

# What are my pension options?

## A guide on pension provision and the types of pension plans you can use to save for your retirement

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## 1. Introduction

The Pensions Authority is the statutory body that supervises compliance with the requirements of the **Pensions Act** by trustees of **occupational pension schemes** and trust **retirement annuity contracts (RACs)**, **personal retirement savings account (PRSA)** providers, registered administrators, employers, key function holders and any other parties subject to the requirements of the **Pensions Act**. The Pensions Authority also provides guidance on the operation of the **Pensions Act** and advises the Minister for Social Protection in relation to the **Pensions Act** and on pension matters generally.

This guide sets out an overview of the various pension arrangements that are available in Ireland and are additional to the State pension. It also sets out in general terms what pension options might suit particular circumstances and requirements.

In this guide you will see certain terms in bold print. These are words or expressions commonly used in relation to pensions or which have a specific definition under the **Pensions Act**. You will find an explanation of any of these terms in the glossary of terms at the end of this guide.

### Why do I need a pension?

Saving for retirement is important. People are living longer and leading more active lives in retirement. As a result, it is more important than ever for you to think about where your income will come from when you retire.

When planning for retirement you will need to decide whether this is enough to live on in retirement, and if not, where your additional income will come from. Most people's pensions come from one or more of the following sources:

- State pension,
- an **occupational pension scheme**,
- a **personal pension plan** in the form of a **personal retirement savings account (PRSA)** or a **retirement annuity contract (RAC)**.

Your State pension will provide you with a basic level of retirement income, provided you qualify.

It is important for you to take control of your retirement planning and make decisions regarding your pension. It is often not appreciated that membership of a pension scheme can be an extremely valuable asset. For example, if you were to buy a pension from an insurance company at retirement of €10,000 per year, you could need a

pension fund of €200,000 or more. So, if your employer sponsors a pension scheme, it may be very worthwhile to become a member. And the sooner you start saving for your retirement the better.

## What options do I have?

The three options that you may be able to use to save for retirement and which are covered in this guide are:

- **occupational pension schemes,**
- **personal retirement savings accounts (PRSAs),** and
- **retirement annuity contracts (RACs).**

## What are occupational pension schemes?

Also known as ‘company pension plans’, these are set up for employees to provide either or both of the following benefits:

- retirement benefits for **members,**
- death benefits for the **dependant(s)** of **members**

You should check and see if your employer offers such a scheme and whether you are eligible to join.

## What are personal retirement savings accounts (PRSAs) and retirement annuity contracts (RACs)?

These are **personal pension plans**, normally paid for by personal contributions, although employers can pay contributions to these plans. These can be obtained from financial services companies such as insurance companies and banks, and through **financial advisers**. These plans also provide a tax-free lump sum, within certain limits, and a pension or other benefits at retirement.

## What should I consider?

Both **occupational pension schemes** and **personal pension plans** can provide benefits on death before retirement and death in retirement.

All three types of plans are generally tax approved by Revenue. The advantages of approval are:

- you will receive tax relief on your own contributions,
- you are not taxable on your employer's contributions if any (effectively this is tax-free pay), although for **RACs** you may be liable for the Universal Social Charge (USC) and/or PRSI on any contributions your employer pays,
- your investments roll up tax-free, and
- the lump sum you can take at retirement is also tax-free up to certain limits.

Revenue place limits on the relief available on contributions and on benefits. These limits are, however, more than enough for most people to enjoy a reasonable level of pension. Taking your own circumstances into account, the key decisions you need to make are:

- What type of pension plan can I use?
- What type of pension plan would be most suitable?
- How much should I save?

This guide sets out details of the types of pension plans available and who can avail of them.

If you are an employee and you do not have access to an **occupational pension scheme**, or if you wish to enhance your benefits, then the earlier you start to save for your retirement the better.

You should note that if your employer does not provide access to an employer sponsored pension arrangement within six months of joining service, then you must be provided with access to a standard **PRSA**. That is, your employer must provide a payroll deduction facility to at least one chosen standard **PRSA** provider.

Ultimately you are responsible for your own retirement planning, and it is up to you to sow the seeds today that will bear the fruits of a comfortable retirement in later years.

## 2. Occupational pension schemes

### Who provides occupational pension schemes?

**Occupational pension schemes**, or ‘company pension schemes’ as they are sometimes known, are set up by employers to provide retirement and death benefits for their employees. There is no legal obligation on an employer to set up an **occupational pension scheme**. These schemes are normally set up either under trust or on a statutory basis. Statutory plans are set up by legislation and provide benefits for employees in the public sector or semi-state bodies.

If you work in the public service, you may receive a pension from the State under the relevant **occupational pension scheme** when you retire.

### What are the main types of occupational pension scheme?

There are two main types of **occupational pension scheme**:

- **defined benefit (DB) schemes**, and
- **defined contribution (DC) schemes**.

**DB schemes** provide a set level of pension at retirement, the amount of which normally depends on your service and your earnings at retirement or during your career.

A significant number of **DB schemes** make an allowance for the State pension when providing a pension from the scheme. This is known as ‘integration’ in the private sector and ‘coordination’ in the public sector. Typically, this is achieved by using an offset from salary in respect of the State pension.

Many plans that aim to provide 2/3rds of a member’s basic salary after 40 years’ pensionable service calculate the pension entitlement on the member’s basic salary less 1½ times the State pension. See the guide ‘How does my pension scheme work?’ which is available [here](#).

**DC schemes** where your own contributions and your employer’s contributions are both invested, and the proceeds used to buy a pension or other benefits at retirement. The level of your pension will depend on the amount invested, the return on your investments and the cost of your pension at retirement.



## How do I join an occupational pension scheme?

If you have not been provided with any information, you should ask your employer if there is an **occupational pension scheme**, what type of scheme it is, and whether you can join.

Each **occupational pension scheme** has eligibility rules. These rules set out who can join the scheme, when they can join and the benefits available to them. Some employers make it a condition of employment that employees must join the scheme when eligible.

