be reduced in certain circumstances. The Pensions Board keeps an up-to-date list of the charges on all PRSA products (Standard and non-Standard) on its website (see www.pensionsboard.ie).

What are the charges for non-Standard PRSAs?

Charges on non-Standard PRSAs are not capped and vary among providers. The Pensions Board keeps an up-to-date list of the charges on all PRSA products (Standard and non-Standard) on its website (see www.pensionsboard.ie).

Are there circumstances where charges can be reduced?

Some providers reduce your contribution charge if your contributions are over a certain level, and the fund management charge may also be reduced if the value of your fund exceeds a certain level or you retire on the retirement date initially specified in your contract.

Can my PRSA provider change its charges?

Yes, your PRSA provider can change its charges. The provider must give two months notification of any increase in charges and also provide you with an updated Statement of Reasonable Projection outlining these charges within 7 days. However, if you have a Standard PRSA, charges are capped at a 5% contribution charge and 1% annual fund management charge.

What can I not be charged for?

Some of the services you cannot be charged for include:

- setting up or closing a PRSA,
- cancelling your PRSA within the "cooling-off" period (charge may apply if your provider is a life company and where single contributions were used),
- transferring other pension benefits to your PRSA (where a Certificate of Comparison [page 9] is required a fee may be charged.),
- transferring your PRSA to another PRSA provider,
- increasing your contributions,
- decreasing your contributions (however, this may depend on the charging structure of your PRSA), or
- starting, stopping or restarting contributions.

8. Complaints

What if I have a complaint about my PRSA?

Depending on the type of complaint you have, there are a number of authorities available to help. You can contact the PRSA provider, the Pensions Board, the Office of The Pensions Ombudsman, the Financial Services Ombudsman's Bureau, or the Financial Regulator.

How do I know who to contact?

PRSA Provider: If you have a complaint about the management of your PRSA you should initially contact the PRSA provider and try and resolve it directly between you.

The Pensions Board: As the Regulator of all approved PRSA products, if you are unsuccessful or unable to resolve the issue with your PRSA provider you should contact the Pensions Board who can assist you further in resolving the complaint.

The Pensions Ombudsman: The Pensions Ombudsman has powers in relation to a PRSA to investigate and determine:

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

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

Financial Services Ombudsman's Bureau: If you have followed the internal complaints procedure of your financial service provider and you are still not satisfied, the Financial Services Ombudsman may investigate a complaint about: the provision of a financial service, an offer to provide a financial service, or the failure to provide a particular financial service that has been requested.

The Financial Regulator: The Financial Regulator is responsible for the regulation of all financial services firms in Ireland. The Financial Regulator's role is to protect consumers and to help people make efficient and effective use of complaint procedures, and to assist and inform consumers where necessary. Board issues of consumer protection should be referred to the Financial Regulator.

If you are unsure of where to go, any of the above organisations will point you in the right direction.

9. Quick Tips on PRSAs

Be wary of mis-selling. If getting a PRSA through a broker, intermediary or other sales-person, ensure they offer a Standard as well as a non-Standard PRSA or give you clear reasons why they are proposing a non-Standard PRSA. (There is no cap on charges with non-Standard PRSAs). You should seek independent financial advice if getting your PRSA directly, rather than through an employer.

Be wary of substitution selling. If you are in long-term employment and already in an *occupational pension scheme*, you may not need to take out a PRSA unless your employer is winding up the scheme or you are changing employment. (PRSAs are aimed primarily at people who have not made any pension provision). *Occupational pension schemes* may offer more benefits than PRSAs as your employer usually contributes to your scheme. Your employer can contribute to your PRSA but is not obliged to do so.

If you are choosing your PRSA provider, shop around for any rewards or bonuses that you get for making contributions or retiring on the date initially specified on your contract.

If opting for a non-Standard PRSA, remember that charges are not capped (unlike Standard PRSAs). You should ask your provider for a list of the cost differences between the non-Standard PRSA and the Standard PRSA product. You should also ensure to read and sign the Financial Regulator's non-Standard PRSA Declaration before buying a non-Standard PRSA, and to keep a copy of this Declaration (see *Part 11*).

Be wary of promises of better returns on non-Standard PRSAs. Past performance is never a guarantee of future returns and it is difficult, if not impossible, to predict how well an individual investment fund will perform.