Many **occupational pension schemes** automatically include employees for a lump sum death in service benefit immediately on joining employment (even if the employee cannot join the scheme for pension benefits or can only join for pension benefits at a later date).

## What contributions am I required to pay to an occupational pension scheme?

Members are often asked to contribute towards the cost of an **occupational pension scheme**. Contributions tend to be set as a percentage of salary. If you join the scheme, you will be required to pay the level of contribution set out in the scheme rules.

## What contributions does my employer pay?

In a **DC scheme**, the employer's contribution is set out in the scheme rules. In a **DB scheme**, the employer normally pays contributions at the level needed to fund the benefits promised.

## Can I make additional voluntary contributions (AVCs)?

**Additional voluntary contributions (AVCs)** are contributions that you can make in addition to your normal contributions to increase your retirement benefits. **AVCs** are only permitted if the rules of the particular scheme permit **AVCs** to be made. If the rules do not permit **AVCs** to be made, then a standard **PRSA** must be offered by your employer for the purpose of making **AVCs**.

Civil and public servants can make additional contributions to purchase additional years of service or purchase retirement benefits under their public sector scheme.

## How are my contributions invested?

If you are a member of a **DC scheme** or you are making **AVCs**, you may be provided with a range of investment options. Your contributions and any contributions made by your employer on your behalf are normally invested according to your investment instructions. You should carefully review the information provided on any investment option offered before making any decisions. It is important that you periodically review any investment decisions taken, especially in the years running up to retirement as you may wish to protect any investment gains made.

See the guide ‘How does my pension scheme work?’, available [here](#), for further information on what must be disclosed to you when investment options are offered.

In a **DB scheme**, your normal contributions are invested by the trustees alongside the employer’s contributions in the main fund of the scheme.

Information on the investment policy chosen by the trustees of your scheme can be found in the statement of investment policy principles which you are entitled to view on request.

## When and how can I receive benefits?

### Normal retirement

**Occupational pension schemes** provide benefits at the scheme’s normal retirement age, which is generally between 60 and 70.

In the case of a **DB scheme**, your pension will typically be calculated based on your service with your employer and pensionable salary and will usually be reduced by the pension equivalent of any retirement lump sum paid to you. In the case of a **DC scheme**, your benefits will depend on the amount invested, the return on your investments and the cost of your pension at retirement.

If you work in the private sector your options at retirement will normally consist of:

- a pension, or
- a tax-free lump sum and a reduced pension.

If you work in the public sector, your scheme will normally provide a fixed level of pension and an additional tax-free lump sum.

Depending on the rules of any particular scheme, your pension may or may not increase in payment.

A **DB scheme** member with **AVCs** may, if the rules of the scheme permit, use their **AVCs** to provide:

- all or part of the lump sum, or
- additional pension, or
- a payment to an **approved retirement fund (ARF)**, or a taxable lump sum (see section 5).

A **DB scheme** member may also use any benefits that have been transferred to a buy-out bond to provide a payment to an **ARF**.

A company director who controls more than 5% of the voting rights in their company, and all members of **DC schemes** may use the **ARF** or taxable lump sum options as a vehicle for all retirement benefits arising from the scheme (see section 5).

### **Early retirement**

Most **occupational pension schemes** in the private sector permit members to retire early with the employer's and/or trustees' consent generally from age 50 onwards or within 10 years of normal retirement age. Many schemes allow members to retire due to ill-health at any age.

In a **DB scheme**, early retirement benefits are normally lower than they would be if they started to be paid at normal retirement age, to allow for the additional cost of paying benefits early and, hence, for a longer period. In a **DC scheme**, the fund available to provide your benefits would be lower on early retirement (as fewer contributions would have been paid and those paid would have been invested for a shorter period). In addition, the cost of buying your pension would be more expensive than that at a later age, as it would be payable from a younger age, hence, for a longer period of time.

### **Death in service**

**Occupational pension schemes** typically provide benefits should you die in employment. The precise form of these benefits will depend on the rules of any particular scheme. These benefits may, however, include one or all of the following:

- a lump sum, often a multiple of your salary,
- a refund of your contributions, including any **AVCs**,

- a spouse's/civil partner's pension,
- a child's or orphan's pension, normally ceasing at age 18 (later if in full-time education) and maybe limited to a specified maximum number of children.

## Death in retirement

It is not unusual for a **DB scheme** to provide some form of benefit in the event of your death in retirement. The types of benefit provided on death in retirement include:

- spouse's/civil partner's or dependant's pension, usually expressed as a percentage of your pension or salary,
- a guaranteed minimum payment period, typically five years which ensures that your pension will be paid for a minimum period even if you die shortly after your retirement.

The actual benefits payable depends on the rules of each **DB** scheme.

In the case of a **DC scheme**, the benefit available on death in retirement will depend on decisions you made at retirement in relation to the options available to provide for your dependants.

## Ill-health

Your employer's pension plan may provide a benefit in the event that you are unable to work due to a serious illness.

## Leaving the employer before retirement

Membership of an **occupational pension scheme** ceases when you leave that employment. If you have more than two years' **qualifying service**, which normally means two years in the scheme as a member for pension purposes, you will be able to:

- leave your benefit in the scheme until you retire (known as a 'deferred benefit' or '**preserved benefit**'), or
- move or transfer the value of your pension benefits to another pension arrangement.

If you leave a **DB scheme** your **preserved benefit** is not frozen, it is revalued on an annual basis until your retirement. The amount it is revalued by depends on the annual

increase or decrease in the Consumer Price Index (CPI), subject to a maximum increase of 4%. In a **DC scheme**, your **preserved benefit** continues to be invested and benefits from future investment returns.

You may be obliged, if you have less than two years' **qualifying service** when you leave service to take a refund of the value of your own contributions less tax at the basic rate. Some schemes may permit you to leave your contributions in the plan, even though they are not required to do so by law. **AVCs** are treated in the same way as main scheme benefits.