You are free to stop your contributions at any time without being charged or penalised for doing so. However, if you do not pay contributions for two years or more and the value of your PRSA fund is €650 or less, your provider can terminate your PRSA and give you a refund of the value of your account. Your provider must give you three months' written notice before closing your PRSA.

Take note of the type of services you cannot be charged for (see *Part 7*). If you find you are being incorrectly charged for something, contact your provider and if the outcome is unsatisfactory, contact the Pensions Board, the Pensions Ombudsman, the Financial Services Ombudsman's Bureau, or the Financial Regulator, whichever is appropriate (see *Part 8*).

For detailed information on tax relief and PRSAs, you should contact the Revenue Commissioners.

Keep all your PRSA documents safely and let a solicitor, friend or relative know where they are.

10. Examples

Philomena McGovern, aged 28, is a freelance journalist who earns €35,000 a year. Because of the nature of her job, she is not in pensionable employment and has not yet made any pension provision for herself. Philomena decides to apply for a Standard PRSA. She initially pays 15% of her salary (€5,250 for the first year) into her PRSA which means she can avail of full tax relief for her age. As Philomena will be paying monthly, her contributions work out at about €437.50 a month for the first year. She also chooses the indexation option so that her contributions automatically increase by 5% each year. By doing so, she hopes that inflation will not decrease the value of her pension contributions that much.

As a freelance journalist, Philomena does not always have a steady income. However, with her PRSA, she can stop, restart, and change her contributions at any time. If Philomena decides to end freelance work and work with a company at any time, she can transfer whatever PRSA benefits she has into that company's *occupational pension scheme* (if available). If the company does not provide an *occupational pension scheme*, she can continue to contribute as normal to her PRSA.

Stephen Smith, aged 35, is a self-employed IT consultant who earns €110,000 a year. Stephen does not have a pension yet. However, as he has previously invested a lot of money in the stock markets, he would like to take out a pension that allows him to invest in high-risk funds. (Stephen feels there is greater potential for return on such funds). He therefore opts for a non-Standard PRSA as this offers him a greater choice of funds to invest in. He does not choose the *Default Investment Strategy*. Instead, he gets independent financial advice and chooses the funds he would like to invest in himself.

Before getting the non-Standard PRSA, Stephen asks his provider for a list of cost differences between it and the Standard PRSA product. He also ensures to read and sign the Non-Standard PRSA Declaration, issued by the Financial Regulator.

Although Stephen can only get tax relief on 20% of his earnings, he contributes 25% of his earnings to his PRSA (he has not previously made any pension provision for himself and wants to make up for lost time). He invests his contributions in a number of high-risk funds but intends to change to low-risk funds about five years before his retirement. He hopes that by doing so, his PRSA funds will enjoy the growth that higher-risk funds have the potential to deliver, but knows that his funds will be secure in lower-risk funds as he nears retirement.

Aisling O'Toole, aged 30, is a casual chef who earns about €15,500 a year. She has worked with a number of catering companies on a part-time basis since the age of 18, but so far, none has offered her a pension arrangement because of her casual status.

Aisling decides to take out a Standard PRSA. However, as she has never invested in the stock markets, she has no investment expertise. Therefore, she chooses to invest her PRSA in the *Default Investment Strategy*. Aisling pays €100 a month into her PRSA, and chooses the indexation option. Her PRSA provider estimates that after 35 years, this contribution level will give Aisling a retirement income of about €263 a month (in today's prices) from the age of 65. As €263 a month will be worth a lot less in 35 years than it is now, Aisling intends to increase her contributions significantly from the age of 35.

11. Useful Contacts

In this booklet, we have tried to cover as much information on PRSAs as possible. If you require further in-depth information, below is a list of useful contacts:

Ark Life Assurance Company Ltd.,
One Park Place, Hatch Street, Dublin 2
Tel: (01) 898 7500
Email: info@arklife.ie
Website: www.arklife.ie

Canada Life Assurance (Ireland) Ltd.,
Maple House, Temple Road, Blackrock, Co Dublin.
Tel: (01) 210 2001
Fax: (01) 210 2020
Email: customerservices@canadalife.ie
Website: www.canadalife.ie

Custom House Capital Ltd.,
9 Merrion Square, Dublin 2.
Tel: (01) 632 5180
Fax: (01) 678 8460
Email: info@chcam.ie
Website: www.chcam.ie or www.arf.ie