### **Portability**

If you leave an **occupational pension scheme** with a **preserved benefit** you are entitled to move the value of your benefit to:

- your new employer's pension scheme,
- a **PRSA**,
- a buy-out bond, which is a life assurance policy designed to receive transfer payments from **occupational pension schemes**, or
- an overseas pension plan in certain circumstances.

In a **DC scheme**, the value paid will be the accumulated value of contributions paid to the scheme by you or on your behalf, including **AVCs** or any amount transferred from another scheme.

In a **DB scheme**, a value is placed on the benefit payable from the **occupational pension scheme** using a standard basis of calculations. The trustees of the pension scheme may reduce your transfer payment on the advice of the actuary if the scheme does not meet the funding standard under the Pensions Act.

### 3. Retirement annuity contracts (RACs)

A **retirement annuity contract (RAC)** is the formal name for what is commonly called a personal pension and is a particular type of insurance contract approved by Revenue.

It is a **defined contribution** pension plan. The value of the ultimate benefits payable from the contract depends on the level of contributions paid, the investment return achieved and the cost of buying the benefits.

#### Who can take out an RAC?

You can take out an **RAC** if you have, or have had at some stage, relevant earnings. Broadly, relevant earnings are earnings from:

- non-pensionable employment, i.e., earnings from a job that are not being pensioned in an **occupational pension scheme**, or
- a self-employed trade or profession, i.e., assessable under Case I or Case II of Schedule D, for example, the income of doctors, solicitors, farmers.

It is important to note that:

- if you are included in an **occupational pension scheme** only for a lump sum death in service benefit you are deemed to be in non-pensionable employment and to have relevant earnings for the purposes of an **RAC**,
- if you have more than one source of earnings you can contribute to an **RAC** in respect of any source of income that is not pensioned in an **occupational pension scheme**. For example, if you have a full-time job that is being pensioned by your employer and a part-time job you can take out an **RAC** in respect of your earnings from the part-time job,
- you can contribute to more than one **RAC** in any one tax year,
- you can contribute to an **RAC** and a **PRSA** in any one tax year,
- individuals who do not have taxable earnings cannot take out an **RAC** but may take out a **PRSA**.

Self-employed individuals who are members of an association or group representing the majority of members of a particular occupation may be able to join a group **RAC** plan set up under trust for that association or group. This is called a trust RAC. The same limits and restrictions apply as for individual contracts.

## Who can contribute to an RAC?

Normally it is the individual who takes out the **RAC** who contributes to the policy. Often this is by direct debit to the insurance company concerned. Each insurance company sets a minimum contribution, and you need to contribute at least that amount to take out an **RAC**.

## How are my contributions invested?

When you take out an **RAC** you will have a range of investment options. You should review the information provided on these options carefully before making any decisions. It is important that you periodically review any investment decision taken, especially in the years running up to retirement as you may wish to protect any investment gains made.

## When and how can I receive benefits?

### Retirement

You can take a benefit from an **RAC** as follows:

- at any time after age 60 but before age 75, or
- at any time in the event of serious ill-health.

You do not need to retire to draw a benefit. In the case of retirement due to serious ill-health, you will be deemed to be permanently unable to work.

There are a relatively small number of professions where Revenue will permit retirement before age 60, such as certain sports people.

On retirement you can choose to take up to 25% of your retirement fund as a tax-free lump sum, within certain limits. The balance of the fund can be used to purchase an **annuity** (a pension). This **annuity** must be payable for the individual's life and could also include:

- a guarantee period of up to 10 years,
- dependants' pensions, subject in total to a maximum of the individual's pension,
- pension increases.

For **RACs** taken out after 6 April 1999, or for earlier contracts where the insurance company agrees, there are now two options at retirement in addition to purchasing an **annuity**. These are:

- transferring the balance of the retirement fund after any tax-free lump sum has been taken to an **ARF** (see section 5), or
- taking the balance of the retirement fund after any tax-free lump sum as a taxable lump sum (see section 5).

### **Ill-health**

It is possible in some circumstances to draw a benefit early from an **RAC** in the event of serious illness. The benefit payable is often greatly reduced as contributions have been paid for a shorter time and the cost of buying a pension at a younger age is much higher than the cost at normal retirement age.

You may wish to consider taking out some form of disability insurance to ensure an income is available in the event of disability, as the **RAC** may provide no benefit or a benefit that would be insufficient in this event.

### **Death before retirement**

Should you die before you have taken a benefit from your **RAC**, then the value of your retirement fund is payable to your estate. If you die within a few years of your **RAC** commencing the fund payable may be relatively small, due to the limited time over which contributions have been paid.

To provide a higher death benefit you may wish to take out additional life assurance. This can form part of your **RAC**.

### **Portability**

All **RACs** taken out after 6 April 1999, or earlier contracts where the insurance company agrees, can be transferred to another **RAC**. This transfer value can also be paid to a **PRSA**, by mutual agreement between you and the insurance company concerned.



## 4. Personal retirement savings accounts (PRSAs)

A **personal retirement savings account (PRSA)** is a contract between an individual and an authorised **PRSA** provider. There are two types of **PRSA** contract:

- standard **PRSA** which is a contract that has a maximum charge of 5% on the contributions paid and 1% per year on the **PRSA** funds under management. Investments are only allowed in **pooled funds** which include unit trusts and life company unit funds, and
- non-Standard **PRSA** which is a contract that does not have maximum limits on charges and/or allows investments in funds other than **pooled funds**.

Charges may not be expressed as flat amounts and can only be charged as a percentage of contributions and/or fund value. Charges cannot be applied to transfers to or from **PRSAs**. This is very important as it ensures that charges are not excessive compared to the level of contributions.

For further information see the guide ‘Personal retirement savings accounts (PRSAs) – A consumer and employer’s guide to PRSAs’, available [here](#).

### Who can take out a PRSA?

Employees, the self-employed, homemakers, carers and the unemployed – in fact, every adult can take out a **PRSA**. The relevant legislation does not state a minimum age, however, in practice, this may be imposed by contract law. Importantly, unlike **RACs**, there is no requirement to have taxable earnings to pay contributions. The law that introduced **PRSAs** gives all ‘excluded employees’ the right to contribute via payroll to a standard **PRSA** set up by their employer. In summary ‘excluded employees’ are:

- employees who are not offered membership of an **occupational pension scheme**, or
- employees who are included in an **occupational pension scheme** for death in service benefits only, or
- employees who are ineligible to join an **occupational pension scheme** and who will not, under the rules, become eligible to join the scheme for pension benefits within six months from the date they commenced employment, or
- employees who do not have access to **AVCs** through their **occupational pension scheme**.

## Who can contribute to a PRSA?

Contributions may be paid to a **PRSA** by both an individual and by an employer; however, an employer does not have to contribute.

Where you have more than one source of income you may take out a **PRSA** in respect of a source of income from self-employment or non-pensionable employment while being a member of an **occupational pension scheme**. If you have only one source of income and are a member of an **occupational pension scheme**, you may pay **AVCs** either within the **occupational pension scheme** or to a **PRSA**.

## How are my contributions invested?

When you take out a **PRSA** you will have a range of investment options. All **PRSAs** must have a **default investment strategy**. This is an investment option that is based on general good investment practice that invests in funds expected to meet a typical contributor's retirement savings expectations.

Like most investment options there is a level of risk associated with the investments. You should carefully review the information provided on these options before making any decisions. It is important that you periodically review any investment decision taken, especially in the years running up to retirement as you may wish to protect any investment gains made.

## When and how can I receive benefits?

### Retirement

You can normally take a benefit from a **PRSA** from age 60. In certain circumstances you can take your benefits before then such as:

- on retirement from employment at age 50 or over, or
- at any time in the event of serious ill-health.

In the case of retirement due to serious ill-health you must be deemed to be permanently unable to work.

On retirement, you can choose to take up to 25% of your fund as a tax-free lump sum from a **PRSA**, within certain limits. The balance of the fund can be used to:

- purchase an **annuity** (a pension). This **annuity** must be payable for your lifetime and can include a guarantee period of up to 10 years, dependants'

pensions (subject to a maximum of the individual's pension) and/or pension increases, or

- transfer to an **ARF**, or pay you a taxable lump sum, (see Section 5), or
- take benefits from the **PRSA** and continue to make further contributions.

If you are a member of an **occupational pension scheme** and make **AVCs** to a **PRSA**, then your benefits will be subject to the rules of the scheme and the Revenue limits applying to **occupational pension schemes**.

### **Ill-health**

It is possible in some circumstances to draw a benefit from a **PRSA** in the event of serious illness. The benefit payable is often greatly reduced as contributions have been paid for a short time and the cost of buying a pension at a younger age is much higher than at normal retirement age.

You may wish to consider taking out some form of disability insurance to ensure that an income is available in the event of disability, as the **PRSA** may provide no benefit or a benefit which would be insufficient in this event.

### **Death before retirement**

Should you die before you have taken a benefit from your **PRSA**, then the value of your retirement fund is payable to your estate. If you die within a few years of taking out your **PRSA**, the fund payable may be relatively small due to the limited time over which contributions have been paid. To provide a higher death benefit you may wish to take out additional life assurance. This cannot be included in your **PRSA** and must be under a separate contract.

### **Portability**

The value of your **PRSA** can be transferred to:

- another **PRSA**,
- an **occupational pension scheme**, or
- an overseas pension plan in certain circumstances.

Your **PRSA** provider cannot charge you for transferring the value of your fund.

## 5. Retirement benefit options

At retirement you will normally have a number of options available to you.

These may include:

- taking a tax-free lump sum, subject to limits set by Revenue,
- receiving a pension from the scheme (or purchasing an **annuity** in the case of **DC scheme** members),
- transferring some or all of your retirement savings to an **ARF**,
- taking a taxable lump sum, and
- providing for dependants

### Tax-free lump sum

All pension plans allow you to take a tax-free lump sum within certain limits. With an **RAC** or **PRSA** the maximum you can take tax-free is 25% of your fund. With an **occupational pension scheme**, at normal retirement age, you can take up to 1½ times your final earnings (if you have at least 20 years' service) or 25% of the fund as a tax-free lump sum. Lower tax-free amounts are available if you retire early, have less than 20 years' service or have retained benefits from a previous scheme.

### Pension

If you have an **RAC**, **PRSA** or are a member of a company **DC scheme**, the amount of your pension will depend on the amount of your retirement fund left after you have taken any lump sum and the cost of buying a pension at the time of your retirement.

If you are in a company **DB scheme**, then your pension will typically be based on your service and earnings but will usually be reduced by the pension equivalent of any lump sum received. If you are in a public sector plan you may receive a tax-free lump sum in addition to your pension.

### ARF or taxable lump sum

An **ARF** is a post-retirement investment fund into which you can transfer all or part of the balance of your retirement funds after you receive your tax-free lump sum. The **ARF** option is available to you if:

- you are a member of a **DC scheme**,
- you hold a **PRSA**,
- you hold a **RAC** set up after 6 April 1999, or before this date if the insurance company permits these options,
- you are a member of a trust **RAC**,
- you are a member of a **DB scheme** who meets the proprietary (5%) director test; otherwise, the **ARF** option is only available in relation to **AVCs**, or
- you hold a buy-out bond/personal retirement bond, the funds of which originate from a transfer from a **DB scheme** or a **DC scheme**.

Money transferred to an **ARF** is invested with a qualifying fund manager in any manner you choose. **ARF** funds accumulate tax free, i.e., tax is not charged on investment gains. However, like pensions, any withdrawal you make from your **ARF** is subject to income tax at your marginal rate, USC and PRSI (if applicable). You can draw down your **ARF** funds in a flexible manner. You can make regular and/or ad hoc withdrawals. A minimum withdrawal is assumed for tax purposes even if no withdrawal is made in any given year, i.e., you must pay income tax, USC and PRSI (if applicable) on a minimum specified percentage of your fund, known as the 'imputed distribution', each year.