Eagle Star Life Assurance Company of Irl. Ltd.,
Eagle Star House, Frascati House, Blackrock, Co Dublin.
Tel: (01) 283 1301
Fax: (01) 283 1578
Email: customerservices@eaglestarlife.ie
Website: www.eaglestarlife.ie

EBS Building Society,
2 Burlington Road, Dublin 4.
Tel: (01) 665 8027
Fax: (01) 665 9050
Email: info@ebs.ie
Website: www.ebs.ie

Friends First Life Assurance Company Ltd.,
Friends First House,
Cherrywood Business Park, Loughlinstown,
Dublin 18
Tel: (01) 661 0600
Fax: (01) 661 6651
Email: info@friendsfirst.ie
Website: www.friendsfirst.ie

Hibernian Life and Pensions Ltd.,
One Park Place, Hatch Street, Dublin 2
Tel: (01) 898 7000
Email: marketing@hibernian.ie
Website: www.hibernian.ie

Irish Life Assurance plc.,
Irish Life Centre, Lower Abbey Street, Dublin 1.
Tel: (01) 704 1250
Fax: (01) 704 1900
Email: customerservice@irishlife.ie
Website: www.irishlife.ie or www.myprsa.ie

New Ireland Assurance Company plc., (Bank of Ireland Life),
11-12 Dawson Street, Dublin 2.
Tel: (01) 617 2000; (Tel: 1850 309 309)
Fax: (01) 617 2800
Email: info@newireland.ie
Website: www.newireland.ie

The Standard Life Assurance Company,
90 St. Stephen's Green, Dublin 2.
Tel: (01) 639 7587
Fax: (01) 639 7909
Email: custserv@standardlife.ie
Website: www.standardlife.ie

Other useful contacts

The Pensions Board,
Verschoyle House, 28/30 Lower Mount Street, Dublin 2.
Tel: (01) 613 1900
Fax: (01) 631 8602
Website: www.pensionsboard.ie
Email: info@pensionsboard.ie

Office of the Pensions Ombudsman,
36 Upper Mount Street, Dublin 2.
Tel: (01) 647 1650
Fax: (01) 676 9577
Website: www.pensionsombudsman.ie
E-mail: info@pensionsombudsman.ie

Financial Regulator,
PO Box 9138, College Green, Dublin 2.
LoCall: 1890 777 777
Website: www.financialregulator.ie
E-mail: consumerinfo@FinancialRegulator.ie

Financial Services (Pensions) Business
Office of the Revenue Commissioners,
Grattan House, 4th Floor, Lower Mount Street, Dublin 2.
Tel: (01) 647 4022
Website: www.revenue.ie
E-mail: www.lcdretirebens@revenue.ie
For information on taxation relating to pensions.

Consumers' Association of Ireland,
44 Chelmsford Road, Ranelagh, Dublin 6.
Tel: (01) 497 8600
Website: www.thecai.ie
E-mail: cai@consumerassociation.ie

Department of Social and Family Affairs,
Pension Services Office, College Road, Sligo.
LoCall: 1890 500 000
Tel: (071) 916 9800
Website: www.welfare.ie
For information on entitlements to State pension benefits.

12. Glossary of Terms

Additional Voluntary Contributions (AVCs): voluntary pension contributions made by a member of a pension scheme over and above the amount of contributions (if any) that are required under the rules of the scheme.

Annuity: guaranteed income for life normally purchased at retirement in return for a lump sum payment (total contributions and investment income).

Defined Benefit Scheme: where the amount of a pension benefit is specified by formulae in the rules of the pension scheme (usually, years of service and percentage of salary).

Defined Contribution Scheme: where the amount of a pension benefit depends on the accumulated value of contributions paid to a pension scheme and the investment returns earned on those contributions.

Default Investment Strategy: an automatic investment strategy that is linked to general good practice for investment for retirement and is certified by a PRSA actuary. The *Default Investment Strategy* provides for investment in *pooled funds*.

Net Relevant Earnings: broadly defined as earnings from a trade or professional employment, less certain allowable expenses.

Occupational Pension Scheme: a pension scheme set up by an employer to provide retirement and/or other benefits for employees. This term is used interchangeably with “company pension scheme”.