For further information, contact your **ARF** provider or refer to the Revenue Pensions Manual available on [www.revenue.ie](http://www.revenue.ie).

You could opt to receive a one-off taxable lump sum instead of transferring your retirement funds to an **ARF**. However, it is important that you fully understand the tax implications if you are considering the one-off taxable lump sum option.

You should consider taking advice when considering your retirement options.

## 6. Pension tax reliefs

**Occupational pension schemes** are generally tax approved by Revenue. The advantages of approval are:

- you will receive tax relief on your own contributions,
- you are not taxed on your employer's contributions, if any (effectively this is tax-free pay),
- investments held within a pension scheme roll up tax-free, and
- the lump sum you can take at retirement is also tax free up to certain limits.

Tax relief on contributions is given at your marginal (highest) tax rate, but there is no relief in respect of PRSI and the USC.

You can get more information on the pension tax rules from the [Revenue Pensions Manual](#).

### What about additional voluntary contributions (AVCs)?

Employees in **occupational pension schemes** may pay **AVCs**. The normal limits set by Revenue for tax relief purposes apply to the total employee contribution. Any normal contributions an employee pays to an **occupational pension scheme** need to be taken into account when determining the amount of **AVCs** eligible for tax relief.

### How does tax relief work?

When an employer deducts qualifying pension contributions from employees, the net-pay arrangement will apply. This means that income tax will be calculated on employees' wages or salaries net of pension contributions.

Further information on pension tax reliefs can be found in the [Revenue Pensions Manual](#).

## **Is there a limit on the benefits payable from an occupational pension scheme?**

All benefits paid from **occupational pension schemes** are subject to maximum limits set by Revenue or by the relevant Statute.

Further information can be found in the [Revenue Pensions Manual](#).

## **Is there a maximum amount of pension fund that can be built up?**

There is a maximum lifetime limit on the amount of retirement benefits a person can build up from all sources (except State pensions). The limit is called the 'Standard Fund Threshold (SFT).

Further details about the SFT can be found in the [Revenue Pensions Manual](#).

## **What tax is payable on lump sums?**

Information on the taxation of retirement lump sums can be found in the [Revenue Pensions Manual](#).

## 7. Is my benefit adequate?

To plan for retirement, you will need to consider where your income will come from in retirement. You will also need to decide what level of income you will need in retirement. It is important to note that many people have unrealistic expectations as to the level of pension they will receive in retirement.

Potentially your income could come from the State pension, your **occupational pension scheme**, if you are in such a plan, your **PRSA** or **RAC** if you have them, and any other non-pension-based sources of income you may have.

### Where can I find out about my pension?

You can find out the likely level of pension you may receive from your **occupational pension scheme** by asking the trustees or administrator for a statement. See the guide 'How does my pension scheme work?' available [here](#), for further information on what must be disclosed to members of **occupational pension schemes**. Equally, you can ask your **RAC** provider for a statement. Your **PRSA** provider must provide you with such a statement.

You may, depending on your circumstances, be able to increase your normal contributions or **AVCs** to your existing pension plan or take out a new **PRSA** or **RAC**.

### DB schemes

A **DB scheme** provides a fixed level of pension, typically linked to a member's salary at retirement. If you are a member of such a scheme, then you should be able to get an idea as to the level of pension you will receive from that scheme at retirement.

### DC schemes

The benefits from a **DC scheme** depend on the level of your fund and the cost of buying your pension at the time you retire. The level of your fund at retirement will in turn depend on the level of contributions paid in and the investment return achieved on your retirement savings.

In projecting the future value of your fund at retirement your pension scheme administrator will have to make several economic assumptions regarding future investment returns, interest rates etc. It is important to note that any figures provided regarding your future benefit levels are only projections and you will only know the level of your retirement benefits shortly before you actually retire.



## 8. Equal pension treatment

Originally the Pensions Act applied only to equal treatment for men and women and prohibited discrimination in **occupational pension schemes** only on the grounds of gender. However, the Pensions Act has been amended to expand the grounds on which discrimination in an **occupational pension scheme** is prohibited in accordance with the principle of equal pension treatment.

### On what grounds could a scheme be found to be discriminatory?

Discriminatory grounds are:

- gender,
- civil status,
- family status,
- sexual orientation,
- religious belief,
- age,
- disability,
- race, and
- membership of the traveller community

An allegation of breach of the principle of equal pension treatment must be based on one of the nine discriminatory grounds.

### What are equal pension treatment requirements?

The principle of equal pension treatment is that there should be no discrimination on any of the discriminatory grounds in respect of any rule of a scheme. It applies in relation to rules governing such matters as:

- access to the scheme,
- contribution arrangements,
- entitlements to and calculation of benefits,
- retirement ages, and
- survivors' benefits.

However, it does not constitute a breach of equal pension treatment on the ground of age to fix ages for admission to the scheme or for entitlement to benefits under the scheme, including fixing different ages for employees or groups of categories of employees, provided that this does not result in discrimination on the gender ground.

## **How do I make a complaint on grounds of equal pension treatment?**

You may seek redress by referring your complaint to the Workplace Relations Commission.

Further details are set out in the guide 'A brief guide to equal pension treatment' available [here](#).

## 9. Part-time and fixed-term workers and pensions

### Part-time workers

The Protection of Employees (Part-Time Work) Act 2001 requires that part-time employees be treated no less favourably than their comparable full-time counterparts. This will mean that if an employer provides a pension scheme for its full-time workers, then access to the scheme must also be possible for comparable part-time workers, unless exclusion can be justified on objective grounds. An exception to this occurs if a part-time employee works less than 20% of the normal hours of the comparable employee. However, your employer's pension scheme may override this exception and treat all part-time employees in the same way as permanent employees

### Fixed-term workers

The purpose of the Protection of Employees (Fixed-Term Work) Act 2003 is to ensure that there is no discrimination between fixed-term workers and comparable permanent employees in respect of their conditions of employment. Conditions of employment include any pension benefits. A fixed-term worker must be granted the same access to an **occupational pension scheme** as a comparable permanent employee.