PRSI: a shortened name for Pay Related Social Insurance, under which individuals who earn an income pay related contributions to the Social Insurance Fund and in return are covered for certain scheme insurance benefits, e.g. State Pension (Contributory).

Pooled Funds: a collective investment scheme where investors' money is pooled to buy a portfolio of assets including Government bonds, deposits, property, and stocks. The fund's asset allocation is the proportion of the fund invested in each different asset category or an internal linked fund, the benefit of which is made available by means of a contract of insurance of an insurance company authorised to operate in the State.

Temporary cash holdings: short-term deposits which provide a secure income.

Appendix 1
PRELIMINARY DISCLOSURE CERTIFICATE FOR A STANDARD PRSA

1. The certificate shall contain the following information:

(a) Benefits

Under this heading, include a brief description of the benefits provided by the Standard PRSA and the manner in which those benefits may be taken by the contributor.

(b) Investment Strategy

Under this heading, describe the *Default Investment Strategy* and any other investment strategy applicable to the Standard PRSA.

(c) Tax

Under this heading include information in relation to the tax issues relevant to the Standard PRSA including tax relief available on contributions and the extent of such tax reliefs, the tax treatment of income and gains earned under the PRSA contract and the tax treatment of benefits taken from the PRSA.

(d) Risk Factors

Under this heading, give a brief description of the factors which may have an adverse effect on performance or are otherwise material to the decision to invest, including investment risks, the restriction on taking benefits early and the consequences of not paying contributions.

2. The Projected Level of Benefits

Subject to paragraph 3, the certificate shall contain the following information and table duly completed in the following form:

The benefits that will emerge from your Standard PRSA will depend, in particular, on the level of your contributions, how long you pay those contributions and the investment return achieved.

The table below illustrates the retirement income for life payable monthly from age 65 projected to be obtained from contributions of different amounts starting from different ages. This retirement income has been adjusted for inflation so that the amounts are shown in terms of current prices.

TABLE OF BENEFIT

Amount of contribution paid per month	*Retirement income payable for life from age 65 of contributions start from age:*				
	20	30	40	50	60
€50	€ per month	€ per month	€ per month	€ per month	€ per month
€100	€ per month	€ per month	€ per month	€ per month	€ per month
€200	€ per month	€ per month	€ per month	€ per month	€ per month
€400	€ per month	€ per month	€ per month	€ per month	€ per month

This table shows that if contributions of €100 per month are made for 35 years from age 30 to 65, then the retirement income payable for life from age 65 is projected to be € per month.

IMPORTANT

THESE ILLUSTRATIONS ASSUME AN INVESTMENT RETURN BEFORE RETIREMENT OF (RATE)% PER ANNUM AND INFLATION OF (RATE)% PER ANNUM. THESE RATES ARE FOR ILLUSTRATION PURPOSES ONLY AND ARE NOT GUARANTEED.

ACTUAL INVESTMENT GROWTH WILL DEPEND ON THE PERFORMANCE OF THE UNDERLYING INVESTMENTS AND MAY BE MORE OR LESS THAN ILLUSTRATED."

3. [The information in paragraph 2 is specified for a Standard PRSA and may differ for a non-Standard PRSA.]

4. Warnings

The certificate shall contain the following warning notices:

"WARNINGS

It is important to make adequate provision for your retirement. At the date of this Certificate the State (Contributory) Pension payable under the Social Welfare (Consolidation) Act 2005 to a single person who is qualified to receive the maximum rate amounts to €___________ and equates to [___%] [ ] percentage of the latest yearly figure for gross average earnings as published by the Central Statistics Office for all industrial workers in all industries.

The value of your assets, and accordingly, the level of your benefits will depend upon the value of the underlying investments of the Standard PRSA and the income which they earn. These values are not guaranteed, and may fall from time to time, as well as rise.

This Standard PRSA is intended to provide benefits over the duration of your life from retirement and it should be viewed as a long term investment."

5. Information on Charges

(a) In this section of the certificate, the PRSA provider shall describe in detail the charges levied under the Standard PRSA contract and include information on how those charges will operate and how they may change over time.

(b) The certificate, in this section, shall also state as follows: "The maximum permitted level of charges on a Standard PRSA such as this is limited by law to 5% of each contribution **and** 1% per annum of the assets in the Account."