## 10. Re-entering the workforce

### What are the considerations if I re-enter the workforce in later years?

Many people who have given up work to raise a family re-enter the workforce in later years and join a pension scheme at that stage. Questions that arise in such cases are considered below.

There are two main considerations regarding re-joining the workforce in later years. Firstly, your period of service up to retirement age will be relatively short. This shorter period during which you earn retirement benefits may result in benefits at retirement which are fairly low in relation to your earnings in the period prior to your retirement. Secondly, you may have been in pensionable employment earlier in your working life. If this is the case, you may have benefit entitlements from that period of service, or you may be able to have a prior period of pensionable service reinstated.

With the introduction of **PRSAs**, you may now continue to save for your retirement while out of the paid workforce.

### Can I join my employer's pension scheme if I recommence work after raising a family?

This will depend on the eligibility provisions of your employer's pension scheme. Some schemes have upper age limits for entry which may prevent you from re-joining the scheme. In this event, you should consider taking out a **personal pension plan** to make provision for your retirement.

### What can I do with pension entitlements earned before I left work to raise a family?

If you have deferred pension entitlements in a previous employer's scheme, it may be possible to transfer these to your new employer's scheme, and this is discussed in the section on **occupational pension schemes** earlier. If you are re-joining the same pension scheme, it may be possible for your previous service to count in the calculation of your benefits on retirement, but this will depend on the rules of the particular scheme.

## **What if I took a refund of my contributions when I previously left service?**

Taking a refund of contributions extinguishes your right to pension benefits from your previous period of service. If the refund was from the scheme which you have now re-joined, it may be possible for you to repay the refund of contributions and be credited with the previous service in the scheme, but this will depend on the rules of the scheme and will often require the consent of your employer. You may also be required to repay interest on the refund of contributions.

## **How can I increase my benefits from the pension scheme?**

If you are re-joining the workforce at an older age, and do not have any benefits from previous service, your pension on retirement may be well below the maximum permitted by Revenue, and you will therefore be able to make **AVCs** to the scheme to provide increased benefits. These are discussed in the section on **occupational pension schemes** earlier.

## **What is the position if I work in the public service?**

If you worked previously in the public service, then you may be able to have that period of service reinstated for pension purposes. If you received either a refund of contributions or a marriage gratuity on leaving service, you will be required to repay these amounts together with interest if you wish to have your previous service reinstated.

## 11. Pensions on separation or divorce

The pension entitlements of you and your spouse/civil partner/qualified cohabitant arising from an occupational pension scheme or personal pension arrangement may be affected by separation or divorce.

The Family Law Act, 1995, sets out the treatment of pensions in cases of judicial separation, and the Family Law (Divorce) Act, 1996 makes similar provisions in relation to divorce proceedings.

The Authority has produced a guide 'A brief guide to the pension provisions of the Family Law Acts' and for more detailed information you should refer to this guide and to the 'Pensions on separation and divorce checklist', both available [here](#). Set out below are some questions and answers regarding pension entitlements following separation or divorce. You should bear in mind that you and your dependants may have benefit entitlements from both (a) your own arrangement, and (b) your spouse's/civil partner's/qualified cohabitant's arrangement.

### What entitlements can the family law acts confer on me?

The family law acts require pension benefits to be taken into account in arriving at a financial settlement in the case of a judicial separation or divorce. Allowance can be made in one of two ways:

- by making a **pension adjustment order (PAO)**, or
- by making orders in relation to some other family assets, e.g., family home, savings etc., which the court considers provides a fair distribution of the total overall assets of the couple.

### How do I get information on my spouse's/civil partner's/qualified cohabitant's pension scheme?

As a contingent beneficiary under your spouse's/civil partner's/qualified cohabitant's pension scheme, you are entitled to certain information under the provisions of the Pensions Act, and this may be obtained from the trustees or administrator of the scheme. In particular, you can obtain a copy of the scheme booklet, and the trust deed and rules, which will specify in detail the provisions of the scheme. You are not entitled to receive personal information on your spouse's/civil partner's/qualified cohabitant's pension benefits, although this will be provided to you if they consent. If consent is not forthcoming, you may apply to the court for a court order directing that the information

be provided to you. Your solicitor will be able to advise you further on this. Your spouse/civil partner/qualified cohabitant has similar rights in relation to information regarding your own pension entitlements.

## **What is a pension adjustment order (PAO)?**

A **pension adjustment order (PAO)** is an order served on the trustees of the pension scheme and is binding on the trustees. It overrides any provisions in the trust deed and rules of the scheme. A **PAO** can be made in relation to either (a) retirement benefits, and/or (b) contingent benefits payable to dependants in the event of the member's death in service.

A **PAO** 'designates' part of the benefits which will be paid from the pension scheme to a non-member spouse/non-member civil partner/non-member qualified cohabitant or person representing a dependent child. The part of the pension that is so designated is determined by the court. For example, if the court decided that 50% of the pension which had been earned by the spouse/civil partner/qualified cohabitant at the date of the decree should be designated to the non-member spouse/non-member civil partner/non-member qualified cohabitant, the trustees of the pension scheme would be required to pay this pension direct to the non-member spouse/non-member civil partner/non-member qualified cohabitant when the spouse's/civil partner's/qualified cohabitant's pension commences.

A **PAO** with regard to contingent benefits would cease once the member spouse/member civil partner/member qualified cohabitant leaves the employment to which the pension scheme on which the order has been made relates. An application for an order in relation to contingent benefits must be made within 12 months of the granting of the decree of judicial separation or divorce.

Retirement benefits refers to all benefits payable to the member of the pension scheme and includes retirement pensions, retirement lump sums or gratuities, benefits payable following the member's death in retirement and periodic increases on pensions in payment.

Contingent benefits refer to benefits that are payable under the rules of the pension scheme in the event of the death of the member during the period of employment to which the scheme relates. Benefits include lump sum benefits and pensions payable to dependants. A **PAO** with regard to contingent benefits would cease once the member spouse/member civil partner/member qualified cohabitant leaves the employment to which the scheme on which the order has been made relates. An application for an order in relation to contingent benefits must be made within 12 months of the granting of the decree of judicial separation or divorce.

### **Can I transfer my benefits out of my spouse's/civil partner's/qualified cohabitant's pension scheme?**

Yes, you are entitled to request that a transfer payment equal to the value of the designated benefit be made to a separate approved pension arrangement in your own name. However, you should take financial advice before doing so.

### **What happens if I remarry?**

If you remarry before a **PAO** is granted, then an order cannot be granted. In other words, you would have no entitlements to benefits from your ex-spouse's/ex-civil partner's/ex-qualified cohabitant's pension scheme and vice-versa. Remarriage does not affect a **PAO** granted in respect of retirement benefits. However, a **PAO** granted in respect of contingent benefits ceases on the remarriage of the spouse/civil partner/qualified cohabitant in whose favour it was granted.

### **What happens if either my spouse/civil partner/qualified cohabitant or I have a personal pension or PRSA and we legally separate or divorce?**

In this case the court may make a **PAO** with regard to the **personal pension plan** or **PRSA** held by either spouse/civil partner/qualified cohabitant. The order will be served on the insurance company which administers the personal pension or the **PRSA** provider.

### **In what cases would the family law acts not apply?**

There are a number of cases where the provisions of the family law acts do not apply as follows:

- (i) for judicial separations granted before 1 August 1996,
- (ii) for foreign divorces granted before 1 August 1996,



- (iii) for Irish divorces granted before 27 February 1997, and
- (iv) for separations which are not judicial i.e., separation by agreement.

## **What are my rights if the family law acts do not apply?**

In situations where you are separated or divorced and the provisions of the family law acts do not apply to you, then your benefit entitlements are as described below.

- (a) My own retirement pension and my spouse's/civil partner's/qualified cohabitant's retirement pension.

Entitlement to benefit would depend on the rules of the particular pension scheme. Your spouse/civil partner/qualified cohabitant would not be entitled to any portion of your personal retirement benefit (and vice versa) unless an order of attachment applies in either case.

- (b) Entitlement to spouses'/children's pensions in the event of death.

With regard to payment of spouses' pensions on the death of the member, this depends very much on the rules of the particular pension scheme. For example, the trustees may be required to pay a pension to the legal spouse of the member on their death, or the trustees might have discretion to pay the spouse's pension to someone other than the legal spouse. You should contact the trustees of the pension scheme to see precisely who is entitled to what benefit.

## 12. Glossary of terms

**Additional voluntary contributions (AVCs):** Additional contributions paid by a member of an occupational pension scheme in order to secure benefits over and above those set out in the rules of the scheme. Where an occupational pension scheme does not allow members to make AVCs, a standard personal retirement savings account must be offered by the employer for this purpose.

**Annuity:** A guaranteed retirement income for life paid at stated intervals until a particular event (usually the death of the person receiving the annuity). Annuities are normally purchased from a life assurance company at retirement in return for a lump sum payment (from your pension fund).

**Approved retirement fund (ARF):** An approved retirement fund (ARF) is a post-retirement investment fund typically used by defined contribution scheme members and personal retirement savings account holders at retirement to invest any retirement funds remaining after taking tax-free cash, as an alternative to purchasing an annuity. The funds transferred to an ARF can be drawn down in a flexible way during retirement. Further information about ARFs, e.g., who can access them, how withdrawals are taxed and what happens on the death of an ARF holder, can be requested from an ARF provider. For more information see the [Revenue Pensions Manual](#).

**Default investment strategy:** An automatic investment strategy required by law to be applied under a personal retirement savings account (PRSA) contract unless the contributor indicates otherwise. The default investment strategy for each individual PRSA product is based on general good investment practice in saving for retirement and approved by the PRSA actuary. In relation to company or 'occupational' pension schemes, trustees of defined contribution (DC) schemes (or the DC element of a defined benefit scheme) may specify a particular investment strategy as a default (in the event that no investment selection is made by a member), if the trustees are offering members a choice of investment options.

**Defined benefit scheme (also known as 'final salary scheme'):** Defined benefit (DB) schemes provide members with retirement and death benefits based on predefined formulae set out in the rules of the scheme. Benefits are often based on a members' salary close to retirement (or earlier death or leaving service) and on the length of time they have been a member of the scheme. For this reason, these schemes are sometimes known as 'final salary' schemes. However, DB schemes may also be 'career average' schemes in which the pension calculation is typically based on the member's average earnings while a member of the scheme.

**Defined contribution scheme (also known as ‘money purchase plan’):** Defined contribution schemes provide retirement benefits based on the accumulated value of contributions paid to a pension scheme by or on behalf of a member, including the investment returns earned on those contributions less any charges. As such, it is the contributions that are ‘defined’ or known, as opposed to the benefits that the member will receive at retirement.

**Net relevant earnings:** These are broadly defined as earnings from a trade or professional employment, less certain allowable expenses.

**Occupational pension scheme:** A scheme set up for employees which provides either or both of the following benefits:

- retirement benefits for members,
- death benefits for the dependant(s) of members.

**Pensions Act:** The Pensions Act, 1990, as amended, is the principal piece of pensions legislation in Ireland and has been considerably amended and extended since 1990.

**Pension adjustment order (PAO):** An order made following a decree of judicial separation or divorce whereby the court:

- adjusts a member’s pension scheme rights in favour of their spouse/civil partner/qualified cohabitant or a dependent child, or
- makes a nominal or ‘nil’ PAO whereby a member’s pension benefits are effectively not adjusted – instead the value of pension benefits can be taken into account in the making of court orders relating to other assets.

**Personal pension contract:** A retirement savings contract, usually with an insurance company, providing benefits at retirement. Personal pension contracts may be taken out by those who are self-employed or who are in non-pensionable employment. There are two forms of personal pension contracts: personal retirement savings accounts (PRSAs) and retirement annuity contracts (RACs). PRSAs can also be used by people in pensionable employment who wish to make additional voluntary contributions. The tax treatment of contributions, maximum benefits and drawdown options for RACs are broadly the same as for PRSAs.