6. Cooling-Off Period

Under this heading, the certificate shall contain, in a prominent position, the following words:

"This contract is not enforceable until a period of 30 days has elapsed from the date on which you are given a Statement of Reasonable Projection and you may cancel this contract at any time during that period."

7. Certificate

The Preliminary Disclosure Certificate shall contain the following words at the end of the certificate:

"This Preliminary Disclosure Certificate has been prepared under the provisions of section 111 of the Pensions Act, 1990 for disclosure in connection with this Standard PRSA on the [date]:

Signed: ____

(Name of Director)

____

(Name of Provider and address of registered office)

Date: ____ "

Appendix 2
STATEMENT OF REASONABLE PROJECTION FOR A PRSA

1. A Statement of Reasonable Projection shall contain the following information in the following form:

"(a) (i) Name of Contributor: ______________________________

(ii) Date of Birth: ____________________________________

(iii) Sex: ____

(b) Name of PRSA: ______________________________________

(c) Name of PRSA Provider: ______________________________

(d) Date of signature of PRSA contract: ____________________

(e) Projected retirement date of contributor: _________________

(f) Value of your PRSA assets as at date of statement: _________

(g) The level of benefits to be reasonably expected:

(i) The value of your PRSA assets as shown above if no further contributions are made could be expected under current circumstances to produce an income for life commencing at age [65] of [€] per month in terms of current prices.

(ii) The value of your PRSA assets as shown above, together with future contributions which it is assumed you will pay will produce the following benefit:

Year	€ Total amount of contributions paid in the future into the PRSA contract up to the relevant date	€ Projected investment growth to date	€ Projected PRSA contract value if no account is taken of applicable charges to date	€ Projected PRSA contract value if account is taken of applicable charges to date
1				
2				
3				
4				
5				
10				
15				
20				
Maturity				

Note: *The projections shown above make no allowance for the effect of inflation which will reduce the value of the projected benefits. The projected maturity value of [€___] shown in the table is worth [€___] in terms of CURRENT PRICES. This maturity value could purchase a retirement income for the rest of your life starting from that date of [€___] per month in terms of current prices.*

IMPORTANT

THESE ILLUSTRATIONS ASSUME AN INVESTMENT RETURN BEFORE RETIREMENT OF (RATE)% PER ANNUM AND INFLATION OF (RATE)% PER ANNUM. THESE RATES ARE FOR ILLUSTRATION PURPOSES ONLY AND ARE NOT GUARANTEED.

ACTUAL INVESTMENT GROWTH WILL DEPEND ON THE PERFORMANCE OF THE UNDERLYING INVESTMENTS AND MAY BE MORE OR LESS THAN ILLUSTRATED."

2. The table set out at paragraph 1(g) shall be in annual steps for the first five years and every five years subsequently. The year of maturity shall be shown in a separate line.

3. Information on Charges

In the statement, the PRSA provider shall describe in detail the charges levied under the PRSA contract and include information on how those charges will operate and how they may change over time.

4. Warnings

(a) The statement shall contain the following warning notices:

“WARNINGS

The value of your assets and accordingly, the level of your benefits will depend upon the value of the underlying investments of the PRSA and the income which they earn. These values are not guaranteed, and may fall from time to time, as well as rise.

It is important to make adequate provision for retirement. This PRSA is intended to provide benefits over the duration of your life from retirement and it should be viewed as a long term investment.”

(b) The statement for a PRSA other than a Standard PRSA shall contain the following additional warning notice:-

“It is recommended that you seek professional financial advice about the nature of this PRSA contract.”

5. Social Welfare Pension

The statement shall contain the following paragraph completed appropriately:

"At the date of this Statement the State (Contributory) Pension payable under the Social Welfare (Consolidation) Act 2005 to a single person who is qualified to receive the maximum rate amounts to €_________ and equates to [___%] [ ] percentage of the latest yearly figure for gross average earnings as published by the Central Statistics Office for all industrial workers in all industries."

6. Certificate

The Statement of Reasonable Projection shall contain the following words at the end of the statement:

"This Statement of Reasonable Projection has been prepared under the provisions of sections 112 and 116 of the Pensions Act, 1990 on the [date]:

Signed: ____

(Name of Director)

____

(Name of Provider and address of registered office)

Date: ____ "

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