**Personal retirement savings account (PRSA):** A personal retirement savings account (PRSA) is a personal retirement savings contract that any individual can take out with an authorised PRSA provider. It is effectively an investment account used to save for retirement and savings can only be accessed at retirement. PRSAs are a type

of defined contribution arrangement. Income tax relief is given on contributions to a PRSA, within limits set by Revenue. Revenue also set rules regarding how and when retirement savings can be accessed. Further information on these matters can be found in the [Revenue Pensions Manual](#). A register of authorised PRSA providers and their approved PRSA products is available on the [Pensions Authority website](#). The Authority has also published a guide to PRSAs, available [here](#).

**Pooled funds (also known as ‘managed funds’):** These are collective investment schemes in which investors’ money is pooled to buy a portfolio of assets, including government bonds, deposits, property and stocks.

**Preserved benefits:** A statutory entitlement to a preserved benefit is provided under the legislation to a member of an occupational pension scheme who satisfies the qualifying condition and whose service in relevant employment terminates before retirement for any reason other than death. The qualifying condition is currently that a member must have completed at least two years’ qualifying service. The qualifying period was previously five years and was reduced to two years for those who finished their employment since 1 June 2002. Different rules apply for members of a pension scheme whose employment terminated before 1 June 2002. For further information about preserved benefits, refer to the Pensions Authority’s ‘Preservation of benefits and minimum value of contributory retirement benefits’ guidance, which can be found [here](#).

**Qualifying service:** Currently, a pension scheme member must complete two years’ qualifying service before they are entitled to a benefit (formerly called a ‘preserved benefit’) from the pension scheme on leaving service. Qualifying service is defined in the Pensions Act. It broadly means service as a member of the pension scheme plus service in any other pension scheme relating to the same employment plus any period in a previous pension scheme from which a transfer value has been received.

**Retirement annuity contract (RAC):** An individual pension policy which can only be effected by individuals who are in non-pensionable employment or who have taxable earnings from a self-employed trade or profession. Also known as a ‘personal pension plan’ or a ‘personal pension contract’.

## Appendix A – Complaints

### What if I have a complaint about my pension?

Set out below is a summary of the action you can take should you have a complaint about your pension. Any action that you may take depends on whether your complaint is about an **occupational pension scheme**, a **PRSA**, an **RAC** or an **ARF**.

### What if I have a complaint about my occupational pension scheme?

Should you have a complaint about your **occupational pension scheme** you can contact your employer, the administrator of the plan, the trustees of the plan, the Pensions Authority and the Financial Services and Pensions Ombudsman.

#### How do I know who to contact?

**Your employer:** Initially you should contact the person in your organisation that deals with the pension scheme. This may be a contact in your Personnel or Human Resources Department who can try and resolve your complaint on your behalf.

**The administrator:** Alternatively, you can contact the administrator of the **occupational pension scheme** directly. This may be an insurance company or a separate company that administers the plan on behalf of your employer and the trustees. You can find out who the administrator is by asking your employer or getting a copy of the trustees' annual report from your employer (as the administrator will be listed in this report).

**The trustees:** If you are unhappy with the response to your complaint, you can contact the trustees of your plan. Details of the trustees will be set out in the trustees' annual report which you can request from your employer. You should note, however, that the trustees may refer your complaint back to the employer and/or administrator to resolve.

**The Pensions Authority:** If you fail to resolve your complaint with your employer or the administrator/trustees of the plan, you can contact the Pensions Authority. The Authority can act on behalf of pension plan members who are concerned about their plan; it can investigate alleged breaches of the Act, it has the power to prosecute for breaches of the Act and to take court action against trustees for the protection of members and their rights.

**The Financial Services and Pensions Ombudsman:** You can also refer your case to the Financial Services and Pensions Ombudsman who investigates and decides complaints and disputes concerning **occupational pension schemes**, pension providers and financial services providers. The Financial Services and Pensions Ombudsman is completely independent and acts as an impartial adjudicator.

The Financial Services and Pensions Ombudsman investigates complaints that allege financial loss as a result of maladministration by those responsible for the management of **occupational pension schemes** and personal pensions. The Financial Services and Pensions Ombudsman also investigates disputes of fact or law with trustees or managers or employers concerning **occupational pension schemes** and personal pensions.

### **What if I have a complaint about my retirement annuity contract?**

You can contact your **RAC** provider, the Financial Services and Pensions Ombudsman or the Central Bank of Ireland.

#### **How do I know who to contact?**

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

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

**Central Bank of Ireland:** The Central Bank of Ireland is responsible for the regulation of all financial services firms in Ireland. The Central Bank of Ireland'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. Broad issues of consumer protection should be referred to the Central Bank of Ireland.

### **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 Authority, the Financial Services and Pensions Ombudsman or the Central Bank of Ireland.

## 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 Authority:** 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 Authority who can assist you further in resolving the complaint.

**Financial Services and Pensions Ombudsman:** The Financial Services and 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 they have 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 Financial Services and Pensions Ombudsman by or on behalf of an actual or potential beneficiary.

**Central Bank of Ireland:** The Central Bank of Ireland is responsible for the regulation of all financial services firms in Ireland. The Central Bank of Ireland’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. Broad issues of consumer protection should be referred to the Central Bank of Ireland.

## What if I have a complaint about my ARF?

You can contact your **ARF** provider, the Financial Services and Pensions Ombudsman or the Central Bank of Ireland.

## How do I know who to contact?

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

**Financial Services and Pensions Ombudsman:** If you have followed the internal complaints procedure of your financial service provider and you are still not satisfied, the Financial Services and Pensions Ombudsman may investigate your complaint.

**Central Bank of Ireland:** The Central Bank of Ireland is responsible for the regulation of all financial services firms in Ireland. The Central Bank of Ireland'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. Broad issues of consumer protection should be referred to the Central Bank of Ireland.